



your money your future

## June 2016

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.

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

In the meantime stay warm and we hope you enjoy the read.

All the best,

The team at Hanmoore



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# Remember to factor in parental subsidies at tax time

While you're sorting your income and expenditure at tax time, make sure you know what you're entitled to as a parent, carer or grandparent.

When the cost of raising kids is ever-increasing, every little bit helps and a bigger tax return is generally welcome.

These days just sending a child to school comes with mounting costs, regardless of the type of school they go to. It's estimated that the total cost of putting a child born today through school would amount to an estimated \$66,862 in a government school and \$468,397 in a private school.<sup>i</sup>

The good news is that depending on your situation you may be eligible to claim for government subsidies and tax breaks this end of financial year.

## Subsidies for text books and uniforms

Depending on the state you live in, you may receive rebates or concessions on things like textbooks, learning resources, school uniforms and shoes.

The state governments in Queensland, Victoria, South Australia and Western Australia offer education programs to help with the costs of education, and in Tasmania grandparents may receive financial support to help with the cost of raising their grandchildren.

## Help for special needs and circumstances

If your child has a disability or special needs, you could receive tax-free payments regardless of your assets or income levels.

And if your school-aged child can't attend a government school in your state because they live in an isolated area or board away from home, you may be eligible for extra support too.

If you're living in New South Wales in an area where there's no public transport, and you drive a child to school, the state government may provide you with a private vehicle conveyance subsidy to help with your transport costs.

## Last calls for schooling bonus

You could receive an automatic payment of \$430 or \$856 depending on the age of your child. But this is the last year the federal government will be providing the Schoolkids Bonus. It's an income-tested payment for parents (and carers) with dependent children in primary or secondary school.

This year the payments will be made for the last time in July so call us today to see if you may be eligible.

## Tax offset and free super boost

You and your partner may have two opportunities to use a tax offset and

government payment to boost your tax return and super balance. That way, while you're taking care of the kids, you're setting yourself up to be better off down the track too.

If you're a stay at home parent or you work part-time, your partner can make an after-tax contribution into your super and then claim an 18% tax offset on the first \$3,000 paid into your super account—depending how much income you've earned this financial year.

Depending on your income,<sup>iii</sup> the government may also boost your super with up to \$500 when you make an after-tax contribution into your super, so chat with us about how to take advantage of the free \$500.

## Boost your tax return

The cost of kids has almost doubled in the last ten years<sup>iv</sup> so it's important to ensure you make the most of the tax breaks and subsidies available to you.

Call us today so we can chat about your needs this financial year, including any additional financial support you may be entitled to. We're here to help make sure you're getting everything you're entitled to.

i Pre-school, primary and secondary schooling in an Australian capital city.

ii [asg.com.au/](http://asg.com.au/).

iii Money earned from employment or self-employment.

iv AMP/NATSEM Income and Wealth Report Issue 33—Cost of Kids: The Cost of Raising Children in Australia.



# Are grandparents giving too much?

For many Australian families the arrow of intergenerational help is pointing in a new direction.

Not so long ago, it was the norm for adult children to lend a financial helping hand to their ageing parents. These days, the support is more likely to flow downwards, and grandparents are increasingly likely to provide financial support to their children – and even grandchildren.

As school costs soar for instance, a growing number of grandparents are dipping into their pockets to give their grandchildren a quality education. Industry research shows almost one in four education savings plans are started by people aged 60 or older<sup>i</sup>.

In other families, time rather than money is being provided. Faced with expensive and often limited formal childcare options, many working families turn to grandparents as a source of low cost childcare. A 2014 report by AMP and the National Centre for Social and Economic Modelling (NATSEM)<sup>ii</sup> found that grandparents provide 23% of all childcare to children aged under 12.

## Informal childcare can be taxing

Quite naturally, many grandparents relish the opportunity to spend one-on-one time with their grandkids. However, along with the physical demands

of caring for a youngster, providing childcare can also be financially taxing, and it's not just about occasional outings to the zoo or the purchase of a few age appropriate toys.

At a time when the pension eligibility age is being raised and pension rates reduced, caring for a grandchild can have a significant impact on a grandparent's financial wellbeing.

## One in five have changed jobs to offer childcare

A survey by National Seniors Australia<sup>iii</sup> found many grandparents who provide informal childcare are 'working around care', and making significant adjustments to their own career as a result. Among those surveyed, 70% altered the days or shifts they worked, 55% reduced their working hours, and 18% had even changed their job because of their caring commitment.

