Financial 1:1 Session

Resources booklet

Meeting checklist

An accurate analysis of your current situation and any subsequent recommendations cannot be made without some specific information.

Please, take the time to go through the checklist so that you can gather the information that would be useful for our meeting.

Your most recent tax return or tax assessment would be useful.

If you are working	• salary details (eg. payslips, contracts, etc)
If you own shares	• list of shares and number of shares
If you own rental properties	• property details
If you have superannuation	• the latest statements
If you have any other investment (eg. Cash Management Trusts, managed funds)	• most recent statements
If you have any loans	• loan details (interest rate, current repayments)
If you are facing redundancy	• offer document • annual leave / long service leave amounts
If you are receiving Centrelink	• details of the type of payment and when it commenced
If you are leaving work or changing jobs	• leave entitlements and superannuation

No matter what stage of life you're at, a well-structured financial plan and investment strategy could make a real difference when it comes to living the lifestyle you want.

Our Services:

Redundancy

If you have been made redundant, it is important to understand the financial issues involved, your entitlements and how to make the most of your redundancy payment.

Retirement

One of the most effective ways to provide some or all of your required level of income in retirement may be via a regular retirement income stream such as an account-based pension or an annuity. Some retirees may also be eligible for an Age Pension or other benefits from the Australian Government. It's important to understand how all these options work to determine the solution that is right for you.

Superannuation

For many people, super is one of the best ways to grow your wealth, as it provides significant tax concessions to help you save for retirement.

If you would like to know more talk to an Australian Unity financial adviser.
They can give you more detailed information on the best approach for your situation.

Financial Practices:	*db Financial Services*	*Centurion Financial Group*
Financial Advisers:	*Domenic Brasacchio*	*Scott McDonald*
Phone:	***03 9587 7635***	***03 9562 2244***
email:	***daniela@dbfinancialservices.com.au***	

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Managing your finances after accepting a redundancy

If you accept a redundancy offer you may receive a number of payments including a redundancy payout and payments for unused leave in addition to your final salary. Whilst a lump sum may appear attractive, there are many things to consider to manage finances throughout a period of unemployment.

Things to consider

Redundancy payment

If you are under age 66 and have accepted a genuine redundancy offer, part of your payments may be tax-free. For 2020/21 financial year the tax-free amount is $10,989 plus $5,496 for every complete year of employment with that employer.

The balance is paid as an Employment Termination Payment (ETP). A portion of the ETP may also be tax-free if you started employment before July 1983. The taxable amount is then taxed at the following rates (2020/21):

Age	Maximum rate of tax*
Under preservation age	30% on first $215,000 45% on balance
Preservation age or older	5% on first $215,000 45% on balance

* Plus Medicare if applicable

Unused leave payments

Payments for unused annual and long service leave are generally taxed at up to 30 percent plus Medicare.

Superannuation

Unless you have reached your preservation age, your superannuation generally remain preserved and cannot be accessed.

If you do not need access to funds prior to retirement, you may wish to contribute some of your redundancy payments as additional contributions into your superannuation.

If you were in the employer's superannuation fund you may need to find a new fund to roll your superannuation into. It is important to confirm your current level of insurances within your super and ensure this is available in your new fund or can be transferred.

It is also a good time to review your superannuation investment strategy and check that your investments match your time horizon and risk profile.

Mortgage and other debts

If your mortgage has a re-draw facility you also have the option of depositing funds into this account. This has the potential to save interest and tax, as well as reduce your assessable assets for Centrelink purposes. This option will also provide you access to your funds, when you need it.

If your mortgage does not have a re-draw facility, you may wish to to consider an offset account to also reduce your interest however, this will be treated as an assessable Centrelink asset.

You can also speak to your lender to discuss your mortgage repayments if you need access to cashflow.

Qualifying for Centrelink benefits

If you are under pension age you qualify for JobSeeker Payment to provide income while you are looking for a new job.

Eligibility is subject to both income and assets testing.

It's important to note the following are not assessed as assets by Centrelink:

- Your home and improvements you make to it.
- Your superannuation (while you are under age pension age).
- Funds placed in a mortgage account with a re-draw facility (offset accounts are assessable).

It is important to consider your current and future financial situation when making plans for your redundancy funds.

The payments received may create a 'waiting period' during which you will not qualify for any income support from Centrelink.

This can be a substantial period of time so you need to ensure you have access to money to meet your living expenses during this time.

Your life insurance

You may need to re-apply for health, life, trauma, TPD and/or income protection insurances if these were covered by your previous employer or superannuation fund.

Some insurers will offer a continuation option when leaving an employer so that you do not have to undergo medical assessments to continue cover.

