



## The Harvest - Winter 2017

Welcome to the Winter edition of our client newsletter, The Harvest.

We hope you are keeping well, despite the winter weather. It is of course time to wish you "Happy Financial New Year!". The 2017/2018 financial year has brought with it changes to superannuation contribution caps. Call us, if you are unsure whether these changes effect you.

In this edition, we discuss what to do if you have a financial windfall (this article jumped to my attention as I was daydreaming about what I would do if I won Tattsлото!) and provide you with information on safe-guarding your mortgage. Lastly, we include an interesting article on becoming a senior entrepreneur (watch out Shark Tank)!

If you would like to discuss any of the issues raised in this newsletter, please don't hesitate to contact us.

In the meantime stay warm and we hope you enjoy the read.

All the best,  
Mac & Chris

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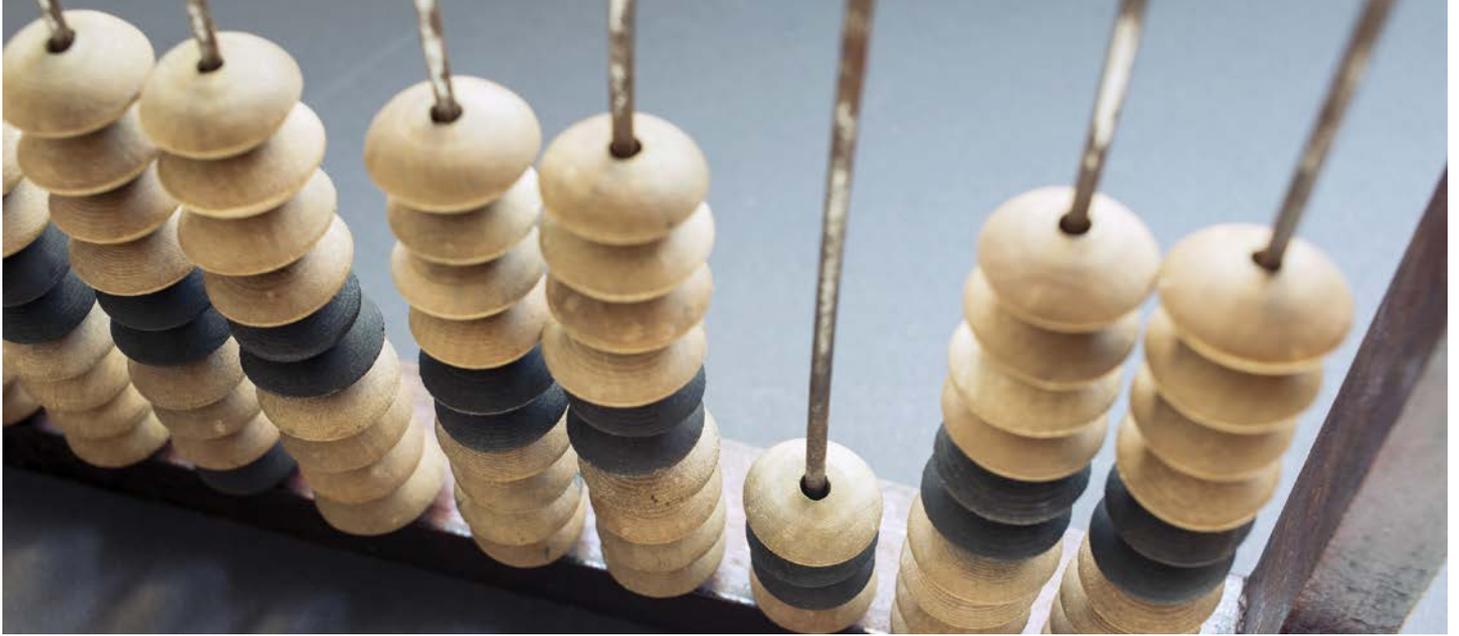
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# What to do when you come into money

Whether you're faced with an inheritance, redundancy package or winning lottery ticket, it's wise to consider your financial situation and future goals.

For most of us, a financial windfall isn't something that comes around very often. And while the extra cash is welcome, money matters may be the last thing on your mind if you're also dealing with the emotions of losing a loved one or being made redundant.

