



# Super Health

Thanks to better health and treatment for disease, we are all living longer and as a result will have many more years in retirement which means we need more savings and more superannuation.

Superannuation is a reliable means of accumulating savings for retirement, but are you making the most of the opportunities available? Are you on track to build up enough money in your super in time for your retirement?

While the cost of living continues to rise at a fast pace, taking the necessary steps to be financially prepared for your retirement is vital.

The national figures for the ASFA Retirement Standard (December 2010 quarter) show an alarming difference between a modest lifestyle (\$21,218 for a single and \$30,708 for a couple) and a comfortable lifestyle (\$39,393 for a single and \$53,879 for a couple) compared to the Age Pension (around \$19,000 for a single and \$28,600 for a couple).

Here are some ideas for starters.

## Salary Sacrifice

A salary sacrifice strategy involves having part of your pre-tax salary paid into your superannuation fund by your employer rather than you receiving it as income. This strategy not only increases your pre-tax contributions to super, but reduces the amount of tax you pay as you benefit from only 15% contributions tax rather than your marginal rate of tax.

If your income is on the cusp of the tax thresholds, implementing a salary sacrifice strategy could also drop you down into the lower tax bracket, meaning you will pay even less in tax.

However, when choosing this strategy, you need to remember that there are limits; pre-tax contributions to super are limited to \$25,000 per person per annum (or \$50,000 for those 50 years old and over) and this includes your nine per cent Superannuation Guarantee contributions. Remember too that once contributed into your super, you won't be able to access the money until you retire, on or after the age of 55.

## Government's Super Co-contribution

If you earn more than \$37,000 a year, superannuation is the most tax-effective environment in which to grow your wealth. Although the government has reduced the amounts that can be contributed to superannuation, the limits are still generous.

By making personal (or after tax) contributions to your super you could qualify for the government's super co-contribution. If your salary (assessable income, plus any fringe benefits and reportable employer superannuation contributions) is less than \$61,920 and you contribute up to \$1,000 the government's super co-contribution could add up to an extra \$1,000 to your super each year.

## Consolidating your Super

If you have changed jobs over your working life, it's likely that you have more than one super fund. If that's the case, you are most likely paying more than one set of fees, eroding your super savings. Consolidating your funds will save you from paying multiple fees and charges. And, you'll only have one super account to keep a track of! Before consolidating, check with your financial adviser.

Are you one of the many Australians with unclaimed dollars in super funds? Not sure how to find your funds? Your financial adviser can help you uncover your lost super and consolidate it into one maximised account. After all, it is yours.

Take the time to visit your financial planner to discuss a strategy to help make the most of the options available to you.

## If you are Self-Employed

The co-contribution is also available to people who are self-employed. To be eligible, you must make a personal contribution without claiming a tax deduction for it. The tax office will work out your co-contribution from information on your tax return and details of contributions provided by your super fund.

You must earn at least ten per cent of your total income from employment, running a business or a combination of both.

Source | IOOF



Through the death of her business partner and friend, Sue saw first-hand the importance of a risk adviser and adequate, relevant insurance for a business.

Sue knows better than most the value of having the complete range of business insurance in place. As partner in an accounting firm with her long-time mentor and friend, Paul Gillett, Sue was aware of every nuance and consequence of policies – in fact, she spent most days discussing the importance to clients.

But like everybody's situation, the reality for Sue and Paul was a lot more complex, and just like most people, it came down to "getting around to it" and an aversion to paperwork.

Sue had approached a local risk adviser as a potential referral source for their accounting clients who needed guidance on insurance cover.

"He said he wanted to assess our personal situations first," explains Sue. "He found that what we had was not adequate. So he rewrote all our insurance, taking in to account our new structure, and redid the policies for our partnership and our business insurance."

Not long after that, Paul was diagnosed with sheath nerve cancer. A biopsy was taken and despite the odds, just 5%, Paul found out it was malignant. During his chemotherapy and a series of operations on scar tissue around the tendons in his wrist, Paul kept up his work with clients. "He was very dedicated," says Sue. "Paul was conscious of pulling his weight and it was good for him to stay involved."

Despite treatment, the cancer came back more aggressively. The only option was to remove Paul's right arm.

Sue and the rest of the office staff held the fort while Paul underwent intensive radiotherapy and chemotherapy.

