



ACT NOW TO ENSURE YOU MAXIMISE YOUR RETIREMENT INCOME AND ENTITLEMENTS

If you are nearing retirement, or have retired, or know someone in either case you need to contact SBA Financial to ensure that your assets are in order to achieve the best possible scenario.

With regards to Centrelink payments they look back up to 5 years before applying for the Pension. So if you are planning to receive Centrelink Benefits let us at SBA Financial check your assets are in place and under the threshold.

What you will need to retire

How much you need to survive in retirement depends on whether you prefer champagne or beer.

If you are happy with a modest lifestyle – better than living on the age pension, but still basic – you will need to save at least \$255,129 before you stop work. However, if you want to live it up a bit, you will need \$500,000 plus maybe even closer to \$1 million if you are not relying on the Age Pension.

RETIREMENT BUDGET: HOW MUCH DO YOU NEED?				
	Modest Lifestyle - Single	Modest Lifestyle – couple	Comfortable Lifestyle - Single	Comfortable Lifestyle – Couple
Housing – ongoing only	\$62.76	\$64.91	\$83.37	\$85.52
Energy	\$11.53	\$13.73	\$12.62	\$14.82
Food	\$64.94	\$136.67	\$128.81	\$181.60
Clothing	\$14.42	\$24.86	\$30.44	\$55.51
Household goods & services	\$49.45	\$52.37	\$87.89	\$92.98
Health	\$11.44	\$21.56	\$48.18	\$94.75
Transport	\$69.67	\$70.44	\$106.32	\$107.09
Leisure	\$44.30	\$73.35	\$141.72	\$203.48
Personal Care	\$24.54	\$38.68	\$24.54	\$38.68
Gifts and/or alcohol				

& tobacco	-	-	\$21.37	\$42.74
Total Per Week	\$353.05	\$496.57	\$685.26	\$917.16
Total Per Year	\$18,408	\$25,892	\$35,731	\$47,824
Lump Sum Required	\$255,129	\$339,774	\$495,193	\$627,581

Please look at our web site:- www.sbafinancial.com.au Budget Planner to assist you.

From 1st July, 2007 - Changes

- Most Super payouts will be tax free for people who retire when they are 60 or over. This is because the current rules, which continue to apply to those aged ***under 60***, already mean that the first \$136,590 is tax free (from 1st July it will be \$140,000). (Except from an Untaxed Fund – Government).
- Reasonable Benefit Limits will be abolished from 1st July, which means there will be no official limit on how much you can take out tax effectively from super.
- Self-Employed will be able to get a full tax deduction on all their super contributions – not just on the first \$5,000 as at present – subject to the broad contributions limits. They will also be able to access the superannuation co-contribution.
- A new annual limit of \$50,000 will apply to tax-effective contributions (e.g. those made as a salary sacrifice) from 1st July. This includes self employed. The main exception is for those 50 and over, who will have a \$100,000 annual limit until 30 June, 2012. This also applies to people who turn 50 during this period.
- Contributions out of after-tax income will be limited to \$150,000 a year, but with the ability to contribute a total of \$450,000 in any one three-year period. However, any used portion of the \$150,000 allowance cannot be carried forward to the next year. Be aware that there are tax penalties for contributing over the \$450,000 limit. This amount of \$450,000 can only be used if you are under 65.
- Except for the Reasonable Benefits Limit the current rules basically will continue to apply to super payouts made to people under 60.

Changes on 20 September, 2007

For those who want to maximize Centrelink Benefits!

- Pump up your retirement income before 20th September, 2007. **Don't miss this last chance to maximize your retirement income.**
 - **Two important changes:-**
 - **The 50 per cent assets test exemption will be removed for complying income streams purchased on or after 20th September, 2007 and**
 - **The Pension assets test taper rate will be halved from \$3.00 to \$1.50 per fortnight for every \$1,000 of assets above the assets test limit.**

- The Government's changes present an opportunity to review your retirement strategies and maximize your pension entitlement by taking advantage of the existing rules before they change on 20th September, 2007.

- **If you do not currently receive a pension because of the level of your assets, changes from 20th September, 2007 mean you could become eligible.** In addition any entitlement may be increased simply by re-organising the way your money is invested and, for example, purchasing a complying income stream. Doing so could reduce your assets, which are assessable for social security purposes, and make you eligible to receive a pension.

