

How the 2019 election outcome affects you

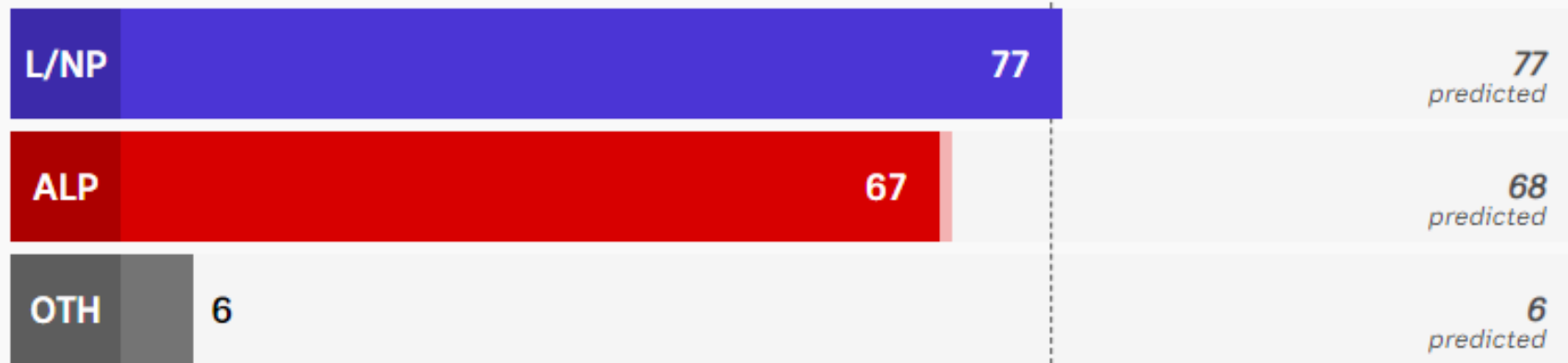
Bryan Ashenden
Head of Financial Literacy & Advocacy
June 2019

House of representatives

88.6% counted, updated 11m ago

1 Seat in doubt

76 to win



Senate

| Party | Continuing | Won | Likely |
|---|------------|-----|--------|
| Liberal / National Coalition 34 total seats | 16 | 13 | 5 |
| Labor Party 26 total seats | 13 | 12 | 1 |
| The Greens 8 total seats | 3 | 0 | 5 |
| Centre Alliance 2 total seats | 2 | 0 | 0 |
| One Nation 1 total seats | 1 | 0 | 0 |
| Australian Conservatives 1 total seats | 1 | 0 | 0 |
| Jacqui Lambie Network 1 total seats | 0 | 0 | 1 |
| Liberal Democratic Party 0 total seats | 0 | 0 | 0 |
| United Australia Party 0 total seats | 0 | 0 | 0 |
| Conservative National Party 0 total seats | 0 | 0 | 0 |
| Justice Party 0 total seats | 0 | 0 | 0 |
| Other parties 0 total seats | 0 | 0 | 0 |

What changes are expected?

