Account(able) Insight
Your future is our future
FEBRUARY 2017

2017 CENTRELINK ASSET TEST CHANGES

By Capstone Financial Planning

Changes to the assets test have come into effect as of 1 January 2017 and could impact anyone who qualifies for the age pension.

If you are currently 65 years of age or more, you must undergo an income test and an assets test in order to determine whether you are eligible to receive an age pension payment from the Federal Government. The income test examines how much you earn, while the assets test is an assessment of your accumulated assets.

You may be eligible for either a full or part-age pension, depending on how much you earn and own. Keep in mind that your rate of age pension is determined by the test that provides the lowest result.

The value of most of the assets you own (excluding your home) will be included in the assets test. Your age pension will not be reduced as long as the value of your assets is within the assets test 'free area'.

However, if you go above the free area, a taper rate will apply.

The assets test free area and the assets taper rate has increased as of 1 January 2017.

The assets test free areas for a full pension will increase to:

- $250,000 for a single homeowner (previously $209,000)
- $375,000 for a homeowner couple (previously $296,500)
- $450,000 for a single non-homeowner (previously $360,500)
- $575,000 for a non-homeowner couple (previously $448,000)

On 1 January 2017 the taper rate for the pension assets test changed from $1.50 for $1,000 of assets to $3.00 per $1,000 of assets. This means your age pension will effectively reduce twice as quickly as it did pre 1 January 2017.

What assets are included in the asset test?

- Property, excluding your home
- Motor vehicles, boats, caravans
- Financial investments such as bank accounts, managed funds and shares
- Superannuation, if you're over the age pension age
- Superannuation pensions and annuities (note, certain pensions and annuities purchased before 20 September 2007 may be partially or fully exempt)
- Business assets
- Household contents and personal effects, such as clothes or jewellery

Other considerations

These changes could result in people seeing an increase, decrease or no change at all in their age pension payments.

It is particularly important to discuss with your financial adviser how these changes may impact you if you have investment strategies currently in place or if you are currently considering investing. Some important aspects to consider include how you could replace lost income or create strategies to better manage your assessable assets. It might be that you will need to work for longer than originally anticipated, before you are able to retire comfortably or you may consider adjusting your version of an ideal lifestyle in retirement with a lesser budget.

Are health entitlements affected?

If the changes to the assets test result in you losing your income support payment (i.e. the age pension), the government will provide you with a non-income tested Low Income Health Care Card. For those over age pension age, you will also receive a non-income tested Commonwealth Seniors Health Card. These cards offer discounts on medical expenses and other household, transport and recreation concessions.

If you are unsure whether the assets test changes will affect you or would like further information, please contact us today.

HOW SUPER CONTRIBUTIONS CAPS WORK

By Capstone Financial Planning

One of the most tax-effective ways to boost your retirement savings is to put additional money into your super – and once you know how the caps on super contributions work, you can take advantage of the available tax concessions.

This makes sense as, by staying within the super contributions caps, you can reduce the amount of tax you need to pay. These limits or caps generally depend on your age and the type of super contributions you make.

Below we take a look at what you need to know about concessional and non-concessional super contributions:

1. Concessional (before-tax) super contributions

These are super contributions you make before you pay tax on them. They generally include:

• Contributions made by your employer, such as Super Guarantee (SG)

• Salary sacrifice payments you choose to make from your before-tax income

• Personal concessional super contributions – for example, contributions you make if you're self-employed.

Concessional super contributions are generally only taxed at 15%, which means you could lower your taxable income.

What is the concessional super contributions cap?

Currently, you can make up to $30,000 in concessional contributions in a financial year if you were less than 49 at 30 June 2016, or $35,000 if you were older.

This will now be changed to an annual cap of $25,000 for everyone from 1 July 2017.

What happens if you go over the concessional super contributions cap?

The amount of your excess concessional super contributions is included in your assessable income and you pay an interest charge.
If you do not choose to withdraw your excess concessional contributions from super, the excess will also count towards your non-concessional superannuation contributions cap.

2. Non-concessional (after-tax) super contributions

These are superannuation contributions you make from sources that have already been taxed. They generally include:

- Super contributions from your take home pay or savings when no tax deduction has been claimed
- Certain super contributions made by your spouse on your behalf.

What is the non-concessional super contributions cap?

Currently you can contribute up to $180,000 a year. Or, if you're under the age of 65 (any time during the year); you are able to apply the 'bring-forward' rule. This allows you to make up to three years' worth of non-concessional contributions (currently $540,000) at any point during a three-year period.

The Government has reduced the annual cap to $100,000 from 1 July 2017.

Under the new rules, if you're eligible you'll still be able to apply the bring-forward rule and contribute up to $300,000 at any time during a three-year period.

In addition, from 1 July 2017 the Government will no longer allow you to make any further non-concessional contributions once your total super balance reaches $1.6 million.

What happens if you go over the non-concessional super contributions cap?

You can choose to withdraw the excess non-concessional amount from super and 85% of an 'associated earnings amount', or how much your excess contributions earned while in your super account.

The total amount of associated earnings will then be included in your assessable income for the year and taxed at your marginal rate.

Otherwise, excess non-concessional super contributions will be taxed at 49%.

