mba Financial Strategists | Planning tomorrow, today.

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The Strategist

Practice update

> It's been a busy first quarter 2017 with a major focus on the latest super reforms which take effect on July 1 2017.

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PRINCIPAL/FINANCIAL PLANNER

With the end of financial year fast approaching, if you haven't already been brought up to speed on these super changes then there is still a small window of opportunity to do so – the changes are wide ranging and could have an impact on your super and retirement savings strategy.

In this issue, we have a checklist of super considerations in the lead up to the EOFY, along with a brief rundown on key Budget highlights as well as the options your property could provide you with to build your wealth.

The global economy is in its best shape in years as measured by a range of business condition indicators that have moved upwards to their highest point since the global financial crisis. One of the implications of a healthier global economy is likely to be ongoing support for share markets.*

With interest rates remaining low, now could be a good time to review your mortgage. MBA FS 's mortgage adviser, Kellie Hills, is always happy to review your mortgage and discuss how you can reduce your home loan sooner or reduce personal loans or credit card debt. Call the office to make an appointment or schedule a time with Kellie on the Meet the Team page on our website.

The 2017 Federal Budget handed down this week also addresses the issue of housing affordability, with new measures to help first home buyers. We've included a brief rundown on the key Budget highlights in this issue and look at how they might affect you and your family.

The practice continues to grow and evolve with a number of staff additions recently to ensure we continue to provide you with the most effective services. Chris Galon has joined us as a client service specialist, supporting Kellie in the mortgage advice team. Megan Ryan is another new client service specialist working alongside senior financial adviser Raimon Lewandowski. Meanwhile Sadiksha Banskota has also joined us as a research assistant to help provide our financial planning team with technical research and general support.

As always, if your circumstances have changed, whether it be family, career, your home or anything else that might impact your financial situation, don't hesitate to give us a call. We look forward to seeing you in the office soon.

* Source: Oliver's Insights Global growth looking healthier Ver 2 27/4/2017

Services provided

- **Banking (deposits)**
- **Budget management**
- **Centrelink benefits**
- **Debt management (how to pay off debts faster)**
- **Arranging for listed securities, shares and debentures to be bought or sold via a broker**
- **Personal and Employer superannuation**
- **Estate Planning**
- **Financial Planning**
- **Borrowing to invest**
- **Investment planning**
- **Personal insurance (all forms including death, TPD, TSC, income protection)**
- **Portfolio reviews**
- **Retirement planning (Allocated Pensions etc.)**
- **Salary packaging**
- **SMSF – Self Managed Super Funds**

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Meet the team

Peter Berresford, Michael Cirson, Mark Borg, Raimon Lewandowski, Kellie Hills, Darren James, Darren Holst, Brian Lynch, Nick Munro

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EOFY Checklist 2017

> the end of financial year tax tips are very relevant this year given the Super Reforms coming into effect from 1 July 2017. As June 30 ticks around again, it is time to review your financial plan if have not already done so

Concessional (pre-tax) contribution caps will reduce to $25,000 in a financial year from 1 July 2017. Currently, the amount of before-tax contributions a person can make in a financial year is $30,000 (for those aged under 49) or $35,000 (for those aged 49 and over), while the cap on non-concessional (after-tax) contributions you could make in a financial year will reduce from $180,000 to $100,000.[1]

If you are aged under 65, you could be able to bring forward three years' worth of after-tax super contributions at the current rate. This means, if it is right for you, you could make an after-tax contribution of up to $540,000 before 1 July 2017.[1]

After 1 July 2017, the maximum you will be able to contribute in a year (using the three year bring-forward rule) will be reduced to $300,000.[1]

Also, if you have a total super balance above $1.6 million at 30 June 2017, you will no longer be able to make after-tax contributions from 1 July 2017.[1]

For some people, the current financial year may be the last time they can make after-tax contributions to their super and/or larger after-tax contributions.

Everyone's different, so you'll need to consider your own circumstances before making any decisions. And remember, the concessional caps include your 9.50 per cent superannuation guarantee and any salary sacrifice payments.

Transition to retirement

People who have reached their preservation age [2] (currently age 56) can choose to receive a transition to retirement (TTR) income stream. This allows them to draw down from their super and receive an income of between 4% and 10%, even if they are still working. [1]

Currently, there is no tax on income earned on investments from a TTR income stream. But from 1 July 2017, these earnings will be taxed at up to 15%, the same tax rate which applies to accumulation super funds.[1]

Co - contributions threshold up

This financial year, if you earn less than $36,021 then you are entitled to a government co-contribution of $500 when you make a $1000 after-tax contribution to super. That's equal to a return of 50 per cent! This co-contribution tapers down until it cuts out at $51,021.[3]

Spouse contributions

Currently, if you make contributions into your spouse's super account on their behalf you are entitled to a tax offset of up to $540 provided you meet certain conditions.

