

# Lifestyle Focus

## Summer 2014



Image source

As we approach the end of what has been a very exciting year for us, we would like to take this opportunity to thank you for being an integral part of the first six months of 360Private Wealth By Design, Adelaide's premier personal and business integrated advice firm.

We believe that our distinctive Six Pillars approach to advice sets us apart from every other financial advice firm in Adelaide and we look forward to continuing to deliver to you the benefits of our broader and deeper specialist advice offering in 2015.

On behalf of the Team at 360PWBD we wish you and your family a very merry Christmas and all the best for a safe, happy and successful 2015.

Warm regards

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Directors, 360Private Wealth By Design

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## Strategic Advice

### It's time

The cost of superannuation tax concessions is experiencing “staggering” rises year on year and must be slashed before it becomes a drag on Australia’s finances.

This observation is particularly timely given Treasurer Joe Hockey’s speech earlier this year in Washington that indicated the Australian Government will raise the pension qualifying (not retirement) age and crack down on the eligibility for the age pension as part of an urgent effort to trim, cut or scrap unsustainable expenditure.

An Australia Institute paper said the age pension currently costs \$39billion and superannuation tax concessions will cost the budget around \$35billion in 2013-14. These concessions are projected to rise to \$50.7 billion in 2016-17, an increase of around 12% a year. By this time superannuation tax concessions will be the single largest area of government expenditure.

So what does all this mean? To use a well known slogan of a statesman recently passed, it means **‘It’s Time’**.

We have argued for over seven years - since simpler super reforms - that the current system is unsustainable. If we are right then there needs to be a more concentrated focus for all Australians to increase their personal funding toward the retirement that they might wish for whilst the current concessions remain in place.

Delay and you do so at your own peril - act now to maximise potential tax savings and fast track wealth accumulation.

## Taxation & Accounting Advice

### Business or pleasure?

An increasing demand for exposure to a rural lifestyle has seen an increase in ‘hobby farming’ activities. With hobby farms however, come potential taxation implications as enthusiasts need to distinguish between whether their hobby farm is a business activity or an enjoyable (albeit challenging) past-time.

Australia’s taxation system revolves around the concept of self-assessment with the onus being placed on the taxpayer to assess their personal affairs and comply with the relevant taxation laws accordingly. Whilst this system provides flexibility and increased efficiencies, there are numerous grey areas in taxation legislation which the average taxpayer can find difficult to navigate. The classification of income producing activities as a hobby or business is one such area.

Where a taxpayer determines that their activity constitutes a business of primary production, the money earned from the activity is generally assessable income for taxation purposes, with expenses incurred in earning the income being allowable deductions. In financial periods where a loss arises, provided that the non-commercial loss rules are satisfied, a sole-trader or partner of a primary production partnership could utilise the loss against their other assessable income.

In contrast, if the primary production activity was classified as a hobby, the points mentioned above do not apply. The transactions relating to this activity will generally have no taxation consequences.

So, how do you make a determination regarding your own activity? Taxation Ruling 97/11 is a good place to start but, for those who prefer to count sheep when falling asleep at night we can spare you the mind-numbing taxation language and provide you with a summary of the key concepts you will need to consider when determining whether you are running a business or a hobby.

To obtain a copy, or if you have any questions with respect to your own hobby/business activity, speak with a member of our Tax & Accounting Team today.

## Investment & Portfolio Advice

### The good, the bad and the ugly

Not a description of the team that work here (however, if it was, the Investment & Portfolio Team would be the good...), but of the different kinds of deflation that can occur.

Deflation will be a continuing topic in the financial press as many countries around the world have failed to stimulate their economies over the last few years. Japan has had nearly 20 years of deflationary environment and Europe will perhaps be the next to succumb. Deflation, as the name implies, refers to falling prices. Cheaper prices on the face of it sounds good but lets look a little deeper into it.

#### The Good

Falling input prices. Cheaper fuel means lower overheads and higher profit margins for anyone in the transport industry. Who knows maybe even Qantas will make a profit with cheaper jet fuel. Stranger things have happened. You can see this every time you pass a petrol station. We have been enjoying lower petrol prices for the last month as supply is now greater than demand. That's good deflation that you can see everyday.

#### The Bad

Because of the falling prices in a deflationary environment, a dollar today can't buy as much as it could in the future. So if you borrow money to buy something today you have to pay it back with dollars that are more valuable in the future. This added debt burden reduces your ability to spend in the future and a vicious cycle can take hold.

#### The Ugly

If people suspect that prices will be cheaper at a later date due to deflation, they tend to put off the purchase of big ticket items in the hope that they will be cheaper in the future. This leads to a decrease in demand and a lack of growth in economic activity. Eventually workers are laid off and a recession may occur if there is no growth in industry. Those that are lucky enough to keep their jobs will probably have to take a wage cut.

So lets not complain when inflation is around 2%. That's goldilocks territory. Not too high, not too low. Its just right.

## Risk Protection Advice

### Are you covered for trauma?

Australia has one of the most accessible and comprehensive healthcare systems in the world. Despite this however, we are now paying almost 20% of total health costs on top of tax and private insurance.

