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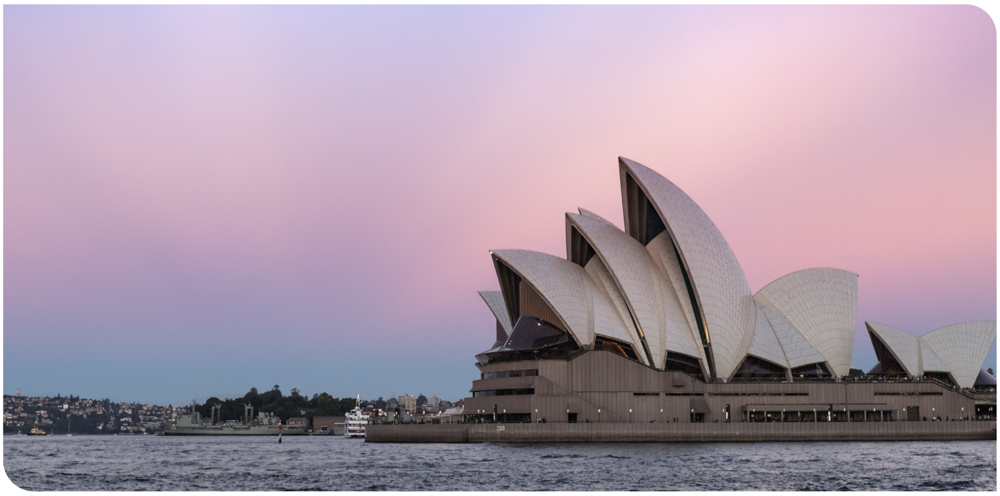
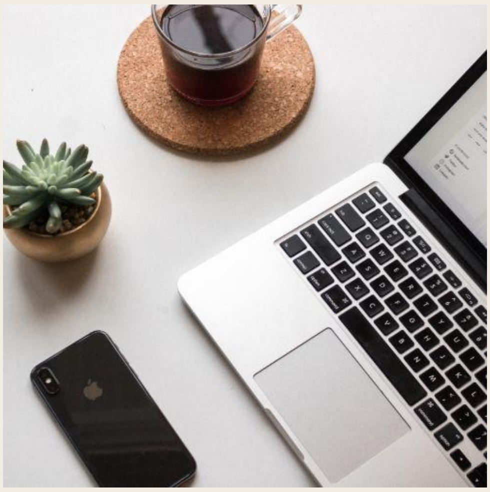
Your dreams, our passion, the future together.



June 2019 Newsletter

Welcome to the latest edition of our newsletter. We hope that you find the following articles to be informative - as we aim to help you make better financial decisions.

Building your Superannuation Balance



There are two types of contributions that can be made to your super account, concessional contributions and non-concessional contributions:

1. Concessional contributions include compulsory employer contributions, salary sacrifice contributions and personal contributions claimed as a tax deduction.
2. Non-concessional contributions include, but aren't limited to, personal contributions that have not been claimed as a tax deduction (referred to as "after-tax contributions").

After-tax contributions

What's the potential benefit of making after-tax contributions?

Making after-tax contributions to your super can be an effective way to increase your retirement savings. By setting up small, after-tax contributions today, you could boost your super balance.

Who can make after-tax contributions?

You can make after-tax contributions if you're aged 64 and under, or if you're between age 65 and 74 and meet the work test (which means you're working at least 40 hours over 30 consecutive days in the financial year the contribution is being made).

Why should I invest in super?

Investing in super can be a tax effective way to boost your super and save for your retirement. The Association of Superannuation Funds of Australia (ASFA) provides a detailed description of what singles and couples who are relatively healthy and own their own home would need to budget per year to be able to enjoy life.

Concessional Contributions

Making concessional contributions can be an effective way to boost your super and reduce your assessable income. Concessional contributions include compulsory employer contributions, salary sacrifice contributions and personal contributions claimed as a tax deduction.

What are the potential benefits of making concessional contributions?

If you make a personal super contribution, you may be able to claim the contribution as a tax deduction and reduce your assessable income.

Depending on your circumstances, making concessional contributions could result in a tax saving of up to 32% and enable you to boost your super.

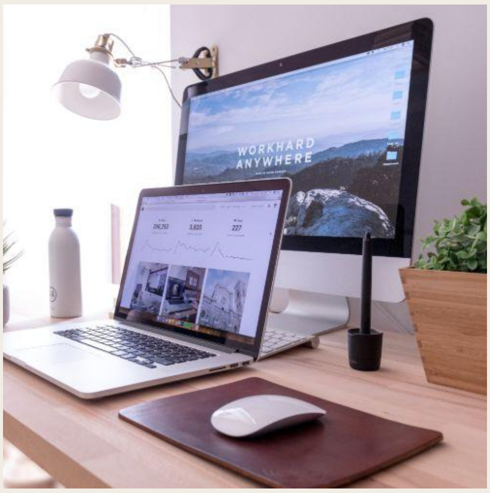
What contribution caps apply to concessional contributions?

