mba Financial Strategists | Planning tomorrow, today.

Edition 1, 2018

The Strategist

Practice update

> It's been an eventful start to the calendar year with the Banking Royal Commission and a range of Super Reforms coming into effect from 1 July 2018.

Mark Borg CFP® DIP FP
PRINCIPAL/FINANCIAL PLANNER

We fully support the Royal Commission and the further transparency and professionalism it will bring to the financial services industry. Our practice places a high value on ethical behaviour reflected in our key values of Honesty, Empathy, Respect, Integrity and Excellence along with a focus on continuous improvement so we will embrace any industry changes that may arise from the Commission.

The May Federal Budget included modest changes to superannuation: changes to the provision of annuity products to manage longevity risk, the extension of the Pension Work Scheme, capping total fees on low balance super accounts and increasing the maximum membership of an SMSF from four to six people.* Just a reminder there are a number of Super Reforms that come into effect 1 July 2018 "if you're aged 65 or over, you'll be able to make an after-tax contribution to your super of up to $300,000 using proceeds from the sale of your main residence, provided you've owned it for 10 years or longer – regardless of your work status or contributions history."** If you'd like more information on this Reform or any of the other Super Reforms such as changes to the eligibility rules for claiming a deduction for personal super contributions simply give the office a call or go to the website at www.mbafs.com.au and book an appointment with your Financial Adviser.

In this issue we have a checklist of super considerations for the end of the financial year (EOFY) along with an article on Tax Scams as well as an article from Paul Clitheroe discussing Personal debt.

The practice continues to grow and evolve and as such Valerie O'Riley, joins Darian Lobb in the Mortgage team as a Client Service Specialist, she has had many years in the financial services industry so if you need any debt or lending advice don't hesitate to make an appointment with Darian. Meanwhile, Anna Assheton, has also joined the practice as Adviser Affiliate. She will be 'learning the ropes' and providing support to our existing team. Anna is a welcome addition to our advising team she has a Bachelor of Business and a Bachelor of Commerce and is currently studying for her Masters in Financial Planning. If your circumstances have changed, whether it be family, career, your home or anything else that might impact your financial situation, don't hesitate to give us a call. We look forward to seeing you in the office soon.

* Source: Market Watch 'Key measures from the 2018-19 Federal Budget May 2018
** https://www.ato.gov.au/Individuals/Super/Super-housing-measures/Downsizing-contributions-into-superannuation/

Services provided

- **Banking (deposits)**
- **Budget management**
- **Centrelink benefits**
- **Debt management (how to pay off debts faster)**
- **Arranging for listed securities, shares and debentures to be bought or sold via a broker**
- **Personal and Employer superannuation**
- **Estate Planning**
- **Financial Planning**
- **Borrowing to invest**
- **Investment planning**
- **Personal insurance (all forms including death, TPD, TSC, income protection)**
- **Portfolio reviews**
- **Retirement planning (Allocated Pensions etc.)**
- **Salary packaging**
- **SMSF – Self Managed Super Funds**

MBA Financial Strategists
77 King William Rd, Unley SA 5061
Ph: (08) 8357 3999 Fax: (08) 8357 3900
invest@mbafs.com.au www.mbafs.com.au
facebook.com.au/MBA.Financial.Strategists

Meet the team

Peter Berresford, Michael Cirson, Mark Borg, Raimon Lewandowski, Anna Assheton, Darren James, Darren Holst, Brian Lynch, Darian Lobb, Nick Munro

EOFY Checklist 2018

> the end of financial year tax tips are important this year given the Super Reforms that came into effect from 1 July 2017. As June 30 ticks around again, it is time to review your financial plan if have not already done so

Changes to Contributions Caps

Effective 1 July 2017 the concessional (pre-tax) cap is $25,000 for everyone. Concessional (pre-tax) contributions to your super include:

> employer contributions

> any amount you salary sacrifice into super

> personal contributions you claim as a personal super contribution deduction.

