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WEALTH STRATEGISTS
INVESTMENT • RETIREMENT • INSURANCE



your **money** your **future**

June 2018

Welcome to the latest edition of our client newsletter,

Our articles cover a range of topics which we hope you will find interesting. We aim to keep you informed of changes as they happen, but we also want to provide ideas to help you live the life you want – now and in the future.

In this edition we discuss why it pays to contribute to your partner's Super and provide you with information on how to deal with financial stress and now's the time for tax planning.

If you would like to discuss any of the issues raised in this newsletter, please don't hesitate to contact us on 08 7123 2939.

In the meantime we hope you enjoy the read.

All the best,
The team at Bellwether Wealth Strategists

Bellwether Wealth Strategists

Suite 4, 8 Greenhill Road
Wayville SA 5034

P 08 7123 2939

E enquiries@bellwetherws.com.au

W www.bellwetherws.com.au



Why it pays to contribute to your partner's super

If your other half is a stay-at-home parent, working part-time or out of work, adding to their super could benefit you both financially.

If your spouse (husband, wife, de facto or same-sex partner) is a low-income earner or not working at the moment, chances are they're accumulating little or no super at all to fund their retirement.

The good news is, if you want to help them by putting money into their super, you might be eligible for a tax offset, while potentially creating additional future planning opportunities for both of you.

How do I know if I'm eligible?

To be entitled to the spouse contributions tax offset, eligibility rules include:

- you need to make an after-tax contribution to your spouse's super account
- you must be married or in a de facto relationship (this includes same-sex couples)
- you must both be Australian residents
- the receiving spouse has to be under the age of 65, or if they're between 65 and 69 (inclusive) they must meet work test requirements
- the receiving spouse's income must be \$37,000 or less for you to qualify for the full tax offset and less than \$40,000 for you to receive a partial tax offset.

What are the actual tax benefits?

If the above criteria are met, you can generally make after-tax contributions to your spouse's super fund and claim an 18% tax offset on up to \$3,000.

To be eligible for the maximum tax rebate, which works out to be \$540, you need to contribute a minimum of \$3,000 and your partner's annual income needs to be \$37,000 or less.

If their income exceeds \$37,000, you're still eligible for a partial tax offset. However, once their income reaches \$40,000, you'll no longer be eligible, but can still make contributions on their behalf.

Also note, what you contribute will count towards your **partner's non-concessional contributions cap**, which is the maximum amount that can be put into super after tax.

The after-tax contributions cap is \$100,000 per year. And, for those under 65, it's possible to contribute up to three years' worth of annual caps (\$300,000) in one year under the bring-forward rules.

Another thing to note is that after-tax contributions can't be made once someone's super balance reaches \$1.6 million or above as at 30 June of the previous financial year. So, you won't be able to make a spouse contribution should your partner's balance have reached that amount.

What about contributions splitting?

Another way to increase your partner's super is by splitting up to 85% of your before-tax super contributions with them, which you either made or received in the previous financial year.

Before-tax super contributions can include employer and or salary-sacrifice contributions, as well as personal tax-deductible contributions.

To be eligible for 'contributions splitting', your partner must be less than their preservation age, or between their preservation age and 65 (and not retired).

If you're not sure what your partner's preservation age is, you can check out the table below.

Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
From 1 July 1964	60

Amounts that you split between your and your partner's super will be counted toward your concessional contributions cap, which is the maximum amount that can be put into super before tax. The limit is \$25,000 per year.

You'll need to talk to your super fund to find out whether it offers contributions splitting, and it's also worth asking whether there might be any fees payable.

What my partner and I should know

- If either of you exceed super contribution limits, additional tax and penalties may apply.
- The value of your partner's investment in super, like yours, can go up and down, so before making contributions, make sure you both understand risks tied to your investment options.
- The government sets general rules about when people can access their super. This means if either of you want to be able to use your super money, typically you'll need to have reached your preservation age.
- While you can't personally make further after-tax contributions into your super once you have a total super balance of \$1.6 million or above (as at 30 June of the previous financial year), it's possible to still make contributions to your partner's super (noting the caps).

Your circumstances and retirement goals will play a big part in what you both decide to do. And, as the rules around spouse contributions and contributions splitting can be complex, it's a good idea to chat to us to ensure the approach you and your partner take is the right one.



How to deal with financial stress

– nearly 1 in 3 affected

Close to one in three Aussies is feeling the pinch financially, with money worries reportedly leading to sleep loss, conflicts in relationships, isolation, as well as a range of other things.ⁱ

These were the findings from the inaugural Financial Stress Index, compiled by global research firm CoreData on behalf of Aussie group, Financial Mindfulness, which indicated financial stress is not only being experienced by low-income households in 2017.ⁱ

Findings from the research

Statistics from the Financial Stress Index revealed the following about financially-stressed Aussies:ⁱ

- More than 66% felt money worries led to feelings of fear, anxiety and/or depression
- More than 60% felt their physical health was affected by financial stress
- About 75% said they argued about money with their partner or family
- More than 70% said they had problems sleeping due to money concerns
- Nearly nine out of 10 said they often avoided social functions due to financial stress.

What defines financial stress?

