



Retirement Strategies:

A multi-pronged approach to meeting the retirement income needs of retirees

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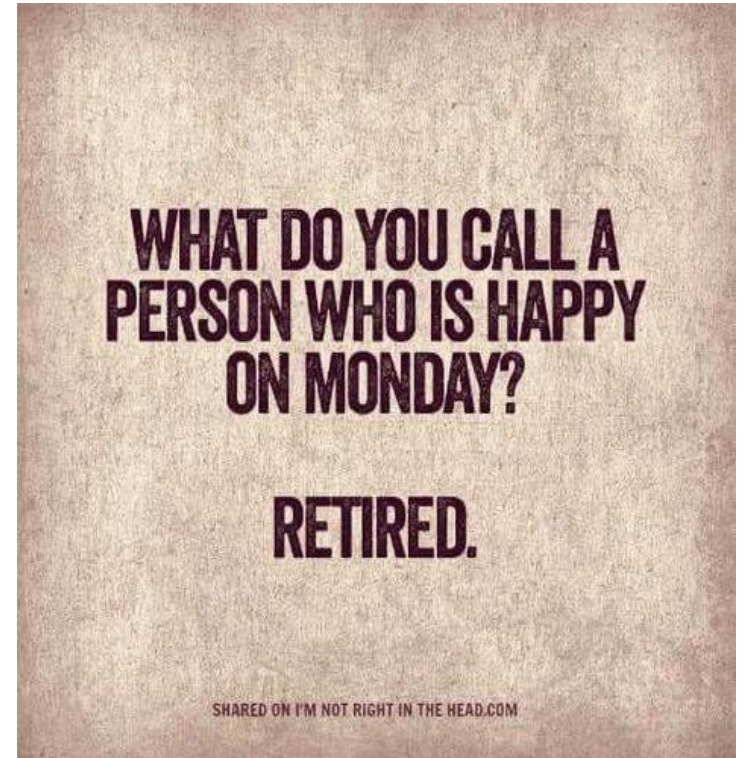


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- How much income does a Retiree need?
- Sources of retirement income



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AGE PENSION




Max. Single Rate: **\$916-30**pf (\$23,823-80pa)

Max. Couple Rate: **\$690-70**pf (\$35,916-40pa)



Work Bonus \$250-00 per fortnight from assessable employment income
A Work Bonus bank balance can reach a maximum of \$6,500-00.

Age Pension Assets Test - Sept 2018

			Full Pension if your assets are below	No Pension if your assets exceed
✓		✓	\$258,500	\$564,000
✓			\$465,500	\$771,000
	✓	✓	\$387,500	\$848,000
	✓		\$594,500	\$1,055,000

Pension reduced by \$3-00pf per \$1,000 in assets above the thresholds

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Income Test

Single: Up to \$172-00 fortnight (\$4,472-00 year) for maximum Pension

Couple: Up to \$304-00 fortnight (\$7,904-00 year) for maximum Pension

No Pension payable where assessable income **exceeds:**

\$2,004-60 fortnight (\$52,119-60 year) for Singles

\$3,066-80 fortnight (\$79,736-80 year) for Couples

A Single Pensioner may have **\$161,230-76** in assessable investments and still obtain the maximum Pension (e.g. $\$51,200-00 @ 1.75\% = \$896-00$ plus $\$110,030-76 @ 3.25\% = (\$3,576-00) = \mathbf{\$4,472-00}$ year.

A Pensioner Couple may have **\$282,430-75** in assessable investments and still obtain the maximum Pension (e.g. $\$85,000-00 @ 1.75\% = \$1,487-50$ plus $\$197,430-76 @ 3.25\% = (\$6,416-50) = \mathbf{\$7,904-00}$ year.



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Maximising Age Pension:-

Scenario:

Husband is Age Pension age and wife is retired, under 65 and past her preservation age.

Strategy:

Redeem part or all of husband's Super and contribute into wife's Super.

Benefits:

- **No tax** is payable on the Super withdrawal as husband is aged over 60.
- Funds are fully accessible as wife is retired and past her preservation age.
- Funds are **not assessed** under Centrelink's income or assets tests until wife reaches her Age Pension age.
- Husband's Age Pension benefits are **increased** by reducing his assessable assets & income.
- Wife is able to contribute into Super up to the contribution limits as she is under 65.
- If husband's Super withdrawal has a large taxable component this becomes **tax free** if made as a non-concessional contribution into wife's Super.



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Commonwealth Seniors Health Card

Scenario:

For people aged over Age Pension age who do not qualify for Age Pension benefits.

Strategy:

Commonwealth Seniors Health Card is **not assets tested**.

Income limit:

Single: \$54,929 assessable income

Couple: \$87,884 assessable income

Benefits:

- **Cheaper medicine** under the Pharmaceutical Benefits Scheme.
- Many doctors **bulk bill** patients with the Commonwealth Seniors Health Card.
- **Bigger refund** for medical costs when you reach the Medicare Safety Net.
- Some state or territory governments plus local councils offer **discounts for:-**
 - Electricity and gas bills.
 - Property & water rates.
 - Health care costs, including ambulance, dental & eye care.
 - Public transport costs.