From 1 July 2018, you will be able to 'carry-forward' any unused amount of your concessional contributions cap. You will be able to access your unused concessional contributions cap on a rolling basis for five years. Amounts carried forward that have not been used after five years will expire.

The first year in which you can access unused concessional contributions is 2019-20.

You will only be able to carry-forward your unused concessional contributions cap if your total superannuation balance at the end of 30 June of the previous financial year is less than $500,000.

From 1 July 2018, if you have a total superannuation balance of less than $500,000 at the end of 30 June of the previous year:

> you can start to 'carry-forward' your unused concessional contributions cap

> the first year in which you can access unused concessional contributions that you have carried forward is 2019-20.

Effective 1 July 2017, the annual non-concessional contribution cap reduced from $180,000 to $100,000 per year for the 2017-18 and future financial years. This will remain available to individuals aged 65 to 74 years old if they meet the work test. Your non-concessional cap is nil for a financial year if you have a total superannuation balance greater than or equal to the general transfer balance cap ($1.6 million in 2017-18) at the end of 30 June of the previous financial year.

Non-concessional (after-tax) contributions include:

> personal contributions for which you do not claim an income tax deduction, and

> spouse contributions[1]

Changes to personal super contributions deductions

Effective 1 July 2017 most people (who meet the eligibility rules) under 75 years old can claim a tax deduction for personal super contributions (including those aged 65 to 74 who meet the work test).

Transition to retirement

People who have reached their preservation age (currently age 57) can choose to receive a transition to retirement (TTR) income stream. This allows them to draw down from their super and receive an income of between 4% and 10%, even if they are still working. [1]

Effective 1 July 2017, these earnings from assets that support a Transition-to-retirement income stream that is not in the retirement phase will be taxed at 15%, the same tax rate which applies to accumulation super funds.[1]

Co - contributions threshold up

This financial year, if you earn less than $36,813 and meet the eligibility rules then you are entitled to a government co-contribution of up to $500 when you make up to $1,000 in after-tax contributions to super. That's equal to a return of up to 50 per cent! This co-contribution tapers down until it cuts out at $51,813. [1]

Spouse contributions

From 1 July 2017, the spouse income threshold increased, and more people are eligible to claim the spouse contributions tax offset for the 2017-18 and future financial years. You can claim up to the maximum tax offset of $540 if:

> you contribute up to $3,000 in after-tax contributions to the eligible super fund of your spouse, whether married or de-facto, and

> your spouse's income is $37,000 or less*

The tax offset amount will gradually reduce for income above this amount and completely phases out when your spouse's income reaches $40,000.

You will not be entitled to the tax offset when your spouse receiving the contribution:

> exceeds their non-concessional contributions cap for the relevant year, or

> has a total superannuation balance equal to or exceeding the general transfer balance cap ($1.6 million for 2017-18) immediately before the start of the financial year in which the contribution was made.[1]

* eligibility rules apply

Minimum withdrawals

If you have your own self-managed super fund remember to make the minimum withdrawal from your super pension by June 30 or face losing its tax-free status.

The minimum amounts have reverted to normal after a period of grace following the financial crisis – four per cent for those aged 55-64, 5 per cent for 65-74, rising to 14 per cent for those 95 or older.[2]

Rebalance your portfolio

If you have made capital gains on some of your winning investments it may be worthwhile selling some of your losers to create a capital loss to offset your gains.

But be careful if you're planning to re-buy these shares in the new financial year; the Tax Office may view this practice as a wash sale and may penalise you.

Bring forward expenses, delay income

You can pay income protection insurance and, deductible loan interest up to 13 months in advance and claim the payments in the current financial year.

Similarly, it is usually recommended postponing income where possible until the next financial year.

If you are taking redundancy or retiring in the near future, it may be worth considering whether you should postpone your last day until the new financial year. You could potentially save a lot of money due to increased tax-free thresholds from 1 July. But this may have flow-on impacts so be sure to seek advice from your financial planner.

