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MAXIMISING your pension

On 1 January 2015, the way in which superannuation funded “account based pensions” are assessed under the Centrelink and Veterans Affairs (DVA) income test will change. The change will also affect people with “allocated pensions”. In this article, any reference to account based pensions is taken to include allocated pensions.

In many cases, if you are receiving, or plan to receive income support payments from Centrelink/DVA, the new income test assessment may leave you worse off.

But there is some good news if you are receiving Centrelink/DVA income support payments AND have an account based pension in place before 31 December 2014.

GRANDFATHERING

If you are receiving ongoing Centrelink/DVA income support payments AND are receiving payments from an account based pension before 1 January 2015, the present, generally more favourable income test assessment of your allocated pension will remain unaltered. It will be “grandfathered” and will remain in place as long as you continue to receive Centrelink/DVA income support and account based pension payments.

However, if you stop your account based pension for any reason, then a new account based pension will be subject to the new income test treatment.

The key message is that for the current income test treatment of your account based pension to be grandfathered, you must have commenced receiving uninterrupted payments from both Centrelink/DVA and your superannuation provider before 1 January 2015.

THE NEW INCOME TEST TREATMENT

If you commence, or re-commence receiving income support payments from Centrelink/DVA and/or you commence a new account based pension after 31 December 2014, your account based pension will be assessed for income testing under the “deeming” arrangement that applies to “financial investments”.

Under deeming, the current value of all your financial investments are combined and are “deemed” to be earning a rate of income. The deemed rate of income is used to determine the amount of Centrelink/DVA income support you are eligible to receive under the income test. The actual amount of income you receive from your financial investments might be greater or lesser than the deemed rate.

WINNERS AND LOSERS

In some limited circumstances, you may be better off having your existing account based pension assessed under the income test as a financial investment, however, as deeming rates increase, as will inevitably happen over time, the benefit will be eroded. Most people who have an account based pension in place now and are currently receiving Centrelink/DVA, will be financially better off under the grandfathered income test treatment.

If you will not qualify to receive a Centrelink/DVA income support payment until after 31 December 2014, you will be subject to the new income testing regime, even if you already have an account based pension in place before the end of the current year.

WHAT SHOULD I BE DOING NOW?

Time is of the essence.

If you are currently (or will be before the end of December 2014) eligible to receive Centrelink or DVA income support payments and you have, or can commence an account based pension with your superannuation savings, it is advisable to have your present arrangements reviewed.

Even if you will be eligible for grandfathering under the current income test treatment, you should have your account based pension reviewed before 31 December 2014.

Reflection on life

I am sure we all know people in the later stages of life who find that their health is now restricting their options. They find that they no longer have the energy or the physical ability that they had in their 50s, 60s and even their 70s. For some people, this can become a time of bitterness and despair as they believe they have not lived their life to its full potential.

The decline of a person's health as they age is very difficult to stop. You can take steps before it begins by eating right, not smoking, possibly drinking less and keeping active to help slow the process. However, the reality is that as you reach your 80s and into your 90s, for the majority of people, their physical abilities and their strength will diminish.



So what can you do to ensure that when this does happen you can look back on what you achieved in your 60s and 70s without feelings of bitterness and regret? What can you do now so you don't end up thinking, 'if only I had taken action earlier and understood what retirement and this stage of my life was all about'?

After your working life, the next stage requires a well thought out plan and should be focused first and foremost on your "purpose". This purpose will be different for every individual, but you need to have at least one. Walking to the corner store, buying the paper, having a coffee and then coming home to watch television might not fulfill your purpose.

It doesn't matter whether it is travel, living overseas for a period of time, doing work for Oxfam, counting turtles on a beach or learning a new skill, people should not leave their working lives behind until they understand what they are going to do in this next stage of life. Having a purpose is vitally important as it provides the stimulation required to keep you healthy – both physically and mentally.

In most cases, achieving your purpose does require time and will not necessarily come cheap. So it is just as important to have a financial plan of attack that will help you achieve the purpose you are striving for in your life after your working life has run its course.

You do need to understand how much you will need to not just survive, but to live your life to its full potential while achieving your purpose. If you are thinking that the amount you may have in superannuation along with the supplement of the government's age pension will be enough, this could be a dreadful mistake. You do not want to think you have enough – you want to be sure.

This stage in your life is just as important as all the other stages of your life, as it is a period of time that could cover thirty plus years. It is a long time to live as a bitter person with regrets of 'what didn't I do because of a lack of thought and plan?'

Do something today and I am sure that your grandchildren would much rather listen to someone with tales of a wonderful and adventurous life over a person who is continually complaining about the things they did not do.

Develop a plan and understand what you do want to achieve in retirement and talk to someone about how you are able to achieve the financial goal required to ensure your dream does come true.

Source | Mark Teale
Centrepont Alliance



<http://blog.cpal.com.au/realiseyourdream>

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IT'S NOT WHAT YOU EARN BUT WHAT YOU SAVE

It's easy to think that a large salary or windfall is necessary to accumulate substantial savings. However, many people who earn large salaries reach retirement with little to show for all the income they have earned over the years.

People on average incomes can and do save very successfully to make their money work harder. Indeed, it is often people on average incomes who have learnt the discipline to save. Over time, those savings can become a sizeable amount.

To get your savings working harder for you, you could:

- Take a hard look at your bills, to see how you have been spending your money and where you can cut down!
- Identify your medium to longer term personal financial goals.
- Make a realistic but firm budget to help you work out your savings capacity.
- Determine an amount that you could set aside each month for your future benefit.

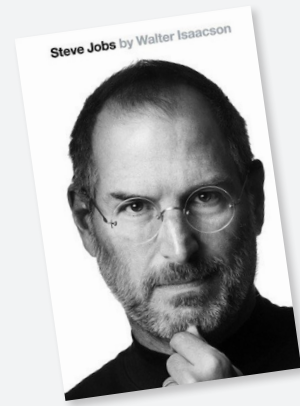
It is harder to save during some stages of life than others, such as when you have debts like a mortgage to pay, but as a guide, you should aim to save 10% of your net income.

For example, on a salary of \$30,000 pa, saving 10% of your after-tax income is just \$227.00 per month. Earning 7% pa*, your monthly \$227.00 will grow to \$15,350 after five years and \$34,860 after 10 years.

For many, the key to effective saving is to pay yourself first. Have a portion of your salary paid into a separate account, or have the money direct-debited from your account into a separate savings account or a managed fund. If you don't see it, you won't miss it as much.

*Assumes compound investment return of 7% pa net of fees, charges and expenses. Example used is for illustrative purposes only.

Source | IOOF



Steve Jobs by Walter Isaacson

Based on more than 40 interviews with Jobs conducted over two years—as well as interviews with more than a hundred family members, friends, adversaries, competitors and colleagues—Walter Isaacson has written a riveting story of the roller-coaster life and intense personality of a creative entrepreneur whose passion for perfection and ferocious drive revolutionised six industries: personal computers, animated movies, music, phones, tablet computing and digital publishing.

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