Below are the costs of some of our most common medical procedures and long term serious illnesses:

● Hip replacement	\$36,432
● Pacemaker	\$23,201
● Heart valve surgery	\$105,467
● Parkinson's Disease	\$144,000
● Multiple Sclerosis	\$1,000 per month
● Stroke	\$44,428

The cost doesn't just stop here. Other lifestyle adjustments including changes to your home, buying mobility equipment or paying for ongoing therapy to aid your recovery are quite often required following the procedure.

The Department of Human Services states that around 14,000 Australians have applied to access their super to cover the costs of medical procedures and illnesses.

But there is another way. Having adequate trauma cover providing a lump sum payment to cover the upfront costs of medical procedures and illnesses along with the sundry costs associated with them can mean the difference between eating away at your retirement savings or maintaining your and your family's lifestyle throughout the treatment and recovery process without financial detriment to your retirement. Adequate income protection cover will also ensure you continue to receive an income if you are unable to return to work.

Call and speak with a member of our Risk Protection Team today to protect your retirement and discuss your cover.





## Succession & Estate Planning Advice

### Testamentary trusts

Not sure about whether you have passed on your values before you pass on your valuables? A testamentary trust established in your Will could be the answer.

A testamentary trust is a trust established in a Will and operates in a similar fashion to a discretionary family trust. Parents of a child with a mental impairment for example, or a child who is unable to manage their own finances properly (including a child with a drug problem), will often leave that child's inheritance in a testamentary trust. The trust is then controlled by someone who will make wise decisions about releasing funds for the benefit of the child, whilst retaining control of the capital and ensuring it is used for appropriate purposes.

Other reasons for including a testamentary trust in your Will include:

#### **Saving tax**

Unlike a discretionary family trust, beneficiaries under 18 can receive an income of up to \$18,200 tax free annually (up to \$20,542 through the use of the low income offset if they have no other income) with any excess over this only being assessable at the normal adult rates.

#### **Asset protection**

An inheritance received by a professional, a business owner or a company director can be protected from access by potential creditors should any bankruptcy actions commence against the inheritor. Assets in a testamentary trust belong to the trust and not to the individual.

If you would like further information about testamentary trusts, or would like to discuss including one in your Will, call and speak to a member of our Succession & Estate Planning Team - we are more than happy to assist.

## Personal & Self-Managed Superannuation Advice

### Retirement savings shortfall

With Australians living longer, it has generally been acknowledged that we will need to increase our savings toward retirement in order to fund our targeted lifestyle.

A recent Deloitte report indicates that the actual figure required could be up to 20% of our salaries for 45 years which would mean contributing \$230 per week from the age of 30 if you're an Australian earning \$60,000pa. Contributing up to 20% of your salary would help to fund a 'comfortable' retirement lifestyle for a single home owner of just over \$800 per week through accumulating a total superannuation balance of \$340,000 for men and \$370,000 for women at retirement at age 65.

Unfortunately, superannuation balances at retirement currently fall well below these levels, with men having an average account balance of \$114,000 and women having only \$94,000 amassed by age 65. This shortfall could be amplified by the Federal Government's plans to increase the qualifying age for the aged pension to 70.

As such, it is vital that Australians pay attention to their retirement savings and start planning for the lifestyle they want in retirement early on in their career, rather than waiting until they are on the home stretch when it can quite often be too late. Whilst Deloitte's research shows that most retirees would still receive pension payments in the future, those payments by no means assure Australians of a comfortable retirement.

If you're not sure whether you're on track for a comfortable retirement and want to make sure that you are doing everything you can in order to achieve that, contact one of our Strategic Advisors today to arrange an appointment.

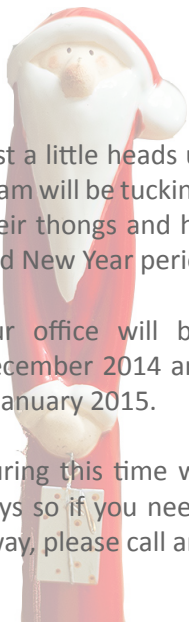
## 360Private Wealth By Design online!

We are excited to announce the launch of our brand new web site!

If you haven't already seen it, head to [www.360Private.com.au](http://www.360Private.com.au) and have a browse through.

We have filled the site with plenty of information about our team and our distinctive Six Pillars approach to advice, which we believe really sets us apart.

Let us know what you think! We'd love to hear your feedback.



### Festive season closure

Just a little heads up that the 360Private Wealth By Design Team will be tucking away their ties and suits and pulling out their thongs and hats for a little break over the Christmas and New Year period.

Our office will be closed from 12noon on Friday 19 December 2014 and will reopen again at 9am on Monday 5 January 2015.

During this time we will be checking messages every few days so if you need to speak with someone whilst we are away, please call and leave a message.



## What's on in Summer?

With **so** much to choose from, here's a *very* small selection of what's on in Adelaide over the summer months:

### Adelaide Night Market

On the last Sunday of every month until March (except December, which will be on the 14th) from 4pm-8pm on North Tce near Government House.

[Details here.](#)

### Fashion Icons

Masterpieces from the collection of the Musee des Arts Decoratifs, Paris. On display at the Art Gallery of SA until 15 February.

[Details here.](#)

### Tour Down Under

From 17-25 January see elite cyclists race in the biggest cycling race in the Southern Hemisphere! [Details here.](#)



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