WELCOME TO OUR SPRING EDITION OF FFP NEWS

Welcome to Future Financial Planning News - Spring Edition.

What a rollercoaster ride the last few months have been. In and out of lockdowns, restrictions changing regularly and different strains of Coronavirus still creating everchanging situations.

As we continue to navigate our way through these uncertain times, we remain available for you at any time. Should the office be closed due to lockdowns, we are still available via our office phone on 5622 3005 or via email. Whilst during times of lockdown we are not permitted to be in the office, we have quickly adapted to working in our home environments. So please be assured that we are still here for all your financial planning needs.

Inside this issue of FFP News we take a look at saving for an emergency fund, tracking your spending to take control of your money and the potential benefits of Spouse Super Contributions.

Please note our office will be closed on **Friday, 24th September 2021** for the AFL Grand Final public holiday and **Tuesday, 2nd November 2021** for the Melbourne Cup public holiday.

Kind regards,

Rhys, Michelle and Michelle

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Save for an emergency fund

An emergency fund is money you save to cover urgent or unexpected costs. This could be car repairs, unexpected travel or an urgent medical bill.

It provides a financial safety net so you don't have to borrow money if something happens to you or your family.

How much you need in an emergency fund

Even if you can only save a little, make a start and keep saving. The more you can regularly save, the better.

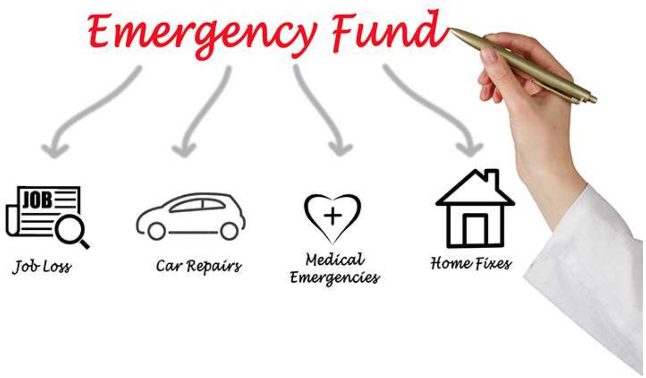
If you put $20 a week into a savings account, you'll have over $1,040 by the end of the year. That's the start of a good amount of savings to give you some financial breathing space.

A good target is to have enough in your emergency fund to cover three months of expenses.
If you're thinking long term, it's worth having a bit more put aside. This can help if you're unable to work for a while.

How to save for an emergency fund

It's a good idea to set up a separate, high-interest savings account for your emergency fund. A separate account will mean you're less tempted to dip into it for everyday expenses.

You can set up an automatic transfer to your emergency fund from the account that your wage is paid into. You can then set and forget, knowing your emergency fund is growing.



When to use your emergency fund

Keep your emergency fund for expenses you need to pay quickly when other money isn't available. If it can wait, save up for a few weeks and pay it from this saved money instead.

If you need to dip into your emergency fund, remember to top it up again afterwards.

Track your spending

Spend less and save more by knowing where your money goes.

Tracking your spending is a way to take control of your money. Knowing exactly how much is coming in and going out can help you spend less and save more.

1. Understand where your money goes

Taking the time to make a note of every dollar you spend can give you a clear view of where your money is going.

You may be surprised by how much all those small things add up. You might also discover hidden costs, like account fees, subscriptions you don't use, or mistaken transactions.

Just knowing where your money goes may be all you need to start spending less. You may even start saving more.

2. Track your spending and expenses

Start small by recording your spending every day for a period of time (at least a week). This way you can see all the money going out.

If you have some weeks or months with more expenses, then track over two weeks or two months. This will give you a more realistic picture.

Don't worry about changing your spending habits straight away. Just track day by day.

It might be easier to track with your partner or a friend: you can encourage each other and stay on track.

How to track your spending

Use a phone app

A phone app is an easy way to track your spending at the time you spend.

Some apps offer more options, such as setting spending limits and reminders, and seeing your expenses at a glance.

Look at your statements and receipts

When you use a debit or credit card, every transaction is recorded for you.

You can view or download these transactions using online banking, or look at your hard-copy statements or receipts.

Write it down

Write down every dollar you spend. Include the amount, item (or store name) and date. You should do this for both cash and card purchases.

Do this as you spend, or set a reminder to do it once a day, using your receipts.

