

Lifestyle Focus

Winter 2015



Image source

Welcome to your Winter edition of Lifestyle Focus - we hope this doesn't represent the coming months for the sailors amongst you!

It's been a busy Autumn for us, with ever changing market conditions and Joe Hockey's second Federal Budget. Further to our eFlash in early May about the Federal Budget, we've highlighted some points of interest from the proposed changes. We've also included some health and well-being ideas and tips for educating kids about money.

It's hard to believe but it's almost a year now since we brought together 360Private and Wealth By Design. The team has been working hard to continue to provide with you with high levels of professional advice and service throughout this integration time and we look forward to continuing to enhance our advice offering to you.

Keep warm this winter and enjoy this edition of Lifestyle Focus.

Warm regards

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In this edition

- Proposed changes to the Age Pension
- Accelerated depreciation for small business assets
- Interest rates, spending and debt
- Insuring against the loss of a homemaker
- Why should I have a Will?
- Does your Super Fund hold collectibles?
- Introducing your children to money
- Sitting pretty unhealthy
- What's on in Winter?

Proposed changes to the Age Pension

The Age Pension began in the early 1900's and was paid to men from age 65 and women from age 60. Interestingly, life expectancy at birth in 1910 was between 55-58 years of age, so it was not intended for the majority of retirees to be receiving benefits for a long period of time.

By 2013, life expectancy had increased to over 80 years of age, meaning for some they may be in receipt of the Age Pension for 15 -20 years.

This presents grave challenges to any government trying to get the budget back on track. Think about a single income couple with two children aged 8 and 10, where the primary breadwinner earns \$75,000pa. The income tax they pay would be around \$16,000 but if we consider the family payments they receive, their total contribution to the coffers would be just \$9,000pa. If we assume the cost of the full age pension for a couple is \$36,000pa including healthcare concessions, it would take four such single income families to support just one pensioner couple.

Our taxation system presents grave challenges too. Currently, 61% of personal income tax is received from a mere 11% of adults, leaving the bulk contributing very little. In addition, 87% of those aged 65 and over pay no personal income tax whatsoever.

The proposed changes to the Age Pension thresholds to commence in 2017 are designed not only for sustainability, but to focus on those who are seen to need it most. Some pensioners may be better off; others may be worse off if the changes are passed by parliament. Therefore, it remains vital that you speak with your Strategic Advisor about the specific impact on your situation of any legislated changes to the Age Pension to ensure your strategies remain appropriate.

Accelerated depreciation for small business assets

One of the more significant changes that came out of the recent budget was the announcement that small businesses (aggregate annual turnover less than \$2m) would be able to immediately write off assets they start to use or install ready for use, provided the asset costs less than \$20,000. The existing write-off threshold is \$1,000 after being reduced from the previous \$6,500. Eligible assets could include items such as cars, vans, computers, copiers and machinery, etc. This will apply for assets acquired and installed ready for use between 7:30pm (AEST) 12 May 2015 and 30 June 2017. It also should be noted that the \$20,000 threshold applies on a per asset basis – so several assets that cost up to \$20,000 would qualify for the immediate write-off, providing they are installed or ready for use before 30 June 2017.

Assets valued at \$20,000 or more (which cannot be immediately deducted) can continue to be placed in the small business simplified depreciation pool and depreciated at 15% in the first income year and 30% each income year thereafter. The pool can also be immediately deducted if the balance is less than \$20,000 over this period (including existing pools).

The Government will also suspend the current “lock out” laws for the simplified depreciation rules, which prevent small businesses from re-entering the simplified depreciation regime for five years if they opt out, until 30 June 2017.

These changes are expected to improve cash flow for small businesses and provide a boost to small business activity and investment.

If you have any questions about any of the above, call and speak with a member of our Taxation and Accounting Team.

Investment & Portfolio Advice

Interest rates, spending and debt

Quite simply, the recent interest rate cut from the Reserve Bank of Australia (RBA) is sending a clear message that Australians need to spend. Business and consumers; borrow it, and spend it. The hidden message is probably that our dollar needs to be lower.

Yet whilst monetary policy is focused on stimulating an economy suffering from the lack of mining revenue, most are pointing out the implications these record low rates are having on the property market, particularly in Sydney.

What comes to us as most concerning is that Australian household debt - mortgages, overdrafts, personal loans and credit cards - is the highest in the developed world, according to research by Barclays.

