



FINANCIAL ONE



Winter 2017 Newsletter

Dear clients

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.

If you would like to discuss any of the issues raised in this newsletter, please don't hesitate to contact us.

In the meantime stay warm and we hope you enjoy the read.

All the best,
The team at Financial One

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Safeguard your ability to pay off your home loan

It's not unusual that life can be smooth sailing one minute and throw you a curveball the next.

You might be hit with an injury or illness, a reduction in income or redundancy, a separation from your partner, or even a death in the family—all of which can be difficult, emotionally as well as financially.

If you happen to owe money on your home loan, having a financial backup plan, should such a situation arise, could go a long way.

What you can do today

Set up an emergency fund

An emergency fund can give you peace of mind by creating a pool of rainy-day savings that can be used to pay unexpected bills in the event of a financial dilemma.

It also reduces the need to rely on high interest borrowing options, such as credit cards or applying for payday loans, which can often be an expensive form of finance and create unwanted debt.

A decent-sized emergency savings pot won't be built overnight, but the good news is putting aside a little money on an ongoing basis could really come in handy down the track.

Maintain your insurance

Depending on what life throws at you, having personal insurance may help you to still meet your financial commitments, which could include making your home loan repayments.

After all, at least one in five Australians will be unable to work due to an unexpected accident, injury or illness at some point in their life.ⁱ

For this reason, checking you have the right type of cover and enough of it, particularly when your circumstances change, is important.

If you don't have insurance, now might be a good time to learn about the types of cover available, and whether you take it out through super or via an insurance company, broker or adviser.

If things take a turn for the worse

Talk to your lender

If you run into tough times and you don't have an emergency fund, renegotiating your home loan might allow you to reduce your repayments by switching to a different type of home loan or moving to interest-only payments.

You may also be able to seek assistance from your lender by claiming financial hardship.

All lenders must consider reasonable requests to alter the terms of a home loan in instances where someone suffers genuine financial hardship and feels a change would enable them to meet ongoing repayments.

If you're not happy with your lender's response you can also contact the Financial Ombudsman Serviceⁱⁱ or Credit and Investments Ombudsman,ⁱⁱⁱ both of which are free external dispute resolution schemes.

Sell your home and buy a cheaper property

It may not be ideal, but if you don't have other options, selling your home might be worth exploring to avoid having your property repossessed and facing what could be an even bigger financial fallout.

It will take time to arrange things, whether selling your home outright or buying a property that's cheaper to maintain. So, speak to your lender about how you can go about it and consider seeking advice as to whether this is the best path to take before making a decision.

Access your super to make your repayments

In some cases of severe hardship you may be granted early access to your retirement nest egg under strict conditions. However, this should be a last resort.

If you want to know more about how you can access your super in special circumstances check out the early release of superannuation section on the Centrelink website.^{iv}

Being prepared

Life has its ups and downs so it's best to be prepared. Remember, if you do run into tough times we are here for you. It's also a good idea to speak to your lender as soon as possible to see what your options are.

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i www.lifeinsurancefinder.com.au/post/compare-life-insurance-australia/the-impacts-of-underinsurance-in-australia/

ii <https://www.fos.org.au/>

iii <http://www.cio.org.au/>

iv <https://www.humanservices.gov.au/customer/services/centrelink/early-release-superannuation>





Five tax deductions to know about

You're probably well aware you can claim a tax deduction for general work-related expenses. But did you know you may be able to claim if:

1. You take a course or study.

You may be able to claim a portion of self-education expenses if it's related to your ability to earn an income.

2. You travel to inspect your investment property.

You may be able to claim for expenses like pest control fees, body corporate, rates, utility bills, advertising and marketing costs.

3. You belong to a union.

You may be able to claim your union fees as a deduction.

4. You wear a uniform for work.

You may be able to claim for buying and cleaning a uniform that you need to wear for work.

5. You work from home.

You may be able to claim for running costs such as heating, cooling, lighting and cleaning, and even interest on any loans for work equipment, like a home computer. But you must keep detailed records—check out the ATO's guide to home office expenses.

Working out your tax deductions can be complex. Your tax accountant can help you work out what you can and cannot claim.

Five ways to boost your super at tax time

There are plenty of ways to benefit from super's favourable tax treatment, regardless of how much you earn and how old you are.

1. You can claim up to \$500 in government co-contributions

if you're a low to middle income earner and you make after-tax contributions of up to \$1,000 to your super.

2. You can receive a tax offset

of up to \$540 if your spouse is a low income earner and you contribute up to \$3,000 in after-tax contributions towards their super.

3. You can contribute up to \$30,000 in before-tax contributions

to your super at the 'concessional' tax rate of 15%ⁱ —or \$35,000 if you're aged 50 or over.

4. You can contribute up to \$180,000 a year (or up to \$540,000 before 1 July 2017 if you're eligible to use the 'bring-forward' rules) in after tax-contributions.

Since this is from your after-tax income the full contribution reaches your super account, and no tax is deducted when the contribution reaches your super fund.

5. You can start a transition to retirement strategy once you've reached your super preservation age (the age at which you can access your super)—this can allow you to draw up to 10% of your super as a pension.

So, as the end of the financial year approaches, now is the time to ensure you are fully aware of all the tax deductions you can claim, as well as taking advantage of investing in super, before major changes take affect.

Contact us before 1 July so we can help with strategies to make your money work for you.

ⁱ Or 30% tax if you earn more than \$300,000pa in 2016-17.

Five, four, three... it's not too late to get more in super

There's a small window left before new rules stop you from adding as much to super as you can right now.

It's crunch time. Time to get advice before super as we know it changes.

From 1 July 2017, new laws will limit the amount that goes into super across the board. And that means you need to be prepared and you need to act before 30 June. After 1 July, the non-concessional contributions (NCC) you'll be allowed to make into super will be significantly less.

What to consider

You still have time to explore any opportunities you may have to boost your super and benefit from the concessional tax environment the super system provides.

After 30 June 2017, you'll be restricted to adding up to \$100,000 in after-tax dollars in any given year (or \$300,000 if you use the bring-forward rule and add three years' worth in one). On the other hand, you may be eligible to add up to \$180,000 now or \$540,000 if you add three years' worth.

If you haven't made an NCC within the last three years you may be able to boost your super by up to \$540,000. And even if you have made an NCC recently, you could still be eligible to add an adjusted amount which may be more than you think.

Remember, you need to be under 65 to take advantage of the current rules and of course, you need to act before 1 July.

Should you convert other assets into super?

The answer to this question will be different for everyone. There's a lot to weigh up.

For example, your money may benefit from super's concessional tax environment which means you ultimately end up with more in your hand. But super is a long-term investment and you need to consider whether it's the best place for you to invest.

Whichever way you're leaning, it pays to speak with us before you decide what to do.

We can help you understand the ins and outs of the changing rules and how they'll affect you down the track. We can show you how much money

you could accumulate by investing in super now while the higher contributions rules still apply.

After 1 July, super will change quite dramatically so it's worth looking at the opportunities you may have now. If you're wondering how you could take advantage of the current rules it could be a good time to think about how you may structure your investments so you can meet your current needs and be better off down the track too.

It's the final countdown...

As we've highlighted before, there are other changes coming to super on 1 July 2017. The rules will place new restrictions on transition-to-retirement pensions, super account balances and concessional contributions caps.

The good news is there's still time to make use of strategies that may help you. Make sure you're aware of all that's changing and how it will affect you. We're here to help and to simplify the jargon so you'll understand exactly what the impact will be for you. Get in touch with us today. We're looking forward to helping you wherever we can.

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