One of these conditions is that your spouse's total income (assessable income, reportable employer super contributions and reportable fringe benefits) must be less than $10,800 in the financial year.[1]

From 1 July 2017, the lower income threshold will change from $10,800 to $37,000 (and cut out at $40,000). This means that more contributing spouses will be able to access the tax offset.[1]

Minimum withdrawals

If you have your own self-managed super fund remember to make the minimum withdrawal from your super pension by June 30 or face losing its tax-free status.

The minimum amounts have reverted to normal after a period of grace following the financial crisis – four per cent for those aged 55-64, 5 per cent for 65-74, rising to 14 per cent for those 95 or older.[4]

Rebalance your portfolio

If you have made capital gains on some of your winning investments it may be worthwhile selling some of your losers to create a capital loss to offset your gains.

But be careful if you're planning to re-buy these shares in the new financial year; the Tax Office may view this practice as a wash sale and may penalise you.

Bring forward expenses, delay income

You can pay income protection insurance, deductible loan interest and private health insurance premiums up to 13 months in advance and claim the payments in the current financial year.

Similarly, it is usually recommended postponing income where possible until the next financial year.

If you are taking redundancy or retiring in the near future, it may be worth considering whether you should postpone your last day until the new financial year. You could potentially save a lot of money due to increased tax-free thresholds from 1 July. But this may have flow-on impacts so be sure to seek advice from your financial planner.

While the end of financial year is a great opportunity to review your finances, being tax aware should be a year-round activity.

If you require any strategic financial advice, don't hesitate to call the office and make an appointment with your adviser or simply visit the website www.mbafs.com.au and make an appointment at a convenient time via the Meet the Team page to ensure you are positioned properly.

1 Super Reforms Summary Flyer 2017 AMP

2 Australian Tax Office, Preservation of super, www.ato.gov.au

3 https://www.ato.gov.au/individuals/super/in-detail/growing/super-co-contribution/?anchor=Eligibilityforthesupercocontribution#Incomethresholds

4 http://www.superguide.com.au/smsfs/minimum-pension-payments-reduced

Federal Budget - update 2017-18

Here's a roundup of just some of the key proposals put forward, and a look at how they might affect your financial goals – whether you're starting out in your working life, building a career and family, or enjoying the fruits of your labour in retirement.

Remember, at this stage these are just proposals and not yet law. As such, they could change as legislation passes through parliament.

Superannuation

1. First Home Super Saver Scheme

Proposed effective date: 1 July 2017

From 1 July 2017, individuals will be able to make voluntary contributions (eg salary sacrifice and non-concessional contributions) of up to $15,000 per year and $30,000 in total, to their super account to purchase a first home. These limits apply to each individual so a couple can contribute up to $30,000 per year and $60,000 in total.

Voluntary contributions under this scheme must be made within existing super caps.

Withdrawals of the contributed amounts along with the deemed earnings will be allowed from 1 July 2018. The amount of earnings that can be released will be calculated using a deemed rate of return based on the 90-day Bank Bill rate plus three percentage points (currently this equates to 4.78%).

The withdrawals of concessional contributions and associated earnings will be taxed at the individual's marginal tax rate, less a 30% tax offset. When non-concessional amounts are withdrawn, they will not be taxed, but we anticipate that the earnings will be taxed at the individual's marginal tax rate, less a 30% tax offset.

The First Home Super Saver Scheme will be administered by the Australian Tax Office (ATO), which will determine the amount of contributions that can be released and will instruct super funds to make these withdrawal payments. The ATO will also be responsible for compliance to ensure that people purchase their first home after they withdraw from super for their deposit.

2. Contributing the proceeds of property downsizing to super

Proposed effective date: 1 July 2018

Currently, if you are aged 65 to 75 and want to make voluntary super contributions, you must satisfy a work test. If you are over 75, you are generally unable to contribute to your super.

The government proposes that from 1 July 2018, people aged 65 and over will be able to make a non-concessional contribution into their super of up to $300,000 from the proceeds of selling their home, irrespective of their age, work status or total super balance.

Both members of a couple will also be able to take advantage of this measure for the same home, meaning $600,000 per couple can be contributed to super under this measure. To be eligible, the property must be a principal place of residence owned for a minimum of 10 years.

These contributions will be in addition to any other concessional or non-concessional contributions you are eligible to make.

Taxation

3. Marginal tax rates remain unchanged

Marginal tax rates are unchanged from 2016-17. As legislated, the Temporary Budget Repair Levy - which is an additional 2% on the top marginal tax rate - will expire on 30 June 2017.

Resident and non-resident marginal tax rates for 2017-18 are shown below.

Residents		Non residents	
Income ($)	Marginal tax rate (%)	Income ($) Income($)	Marginal tax rate (%)
0 - 18,200	0		
18,201 – 37,000	19	0 – 87,000	32.5
37,001 – 87,000	32.5		
87,001 – 180,000	37	87,001 – $180,000	37
>180,000	45	>180,000	45

Note: Medicare levy may also apply, see below.

