

**Recent changes in Tax and Superannuation—good news for individuals and superannuation.**

**Individuals**

**Self-education cap scrapped** – the new government will not be proceeding with Labour’s proposal to put a \$2000 per year cap on self-education expense deductions.

**HELP voluntary repayment bonus still available** – the HECSHELP upfront discount and voluntary repayments will continue as proposed legislation hasn’t been implemented. So make a voluntary repayment of \$500 or more and still receive a 5% bonus on the repayment.

**Superannuation**

**Higher concessional contributions cap** – Those aged 60 and over at any time during 2013/14 the cap increases to \$35,000 (from \$25,000). Also from 1 July 2014 those aged between 50 and 59 can also access the higher concessional contributions of \$35,000.

**Ban on ‘off-market’ transfers has been abandoned** – The ‘on-again’ ‘off-again’ ban has now been removed from the draft legislation, so off market transfers for listed securities remains in place. Just remember that these must be at market value so as to be ‘arms length’.

**Earnings over \$100,000** – a proposal by Labour in April 13 to tax superfund earnings over \$100,000 at 15% if a fund is in pension mode is scrapped.

**OTHER News for Small Business**

**Instant Asset Write off** - unfortunately we go back to \$1,000 instead of the generous \$6,500 threshold from at 1 January 2014. Note the asset must be installed ready for use prior to 1 Jan 2014 or actually used to qualify for the \$6,500.

**Motor Vehicle Write off** - the \$5,000 bonus write off will be abolished altogether, applying from 1 Jan 2014.

**SMSFs vs Industry Funds – on average SMSF’s have performed better!**

SMSFs are now more popular than ever with 670 created each week. In a recent comparison commissioned by ASIC, SMSF’s came out in front when compared to Industry/Retail Funds in recent years.

Comparison of Aggregate Investment Returns		
Year end 30 June	Industry Funds	SMSF
2005	13.2%	17.4%
2007	15.6%	20.1%
2009	-11.9%	-4.5%
2011	8.7%	11.2%

*Source : ASIC Costs of Operating an SMSF (2013 Rice Warner)*

To be competitive with Industry Funds the report suggests a minimum combined balance of \$200k in Super savings before you contemplate starting a SMSF. With 19 years experience of helping clients with their SMSF’s, our team are happy to assist and guide you in making decisions relating to your SMSF.

*Sources: Top 10 Tips for SMSF Changes, M Hallinan Special Council superannuation – Issue 6 The Strategic Super Investor Summer 2013-14 ATR Business Solutions Jan/Feb 2014*

February 2014

## Be Aware ..... Email scams

There has been a sharp increase in the number of tax related email scams circulating. Since June 2013 reports of Phishing scams (the act of attempting to acquire private information such as usernames) have increased from 3,586 to 15,441

*\* The ATO would never send taxpayers emails asking them to update or disclose confidential information including name, date of birth, home address, passwords or credit card details.*

## Trauma cover is about survival

Almost everyone knows of someone who has suffered a heart attack, stroke or been diagnosed with cancer. On the bright side, due to medical advances, we have a greater chance of surviving these serious medical conditions. While this is fantastic news, for some it means an ongoing battle for financial survival...

The reason? Treatment, medication, rehabilitation and ongoing financial commitments can be very costly. Combined with a reduced capacity or inability to earn an income, some survivors face financial hardship before they even leave hospital.

### Did you know?

By age 75, an estimated one in three men and one in four women will develop cancer<sup>1</sup>.

Each year, an estimated 60,000 strokes affect Australians – about one every 10 minutes<sup>1</sup>.

## Trauma or Living Insurance Cover

Trauma Cover; also known as living insurance (as you don't need to die to receive a claim payout) can help you manage this financial risk, by paying a lump sum in the event of a specified medical condition, regardless of whether you are prevented from working or not. It can alleviate financial pressure in a period of intense shock and trauma, giving you and your family time to adjust to the crisis and rethink your future.

By statistics the big four trauma claims are as a result of cancer, stroke, heart attack and coronary artery bypass grafts. However some trauma policies can cover more than 50 other critical illnesses.

Life Strategies can help you tailor a protection plan that will suit your needs so you can be financially prepared for the unexpected. Call us for a no obligation discussion with our risk specialist about your specific life insurance needs.

<sup>1</sup> Australian Institute of Health and Welfare (AIHW) – Australia's Health 2010

February 2014

## Mortgages and Lending

*(Provided by One10 Mortgage broking services)*

### 5 Tips to help pay off your mortgage in 2014

1. Put spare money in redraw – We see many people who have savings or a term deposit offering 3% when they are paying 5% on their mortgage. These savings can go a long way in reducing interest, which allows more capital reduction and faster repayment of your mortgage
2. Increase repayments – Imagine rates have increased and you are forced to pay a higher amount. For example, if rates went up 1%, on an average mortgage, that would add 10% to your mortgage repayment, so do it in advance. If your monthly repayment is \$2,000 lift it 10% to \$2200. As little as \$50 per week can save you over 5 years off your loan term and \$75,000 in interest
3. Offset – An offset account is a savings account linked to your home loan. Any funds in offset are subtracted from the loan balance to calculate interest. If you have your wages, rental income, tax returns etc. going into this account regularly, the savings are enormous. This is one of the most effective ways to pay off your mortgage faster.
4. Switch to fortnightly – Banks set you up on a monthly payment cycle by default, and this is no accident. Your interest is calculated daily so the higher your balance remains for the month, the higher your interest bill and less you pay off the capital. Your goal is to pay less interest and more capital, and making payments more regularly and reducing the average balance more regularly can do this
5. Perform a mortgage health check – Finally, speak with your Adviser. Your loan might not be the best fit for you any more. It may be an older loan with fewer concessions, or your structure and strategy could be improved. Either way, it is worth speaking with your Adviser and getting off to a head start in 2014