3. See how you're tracking

At the end of your tracking period, look at your recorded transactions to see where your money is going.

You might find that just by being aware of your spending you start to spend less. Take a moment to ask yourself: Do I need this? Would it be cheaper somewhere else? This can help you think twice about buying something.

See where you can save

A good first step is to look at any small items that add up over time. Try cutting back on small, frequent expenses, such as takeaway coffee or lunch. This is a great way to start a savings habit.

You could also see whether you could redirect this money, maybe to a savings account, an emergency fund or your mortgage.

Separate needs from wants

Look at all your transactions and highlight what are 'needs' - essential items you need to live.

This will give you a clear picture of what are 'wants'. These are the things you could cut back on or live without to save money.

Set limits and reminders

Seeing how much you spend on certain things can help you set a realistic limit for the next week or month. This can help you avoid overspending.

Knowing when regular expenses are going to pop up means that you can set reminders and put aside money to cover these payments.

4. Do a budget

Knowing where your money is going day to day is a great first step to creating a budget. The next step is to see where it's going over a month, then a year. Having a budget can help you feel in control of your money, prepare for big expenses, and save.

Spouse super contributions—what are the benefits?

If your partner is a low-income earner, working part-time, or currently unemployed, adding to their super could benefit you both financially.

Your other half might be accumulating little or no super at all to fund their retirement if they're not a big-income earner, or they're out of work or working less hours.

If you'd like to help them by putting money into their super, you might be eligible for a tax offset, while potentially creating additional opportunities for both of you.

Below we explain how the spouse contributions tax offset works, in addition to what contributions splitting is and how the two differ.

The spouse contributions tax offset

Are you eligible?

To be entitled to the spouse contributions tax offset:

▪ You must make a non-concessional contribution to your spouse's super. This is a voluntary contribution made using after-tax dollars, which you don't claim a tax deduction for

▪ You must be married or in a de facto relationship

▪ You must both be Australian residents

▪ The receiving spouse has to be under age 67, or if they're between 67 and 74 they must meet work test requirements, where they'll need to have been employed during the financial year for at least 40 hours over a period of 30 consecutive days. A work test exemption may also apply

▪ 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 financial benefits?

If eligible, you can generally make a contribution to your spouse's super fund and claim an 18% tax offset on up to $3,000 through your tax return.

To be eligible for the maximum tax offset, 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 offset. However, once their income reaches $40,000, you'll no longer be eligible for any offset, but can still make contributions on their behalf.

Are there limits to what can be contributed?

You can't contribute more than your partner's non-concessional contributions cap, which is $110,000 per year for everyone, noting any non-concessional contributions your partner may have already made.

However, if your partner is under 67 and eligible, they (or you) may be able to make up to three years of non-concessional contributions in a single income year, under bring-forward rules, which would allow a maximum contribution of up to $330,000.

Another thing to be aware of is that non-concessional contributions can't be made once someone's super balance reaches $1.7 million or above as at 30 June of the previous financial year. So, you won't be able to make a spouse contribution if your partner's balance happens to reach that amount.

There are also different super balance limits in place if you want to take advantage of the bring-forward rules.

How contributions splitting differs

Another way to increase your partner's super is by splitting up to 85% of your concessional super contributions with them, which you either made or received in the previous financial year. Concessional super contributions can include employer and or salary-sacrifice contributions, as well as voluntary contributions you may have claimed a tax deduction for.

What rules apply?

To be eligible for contributions splitting, you partner must be under 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, check the table below.

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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

Are there limits to how much can be contributed?

Amounts you split from your super into your partner's super will count toward your concessional contributions cap, which is $27,500 per year for everyone.

On top of this, unused cap amounts accrued since 1 July 2018 can also be contributed, if they're eligible. Note, this broadly applies to people whose total super balance was less than $500,000 on 30 June of the previous financial year.

Do all super funds allow for this type of arrangement?

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 are any fees.

What else you and your partner should know

- If either of you exceeds super contribution caps, 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 any potential risks.
- The government sets rules about when you can access your super. Generally, you can access it when you've reached your preservation age (which will be between the ages of 55 and 60 depending on when you were born) and retire.
- While you can't personally make further non-concessional contributions into your super once you have a total of $1.7 million or above (as at 30 June of the previous financial year), it's still possible to make contributions to your partner's super (noting the caps).

Where to go for more information

Your circumstances 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 your adviser to make sure the approach you and your partner take is the right one. Call us today for any further information.

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