While the end of financial year is a great opportunity to review your finances, being tax aware should be a year-round activity.

If you require any strategic financial advice, don't hesitate to call the office and make an appointment with your adviser or simply visit the website **www.mbafs.com.au** and simply book an appointment using the Book an Appointment button.

1 https://www.ato.gov.au/Individuals/Super/Super-changes/

2 http://www.superguide.com.au/smsfs/minimum-pension-payments-reduced

Note: This article contains information that is general in nature. It does not take into account the objectives, financial situation or needs of any particular person. You need to consider your financial situation and needs before making any decisions based on this information. If you decide to purchase or vary a financial product, your financial adviser, AMP Financial Planning Pty Limited tel: 1300 157 173 and other companies within the AMP Group may receive fees and other benefits. The fees will be a dollar amount and/or percentage of either the premium you pay or the value of your investments. Please contact us if you want more information.

Personal debt - maybe the mortgage isn't so bad

> Household debt in Australia is high but more of us are taking a sensible approach to debt management.

Nationally, our household debt ratio is nudging 200%. On paper it means we owe twice as much in debt as we bring home in our pay packets each year. It sounds like an alarming figure but as 74% of all households have some level of debt, the reality is that some of us owe more, others less.

The question is, is debt a problem?

The answer lies in the make-up of your personal debts. Given today's high property prices, it's not surprising that home loans often account for the bulk of personal debt. But this is what I call 'good' debt because generally your loan will be whittled away over time while the value of your home may steadily rise.

In fact, the gradual uptick in home values, while not consistent from year to year, is a long-term trend. A study by the Bank of International Settlements found Australian home values have risen 6,550% since the early 1960s. In 1983, when my wife Vicki and I purchased our first home – a semi on Sydney's lower north shore, the place cost of us $90,000. Today the same property (we've since moved on) would be worth close to $2.2 million.

If you can handle your repayments and you're confident you're getting a good deal on your home loan, this type of debt may not be a problem.

In addition, data from banking watchdog the Australian Prudential Regulation Authority shows Australians are taking a more cautious approach to borrowing. In the past quarter, just 21% of new home loans involved a deposit of less than 20%. Ten years ago, that figure was closer to 37%. Stumping up a bigger deposit is a smart move. It could mean lower repayments, more home equity and extra wiggle room if interest rates rise further down the track.

It's not just home loans that we're managing better

Comparison site Finder says debit card spending is tipped to hit $27.6 billion in August 2018, with credit card spending trailing behind at $27.5 billion. It could be an important tipping point where we rely less on high-interest debt and more on our own money to make regular purchases. And that's a good thing.

Sure, some Australians are experiencing financial stress, and it can be an extremely challenging position to find yourself in. If that sounds like you, it's critical to seek expert advice early.

Interestingly though, Reserve Bank data shows the most financially stressed households are not home owners with a mortgage, but rather low-income earners facing high rents.

The upshot is that it always makes sense to monitor your debt levels, so think carefully about taking on extra debt, and take early action if repayments look like they're becoming a problem. However, if you are comfortable with good debt, and aim to minimise bad debt like credit card balances, you're heading in the right direction.

Paul Clitheroe is a founding director of financial planning firm ipac, Chairman of the Australian Government Financial Literacy Board and chief commentator for Money Magazine.

Source: https://www.amp.com.au/news/2018/march/personal-debt-maybe-the-mortgage-isnt-so-bad

How does housing affordability in Australia rank on the world stage?

When it comes to housing affordability, our capital cities haven't fared well.

There are 28 'severely unaffordable' major housing markets that exist internationally[1]– and of those, Sydney, Melbourne, Adelaide, Brisbane and Perth all rank among the top 21[2].

These are the findings from the 2018 Demographia International Housing Affordability Survey, which assesses housing markets across nine countries including Australia, Canada, China, Ireland, Japan, New Zealand, Singapore, the United Kingdom and United States[3].

