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Financial Solutions
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All I want for Christmas…
is to survive debt free!

Christmas is just around the corner and it's easy to get caught up in the festivities of the season. Unfortunately this can be bad news for your finances. After a year of careful spending don't let Christmas blow your budget. Follow these tips and emerge in the New Year without the financial hangover.

Set a budget

Take some time out to review your current finances and then plan ahead. Determine how much you can realistically afford to spend without going into the red. Remember to include entertainment as well as gifts – and even the small things that come with the season like cards, stamps, decorations, food and travel. Then make a list of everyone you plan on giving a gift to and decide how much you want to spend on each person. You may need to cut some corners along the way to help meet the budget.

Avoid credit

It's easy to get carried away when shopping and credit cards make it easy to not worry about how much you're spending. That is, until your statement turns up in January. Don't spend the first few months of 2017 paying off debt. If a credit card is too tempting, leave it at home and head to shops with your debit card only. If you must use your credit card, look for the best rewards or discounts that are available through your card provider.

Start early

Do you ever see a present and think it would be great for a loved one, but then don't buy it because Christmas is too far away? Buying early means you can take advantage of sales and avoid the pressure of buying the wrong – and usually more expensive – gift simply because you've run out of time. Shopping all year for Christmas presents also lets you avoid blowing the budget in the last month of the year.

Look for savings and incentives

Try to shop online first as you're less likely to impulse shop and can easily compare prices across various websites. There are plenty of online retailers that offer savings across a number of product categories such as fashion, skincare, make up, fragrances, books and electrical appliances. You can also find discounts through online community classifieds, eBay and daily deal sites.

Remember who you're shopping for

When you're shopping for family and friends, it's very easy to also find things which will be just perfect for you. This is a sure way to break your budget. If you really want to treat yourself, the Boxing Day sales are a great time to pick up a bargain.

Save early

Get off the overspending merry-go-round by saving early for next year. As soon as the holiday season is over, determine next year's Christmas budget and set up automatic direct debits into a dedicated Christmas savings account. You'll be all set by the time the department stores bring out their tinsel again.

If you'd like more advice on how to manage debt and build a savings plan, contact us today.

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Spotlight on SMSFs

Aged care – part of your plan

Spotlight on SMSFs

Australians who want greater control of their retirement savings are increasingly considering their own self-managed super fund (SMSF). The freedom of putting yourself in the driver's seat for your super has made SMSFs the fastest growing sector of the super industry. The number of SMSFs has surged over the last 15 years to around 580,000 managing over $600 billion in assets.[1]

However, with this freedom comes added responsibilities – and costs. For those with the time, knowledge and resources, SMSFs can be worthwhile, but for many they can become a minefield of regulatory compliance, accounting fees and difficult investment decisions.

We take a look at SMSFs, and what you should consider when deciding if they are right for you.

SMSFs vs retail super funds

SMSFs are personal super funds that let you, the trustee, make the investment decisions. The complication is that they need to meet certain conditions that differentiates them from retail or industry super funds.

	SMSFs	Retail/industry super funds
Legal structure	Members can establish their own fund	Membership is in an established fund
Fund regulator	Australian Taxation Office	Australian Prudential Regulation Authority
Number of members	Four or less members in each fund	Unlimited number of members
Who are the trustees?	Fund members	Professional licensed trustee
Management of the fund	High level of control for members of the fund	Control is generally with the fund provider
Investment menu	Selected by the members of the fund.	Set by the fund provider, however some flexibility for Choice members

Advantages of an SMSF

Control over investments

SMSFs provide flexibility with your investment options, giving you the ability to invest in different types of assets, including direct property or collectables. Pooling funds with the other members means you may be able to afford an investment that would be out of reach on your own. As a member you are also a trustee, so you can decide when to change investments. Just like any super fund, you will need to establish a trust deed and ensure your investments meet the objectives of the fund.

