The Key

Q2 2017

In this edition:

If you are new to reading The Key newsletter, welcome. If you are an avid reader of this publication you would be familiar with this forum, delivering relevant and interesting content from the financial planning industry, to help you better manage your financial life. A core value of our business is that every Australian should have access to, and benefit from, good financial advice. In reading this publication, we hope that you find the articles interesting, and perhaps they will provide some talking points for your next review meeting with your financial adviser.

Enjoy reading this edition of The Key.

SMSFs are on the rise: Could one be for you?

More and more people are turning to self-managed superannuation funds (SMSFs). We explore the popularity of SMSFs and look at their benefits and risks.

What is an SMSF?

An SMSF is a private superannuation fund that's regulated by the Australian Taxation Office. You manage it yourself and it can have up to four members who are also responsible for the fund, including making sure it's compliant.

SMSFs are growing

The SMSF sector is growing in Australia. In April this year, Andrea Slattery, the chief executive of the Self Managed Superannuation Fund Association, predicted that more than 2 million Australians will have an SMSF within the next 15 years[1].

"The number of self-managed super funds has doubled from 230,000 in 2003 to more than 580,000 today, while the number of trustees has risen from about 580,000 to 1.1 million today," Slattery said. "Both are expected to double over the next 15 years."[1]

In fact, the self-managed super funds market makes up the biggest portion of the super fund industry in Australia, accounting for $654 billion worth of the $2.2 trillion super fund industry[1].

Why are they gaining popularity?

One reason is the reforms that will come into effect on 1 July 2017. People are looking for ways to have more control over their super, particularly considering the new caps coming on how much super you can hold in a tax-free account ($1.6 million) and how much you can contribute from after tax funds over a year ($100,000).

Slattery believes SMSFs make it "easier for people to manage their retirement planning and also the transition from the accumulation phase to the retirement phase".

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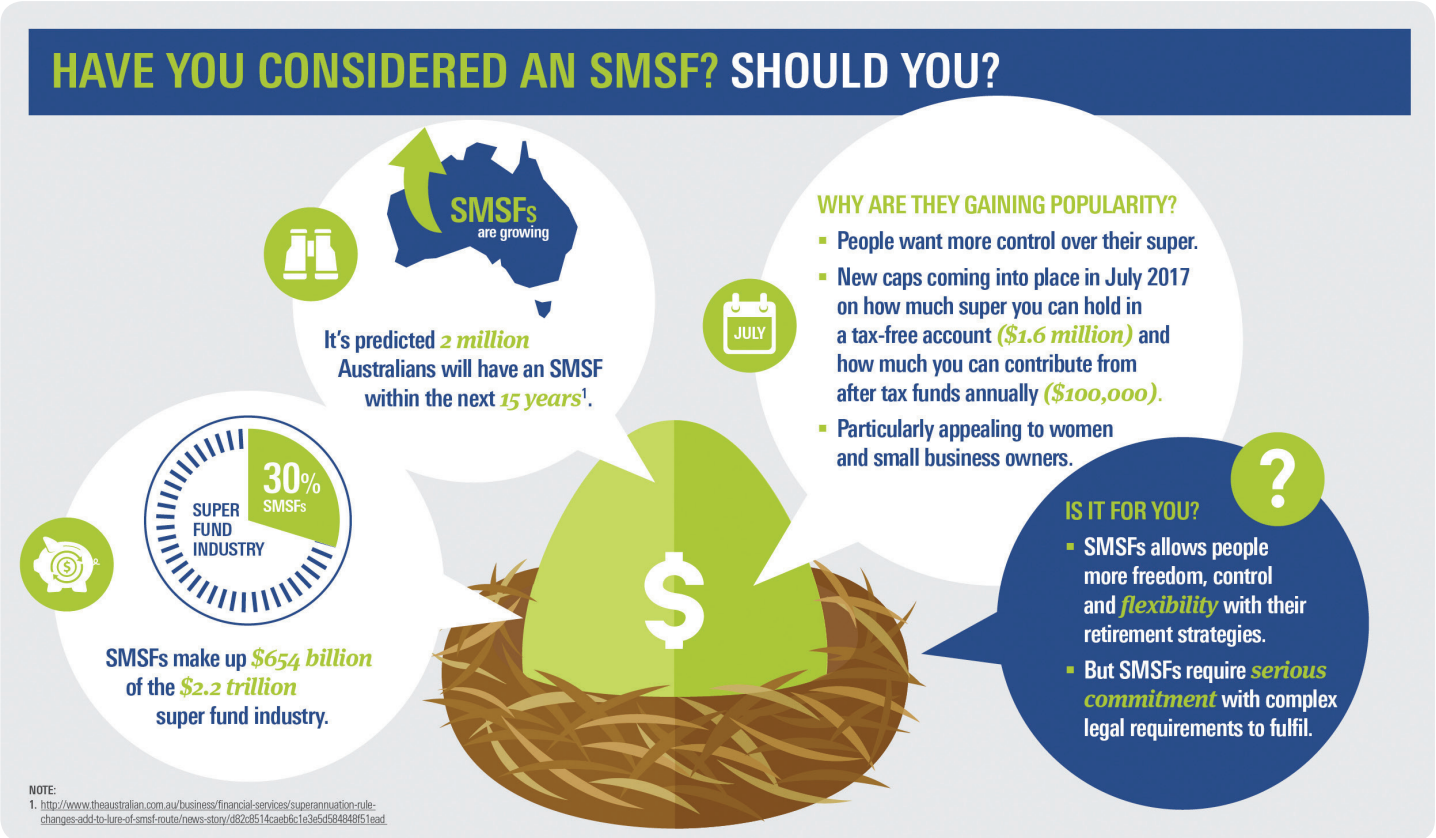

