FutureFinancialPlanning

WELCOME TO OUR SPRING EDITION OF FFP NEWS

Welcome to Future Financial Planning News Spring Edition 2019.

With the end of one financial year behind us and the beginning of another under way, Spring is a great time to review your financial plan. The change in season brings with it the perfect opportunity to talk to us and make sure your superannuation, retirement and insurance needs are on track.

Inside this edition we break down the ins and outs of the federal governments new Protecting Your Super package laws and we also take a look at Retirement Planning and provide 9 tips for a successful retirement.

Please also note that our office will be closed on: **Friday, 27th September 2019** for the AFL Grand Final public holiday and **Tuesday, 5th November 2019** for the Melbourne Cup public holiday.

Kind regards,
Rhys, Michelle and Michelle

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The ins and outs of the Protecting Your Super package.

This year, the federal government introduced laws called the Protecting Your Super package. It's a big deal because it addresses important changes to superannuation that are here to stay. In fact, there's even been an industry-wide campaign about how it's time to check your super.

The package aims to protect Australians from super balances becoming eroded by fees and/or premiums in accounts that aren't being used. And, as a result, encourages us to start being more actively involved with our super.

Why get involved in your super

It can be easy to set and forget or even lose track of our super. In fact, as at 30 June 2018, approximately 39% of Australians had more than one super account[1].

And it's not uncommon to forget what benefits (like insurance) are included with the account after joining a super fund, as well as how much you're paying in fees and/or premiums. These fees or insurance premiums can then start to diminish any money in an account that's not being actively used. So, the PYS laws were designed to:

- make sure people don't continue paying for insurance cover they don't know about, and
- protect low balance super accounts from being eroded by fees.

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What's in the PYS laws?

The PYS laws cover three main areas:

1. Insurance inside inactive super accounts
2. Inactive super accounts with a low balance
3. Fee limits on super funds.

1. Insurance inside inactive super accounts

Many superannuation plans include insurance as part of their offer. It's often general cover that's provided to a set group of people (like employees who sign up to their employer's super plan).

Under the PYS laws, super providers are required to cancel the insurance in any super account that's considered inactive (meaning the account hasn't received any contributions or rollovers for 16 continuous months).

Before they cancel, your super provider must tell you that you're at risk of having your insurance cancelled and give you the opportunity to choose to keep your insurance. You can stop your insurance being cancelled by letting your super provider know in writing. If you have more than one super account that's at risk of being cancelled, you'll need to let them know in writing for each of the accounts.

Making a super contribution or rollover[i] into an account that's considered inactive will also stop the insurance cancellation from going ahead unless the account becomes inactive again for 16 months. Making regular contributions can prevent this. It's always important to consider your circumstances before making a contribution or rollover.

2. Inactive super accounts with a low balance

The PYS laws require super providers to transfer any accounts with a balance of less than $6000, and no contributions or rollovers for 16 continuous months to the ATO. Some exceptions apply to this, including if you have insurance inside your super account.

If your super is transferred to the ATO, you'll be able to reclaim it from them. You can do this by logging into your MyGov account and using ATO Online Services.

The ATO may also transfer your super money into another super account you hold. This could happen if your other account has received a contribution or rollover within the current or previous financial year, and the balance after the transfer will be $6000 or more.

3. Fee limits on super accounts

Another way PYS laws protect super accounts from erosion, is by limiting fees charged by super providers. This includes:

- **Capping fees for accounts with low balances -** administration and investment fees will generally be capped at 3% pa for accounts with $6000 or less at year end.
- **Banning exit fees -** super funds are no longer allowed to charge exit fees, so you can now switch your super account any time without paying a penalty, although other fees may apply[ii].

We're here to help

For any questions about how the Protecting Your Super package affects you, please give us a call.

[1] Australians Tax Office (ATO) - Multiple Super Accounts data. Figures are based on member data reported by funds to the ATO for the year ending 30 June 2017

i, ii Things to consider—contributions or rollovers

Before requesting a rollover, you should check with your other fund(s) to determine whether there are any exit or withdrawal fees for moving your benefit, or other loss of benefits such as insurance, noting that you may not be able to obtain the same type or level of benefits after the rollover.

Contributions to superannuation are generally preserved and you cannot usually access your preserved benefits until you reach age 65 or have permanently retired after reaching your preservation age (between 55 and 60 years depending on when you were born). Government prescribed caps also apply on the amount of money you can add to superannuation each year on a concessionally taxed basis. There will be tax consequences if you make contributions exceeding these caps. For more information speak with us today or visit ato.gov.au

Retirement planning: 9 tips for a successful retirement

Like any new chapter in your life, preparation can go a long way in ensuring you're emotionally and financially ready for the road ahead.

