



FEDERAL BUDGET 2017



Welcome to the May 2017 edition of our Money Matters Newsletter. We have included articles covering the recent Federal Budget, investment market movements, as well as updates on July 1, 2017 Super Changes. For more information about any article please contact your adviser. This newsletter is for general information purposes only.

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The Government outlined the details of the 2017-18 Federal Budget on May 9th 2017. The following proposed measures may be relevant to you:

- People who lost their age pension on 1 January 2017 due to changes in the assets test will be re-issued the Pensioner Concession card as well as all the benefits that come with the card. People should hold on to their Seniors Concession card but will not need the Low Income Health Care card.
- From 1 July 2018 people aged 65 and over will be able to contribute to superannuation (and subsequently a pension account) up to \$300,000 from the sale proceeds of their home. No work test requirement will need to be met to make the contribution. The proceeds must come from a home that the client had owned and lived in as their principle residence for at least 10 years. The \$1.6m pension limit still applies.
- From 1 July 2018 first home buyers will be able to salary sacrifice up to \$15,000 pa and then withdraw up to \$30,000 (plus a deemed amount of interest) from their superannuation to put towards a deposit on their home. The allowable withdrawal amount will be taken from voluntary super contributions (up to a maximum of \$15,000 per year) that are made from 1 July 2017. The withdrawn amount will be taxed at the recipient's marginal tax rate with a 30% offset.
- As from 20 September 2018 new activity test requirements will be applied to recipients of Newstart Allowance. This includes a requirement for recipients aged 60 to Age Pension age to undertake at least 10 hours of activity per fortnight. This requirement can be met through volunteer work.
- From 20 March 2020 a new JobSeeker Payment will be introduced by Centrelink to replace a number of existing payments, including Newstart Allowance and the Sickness Allowance. A number of other payments such as Wife Pension, Partner Allowance and Widow Allowance will be transferred over to the new JobSeeker Payment or the Age Pension, depending on the recipient's age and eligibility.
- From 1 July 2019 the Medicare levy will be increased from 2% to 2.5%.

DEATH BENEFITS

When you pass away your superannuation/pension account can be paid to a nominated beneficiary. If this beneficiary is a dependent (ie: a spouse, child under 18, or someone who was financially dependent on you at the time of death) then the payment is 100% tax free. However if it is paid to a non-dependent (or your estate) then tax may be applied to the payment. Superannuation/pension accounts are made up of taxable and non-taxable components. The tax is only applied to the taxable component at a rate of 15% plus medicare. It is important that you review your Nomination of Beneficiary for your superannuation/pension account if there is a significant change in your life such as having a partner die or becoming divorced. It is also important that if you do not have any dependents as indicated above that your Will reflects how you wish your estate to be distributed, especially if you leave your superannuation/pension to your estate (classified as your Legal Personal Representative in your Beneficiary Nomination) rather than specific individuals. We also remind clients of the importance of having a valid Enduring Power of Attorney issued to a trusted person.





AGE PENSION & BANK ACCOUNTS



Over time we have found that many clients’ bank account balances can build up. As a result the amount clients’ end up having in their bank accounts can be considerably more than what Centrelink have on record. If Centrelink are able to uncover this information they may end up doing an audit and ask you to pay back some of your Age Pension. It is therefore very important that you update us on your bank account balances at least once every 12 months, especially if the balances have gone up. This can be done by sending us an e-mail, sending us a letter or contacting us by phone. We also encourage you to make a time to see your adviser at least every 12 months, so it is recommended that you bring any current bank account balances with you so as we can compare them to what Centrelink have on record.



1 JULY 2017 SUPER CHANGES



There are a number of changes to superannuation that come into effect on 1 July this year that you need to be aware of:

- The maximum annual concessional contribution amount (paid to super pre-tax) is being dropped from \$30,000 to \$25,000 (this includes your employer contribution and any salary sacrifice contributions).
- The maximum annual non-concessional contribution amount (post tax savings paid to super) is being dropped from \$180,000 to \$100,000 (this includes any personal contributions to super). As a result the maximum 3 year bring-forward amount for non-concessional contributions will reduce from \$540,000 to \$300,000.
- The maximum amount that you will now be able to convert from superannuation to a tax-free pension is being capped at \$1.6 million per individual. Anything above this will need to be transferred back to superannuation.
- Once you have reached your \$1.6 million pension cap, you will no longer be able to make further contributions to super.
- As of 1 July individuals will be able to claim a tax deduction on personal contributions to super even if they have employer support.
- If you are in receipt of a defined benefit pension, this is included in the \$1.6 million cap and it is essential that you speak to us immediately in case you exceed the cap.
- The new \$300,000 house proceeds contribution is not counted in the \$100,000 annual cap but is counted in the \$1.6 million lifetime pension cap.

MARKET REVIEW

To the end of April 2017 the Australian share market was up 16.65% for 12 months, reaching its highest point since the GFC on 1 May 2017. Despite this the Australian share market was still 12.8% below the Pre GFC high of November 2007.

