Waverley Wealth News - Winter 2018

Welcome to the latest edition of our client newsletter, Waverley Wealth News.

Winter is well and truly upon us! As a Queenslander, I certainly don't enjoy the cold and wet days at this time of the year!!

As mentioned in our previous Newsletters, the volatility has continued in the Sharemarkets over the last few months, both in Australia and Overseas. Although the ups and downs continue, the Markets have remained in positive territory since the start of the 2018 year. If you would like to discuss your portfolio and how it is holding up in more detail, please don't hesitate to contact me for a chat.

In this edition, we have included articles which cover a range of topics which we hope you will find interesting. We aim to keep you informed of changes as they happen, but we also want to provide ideas to help you live the life you want – now and in the future.

In this edition we discuss 'Get your new financial year game on' and provide you with information on 'New legislation aims to benefit first home buyers and downsizers' and 'Living longer, living well'.

If you would like to discuss any of the issues raised in this newsletter, please don't hesitate to contact us on 0403 879 982 or email at - enquiries@waverleywealth.com.au

In the meantime, we hope you stay warm and enjoy the read.

Kind regards,
Scott.

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Get your new financial year game on

A new financial year is always a good time to review your finances and make sure they are in good shape. You'll be starting this coming financial year wearing a confident grin with this list of eight things to do now to get new financial year ready.

1. Check in on your goals

There's no point doing anything until you know what you're doing it for. Write down your goals for the next financial year (and beyond) to make sure your plans can help you get there.

If you already have goals you're working towards, now's a great time to check if you're still on track.

2. Get across the changes in super laws

There have been a number of changes to superannuation laws recently, that will impact many Australians. Some of the key ones include:

- Eligible first home buyers are now able to save for a home deposit using their super.
- Personal super contributions can now be claimed as a tax deduction by most people
- The spouse super contribution tax offset thresholds have increased, meaning more people are now eligible to a tax offset of up to $540 for contributions into a spouse's super account.
- From 1 July 2018, any unused amount of before-tax contributions limits can be carried over to the following year.

3. Check you're on track for your retirement

No matter how far away your retirement is, it's always a good idea to be clear about how you're tracking.

One way to do this is to check your super's invested in the right investment option for your age, stage in life and individual circumstances. You can also have fun looking at the type of retirement career you'd like to have (and then how you might fund it).

4. Get ready for tax time

Even though you can't finish your tax return until after the financial year ends, getting ready for it can take longer than you think. Some ways to get started includes: getting your tax receipts in order, being clear on how the legislation changes could affect you, and understanding what tax deductions you're entitled to.

5. Give your budget some love

A budget needs to change as your life does. Take some time to check your budget against your bank statements and see whether they're in sync. It's also a good time to check if you can get a better deal on things you pay for regularly like your internet, phone and utilities.

It can also be interesting to step back and look at your overall patterns of spending. As Jacob Lew, Former U.S. Secretary of the Treasury said, "The budget is…an expression of our values and aspirations". So, if the way you're spending money doesn't match your budget, you might want to make some changes.

6. Check your will reflects your wishes

Make sure your will still reflects your life and wishes. It's also worth seeing that your money's properly protected and invested according to your circumstances and goals.

Separate to this are whether your super fund beneficiaries are up to date. If you die, the death benefit and/or balance in your super fund are usually paid to the people you've nominated (beneficiaries). If you don't nominate anyone, or you haven't updated them to match your current wishes, the money may not go where you want it to.

7. Review your insurance

It's important to have enough insurance in place, so all you've saved and worked for in life is protected. It could also mean you won't be a financial burden to your family if something goes wrong.

8. Emergency savings

If you don't already have one, it's a good idea to build an emergency fund into your budget (one in five Australians don't have enough money set aside to cover a $500 emergency).[i] This can give you some peace of mind and reduce the need to rely on high interest borrowing options (eg credit cards).

We're here to help

Understanding what's happening with your finances, and keeping on top of them as your life changes, can make a big difference to your wealth and stress levels. Talk to us if you have any questions or need some financial advice to reach your goals.

i Finder, May 2017 media release, How a $500 emergency could spell financial ruin for millions of cash-strapped Aussies

New legislation aims to benefit first home buyers and downsizers

Changes aimed at improving housing affordability have passed through parliament. See what the new rules could mean for you.

Government proposals around improving housing affordability in Australia were passed through parliament on 7 December 2017.[i]

As part of the changes, first home buyers will be given a tax concession through the ability to save for a home deposit inside super, while Australians aged 65 and over will be able to contribute the proceeds from the sale of their family home into super.

We take a look at what the changes could mean for you, bearing in mind that like with all important financial decisions, it's a good idea to get financial advice before deciding what's right for you.

Tax concession for first home buyers

From 1 July 2018, eligible first home buyers will be able to withdraw voluntary super contributions (which they've made since 1 July 2017), along with associated investment earnings, to put toward a home deposit.

How does it work?

Under the First Home Super Saver Scheme (FHSSS), first home buyers who make voluntary contributions of up to $15,000 per year into their super can withdraw these amounts, in addition to associated earnings, from their super fund to help with a deposit on their first home.

If eligible, the maximum amount of contributions that can be withdrawn under the scheme is $30,000 for individuals or $60,000 for couples.

Voluntary contributions can be made by salary sacrificing from before-tax income, by making personal tax-deductible contributions, or by making personal after-tax super contributions.