Despite the obvious benefits, only 44% of Australians over age 40 feel prepared for retirement[1]. That's why we've pulled together a nine-point retirement planning checklist to help make sure you're on the front foot when it comes to financial planning for retirement.

1. Do I have to retire by a certain age?

The retirement age in Australia isn't set in stone. You can retire whenever you want to, but your health, financial situation, employment opportunities, individual preferences, superannuation plans and partner's needs could play a big part.

2. How much money will I need for retirement and where will I get it?

Saving for retirement can help you prepare financially for the future. Industry figures show that individuals and couples around age 65 who are looking to retire today need an annual budget of $43,317 and $60,977 respectively to fund a comfortable lifestyle (assuming they own their home outright and are in relatively good health)[2].

To live a modest lifestyle in retirement, which is considered better than living on the age pension, an individual would need an annual budget of $27,648, and a couple an annual budget of $39,775[3].

These figures are helpful when thinking of retirement planning strategies. Think about how you want to live your life in retirement and add up any potential income sources you may have to support yourself. This could include things such as a superannuation fund, government entitlements, investments, savings or an expected inheritance.

3. What recreational activities are on my to-do list?

When you retire, you'll likely have more time for the things you enjoy most. Australians are living and remaining active for a lot longer - in your financial planning for retirement, spare a thought for your physical and mental wellbeing, and whether you'll need a bit of extra money to do the things you enjoy, such as various sports and hobbies, travel and eating out.

4. How and when will I access my super?

Your superannuation plan can make a big difference to your financial planning for retirement, so it's handy to have an idea of when you can (and will) access your super.

Generally, you can start accessing super when you reach your preservation age, which will be between 55 and 60, depending on when you were born. As for what you do with your super - which from age 60 is typically accessible tax free - you'll have a few options.

If you want more financial flexibility, you could access a portion of your super balance via a transition to retirement pension (TTR), while continuing to work full-time, part-time or casually.

Alternatively, if you want to retire, you can choose to take your super as a lump sum, or move in into a account-based pension or annuity, if you want a regular income stream. There will be different tax implications for different people, and your super doesn't guarantee an income for life, so it can be valuable to seek professional advice on superannuation.

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5. Will I be eligible for government entitlements?

If you're thinking about retirement planning in Australia, there are some government payments that you may be eligible for. Along with your savings, government benefits, such as the age pension, Carer's Allowance and Disability Support Pension, could be an important part of your retirement income.

6. Will I be entering retirement debt-free?

An AMP.NATSEM report found nearly four in five people aged 50 to 65 have household debt[4]. When planning retirement, you may want to consider if you'll be carrying debt into retirement, and think about ways to reduce it sooner rather than later.

Some things that could help reduce debt:

- Work out your debts and what they total
- Do a comparison of what you earn, owe and spend
- Look into whether you might benefit from rolling your debts into one
- Pay your debts on time to avoid additional charges
- Try to pay the full amount rather than the minimum owing
- Look at whether you can afford to make extra repayments
- Shop around for providers with lower interest rates and no annual fee

7. Do I have other matters that need addressing?

- **Insurance** - You might have insurance, but it's worth checking you have the right type and enough of it for your retirement planning. After all, what you require in retirement could be quite different to when you are working.
- **Investment preferences** - Investments are part of many retirement planning strategies, and when you're retiring, it's worth reviewing your investment style and the options you've chosen. In retirement, you might also consider a more conservative approach, as when you're younger you generally have more time to ride out market highs and lows.
- **Estate planning** - On top of that, think about your estate planning needs. Have you documented how you want your assets to be distributed after you're gone and how you want to be looked after if you can't make decisions later in life?

8. Will I relocate or downsize?

Your living arrangements in retirement should be based on more than just your finances. Your health, partner, family and what activities you decide to pursue once you stop work will all play a part.

If you're thinking of downsizing to release money from your property, planning ahead can help you feel more in control and provide greater peace of mind as you can assess any out-of-pocket costs in advance.

9. Do I want to make any final super contributions?

The more you can put into super before retiring, the more money you're likely to have when you retire. And, if you invest some of your before-tax income into super (known as salary sacrifice), these amounts will generally be taxed at 15%, which is lower than the tax most people pay on their employment income. Keep in mind that even if you're 65 or over, you may still be able to continue to make contributions to your super to fund your future retirement as well.

Whatever your goals and future plans happen to be, remember that even a little bit of planning today could go a long way tomorrow.

[1] Investment Trends October 2016: Industry-wide-collaboration necessary to better prepare Australians for aged care costs
[2] The Association of Superannuation Funds of Australia Retirement Standard
[3] The Association of Superannuation Funds of Australia Retirement Standard
[4] Buy now pay later: Household debt in Australia report page 10