The Key

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If you are new to reading The Key newsletter, welcome. If you are an avid reader of this publication you would be familiar with this forum, delivering relevant and interesting content from the financial planning industry, to help you better manage your financial life. A core value of our business is that every Australian should have access to, and benefit from, good financial advice. In reading this publication, we hope that you find the articles interesting, and perhaps they will provide some talking points for your next review meeting with your financial adviser.

Enjoy reading this edition of The Key.

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.

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.

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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

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.

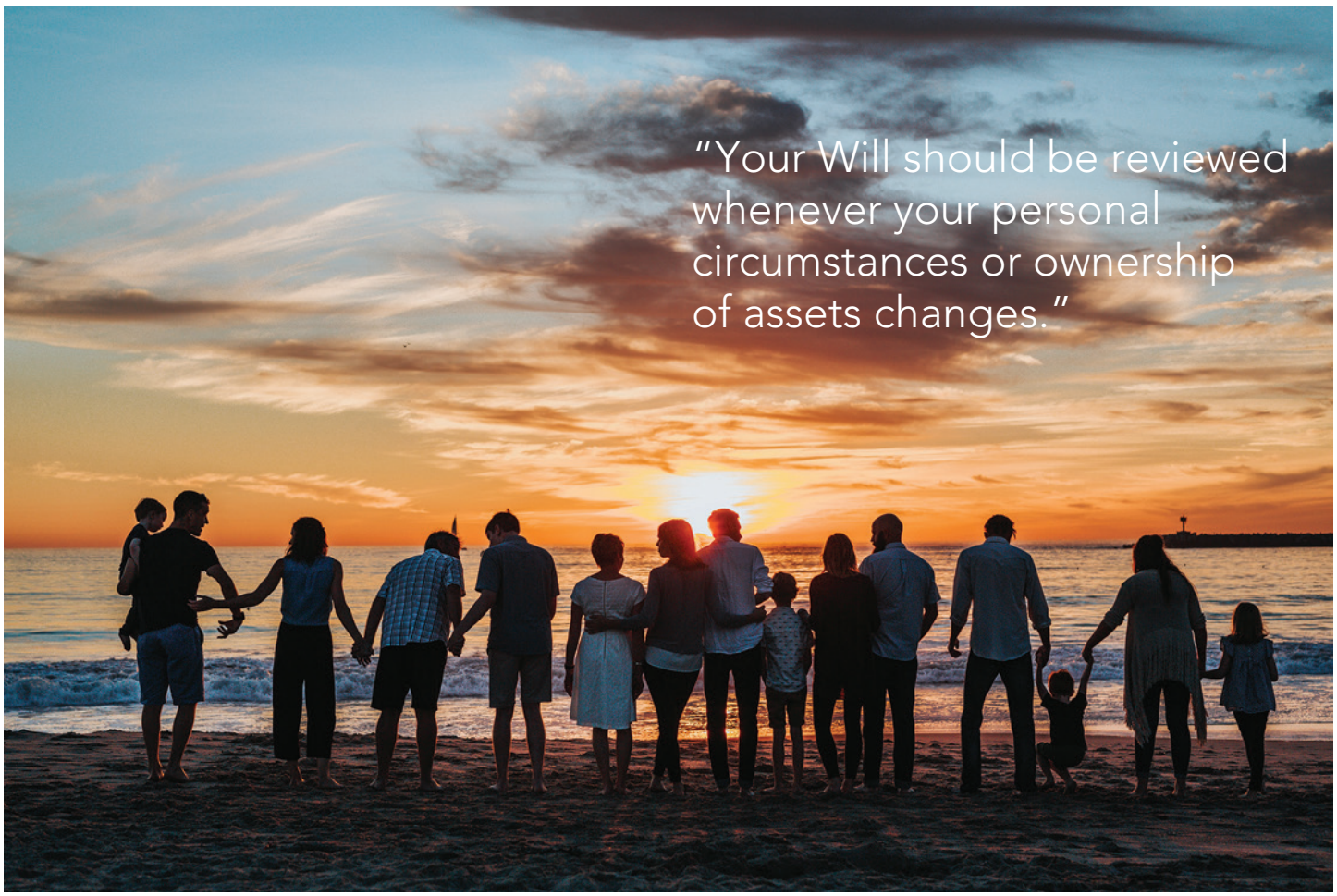
Medicare levy surcharge

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

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.

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