inTouch

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Welcome to our quarterly magazine – in this edition:

- 67 is the new 65
- Medicare levy surcharge
- Top tips when preparing your Will
- Is it time to review your insurance?
- The new JobKeeper payment explained

Welcome to the second edition of inTouch client magazine for 2020, a year that has thrown us many twists and turns. In Q1 we were talking about the bushfires and now in Q2 it's the Coronavirus pandemic. I'm well aware of the impacts the pandemic is having on our clients, our communities and indeed the world, and it's very unsettling.

At a time like this, it's important to keep things in perspective and reach out when you need help and guidance. Your Financial Adviser is there to assist and guide you, and available to take your call to go through any concerns you have about your financial future.

In addition to our article on the JobKeeper Payment, your Financial Adviser has plenty of communications, regularly updated, on the Coronavirus and the impact it is making on our economic environment, so please get in touch with them if you have any questions or concerns. I hope you get value out of the articles we have included this quarter.

Stay well, stay safe.

Peter Ornsby
RI Advice Group, CEO

67 is the new 65

Over the last 20 years, since 1999, the percentage of Australians age 65 years or over increased from 12.3% to 15.9%. This group is projected to increase more rapidly over the next decade, as more baby boomers (people born between 1946 and 1964) turn 65.[1]

What is the Government's response to tackle the changing demographic landscape in Australia?

For the Government, an ageing population means less people in the workforce generating revenue through income tax and more people in need of government support such as the age pension.

There are a number of policies the Government has implemented or proposed to reduce the cost of an ageing population to society.

Increase in Age Pension age

To encourage people to stay in the workforce longer and save more for retirement, the Government has commenced an incremental increase to the Age Pension age from 65 to 67.

> This began in the 2017-18 financial year, with the qualifying age pension age to increase to age 67 by 2023–24.

A further increase to age 70 was proposed, but the Government did not go ahead with this increase.

RETIREINVEST

RI advice
Retirement Advice Specialists

Your Age Pension age	66 years	66 years 6 months	67 years
Your Birth Date	1 January 1954 to 30 June 1955	1 July 1955 to 31 December 1956	On or after 1 January 1957
Date of Age Pension change	1 July 2019	1 July 2021	1 July 2023

The superannuation system as we know it today was introduced in 1992. People retiring now would have received compulsory super for about 28 years while by the 2040s Australians will be retiring having made compulsory super contributions for their entire working life which could be long as 50 years.[2]

Increase to employers' compulsory super obligation

The Government has legislated for the compulsory superannuation contribution (the Superannuation Guarantee made by employers) to rise from 9.5% to 12% by 2025. This will result in increasing average super balances over the coming decades, potentially taking the pressure off government resources.

Recently redundant and just over age 65?

If you have recently been made redundant and are just over 65, you may be eligible for a tax-free component that your employer was not aware of. Currently, these payments are tax-free up to a base amount of $10,638 plus $5,320 for each completed year of service.

Before 1 July 2019, for a termination payment to be considered 'genuine redundancy' and therefore eligible for generous tax concessions, your redundancy needed to occur before you reached age 65.

From 1 July 2019, people up to Age Pension age (currently 66) who are made redundant and receive a termination payment may qualify to treat the termination payment as a concessionally taxed genuine redundancy payment.

This change did not become law until 28 October 2019 meaning some employers may not have recognised the payment as a genuine redundancy and withheld too much tax. This means you may be eligible for a generous tax refund when you lodge your tax return.

Extend the work test age requirement

The Government has also proposed increasing the age that people can make a voluntary contribution to super without satisfying the 'work test' or work test exemption. This brings it in line with the increased Age Pension age of 67.

Currently, people between age 65 and 74 must satisfy the work test or work test exemption before making a voluntary super contribution.

To satisfy the work test exemption, you need to work a minimum of 40 hours over a 30-day period in the previous financial year. You must also have a total super balance of less than $300,000 as at the end of the last financial year.

As you can see, with an ageing population, the Government has had to consider how to navigate this period so if you are approaching your 60s, this article may be of particular relevance to you.