Case study

Qualifying for Centrelink benefits whilst unemployed

Jane, 45, has accepted a redundancy offer. Her husband Bill is a homemaker who looks after the couple's two young children. Jane receives the following payments:

Unused annual leave (after tax)	$25,000
Employer termination payment (after tax)	$64,734
Preserved superannuation balance	$120,000
	$209,734

Jane and Bill have an outstanding mortgage of $160,000. Jane's redundancy was unexpected and as her industry is in a downturn, she may be unemployed for a significant period. Jane plans to apply for JobSeeker Payment and has calculated a 30 week waiting period due to the payments received. Both Jane and Bill would like to reduce their mortgage however need access to funds for living expenses while they wait for Newstart payments to begin.

Options they could consider include:

- Deposit both the $64,734 ETP and $25,000 leave payments into the offset account connected to their mortgage to reduce interest without locking the money away.
- Ensure the $120,000 of preserved superannuation is invested in an appropriate asset allocation for their long term needs and objectives.

Once Jane finds a new job they can review their situation for a longer-term strategy.

Considerations on re-entering the workforce

Superannuation

All of your superannuation should be invested to generate returns that match your investment timeframe. You need to consider which asset allocation and investments will help you to do that.

Wealth and retirement planning

You should seek financial advice to determine the best way to get your savings back on track and how much you should be contributing to superannuation and other investments to achieve your wealth and retirement objectives.

Mortgage and other debts

Once you are re-employed you may be able to afford to use surplus funds to repay all or some of your mortgage and other debts. This could save you a significant amount in interest repayments, and free up salary to fund other investment strategies.

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Our services

Health

- Health insurance
- Overseas visitors cover
- Dental services
- Chronic disease management
- Hospital in the home

Wealth

- Investments
- Estate planning
- Trust and estate administration services
- Financial planning
- Investment, education & funeral bonds
- Banking and home loans
- General insurance

Living

- Aged care and accommodation
- Personal and business insurance
- Aboriginal home care
- Disability services
- Retirement communities

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Fact Sheet

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What is an effective way to save for retirement?

For most people, superannuation is the most tax effective way to save for retirement. And, just as importantly, is the most tax effective way to generate a retirement income.

What are the tax advantages of super?

Let's say you decide to invest $10,000 of your salary. If you invest it via your super fund, from your pre-tax salary, this is how your contribution will be taxed (assuming it is part of a salary sacrifice arrangement):

- Firstly you won't have to pay PAYG tax on the $10,000 of salary.
- But once in your super fund, tax of 15 percent will be levied, leaving you with $8,500 invested.

Compare that to investing your $10,000 outside of super. In that case, you'll have to pay PAYG tax, leaving you with just $6,100 (assuming your marginal tax rate is 39 percent including Medicare Levy) for investment wherever you like.

The earnings generated by the investments outside of super will be taxed at 39 percent including Medicare Levy.

However, earnings generated by investments in your super fund will be taxed at only 15 percent.

How much can you invest in super on a tax effective basis?

Because super is tax advantaged, there is a limit on how much you can invest in super and qualify for a tax deduction. This limit is $25,000, and it includes your employer's super guarantee contributions.

No tax for retirees in super and aged 60 plus

Superannuation is even more tax effective for retirees. For most retirees over age 60, there is now no tax on earnings inside the fund and no tax on income or withdrawals (including from account-based pensions).

However, there will be a $1.6 million cap on money you are allowed in to rollover to start account-based pensions (for 2020/21).

All of your superannuation should be invested to generate returns that match your investment timeframe. You need to consider which asset allocation and investments will help you to do that.

Case study

The tax differential between investing in super and non-super adds up over time.

Bob is on a tax rate of 39 percent and invests $10,000 into his super before tax annually, indexed at 3 percent p.a.

If Bob invests his $10,000 as part of a salary sacrifice agreement (i.e. $8,500 after contributions tax) and the fund earns 8 percent p.a. gross, he would accumulate $135,715 after 10 years, and $444,412 after 20 years, see Chart 1.

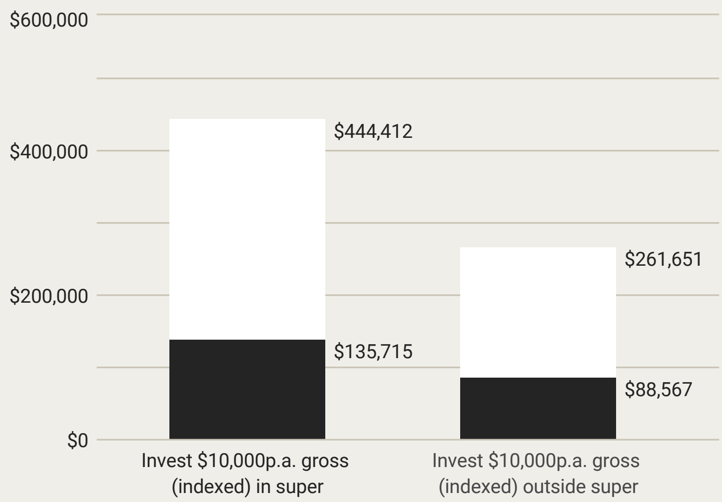
Alternatively, if Bob chooses not to salary sacrifice into his superannuation, he will only have $6,100 p.a. (indexed) to invest after paying PAYG tax, and he will be paying tax on investment income of 39 percent (compared to 15 percent in super). As a result, after 10 years he'll accumulate $88,567 and $261,651 after 20 years, assuming an 8 percent p.a. gross return.* The sole reason for the difference is the preferential tax treatment of superannuation.

