HANMOORE
FINANCIAL SOLUTIONS

March 2017

Welcome to our latest 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

Hanmoore Financial Solutions
10-12 Chapel Street Blackburn VIC 3130
P: 03 9878 4444

58-60 Napier Street Essendon Vic 3040
P: 03 9370 4088
E info@hanmoore.com.au
W www.hanmoore.com.au
Facebook hanmoorefinancialsolutions

Make the most of the current super caps

Consider John and Jane's story before new rules limit your super contributions and pension transfer options.

John's aged 65 and Jane is 60—they're both about to retire. John has super assets totalling $2 million and Jane's super balance is $300,000. Because neither has made a non-concessional contribution (NCC) recently, the three-year bring-forward rule hasn't yet been triggered.

That means John and Jane have a chance to take advantage of the currently higher contributions caps and boost their super a lot more than they'll be able to once the rules change on 1 July 2017. And the benefit in boosting their super now is that more of their money will have access to super's beneficial tax rules than when the new rules come into play.

Restricted income in retirement…

John and Jane's retirement plans involve converting their accumulated super monies into account-based pension accounts which will provide them with regular income to support their retirement lifestyle.

But the new rules will introduce a pension-transfer cap which means that from 1 July 2017 no more than $1.6 million can be transferred into an individual's retirement pension account.

With $2 million in super, John will exceed the cap and will therefore be unable to transfer all of his accumulated super into an account-based pension. John would need to leave about $400,000 in the superannuation accumulation phase or take the money out of super altogether and invest it outside (and subject to his marginal tax rate).

…or financial advice?

John and Jane had read in the paper about the introduction of the pension cap. They were unsure how they may be affected in retirement.

And because they visited their financial adviser early enough, they were able to consider the various options in dealing with John's $400,000.

The value of advice

The financial adviser shows John and Jane how to work within the new rules and share money across their two superannuation accounts. The adviser recommends that John make use of a re-contribution strategy before 30 July 2017.

The re-contribution strategy enables John to withdraw up to $540,000—comprising three years' worth of NCC contributions under the bring-forward rule—from his super fund and deposit it as a spouse contribution into Jane's super fund.

Under the guidance of his financial adviser, John withdraws $500,000 and uses it to make a spouse contribution into Jane's super fund.

John's account balance falls below the $1.6 million cap to $1.5 million. Jane's balance increases to $800,000. The result is that all of John and Jane's combined superannuation monies can be transferred into account-based pensions and accessed as income without any money needing to be taken out of the tax-friendly super environment.

If John had not undertaken the re-contribution strategy until after 30 June he would have been limited to contributing a maximum of $300,000 into Jane's super fund, and would have been required to withdraw the excess super money from the super environment or leave it in the accumulation phase.