Changes to the Government assets test thresholds

Family Situation	Lower Threshold (For Full Pension)	Upper threshold (Pre-20 September, 2007)	Upper threshold (From 20 September, 2007)
Single, homeowner	\$166,750	\$343,750	\$520,750
Single, Non-homeowner	\$287,750	\$464,750	\$641,750
Couple (Combined) homeowners	\$236,500	\$531,000	\$825,500
Couple (Combined) Non-homeowners	\$357,500	\$652,000	\$946,500

- Term Allocated Pension (TAP) will be phased out from 20th September, 2007. It will no longer be possible to receive the 50% assets test exemption from Centrelink.

- This means you must take advantage of the pension opportunity before 20th September, 2007.

- A TAP provides a regular, tax effective superannuation income stream comprising the payment of interest and capital over a fixed term. The income paid each year is based on a table of Government pension payment factors and

can be varied up or down by up to 10% per year. The term is set by reference to the life expectancy. As a complying income stream, *only 50% of the value of the TAP at any time counts towards the age pension assets test during the term.*

Refer case study below:-

Case Study: Michael and Therese's Pension payment boost

Prior to 20th September, 2007, Michael and Therese are not eligible to receive a Government pension. They are retired, own their own home and have assessable assets, for social security purposed, totalling \$690,000.

According to current rules, eligibility for a Government pension cuts out if a couple who own their home have assets in excess of \$531,000. However, changes to the assets test taper rate mean that, from 20 September, 2007, this limit increases to \$825,000. Michael and Therese can therefore receive a pension of \$202.50 (Combined) per fortnight.

By purchasing complying income streams before 20 September, 2007 Michael and Therese lower the level of their assessable income.

If you receive a pension, which is restructured by the assets test, you may receive a boost to your payment. It may be possible to increase your pension payment. They purchase complying income streams of \$100,000 each before 20 September, 2007 and therefore qualify for an increased pension. From 20 September, 2007 they will receive \$352.50 (Combined) per fortnight.

Salary Sacrifice

Pay part of your Salary into Super and pay 15% versus paying the tax at your marginal rate 30%, 40% and 45%.

Salary sacrifice is a way of paying less tax and having more funds for retirement.

However, a tax deduction for employer superannuation contribution is only available up to \$50,000 per annum from 1st July, 2007 (Unless you are over 50 year old – Limit \$100,000).

Employment Termination Payments

From 1st July, 2007 employer eligible termination payments (to be called “Employment termination Payments”) will not be able to be rolled into super except under the transitional arrangements.

Transitional arrangements will apply to employment termination payments received between 1 July, 2007 and 30 June, 2012. You will still be able to rollover over this payment to a superfund if the employment termination payment is specified in your employment contract on or before 10 May, 2006.

The rollover of employment termination payments to superannuation funds under \$1 million do not count towards any of the contribution caps that apply to regular superannuation contributions from 1st July, 2007.

Please note that the taxable component of any employment termination payments rolled into super (i.e. amounts up to the \$1 million cap) will be taxed at 15% upon it being received into the Fund.

Of course these transitional employment termination payments can be received directly by you in cash as well.

If you are not eligible for the transitional rules, you will only be able to receive an employment termination payment as cash from 1st July, 2007 and a less generous tax treatment may apply to cash payments.

Government Co-contribution

	Lower Income threshold	Higher income threshold	What will I receive for every \$1 of personal superannuation contributions?	What is my maximum entitlement?
From 1 July, 2007	\$28,980	\$58,980	\$1.50 for every \$1 up to a maximum contribution of \$1,500 a year	Your maximum amount is \$1,500. However, you must reduce this by 5c for every dollar you earn over \$28,980 up to \$58,980

Upon lodgement of your income tax return which includes your member contribution Number, your co-contribution amount will be paid to your superannuation account.

The Australian Taxation Office will send you a letter with details about your co-contribution amount that has been paid to your superannuation fund.

This co-contribution cannot be paid into your bank account.

From 1st July, 2007 – co-contribution has been extended to include the self-employed, providing you satisfy the eligibility criteria.

This co-contribution will be treated, for taxation purposes, similarly to the personal contributions that it is matching. That is, it is tax free.

Check with us at SBA Financial before the end of the financial year.

Reverse Mortgage

If you are nearing retirement and own your own home you can borrow money against the home. The owner can continue to live in the home.