Using nominal gross domestic product (GDP), a (revenue) measure of the amount of finished services and goods by a country, Barclays estimates household debt at 130% of GDP. In simple terms, for every dollar we as a country earn, we have \$1.30 to pay back.

These numbers should seem quite alarming, and they are, however the figure does include business debt attributed to those operating as self-employed. The other comfort is that Australia's estimated seasonally adjusted unemployment rate was 6.1% in April 2015. Should this rise then the issue becomes greater.

The obvious question to understand where this household debt is heading and how dangerous the current level (and its direction) is, is to ask where domestic interest rates are heading? The consensus is that they aren't moving north anytime soon.

If interest rates fall further, or even remain low, businesses may find it hard not to borrow and invest whilst consumers, if not doing so already, will likely curb back on their savings and if not spend, then hopefully pay down their debt!

Got any questions? Call and chat to a member of our Investments Team.

Risk Protection Advice

Insuring against the loss of a homemaker

The life of a homemaker is one that includes an endless amount of demands and to-dos. If you are a part of a family that has a homemaker, have you stopped to consider how much their services would cost if they could no longer provide them?

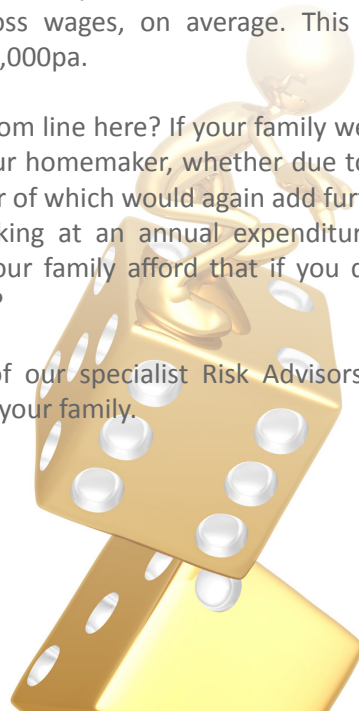
Planning and preparing three or more meals every day for the whole family is a big job. According to an Adelaide Now article, some Australian families are paying around \$500pw for a personal chef. You can't prepare meals without groceries - grocery delivery services charge fees of around \$5-10. As such, if you no longer had your homemaker, you could be looking at over \$26,000pa for these services alone.

What about cleaning the house? Vacuuming, dusting, sweeping, scrubbing sinks as well as loading the dishwasher and making beds. The average cost for cleaning an Adelaide home is between \$60-130 per fortnight. Washing and ironing clothes is a separate service and for a family of four including clothing and linen, could cost up to \$336pw. As such, your total household cleaning costs could exceed \$20,000pa.

Your homemaker might provide full-time, live-in child care. This type of service from a professional would usually come with a host of perks including paid annual leave, sick days and public holidays off. The International Nanny Association's 2011 survey found that nannies make \$600 to \$950pw in gross wages, on average. This comes to approximately \$60,000pa.

So what's the bottom line here? If your family were to lose the services of your homemaker, whether due to death or disability, the latter of which would again add further costs, you could be looking at an annual expenditure of over \$90,000pa. Can your family afford that if you don't have appropriate cover?

Speak with one of our specialist Risk Advisors today to discuss protecting your family.



Succession & Estate Planning Advice

Why should I have a Will?

If you pass away without a Will (dying intestate), each state in Australia will distribute your assets according to a pre-determined formula. Depending on your specific circumstances, this formula will distribute your assets to your spouse, your domestic partner and/or your children. For example, in South Australia if you pass away intestate and you have a spouse and children, your spouse will be entitled to:

- Up to the sum of \$100,000, and
- Half of the balance of your estate, plus
- Your personal belongings

Your children will then be entitled to the balance of your estate in equal shares.

An interesting side note however, is that if your house is owned jointly by you and someone else then the house will automatically belong to the other owner. This cannot be changed by a Will.

If you die intestate and the house is in your sole name, even if your spouse and children were living in the house at the time of your death, your spouse only has the right to live in the house for three months once Letters of Administration are granted. If they wish to stay on, they will need to buy the house within that time frame, which means that your spouse must buy from the children their share in the house (that is, half of the balance divided amongst them) in order to continue to live in it.