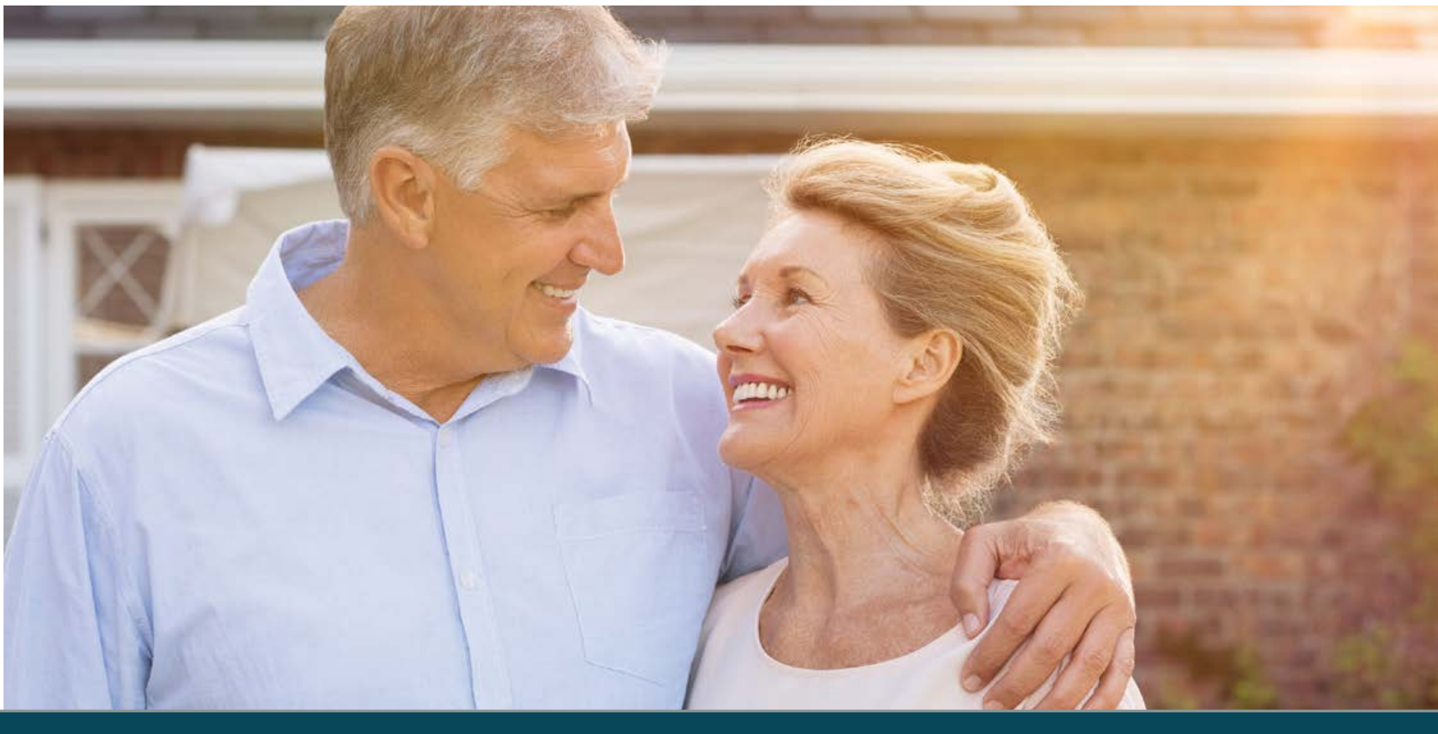
Seek advice before the new rules take effect

From 1 July, you'll be unable to put as much money into super as you can right now. So unless you thoroughly understand all of the opportunities you may have right now—and the incoming restrictions—it's important to come and see us. We can help you consider your own circumstances in light of the new rules.

Be sure to act now, before it's too late.

AMP Life Limited.

Note: The above example is for illustrative purposes only.



Is it better to buy an investment property or home first?

There's a lot to consider when making such an important purchase, especially for the first time.

Have you been saving up for a long time and finally feel ready to get into the property market? Maybe you're considering either buying a home to live in or investing in a property you can rent out.

Either way, it's worth knowing some more about both options to ensure you're making the best decision.

Buying your first property to live in

- First home buyers grant. Depending on which state or territory you live in, a first home buyers grant could help you to finance your first home purchase.[i] This does not apply to investment properties, and in some states you'll lose your right to this grant if you buy an investment property first.
- Security and stability. You can stay in your home as long as you like, as long as you can make your home loan repayments.
- Capital gains tax (CGT) exempt. Any home that is classified as your main residence, whether it's your first place or not, is free from CGT[ii] when you go to sell it.
- Expenses stack up and these are not tax deductible. Includes initial costs, such as stamp duty and legal fees, and ongoing costs, such as water rates, building insurance and repairs. When buying an investment property you'll also be hit with these costs, but many will be tax deductible.
- You may have to make some sacrifices. Where you really want to live may not be where you can actually afford to buy. So whether it means choosing a place that's smaller, further out from the city, or having less disposable income, you'll probably have to make some trade-offs.

Buying your first property as an investment

With housing affordability now considered a real problem in Australia, buying an investment property to rent out may be a more viable option for many younger Australians.

So let's have a look at some things to consider when it comes to this option.

- You can get a cheaper place. An investment property doesn't need to tick all the boxes of your 'dream home'. This means you can potentially get it at a cheaper price.
- It's not an emotional decision. It should be based on investment potential, including forecast rental return and capital growth. So instead of walking into a place and having to love the look of it, you can walk in with your investor's hat on.
- Earn rental income. If you're renting out your investment property, you'll be getting money from someone else to contribute to your home loan, which means you could pay it off sooner. Bear in mind the rent may not completely cover your home loan and other costs.
- Tax advantages through deductions. Despite having to pay capital gains tax when you sell your investment property, negative gearing and other tax strategies could help you offset some of the property costs. Talk to your tax accountant about the deductions you may be able to claim.
- Be prepared for maintenance costs. Choosing a good property manager and good tenants is the key to keeping these costs under control. Just be careful you don't buy a property that is too old and run down. There's a fine line between buying a place that can have some simple cosmetic work done to improve rental appeal and investment return, and one that needs major repairs.