More young women are also setting up SMSFs[1]. Typically, Australian women retire with around half as much superannuation as men, often due to becoming the primary family carer[2]. To rectify this, more women are speaking to financial advisers about SMSFs to ensure they are set up for the future.

The reforms also encourage individuals to contribute to their partner's super, which may be managed most effectively through an SMSF. Further, according to Slattery, an increasing number of people who are self employed or own a small business are looking to SMSFs to give them more control over their finances[3].

Benefits and risks

SMSFs are appealing for several reasons. For one thing, you're in charge. You may have more freedom when investing in funds, more control over your super strategy, and more flexibility regarding your retirement plans.

Ultimately, you may end up saving more superannuation for your retirement than if you went with other super funds. But there's also a lot to consider. For example, you will also be responsible for a range of complex legal requirements.

While an adviser can help you with these, it does require a strong commitment from you, keeping in mind non-compliant SMSFs are penalised.

Is it for you?

If you have the time, and support from a financial adviser, and wish to have more control over your super, then joining the 1.1 million Australians with an SMSF may be your next step to a bright financial future. Keep in mind that SMSFs require a serious commitment and a financial adviser can help you determine if it's an option for you.

1. www.theaustralian.com.au/business/financial-services/superannuation-rule-changes-add-to-lure-of-smsf-route/news-story/d82c8514caeb6c1e3e5d584848f51ead
2. www.abc.net.au/news/2016-04-21/super-gender-gap-leaves-australian-women-struggling/7346764
3. www.theaustralian.com.au/business/financial-services/superannuation-rule-changes-add-to-lure-of-smsf-route/news-story/d82c8514caeb6c1e3e5d584848f51ead

Changes to private health insurance rebates

The private health insurance rebate is an income tested rebate that helps with the cost of private health insurance. The new private health insurance rebates from 1 April 2017 are in the following table.

Single parents and couples (including de facto couples) are subject to family tiers. For families with children, the thresholds are increased by $1,500 for each child after the first.

It is possible that with the new rates introduced on 1 April this may result in an increase in the cost of your health insurance and therefore has an impact on your cash flow. A professional financial adviser has access to tools to help you effectively manage your cash flow so any new or unexpected costs can be factored into your financial plan.

Singles	<$90,000	$90,001–$105,000	$105,001–$140,000	$140,000+
Families	<$180,000	$180,001–$210,000	$210,001–$280,000	$280,001+
Rebate				
Age	Standard	Tier 1	Tier 2	Tier 3
<65	25.934%	17.289%	8.644%	0%
65–69	30.256%	21.612%	12.966%	0%
70+	34.579%	25.934%	17.289%	0%
Medicare Levy surcharge				
All ages	0%	1%	1.25%	1.5%

Returning to work? Four things you need to think about

There are many reasons for taking a break from the workforce: to have a baby, look after family members, or recover from a redundancy or illness. Whatever the reason, returning to work can be challenging. Here are some tips that may help give you the confidence you're after.