As always, your Financial Adviser is available to help you navigate your way through any entitlements, and how to live your best life in retirement and beyond.

Sources:

1 (ABS, Australian Demographic Statistics, Jun 2019 'Twenty years of population change' https://www.abs.gov.au/ausstats/abs@.nsf/0/1CD2B1952AFC5E7ACA257298000F2E76

2 Reference: Parliamentary Budget Office, Australia's ageing population: Understanding the fiscal impacts over the next decade.

Medicare levy surcharge

At the end of the financial year you will have to prepare your income tax statement and part of your calculation will include the Medicare levy, which is based on your income and whether or not you hold private health insurance.

The income thresholds used to calculate the Medicare levy surcharge remain unchanged for six years from 2015–16 to 2020–21, which means that if your income remains unchanged from this year to last, your calculations should be the same.

The following table outlines the income thresholds for singles and families. The family income threshold is increased by $1,500 for each Medicare levy surcharge dependent child after the first child.

Family status	Base Tier	Tier 1	Tier 2	Tier 3
Single	$90,000 or less	$90,000 – $105,000	$105,001 – $140,000	$140,001+
Family	$180,000 or less	$180,001 – $210,000	$210,001 – $280,000	$280,001+
Medicare Surcharge Levy	0%	1%	1.25%	1.5%

Top tips when preparing your Will

Preparing a Will can be complicated, especially if you have a complex family structure. Here are some tips to consider when writing a Will.

Make a list of your assets and beneficiaries

Your list of assets should include property, life insurance, super and valuables. Then, list all your beneficiaries including those who are financially dependent on you and those who you would simply like to leave an inheritance.

Start with super

Your super doesn't automatically get distributed as outlined in your Will. If you do want it to form part of your Will you need to tell your superannuation fund that you want your super beneficiary to be your 'legal personal representative'. This person is the executor of your Will.

Choose your executor

An important role of the executor is to communicate with your beneficiaries and distribute your assets according to your wishes (as outlined in your Will).

An executor should be someone who can be trusted and reliable.

Or, you can nominate a professional executor to manage the administration of your Will on your behalf.

Keep your Will in a safe place

Tell your executor and family members where they can locate your original, signed and witnessed Will. Keep it with other important documents such as your birth certificate, super and insurance information.

Check the details

Make sure you include the names, contact details and the relationship each of your beneficiaries has with you clearly in your Will.

When including an organisation in your Will, such as a charity, it is essential to get the name correct.

If an organisation is incorrectly described, it may not receive the benefit or there may be significant legal costs incurred before it does.

Review your Will

Your Will should be reviewed whenever your personal circumstances or ownership of assets changes.

Look out for rules in your State – for example, in South Australia, marriage revokes a Will unless that Will was prepared in contemplation of marriage.

Get professional advice

Writing a Will isn't straight forward. Consult a solicitor, estate planner or trustee company that specialises in estate planning to make sure you get it right.

Source: Australian Executor Trustees

SUPPORT IN AGED CARE

134,930 people had access to a home care package

62,942 people seeking a home care package at their approved level

926 approved home care providers[1]

How do you increase your chances of receiving the support you need to stay in your home?

1 | Arrange to have an Aged Care Assessment to assess eligibility.

2 | Once approved, work with the home support team to develop a package of services you require and work out all the costs you will pay, and what may be subsidised by the government.

3 | Research approved home care support providers in your area, what they offer and the cost.

4 | Sign the home care agreements.

Of course, all of this is much easier the help of a financial adviser who specialises in aged care.

Note 1. As at 30 September 2019 (Data Report 1 Quarter 2019-20 https://gen-agedcaredata.gov.au/www_aihwgen/media/Home_care_report/Home-Care-Data-Report-1st-qtr-2019-20.PDF)

"Your Will should be reviewed whenever your personal circumstances or ownership of assets changes."

Do you need to review your insurance?

When a family experiences financial difficulty due to loss of income when an immediate family member becomes seriously injured or ill, it's an extra stress at an already difficult, busy and emotional time. This is why appropriate insurance cover is a key consideration in any financial plan.