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Other Strategies:

Ensure asset & investment values are correctly recorded by Centrelink:-

- Ensure **fire sale value** for Home contents
- New cars, caravans, motorbikes, boats, etc. **lose significant value** in the early years
- Investments that are drawn down to supplement Age Pension income may not be recorded by Centrelink at the **correct value**
- Remember lower asset & investment values may increase Age Pension payments
- Gifting strategies (e.g. \$10,000 per financial year up to a maximum of \$30,000 over a 5 year period)
- Pre-paid funerals can reduce your assessable assets & investments

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Centrelink Age Pension - Case Study 1

- Farmers Jack, 85, and Jill is 82
- They have 8 adult children.

Assets in Jack's name:-

- Farming land (on multiple titles), stock, plant & equipment, house, car, bank accounts, etc. – total value around \$2m

Assets in Jill's name:-

- \$30,000 in a Bank account.
- Jack's Will leaves everything split evenly to his wife & 8 children.
- Upon Jack's death Wayne recommends **Jill apply for Age Pension** as it will be some time before Jack's estate is settled and her only assets outside of basic home contents is her \$30,000 in the bank account.
- Result is that Jill receives maximum Age Pension of around **\$23,800 per annum**.
- When the estate is settled 18 months later Jill purchases a 2 bedroom Unit for \$180,000, retains her maximum Age Pension benefits and has around \$60,000 in her Bank account.

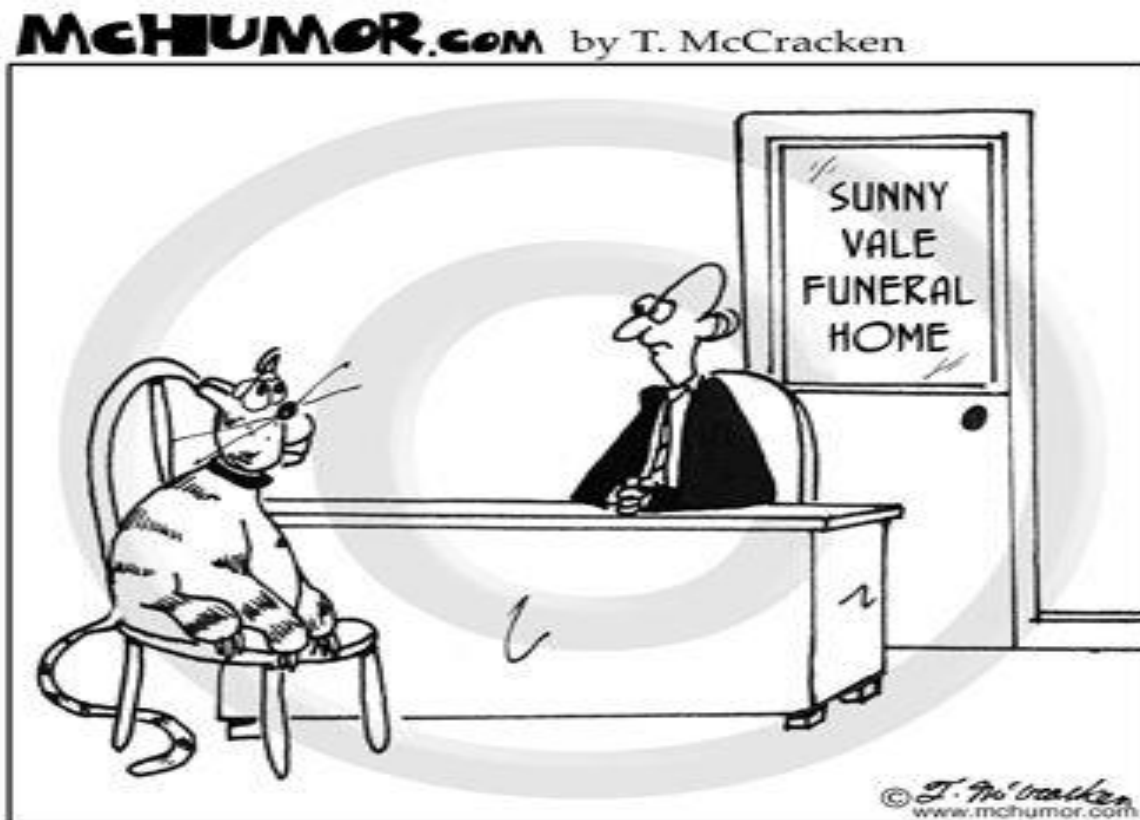


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Spend some money on the home



Pre-pay for funerals



"I'd like to prearrange nine funerals."

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Centrelink Age Pension Case Study 2

- Bill, 78 years & Barbara, 76. live in their own home and have 2 adult children
- All assets and investments (noted below) are in joint names:

Family Home	\$250,000	Shack	\$200,000
Home contents	\$ 5,000	Managed investment	\$300,000
Motor vehicle	\$ 5,000	Bank accounts	<u>\$ 50,000</u>
Total assessable assets			<u>\$560,000</u>

- \$432 each per fortnight (total of \$22,464 per annum) in Age Pension
- Bill passed away (at the time when Pensioners would lose their Concession Card if they were no longer in receipt of any Age Pension payments).
- As a result:- Barbara receives \$50 per fortnight (total of \$1,300 per annum) in Age Pension benefits.