Some other useful tips

- Research how much it really costs to buy a property.[iii]
- Check your credit history. Make sure your bills and loan repayments are paid on time so you have a clean credit history.
- Talk with people who have already started investing to get an understanding of the financial journey.
- Think about whether a guarantor could help you protect your property in the event you can't meet the repayments.
- Don't fear debt – learn the difference between good debt and bad debt.[iv]

We're here to help

Whatever you decide to do, make sure your investment strategy suits your personal circumstances, as well as your financial goals. Think about the pros and cons of each and also other investment options too.

If you do think you're ready to take that exciting leap we can assist you to make a well informed decision.

i http://www.firsthome.gov.au/

ii https://www.ato.gov.au/General/Capital-gains-tax/Your-home-and-other-real-estate/Selling-your-home/

iii https://www.amp.com.au/news/2016/february/how-much-does-it-really-cost-to-buy-property

iv https://www.amp.com.au/personal/news-education/online-learning/online-learning/education-module-good-debt-bad-debt

What financial records do I need to keep?

Ever feel like you're drowning in a sea of paper? Tame the paperwork today and reap the rewards tomorrow.

Life can be complicated enough without all the administrative paperwork that often accompanies it. This is particularly true when it comes to your personal finances.

If stacks of old bank statements, utility bills, receipts, insurance and superannuation documents mean you can't see the trees for the paper, de-clutter, simplify your finances and improve your quality of life today.

Why simplify?

There are many good reasons to pare back on your financial record-keeping, including:

- Living in smaller dwellings means we have less space to store documents
- Saves time by making it easier to find what you need
- Helps your loved ones find relevant documents easily should something happen to you
- In the event of a home emergency, you can quickly find important documents you may want to take
- Makes your life easier at tax time.

What you need to keep

When it comes to identifying the documents you need to keep, considering your legal obligations is a good place to start.

The first of these is your annual tax return. In order to complete your tax return you'll need documentary evidence of:

- all payments you've received, such as wages, interest, dividends and rental income
- any expenses related to income received, such as work-related expenses or rental repairs
- the sale or purchase of assets, such as property or shares
- donations, contributions or gifts to charities
- private health insurance cover
- medical expenses, both your own and those of any dependents.[i]

You need to keep these documents for five years after you lodge your tax return in case you're asked to substantiate your claims,[ii] and it's also a good idea to keep your notice of tax assessments for five years. However, if you run a small business, the document requirements and timeframes differ[iii] – find out more at the Australian Tax Office (ATO).

The second category of documents are those related to property such as:

- property deeds
- home loan documents
- renovation approvals
- warranties relating to work undertaken.

Other documents to keep include:[iv]

- wills
- tax file numbers
- powers of attorney
- birth certificates
- death certificates
- marriage certificates
- immunisation records
- passports
- current insurance policies, such as your life, home and contents, and motor insurance
- your most recent superannuation statement
- any personal loan documents
- vehicle registration
- vehicle service history
- business registrations
- qualifications documents.

What you can throw away

There are some documents you can toss, and as a rule, once a document has been replaced by a newer version, it's safe to dispose of the older copy.

There's also no need to hang onto credit card receipts once you've reconciled them against your bank statements, unless they're needed for warranties.

Credit card and bank statements should be retained for a year, while other household paperwork, such as utility bills, can be thrown away once paid, unless you need a copy for rental applications or you want to keep them to compare your usage over time.

The exception to these rules is if the documents are required for tax purposes.

AMP Life Limited.

i https://www.finder.com.au/tax-returns/record-keeping

ii https://www.ato.gov.au/Individuals/Income-and-deductions/In-detail/Keeping-your-tax-records/

iii https://www.ato.gov.au/General/Other-languages/In-detail/Information-in-other-languages/Record-keeping-for-small-businesses/

iv http://www.lifehacker.com.au/2013/01/ask-lh-what-documents-should-i-shred-and-what-should-i-keep/