Some types of insurance cover can be held within your superannuation fund, and some must be standalone insurance. Holding insurance within super may allow you to fund your insurance premiums tax effectively, reducing the effective cost of your insurance premiums.

Some clients also like the convenience of using their superannuation to fund their premiums rather than affecting their own cashflow.

However, you need to remember that this will reduce your superannuation benefit and consider how this impacts your retirement plan, and overall financial plan.

Other considerations

Some insurance within super will expire when you turn 65 or 70, depending on the cover.

You don't want to be caught out if you are close to this age so it is sensible to review your insurance cover regularly with your financial adviser who can let you know when the plan needs to change.

What super can be held within super?

Not all types of insurance can be held within your superannuation fund. Generally you can pay premiums for life, total and permanent disability (TPD) and, income protection insurance through your superannuation fund.

Whilst this can be an effective way to manage your cashflow, you need to check the type of cover is appropriate for you and will provide you with enough cover for life events that you may need to claim for.

You also need to be aware of any super balance and contribution requirements by legislation, to keep your insurance within super active.

Seek professional advice

A Financial Adviser can determine whether holding insurance inside superannuation is appropriate for you. They can work out what you need, what it will cost, and the most appropriate way to pay the premiums.

They can set up regular review meetings with you to go through any changes in circumstances so that the plan can be tweaked accordingly.

WHAT IS IMPORTANT TO YOU?

The new JobKeeper Payment explained

The JobKeeper Payment was announced by the Federal Government on 30 March 2020. The purpose of the JobKeeper Payment is to assist businesses that have been significantly impacted by the Coronavirus situation by providing wage subsidies to enable them to pay employees and to continue operations after the current coronavirus situation ends.

JobKeeper Payments are subsidies paid to the employer at the rate of $1,500 per fortnight (pf) for each eligible employee. They may be paid up to 27 September 2020 if the employer meets eligibility requirements.

JobKeeper Payments are effective from 30 March 2020, with the first payment to be paid in arrears from the first week of May 2020.

A business is eligible to apply if:

- turnover is less than $1 billion and the business estimates turnover has reduced or will likely reduce by 30% or more relative to a comparable period a year ago (of at least a month), or
- turnover is $1 billion or more, and the business estimates turnover has reduced or will likely reduce by 50% or more relative to a comparable period a year ago (of at least a month), and
- the business is not subject to the Major Bank Levy (generally banks).

The ATO has discretion to consider additional information where the business was not in operation a year earlier or turnover a year earlier was not representative of usual or average turnover, to establish that a business has been significantly affected by Coronavirus.

In addition, the ATO has discretion to set alternative tests to establish eligibility in specific circumstances (for example, as soon as a business ceases or significantly curtails operations).

There will be some tolerance where employers, in good faith, estimate a 30% or 50% reduction in turnover but actually experience a slightly smaller reduction. Businesses without employees, such as the self-employed, that meet the turnover tests are also eligible to apply for the JobKeeper Payment.

Registered charities which estimate their turnover has or will likely reduce by 15% or more relative to a comparable period, are eligible to apply for JobSeeker Payment.

Entities that are ineligible

The following entities are not eligible for the JobKeeper Payment:

- Federal or State/Territory governments and their agencies, local governments and wholly-owned corporations of these bodies.
- A company in liquidation, or a partnership, trust or sole trader in bankruptcy.

What types of employees are eligible?

The following types of employees are eligible for JobKeeper Payment:

- currently employed by the business (including those stood down or re-hired)
- employed by the business as at 1 March 2020
- a full time, part-time, or a long-term casual employee (which is defined as a casual employee who was employed on a regular basis for more than 12 months as at 1 March 2020)
- at least 16 years old as at 1 March 2020
- an Australian citizen, permanent resident visa holder or a Special Category (Subclass 444) Visa Holder as at 1 March 2020
- a resident of Australia for tax purposes on 1 March 2020, and
- not in receipt of the JobKeeper Payment from another employer.

If you are a business owner and would like more clarity on how you can support your business, and your employees, during this time, please contact your Financial Adviser.

Please feel free to pass our contact details to your friend or colleague who can contact us to be added to our mailing list for a free copy of our quarterly inTouch magazine.