WealthPartners Newsletter
Edition 1:2016

Wealth & Health

Welcome

Welcome to our first edition of 'Wealth & Health for 2016.

Andrew Heaven contributes weekly to The Weekend Australian in a feature called 'Q&A with the Coach'. We have included one of his recent contributions regarding the impact of changes to means testing for social security payments. This article is a must read if you receive the aged pension.

Also in this edition, we include an article which looks at the potential disadvantages of having too much information as an investor.

Unfortunately, we know only too well the importance of adequate insurance. We hope that you do not have a reason to benefit from the cost of your insurance premium, however should you need to make a claim, you will appreciate the enormous value of this cost. Insurance costs should not be cut when trying to save money.

Finally our valued client, Erica Knauf-Palmer, kindly shares her experience in working with members of the WealthPartners team and the value of the advice she has received.

Enjoy!

The WealthPartners Team

In this issue

WealthPartners
FINANCIAL SOLUTIONS

Receive the aged pension? You must read this ...

Our very own, Andrew Heaven contributes weekly to 'Q & A with The Coach' which is a popular feature in the Weekend Australian newspaper. In this segment, he shares his knowledge and expertise with readers by providing answers to questions raised.

Recently he was asked his opinion on the impact of changes to means testing for social security payments. Please see the Q & A below.

Q My wife and I currently receive a very small part Age pension as a result of the impact of the Assets Test. We have been warned that we will lose the pension in 2017. Whilst we appreciate the extra dollars the Age pension provides, our major fear is the loss of the benefits card. What is the impact of the changes and will we lose all benefits?

A Effective 1 January 2017, the Government is making two important changes to the means testing of Social Security Pensions.

The two changes relate to the Assets test. Firstly, the lower threshold (where a Pensioner is entitled to receive the full Age Pension) has been increased. However, the rate at which the Age Pension reduces will also increase from $1.50 to $3 per fortnight (for every $1,000 of assessable assets above this lower assets test threshold).

As a result of these changes, the Government has estimated that 50,000 pensioners who currently receive part pensions will be entitled to receive the full pension. However it is estimated 91,000 pensioners who currently receive a part pension will lose their pension benefit and a further 235,000 will have their existing benefits reduced.

The following changes in thresholds will apply:

	Lower Threshold*		Upper Threshold*	
	Current Full Pension (Assets below)	Post 1-Jan-2017 Full Pension (Assets below)	Current Part Pension (Assets below)	Post 1-Jan-2017 Part Pension (Assets below)
Single Homeowner	$205,500	$250,000	$783,500	$547,000
Single Non-Homeowner	$354,500	$450,000	$932,500	$747,000
Couple Homeowner	$291,500	$375,000	$1,163,000	$823,000
Couple Non-Homeowner	$440,500	$575,000	$1,312,000	$1,023,000

* Based on government indexation estimates

In order to reduce the impact of the asset test, there are a range of strategies that could be considered. However, broadly speaking, these typically involve reducing the amount of assessable assets you have – and strategies that reduce your assets will reduce your wealth and impact your income levels.

If your spouse is below Age Pension age, you could consider transferring assets into their Superannuation – as superannuation is not counted for Assets test purposes until they attain Pension Age. Note normal contribution limits apply to the transfer.

If you do not have a younger spouse, you could consider:

- Renovating or upgrading the family home as the family home is assets test exempt.
- Spending money on a holiday.
- Gifting up to $10,000 of assets per financial year (up to $30,000 in any rolling 5 year period).
- Updating your Wills to avoid the impact of a future inheritance by passing benefits to beneficiaries other than your spouse. Likewise, future inheritances from aging parents could be passed directly to your children as opposed to yourself.
- If you are looking to move into Aged Care, you could consider making a lump sum accommodation payment for Aged Care residents. These amounts are exempt from the Income and Assets test. Similarly, the former family home can be exempted under the asset in certain circumstances.
- Purchasing a funeral bond up to $12,500 per person.
- Pre-paying your funeral and cemetery plot.

Individuals who lose their Pension as a result of these asset test changes on 1 January 2017, will automatically be issued with a Commonwealth Seniors Health Card or a Health Care Card for those under Age Pension age. Further, these individuals will also be exempt from the Income test requirements for these cards indefinitely.

It is important that you consider your overall circumstances and income and capital needs. Please contact your WealthPartners adviser to determine what the impact of the changes may have on your circumstances, and what strategy will work best for you.