There are of course other courses of action involving the courts but really, wouldn't this all just be easier and less painful for your family at an already difficult time if you just had a Will providing clear instructions on how to distribute your assets? Speak with one of our specialist Succession and Estate Planning Advisors today to make sure that you, and not the courts, decide what's best for your family when you're gone.

Personal & Self-Managed Superannuation Advice

Does your Super Fund hold collectibles?

Does your Super Fund hold artwork, coins, jewellery, wine, antiques or other collectibles? If you purchased such assets after 1 July 2011 you will be aware of the strict requirements in relation to holding collectibles in your SMSF. If you purchased such assets prior to 1 July 2011 there has been a five year transition period to comply with the new rules.

From 1 July 2016 all collectibles held within a Super Fund must:

- Not be displayed or stored in a private residence of a related party. It must be documented in writing where the asset is being stored and the reasons for the decision.
- Not leased to or used by a related party.
- Be insured in the name of the Super Fund under a separate policy (or collectively under the one policy for all collectibles held by the SMSF). It is not sufficient to be covered by the Trustee's home and contents insurance.
- Be transferred to a related party at the market value, as determined by a qualified independent valuer.

Collectibles can be stored in a business premise of a related party however they must not be on display or leased to the related party.

Assets purchased before 1 July 2011 can be sold to a related party prior to 30 June 2016 without a valuation determined by a qualified independent valuer. They must however still be transferred at market value and take place on arm's length terms.

If you don't believe your collectibles currently comply with the above rules or would like to discuss options and possibilities, please contact your Advisor or Superannuation Accountant.

Introducing your children to money

A household's finances are a topic not often discussed with the children of the family, but it is a vital area of their education as future adults and earners. Whilst information should remain age-appropriate, the lessons you teach your children early can last a lifetime. Here are some ways that you can help introduce your children, or grandchildren, to money:

- Use money as a tool to help teach them to count.
- Teach them about setting financial goals. Help them learn the value of saving by encouraging them to save for a new toy or a trip to a theme park and let them experience the reward of achieving that goal.
- Give your children their pocket money in small denominations and encourage them to save a portion of it. For example, if they earn \$10 pocket money, give it to them in a \$5 note, then coins. With a 'savings' tin, they may choose to bank the note or coins.
- Introduce the implications of borrowing money. If your children ask to borrow money for something they want, explain that you will charge an interest rate on the amount and how that works.
- Let them make their own spending choices. Discuss the pros and cons of their spending decision with them and what they could have done differently if the outcome wasn't great. Whether it is a positive or negative experience, they will most certainly learn from it.

Sitting pretty unhealthy

Some articles we've seen have gone as far as to say that sitting is the new smoking, which might seem a little over the top, but is it? Experts say that even if you exercise daily, that one hour jog or gym session is not going to undo the eight hours you've spent sitting at your desk all day if that is what your job entails.

A variety of researchers have reported a variety of findings relating to prolonged sitting. Amongst them is that sitting for long hours over a number of years is associated with worse mental health, diabetes, back pain, obesity and heart disease. In fact, at last count there were up to 34 chronic diseases and conditions associated with sitting for too long.

So what can you do?

Wear a hands-free headset. If you make a lot of calls, this will enable you to stand up and talk rather than remaining seated. You'll likely find yourself pacing naturally.

Reduce inter-office emails. Where appropriate, rather than emailing a colleague, get up and walk over to their desk to deliver your message.

Remind yourself to take walk breaks. Whether it's reminders in your calendar or any other method, remind yourself to get up and walk around regularly. This will help clear your mind as well as aid your physical health.

Get a stand-up desk. Here at 360PWBD we have a stand-up desk that our team takes it in turns to use. This ensures we're more active, sitting less and that we're more on the ball for you!

Image source

What's on in Winter?

It may not be 'Mad March' anymore, but there's still plenty going on. Here's a brief look at what's happening in Adelaide in Winter:

Adelaide Cabaret Festival

Barry Humphries is at the helm of the 2015 Adelaide Cabaret Festival, which promises to be truly special.
5-20 June.
[Visit the web site.](#)

Coonawarra Cellar Dwellers

Head to the Coonawarra region in July to try their world-renowned wine - a whole month of activities are planned!
[More info here.](#)

S A L A Festival

The South Australian Living Artists Festival takes place throughout August.

[Details here.](#)



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