When the money is withdrawn, before-tax and tax-deductible contributions are taxed at your marginal tax rate, less a 30% tax offset, while after-tax contributions aren't subject to tax.

Due to the favourable tax treatment, generally available through super, this scheme intends to help first home buyers grow their deposit more quickly.

Things to note

To make a withdrawal under the scheme, an application to the Australian Taxation Office will be required, and an eligible person is only allowed one FHSSS withdrawal in their lifetime.

There are super contributions which will not qualify and cannot be withdrawn under the scheme, such as super guarantee contributions made by your employer, as well as spouse contributions.

FHSSS amounts that are withdrawn and not subsequently used for a property purchase must be put back into super as after-tax contributions, or penalties will apply.

The first home buyer must reside at the property for at least six months in the first 12-month period from when it can be occupied.

Additional rules may apply to your situation, so make sure you do your research and speak to us before making any decisions.

Super benefits for downsizers

Currently, people aged between 65 and 75 who want to make voluntary super contributions must satisfy a work test, and people over 75 are generally unable to contribute to their super.

From 1 July 2018 that will change. People aged 65 or over will be able to make an after-tax contribution to their super of up to $300,000 using proceeds from the sale of their family home – regardless of their work status, superannuation balance, or contribution history.

Both members of a couple will be able to take advantage of this proposal, meaning up to $600,000 per couple can be contributed toward super.

How does it work?

Proceeds from the sale of the family home that are contributed into super as part of this initiative can be made in addition to any other before-tax or after-tax contributions you're eligible to make.

The government said the aim is to encourage older Australians, where appropriate, to free up homes that no longer meet their needs and make room for younger growing families.[i]

Things to note

To qualify, the property sold needs to have been your (or your spouse's) main place of residence for at least 10 years.

'Downsizing' contributions are not tax deductible and can be made regardless of super caps and restrictions that otherwise apply when making super contributions.

The property that is sold must be in Australia and doesn't include caravans, mobile homes, or houseboats.

No special Centrelink means test exemptions apply to the downsizing contribution. Due to this, there may be means testing implications as a result of downsizing, which will need to be carefully considered.

Meanwhile, additional rules may apply to your situation and as you are also making a big financial decision, which could have implications, it's worth doing your research and speaking to us first.

i Turnbull Government delivers leg-up for first home buyers and downsizers press release

Living longer, living well

A century ago few Australians lived long enough to enjoy a life after work.[i] These days, the average retiree can look forward to almost two decades of travelling, playing with the grandkids and generally enjoying life.

In fact, a baby born today can expect to live to 91 if it is a boy and 93 if it is a girl. According to the latest government figures, the number of Australians aged 65 and over is projected to more than double over the coming decades.[ii]

While our increasing longevity is a blessing, it does mean we will all need to consider issues unlikely to have concerned past generations.

Most people understand the need to focus on financial security, and rightly so, but money means little unless you are healthy enough to enjoy it.

Being healthy

It's not complicated to safeguard your health, although it may require some self-discipline. But you already knew that. If you smoke, stop. Drinking is fine but do it in moderation. And remember, it's never too late to embrace healthy eating habits or too early to set yourself up for a long and healthy retirement.

Nutritionist, Rosemary Stanton suggests devising a sustainable meal plan that will help you keep your cholesterol and blood sugar level under control. "The most important aspect of any diet is that it should be practical and healthy enough to follow for the rest of your life," she says.[iii]

Gentle but regular exercise is also a must. Whether it's the result of all those walks or simply the joy of canine companionship, Harvard researchers have found that owning a dog lowers blood pressure, heart rate and levels of the stress hormone cortisol.[iv]

Staying wealthy

As a rule of thumb, to maintain your lifestyle and stay healthy post retirement you'll need 60-65 per cent of the income you're accustomed to. So someone making $80,000 a year at the end of their career would need access to $48,000 - $52,000 per year in retirement.[v]

For some people, a life of leisure is not what it's cracked up to be. You may wish to keep working, possibly on a consultancy basis, as much for the human interaction and feeling of making a contribution as for the money.

Regardless of whether you're relying on the pension, your super, a part-time wage or a combination of all three, you'll need to be on top of how much money you've got coming in, how much you've got going out, and whether that nest egg will last as long as you do.

It is never too early to start planning for a secure financial future. We can help you get the most out of your savings and work out your eligibility for the age pension and other government benefits.

Being wise

Being healthy and wealthy will take you a long way, but there is another aspect to ageing well. The evidence seems to suggest that the secret to being happy post-retirement is the same as at every other life stage: a strong sense of purpose and having interests to pursue.

You are the person best qualified to decide exactly what will give your life meaning and purpose.

So put some thought into what truly makes you happy and go for it!

i http://www.aihw.gov.au/deaths/life-expectancy/

ii http://www.treasury.gov.au/~/media/Treasury/Publications%20and%20Media/Publications/2015/2015%20Intergenerational%20Report/Downloads/PDF/04_Chapter_1.ashx

iii http://theconversation.com/eat-food-not-nutrients-why-healthy-diets-need-a-broad-approach-45823).

iv http://www.health.harvard.edu/staying-healthy/wag-more-a-tale-of-healthy-living

v http://www.superguide.com.au/how-super-works/setting-retirement-living-on-more-than-55000-a-year