Superannuation & Personal Insurance

Our core purpose is
'HELPING CLIENTS ACHIEVE FINANCIAL SECURITY'

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Introduction

Mulcahy & Co Financial Planning is licensed directly with the Australian Securities & Investment Commission (ASIC). This means that no organization, financial provider or investment company has ownership or control over Mulcahy & Co Financial Planning. This allows us to tailor independent financial advice specific to your needs.

When reviewing your personal superannuation and insurance we complete a detailed analysis to provide the most appropriate solution for your circumstances. We have the ability to access any products and providers.

Please note that the following information should be considered general in nature and before acting on this general advice we need to discuss effects in more detail.

CONSOLIDATING SUPERANNUATION

Generally it is best to consolidate superannuation into one account for the following reasons:

- Maintain a consistent investment strategy
- Reduce various ongoing management fees and expenses applied to different accounts
- Ease of portfolio management
- Ensure personal insurance cover maintained and appropriate

INVESTMENT OPTIONS

Not all investment options are the same. There are generally 6 predefined investor risk profiles which offer varying degrees of diversification. The investor risk profiles help to determine which investment options are most appropriate to an investor. The risk profiles are listed as follows:

- Secure
- Defensive
- Conservative
- Moderate
- Growth
- High growth

Some of the different investment options are:

- Multi-manager investment funds
- Single-manager investment funds
- Index investment funds
- Growth investment funds, and
- Value investment funds

When reviewing your situation we assess your risk profile and applicable investment options.

SELF MANAGED SUPERANNUATION FUNDS (SMSFS)

SMSFs are suitable for individuals, couples and/or families (up to 4 members) wanting to take greater control over their financial future by:

- Accessing a greater range of investment options, including direct shares, term deposits, high yielding savings accounts, direct property etc.
- Greater control and flexibility with investing
- Tax planning and cashflow benefits
- Borrowing to invest in assets
- Efficient management fee structure
- Estate planning benefits

GOVERNMENT CO-CONTRIBUTION

From 1 July 2010, the Medicare levy low income thresholds will be retrospectively increased to $18,839 for individuals, $31,789 for families, $2,919 for each dependent child or student and $30,439 for single pensioners below Age Pension age.

TRANSITION TO RETIREMENT PENSION

An individual can access their superannuation under a transition to retirement pension once the individual reaches preservation age. If born before 1st July, 1960 the preservation is age 55. This strategy can be put in place to save tax and boost retirement assets.

Transition to retirement pension strategies give you access to the following benefits:

- Reduces the amount income tax payable on salary or wage income
- Allows investment earnings in superannuation to be taxed at 15%
- Access to a 15% tax offset on your taxable proportion
- Receive income tax-free, if over 60 years of age
- Increase your superannuation savings
- Excess income to reduce loans/debts
- Re-contribution strategies to reduce the taxable component of your superannuation balance.

SALARY SACRIFICING

Salary sacrificing to superannuation means contributing part of your wage to superannuation to increase investments and save tax. The added benefits are as follows:

- Enhance the opportunities to implement a 'transition to retirement' pension
- Funding 'personal insurance' cover via superannuation
- Potential for 'nil' capital gains tax to be paid on investment earnings
- Ability to receive income 'tax free' from pension accounts over the age of 60

According to calculations from the Investment and Financial Services Association (IFSA), most Australians will need approximately 65% of their preretirement income to maintain their current lifestyle in retirement. The underlying aim is to accumulate enough investment assets so that in retirement sufficient can be generated. Although it is an advantage to contribute income and assets to superannuation, there are limits on how much can be contributed each year to superannuation by an individual. The main contribution limits for the 2016/2017 financial year are as follows:

Contribution Cap	Amount
Concessional Contributions (Tax deductible)	
Concessional (under age 50)	$30,000
Concessional (over age 50 to 30/06/2012)	$35,000

Contribution Cap	Amount
Non Concessional Contributions (Non tax deductible)	
Non Concessional	$180,000
Non Concessional (bring forward option)	$540,000

From 1 July 2017 the following caps will be applicable:

Concessional Contributions (regardless of age)	$25,000
Non - Concessional Contributions	$100,000
Non - Concessional Contributions (bring forward)	$300,000

This highlights the need for planning at an earlier age to allow enough time to accumulate enough investment assets within superannuation.

The table below provides an indication of how much money would be required to fund an income of 65% of your pre-retirement income.

