CLIENT SOLUTIONS – Spring 2014

NASH SOLUTIONS – Practice News

Christmas Closure

We advise clients and associates that Nash Solutions will be closed from lunchtime Tuesday 23 December 2014 and will re-open Monday 12 January 2015.

We wish all our clients a Merry Christmas and a safe and prosperous New Year.

"When I grow up I want to be an accountant."

We would like to welcome Grahame Nash back from his walkabout overseas. He managed to get through customs multiple times and landed safely back on our shores.

Scams and Bogus Emails

We would like to remind clients that the ATO will never send you an email requesting you to claim your refund, confirm, update or disclose confidential details via an insecure channel such as email. You should always independently verify the source before taking any action. If you receive communication of this nature do not respond to it. The banks and PayPal have also been the subject of similar scams in recent times.

Our Nash Solutions Email Policy

We take this opportunity to remind clients that we check out emails at regular intervals during the day and seek to respond to all emails and telephone calls on a timely basis. This policy provides an adequate response to the vast majority of enquiries. However, if you have an urgent matter that must be dealt with on an immediate basis then please send us a detailed email brief of the situation and then also contact us by telephone to ensure your matter is escalated.

At Nash Solutions our goal is to provide holistic solutions to client problems, to grow our client businesses and investments and to accumulate client wealth for their retirement. We seek to deliver this by providing accurate, timely and proactive advice.

We value our relationship and if you have any like-minded business associates who could benefit from Nash Solutions services then we would be most grateful for your referral.

CLIENT PROCESSING –Taxation Compliance

We request all outstanding company and SMSF records to be sent to us before the Christmas closure so that we can process the financial statements and income tax returns before the 15/05/2015 due date.

Tax Lodgement	**Due Dates#**
December 2014 Bas	21/02/15
March 2015 BAS	28/04/15
Monthly BAS/IAS	21st of next month
Taxable individuals, companies and superfunds with one or more prior year returns outstanding as at 30/06/2014	31/10/2014
Large and Medium Companies & Superfunds	15/01/2015
New Superfunds	28/02/2015
Large Individuals	31/03/2015
All other taxable Individuals, Companies and Superfunds	15/05/15
Fringe Benefits Tax Returns	21/05/15
All other Individual, Company and Superfunds Providing payment is also made on lodgement	05/06/15

Further extension may be available, contact us if you have an exceptional circumstance which might delay your lodgement.

TAX OFFICE SOLUTIONS- Farm Household Allowance

What is Farm Household Allowance?

The Farm Household Allowance (FHA) is a fortnightly income-support payment, available Australia wide, that has been designed to suit the specific circumstances of farmer's and their partners.

The Farm Household Allowance replaced Interim Farm Household Allowance on 1 July 2014.

A DHS Farm Household Case Officer, as well as a specialist financial adviser and rural financial counsellor, will be available to support recipients as they take steps to improve their long-term financial security.

Farmers eligible for the FHA are required to have a Farm Financial Assessment (FFA) completed by a prescribed adviser. An FFA supplement of up to $1,500 is available to cover the cost of this assessment, and can be paid directly to the prescribed adviser once the FFA is approved.

Grahame Nash of Nash Solutions is an experienced and authorised specialist financial advisor and can assist you to meet the FHA registration and assessment requirements.

Eligibility basics

To be eligible for Farm Household Allowance you need to:

- be a farmer or partner of a farmer
- be aged 16 years or over
- contribute a significant part of your labour and capital to the farm enterprise
- meet an income and assets test

- meet residence requirements
- have regular contact with a Farm Household Case Officer
- be willing to agree to mutual obligations, and
- have received less than 3 years of Farm Household Allowance

The farm enterprise must have significant commercial purpose or character. It will be assessed based on the following criteria:

- the purpose of your farm activity and the prospect for profit
- the consistency of your farm activity
- whether your farm activity is planned, organised and operated like a business, and
- the size, scale and permanency of your farm activity

Need some expert advice?

If you think you may be eligible Nash Solutions can talk you through the process and benefits. We are also a prescribed advisor and can help you complete the Farm Financial Assessment required to claim the allowance.

