



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

December 2016

Edit the welcome message. Include information on your practice, events, office hours, new staff etc

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.

In this edition we discuss keeping your money safe and provide you with information on next years super changes and tips on how you can booster your future with pre-tax dollars.

If you would like to discuss any of the issues raised in this newsletter, please don't hesitate to contact us. Our office will be closed 24th December until 9th January.

Wishing you, your family and friends a very Merry Christmas and a Happy New Year.

In the meantime enjoy the beautiful Summer weather ahead and we hope you enjoy the read.

All the best,
Bill



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Keep your money safe over the silly season

A colleague of mine had an interesting experience this week. She received both an email and SMS from her credit card provider saying her card had been blocked due to fraudulent activity. It was an unnerving incident, and a timely reminder that none of us can assume “it won’t happen to me”.

In this particular instance, a dodgy offshore company had tried to make a transaction for \$0.08 using my workmate’s card. Apparently this is quite common. Fraudsters often try out a very small or even zero dollar transaction to test the waters and see if the card is active. If all goes well, they can go on to make far bigger purchases using your card details.

Fortunately, in this case the card issuer’s fraud system recognised the bogus transaction and instantly blocked the card. However not everyone is so lucky.

A recent report from the Australian Payments Clearing Association shows credit card fraud is on the rise. Chip technology and mandatory use of PINs is making it much harder to steal data at the terminal. But it’s a different story for “card-not-present” (CNP) transactions where shoppers hand over their card details online, by phone or by post.

In 2015, CNP fraud accounted for \$363 million stolen by crooks – a good chunk of the total \$461 million lost to card fraud. Over 60% of these dodgy transactions were made offshore.

It’s worth noting that fraud impacts just 0.03% of the seven billion card transactions made in Australia each year. Nevertheless, as we head towards the festive season Australians will be ramping up their shopping activity, with many choosing to shop online. So it’s worth being mindful of the need to keep your money safe during the Christmas rush. Taking a few simple steps can help to protect against fraud.

First and foremost, stick with reputable online retailers, and look for the padlock symbol in the URL bar indicating a secure website.

Equally important, make a point of monitoring the activity on your card.

Online and mobile banking make it possible to check credit card transactions regularly without the need to wait for monthly statements.

If you come across a transaction that looks unfamiliar, contact your card issuer. Bear in mind some retail outlets are run by private companies with a different name to the store brand. However if the date or dollar value of a transaction looks odd, it’s better to be safe than sorry by speaking with the card provider. The sooner you take action, the sooner your card can be blocked to prevent crooks dipping into it further.

– by *Paul Clitheroe AM*



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Super changes from July 2017

How will they impact you?

We cover some of the factors to be aware of given changes have just passed in parliament and are due to become superannuation law.

Earlier this year, the Federal Budget announcement included a proposal to introduce changes to super bigger than the likes of anything we've seen in almost a decade. Then, in September the government announced some significant adjustments to its proposal.

The revised proposed changes to super have now passed through both houses of parliament and are due to become part of Australian superannuation law. The new laws will generally affect individuals with relatively high super balances, and will change contributions rules and the tax breaks available in super with most taking effect from 1 July 2017.

Wealth accumulation limits

When it comes to converting super into an income stream pension account in retirement (where no tax is paid on earnings or withdrawals) individuals with relatively high balances—who at the moment are not limited on the amount they can accumulate—will be restricted to \$1.6 million in their pension accounts.

If you're already retired, the financial consequence of having more than \$1.6 million in your pension account is that after July 1, 2017 the excess will need to be taken out—either placed back into the super accumulation phase where earnings on it will be taxed at 15% or taken out of super completely. But speak with us before you decide.

Changes to transition to retirement rules

If you're an older Australian you may feel penalised by the removal of the tax exemption on earnings in a transition-to-retirement (TTR) pension as one of the appealing aspects of the TTR strategy lay in the pension account's tax-free earnings entitlement.

If you're using a TTR to boost your super while salary sacrificing some of your income, the removal of earnings' tax exemptions is likely to reduce the overall amount you end up accumulating in retirement unless you take other steps to grow your money, so be sure to speak with us about other opportunities.

Some leeway—no lifetime limit

While the government had proposed a lifetime limit of \$500,000 on after-tax contributions, the proposal was not passed in parliament. Even so, depending on your circumstances, you may need to bear in mind the overall cap of \$1.6 million mentioned earlier. Be sure to speak with us when it comes to planning how you'll contribute to your super.

New contributions caps for all

As expected, there will be caps placed on the amounts you're able to contribute to your super and the new caps will come into effect in July 2017.