These loans allow people to borrow cash against the value of their home and usually do not require regular repayments until the owner leaves the home by moving into care, sells the home or dies. When the loan ends the person or their estate must repay what is owing usually out of the proceeds of the sale of the home.

Fees and interest are added to the loan balance. Terms and conditions apply to the loan regarding home maintenance and repairs to a standard set by the lender.

There is a risk that the amount of the loan may exceed the value of the home and this is known as “negative equity” which can cause serious difficulties for some people.

Some seniors find reverse mortgages attractive and useful.

Age Pension

What is Age Pension Age?

For men, Age Pension age is 65

The qualifying Age for women is gradually being increased to 65, making it the same for everyone by 2014.

Qualifying ages are set out in the table below:-

Date of Birth	Qualification Age
Before 1 July, 1935	60
1 July 1935 to 31 December 1936	60½
1 January 1937 to 30 June 1938	61
1 July 1938 to 31 December 1939	61½
1 January 1940 to 30 June 1941	62
1 July 1941 to 31 December 1942	62½
1 January 1943 to 30 June 1944	63
1 July 1944 to 31 December 1945	63½
1 January 1946 to 30 June 1947	64
1 July 1947 to 31 December 1948	64½
1 January 1949 and later	65

For most people aged 60 and over, who receive super benefits from a taxed source, payment of a benefit as a lump sum or income stream (such as a Pension- will be tax – free.

If your super comes from a source that is not taxed (such as public service super funds), your benefits will continue to be taxed when you receive them. However, you may be entitled to a tax offset that will reduce the tax payable on these benefits.

Commonwealth Seniors Health Card provides assistance with the cost of prescription medicines and other services, if you are of Age Pension Age, but do not qualify for Age Pension. Income tested and not asset Tested:-

- Singles less than \$50,000 (taxable Income)
- Couples less than \$80,000 (taxable Income)
- Couples combined who are separated due to ill health \$100,000 (taxable Income)

Benefits include discount on prescription medicines through the Pharmaceutical Benefits Scheme (PBS). You may also be required to present your Medicare Card when you purchase PBS medicines. Other services in some instances include additional health, household transport and education.

Super Pensions are now tax free and not included in Taxable Income. (For all those over 60 year old and have retired). Clients who have been ineligible for the Seniors Health Card can now re-apply because payments from Super (Including Income Stream) are no longer included.

Pensioner Concession Card entitles you to reduced cost medicines as well as other concessions. If you qualify for a Centrelink Pension you will receive the Pensioner Concession Card automatically.

Benefits include reductions in property & water rates, energy bills, telephone allowance, fares on public transport, motor vehicle registration and one or more free rail journeys within the state each year.

The Pension Bonus Scheme provides a tax-free lump sum to people who defer claiming Age Pension and continue to work.

For a bonus to be payable, people have to register as members then meet a flexible work test for a minimum of 2 months from the registration date. For earliest possible registration, people should apply for membership within 13 weeks of meeting the age and residence requirements for an Age Pension. If a person does not work, but his or her partner does, the partner's employment may earn a bonus.

Information required:- Proof of identity and Proof of employment and Age.

The bonus you receive is a multiple of 9.4 per cent of your base Age Pension for each "accruing" bonus period.

Payment rates appear below as a guide only and are effective from 1st July, 2007

Maximum Amount of Bonus Payable:-

Bonus Years	Single	Partnered (each)
1 Year	\$1,283.30	\$1,071.70
2 Year	\$5,133.40	\$4,286.80
3 Year	\$11,550.10	\$9,645.20
4 Year	\$20,533.50	\$17,147.10
5 Year	\$32,083.60	\$26,792.40

For a couple the maximum payout could be around \$53,584

The amount of bonus you receive depends on:

- ❑ The amount of basic Age Pension you are entitled to when you claim it after you leave the workforce
- ❑ The length of time you have been an accruing member of the Pension Bonus Scheme and
- ❑ Whether you are single or have a partner during the time you are deferring your Age Pension.

If you are not entitled to a basic Age Pension, you cannot be paid a bonus. If you are entitled to 75 per cent of the basic rate of Age Pension when you retire, your bonus will be 75 per cent of the amounts in the table.

You must be an accruing member for at least one year to be paid a bonus. A maximum of five years accruing membership can be taken into account for your bonus. Work after age 75 cannot be included.

For All Ages – ESTATE PLANNING

Issues:-

What does family mean to you? What do you want to pass on? When did you last review your Will? Any issues with family members?