INDUSTRY FUNDS V'S OTHER FUND OPTIONS

Industry funds generally provide a 'no frills' approach to investment and insurance options. In some situations the fees and costs will be lower under an industry fund option, however it is very important to understand what you are receiving. For example, with some industry funds the investment options are limited and your insurance cover may decrease after each birthday.

The insurance cover also generally includes the any occupation definition (refer to glossary). With an industry fund the insurance may have a longer waiting time and may also only pay for a short period of time. It is important to assess the type of cover in place to make sure it is appropriate.

Glossary

Term life Insurance: Life insurance is death cover, which pays a lump sum when you die. Life care ceases generally on the policy anniversary date before you 99th birthday.

Total & permanent disability Insurance (TPD): TPD Cover provides a lump sum payment amount, which you are insured for, either the 'any' or 'own' occupation definition, upon satisfying the 'absent from active employment' definition.

Any occupation: This refers to insurance only being available if the injury or illness prevents you from working in any occupation. For example, you are a builder and due to a chronic back injury you can no longer work as a builder. If however with the injury you could work in another occupation (e.g. office role), the insurance would not pay out.

Own occupation: This refers to insurance being available if the injury or illness prevents you from working in your occupation. For example, you are a builder and due to a chronic back injury you can no longer work as a builder. The insurance would payout even though the injury or illness doesn't prevent you from working in another occupation.

Trauma insurance: Trauma cover provides a lump sum on the occurrence of a specified medical condition or event. For example cancer or stroke. You will receive payment regardless of whether you are prevented from working.

Income protection insurance: Income protection insurance helps when sickness or injury prevents you from working. It does so by providing two types of benefits.

1. a total disability benefit, this operates when you can not work at all.
2. a partial disability benefit, this operates when you can work, but only in a reduced capacity. There are important exclusions, limitations and benefit offsets that affect the cover and benefits provided under an income care policy.

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Preretirement income	65% of preretirement income	Lump sum required
$30,000 pa	$19,500 pa	$354,571
$50,000 pa	$32,500 pa	$523,721
$80,000 pa	$52,000 pa	$776,701
*Estimates only		

EXAMPLE OF HOW SALARY SACRIFICE WORKS

Current Situation	
Gross income	$80,000
SG Contributions	$7,200
Total income	$87,200
Less;	
Individual tax	$17,850
Medicare levy	$1,200
Super cont. tax (15%)	$1,080
Net Income	**$67,070**

Salary sacrificing scenario	
Gross income	$80,000
SG Contributions	$7,200
Total income	$87,200
Less;	
Salary sacrifice	$42,800
Super cont. tax	$7,500
Medicare levy	$558
Individual tax	**$5,010**
	$74,132

As displayed above, by ‘salary sacrificing’ to superannuation you could save $7,062 in tax and increase your retirement savings by $36,380.

PERSONAL INSURANCE COVER

When considering personal insurance we are talking about the following types of insurance:

- Life
- Total & permanent disability (TPD)
- Trauma
- Income protection
- Business expenses

* A definition of each form of cover is included in the glossary.

Each insurance type deals with different life events which may or may not be applicable to your personal circumstances.

Personal insurance cover has the ability to provide you with capital to maintain or eliminate ongoing regular loan repayments, utility expenses as well as supplying you with disposable income to maintain your existing lifestyle.

In determining an appropriate level of insurance cover, its best to cater for (although not limited too) the following events and expenses:

- Loans/debts
- Funeral expenses
- Emergency cash expenses
- An income replacement amount
- Educations costs
- Medical expenses
- Home modifications etc.

There are various benefits of structuring some forms of insurance cover via superannuation rather than in a personal name. We determine the most appropriate structure to hold your insurance after taking into account tax and cash flow considerations.

We offer a free no obligation meeting to review your situation. Call us today on 03 5330 7200 and take advantage of this valuable offer.

M STEPS

Are You Financially Secure?

At Mulcahy & Co we are in a unique position to provide the expert advice and solutions of accounting, financial planning, lending, legal and information technology all under the one roof. This makes a normally complicated process seamless to help you on your way to becoming financially secure.

WHAT DOES BEING FINANCIALLY SECURE MEAN?

It means assessing your personal and business goals and developing a plan to achieve them.

1. **Goals & objectives**
2. **Estate plan**
3. **Risk plan**
4. **Asset protection plan**
5. **Taxation plan**
6. **Debt plan**
7. **Retirement plan**
8. **Business plan**
9. **Superannuation plan**
10. **Investment plan**

FOLLOW OUR 10 STEPS TO SUCCESS TO ACHIEVE FINANCIAL SECURITY... Visit www.mulcahy.com.au for more information

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