HANMOORE
FINANCIAL SOLUTIONS

June 2021

Welcome to the latest edition of our 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

* Can I go back to work if I've already accessed my super?
* What is capital gains tax and when might I have to pay it?
* 6 steps to help you feel more positive about your finances

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

In the meantime we hope you enjoy the read.

All the best,

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Can I go back to work if I've already accessed my super?

Generally, you can, but there may be other things to consider.

When you access your super at retirement, depending on your age and personal circumstances, your super fund may ask you to sign a declaration stating you intend to never return to work again. However, there could be compelling reasons as to why you might go back in the future.

Figures from the Australian Bureau of Statistics reveal financial necessity and boredom are the most common factors prompting retirees back into full or part-time employment[i]. Whatever your motivations might be, if it's something you're considering, there are things you should be aware of.

What is your situation?

I reached my preservation age and declared retirement

If you reached your preservation age (which will be between 55 and 60, depending on when you were born) and declared you'd permanently retired, this would typically have given you unlimited access to your super.

Your intention to retire must have been genuine at the time, which is why your super fund may have asked you to sign a declaration stating your intent.

Depending on the super fund, you also may be required to prove your intention to retire was genuine to the Australian Taxation Office.

I stopped an employment arrangement after I turned 60

From age 60, you can stop an employment arrangement and don't have to make any declaration about your retirement or future employment intentions, while gaining full access to your super.

If you're in this situation, as there was no requirement for you to declare your retirement permanently, you can return to work without any issues.

I'm aged 65 or older

When you turn 65, you don't have to be retired or satisfy any special conditions to get unlimited access to your super savings, so regardless of whether you're accessing super or not, you can return to work if you choose to.

What happens to your super if you return to work?

Regardless of which group (above) you fall into, you may have taken your super as a lump sum, income stream or potentially even a bit of both.

If you chose to withdraw a regular income stream from your super savings and are wondering whether you can continue to access these periodic payments, the answer is yes you can - and that's irrespective of whether you return to full or part-time work.

What are the rules around future super contributions?

Unless you plan on being self-employed and paying your own super, your employer is required to make super contributions to a fund on your behalf at the rate of 9.5% of your earnings, once you earn more than $450 in a calendar month. This is set to increase to 10% on 1 July 2021.

This means you can continue to build your retirement savings via compulsory contributions paid by your employer and/or voluntary contributions you make yourself.

There are however some rules around voluntary contributions for those aged 67 and over. These include the need to meet a work test (where you must be employed for a minimum of 40 hours over a consecutive 30-period during a financial year) or be eligible for the recent retiree work test exemption, in order to make voluntary contributions.

Note, once you reach age 75, you're generally ineligible to make voluntary contributions (unless they're downsizer contributions), while compulsory contributions paid by an employer under the super guarantee (if you're an employee) can still be paid no matter how old you are.

Changes on the horizon

The amount of money you can contribute into super each year will increase on 1 July 2021. Different caps apply depending on what type of contribution you're making.

Announcements made in the 2021-22 Federal Budget, could see changes to other points mentioned above from 1 July 2022, but only if the proposals put forward become legislation.

Could returning to work affect your Age Pension?

If you're receiving a full or part Age Pension from the government, you'd be aware that Centrelink applies an income test and an assets test to determine how much you get paid.

Your super, as well as any new employment income will be considered as part of this assessment, so make sure you're aware of whether earnings from returning to work could impact your Age Pension entitlements.

If you're eligible, the Work Bonus scheme reduces the amount of employment income, or eligible self-employment income, which Centrelink applies to your rate of Age Pension entitlement under the income test.

Where can you go if you need a bit of help?

For information and tips around re-entering the workforce, check out the Department of Education, Skills and Employment website, which includes a Mature Age Hub (https://www.dese.gov.au/mature-age-hub), as well as details around the government's jobactive initiative and New Business Assistance for those looking to become self employed.

There are also websites like Older Workers (https://olderworkers.com.au) and Seeking Seniors (https://www.seekingseniors.com.au), which focus specifically on mature-age candidates, if you're looking for job opportunities.

If you have questions on how a return to work could impact you, speak to us.

i ABS - Retirement and Retirement Intentions, Australia

What is capital gains tax and when might I have to pay it?

Capital gains tax may be payable when you sell a certain asset (such as shares, land or property) and make a profit.

Capital gains tax is charged on the profit you make from the sale of certain assets. These could be assets that you've purchased or inherited.

To give you a few examples, capital gains tax might apply to things such as shares, investments, land and property (unless it's your primary residence), and it may even apply to certain collectibles and personal items, depending on what you paid for them[i].

The good news is, if you understand the general ins and outs of capital gains tax in Australia, which we explain in more detail below, you could reduce the amount you have to pay[ii].

When is capital gains tax payable?

When you make a capital gain, the amount is included as part of your personal income for tax purposes. While capital gains tax has its own name, it's not a standalone tax.

What that means is any capital gains you've received will need to be declared when you lodge your annual tax return and will then be assessed as part of your total income for the year. The amount of tax you pay on that income will then vary depending on what income bracket you fall into. For more information go to: /www.ato.gov.au/rates/individual-income-tax-rates/.

In the instance you have a shared asset, you need to work out each owner's individual interest in the asset, as this is how capital gains and losses are determined for each party involved[iii].

Tip

You might be interested to know that strategies that reduce your total income might help to reduce the amount of tax you pay on any capital gains you make.