Will

A Will is the first step to ensuring the distribution of your estate is in accordance with your wishes. Without a Will, upon your death a court controls the distribution of your estate and the persons to whom your estate is distributed to, which may result in delays in asset distribution.

We at SBA Financial encourage you to have two (2) Executors on your Will.

Power of Attorney

Power of Attorney is for a limited time.

Enduring Power of Attorney

An Enduring Power of Attorney authorizes your nominated attorney to act on your behalf. That is, in the event you are no longer able to make decisions, your attorney will have the power to make decisions on your behalf and in your interest.

Enduring Power of Attorney (Medical Treatment)

An Enduring Power of Attorney (Medical Treatment) is a legal document where you (the donor) appoint someone (the agent) to make medical treatment decisions for you - like agreeing to medication or surgery.

ENDURING means it continues (Endures) when you are unable to make these types of decisions for yourself.

Superannuation Benefit

In many cases, a client's dying wish is to have their superannuation benefit paid to adult children, parents friends or siblings. **Unfortunately, these payments are generally taxable.** However, if it can be established that an interdependency relationship existed, the payments can be received tax-free.

Two people are in an interdependency relationship if:

- ❑ They have a close personal relationship; and
- ❑ They live together; and
- ❑ One or each of them provide the other with financial support, domestic support and personal care.

An interdependency relationship can still exist where two people have a close personal relationship, but do not satisfy the other conditions above. I.e. they may be temporarily living apart because one person is overseas or because one or the other suffer from a physical, intellectual or psychiatric disability.

Death benefits paid to a dependant (include spouse, child under age 18, a person financially dependant or in an interdependency relationship with the deceased) are totally tax-free.

But, if paid to a non-dependant (such as parent, siblings or adult children) the tax rate is illustrated below:-

Component/segment	Tax Rate
Tax-Free	0%
Taxable (element taxed)	15% plus the Medicare Levy
Taxable (element untaxed)	30% plus the Medicare Levy

With these new Tax Rules you need to plan now for “Death Duties”.

For those over 60 – Super is Tax Free while you are alive – Taxable if you leave it to the wrong person/ Non Dependant.

Refer case study below:-

Case Study: James Age 62

James \$450,000 in Super. Is divorced and have two (2) Non Dependant children (Over 18 Years old)

His Super is divided into two parts:-

Taxable (Element Taxed):	\$200,000	15% (Employer Contribution)
Taxable (Element Untaxed):-	\$250,000	30% (Own Contribution, Pre '83)

He has resigned from work. He has come to SBA Financial prior to retirement. SBA Financial has now recommended James to withdraw all his Super and apply a re-contribution strategy.

Result:-

NIL Tax on withdrawal, a non-concessional contribution. \$450,000 is now Tax Free.

James dies two (2) years later after this strategy is now in place. \$450,000 plus the growth goes to his Non Dependents – TAX FREE.

If he had not applied the re-contribution strategy Result:-

Break up as follows:-

Tax Free	\$250,000	
Taxable (Element Taxed)	\$200,000	Taxed at 15%
		Net payment \$420,00
		Therefore \$30,000 would be collected by the ATO.

\$30,000 Reasons to make an appointment at our office

Tax File Number

From 1st July, 2007, the personal contributions you intend to deduct and employer contributions made to new super accounts without a tax file number (TFN) will be taxed an additional 31.5%. For existing accounts, the additional 31.5% will generally be payable on all contributions once the contributions for the year reach \$1,000. For accounts created after 30 June, 2007, the additional 31.5% will be payable regardless of the amount contributed.

To avoid this you must provide your TFN to your super fund.

Self Managed Super Funds (SMSF)

Another arm of SBA Financial is the setting up of SMSF and assisting those clients who wish to set up a SMSF.

Be sure this is the avenue you want to take. We at SBA Financial can run though with you all the requirements for this is take place.

Summary

If you are nearing retirement, or have retired, or know someone in either case now is a good time to come into SBA Financial to REVIEW all your Super, Wills and other entitlements and ensure you are on track. Also we may be able to save you \$\$\$ as a result of Government changes in the Budget and Super.

Do not leave it until it is too late.

To arrange an appointment to discuss your retirement plan, please contact my office (03) 9355 7111.

I look forward to hearing from you.

Yours sincerely,

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SHANE BOND.
CFP Dip FP
Financial Planner

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