Nexia Australia

Are you ready? Things to consider before the End of Financial Year

Leading up to the end of financial year can be a busy time for employees and business owners, which can often lead to your own personal financial situation taking a back seat. Here are three key areas to consider implementing before the end of the financial year.

Please note – this is general advice only and does not take into consideration your own personal circumstances. If you would like further information whether these strategies are appropriate for you, Please reach out to a Nexia adviser.

Contributions into Superannuation

The Superannuation contribution limits for the 2018FY are as follows:

Concessional (before tax Contribution)

- This includes Superannuation Guarantee (mandatory from your employer), Salary sacrifice or a personal deductible contribution.
- Limit - $25,000 per annum.
- Eligibility - Anyone can make mandated employer contributions to age 75. Must meet the work test from age 65 in order to be able to make non-mandated contributions.

Non-concessional (after-tax contribution)

- This includes any funds you wish to add into superannuation from after tax monies.
- Limit - $100,000 per annum or up to $300,000 under the "bring forward provision*"
- Eligibility – Age 65 and under can make non-concessional contributions if their total superannuation balance is under $1.6m at 30 June of the previous financial year. However, between ages 65-74 in order to contribute must meet the "work test"** and you cannot utilise the "bring forward provision*").

Spouse contributions & splitting

A person can make personal (after-tax) contributions into their current spouse's superannuation account as spouse contributions if the receiving spouse is:

- Under age 65, or
- Age 65-69 and meets the work test (ie has worked 40 hours within a 30 consecutive day period in that financial year).
- To be eligible for a tax offset on these contributions:
- The contribution must be paid into a complying superannuation fund

* If you are under 65 years, you may make non concessional contributions of up to three times the annual non concessional contributions cap in a single year by bringing forward three years of your non concessional contributions caps. The full bring-forward amount of $300,000 is available for members with total superannuation balances under $1.4m, while members with balances $1.4-$1.5m are limited to contributing up to $200,000 and members with balances $1.5m-$1.6m can only contribute a maximum of $100,000.

** If you're aged 65 or over (but under the age of 75), you can make voluntary super contributions if you're at least gainfully employed on a part-time basis. In short, you must work for at least 40 hours in a period of not more than 30 consecutive days in the financial year in which you plan to make a super contribution.

- The contributing spouse must not be entitled to a deduction as an employer of the spouse (section 290-60, ITAA 1997)
- The receiving spouse's income needs to be less than $40,000
- Both spouses must be Australian residents and not living separately on a permanent basis
- The receiving spouse needs to have a total superannuation balance immediately before the financial year less than the general transfer balance cap.
- The receiving spouse's non-concessional contributions for the financial year cannot exceed their non-concessional contributions cap.

Contribution Reserve Strategy

If you have a self-managed superannuation fund (SMSF), you may be able to make advantage of the contribution reserve strategy. This is a strategy whereby a contribution can be made to the reserve prior to 30 June (and claimed as a tax deduction in that year if it is a concessional contribution) but the amount is not credited to your member account until (up to) the 28th July, which is when the amount will be counted as a contribution and counted against the later financial year's contribution caps.

If you would like further information on what contributions may be appropriate for you please do not hesitate to contact us.

Taking the minimum Pension Requirement

Clients whose superannuation balance is in "Pension Phase" have to draw minimum requirements from their superannuation by law each year. The percentage amount that clients have to take is based on your age.

A lot of clients elect to take a nominated amount each month from their superannuation fund. However, this may not be enough to reach the minimum requirement and therefore an additional amount must be taken. If you would like assistance with this please get in touch with your Nexia Financial Adviser.

Review your insurances

Check that you (and your business) havethe right insurances in place. If your circumstances change, you may need to update your level of cover.

Important types of Insurance for you to review as the end of financial year approaches include:

Insurance Type	Life	TPD (Total & Permanent Disablement)	Trauma	Income Protection
Can be held inside Super	Yes	Yes - Any occupation only	X	Yes
Tax Deductible	Yes - Only inside super	Yes - Any occupation only	X	X

Always read the product disclosure statements (PDS) for your insurance policies carefully - don't assume you're covered. Look up certain terms as the definition may vary among insurers.

When reviewing your insurances, it is important for you and your financial adviser to consider the following:

- A cashflow driven analysis to confirm you have the right level of cover each year. Our goal in the long term is to gradually reduce your exposure to insurance (and reduce your premium costs) as your asset position grows.
- A review of your policies against the market to ensure that they are still competitive from a cost and quality of definitions perspective.
- A review of your ownership structures to confirm that you can generate the optimal tax deduction for premium (where possible) while also being cognisant of the tax treatment of any benefit payable in the event of claim.
- Any changes to the Insurance industry that you should be aware of.
- Any amendments to the policy that will improve your situation (changes to sum insured without underwriting, agreed v. indemnity, level v. stepped, ancillary benefits that can reduce premium and/or lifestyle costs over time etc).

When choosing your level of cover it is important to protect your assets and hard earned capital. At Nexia we aim to work in conjunction with you to ensure your financial plan includes an appropriate level of insurance cover to safe guard you and your loved one's futures.

If you would like to review your overall insurance situation to see if the level of cover is appropriate for your personal needs and objectives we can provide you with a complimentary needs analysis.

If you would like any additional information or have any questions about purchasing a property, please contact a Nexia Financial Adviser.