Barbara was concerned she would soon lose all her Age Pension benefits and with it her Pensioner Concession card. In discussion with Barbara and her daughter it was agreed she would spend \$10,000 on a pre-paid funeral and gift \$10,000 to her grandchildren. Barbara was not keen to lock up any of her funds.

The reduction of \$20,000 of Barbara's assets meant she now receives more in Age Pension benefits. In addition she now draws down a regular payment from her Managed investment to meet her retirement income needs.



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Is Superannuation the Best Strategy for Retirees?

Potential advantages of Managed investment funds for retirees

- Possibly lower fees than an equivalent investment in Superannuation (based on Chant West fee comparisons)
- Retirees on a nil tax rate due to the **\$18,200 tax free** threshold, low and middle income tax offsets and Seniors tax offset
- A single Age Pensioner can effectively have **\$32,914** assessable income without paying any personal tax and a couple Age Pensioners can effectively have **\$59,218** assessable income without paying any personal tax
- Refund of franking credits
- Most retirees' risk profile is generally defensive to balanced. Given the current low interest rate environment this can assist to minimise future capital gains tax issues
- If there are minimal capital gains applicable to the portfolio the tax liability on death may be minimised.
- Managed investments in joint names for a couple will not trigger capital gains tax if one passes away

Potential disadvantages of Managed investment funds for retirees:-

Capital gains tax issues to be considered



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Actual Case of Elder Abuse

- Jenny, 82, divorced and living alone in her own home.
- Regular Home Care people come in to assist her manage the daily chores.
- One Carer tactfully befriended Jenny and took advantage of her loneliness and the fact Jenny's three adult children all lived interstate.
- Carer took Jenny to her own family home on Christmas Day and introduced her to her Mother & children. Jenny thought the world of this Carer.
- The Carer would take Jenny to the local shopping centre every fortnight on Pension day to let her withdraw \$800 from the ATM machine and also run errands for her when required.
- One day Jenny gave the Carer her ATM card along with the PIN to get something from the hardware store.



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Elder Abuse – Actual Case

- Carer took advantage of this situation and
- would often steal Jenny's ATM card from her purse and use it to make regular unauthorised cash withdrawals from a range of ATM's around the town
- The Carer would then ensure the ATM card was put back into Jenny's purse before it was required for the regular fortnightly \$800 withdrawals
- Fortunately the Carer was unaware Jenny had two bank accounts. As the bank account where Jenny made her regular withdrawals from was getting low the Carer was then making cash deposits into the account so as to not arouse any suspicion by Jenny not being able to withdraw funds from this account
- Jenny expressed concern to Wayne about her bank account getting low when it should be rising as her DVA Pension was more than \$800 per fortnight
- Upon investigation through the Bank and eventually the Police the Carer was exposed
- Almost 2 years since this matter occurred and whilst the Carer has been charged with theft of around \$16,000 the matter has still not made it to Court



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Appointing an Executor – Tips

- Trustee Companies serve a valuable purpose for specific circumstances
- They provide Will services at little or no cost where they are noted as the Executors.
- They earn fees upon the death of the Will maker and often will administer the Estate

Fee example:

Gross value of the Estate

\$0 to \$100,000

\$100,001 to \$300,000

\$300,001 to \$500,000

\$500,001 to \$1,000,000

\$1,000,001 to \$2,000,000

Above \$2,000,001

Trustee Fee

Minimum fee of \$5,500 applies

5.5%

4.4%

3.3%

2.2%

1.1%



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Trustee Company Fee examples

Based upon the above fee schedule the following fees would apply to the various estates noted below:-

Estate value	Fee applicable
\$8,000	\$ 5,500
\$150,000	\$ 8,250
\$400,000	\$17,600
\$800,000	\$26,400
\$1,500,000	\$33,000

- I know from personal experience the fees applicable to having an appropriate Solicitor assist me to complete my role as Executor for various deceased family members over the years has been substantially less than the fees noted above.
- Many of your clients may have their Wills with a Trustee Company and not be fully aware of the fees that will be applied to settle their estates upon death.



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Case Study where a Trustee Company was Executor

Fred is 83 years old and his wife Wilma is 80 years old.

Assets in Fred's name:-

\$200,000 House

\$2,000 Motor vehicle

Assets in joint names:-

\$9,000 Bank account

\$2,000 Home contents

No assets in Wilma's name

- When Fred passed away Wilma used \$8,000 from their Bank account to pay for his funeral.
- The Trustee Company who were Executors for Fred's estate charged Wilma a total of \$11,000 to settle this very simple & modest estate. As Wilma was unable to pay their account the funds were borrowed from family & friends until Wilma was able to sell the family home.
- The bulk of the remaining house sale funds were used to fund Wilma's entry into an Aged Care facility.



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Thank You



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QUESTIONS



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