So, how does housing affordability in Australia stack up against the rest of the world?

Geographical breakdown

According to the survey, which measures affordability using a house-price to household-income ratio[4], Sydney Australia was the second most unaffordable major housing market across the globe[5].

Coming in first was Hong Kong in China, with Vancouver in Canada and San Jose in the United States coming in third and fourth respectively, with Melbourne Australia moving into fifth place[6].

As for where other Australian capital cities sat on the ladder, Adelaide came in at number 16, Brisbane at 18 and Perth at 21[7].

Australia up close

The report said when looking at all of Australia's housing markets, the most affordable were Gladstone[8], Rockhampton and Mackay in Queensland[9], with the least affordable (after Sydney and Melbourne) including the Sunshine Coast and Gold Coast in Queensland[10], and Geelong in Victoria[11].

The report pointed to property prices increasing at a much faster rate than household income and said this was a likely contributor to housing affordability issues in Australia and elsewhere[12].

It also linked affordability challenges to urban containment, which is where housing development is restricted to existing areas of development instead of opening up new sites, which could impact prices because limited availability increased demand for existing supply[13].

What you can do

If your goal is to buy a property, while Australia might seem like a slightly tougher nut to crack, it isn't all bad news, with indication prices are falling in some areas.

You might also be interested to know that from 1 July 2018, eligible first home buyers will be able to withdraw voluntary super contributions (which they've made since 1 July 2017), along with associated investment earnings, to put toward a home deposit under the First Home Super Saver Scheme.

As always if we can assistance in any way please contact us on (08) 8357 3999 or visit the website to make an appointment with your Financial Adviser.

Source : https://www.amp.com.au/news/2018/April/how-does-housing-affordability-in-australia-rank-on-world-stage

1 The 14th Annual Demographia International Housing Affordability Survey: 2018 pages 1, 35, 1, 5, 35, 35, 35, 36, 37, 39, 38, 1, 3

Note: This article contains information that is general in nature. It does not take into account the objectives, financial situation or needs of any particular person. You need to consider your financial situation and needs before making any decisions based on this information. If you decide to purchase or vary a financial product, your financial adviser, AMP Financial Planning Pty Limited tel: 1300 157 173 and other companies within the AMP Group may receive fees and other benefits. The fees will be a dollar amount and/or percentage of either the premium you pay or the value of your investments. Please contact us if you want more information.

Market Indices

International Equities	FYTD	change (yr)	change (10yr)
MSCI World ex Aust NR Index (AUD Hedged)	9.69%	11.8%	8.16%
MSCI World NR Index AUD	12.23%	12.2%	7.84%
Dow Jones Industrial PR Index (USD)	13.18%	15.4%	5.16%
Australian Equities			
S&P/ASX All Ords TR Index AUD	8.95%	6.44%	4.02%
Exchange Rates			
$A/$US Spot rate	-2.07%	0.56%	-2.23%

Source: Lonsec iRate Indices Return 30 April 2018

Watch out for tax scams by Paul Clitheroe

> the end of the financial year will likely bring the usual wave of scams. Here's what to look for.

The Federal Budget is behind us, and amid the celebrations over tax cuts (around $500 annually for low to middle income earners if proposals are legislated), now is the time to be mindful of scammers pretending to be from government bodies – especially the Australian Taxation Office (ATO). In some cases, scam victims have lost close to $1 million dollars.

Beware scams posing as ASIC

If previous years are anything to go by, the end of the financial year will bring the inevitable wave of scams. Money watchdog the Australians Securities and Investment Commission (ASIC) for instance, has recently warned about crims posing as ASIC representatives asking victims to pay bogus fees. They often make contact via email, accompanied by an invoice that infects your computer with malware if you click the link.

Protect yourself by looking for warning signs that show an email isn't from ASIC at all. The clues include requests to make a payment in order to receive a refund, or if the email asks directly for your credit card or bank details.