According to the Australian Bureau of Statistics, there are two financial stress indicators—these include financial-stress experiences and missing-out experiences.ⁱⁱ

Examples of financial-stress experiences:

- You're unable to pay various bills on time
- You spend more money than you receive
- You can't raise \$2,000 in a week for something important
- You seek assistance from friends, family or welfare and community groups.

Examples of missing-out experiences:

- You're not able to afford a night out once a fortnight
- You can't afford a week-long holiday once a year
- You can't afford friends or family over for a meal once a month
- You aren't able to cover any recreational activities.

Actions that could help turn things around

Create a budget

Writing down what you earn, owe and spend could help you to create a workable budget, and at the same time let you quickly identify areas where you could be saving.

Save a bit of money regularly

Even a small amount of cash deposited on a frequent basis could go a long way towards your savings goals. In fact, 41% of Aussies say they save just a little at a time.ⁱⁱⁱ

Pay cash and avoid credit card use

Credit cards are handy but they'll often cost you as they typically charge high interest rates on top of the amount you've already taken out.

Put some emergency cash aside

This will help next time you bust your phone or need a last minute trip to the dentist. Plus, an emergency fund means you won't have to rely on high interest borrowing options.

Talk money with your partner

One in two Aussie couples admit to arguing about money^{iv}, so if you haven't already, sit down and make sure you're

on the same page, and that both parties' goals are being considered.

Call other providers

You more than likely have several product and service providers, and figures show you could save more than a grand annually on energy alone just by switching from the highest priced plan to the most competitive on the market.^v

Consider the value of a back-up plan

Whether it's life insurance, income protection (which provides up to 75% of your income if you can't work due to illness or injury), or contents insurance to cover items that may be lost, damaged or stolen, there are a range of insurances that could help should the unexpected happen.

Care about your future income

The government's Age Pension alone is unlikely to be able to cover a comfortable or even modest lifestyle in retirement^{vi}, so putting a little extra into super could reduce the potential of further financial stress later on.

Where to go for assistance

If you or someone you know are feeling financially stressed, there is help and information available. We are always here to assist. Alternatively, visit the beyondblue website or phone Lifeline on 131 114.

i CoreData / Financial Mindfulness Financial Stress Index – 2017 full press release

ii ABS – Household Expenditure Survey, Australia: Summary of Results, 2015-16

iii ASIC's MoneySmart – How Australians Save Money table 1

iv Finder – Heated conversations: 1 in 2 Aussie couples argue about finances

v Mozo: Sick of high energy bills? Aussies willing to change providers could be saving over \$1,000 a year

vi The ASFA Retirement Standard – June quarter 2017

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Now's the time for tax planning

With not much time remaining to the end of the financial year, now is the time to start some serious tax planning.

Getting ready for tax time should go well beyond bundling receipts into a shoe box for your accountant. The run up to 30 June is a critical time for investors to take a good look at their investment portfolio.

Your goals and needs may have shifted over the year, and your portfolio needs to keep up with the right blend of assets to meet your goals. Even if nothing has changed on the personal front, investment markets don't sit still for long.

Property investors in Sydney and Melbourne for instance, have enjoyed tremendous value gains over the past few years but this may mean the weighting of your portfolio is dramatically skewed towards bricks and mortar.

If that sounds like you, bear in mind rental yields on property are sitting at just 3.7% across our state capitals, and a significant chunk of your wealth could be tied up in low-yielding assets.

Consider new legislation

The need to review your portfolio ahead of 30 June isn't just about market performance. It can also involve taking advantage of, or responding to, new legislation.

We've heard lots of speculation recently about Labor's plan to scrap cash

refunds for excess franking credits on Australian shares.

So far, this policy has been amended to include a so-called Pensioner Guarantee that will exempt full and part-time pensioners including those who are recipients of a self-managed superannuation fund.

Nonetheless, jumping the gun and altering your portfolio based on what may – or may not – happen further down the track is a gamble, and on this particular score it could be worth taking a wait and see approach.

In the meantime, plenty has happened in other areas that could directly impact your portfolio.

As a guide, since 1 July 2017 property investors can no longer claim the cost of travel to inspect a rental property. This could be a significant downside for investors who own an interstate property – especially if part of the appeal was a tax break on an annual trip to check out the property.

Also, from 1 July 2018, those aged 65 and over may be able to contribute up to \$300,000 from the sale of their main residenceⁱ to super without the money counting towards contribution caps.

Each member of a couple can take advantage of the \$300,000 limit, potentially adding \$600,000 to their combined nest egg. It could be an option worth considering if you're thinking about downsizing.

Get your portfolio in shape for a new financial year

Fine-tuning your portfolio ahead of 30 June can mean paying costs, and capital gains taxⁱⁱ may apply to any profit you make on the sale of an investment. The upside is hitting the new financial year with a portfolio that's in tune with your goals and lifestyle.

Set a date to speak with us to review your portfolio before the end of the financial year. It can be a valuable step to ensure your money continues to work hard for you.

– by Paul Clitheroe AM

Paul Clitheroe AM, co-founder and Executive Director of ipac securities limited, Chairman of the Australian Government Financial Literacy Board and Chief Commentator for Money magazine.

i <https://www.amp.com.au/news/2018/march/new-rules-to-benefit-those-downsizing-for-retirement>

ii <https://www.amp.com.au/news/2016/may/what-is-capital-gains-tax>

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