Prepare for Life

CENTREPOINT ALLIANCE

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ON THE BRINK OF ANOTHER SHAKE UP

By Mark Teale

As you may be aware: a person's Age and/or Service Pension entitlement is based on an assets and an income test. The test that yields the results of a lesser amount of pension is consequently which pension is applied.

In the 2015 budget the government announced a major change to the assets test – which are set to take effect from the 1 January 2017.

The change will see an increase in the current lower thresholds – which will result in an increased pension entitlement for some at the start of 2017.

Currently – once a person's assessable assets exceed the lower threshold their Age Pension reduces by $1.50 per fortnight for every $1000 of assets above the threshold.

From 1 January 2017 this 'taper rate' will increase from $1.50 per fortnight to $3.00 per fortnight for every $1000 of assets above the threshold.

This will result in a substantial number of pensioners suffering a reduction in their Age or Service Pension.

The following table provides a brief outline of the current lower and upper thresholds in comparison to the future thresholds post 1 January 2017:

Current status	Pre 1 Jan 2017	Post 1 Jan 2017
SINGLE HOME OWNER		
Threshold	$ 209,000	$ 250,000
Cut Off	$ 793,750	$ 542,500
SINGLE NON-HOME OWNER		
Threshold	$ 360,500	$ 450,000
Cut Off	$ 945,250	$ 742,500
COUPLE HOME OWNERS		
Threshold	$ 296,500	$ 375,000
Cut Off	$ 1,178,750	$ 816,000
COUPLE NON-HOME OWNERS		
Threshold	$ 448,000	$ 575,000
Cut Off	$1,330,000	$1,016,000

Depending on your personal circumstances if you believe your assets (excluding your home) are in excess of the current threshold as per this table – we strongly urge you to review your situation before the end of this year.

There are things you can do that may help to preserve your pension entitlement after 1 January 2017. You could purchase a funeral bond, give away some of your assets, upgrade you home, go on an expensive overseas holiday, or buy a new car.

However – before you decide to take any of these actions – please ensure that you talk to someone who understands exactly what the effect of your actions will be from a long-term perspective for both your personal and financial situations.

For those of you who do lose your Age Pension entitlement after 1 January 2017; the government will issue you with a Commonwealth Seniors Health Card for life. This card does not provide you with all of the concessions you may have become accustomed to, but it will still provide an array of health and pharmaceutical benefits.

It is also very important to remember that just because you may lose your pension entitlement by the 2 of January 2017 – this does not mean that you will not be eligible for the Age Pension sometime in the future as your assets reduce.

DON'T IGNORE SUPER TILL IT'S TOO LATE

By Peter Kelly

Next year is already shaping up to be a very big year, particularly in the superannuation space! Lots of exciting things will be happening.

You may be aware that the 2016 Federal Budget contained far-reaching announcements affecting superannuation – perhaps the biggest changes since Peter Costello's budget back in 2006.

Although the changes were announced a while ago – they are not due to take effect until 1 July 2017. So in the meantime many of us simply forgot about the changes and (if you're like me!) cast them aside in our minds – to be considered at a later date by 'future Peter' (if at all!).

A major concern raised by the current Australian Government, economic commentators, and financial institutions is the significant lack of engagement the average Australian has with their superannuation.

Employers see compulsory superannuation payments as nothing more than another tax whereas many, and in particular – younger employees, simply don't identify with their super because they don't need to access to it for possibly another 30 – or more – years. So currently – there is no sense of ownership, and that's a problem.

This lack of engagement is highlighted by the fact that a significantly high proportion of people do not choose their own superannuation fund, but simply rely on their employer's 'default' fund instead.

In many ways this lack of engagement is fuelled by the never-ending changes that seem to be a key feature of Australia's superannuation landscape. Individuals simply lose interest.

And perhaps the younger ones are simply taking the lead from their parents.

While the first superannuation fund was established in the mid-1800s by the Bank of NSW (now Westpac) for their then employees – universal superannuation has only been around since 1985.

As a result, many of those retiring today have only had superannuation for a part of their working life. This helps to explain why the average superannuation account balance of a typical Australian at retirement is still modest – around $292,000 for men and $138,00 for women.

Clearly, for many people approaching retirement today, some reliance on the government's age pension will be a feature of their retirement income.

Putting off the decision to engage with superannuation until later in life can have a detrimental effect on the quality of life we can expect to live in retirement.

However, by doing a couple of really simple things, the growth in your retirement account can take on a life of its own.