- Taxation
- Super

Low and middle income tax offset

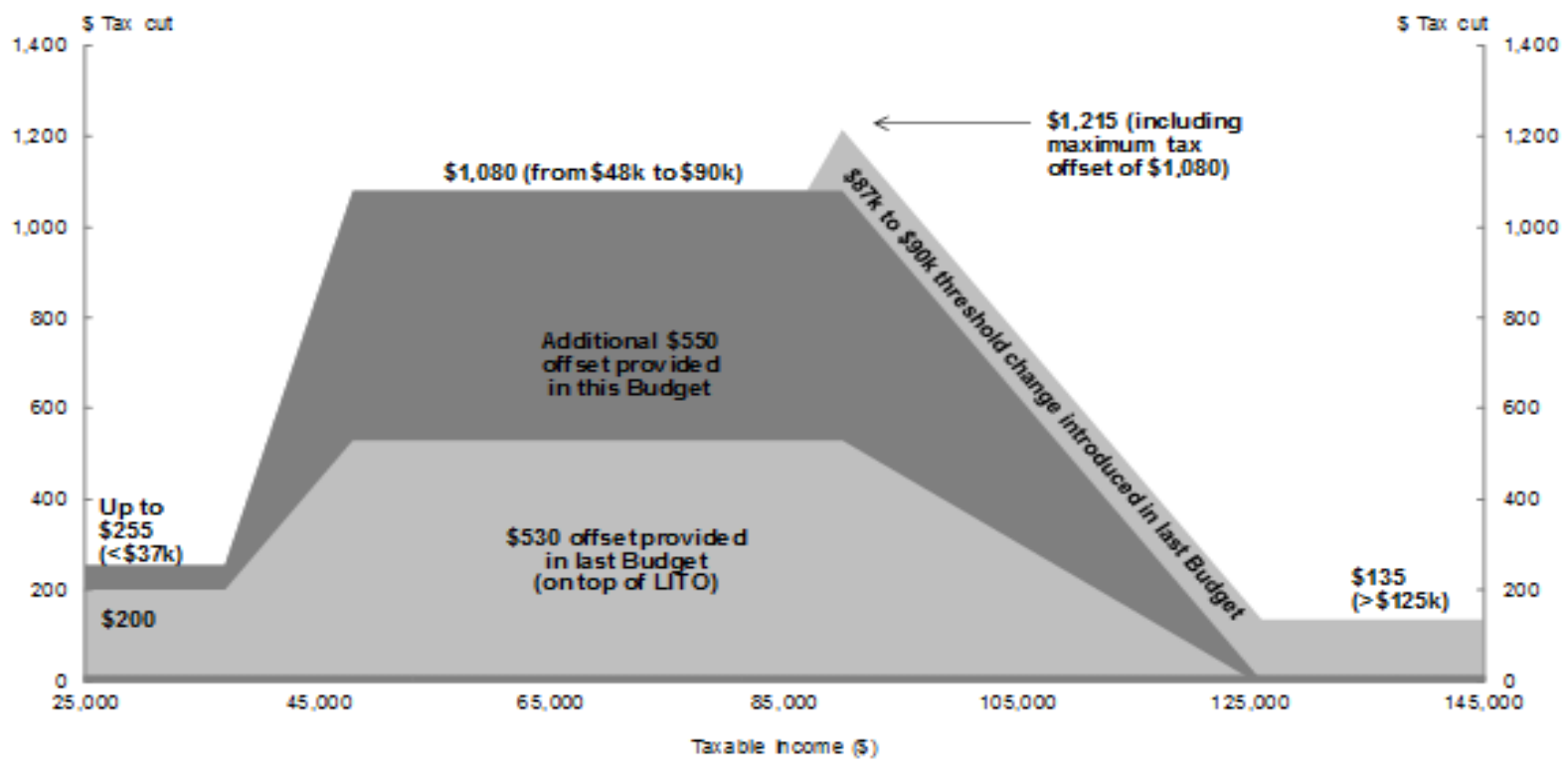
Current rules

- Maximum offset of \$530
 - For those on taxable income between \$48,001 and \$90,000
 - \$200 for those on taxable income up to \$37,000, and increases at rate of 3c per \$1 above that
 - Reduces from \$530 at rate of 1.5c for every \$1 of taxable income above \$90,000
 - No offset once taxable income reaches \$125,334
- Proposed rules (1 July 2018)
 - Maximum offset of \$1,080
 - For those on taxable income between \$48,001 and \$90,000
 - \$255 for those on taxable income up to \$37,000, and increases at rate of 7.5c per \$1 above that
 - Reduces from \$1,080 at rate of 3c for every \$1 of taxable income above \$90,000
 - No offset once taxable income reaches \$126,000

Individual marginal tax rates and thresholds

| Current | Tax rate | From 1 July 2022 | Tax rate | From 1 July 2024 | Tax rate |
|----------------------|----------|-----------------------|----------|----------------------|----------|
| Up to \$18,200 | Nil | Up to \$18,200 | Nil | Up to \$18,200 | Nil |
| \$18,201 - \$37,000 | 19.0% | \$18,201 - \$45,000 | 19.0% | \$18,201 - \$45,000 | 19.0% |
| \$37,001 - \$90,000 | 32.5% | \$45,001 - \$120,000 | 32.5% | \$45,001 - \$200,000 | 30.0% |
| \$90,001 - \$180,000 | 37.0% | \$120,001 - \$180,000 | 37.0% | Removed | Removed |
| \$180,001 and over | 45.0% | \$180,001 and over | 45.0% | \$200,001 and over | 45.0% |