On the plus side, the same study found grandparents reported enjoying a far better relationship with both their grandchild and adult child as a result of providing care. But it comes at a cost. Just over one-third (34%) of respondents said their childcare responsibilities had a negative impact on their incomes, household budgets and/or retirement savings.

## It's all about finding a balance

These results highlight the need for seniors to find a balance in how – and how much – they help their adult offspring and grandchildren.

We all want the best for our family but as we age we need to think about our own needs too. Increasing longevity means longer retirement periods to plan for, and giving too much today could limit your ability to remain financially independent throughout retirement.

Having open and frank discussions with your adult children about the level of support you can realistically provide – both physical and financial – is the starting point in achieving this balance. These may not be easy conversations to have but they are critical to achieve a win-win for all family members.

***Speak to us about the best way to structure your finances so you can help your adult children while still achieving your retirement goals.***

<sup>i</sup> Australian Unity media release: Grandparents step in to fill the education savings gap, 31 October 2014 <https://www.australianunityinvestments.com.au/resource-centre/media-releases/grandparents-step-in-to-fill-the-education-savings-gap>

<sup>ii</sup> <http://media.amp.com.au/phoenix.zhtml?c=219073&p=iro-l-reportsNATSEMArticle&ID=2076401>

<sup>iii</sup> National Seniors Australia, Grandparent childcare and labour market participation in Australia, September 2015 [http://nationalseniors.com.au/system/files/09151356PAC\\_GrandparentsChildcareLabourForceParticipation\\_Report\\_FINAL\\_Web\\_0.pdf](http://nationalseniors.com.au/system/files/09151356PAC_GrandparentsChildcareLabourForceParticipation_Report_FINAL_Web_0.pdf)



# What exactly is income protection insurance and do I need it?

Have you ever wondered how you and your family would cope if you had an injury or illness and couldn't work for several months... or even years?

For some people, income protection insurance might be the answer.

## So what is income protection insurance?

Income protection insurance (or temporary incapacity or salary continuance insurance) provides cover if you can't work due to illness or injury. It generally pays up to 75% of your monthly income for your chosen benefit period to help you pay the bills and maintain your family's quality of life.

### Income protection insurance can:

- cover daily living expenses, such as the mortgage, groceries, school fees
- pay your medical expenses and rehabilitation costs
- provide access to support services to help you return to work or find a new job, depending on your insurer

Generally, you can purchase income protection insurance via your super or through a financial adviser for example.

If you choose to purchase your income protection insurance through your super the premium comes out of your super, which is in pre-tax dollars.

Alternatively, if you pay directly, you'll have to pay with after-tax dollars, but you may be able to claim your insurance premiums on your tax return.<sup>1</sup>

## How long do I have to wait to get paid?

Firstly, you'll need to provide to your insurer all the necessary documents for your claim to be considered, such as your personal details, financial situation and medical information.

Most insurers have a waiting period (usually 30 to 90 days<sup>ii</sup>), before they will start paying your claim. You may be able to select the waiting period when you take out the policy. Additional waiting periods may apply when insurance is purchased through your super, so it's best to check with your insurer.

## Is income protection insurance right for me?

Income protection insurance has helped many Australians to get through a difficult time without the added stress of worrying about how to pay the bills and look after their family<sup>iii</sup>.

Everyone's situation is different, so you need to think about what's right for you.

If you are **employed by an organisation**, you may already have income protection insurance included in your super (sometimes called salary continuance or temporary incapacity cover), so check with your super fund. Make sure the amount you are covered

for would provide enough to cover your everyday expenses, as well as any medical or rehabilitation bills.

If you're **self-employed**, you may not have income protection insurance, so you may decide to buy it separately. Check what it covers, how much it costs and how long you'll be paid for.

Benefit periods and premiums can vary depending on your individual circumstances and the insurer.

## Next steps

So now might be a good time to review your income protection situation.

If you still need help in deciding if income protection is right for you, speak to us. We're here to help.

<sup>i</sup> [ato.gov.au/Individuals/Income-and-deductions/Deductions-you-can-claim/Other-deductions/Income-protection-insurance/](http://ato.gov.au/Individuals/Income-and-deductions/Deductions-you-can-claim/Other-deductions/Income-protection-insurance/)

<sup>ii</sup> [moneysmart.gov.au/insurance/life-insurance/income-protection](http://moneysmart.gov.au/insurance/life-insurance/income-protection)

<sup>iii</sup> *As life happens, we're here for you.* AMP claims paid 2014.

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