1. How are your finances?

Before starting a new job, or returning to a previous role, take the opportunity to review your financial situation.

Are all your bills paid? How good is your debt management? You should also update your budget to account for your new income, keeping in mind any changes in expenses such as child care, and ensuring you have savings in case of emergency. This is also a great time to think about income protection insurance.

2. Check your superannuation

Your superannuation savings may have stalled from lack of employer contributions. If you'd like to try to catch up, there are options. For example, you can salary sacrifice part of your pay or you may be eligible for the government's co-contribution scheme.

Spouse contributions may also help, and under the superannuation reforms coming into effect on 1 July 2017, anyone with a partner who earns less than $40,000 can contribute to their super and may receive a tax offset in return.

3. Stay in touch

While you're still on leave, there are a few things you can do to give yourself a chance of transitioning back into the workforce successfully.

If you plan to stay in your industry or role, make sure you are up to date on the latest trends and insights. Keeping in touch with colleagues and your network is also a great way to show you are engaged in your area.

You may also take the opportunity to learn a new skill, gain experience or take a course. This may indicate to potential employers that you're eager to continue learning. Remember to update your resume afterwards.

4. Talk to your employer

Many people returning to work will require flexible workplace arrangements, such as the ability to work from home or only for certain periods of time. Talk to your employer about this early on, then you can create an arrangement that works for both of you.

If you are seeking a new position and know you will need to work from home some days, research employers' workplace flexibility arrangements. Is there a work-from-home policy?

Is work–life balance encouraged? Seek out companies that offer these policies and keep an eye out for organisations with a return-to-work support program.

Some people find that slowly easing back into work sets up a stronger foundation for long term employment. This may mean going back one day a week, then increasing this to two, three or four days. If you think this may work for you, discuss a trial arrangement with your employer.

Return to work with confidence

Returning to work after extended leave can be daunting – but it can also be a great opportunity to develop your skills, connect with a community and achieve new goals.

There are many financial aspects to consider, so speaking to a financial adviser who understands the latest reforms and your unique situation may give you peace of mind.

Grey nomads: Retirement on the road

An increasing number of Australians are choosing not to spend their retirement at home. Instead, they're setting off for adventures in the great outdoors. Could this be your dream retirement?

Wandering retirees, known as 'grey nomads', are defining a new kind of retirement lifestyle. In 2016, grey nomads accounted for almost half of visitors at caravan and camping sites across Australia, a 20 per cent increase since 2015.

Road-tripping retirees usually travel with their partners in motorhomes or in cars towing caravans, and stay at caravan parks or free camping grounds.

So, what's the appeal of this peripatetic lifestyle?

For some, it is the opportunity to tick new experiences off their bucket list after a lifetime dedicated to working and raising a family. That can mean travelling far and wide across Australia.

From the 'big lap' to a coastal drive, grey nomads are hitting the road to visit sights such as Uluru, Kakadu, the Great Ocean Road or Shark Bay. Some retirees are making pilgrimages to historical sites such as the National Anzac Centre in Albany, Western Australia.

The nomadic lifestyle may also be a cost-effective way to spend retirement. Grey nomads avoid the hassle and costs of flights and hotels simply by taking their accommodation with them. Some choose to sell their home, enjoying the added freedom from mortgages and utilities bills.

Some even find work on the road – called 'workamping'. Many tourist centres and caravan parks have begun using the skills and experiences of retirees, offering free accommodation or payment for completing tasks such as conducting visitor surveys or doing maintenance jobs. Workamping is also a great way for grey nomads to become part of the local community.

Retirees can even turn their passion into a profession while travelling. Hobbies such as photography, knitting or painting can supplement the pension or other income. It's simply a matter of putting a notice up at the caravan park or joining the local market.

Retirement can be stressful. Individuals may feel a loss of purpose as they rethink their goals, where they belong and how to spend their days. Becoming a grey nomad can help retirees answer these questions and enjoy a new life of travel at their leisure.

Grey nomads can also become part of a tribe. Each day, grey nomads come together to share happy hour at campsites and caravan parks across Australia. Happy hour is an informal tradition that goes with the lifestyle and can help retirees meet new people.

Before setting off, retirees may need to consider if their finances, insurance policies or estate plans are set up for retirement on the road. A financial adviser can help with this, so the adventurers can focus on other important questions – such as caravan or campervan?