Overall estimated tax savings in 2018/19



Other taxation measures

- Low income tax offset increases to \$700 from 1 July 2022
- Extended asset write-off for small business taxpayers up to \$30,000

Three main changes

- Removal of work test until age 67
- Extension of bring-forward contribution rules to age 67
- Extending age for spouse contributions

Removal of work test until age 67

- Proposed to take effect from 1 July 2020
- Provides alignment to future age pension age
- Makes it easier to contribute for longer
- More opportunities for those aged under 66 at 30 June 2019

Extension of bring-forward rules to age 67

- Change consistent with work-test removal / extension
- Effectively allows the value of non-concessional contributions to age 69
- Another opportunity for those who thought this was their last year

Extending age for spouse contributions

- Currently allowed up to and including age 69
 - But if 65 – 69 must satisfy the work test
- Proposed to extend through to age 74
 - Work test would be required for ages 67-74
- Still subject to \$1.6M total super balance in order to receive the spouse contribution
- Could lead to additional years of eligibility for spouse contribution tax offset

Other considerations:

- Impact to downsizer strategy considerations / eligibility
- SMSFs
- Carry forward contribution eligibility
- Super and insurance

- Possibility of stable government and political processes
- No immediate action generally required
- 2020 Federal Budget before known reforms take effect

Disclaimer

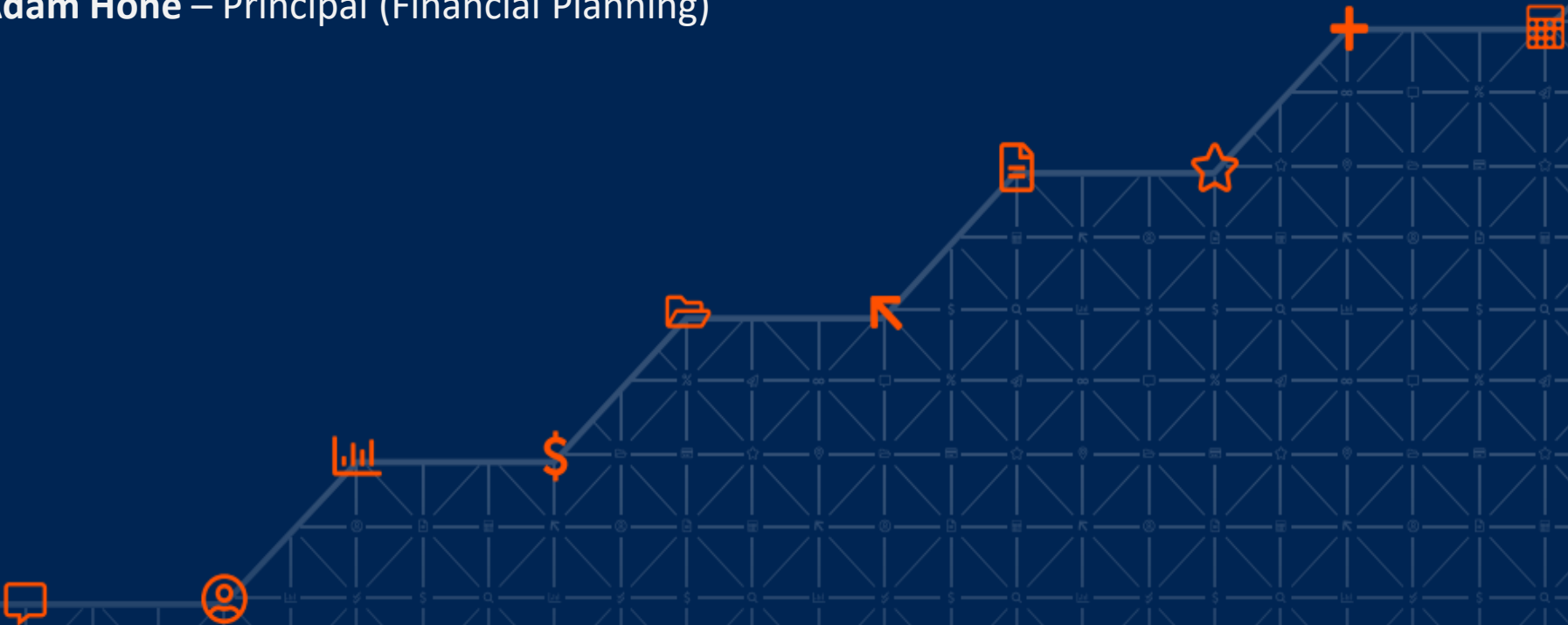
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Adam Hone – Principal (Financial Planning)



