

Lifestyle Focus

Autumn 2015



Image source

As 'Mad March' engulfs us, it is time to stop and smell the roses. In this issue we explore retirement options for baby boomers and take an extensive look at Wills and 'ruling from the grave'.

Life is busy and March is the busiest month for most of us. Financial, lifestyle, and estate planning all tend to take a back seat as the roar of the V8's give way to the ongoing arts festivals. But, as things calm down, give us a call and let us help you plan for the next phase of your life. It is easy to get caught up in the 'hurly burly' of living but just as we plan our working weeks to make sure they are as effective and successful as possible, so too we need to plan for the future!

Warm regards

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Retirement is about more than money

More often than not the focus for retirement centres on finances. However, retirement planning is not all about the money; thought also needs to be given to how you are going to transition from a working life to a retired life.

Where the baby boomer generation is concerned, men have predominantly been the main bread winners for their families whilst their wives/partners have in the main been the stay-at-home partner who raised the children and took care of the household. As a result many baby boomer women have been able spend time developing new friendships and exploring options outside of work and children. Baby boomer men however, for the most part, have not been able to do the same. With such a heavy focus on their work life and with many of their social connections inter-related, many men now facing the end of their career are struggling with filling the gap that is left once they reach retirement.

To make this transition easier and enjoyable – after all, these are the golden years you’ve been working hard towards – baby boomers need to plan for their retirement outside of the financial aspects. What will you do in your new, retired life? Will you go on trips or perform charitable work? Will you learn something new, develop a new hobby or improve on an old one? What did you enjoy about your working life and how can you recreate those aspects in retirement? What did you do before you worked and had children that you enjoyed and can you do those things again?

You will be able to use these experiences to help you prepare for the retirement transition so that you will wake up on Monday after you have retired and be looking forward to your new life with a clear direction.

If you would to make a start on your transition plan so that you are emotionally prepared for retirement and the “Golden Years”, please contact us on 08 8291 2111.

Outdoor appreciation increases depreciation

When it comes to claiming depreciation on investment properties, many investors are unaware of the deductions available on outdoor structures, fixtures and fittings.

Items outside a building can add value to a property. Rather than ignoring the street appeal, investors can include items in the yard or outdoor area to help attract potential tenants. The investor can then maximise their deductions by claiming depreciation on the eligible items in the front yard, back yard and balconies of their properties.

Deductions can be claimed on these outdoor assets as either capital works allowance or plant and equipment depreciation.

Capital works allowance, also known as building write-off, is based on the historical cost of a structure, excluding the cost of plant and non-eligible items. Outdoor structures which qualify for the capital works allowance include retaining walls, fencing, the clothes line and in-ground pools.

Plant and equipment items, including removable or mechanical assets are also eligible for depreciation deductions. Each plant and equipment item has an effective life set by the ATO. The depreciation available on each item is calculated using the effective life. Some depreciable outdoor plant and equipment items commonly found outside a property include garbage bins, lawn mowers, outdoor furniture and pool filters and pumps.

Assets outside a property can be worth thousands of dollars. Investors should take special notice when old assets including retaining walls, garden sheds and driveways are removed and replaced during a renovation. They may be entitled to claim 100% of the unclaimed value as a deduction. A specialist Quantity Surveyor is qualified to calculate values and construction costs of these items and can ensure that investors are not throwing dollars away.

(Article provided by BMT Tax Depreciation)



Investment & Portfolio Advice

Cheap oil

Recently we've been able to fill up at the pump at prices that we haven't seen in Adelaide since we hosted the last F1 Grand Prix. So, is this the new normal or a passing phase?

What's happened is that the supply of oil around the world has been dominated by a cosy cartel known as OPEC and they have fiddled supply levels so that oil has more or less traded in a band between about \$80 and \$100 a barrel. It has worked well for many years but now for the first time in about 30 years the USA is exporting oil and they aren't playing by OPEC's rules. As such we have a glut of oil on the market and prices have fallen to around \$50 per barrel.

The catch is that the shale oil business in the USA needs an oil price of around \$70 a barrel to break even across the industry. So at this point in time many of the rigs are running at a loss and they are being shut down or moved to different areas where the cost of extraction is less. This is the beauty of shale oil mining. The shale oil industry is flexible and can react to changing prices. But the first problem is that these companies are heavily in debt and the amount of recoverable oil in any one place is low. Secondly the cheaper shale oil will soon be exhausted and if prices don't rise then they will be out of business. So, if the price of oil doesn't rise these rigs will be decommissioned, supply will drop and we may find ourselves back to \$100 a barrel pretty quickly.

Our advice is to make the most of cheap petrol while you can and book in a fishing holiday on Yorke Peninsula this Easter!

Risk Protection Advice

A little about life insurance

Life insurance works in the same way your car or home insurance does. You pay a monthly premium to an insurer and if something goes wrong and you pass away, the value of your policy is paid to either your estate or your nominated beneficiary.

Your policy may offer extras such as payment on diagnosis of a terminal illness or provision for payment for some financial advice in the event of a claim.

To decide how much you need, start with a list of all the debts you would want paid in the event of your death, such as:

- Mortgage
- Personal loans
- Credit card debts

Then consider the things your family would still need each year if you are no longer there to provide for them. This could include:

- Education costs
- Groceries
- Health insurance
- Car insurance
- Home and contents insurance
- Petrol and car maintenance
- Child care costs

Approximately 45% of Australian households still have dependant children so the loss of one of the income earners could have a significant impact!

Call us for a full review of your insurance needs and a discussion around the levels of cover you need.