TECHNICAL ISSUES – Age pension changes from 01/01/2015

"...and this is the day room. Of course, everyone's out at work at the moment..."

Centrelink Deeming Changes from 1 January 2015

You may wish to consider the following changes that will affect income streams, to lock in access to some valuable Centrelink and tax benefits before 31 December 2014.

From 1 January 2015 the calculation for assessing the age pension amount you will receive will change.

Currently, super pension payments for age pension purposes are treated differently to other types of income because some of that pension payment is considered a return of capital; which means that Centrelink doesn't double count the drawing down of pension assets as income. This means Superannuation pensions get largely ignored (due to a fixed 'deductible amount') and many people on small to medium balances collect both a super pension and a part aged pension. Under new laws this will change, with the deductible amount provisions being withdrawn and the deeming rules extending to super account balances.

What happens to income stream accounts started before 1 January 2015?

Account-based income streams in place before this date will continue to be assessed as they are now, providing the individual is also in receipt of an Income Support payment prior to 1 January 2015. However, if a recipient chooses to change their product or to start a new income stream after 1 January 2015, they will then be assessed under the new rules.

Who will this not affect?

When accessing eligibility for Centrelink benefits, the Social Security Act applies both the income and asset tests, using the test that provides the lower Aged Pension benefit. People whose asset tests provide the lower Age Pension benefits will be unaffected by the deeming provisions for the income test.

The following example is based on Sophie, a 65 year old single woman who owns her own home and is considering setting up a $200,000 or a $500,000 income stream. Sophie has no other assets.

The following table compares the Aged Pension outcomes for Sophie using the current deeming rules against the new deeming rules from 1 January 2015.

	Example 1 - $200,000 income stream		Example 2 - $500,000 income stream	
Date income stream started	31 December 2014	1 January 2015	31 December 2014	1 January 2015
Minimum payment	$10,000	$10,000	$25,000	$25,000
Deductible amount	$9,250	N/A	$23,130	N/A
Deemed income	N/A	$6,280	N/A	$16,801
Income tested amount per annum	$750	$6,280	$1,870	$16,780
Income test Age Pension reduction	Nil	$40.77 per fortnight	Nil	$242.69 per fortnight
Asset test Age Pension reduction	Nil	Nil	$447.00 per fortnight	$447.00 per fortnight

Effect of change	Nil	Age pension would be reduced by $40.77 per fortnight	Age pension would not be affected by the new rules. Both before and after the new rules the age pension would be reduced by $447.00 per fortnight under the assets test.

Source: Financial Planning Association of Australia (adjusted for changed thresholds on 1 July 2014). This example is illustrative only and based on the figures used. The outcome may be different depending on your personal circumstances.

On a $200,000 income stream, Sophie can expect to receive $40.77 less per fortnight from the Age Pension if the income stream is started on 1 January 2015. This example also demonstrates that the new deeming rules will have greater effect on those with smaller balances.

Already have an income stream or plan to start one before 1 January 2015?

If you currently, or plan to, receive an Income Support payment before 1 January 2015 now is a good time to consider your options. This may include combining multiple superannuation fund accounts into a single income stream to start a new income stream before this change takes effect.

Even if you currently have an income stream in place, changes to this income stream on or after 1 January 2015 will mean that you will be assessed under the new deeming rules.

Need some expert advice?

If you are looking to start an income stream Nash Solutions will talk you through the process and benefits, and can help you set up a tax-effective income stream suited to your personal situation.

Comprehensive advice is available if your situation requires broader consideration of your financial circumstances.

BUSINESS & COMMERCIAL NEWS – Fuel Tax Credits

The carbon charge has now been removed from the fuel tax credit rates for fuel acquired from 1 July 2014. This has increased the fuel rate you can claim and allows a greater tax credit for business' using fuel in most circumstances. As you can see in the below table, in most scenarios the rate has increased from the previous year.

For fuel you acquire for your business, you can:

- claim a higher rate for off-road activities
- no longer claim fuel tax credits for non-transport fuels used in agriculture, fishing and forestry activities.

You can now also claim more for transport gaseous fuels.

