

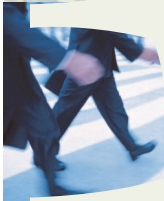


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Bucks & Dough

IDEAS, NEWS AND THOUGHTS TO BUILD YOUR MONEY KNOWLEDGE

We can spend a fortune on swimming or ballet lessons for our children but what about teaching them how to prepare for their life ahead?

Piano Lessons or learning about Compound Interest?

Having four children of my own I understand the pressures to provide for your children's interests and offer them the opportunity to experience a variety of activities. The piano lessons, the swimming coach, the horse riding lessons and early mornings on the lake for rowing maybe common activities for our children. We watch them grow and then release them on the world with all of their skills they have learnt along the way. There is however a very large hole in their knowledge. Why should an 18 year old really understand what they are getting into when they sign a phone contract or take on a credit card? Who has explained income verses expenditure to them. Do they understand the difference between assets and liabilities. Parents rarely discuss finance with their children they prefer to protect them from

the stresses of the family, is that smart?

A survey of pupils in grade 10 showed that only a very small percentage of students had any idea of the income of their parents. Many guesses were out by over \$80,000 per annum! Children usually have a reasonable idea of costs but not where the money is coming from.

Personal savings in Australia is low compared to many countries and many families live pay day to pay day.

Why not teach our children the power of compound interest? The difference to starting an early savings regime compared to playing "catch up" with our wealth later on in life is astronomical.

Habits are created early and if an understanding of budgeting, saving and the benefits of wealth creation can be introduced early enough your child will certainly benefit dramatically in the long term.



Will they thank you for it? Let's hope so but even if they don't hopefully they eventually could afford to look after you in your old age!

There are many misconceptions around talking about money to children. Fears that your children will grow up obsessed over money or become a miser are misplaced as genuine knowledge provides a balance and understanding. Beliefs that "Money is the root of all evil" are wrong as the true saying is "The love of money is the root of all evil". Lets show them the difference.



Who are you once you have retired?

Recently I ran a webinar on retirement where I spoke about all the issues of retirement and not just the finance. I covered changes to the family situation, the mind, aging, stresses, and the unknowns.

I asked the question "What is the number one fear for you about retiring?" I offered five answers including, lack of money and health but the number one answer with 49% of replies was "A lack of purpose". Nearly half the people participating had no idea what they were going to do in retirement to fill their day. The second most popular answer was "loss of identity". People are used to spending their day working and identify themselves in line with their occupation. This is scary and sad.

Account Based Pensions

Generally tax free, flexible and reversionary

Nearly every article in the financial press on retirement talks about commencing a pension from your super fund. Many older public servants are used to their CSS or PSS but have no understanding of pensions built from their salary sacrifice accounts. These pensions are a flexible pension and often called Account Based pensions as the pension amount is dependent on the account balance.

Once your Pension commences it now provides you with a regular income stream. Payments can be generally be made fortnightly, monthly, quarterly, half yearly or even annually. These payments will generally reduce your overall account balance over time. There is no maximum on what you can set your income level to be, there is however a minimum depending on age (5% annually of your pension's

total account balance at 65, with higher percentages as you get older). The pension amount can be changed whenever you wish but remember the higher the income received the shorter time your pension will last. The income is NOT guaranteed for life.

There is nothing however stopping you withdrawing lump sums of money at any stage. The account can also be closed at any time and the full balance will be paid to you.

Should you die the full balance of the account will go to your beneficiary. Most companies who provide this style of pension allow for your pension to revert to your spouse. This means the surviving partner can continue to receive the income it generates or choose to take it as lumps later on. The important

factor to understand is the funds in the account continue to receive investments earnings dependent on the type of investments in the account, which you choose. Therefore your account balance will go up and down if exposed to growth style assets. If your fund earns more than the pension payment the account will go up. Are your superannuation investment choices appropriate now you are in the pension phase? This will depend on everyone's personal situation.

The main advantage of this style of pension is that whatever your account earns it pays no tax!

There is a new cap on balances in these accounts of \$1.6m commencing 1 July 2017. I am currently preparing a fact sheet on this topic to provide more information. Let me know if you are interested.

**YOUR
DEFINED BENEFIT
PENSION HAS A NEW
VALUE**

The changes to super rules are continuing to be legislated and information is starting to flow slowly.

Anyone who has (or will have) a PSS or CSS pension need to understand these pensions have a value towards the \$1.6m cap on the amount that can be placed into an account based pension. It is anticipated that the defined benefit pension amount will be multiplied by a factor of 16 when assessed. This means that anyone with defined benefit pensions in excess of \$100,000 will not be allowed to have any money at all in a flexible account based pension.

I am not sure how they can treat all defined pensions equally. Let's hope for some clarification on these new rules soon!

Quotes to Ponder

To turn \$100 into \$110 is work. To turn \$100 million into \$110 million is inevitable

Edgar Bronfman, Chairman, Seagram Co 1985

Harry Truman once said he wanted a one-armed economist who didn't say, "on the other hand..."

John Kenneth Galbraith 2000

No man should be in public office who can't make more money in private life.

Thomas Dewey (1902-1971)

Need a website built?

When I needed my Money Study website built I had no idea of how to go about it. My son Steve simply said "I will build it for you Dad" and before I was ready to start business he had the website ready to go. It is still a work in progress as I get feedback from clients and I change the way I do things but I am delighted with the result. If you have a need for a website for any reason you can contact my son from Steve Tew Webmastery via steve.tew@mail.com

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Level 6, 39 London Circuit
Canberra ACT 2602
www.themoneystudy.com.au