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Investments

1. Franking credits

2. Interest rates

3. Diversification

+ Franking Credits

- ✓ Proposed removal of excess franking credit refunds
- ✓ Adverse income effect on people paying no or low rates of tax (think SMSF's in pension phase)
- ✓ No changes to imputation policy following the election
- ✓ Change will come - remember GST
- ✓ Don't get complacent with current strategies

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Interest Rates

- ✓ Cash rate 1.25%
- ✓ Term deposits - 90d rate 2.12%, 180d rate 2.24%, 1 year rate 2.35%, 2 year rate 2.51%
- ✓ Residential property yield – 2.5% (but then minus costs)
- ✓ Think outside the box to generate income

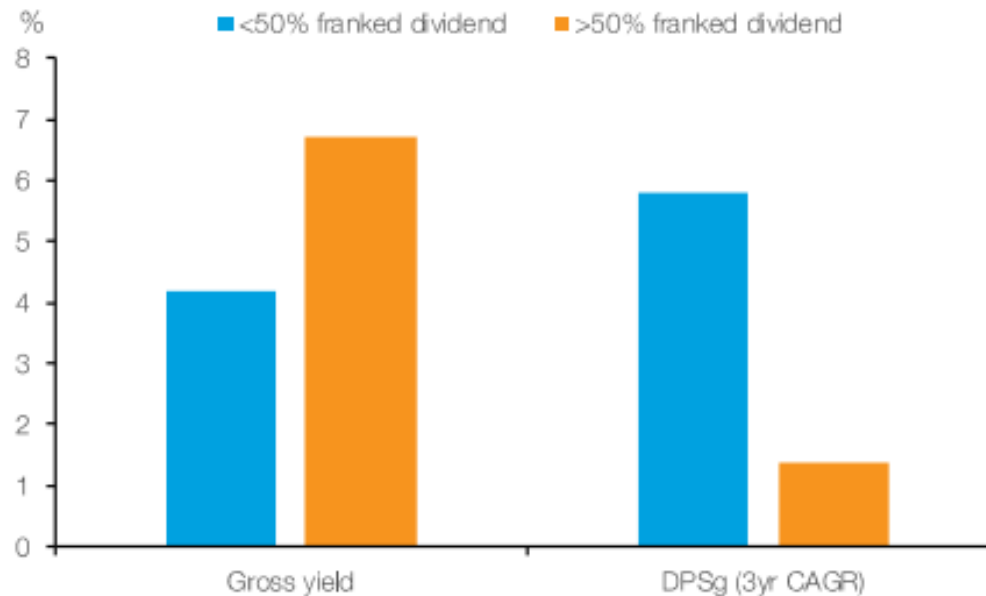
+ Diversification

- ✓ Fixed interest (bonds) yield 3.9%
- ✓ Australian listed property (A-REIT) yield 4.5%
- ✓ Infrastructure yield 3.1%
- ✓ Australian share index yield 4.21%
- ✓ Starting to look for more growth...

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Diversification

Fully franked dividend payers provide little dividend growth (S&P/ASX 50)