One example is if you make a tax-deductible super contribution. For instance, if you've sold an asset that you have to pay capital gains tax on and you decide to contribute some or all of that money into super, which you then claim a tax deduction for, this could reduce or even eliminate the capital gains tax that's owing altogether. However, there are things you should keep in mind.

How are capital gains calculated?

Generally, you can calculate your net capital gain by adding up your capital gains over the financial year and subtracting your capital losses (including any net capital losses from previous years that haven't been claimed already) and any capital gains discounts[iv] or small business capital gains tax concessions you may be entitled to[v].

The important thing to note is a capital gain is typically reduced by 50% when an asset has been held for at least 12 months[vi]. So, if you sell an asset you've owned for less than a year (an investment property or shares in a business for example), the entire gain will need to be included in your taxable income.

What assets does capital gains tax not apply to?

If you make a profit on an asset, there are instances where you won't be hit with capital gains tax.

Capital gains tax generally doesn't apply to[vii]:

- Assets acquired before 20 September 1985
- A property that is your main residence
- A car, motorcycle or similar vehicle
- Personal-use assets, which you paid under $10,000 for
- Winnings or losses from gambling and prizes.

The Australian Tax Office (ATO) has further details as to which assets are subject to capital gains tax and which assets are exempt on its website. For further details go to: https://www.ato.gov.au/General/Capital-gains-tax/CGT-assets-and-exemptions/.

How important is keeping records?

You must keep records of everything (every transaction, event or circumstance) that may be relevant to working out whether you've made a capital gain or loss from an asset for a period of five years[viii].

Also note, there's no time limit on how long you can carry forward a net capital loss and it can be deducted against capital gains in future years[ix], helping to reduce the tax you pay in future years.

i, vii ATO – CGT assets and exemptions
ii, vi ATO – Working out your capital gain
iii ATO – Joint ownership
iv, v, ix ATO – Working out your net capital gain or loss
viii ATO – Record keeping for CGT

6 steps to help you feel more positive about your finances

Managing your money doesn't have to be stressful. By breaking down your goals and establishing good habits you can work towards financial wellbeing.

With one in four Australians reporting more financial stress after COVID[i], it's no surprise many of us are concerned about the future. Between mounting bills, unexpected expenses and a lack of understanding around our needs in retirement, getting our savings on track and seeing the big picture can seem overwhelming.

It doesn't need to be. If you break things down into small, manageable actions, you can create a simple plan to take immediate positive steps towards a healthy financial future.

Assess your debts

Debt is a reality for many Australian households, whether it's a home loan, credit card, student loan, car finance or personal loan. It's not uncommon to lose track of how much you owe and how much interest you're paying as a result.

Understanding your debts can help you put a plan into action to pay them off sooner and in the optimal order, potentially saving you a lot of money. There are steps you can work through to manage what you owe and work out your priorities - such as making a list of all debts and their sums and categorising each as 'good' or 'bad'.

Plan how to pay your bills

Some 14% of Australians[ii] report they have been unable to pay one or more bills on time in recent months, a reality that may be compounded through winter as extra heating sees utilities skyrocket.

One way to manage irregular bill amounts and unexpected rate spikes is to consider bill smoothing, a process where you establish automated payments of a set (and known) amount to cover utilities over the course of a year.

Establish an emergency fund

Putting aside extra money for that rainy day sounds simple, but it's one that many Australians neglect – in fact, one in four[iii] of us believe we wouldn't be able to raise $2,000 in a week if we needed to do so in an emergency.

If you are that one in four, it's a good idea to set up an emergency fund as a separate account - it acts as a buffer from debt, helping you prepare for life's curve balls. Keeping it away from your day-to-day savings account means you're not tempted to dip into it for known, budgeted expenses such as rent or mortgage, groceries or school fees.

Look at your super

The government's Early Release Scheme in 2020 saw 3.5 million Australians[iv] take advantage of the ability to dip into their super early. For many, having access to these funds helped ease immediate financial stress. If you're not sure how to build this money back, you're not alone – 30% of those who accessed their fund report a lack of awareness of how to recover their balances[v].

A good first step is to calculate how much money you'll need in retirement – there are various online tools to help you do this – then you can consider some of the ways you could rebuild your super and work out which one suits your circumstances.

Work on a savings plan

Deciding to pay yourself first – say, 10% of your income – is one simple way to boost your savings and improve your financial future, making you contribute a set amount of money into a savings account before you manage other household expenses.

It's also a good idea to set up a separate savings account with a high interest rate. Then make sure that set amount of your salary, as well as any surplus in your day-to-day account, is automatically rolled over into your savings at the end of the month. Automating your accounts allows you to set and forget, so your nest egg will automatically grow every time money is deposited.

Think about any long-term financial goals

At what age do you want to be able to buy your first house? When do you want to retire? Do you know how much you need in your superannuation fund to retire comfortably? Many of us sweep these big questions under the carpet, but understanding them can help you prepare for your financial future.

Once you've mapped out your current financial position and established your long-term goals, you can use a range of online tools and calculators to help you get there.

You can also speak to us to help get your savings goals on track and make sure you head toward retirement with peace of mind.

i AMP (2020): Financial Wellness in the Australian Workplace (p13)

ii,iii AMP (2020): Financial Wellness in the Australian Workplace (p4)

iv APRA (Feb 2021): COVID-19 Early Release Scheme – Issue 36

v AMP (2020) Financial Wellness in the Australian Workplace (p24)