The larger the SMSF, the greater the savings

Generally the cost of running an SMSF comprises fixed costs and costs that vary with the fund size. This often means that the larger the balance, the more cost effective an SMSF becomes, As a guide, a minimum balance of between $250,000 and $500,000 (depending on the level of involvement of the trustees) is needed for real cost savings.

Greater strategic opportunities

SMSFs give the trustee control over the strategies of the fund and how it operates, including borrowing to invest.

Tax efficiency

SMSFs and retail funds are both taxed in the same way. SMSFs can, however, often achieve better tax outcomes due to investment choice, flexibility and control over the timing of tax events.

1 ASFA - Superannuation Statistics September 2016

Disadvantages of an SMSF

Responsibility

As a trustee, you hold all the responsibility and make all the decisions. Being a member of an SMSF means you must be a trustee, or a director of a company that acts as trustee. All trustees are responsible for the running of the fund and must act in the best interests of members when making decisions. Even though you can engage the services of professionals (such as financial advisers and accountants), as trustee you are ultimately accountable for the fund.

Risk of non-compliance

The responsibility for complying with superannuation law rests solely with you as trustee and the penalties for breaches can be harsh. If a fund is found to be non-complying, it will be taxed at the top marginal tax rate. In addition, administrative penalties for breaching regulatory provisions range between $900 up to $10,800 per trustee, depending on the offence.

Do you have the expertise?

The establishment of SMSFs usually spikes in flat or declining markets as investors believe they can make better investment decisions than super fund managers. It's necessary however to set out the investment strategy for the fund and must take into account the personal circumstances of all fund members including their age, investment risk tolerance and attitude to risk. That's why it's a good idea to have investment expertise when running an SMSF.

Do you have the time?

It's possible to outsource different areas of SMSF management, but because you are ultimately responsible, you will need to devote time to manage your SMSF.

Limited ability to diversify investments

You may not have sufficient money to diversify across a range of assets.

Weighing up your options

Most super funds offer a wide range of investment options that allow you to take control of your super without the complexity of being a trustee and running the fund. However for some being the master of your own retirement savings can be priceless.

Choosing what's right for you is a significant financial decision. Remember, it's always better knowing more, so if you want to know if an SMSF is right for you, talk to us today.

Aged care – part of your plan

It can be difficult to plan, both financially or emotionally, for the move into an aged care facility. When choosing the best care as a part of your retirement – or for loved ones – many practical issues arise and decisions need to be made. It's important to know what's involved and have the confidence to face the challenges of aged care. Here are some tips to get you started:

Accommodation

Determine eligibility for different aged care facilities, and what level of care may be needed. This is established via assessment by an aged care assessment team.

Costs

Aged care fees can be high. Find out the fees applicable to various aged care facilities and whether extra services can be purchased. Generally, for a permanent resident, the types of fees that can be charged include:

- a basic daily fee
- a means tested care fee
- an accommodation payment
- extra services fees.

The family home

The decision to sell the family home can be one of the most emotional decisions faced when entering aged care. For some it may be the only option however for others, it may be possible to retain the family home and rent it out.

If retaining and renting out the former family home, it is important to consider the income tax impact as the rental income is assessable for tax purposes. Consider the capital gains implications and whether renovations are required.

Cashflow and Centrelink payments

It is important to understand how your assets and income will affect Centrelink entitlements, including age pension entitlements. Remember there may be costs that are easily overlooked such as paying for the ongoing maintenance of the former family home.

Avoid taking actions that could result in a loss of age pension and increased aged care costs, for example gifting assets outside Centrelink gifting rules.

Review estate plans

It is important to review estate plans and important legal documents, such as an enduring power of attorney when entering into aged care.

Read *'5 steps to Entry into Residential Aged Care'* published by the Department of Health & Ageing. This booklet focuses on the non-financial issues that need to be considered such as what should be considered when choosing an aged care facility.

Seeking financial advice when considering aged care can ensure the decisions you and your family make will be the right ones. Talk to us to ensure your aged care plans are a part of your overall retirement plan.

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