A cap applies to concessional contributions (including compulsory employer contributions) made to super. Since 1 July 2017, the cap is $25,000 for everyone. Penalties apply if you exceed the concessional contribution cap.

Who can make concessional contributions?

All individuals who are eligible to make a personal contribution to super are able to claim a tax deduction.

Investment Bonds - What are the benefits?



Are you looking for a tax effective way to save for a child/grandchild to give them a financial head start?

What is an investment bond & how can it help me save?

An investment bond is a simple and powerful savings tool. It's a tax effective structure that works similar to a wrap account where your money is invested in assets such as cash, shares and property and is managed by professional fund managers.
An investment bond allows your money to work hard for you. If you're paying more than 30% tax per annum then investing via an investment bond can be tax effective. Investment earnings in a bond pay a maximum tax rate of 30%. Once you start to generate income over $37,000 p.a. you begin to pay 32.5.% for every dollar earned at this tax rate will continue to increase as your income grows. However, the returns on the investment bond pay tax at the company tax rate or lower, rather than your own individual tax rate. This means your savings can compound tax effectively over time to give your child/grandchild a strong head start.

What are the tax benefits?

- The maximum tax rate you will pay is 30% however this tax rate can be significantly less than 30% depending on the asset class you invest in.

- There is no need to provide a TFN and no annual tax reporting is required unless a withdrawal is made within the first 10 years, making this a simple investment choice.

- After 10 years, your investment earnings won't attract any personal tax which is known as the 10 year advantage. Like Super, this is a tax paid structure therefore you have nothing to declare on your annual tax return which means minimal administration requirements.

- Investment bonds do not produce capital gains or income tax, if no withdrawal is made before the 10 year period therefore could be the ideal structure to have inside your family or discretionary trust to minimise distributions.

- Upon death all benefits are paid tax free to recipients regardless if they are dependants, non-dependants or minors.

Complete control over your investment

- You retain ownership and complete control of the investment bond until it is transferred to your nominated beneficiary

- You can transfer ownership of the bond to any legal entity without triggering a tax event
- A bond is a non-estate asset, when a beneficiary nomination is made, therefore your beneficiary is guaranteed to receive the money you leave behind.

- Investment bonds can be structured to be creditor protected, so in the event of bankruptcy, you will have the funds from a bond to fall back on.

There can be a lot of benefits to using investment bonds within your financial plan. If you'd like further information on how you could implement this strategy please don't hesitate to give our office a call.

As you know this email is in no way a substitute for a face to face meeting or phone call so if you have any issues you would like to discuss with us please do not hesitate to contact us on 1300 466 637.

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Economic Update - June 2019

Too much talk of recessions!

- Does anyone have a strong track record in predicting recessions?
- US and China ready to act
- Australia likely to cut rate and give a fiscal boost

The Big Picture

Most of the market volatility in recent times has been due to fears of an impending recession – in the US, in Australia, in Europe. Let's put this nervousness in context.

Paul Samuelson, the 1970 winner of the Nobel Prize in Economics, once quipped that the stock market predicted 11 of the last five recessions!
Two and a half years ago – when Trump was about to start his first term as President – Bloomberg reported that "a pack of Nobel Laureates" gave Trump's economic policy the "thumbs down" and one even predicted a severe recession as a result. The US has had two and a half years of very strong growth and the unemployment rate has dipped to 50 years lows.

But, perhaps, the best comment on recessions was made by an anchor on CNBC last week. He likened recession calling to badger watching in England. To paraphrase, "Badgers are rarely seen in the English countryside (they are nocturnal and live in very long inter-twined underground burrows). But we know they exist because, from time to time, we see one on the side of the road after having collided with a car."

In short, recessions are almost impossible to predict by any economist but we know they exist and one will occasionally happen with almost no warning!
Some headline-seeking commentators are suggesting the fact that a short-term interest rate (say 90-day rate) is greater than a long rate (say the 10 year) is symptomatic of an impending recession.

In the past, central banks have sometimes forced the short-term rate higher (above the long rate) to slow down a booming economy and have gone too hard. This time the short rate has not been pumped up but the long rate has fallen on inflation expectations. There is no reasonable evidence that this phenomenon precedes recessions! Of course, we acknowledge the past possible impact of over-zealous central banks.

If Trump forces tariffs too high with China, he could cause a recession. But Trump cannot afford the US economy to stop booming before the November 2020 presidential elections. From past experience we know that China will not stand by and let its economy stumble. Both will do something – and it does not matter what – to prevent a recession or even a significant economic slow-down.

To continue reading please visit https://www.infocus.com.au/news/economic-update-june-2019/

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