But it's important to be prepared, so that if you do come into a large lump sum of money unexpectedly, you know what to do with it.

## Sort out the tax

The first thing to do is work out if there are any tax implications. It's a good idea to get help to work through these and make the most of your money.

- **Inheritance**—You may have to pay tax on your inheritance depending on where the money comes from. For example, you may need to pay tax on any super death benefit you receive, unless you're a tax dependant of the deceased (e.g. a spouse, child aged under 18, a financial dependant or someone who the deceased had an interdependency with).
- **Redundancy payment**—If your role is made redundant, the payments you receive on termination of your employment will generally be taxed concessionaly (unless you're aged over 65). Speak to your employer to confirm how your redundancy will be calculated.
- **Work bonus**—You'll need to decide in advance whether you want any bonus paid into your bank account and taxed at your usual marginal rate or salary

sacrificed into your super and taxed at the concessional rate of 15%<sup>i</sup>. But make sure that you don't go over your total yearly concessional cap for super of \$25000 —this includes your regular employer payments and any salary sacrifice payments you may be making. Certain conditions must also be met for you to be eligible to salary sacrifice your bonus – please speak to your financial adviser first.

- **Prize or gift**—If you're lucky enough to win lotto or another one-off prize see a financial adviser to discuss the best way to invest it. If you're receiving a social security benefit, these amounts can impact your entitlements.

## So now you've got your money, what to do with it?

While it's tempting to rush down to the travel agent and book that Pacific cruise, you might like to consider other ways of spending your new-found wealth.

- **Pay off your home loan**—If you're like many Australians, you may have substantial debt in the form of a home loan. So you could use your windfall to pay it off.
- **Pay off your other debt**—If you owe money on your credit card or have other loans with high interest rates, now could be a good time to pay them off. Check out how to pay off your debt effectively.

- **Boost your super**—If eligible, you can make up to \$100,000 a year (or \$300,000 over three years if you're under age 65) in after tax-contributions (provided your total super balance at 30 June 2017 is less than \$1.6 million). After-tax contributions don't attract the concessional tax rate but once in super, earnings are only taxed at 15% and withdrawals are tax-free once you've reached age 60 (and can access your super). You can also consider pre-tax super contributions.
- **Invest in property, managed funds, direct shares or term deposits**—but check what's right for your personal circumstances.

## Want to know more?

Remember, what you do with your money can affect how any earnings or capital gain you make are taxed. So it's important to plan properly to avoid any unwelcome surprises down the track. And don't forget to make sure your will and other estate planning matters are up to date, so that your money goes to the people you want it to if anything happens to you.

Of course in the event of a financial windfall you can also count on us to help you make tax-effective decisions about how to use the money to your advantage.

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<sup>i</sup> Or 30% if you earn more than \$250,000 per annum.

# Safeguard your ability to pay off your home loan

It's not unusual that life can be smooth sailing one minute and throw you a curveball the next.

You might be hit with an injury or illness, a reduction in income or redundancy, a separation from your partner, or even a death in the family—all of which can be difficult, emotionally as well as financially.

If you happen to owe money on your home loan, having a financial backup plan, should such a situation arise, could go a long way.

## What you can do today

### Set up an emergency fund

An emergency fund can give you peace of mind by creating a pool of rainy-day savings that can be used to pay unexpected bills in the event of a financial dilemma.

It also reduces the need to rely on high interest borrowing options, such as credit cards or applying for payday loans, which can often be an expensive form of finance and create unwanted debt.

A decent-sized emergency savings pot won't be built overnight, but the good news is putting aside a little money on an ongoing basis could really come in handy down the track.

### Maintain your insurance

Depending on what life throws at you, having personal insurance may help you to still meet your financial commitments, which could include making your home loan repayments.

After all, at least one in five Australians will be unable to work due to an unexpected accident, injury or illness at some point in their life.<sup>i</sup>

For this reason, checking you have the right type of cover and enough of it, particularly when your circumstances change, is important.

If you don't have insurance, now might be a good time to learn about the types of cover available, and whether you take it out through super or via an insurance company, broker or adviser.

## If things take a turn for the worse

### Talk to your lender

If you run into tough times and you don't have an emergency fund, renegotiating your home loan might allow you to reduce your repayments by switching to a different type of home loan or moving to interest-only payments.