4. Increase to Medicare levy

Proposed effective date: 1 July 2019

The Medicare levy, which is still assessed on taxable income, is proposed to increase from 2% to 2.5% from 1 July 2019.

The increase in the Medicare levy will be used to fund the National Disability Insurance Scheme (NDIS).

Other tax rates that are linked to the top marginal tax rate (ie 47.5% following the increase) will also rise, such as the fringe benefits tax rate.

5. Increasing the Medicare levy low-income thresholds

Proposed effective date: 1 July 2016

The Medicare levy thresholds for low income singles, families, seniors and pensioners will increase in the 2016-17 income year. The increases are based on movements in the consumer price index (CPI) so that low income earners are generally not liable for the Medicare levy.

The threshold for singles will increase to $21,655. The family threshold will increase to $36,541 plus $3,356 for each dependent child or student.

For senior singles and pensioners, the threshold will increase to $34,244. The family threshold for seniors and pensioners will increase to $47,670, plus $3,356 for each dependent child or student.

6. Residential investment property - disallowance of deduction for travel expenses and limitation on deductible depreciation

Proposed effective date: Various

From 1 July 2017, travel expenses incurred in inspecting, maintaining or collecting rent on your residential investment properties will no longer be tax deductible. As a residential property investor, you will continue to be able to deduct fees paid to real estate agents or other property managers for these services.

In a separate proposal, depreciation deductions for plant and equipment – such as dishwashers and ceiling fans – in residential investment properties will be limited to the actual expenditure you incur.

This is an integrity measure designed to ensure that successive purchasers of a property cannot depreciate an asset beyond its true cost.

Taxation - small business

7. Instant asset tax write-off extension

Proposed effective date: 1 July 2017

The government has announced a further extension until 30 June 2018 of the accelerated depreciation rules. These rules include allowing businesses with annual aggregated turnover of less than $10 million to immediately deduct purchases of eligible assets costing less than $20,000 where first used, or installed ready for use, by 30 June 2018.

To find out more about how the Budget may affect give the office a call. Again the proposals may change or be withdrawn as legislation passes through parliament.

Note: Any advice contained in this document is general in nature and does not consider your particular situation. Please do not act on this advice until its appropriateness has been determined by a qualified financial adviser. Whilst the tax implications have been considered we are not, nor do we purport to be a registered tax agent. We strongly recommend you seek detailed tax advice from an appropriately qualified tax agent before proceeding. If you decide to purchase or vary a financial product, your financial adviser, AMP Financial Planning Pty Limited 1300 157 173 and other companies within the AMP Group may receive fees and other benefits. The fees will be a dollar amount and/or percentage of either the premium you pay or the value of your investments. Please contact us if you want more information.

Market Indices

International Equities	FYTD	change (yr)	change (10yr)
MSCI World ex Aust NR Index (AUD Hedged)	18.3%	19.2%	6.35%
MSCI World NR Index AUD	14.8%	17.0%	5.03%
Dow Jones Industrial PR Index (USD)	16.8%	17.8%	4.83%
Australian Equities			
S&P/ASX All Ords TR Index AUD	15.8%	16.7%	4.02%

Exchange Rates			
$A/$US Spot rate	0.5%	-1.51%	-1.03%

Source: Lonsec iRate Indices Return 30 April 201

How can I use Property to make me better off?

> If you've built up some equity over the years, it may be time to look at the options your property may give you.

1. You could buy an investment sooner

Borrowing against the value of your home - which is one way you can access your equity - may enable you to buy an investment sooner than if you had to save the money. Owning assets could help you build wealth more quickly although borrowing and investing involves risks. You will need to ensure you can maintain all loan repayments now and into the future.

Of course, you need to consider the risks involved first. For example, it's important to understand that when you borrow against the equity in your property your overall level of debt increases. This means you'd have more financial responsbility and may also risk losing your property if you were unable to meet loan repayments.

2. Potential tax advantages

In addition to your investment potentially increasing in value over time, certain expenses related to owning the investment, including loan interest rate charges, are generally tax deductible. Plus, if you choose to invest in property, you may be able to claim depreciation on certain items against your taxable income.

3. A possible extra source of income in the future

Owning an investment gives you the opportunity to generate an extra source of income down the track. And certain strategies can help you pay off your home loan sooner using the income from your investments but you need to find out more to see if these are right for you.

4. Take the first step to get the right advice

While we all get tips from friends and neighbours, when a plan is this big, it's worth talking to a financial adviser. Using property equity to invest with can be risky, but with personalised advice a strategy can be developed to help you meet your financial goals. To have your debt strategy reviewed with our mortgage adviser Kellie Hills simply give the office a call.

This information does not take your circumstances into account, so read the relevant disclosure documents and consider what is right for you. If you decide to purchase or vary a financial product, your financial adviser, AMP Financial Planning Pty Limited, tel: 1300 157 173 and other companies within the AMP Group may receive fees and other benefits. The fees will be a dollar amount and/or a percentage of either the premium you pay or the value of your investments. Please contact us if you want more information.

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