Super means you can have more invested^

Salary sacrifice into super	Investing outside of super
You want to invest $10,000 of your salary	You want to invest $10,000 of your salary
No PAYG tax	$3,900 PAYG tax
Contribute to super	
15% tax	
$8,500 invested	$6,100 available for investment
Earnings taxed 15%	Earnings taxed 39%
Nil tax on withdrawals in retirement once aged 60+	Withdrawals subject to capital gains tax

Assumes MTR 37 percent plus Medicare Levy of 2 percent based on 2020/21 tax rates and ignores offsets.

Chart 1: An improvement of $182,760 for retirement*



*Assumes MTR 37 percent plus Medicare Levy of 2 percent, annual pre-tax investment of $10,000 indexed at 3% p.a. and annual gross investment amount of 8% p.a.

Other superannuation strategies

Claiming a tax deduction for personal contributions to superannuation

For similar benefits to salary sacrifice, you may be able to claim a tax deduction for contributions you make to superannuation. This reduces your taxable income and you only pay tax at 15 percent on the contribution, potentially increasing the amount that you have available to invest.

The low-income superannuation tax offset

For low income earners, the low-income superannuation tax offset (LISTO) may refund the 15 percent superannuation contribution tax. You must have an adjusted taxable income less than $37,000 p.a. to qualify. The maximum LISTO paid is $500, equal to 15 percent of concessional contributions up to $3,333. LISTO is paid into your superannuation account.

The ATO's reference for LISTO is: https://www.ato.gov.au/Individuals/Super/In-detail/Growing-your-super/Low-income-super-tax-offset/?page=2#Eligibility_for_the_LISTO

The Government co-contribution

If you are a low to middle income earner and you make a personal after-tax contributions to superannuation you may be eligible for a Government co-contribution. The maximum Government cocontribution is $500, payable at a rate of 50 cents for every $1 of eligible contributions that you make. The co-contribution reduces by 3.333 cents for every dollar that your adjusted taxable income exceeds $39,837, with no co-contribution payable when your income reaches $54,837, (2020/21 figures).

What can't an SMSF do?

There are some restrictions on what SMSFs are allowed to do and invest in. For example, the SMSF cannot lend money to members or relatives and cannot buy residential property from a related party.

Most importantly, the SMSF must be run to meet the sole purpose of providing retirement benefits for members.

An SMSF which contravenes the regulations risks being declared non-complying and losing its concessional tax status. The result would be all concessional contributions and earnings being taxed at 45% instead of at up to 15%.

Who can be in your SMSF?

The fund can include relatives such as your spouse, children and/or parents (up to a total of four members, although the government has proposed an increase to six members). One benefit is that fixed costs are shared by more members, thus creating additional cost savings per member.

What are the costs of running an SMSF?

An SMSF may have to pay fees for investments (e.g. brokerage), trustee services, accounting, administration and audits. An SMSF can be cheaper than a retail fund at higher balances, generally this may be the case if the fund has more than $200,000 invested but it depends on individual circumstances.

Is an SMSF right for you?

An SMSF could be right for you if you and/or your spouse have at least $200,000 to transfer into an SMSF and you think the advantages outweigh the disadvantages.

* As at March 2020, APRA report 'Quarterly Superannuation Performance' (issued 26 May 2020)

Superannuation Pros:

- Low tax on contributions
- Low tax on earnings in the fund
- No tax on earnings and capital gains on assets supporting retirement phase income streams (subject to $1.6 milion transfer balance cap).
- Ability to draw a regular income stream at retirement where pension payments are tax free once you are over age 60 (assuming paid from a taxed superannuation fund).
- If you are in receipt of a Centrelink income support payment, superannuation in accumulation phase is not counted under the Centrelink income and assets test until you are Age Pension age

Superannuation Cons:

- Generally you can't withdraw money until you are at least preservation age (age 57–60 depending on your date of birth) and retired.
- Superannuation in accumulation phase is taxed at maximum rate of 15 percent, which may be lower than your marginal tax rate.
- Limits apply to the contributions you can make and the amount you hold in superannuation
- Rules are complex and subject to change
- Fees would apply to superannuation accounts and vary depending on the fund

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