Dodgy emails seeming to come from the ATO

More worrying, the ATO has recently advised that scammers are leaving voicemail messages on their victims' phones, threatening the recipient with arrest due to an unpaid tax debt or suspected tax evasion. It can be scary stuff for those on the receiving end.

Scammers are also sending fake emails asking for completion of a 'tax refund review' form to allow recipients to receive a refund. Apparently, the form asks for online banking details, credit card numbers (and even credit limits) as well as your personal address. The ATO is warning not to click on or save any attachments as they may download malicious malware. Above all, do not disclose the personal information the form is requesting.

Scam victims can pay dearly

Not surprisingly, many people are taken in by these scams, and in previous years up to 48,000 people have reported coming across these scams between the peak tax-time months of July and October.

Hundreds of Australians have collectively handed over millions of dollars to scammers with one victim losing $900,000 borrowed from friends and family. Others have handed over personal details such as tax file numbers, which can lead to identity theft.

Protect yourself - and your money

In many cases, scam emails are easily spotted. Hover your computer's mouse over the email address of the sender and it will show the true source. Have a close look through the email, and you'll typically find that scam messages are poorly written with some pretty obvious spelling mistakes. The email may ask you to click what appears to be a link to the ATO website but when you hold the mouse over the link, it won't have the official ato.gov.au address.

If you are unsure if a phone call or voicemail is from the tax man, call the ATO on 1800 008 540.

Paul Clitheroe is Chairman of the Australian Government Financial Literacy Board and chief commentator for Money Magazine.

Source: https://www.amp.com.au/news/2018/may/watch-out-for-tax-scams

Note: This article contains information that is general in nature. It does not take into account the objectives, financial situation or needs of any particular person. You need to consider your financial situation and needs before making any decisions based on this information. If you decide to purchase or vary a financial product, your financial adviser, AMP Financial Planning Pty Limited, tel: 1300 157 173 and other companies within the AMP Group may receive fees and other benefits. The fees will be a dollar amount and/or a percentage of either the premium you pay or the value of your investments. Please contact us if you want more information.

Planning tomorrow, today.

MBA Financial Strategists

77 King William Rd, Unley SA 5061 Ph: (08) 8357 3999 Fax: (08) 8357 3900

invest@mbafs.com.au   www.mbafs.com.au

facebook.com.au/MBA.Financial.Strategists

MBA Financial Strategists Pty Ltd ABN 13 008 285 756 and Mark Borg, Darren James, Raimon Lewandowski, Brian Lynch, Michael Cirson, Peter Berresford, Darren Holst and Nick Munro are Authorised Representatives and Credit Representatives of AMP Financial Planning Pty Limited ABN 89 051 208 327 Australian Financial Services Licensee and Australian Credit Licensee No 232 706. Darian Lobb is a Credit Representative of AMP Financial Planning Pty Limited, Australian Credit Licensee. This newsletter contains information that is general in nature. It does not take into account the objectives, financial situation or needs of any particular person. You need to consider your financial situation and needs before making any decisions based on this information. If you decide to purchase or vary a financial product, your financial adviser, AMP Financial Planning Pty Limited, tel:1300 157 173 and other companies within the AMP Group may receive fees and other benefits. The fees will be a dollar amount and/or percentage or either the premium you pay or the value of your investments. Please contact us if you want more information. Your privacy is important to us and AMP Financial Planning Pty Limited, which is part of AMP. You may request access to your personal information at any time by calling us on 8357 3999 or contacting AMP on 1300 157 173. Information collected will be subject to AMP's Privacy Policy, which is available at www.amp.com.au or on request. You can also contact us or AMP if you do not wish to receive information and products, services or offers available from us or AMP from time to time. If you no longer wish to receive direct marketing material from us you may opt out by contacting/calling the office 8357 3999. You may still receive direct marketing material from AMP as a product issuer, bringing to your attention products, offerings or other information that maybe relevant to you. If you no longer wish to receive this information you may opt out by contacting AMP on 1300 157 173.