### Hot Offers

With rates at all-time lows and lenders fighting for consumer loyalty, here is a selection of the best deals currently on offer:

#### Top-3 Variable Rates\*

CBA Rate Saver	=	4.89%
AMP Essential Loan	=	4.90%
HomeSide Offset	=	5.00%

#### Top 1, 3 and 5 Year Fixed Rates\*

1-Year	ANZ	=	4.59%
3-Years	ME	=	4.84%
5-Years	ANZ	=	5.49%

*\*Based on a loan amount of \$400,000 and a loan to value ratio of 80%*

## Disruptive Technologies – Advances transforming life, business and economies

Not every emerging technology will alter the business or social landscape—but some truly do have the potential to disrupt and alter the way people live and work.

In 1995, Joseph Bower and Clayton Christensen, Harvard academics, used the term ‘disruptive technology’ to describe technological breakthroughs that require corporations to radically change how they operate<sup>1</sup>. If they fail to adapt, they often fail. Technology waits for no one. One of the most consistent patterns in business is the failure of leading companies to stay at the top of their industries when technologies or markets change. Goodyear and Firestone entered the radial-tire market quite late. Xerox let Canon create the small-copier market.

Many other examples of disruptive technologies come to mind – the internet, online retailing, mobile communications and DNA sequencing. Disruptive technology can even extend into more rudimentary activities such as horizontal drilling’s revolutionary impact on gas and oil extraction.

In 2013, McKinsey & Co, a consulting firm, published a list of the twelve technologies that it predicts will have the greatest economic and disruptive impact on the global society by 2025<sup>2</sup>. These technologies span biological sciences, energy information technologies, material science and other fields, although each share four characteristics –

- ◆ The technology is evolving rapidly and undergoing breakthroughs
- ◆ The potential scope of impact is striking
- ◆ Significant economic value could be effected
- ◆ The economic impact is potentially disruptive

The following table lists the twelve technologies and provides examples of how each technology has progressed.

Technology	Explanation
Mobile Internet	Inexpensive and capable mobile devices & internet connectivity
Automation of Knowledge work	Intelligent software systems that can perform knowledge work tasks involving unstructured commands & subtle judgements
The internet of things	Networks of low cost sensors and actuators for data collection, monitoring, decision making and process optimisation.
Cloud technology	Use of computer hardware and software resources delivered over a network or the internet often as a service.
Advance Robotics	Robots with enhanced senses, dexterity and intelligence used to automate tasks or augment humans
Autonomous/near autonomous vehicles	Vehicles that can navigate and operate with reduced or no human intervention.
Next-generation genomics	Fast, low-cost gene sequencing, advanced big data analytics, and synthetic biology
Energy Storage	Devices or systems that store energy for later use, including batteries.
3D printing	Additive manufacturing techniques to create objects by printing layers of material based on digital models.
Advanced materials	Materials designed to have superior characteristics (e.g. strength, weight, conductivity) or functionality.
Advanced oil and gas exploration and recovery	Exploration and recovery techniques that make extraction of unconventional oil and gas economical
Renewable energy	Generation of electricity from renewable sources with reduced harmful climate impact.

Source: McKinsey & Co, Ord Minnett

<sup>1</sup> Bower, J.L & Christensen, C.M. “Disruptive Technologies: Catching the Wave” Harvard Business Review (Jan-Feb 1995): 43-53

<sup>2</sup> Manyika, J., Cgwi, M., Bughin, J., Dobbs, R., Bisson, P and Marrs, A. Disruptive technologies: advances that will transform life business and the global economy.

## Recent Training attended

Sharni

- 2013 Quarterly Investment Briefing—Morningstar
- Platinum Asset Management— Adviser Teleconference
- Women's Lunch Forum—FPA
- FPSA National Professional Development Day
- The Rise of Social Media—How to Radically Improve the performance of your business
- PIMCO Equity Trustee—Outlook for Investing in 2014

Michael

- Life Risk Principals for Professional Planners
- The Risk Store—The true costs of ongoing Disablement
- FPSA National Professional Development Day

Jo

- BGL Simplefund Pension Course
- Taxpayers Australia Division 7A workshop

## Life Strategies Facebook Page

We have recently set up a Life Strategies Facebook page at the following location:

<https://www.facebook.com/home.php#!/pages/Life-Strategies-Financial-Accounting/540437369370518>

Our intention is to post interesting articles and links to websites with financial tools or useful information.

If you **"like"** our Facebook page, you will be able to see updates on your newsfeed. Please feel free to **"share"** any articles that you feel might be of interest to your Facebook friends.

We hope that this will be another avenue to communicate with clients and prospective clients and any feedback is as always appreciated.



*Download the QR code application on your smartphone then scan this code and it will take you directly to our website!*

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