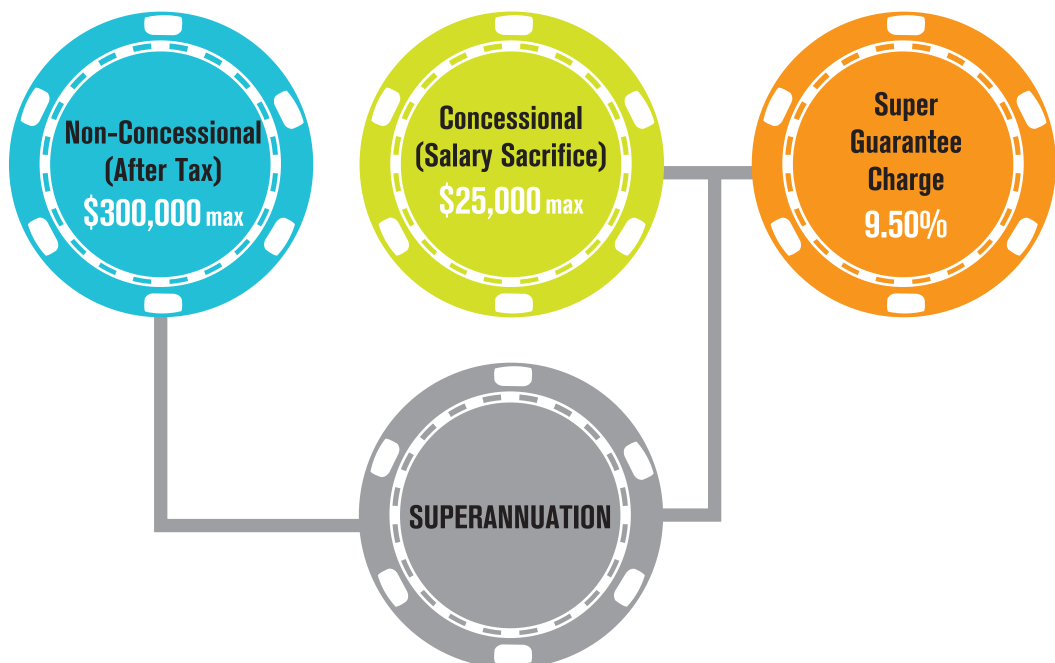
There are eligibility requirements to keep in mind:

- If you're aged between 65 and 74 and want to make voluntary super contributions, you need to pass a work test. This means you need to have worked at least 40 hours within 30 consecutive days in the financial year before you contribute further to your super.
- If you're 75 or over, you won't be able to make voluntary contributions to super. These eligibility rules don't apply to your employer's SG contributions – they can be made at any time, regardless of your age.

For more information about super contributions and how they might impact your financial situation, please contact us.

FROM 1 JULY 2017

The way to get more money into your super



EVER FEEL LIKE YOU'RE DROWNING IN A SEA OF PAPER?

What you need to keep for your tax purposes and your legal obligations.

Life can be complicated enough without all the administrative paperwork that often accompanies it. This is particularly true when it comes to your personal finances.

If stacks of old bank statements, utility bills, receipts, insurance and superannuation documents mean you can't see the trees for the paper, de-clutter, simplify your finances, and improve your quality of life today.

Why simplify?

There are many good reasons to pare back on your financial record-keeping, including:

- Living in smaller dwellings means we have less space to store documents
- Saves time by making it easier to find what you need
- Helps your loved ones find relevant documents easily should something happen to you
- In the event of a home emergency, you can quickly find important documents you may want to take
- Makes your life easier at tax time.

What you need to keep

When it comes to identifying the documents you need to keep, considering your legal obligations is a good place to start.

The first of these is your annual tax return. In order to complete your tax return you'll need documentary evidence of:

- all payments you've received, such as wages, interest, dividends and rental income
- any expenses related to income received, such as work-related expenses or rental repairs
- the sale or purchase of assets, such as property or shares
- donations, contributions or gifts to charities
- private health insurance cover
- medical expenses, both your own and those of any dependents.

You need to keep these documents for five years after you lodge your tax return in case you're asked to substantiate your claims, and it's also a good idea to keep your notice of tax assessments for five years. However, if you run a small business, the document requirements and timeframes differ

Find out more at the Australian Taxation office *www.ato.gov.au*

The second category of documents are those related to property such as:

- property deeds
- home loan documents
- renovation approvals
- Warranties relating to work undertaken.

Other documents to keep include:

- wills
- tax file numbers
- powers of attorney
- birth certificates
- death certificates
- marriage certificates
- immunisation records
- passports
- current insurance policies, such as your life, home and contents, and motor insurance
- your most recent superannuation statement
- any personal loan documents
- vehicle registration
- vehicle service history
- business registrations
- Qualifications documents.

What you can throw away

There are some documents you can toss, and as a rule, once a document has been replaced by a newer version, it's safe to dispose of the older copy. There's also no need to hang onto credit card receipts once you've reconciled them against your bank statements, unless they're needed for warranties.

Credit card and bank statements should be retained for a year, while other household paperwork, such as utility bills, can be thrown away once paid, unless you need a copy for rental applications or you want to keep them to compare your usage over time.

The exception to these rules is if the documents are required for tax purposes.

By AMP

REMINDERS FOR YOUR DIARY

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