NEWSLETTER – AUGUST 2017

News from Complete Financial Planning

- Congratulations to Kelli and Jenny who have both just recently had their 1-year work anniversary at Complete Financial Planning

- ***Save the Date:*** **Client Xmas Party Thursday 14th of December**

- Emma recently had a working lunch with Senator Dean Smith and Minister Kelly O'Dwyer - see photo below

- Don't forget the office is shut on a Friday, as Kathy and Emma work from home these days – they can be contacted on their mobiles, 0413 348 472 and 0488 198 200 respectively

- And make sure you go on and 'LIKE' our Facebook page - **www.facebook.com/completefp**

Invest for the future not for the past

Investing bears no resemblance to gambling and, unfortunately past 'form' seldom provides an indication of future performance. Many investors are tempted to look at the best performing sector over the past year and then switch their investments accordingly. Beware this can be a recipe for disaster.

In many cases, last year's poor performer can turn out to be this year's best – for example, International shares in 2012 averaged minus 0.5% but in 2013 became the star performer at 33.1%.

Or vice versa – International shares achieved an average return of 25.2% in 2015 but proved to be the worst performing sector in 2016 averaging just 0.4%. Investors who changed their portfolios in 2016 to chase those high returns from the previous year would have been seriously hurt.

The simple answer to this lack of form is to establish a portfolio with a mixture of the various investment assets that suits your own objectives and risk profile. Staying with this formula over the long term will invariably provide the most satisfactory outcome, irrespective of the performance of individual assets.

The what, why and how of contributing to Super

Despite frequent changes to its governing rules, superannuation remains, for most people, a tax-effective environment in which to save for retirement. Here's a quick Q&A on the what, why and how of contributing to superannuation from this point on.

Why should I contribute to super?

Some super contributions and the investment earnings within super funds are taxed at 15%. As this is lower than the marginal tax rate for people earning more than $18,200 per annum, less tax is paid on the money going into super than if it was paid to you as normal income. The higher your marginal tax rate, the greater the benefit.

What types of contributions can I make?

- ***Concessional contributions***. These are contributions on which you or your employer has claimed a tax deduction. They are taxed at 15% within the super fund. If you earn more than $250,000 pa you will be taxed an additional 15% on the concessional contributions above this threshold. Concessional contributions include:
    - Compulsory employer (Superannuation Guarantee) contributions. Your employer must pay 9.5% on top of your ordinary time earnings to your super fund when you earn more than $450 per month.
    - Salary sacrificed contributions made from your pre-tax income.
    - Personal contributions on which you claim a tax deduction.

  Low Income Superannuation Tax Offset (which is actually a refund) on the tax you've paid on contributions. It applies if you earn less than $37,000 per annum and is capped at $500. This is paid to your super fund and prevents your super contributions from being taxed at a higher rate than your normal income.

Cap: $25,000 pa. The unused portion can be carried forward and used in future years if your total super balance is under $500,000.

- ***Non-concessional contributions***. Contributions on which a tax deduction has not been claimed, including: Personal contributions on which you do not claim a tax deduction, for example those in excess of the concessional cap or you are seeking a government co-contribution.
    - **Spouse contributions**. These can generate a tax offset of up to $540 if your spouse earns less than $40,000 pa.
    - **Government co-contributions**. Worth up to $500, co-contributions are available if your taxable income is less than $51,813 pa and you make a non-concessional contribution

Caps: $100,000 pa, or $300,000 if a further two years of contributions are brought forward.

Note: you cannot make non-concessional contributions if your total superannuation balance exceeds the general transfer balance cap (the amount that can be transferred to pension phase), currently $1.6 million.

Who can contribute to super?

You can make personal contributions to super if:

- you are under 65 years of age;
- you are aged between 65 and 75 and were gainfully employed (including self-employed) for at least 40 hours over 30 consecutive days during the financial year.

You can claim a tax deduction for these contributions, but make sure you don't exceed the $25,000 annual cap for concessional contributions from all sources; or the $100,000 cap on non-concessional contributions.

Spouse and government co-contributions can only be received up to age 70 provided you pass the work test.

You are eligible for mandated employer contributions, including Super Guarantee payments, regardless of your age.

Get it right

A successful super contribution strategy can mean the difference between looking forward to retirement and dreading it. This article is provided as an overview. Super is a complex area and further rules apply in some situations. Getting things wrong can be costly so talk to your qualified financial planner, and get the right advice on the best ways to boost your super.

Please don't forget…

Our success is a result of referrals from clients and friends like you. We could always use a few more. So, if you have children, family members, friends or colleagues that may need some advice, please pass our details to them.