Fuel tax credit rate changes -– all rates are cents per litre unless otherwise stated

Business use	Eligible fuel	Rate for fuel prior to 1 July 2014	Rate for fuel acquired from 1 July 2014
In a heavy vehicle* for travelling on public roads	Liquid fuels -– for example, diesel or petrol	12.003	12.003**
All other business uses – on private roads, off public roads and non-fuel uses***	Liquid fuels – for example, diesel or petrol	38.143 – Previously only for Agriculture, fishing and forestry.	38.143
All other business uses – on	Duty paid LPG – transport	7.5 – previously only for agriculture	10

private roads, off public roads and non-fuel uses***		fishing and forestry.	
	Duty paid LNG or CNG – transport	15.67	20.9 cents/kg
Non-fuel uses, such as LPG used as a propellant in the manufacture of aerosols	Duty paid LPG – transport	7.5	10
	Duty paid LNG or CNG – transport	15.67 cents/kg	20.9 cents/kg
To power auxiliary equipment of a heavy vehicle* travelling on public roads – such as fuel used to power a refrigeration unit or a concrete mixing barrel	Duty paid LPG – transport	7.5	10
	Duty paid LNG or CNG – transport	15.67 cents/kg	20.9 cents/kg

FINANCIAL PLANNING – Economic Updates#

We remind clients that we provide a full range of financial planning services including investments, savings and retirement plans, life and income protection insurance, superannuation, super pension and Centrelink age pension analysis using our 'DomaCom Guided Planning System'.

Some of the concerns facing markets are the Ukrainian situation as well as the economic weakness in Europe and the US ending Quantitative Easing (money printing) and raising interest rates.

Not only is there the possibility of an escalation of the Ukrainian conflict but economic sanctions could impact Europe which is already weak. Also Italy has gone back into recession and low European inflation numbers point to a sickly economy. One of the reasons European interest rates are so low is that there is speculation of even easier monetary policy including the possibility of money printing to combat low inflation and weak growth. This is helping to drive down other global bond yields and we are of the view that that they are probably too low and are not attractive long term. Given this we would still maintain an underweight to fixed interests.

However it is a fine balancing act with the Reserve Bank of Australia likely to maintain interest rates at a low 2.5% into 2015. Many economic indicators in the US such as capacity utilisation and the unemployment rate are at around their long term average levels. This makes it likely that short term interest rates will have to rise from zero in the near term. We continue to prefer equities to bonds but equities are now no longer cheap. Shares in the US and Australia are trading at about their long term average PE multiples. We think that gains will be lower than last year and should depend on the level of earnings growth.

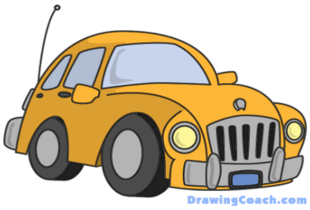
We believe earnings growth this year will be around the 7% mark for both the Australian and the US equity markets. Global equities are still trading at a lower PE than the long term average for that market so would seem to be better relative value than Australian shares. We believe investors can also justify an overweight to global shares simply as diversification away from banks and resources which dominate our market. Emerging market equities are still cheap on a long term PE basis although they have done much better this year compared to last year. For those with a longer view we would look to accumulate emerging market equities on weakness on the basis of relative valuation to global shares.

To sum up, most markets have had a good run lately but we would not be aggressively allocating to shares right now. We would rather be looking to accumulate on any pullbacks. We would also be cautious in allocating to fixed interest as we believe there is not much value post the recent rally. One of the concerns in markets is how little volatility there has been lately and investors may have become a little complacent. Over the longer term we would expect volatility to rise from here and this should provide opportunities for nimble investors.

FINANCE

Thinking of buying a new vehicle?