You may also be able to seek assistance from your lender by claiming financial hardship.

All lenders must consider reasonable requests to alter the terms of a home loan in instances where someone suffers genuine financial hardship and feels a change would enable them to meet ongoing repayments.

If you're not happy with your lender's response you can also contact the Financial Ombudsman Service<sup>ii</sup> or Credit and Investments Ombudsman,<sup>iii</sup> both of which are free external dispute resolution schemes.

## Sell your home and buy a cheaper property

It may not be ideal, but if you don't have other options, selling your home might be worth exploring to avoid having your property repossessed and facing what could be an even bigger financial fallout.

It will take time to arrange things, whether selling your home outright or buying a property that's cheaper to maintain. So, speak to your lender about how you can go about it and consider seeking advice as to whether this is the best path to take before making a decision.

## Access your super to make your repayments

In some cases of severe hardship you may be granted early access to your retirement nest egg under strict conditions. However, this should be a last resort.

If you want to know more about how you can access your super in special circumstances check out the early release of superannuation section on the Centrelink website.<sup>iv</sup>

## Being prepared

Life has its ups and downs so it's best to be prepared. Remember, if you do run into tough times we are here for you. It's also a good idea to speak to your lender as soon as possible to see what your options are.

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i [www.lifeinsurancefinder.com.au/post/compare-life-insurance-australia/the-impacts-of-underinsurance-in-australia/](http://www.lifeinsurancefinder.com.au/post/compare-life-insurance-australia/the-impacts-of-underinsurance-in-australia/)

ii <https://www.fos.org.au/>

iii <http://www.cio.org.au/>

iv <https://www.humanservices.gov.au/customer/services/centrelink/early-release-superannuation>



# Be a senior entrepreneur on your own terms!

Many people over 50 are putting their skills and experience to work in their own businesses.

Retirement is no longer the destination it used to be. If you're like many Aussies who are heading into their later years after a lifetime of developing skills and expertise, you undoubtedly have more to offer, not less.

If you're thinking about starting your own business or considering how you'll keep sharing your skills and experience in your later years, you're not alone.

Many Aussies are blazing the trail into self-employment after retirement. And one of the effects of the increasing number of people venturing beyond retirement is the rising number of groups forming to provide guidance and help for older Aussies as they navigate through change in the digital age.

Many older Aussies are far from ready to retire into the armchair just yet. Life after work can be a time for harnessing passions and creating new ways to help others or generate income.

If you're thinking about going out on your own, you may be aiming to find your true purpose—what you really want to do. Are you inspired by ideas about getting involved in an area that interests you personally, creating something new

or just giving back? New ventures can give you fresh energy and a renewed sense of purpose.

Here are some things for you to consider if you're thinking about foraying into the world as a senior entrepreneur:

## 1. What do you love doing?

Find ways to be involved in doing the things you love. Follow your passion and aim to reap rewards on all levels: financially, mentally and emotionally. Working on something that interests you personally can be more sustainable and rewarding because a labour of love doesn't feel like work.

## 2. Find like-minded people

Find people who share your interests regardless of any age differences. Discussing ideas with people experienced in the areas you may not be familiar with can lift your ideas from the drawing board into reality, without you having to pay for expensive mistakes. Communities like Hub Australia provide co-working services for small businesses.

## 3. Start small

By following in the footsteps of other successful people, you can start with small steps and test your ideas and decisions along the way without it costing you dearly.

You'll be able to see if an idea works or not—and adapt quickly as you learn what your market wants. Because there are no guarantees in business, it can be costly to risk everything on one idea.

## 4. Get financially organised

The most valuable thing you can do to help yourself is to get on top of things financially. If your savings are on the line and the way you'll earn money is changing, come and have a chat with us. You don't have to do it all alone—together we can make sure everything's arranged so you'll be better off, not worse.

## Help is at hand

If you're aiming to go out on your own, consider contacting organisations like the SeniorPreneurs Foundation or Elderberry—groups like these can help you connect with other people who are forging ahead to become their own bosses and continue sharing their invaluable skills and experience on their own terms.

As you're weighing up the pros and cons or wondering if or how you can become a senior entrepreneur, come and see us. We can help you manage the financial implications of being in business and any impacts on your government entitlements.