Source: Article written by Andrew Heaven using information from Colonial First State

The perils for investors of too much information in the App age

Extract from Olivers Insights Edition 29 – 12th November 2015

A decade or so ago a large Australian fund manager ran a campaign urging Australians' to pay more attention to their superannuation (pension) savings. Dr Shane Oliver says that this initially struck him as good advice – after the family home for most of us it will end up being our biggest pot of savings so it makes sense to keep a close eye on it. And surely the closer we look at it the better the outcome? But over the years he has come to the view that we need to be careful here. In fact, he believes that, the avalanche of information around investing if not properly managed may be making us worse, not better, investors: more fearful, more jittery and more focused on the short term than ever. In his article, Oliver explains that he has explored this theme before and the more he looks into it the more convinced he has become that investors need to try and turn down the noise around investing.

The key points in his article include:

- ❖ The more we are exposed to information about how our investments are performing, the greater the risk that we will be disappointed and at risk of making poor short term investment decisions.
- ❖ The greater access to information around short term investment performance and the ever present worry list around investing via traditional media and increasingly from apps on our phones is likely accentuating this risk.
- ❖ The key is to turn down the volume on financial news and find ways to filter it such that it doesn't distort investment decisions.

In summary, he believes that the key is to find ways to turn down the volume on the financial news, because if you are exposed to it less frequently you are less likely to make decisions that are contrary to your long term investment goals. He recommends trying to avoid looking at market updates so regularly and even consider removing related apps from your smart phones, tablets and watches. Or at the very least find a way to filter such news in a way that it doesn't distort your investment decisions.

The traditional approach of adopting a long term investment strategy and sticking to it is arguably now more important than ever. Yes we are now in an environment of more constrained and volatile investment returns which has increased the importance of active asset allocation. Oliver says it is important to remember that this is best left to experts who can put the time in to filter the noise from fundamental signals and avoid allowing "myopic loss aversion" from getting control.

If you have concerns about your portfolio or information you feel may impact your investments, please contact your WealthPartners Adviser.

To read this article in full please visit the WealthPartners Blog:
www.wealthpartners.net.au/category/blog

Client testimonial

Every step of the way ...

My husband and I have spoken for a while now about buying an investment property. In 2014 when we met with Chris Lau and Bill Rainger regarding refinancing our home, they gave us a figure of how much we could borrow for an investment property purchase. As I was still on maternity leave at that time, we felt it was not the right time in increase our financial commitments.

2015 unfortunately began with my mother in-law passing away. She owned a property in Sydney, one in Perth and two in Queensland.

We initially spoke to Chris about possibly purchasing my mother in laws Sydney property, however decided against it based on the overall cost and risk associated. We were then given the opportunity to purchase the Perth property, a much more affordable option with a great rental return. Chris questioned why we were doing this, which was great as it made us think about our decision and be sure. It also demonstrated that he really cared whether we were doing this for the right reason.

We proceeded with obtaining pre-approval with Chris's assistance. Chris kept us informed throughout the process and ensured both my husband and I understood all the documentation. This often involved two separate phone calls with myself and my husband.

We received conditional pre-approval for 6 months which was exciting. But with probate still being organised by the estate, we got to the end of this period and we were no closer to owning the property. We were very concerned that our pre-approval would lapse, however Chris told us not to worry and said we could just re-apply before it expired.

Late last year, the property finally settled, and Chris finalized our loan. My husband and I really appreciated all the assistance and knowledge Chris provided to us throughout this process. He was an absolute pleasure to deal with and ensured the process was very smooth and that he was always available to answer any questions.

We will certainly be contacting Chris again when we require refinancing on our other loans later this year.

Article written by YMD with information provided by Erica Knauf Palmer – WP Client

Insurance
... as important when times are tough

During tough financial times it is important to look at ways of reducing expenses and saving money. Unfortunately, many people choose their insurance as something that they can remove or reduce from their expenditure.

“ Consolidate your insurances to obtain more competitive premiums ”

Insurance is always important and should be the last items reduced or removed from your budget. When an individual or family is experiencing financial difficulty or losses to their income, they may find that their insurance is the only way that they can cover their expenses and look after any dependents.

Of course, it is important to review your insurance regularly and ensure that you have the appropriate level of cover, that your premiums are competitive, and to ascertain whether there are alternative ways of ensuring your insurance is right for your needs and budget.

Please discuss your insurance needs with your WealthPartners Adviser who may suggest changes to your current insurance. Some of the strategies that may be suggested to reduce the cost of insurance include:

- Purchasing your Insurance through your superannuation fund
- Paying your premiums annually, rather than monthly
- Consolidation of your insurances to obtain more competitive premiums
- Reviewing the sum you have insured to ensure it is appropriate
- Reviewing/changing waiting periods

Remember, even though you are spending hard earned money and not seeing an immediate benefit, insurance coverage is actually one of the most important expenditures that you could make.

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