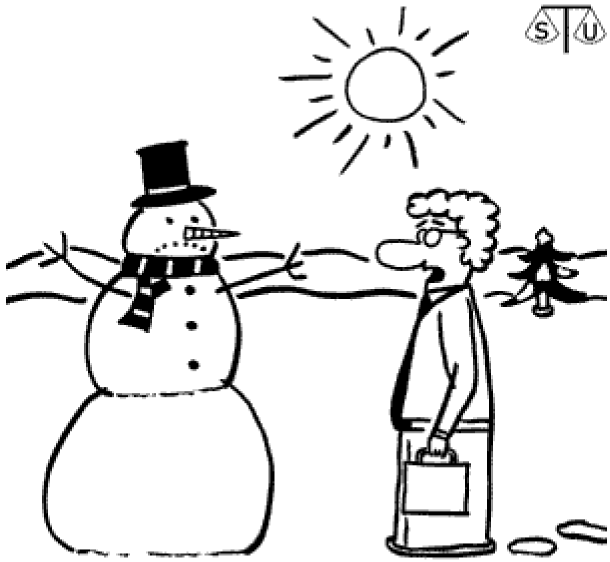
We remind clients that car dealers play many tricks with new car prices, trade values and in-house finance in order to spruik up their ‘deal’ and at the same time extract maximum profit. We are in a position to advise you on how to get the best actual deal when trading.



Planning points:

- Find your new vehicle / plant
- Negotiate a cash price
- Call us for effective financing of the deal

SPECIAL TOPIC – Superannuation death benefit nominations



"Mr. Frosty, it's March.
Time to talk estate planning."

Following the death of a superannuation fund member, the superannuation fund must pay a death benefit to an eligible beneficiary or the member's legal personal representative (LPR) as soon as practical.

Unfortunately, in a number of cases superannuation members die with no valid nominations in place, which leads to delays and unintended consequences.

Accordingly, it is important that a number of questions are considered when organising your nomination:

1. What type of death benefit nomination can be completed?
2. Is the nominated beneficiary an eligible dependant?
3. How can the benefits be received (lump sum or income stream)?
4. Will the nominated beneficiary be considered to be a death benefits dependant or not?
5. What tax implications will there be?

What type of death benefit nomination can be completed?

Non-Binding: This **does not** ensure your benefit will go to the person you have nominated. A non-binding death benefit nomination is not binding on the trustee of the superannuation fund; however the trustee will take the member's wishes into consideration when making a decision as to whom to pay the benefit.

In this situation, a trustee will undertake a claims process in order to determine who should receive the death benefit payment, which can lead to a delay in making the payment(s).

Binding & Reversionary: In contrast, where a binding, non-lapsing binding or reversionary nomination is completed then the trustee is compelled to pay the death benefit to the nominated person as long as they are an **eligible dependant** at the time of death.

A binding nomination will expire after 3 years.

A non-lapsing binding nomination does not expire and will stay permanently in place unless you decide to change it.

Is the nominated beneficiary an eligible dependant?

Superannuation law restricts who is an eligible dependant to receive a death benefit payment as detailed in Table 1.

Table 1	Super Dependant	Tax Death Benefits Dependant
Spouse (Including same-sex & defacto)	Yes	Yes
Former Spouse	No	Yes
Child under age 18 (including an ex-nuptial, adopted & step-child of the person or their spouse)	Yes	Yes
Child over age 18 (financially independent)	Yes	No
Person with whom an interdependent relationship existed	Yes	Yes
Financially dependent person at the time of death	Yes	Yes
Other person who is not a financial dependant at the time of death.	No	No

Importantly, from Table 1 it can be seen that a dependant for superannuation purposes is not always a dependant for tax purposes.

In addition to this list, a trustee may also pay the death benefit to the member's LPR (estate) but the tax consequences are still determined by the relationship with the ultimate beneficiary.

How can the benefits be received (lump sum or income stream)?

A superannuation death benefit can only be paid as an income stream when being paid to an eligible dependant.

In all other cases, the benefit must be paid as a lump sum only. Table 2 summarises the available payment options:

Table 2	Lump-Sum	Income Stream
Spouse (including same-sex & defacto, but not a former spouse)	Yes	Yes
Former Spouse	Yes	No
Child under age 18 (including an ex-nuptial, adopted & step-child of the person or their spouse)	Yes	Yes
Child over age 18 and financially independent	Yes	No
Child over age 18 but under 25 financially dependent	Yes	Yes
Disable child (no age restrictions)	Yes	Yes
Person with whom an interdependent relationship existed	Yes	Yes
Financially dependent person at time of death	Yes	Yes

Will the nominated beneficiary be considered to be a death benefits dependant or not?

A superannuation death benefit is taxed depending on whether the recipient is a tax death benefits dependant or not (refer to Table 1).