"We were attending an upcoming professional conference, held in Hawaii, where we were being recognised with a distinguished award. Paul was so proud. He wouldn't be able to go, and I was reluctant to go by myself. He insisted we still go to Hawaii, and in the meantime, unbeknownst to me, Paul was admitted to hospital."

While Sue and her husband were attending the conference, Paul passed away. They immediately returned. While still in shock, Sue had to gather up the policies, documentation and claims paperwork and as the dust settled, a few home truths emerged.

"The mistake we made," says Sue, "was not getting 'key person cover' on both of us. This would have paid down if either of us was off work, and we needed to employ somebody for that time. It would have taken care of the financial stress."

"There were so many things we had neglected. We delayed getting around to the appropriate insurance and agreements



# Insurance fundamental to business success

{ we need to be proactive and care about our clients' businesses, and their lives }

because we had to tailor them to our specific needs, add our own clauses to the basic documents that were supplied. It was unpleasant to deal with, even though the reality was, Paul was ill."

Sue's advice is simple: "Have your agreements formulated by a competent legal firm with expertise in your field, as well as your insurance completed by a risk adviser. This underpins business success.

"Get your accountants involved for business valuations.

Make sure balance sheet items are adequately covered by insurance. When it comes to agreements, make sure each partner can sign for the other in the event of death – a Power of Attorney clause. Keep a copy of signed transfer forms on file.

"Make sure you have all the details of loans between parties and vendor finance arrangements and how they will be dealt with in the event of the death or total permanent disability of one of the partners.

"Always ensure the business is adequately covered," recommends Sue. "For the sake of a couple of hundred dollars a month, you have peace of mind and if you need to claim, half a million dollars.

"If we don't do it as professionals in the industry, how can we expect our clients, with their own busy lives to prioritise it? We need to be business development advocates as well as focusing on wealth creation, and we need to be proactive and care about our clients' businesses, and their lives."

The complete story of Sue and Paul will appear in issue 4 of *Imagine Your Lifestyle*. [www.imagineyourlifestyle.com.au](http://www.imagineyourlifestyle.com.au).

# Financial Top 6

Now that EOFY is over, below are six discussion topics that you may like to pursue with your financial adviser.

1

## Planning how to pay for your children's education

– take a look at the fee schedules of the schools you're interested in and then work out a plan for affording them at every stage of their education.

2

## Mortgage and debt structuring, cash flow

– mortgage repayments typically eat a lot of cash flow. Getting the right structure in place for your debts and cash accounts can make a big difference to your cash flow and also to your wealth creation in the long-term.

3

## Age care planning

– for your parents, grandparents or for yourself! You're never too young to plan for the future! There are a lot of tips and traps in this confusing area, and it's better to be prepared for these before it's time to move into an aged care facility.

4

## Employee share plan schemes

– there have been some changes to the tax legislation, so before you get caught out, consult your adviser about how they could affect you.

5

## Australian Financial System

– if you have recently moved to Australia, there are living away from home allowances, and other benefits, as well as pension and superannuation issues that you can access. Or if you've moved back to Australia from overseas, some options may be available.

6

## Insurance review

– when your circumstances change, with marriage, property/or debts, new job, children, you need to make sure your cover and beneficiaries are updated.

Tips provided by Jeff Thurecht, Evaluesco Financial Services Pty Ltd

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## What to do....

The new financial year has begun with much disappointment with the global share markets going into freefall. Concerns of European Sovereign debt and a possible stagnant US economy, has caused investment markets globally to panic and has begun to raise concerns of another global financial crisis.

After weeks of uncertainty surrounding whether the US government would find a way to reduce the budget deficit in future years, a deal was negotiated. The debt limit was raised by \$US2.1 trillion and an agreement were made to reduce debt by \$2.4 trillion over 10 years. It was expected that this action would be taken, however there are likely to be some longer term impacts as we have seen with last week's downgrade of their long standing AAA credit rating to AA+ by Standard & Poors (S&P) as well as a slowing of their economic growth.

Although the Australian economy is still in a better position than most other developed economies, financial markets in Australia and around the world are likely to remain volatile in the near term. This is no doubt a tough period for all investors, however, we believe that investing for your future is a long-term strategy and that staying the course pays dividends in the longer term.

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