

your **money** your **future**

## Autumn 2016

Welcome to the Autumn 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.

In this edition we discuss income protection, and provide you with information on aged care changes and tips on how to simplify your life.

If you would like to discuss any of the issues raised in this newsletter, please don't hesitate to contact us on 1300 658 344 or email [contact@centurionwealth.com.au](mailto:contact@centurionwealth.com.au).

If you have any friends or family you feel may benefit from reading this newsletter please feel free to forward on.

Lastly we recently updated our website and are really excited at the new look, if you have time please have a look as it is great way to see the overall ways we may be able to help you.

I have included a link below of our website and also our facebook page.

All the best,

Bill Nelson, Director, Centurion Wealth Advisers  
Formerly John O'Kelly Financial Planning

[www.centurionwealth.com.au](http://www.centurionwealth.com.au)

<http://facebook.com/centurionwealthadvisers>



### Centurion Wealth Advisers

Level 10,  
23 Hunter St,  
Sydney 2000

**P** 1300 658 344

**E** [contact@centurionwealth.com.au](mailto:contact@centurionwealth.com.au)

**W** [www.centurionwealth.com.au](http://www.centurionwealth.com.au)



# 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>i</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.

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

ii [moneysmart.gov.au/insurance/life-insurance/income-protection](https://moneysmart.gov.au/insurance/life-insurance/income-protection)

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

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# Aged Care - Changes to Assessment of Rental Income

Leaving the family home to enter residential care is a tough decision. On the one hand, you (or your loved ones) are leaving a place you've made your own over decades. On the other hand, those moving in to aged care often experience an immediate boost in quality of life – fewer responsibilities, more time for hobbies, a close-knit community of neighbours, and more.

Making the decision to move in to a supported living facility involves a number of different financial decisions. Because all care facilities in Australia are supported by the Commonwealth, each resident is (potentially) eligible for support for the cost of their accommodation.

This support is means tested, which means it's an important consideration when moving in to care. It could mean the difference between selling and saying goodbye to the family home, or simply renting it out.

Recent changes, ushered in with the 2015 Federal Budget, are set to change the way the former home is treated under the means test. It could change the decisions you make when planning for this important life change.

## The previous situation

Aged care residents can choose to pay their entry costs in the form of an upfront payment and have any leftover funds paid back when they leave the facility. This upfront payment is known as a refundable accommodation deposit (RAD) or contribution (RAC). Alternatively they could choose to pay these entry costs on a periodic basis – a bit like room and board. This is called a daily accommodation payment (DAP) or contribution (DAC). Or, they could choose a combination of both.

Up until the end of last year, some aged care residents had an advantage. If they chose to pay their DAP or DAC using rental income from their home, that income isn't included in the age care means test. This was a significant advantage, seeing as the family home is usually the most valuable asset a person (or couple) owns. According to research from the Grattan Institute<sup>i</sup>, over half of all household wealth is in property. The ABS agrees<sup>ii</sup>. Of course, the value of the property doesn't correlate directly with rental income. But it's a useful way to see just how little wealth the average older Aussie holds in the form of other assets that the government assesses when deciding how much to chip in to their aged care.

## What's changing?

For residents entering care on or after the 1st of January this year, the rental income on a former home will be assessed as income when calculating the means tested care fee.

It's worth noting here that the rental income assessed will be the actual net income, not the 'deemed' income that other types of assets are assessed by. This means that the full amount you'd be earning from rent is taken in to account, not just a token proportion.

It is also worth mentioning what's not changing. For means testing purposes, the asset value of the former home is still capped at \$157,987. The way the age pension is assessed will also stay the same. This means the main change to your calculations and decisions will come from the rental income change.

Those who were already in residential care before the 1st of January will not be affected. Even if they haven't got a tenant in place yet, they'll be able to keep any future rental income. However, the entry date cut-off is specifically for permanent care – if the resident was only in respite, they'll be subject to the new rules. Also, any resident who temporarily leaves care for more than 28 days will be subject to the new rules when they come back.

The calculation of the cost of care is complicated. Whilst DHS calculators can provide a rough guide, they're not meant to form the basis of important decisions, such as how to deal with the family home. If you would like to discuss aged care funding options for yourself or a dependent loved one, please give us a call.

i <http://www.grattan.edu.au/wp-content/uploads/2014/12/820-wealth-of-generations3.pdf>

ii <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/6523.0~2013-14~Main%20Features~Household%20Income%20and%20Wealth%20Levels~5>

# Five ways to simplify your life

If managing life's everyday complexities only seem achievable when you're daydreaming about the chef, cleaner, personal assistant or nanny that you don't have, you're probably not alone.

And, if 'turbulent' is the way you'd describe your day-to-day routine, these tips may help you get back the hours you need for the things that matter most.

## 1. Organisation – the Holy Grail

Planning yours or the family's life can take a lot of headspace so it's important to unload your brain and write things down – and with technology on your side; being organised doesn't have to mean being "old school".

There are plenty of great digital apps available to help you and your family stay on track, some of them allow you to share lists and calendars across all of your devices.

And when it comes to being organised, less can often be more. Why not keep your mail and filing to a minimum by switching to online statements? Going paperless is faster, more convenient and better for the environment.

## 2. Manage your money

Being busy can often be a good excuse to put off small tasks that can help you be better off financially – the key is to start small and pick off the 'easy' jobs.

Start with a budget calculator. Be realistic, don't spend what you haven't got and automate bills and savings on or near pay day to ensure you're left with just the right amount of spending money.

Another easy task is consolidating your super. Most of us can say that we've changed jobs or moved homes at least once in our lives and this can often result in losing

contact with your super fund/s. Having your super in one place means you can stay on track of your retirement savings and avoid multiple fees and charges.

## 3. Work on the inside out

Keeping a focus on your own health and wellbeing may help curb disruptions like illnesses. A balanced meal plan, getting enough sleep and regularly blocking out time for physical activities like the gym or a walk in the park may help with a range of things like increasing your endorphins or improving your mood and energy levels.

If finding the time is a pressure point, consider services like Hello Fresh or Lite 'n Easy to take care of your meals for you – remember, there are plenty of options and providers so make sure you shop around to find the best one that suits your needs.

Also look at incidental exercise opportunities in your daily routine – like getting off the bus or train one stop early and walking the rest of the way.

## 4. Let someone else do it

If all else fails, outsource. Supermarkets now deliver to your doorstep, so you no longer have to waste hours on the weekend trawling the aisles.

And, don't forget to delegate. For odd jobs you need help with, check out Airtasker, an online marketplace where you can outsource anything from tidying up your resume to assembling Ikea furniture. Or reach out to the family, older kids can get away with doing more sophisticated chores like mowing the lawns or washing the car.

## 5. De-clutter your home and mind

A tidier home, car, wardrobe and work station can make a big difference. Research reveals that crowded physical spaces impact your ability to focus and relax<sup>i</sup>. An added bonus is when you have a place for everything; you're also less likely to misplace your keys.

Your mind may benefit from space as well. Disconnecting from your phone, emails and social media can be essential for your health, wellbeing and sanity. Venture outside or listen to some good music, catch a comedy or see a friend uninterrupted. It's important to factor in time for yourself.

## We can help you take the load off

Finances can take up a big part of your life, speak to us to explore some of your options. Taking care of your finances may help free you up to do more of what you love.

i Interactions of top-down and bottom-up mechanisms in human visual cortex.

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