Where a person is not a tax death benefits dependant, tax is payable on any taxable amount received (refer to table 3).

Table 3	Superannuation component	Tax Payable
If deceased or Beneficiary aged 60 or over	Tax free	Tax free
	Taxable (Taxed)	Tax free
	Taxable (Untaxed)	Taxed at MTR, 10% offset
If decease and beneficiary under age 60	Tax free	Tax free
	Taxable (Taxed)	Taxed at MTR, 15% offset
	Taxable (Untaxed)	Taxed at MTR

What tax implications will there be?

When the superannuation death benefit is paid as an income stream it is taxed as follows:

Table 4 Superannuation Component	Death benefits dependant	NOT a death benefits dependant
Tax free	Tax free	Tax free
Taxable (Taxed)	Tax free	Taxed at a maximum of 15%
Taxable (Untaxed)	Tax free	Taxed at a maximum of 30%

It should be noted whilst not a requirement, a superannuation fund trustee is able to pay an anti-detriment amount and increase the taxable portion of death benefit payment by the amount of tax deducted from the member's account.

The Anti-Detriment Payment (ADP) is a legacy of the Simpler Super reforms which became effective on 1 July 1988.
The purpose of this payment is to refund tax paid on concessional (deductible) contributions upon death and effectively increase the superannuation death benefit available to dependant beneficiaries. It is important to note that this payment can only be made if the financial institution providing the superannuation account actually elects to make the payment, and they are under no legal obligation to do so.

An anti-detriment amount can only be paid if a lump sum is paid to an individual who was a spouse, former spouse or a child of the deceased.

Where the superannuation death benefit payment is made to the trustee of a deceased estate, the benefit is taxed in the same way it would have been taxed if the payment was made directly.

Conclusion

When choosing a death benefit nomination it is important to consider each of the above questions to ensure unintended consequences do not occur.

In situations where the member has both – death benefits dependants and NOT death benefits dependants – it may be worth discussing the option of directing the assets held within superannuation to the dependant and assets held outside of superannuation to the non-dependant.

By doing so, a financial planner can assist a client to work with their solicitor and their accountant to put together an estate plan that effectively meets the client's wishes.

Contributed by Brendon Colville, Financial Planning Client Services Manager

BACK TO TOP

 # Acknowledgement: We wish to acknowledge Lifespan Financial Planning as the source of the information used in the preparation of this newsletter. The economic and investment analysis content of this newsletter is based on their latest published Personal Wealth Spring Newsletter for 2014.

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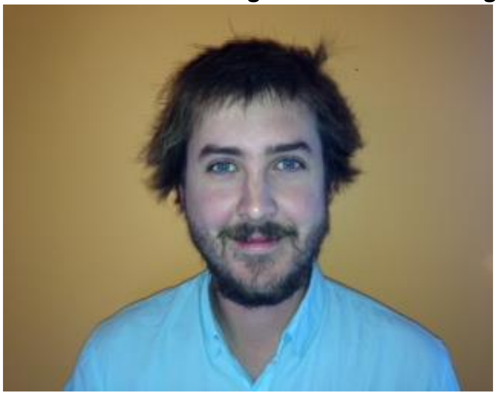

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"Cashflow is critical for business growth and survival. Is your business generating the returns you require and is it maximising your wealth?"

Nash Solutions Business Services can assist you with:

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Taxation advice, including:
- Year-end tax planning
- CGT and business rollovers
- GST
- Negative Gearing

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- Structuring
- Incorporation and company secretarial services
- New business start up
- Business acquisitions and valuations
- Business Sale

Tax return and BAS preparation

Superannuation, including:
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- Employer Superannuation Funds
- CGT rollovers on sale of business

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- Financial Analysis
- Management accounting

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- Financial Analysis
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"Savings plans are necessary to ensure sufficient funds are available for your retirement. Will you live the comfortable retirement you dream of?"

Nash Solutions Financial Planning Services can assist you with:

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Wealthvue retirement and lifestyle planning analysis
- Income streams and capital drawdowns
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Estate succession planning

Aged Care Planning

"3 in every 4 Australians will be diagnosed with a serious illness during their working life and will spend many months off work. Will your family live in poverty?"