Source: Macquarie Research, MWM Research, March 2019



Diversification

Asset class performances 2005-2018

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | |
|--|--------------------------------------|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|-------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|--------------------------------------|---------------------------------------|--|
| | Commods 21.4% | Property 45.9% | Gold 31.8% | Cash 4.4% | High yield bonds 62.0% | Gold 29.3% | Gold 11.1% | Property 32.2% | Stock market 27.4% | Property 11.7% | Property 1.4% | High yield bonds 14.8% | Stock market 23.1% | Cash 1.7% | Best Performing asset class ↓ Worst Performing asset class |
| | Gold 17.0% | Gold 23.8% | Commods 16.2% | Gold 3.1% | Property 42.8% | Commods 16.8% | Investment grade bonds 5.2% | High yield bonds 19.3% | High yield bonds 8.0% | Investment grade bonds 7.8% | Cash 0.3% | Commods 11.8% | Property 22.5% | Investment grade bonds -1.7% | |
| | Property 15.0% | Stock market 20.7% | Stock market 9.6% | Investment grade bonds -4.7% | Stock market 30.8% | Property 16.6% | High yield bonds 2.6% | Stock market 16.5% | Property 3.7% | Stock market 5.5% | Investment grade bonds -0.2% | Gold 9.0% | Gold 12.6% | Gold -1.7% | |
| | Stock market 10.0% | High yield bonds 13.5% | Cash 5.4% | High yield bonds -27.9% | Gold 27.1% | High yield bonds 13.9% | Cash 0.3% | Investment grade bonds 10.8% | Cash 0.3% | Cash 0.2% | Stock market -0.3% | Stock market 8.2% | High yield bonds 10.2% | High yield bonds -3.3% | |
| | Investment grade bonds 3.2% | Cash 4.6% | High yield bonds 3.1% | Commods -35.6% | Commods 18.9% | Stock market 12.3% | Stock market -5.0% | Gold 5.6% | Investment grade bonds 0.1% | High yield bonds -0.1% | High yield bonds -4.2% | Investment grade bonds 5.7% | Investment grade bonds 5.2% | Property -6.2% | |
| | Cash 2.6% | Investment grade bonds 2.6% | Investment grade bonds 2.6% | Stock market -40.3% | Investment grade bonds 16.3% | Investment grade debt 7.4% | Property -9.9% | Cash 0.6% | Commods -9.5% | Gold -1.8% | Gold -10.4% | Property 2.5% | Commods 1.7% | Stock market -8.2% | |
| | High yield bonds 1.5% | Commods 2.1% | Property -5.1% | Property -50% | Cash 1.3% | Cash 0.3% | Commods -13.3% | Commods -1.1% | Gold -27.3% | Commods -17.0% | Commods -24.7% | Cash 0.6% | Cash 1.0% | Commods -11.2% | |

+ Super & Insurance

- 1. Work test changes**
- 2. Contribution strategies**
- 3. Insurance changes**

+ Contribution Strategies

| | Current | 2019/20 | Comment |
|--|-------------|-------------|-------------------------------------|
| Concessional contribution caps | \$25,000 | \$25,000 | No change but subject to indexation |
| Non-concessional contributions caps - standard | \$100,000 | \$100,000 | |
| General transfer balance cap amount | \$1,600,000 | \$1,600,000 | |

Bring forward non-concessional contributions cap for 2019/2020

| Total super balance at 30 June 2019 | Available NCC cap in 19/20 | Bring forward period |
|-------------------------------------|----------------------------|----------------------|
| < \$1.4 million | \$300,000 | 3 years |
| \$1.4 million - < \$1.5 million | \$200,000 | 2 years |
| \$1.5 million - < \$1.6 million | \$100,000 | Standard cap |
| ≥ \$1.6 million | N/A | N/A |