> *So currently – there is no sense of ownership (when it comes to superannuation), and that's a problem.*
>
> *Peter Kelly*

Here are a couple of simple things you can do:

1.
MAKE ADDITIONAL CONTRIBUTIONS

By entering an arrangement with an employer to contribute a small additional portion of salary to superannuation, even if it is just 3%, can make a significant difference to a balance over time. And after one or two pays, you won't even notice the reduced income.

2.
UNDERSTAND HOW YOUR SUPER IS INVESTED

Default superannuation funds provide a default investment option that may be too conservative for you. As superannuation is a long-term investment, you can often afford to be a little more aggressive in the way funds are invested. You will generally have time on your side to ride out the peaks and troughs that are a feature of investment markets.

3.
CONSOLIDATE SUPER

If you have more than one superannuation account (often as a result of changing jobs) consolidating all your superannuation into one account can help save on fees. But a word of caution: before transferring any super, check to see if you might be losing valuable insurance cover. This is one aspect that warrants some good advice in the future.

4.
CHECK THE FEES

All superannuation funds charge fees. Understand the fees you are paying and ensure they represent value for money. Don't be paying for features and services you don't need.

5.
READ YOUR STATEMENTS

Each year superannuation funds must send members a statement. Check them to ensure your contributions are being correctly allocated, and that your funds continue to be invested in an appropriate manner. You will be surprised just how quickly your account will grow over time.

Most importantly, become engaged with your super. It is there for you – use it to your advantage. And if you are still not inspired to become engaged, do yourself a favour and get an experienced professional adviser to be engaged for you!

CHRISTMAS: AN INCREASE IN CHEER AND A DECREASE IN FUNDS

By Mark Teale

Did you know that the most generous people in Australia (when it comes to spending money at Christmas time) live in New South Wales (NSW) with an average spend over the Christmas period of $548 per person and, sorry, but Victorians are actually amongst the cheapest with an average spend of only $401.[1]

The good news is that 60% of people pay for their Christmas presents using their savings, and only 20% of these shoppers pay using their credit cards (then take an average of three months to pay off the debt[2]).

Yes – it is that time of year again and the question which a lot people will ask is; "With Christmas so close – is it too late to even contemplate a budget? or are there strategies I can adopt to ensure I don't overspend?"

Hopefully the following tips may help you survive this upcoming Christmas season without too much of a debt hangover! (as for dealing with a normal hangover – you are on your own!)

1. MAKE A LIST: Identify who are you buying gifts for and what you are buying. List the food and supplies that you will need for Christmas day – this will help keep you on track in both regards

2. SCOUR THE JUNK MAIL: A 'scrooge' you would normally curse throughout the year, could actually be your inspiration! This is the time to read and take note of the bargains and the savings around you – you will be surprised with the savings you could stand to make.

3. FREQUENT FLYER POINTS: If you have them use them. Did you know that you don't need to save them for flights – you can use them purchase a large variety of gifts available through various airline's online catalogues.

4. SHOPPING CENTERS: Pick one you believe will satisfy all of your requirements. Do not get caught wondering through the various centres in your neighborhood. Set yourself a time limit, and don't become distracted by the hype (which can be everywhere). Shopping outside the peak hours it is a lot quicker with less people – maybe take a day off work and get it done!

5. BE CREATIVE: Give people the gift of your 'time'. IOUs such as promising to mow the lawn, washing their car, shouting your mum and dad to a nice picnic, baking cupcakes, or you could even be crafty and make your own gifts (if you have the talent!).

6. USE EBAY OR GUMTREE: Now is the time to sell all the unwanted items which fill our homes and use this cash to purchase your Christmas gifts!

7. REMEMBER THE LESS FORTUNATE: There is always someone who needs help at Christmas time, so why not donate to a worthwhile charity and invest in someone less fortunate? It will mean the world to those on the receiving end.

8. CHRISTMAS CARDS: At the end of the day it is cheaper and better for the environment to create your own card online, and to then email everyone on your list – easy and think of what you will save on stamps!

9. DISCIPLINE: Having this in your possession at Christmas is hard, but remember, the dramas and the difficulties which will follow early in the new year when you have to pay for the extravagance can be avoided!

10. PLAN FOR NEXT YEAR THIS YEAR: We are always told it is never too early – and this couldn't be more right.

All the best, and Merry Christmas!

1. Commonwealth Bank survey of Australian consumers Christmas spending – December 2014.
2. ASIC's 'Money Smart' Poll – December 2014.

Contact your local office for further information

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