After-tax contributions (also known as non-concessional contributions) will be capped at \$100,000 per year (or up to \$300,000 if you bring-forward the next two years and are under age 65). If you're planning to benefit from super's tax concessions by depositing money from an inheritance or the sale of an

asset, you may need to start planning now so be sure to come and speak with us.

You may still be able to take advantage of the current limits that offer the potential (if you qualify for the bring forward rule) to deposit \$540,000 before 30 June 2017—we can help you work out your options.

When it comes to before-tax (concessional) contributions, there are also new caps. So, if you make salary sacrifice payments for example you'll be limited to a maximum annual amount of \$25,000. This is considerably less than the current annual caps of \$30,000 if you're under 50 or \$35,000 if you're aged 50 and older.

There will no longer be a separate cap for those aged 50 and over. Everyone will be limited to pre-tax/before tax contributions limit of \$25,000 per year.

More super tax for more high earners

Until July next year, those earning more than \$300,000 will continue to pay 30% on their super contributions while everyone else pays 15%. From July 1 2017, the salary band will be lowered. That means people earning \$250,000 or more will pay 30% tax on their contributions.

A good time to follow up

We've covered some of the main points here but there are other changes that may also affect you. It's likely you'll have questions about the best course of action in the lead up to the changes and after they take effect.

Now is a good time to call us and set up a time to come in so we can look ahead and put plans in place to help you make the most of your money.



Sending more to the tax office than you should?

Can you keep more money for yourself and work towards being better off from 2017?

As the year-end fast approaches, it's a good time to think about how you can start working towards being better off.

Before the end-of-year holidays start shifting into full swing and before you know it you're splurging your hard-earned money, take a moment to think about whether you can give yourself more, starting this coming year.

Boost your future with pre-tax dollars

It makes financial sense to put money away for your future rather than sending it to the tax office never to be seen again. So if your employer allows you to salary sacrifice some of your pre-tax income next year, you may be able to put an agreement in place (be sure to get it in writing) so you can boost your super and reduce your tax bill at the same time.

In a nutshell, salary sacrifice lets you pay extra money into your super before your salary is taxed. The money is taxed at a concessional rate of taxⁱ of 15% which is probably less than the tax rate applied to your earnings. There's a bit of a catch because you can only deposit a limited amount (\$30,000 per year if you're under 50 in the 2016/17 financial year; \$35,000 if you're older).

A little makes a big difference

Let's look at how salary sacrifice can work. Angie works as a marketing consultant. She's 50 years old. Her goal is to start using

her salary of \$80,000 more effectively so she can build up her super.

Using her current savings plan she saves about \$10,010 a year—each fortnight she directs \$385 from her pay into her regular bank account.

When she originally sought financial advice, she asked whether it was a good idea to deposit the \$10,010 from her savings account into super (after-tax dollars) or whether there was a better way.

In the table below we look at how Angie adds \$15,282 to her super (instead of \$10,010) without reducing her take-home pay.

By salary sacrificing pre-tax dollars into super Angie significantly increases her super contributions for the year and benefits in several ways:

- Angie reduces her taxable income and pays less tax overall

- Extra money goes into her super account but at the concessional rate of 15%—nearly 10% less than her marginal tax rate
- By making regular payments into her super and increasing her super balance, Angie benefits more from compound growth and dollar cost averaging—two powerful ways to save money over time.

We're here to help

If you're wondering whether you could be making more of your money this coming year, come and see us. We'll help you work out the financial strategies that can help you reach your goals and whether you can save tax and keep more for yourself in the long run. It's never too late or too early to put plans in place for your future. Call us today.

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ⁱ Or 30% if you earn more than \$300,000 a year.

Judith's income tax position	After-tax contributions	Salary sacrifice contributions
Gross salary	\$80,000	\$80,000
Less salary sacrifice contributions	Nil	(\$15,238)
Reduced gross salary	\$80,000	\$64,672
Income tax, Medicare levy	(\$19,147)	(\$13,829)
Net salary	\$60,853	\$50,843
After-Tax contributions to super	(\$10,010)	Nil
Take-home pay after contributions	\$50,843	\$50,843
Net income tax saving		\$5,318
Judith's super contributions position		
Super Guarantee contributions (9.5%)	\$7,600	\$7,600
Salary sacrifice (pre-tax) contributions	Nil	\$15,238
15% contributions tax	(\$1,140)	(\$3,425)
Total net concessional contributions	\$6,460	\$19,413
Plus non-concessional contributions to super	\$10,010	Nil
Total net contributions for year	\$16,470	\$19,413
Additional net contributions into super		\$2,943