

# Newsletter

Acting in Our Clients Best Interest

## Winter 2019



Established 1992



### Federal Election - Coalition Wins

The unexpected result came as a relief to those concerned about the changes promised by a Labor Government, including: abolition of franking tax credits for self-funded retirees, another referendum on the republic, further taxes on superannuation and incomes, electric cars, etc...etc. The unlosable election got lost on its way to 'Don's Party'.



Well done to those intuitive folk who took the 'Coalition win' odds at \$5.50.

Governments have only two ways of obtaining funds; borrowing and taxing. With the vast sums invested in superannuation funds, governments of either stripe can't seem to resist the temptation to get their paws into the pot. The Coalition have a big spending agenda too. So, let's proceed with caution.

### Pension Loans Scheme commences 1<sup>st</sup> July 2019

The Pension Loans Scheme is paid in regular fortnightly instalments, for a short or indefinite period.

Under the scheme, a person who is of Age Pension age, or the partner of someone who is, may be able to obtain a loan that will increase their fortnightly pension payment from a part-rate or nil rate, up to the maximum pension rate. Compounding interest currently 5.25% is charged on the balance of the loan and is calculated on a fortnightly basis. The interest charged increases the repayment amount. You are eligible to apply if:



- You or your partner are of Age Pension age
- You own real estate in Australia that you use as security for the loan
- You receives a rate of Age Pension payment that is less than the maximum amount or nothing, due to either the income or assets test but not both.

Examples:

- 1) A couple **will not** qualify if their non age pension income is over \$7,904.00 pa and their assessable assets are over \$387,500
- 2) A couple **will** qualify if their non pension income is under \$7,904.00 pa and their assessable assets are over \$387,500
- 3) A couple **will** qualify if their non-pension income is over \$7,904 pa and their assessable assets are below \$387,500.

Different rates apply to singles. For those homeowners seeking greater income or release of capital but unable to qualify for this scheme, a commercial reverse mortgage may be the better option.



We are a group of volunteers who care about our environment, meeting for one hour once a month to pick up litter in our streets. Together with other Love Our Street and Beach Patrol Groups we are making a big difference. Please have a look at our facebook page Love Our Street 3192. We value the sponsorship and support that we receive from **Independent Professionals Network** and the Kingston Council.



**Ultimate Financial Planners** is a founding member of the **Independent Professionals Network**. IPN provides clients with referrals to the following trusted best and practice services : Legal, Mortgage and Commercial Finance, Conveyancing, Tax Accountancy, Tax Planning, and Aged Care . For help in any of these areas, please call **03 9585 7585**. Visit the Professionals at:

[www.independentprofessionalsnetwork.com.au](http://www.independentprofessionalsnetwork.com.au)

## Case Study - Maximising Income



A homeowning couple, male aged 67 and retired, female aged 63 working part time. Have assets of \$900,000 excluding their home, which exceeds the assessable Age Pension Asset Test limit. Although he is of Age pension age, he cannot qualify for this benefit. The bank interest pays \$27,000 pa on these assets which is taxable. Currently, they use this interest for living expenses. They also draw down on their capital to supplement their income. They are going backwards.

### Proposed Solution

If the couple transfer \$400,000 from the bank to a superannuation fund for the wife, this reduces their Age Pension assessable assets and the husband will now qualify for an age pension of \$15,267 p.a. With the balance of their funds (\$500,000), invested more advantageously, they can enjoy a comfortable tax free income of \$40,267 p.a. without needing to draw down on their capital. Meanwhile, her superannuation fund will grow to provide for their future income needs.



**If you would like to investigate a planning strategy aimed at improving your current or future income position, please call us on: 03 9585 7585 First Appointment Free.**

## More Politics

It's interesting to note what has happened in the UK over the last 3 years. Parliament has been paralysed by Brexit, and has done nothing else. Despite dire warnings of doom, the exact opposite has occurred. The UK economy is booming, unemployment is at a historical low of 3.5% and there is real growth in wages. Which begs the question: if our politicians could be encouraged to do less, would it be of benefit to us?

Evidently the good folk in the seat of Dawson in Queensland clearly think so. Their MP is the mostly absent George Christensen who of late, has spent more time in the Philippines than in Australia. At the recent election, he increased his majority by 12%.



### Age Pension Asset test thresholds Homeowner

20 March 2019 - 30 June 2019

	Full pension	Pension cut out
<b>Single</b>	\$258,500	\$567,250
<b>Couple</b>	\$387,500	\$853,000
<b>Reduction rate</b>	Pension reduced by \$78 pa per \$1,000 of assets over full pension thresholds	

**Age Pension Deeming** financial assets are deemed to earn a certain rate of income, regardless of actual income earned.

Status	Deeming threshold	Rate below threshold	Rate above threshold
Single	\$51,200	1.75%	3.25%
Couple	\$85,000		

Age pension Work bonus		2018/19	2019/20
Employment income exempt from income test <sup>2</sup>		\$250 pf	\$300 pf
Maximum accrued unused Work Bonus		\$6,500	\$7,800
Effective employment income free area <sup>3</sup>	Single	\$10,972	\$12,272
	Couple (combined)	\$20,904	\$23,504

**Ultimate Financial Planners** sole and only obligation is to act in the best interest of its clients at all times. We welcome your call on **03 9585 7585**, we are happy for you to drop by in person. Your initial enquiry/meeting is free and provides you with an opportunity to make an assessment of our value to you.

*This Newsletter contains information of a general nature only and should not be acted upon without first receiving personal advice.*



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