The Global share market was up 16.93% for 12 months to the end of April, with the US share market continuing to rally, being up 17.82% despite a rise in interest rates there.

The Chinese market also saw better returns, being up 9% after experiencing a very negative 2015-16.

Despite continued increases in property prices in Sydney and Melbourne the Reserve Bank has persisted in leaving interest rates at all-time lows, with no movement since the drop in the official rate to 1.5% in August 2016. This has of course left bank deposit and lending rates historically low with 12 month term deposit rates sitting at around only 2.5%. It is anticipated that the next interest rate movement will be upward, but most likely not until sometime in 2018.

The Australian dollar has held steady against the US dollar for the last 12 months, hovering between 0.71 and 0.77, sitting at 0.74 at the end of April 2017.

* All market performance figures are taken from Lonsec i-Rate



WEALTHTRAC

While Wealthtrac remains a privately owned platform, not aligned with any bank, insurance company or Fund manager, it outsources the administrative functions to a third party. In December 2016 the administration of Wealthtrac was transferred from ANZ over to Macquarie. Macquarie's platform features and functionality have been ranked at the top in the market and their anti-fraud procedures are first class. As a result of the transfer you will see a number of differences in the format of the reports and statements you receive from Wealthtrac as well as access to a brand new website. It is also important to note that the reports and statements you now get will only reflect what has occurred since the transfer took place on 12 December 2016. If you require any details or information regarding your Wealthtrac account from prior to the transfer you can still access the old web-site using your old log-in details, or contact your financial adviser. Some of the features of the new Wealthtrac facility are:

- Access to a wider range of investment options
- Real time data updates on unit prices, so investment values are more up to date.
- All investment buys and switches now processed online, so these processes are not only more timely but also more efficient
- Investment sell downs for withdrawals now done directly by LFS, thus speeding up withdrawal process
- No need for clients to sign withdrawal forms for Portfolio Service if there is a linked bank account.
- Easy facility to combine new superannuation contribution money with existing pension accounts
- Super and Pension accounts will retain their old account numbers but Portfolio Service accounts have been issued new account numbers.

We know the transition to Macquarie has had some hic-ups and we appreciate your patience. We believe the move has enhanced the Wealthtrac product and will keep future costs down.

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Don't forget to
keep your
details up-to-
date! Including
your email
address &
mobile number.

AGED CARE – it's a maze

When a loved one enters Aged Care the emotional strain on the family is over-whelming. Add to this the mountains of paperwork and forms required to be completed and then top it off with a complex fee structure that has even the brightest minds scratching their heads. To add further complexities, the Aged Care rules and the Age Pension rules are quite different from one another. We would like to remind you that our advisers are experts in Aged Care & Age Pension assessment and strategies, and can provide you with all necessary assistance in completing the Aged Care Means Test Assessment form as well as assisting with factual information on the benefits of keeping or selling the family home.

Importantly, if a protected person will remain in the home, the home will not count towards the calculation of the Means Tested Care Fee (MTCF). A protected person is:

- A partner or dependent child of the person entering Aged Care
- A carer who has lived with, and provided care, for the person entering Aged Care, for at least 2 years AND is eligible for an income support payment from Centrelink.
- A close relation, such as a sister, brother, parent, child or grandchild who has lived with you in the home for the past five years AND is eligible for an income support payment from Centrelink.

Aged Care costs are high, with bonds (known as RADs) being around \$550,000 in most cases. The Basic Daily Care Fee at the moment is \$49.07 per day. Those who cannot pay the RAD, may pay a Deferred Accommodation Payment (DAP) which is interest on the outstanding amount of the RAD. The current interest rate is 5.78% pa.

We can assist you with the many questions you may have and for current clients, there is no additional fee for this service.

MOVEMENTS AT THE STATION

There have been a few minor changes of staff recently, Nicole has moved on, and we wish her well, and Sharron and Kathleen are currently sharing the duties of Reception. Both are here full time. We also wish to thank Deb for her brief time with us and helping out. Kathleen is about to celebrate her 14th year with LFS. We congratulate Kathleen on her 14th anniversary and thank her for her continued support and hard work. We also wish to acknowledge Chris (Harry) Harrower on his 11th year anniversary with LFS. In July this year Shelley Simnett reaches her 10 year milestone with LFS. We congratulate her also and thank her for her continued service.

For those who often ask, Chris Vanden-Driesen started with LFS in August 1997 and Simone Vanden-Driesen joined December 1989. Simone started advising in March 2003. Chris will reach his 20th anniversary with LFS in August this year.

We remind you that our Website address is; www.leishmans.com.au There are many useful forms and links on there for you. We are constantly battling to keep our email, phone and postal address records current, please make sure we have your current email address, phone numbers and postal address by advising us at info@leishmans.com.au Thank you.

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