Succession & Estate Planning Advice

Ruling from the grave

Do you think that having a Will means you will have the absolute final say with respect to how your Estate is divided? Think again.

Unfortunately, you can't ever stop certain people from challenging your Will if they so choose. People who can challenge your Will include:

- Your parents
- Your spouse (including de-facto partners)
- Your children (not including those resulting from an egg or sperm donation)
- Your grandchildren
- Anyone who you are 'maintaining' (not in all states)
- Stepchildren who were dependant on you during your marriage to the child's biological parent (not in all states)

Nothing you can do can take away this right. For example, you can't say:

"I give my de-facto \$1 and she cannot challenge my Will."

"I give \$20,000 to my partner, but if she challenges my Will then the gift is void" (known as the Lang Hancock clause because he tried (unsuccessfully) to use this).

"I give the whole of my Estate to my partner, but if he remarries then this gift is void."

All of these can be void for public policy reasons. Courts have consistently said you can't use your Will to force someone to do or not do something. This is called 'ruling from the grave', and the Supreme Court doesn't like you trying to oust their jurisdiction like that!

Thankfully it's not all bad news. Just because someone can challenge your Will, doesn't mean they will be successful. The main thing is to make sure you receive proper advice.

If you need some help, give us a call.

Personal & Self-Managed Superannuation Advice

Excess contributions tax

Fairer Taxation of Excess Concessional Contributions

From 1 July 2013 excess contributions tax provisions were revised from the previous harsh top marginal tax rate (30% plus Medicare levy in addition to the 15% tax paid by the Fund). The excess concessional contributions tax is now included in the individual's assessable income and taxed at their marginal tax rate (an advantage for those taxpayers on marginal tax rates below the top rate). A tax offset of 15% will apply for the contributions tax paid in the Fund. An excess concessional contributions charge (ECCC) will be imposed however, to account for the delay in when the tax is collected.

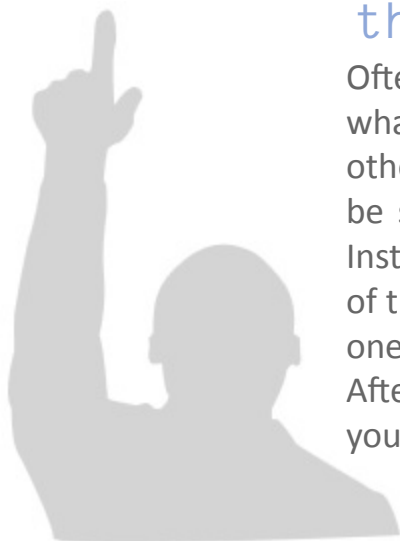
Taxpayers can make an election to withdraw up to 85% of the excess contributions (i.e. 100% of the excess concessional contributions less 15% tax paid by the Fund) from their Super account balance. The Super Fund refunds the excess contribution to the ATO and this amount will be included as a refundable tax credit to the individual. Under this option, the excess contributions released will not be included in the individual's non-concessional contribution cap. Concessional contributions in excess of the cap that are not released and stay in the Fund will still count towards the individual's non-concessional contributions cap.

Proposed Measures for Excess Non-Concessional Contributions Tax

In October 2014, Treasury released draft legislation in regards to excess non-concessional contributions made from 1 July 2013. The proposal will allow individuals to withdraw excess non-concessional contributions plus associated earnings. These associated earnings will be included in the individual's assessable income and taxed at the individual's marginal tax rate.

Under the current law, excess non-concessional contributions are taxed at the top marginal tax rate plus Medicare levy.

Although the above is not yet law and has not been passed, the 2013 legislation on excess concessional contributions has provided some relief from the severe flow on effects of excess concessional contributions adding to non-concessional contribution cap breaches. Such flow on effects previously resulted in an excess contributions tax liability of up to 93%.



No one else would do
that... so I will

Often the easiest way to be different is to do what others are unwilling to do. Pick one thing other people won't do. It can be simple. It can be small. Doesn't matter. Whatever it is, do it. Instantly you'll be a little different from the rest of the pack. Then keep going. Every day, think of one thing to do that no one else is willing to do. After a week you'll be uncommon. After a month you'll be special. After a year you'll be incredible, and you definitely won't be like anyone else.

- Jeff Haden, Inc.

Claims paid in 2014

We all see how much we pay in premiums for our insurance every year, but we don't often see how much insurance companies actually pay out when it comes time to claim. If you're lucky enough to have never had to make a claim on your policy, the following are some interesting statistics from just one major Australian insurer for 2014, which should give you an idea on how much they do actually pay out:

Total claims paid out: **\$637,958,687**
Total number of claims: **10,402**
Oldest claimant: **101 years old**
Youngest claimant: **18 years old**
Leading cause of claim: **Cancer (17.2% of all claims)**

Everything
THAT IS
Real
was
Imagined
first

from The Velveteen Rabbit
Image source

What's on in Autumn?

It's the time of year that earns us our 'Festival State' title. There is so much going on in Autumn that it could fill this entire newsletter, which clearly we couldn't do... So here is a glimpse of what's going on:

Adelaide Fringe Festival

Although we're half way through, there are still two amazing weeks left of this something-for-everyone festival.

[Visit the web site.](#)

WOMADelaide

A unique and extraordinary music festival with a family friendly vibe. It's like travelling the world without leaving home.

6-9 March.

[Visit the web site](#)

Barossa Vintage Festival

95 events to celebrate the end of vintage! Well worth a look.

15-19 April.

[Details here.](#)



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