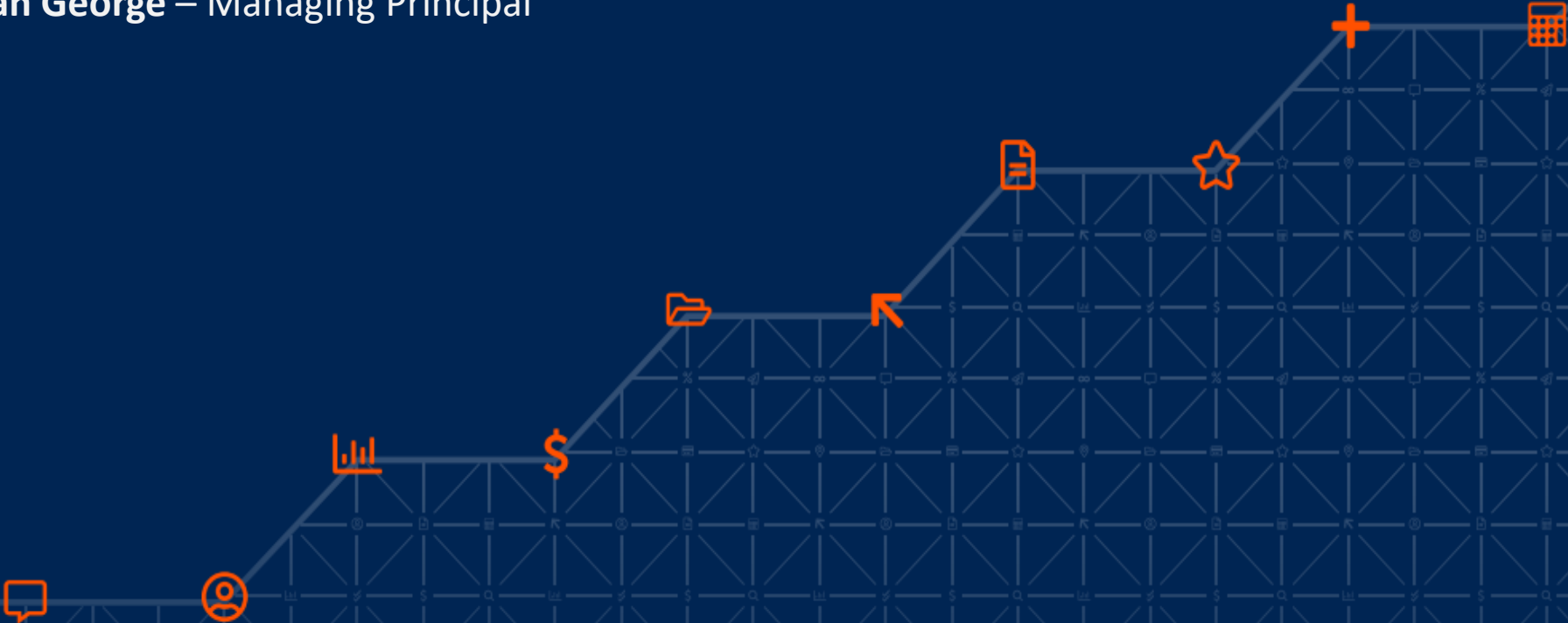
+ Contribution Strategies

- ✓ Think about topping up deductible super contributions prior to 30 June 2019
- ✓ Low and middle income earners think about government co-contribution eligibility
- ✓ Recontribution strategy to reduce tax for non-dependent adult beneficiaries
- ✓ Downsizer contributions great way to top up super balance

+ Insurance Changes

- ✓ Be mindful of any insurance you have in 'inactive' super accounts
- ✓ Trustee will cancel insurance after 16 months of inactivity
- ✓ Important for young adults to be aware of and especially for those in high risk occupations relying on this default cover
- ✓ We can review your cover to ensure its adequacy

Ian George – Managing Principal



+ Tax Measures not yet Legislated

- ✓ 107 announced coalition tax measures that have not been legislated as yet
- ✓ Division 7A
- ✓ Research and Development
- ✓ Small business tax rate

+ ATO Audit Areas

- ✓ Work Related Expenses
- ✓ Rental Properties
- ✓ Capital Gains Tax
- ✓ Offshore Income
- ✓ Superannuation for Employees
- ✓ Fringe Benefits Tax

+ Case Study – Employee Super

Recent review of compliance with SG involving;

- ✓ Casual employees
- ✓ Overtime
- ✓ Bonuses
- ✓ Termination payments
- ✓ Choice of super fund
- ✓ Due dates and clearing houses

Reminder that Directors have personal liability for unpaid super

+ Case Study – SMSF

- ✓ Unequal superannuation balances
- ✓ Planning opportunities – Taxation and Advisory Working Together

Transition to Retirement Pensions

Non-Concessional Contributions

Nominations

+ Change presents Opportunity

- ✓ Tax Efficient Structures
- ✓ Asset Protection
- ✓ Succession Planning

+ Community Involvement

Pro-bono services performed for the following;



+ **Community Involvement**

- ✓ Leveraging off our relationship with the Count Charitable Foundation, we have raised over \$50,000 for some fantastic community based organisations in the last 12 months

+ Community Involvement



Humpty Dumpty
Foundation

In support of
White Ribbon



The Beauty Bank

MOVEMBER®
FOUNDATION



the
children's
hospital at Westmead

 The Sydney children's
Hospitals Network



+ Community Involvement





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