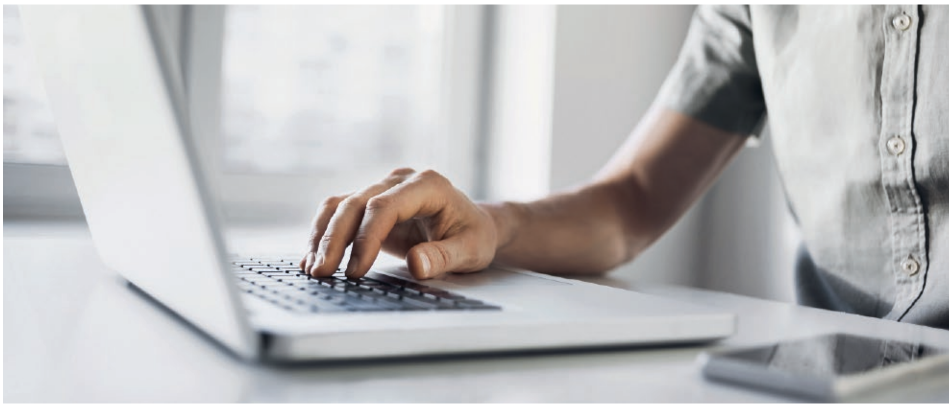
# Thinking about managing your own super?

**If you're wondering what's involved in self managed super and whether it's a good option for you, here are some things to consider.**



There's a lot to consider when it comes to managing a self managed super fund (SMSF). Setting up a compliant fund and managing your investments takes time and can give you the freedom to have more control over your future.

Of course acting as a trustee of an SMSF comes with specific responsibilities. Your SMSF must remain compliant with the rules governing self managed super. There are administrative and reporting obligations, and stringent guidelines about what you can buy through your super fund, and how the assets can be used.

## THE PRACTICALITIES

Some of the practical details you need to take care of when setting up your SMSF include:

1. **Registering your fund**—every SMSF must be registered with the tax office. You can do it yourself or we can do it for you.
2. **Rolling over your super**—we can help you set up a bank account for your SMSF so your accumulated super money can rollover.
3. **Administering and reporting**—there are a range of administration, compliance and reporting obligations your fund is required to meet. We can run through these with you.
4. **Setting up a trust deed**—every SMSF must have a trust deed which sets out rules for the way the fund must operate.

### Structuring an SMSF

There are two ways you can set up the structure of your SMSF. You can choose an individual trustee or a corporate trustee structure. Deciding on the type of trustee structure for your fund is an important decision that will affect the way the fund is managed and its costs.

### Following the rules

There are several laws governing self-managed superannuation funds (SMSFs) in Australia—and strict penalties for trustees of funds in breach of them. We can help you understand the obligations your fund has and the responsibilities that would sit with you as a trustee.

**MONEY SENSE FINANCIAL GROUP PTY LTD**
**YOUR PARTNER IN FINANCIAL PLANNING**

Money Sense Financial Group Pty Ltd ABN 66 100 868 157 is an Authorised Representative and Credit Representative of AMP Financial Planning Pty Limited ABN 89 051 208 327 AFSL No. 232706

Welcome to our new edition of our client newsletter.

Best regards
Renato, Michelle & the team at Money Sense

### Investing your super

Your SMSF's investment strategy must be documented and will determine how your fund invests its money. The investments of an SMSF generally include a mix of cash, term deposits, shares, managed funds and direct property. We can help you establish your fund's investment strategy.

There are stringent guidelines that determine how SMSF assets are used. From 1 July 2016, all assets considered as personal assets need to be compliant with new legislation. We can help you understand how assets like artwork, jewellery, wine and motor vehicles need to be managed.

As part of your investment strategy, you'll also need to consider the insurance needs of each member of your fund. We can help you consider life insurance, total and permanent disablement cover and income protection for each of your fund members.

### Find out more

An SMSF isn't for everyone so come and chat with us and we will help you work out whether an SMSF is right for you.

# What happens to my super when I die?

**As uncomfortable as it can be to think about, no one lives forever. And because you've worked hard to earn your super money, you'll want to make sure that when the time comes, your remaining super goes to your loved ones.**

Like many people, you may not know that your super money isn't covered in your will. Or how to make sure your money goes to the people you choose.

### WHY WON'T MY WILL COVER MY SUPER?

Your super is not covered by your will because your will only covers assets you own. Technically your super money is held for you in a trust.

### WHO CAN I LEAVE MY SUPER MONEY TO?

In the event of death, your super fund must pay a death benefit in the form of money, to someone in your life who is eligible to receive this money, known as a super beneficiary.

People who are eligible to be super beneficiaries are:

- Your spouse or partner
- Your children
- Anybody financially dependent on you when you die

If you want to leave your money to someone who is not eligible to be a super beneficiary, you'll need to make a binding nomination that your estate (or legal personal representative) is the beneficiary. Then you'll need to ensure your will is up-to-date so the money can be distributed.

### NOMINATING WHO YOUR SUPER GOES TO

When it comes to specifying your beneficiaries, most super funds will give you a number of options. These are explained in the table below.

| Option | What this means |
|---|---|
| Binding nomination (lapsing or non-lapsing) | The Trustee will assess your binding nomination to determine if it's valid. Lapsing binding nominations expire every three years and non-lapsing never expire. |
| Non-binding (preferred) nomination | The Trustee will decide which of your beneficiaries will receive your death benefit and in what proportion. Your nominated beneficiaries will be taken into account. |
| Reversionary beneficiary nomination | A reversionary beneficiary is the person who will receive your super as an income stream if you die. Only spouses, certain children and dependants are eligible and only some AMP super products have this option, so give us a call on 131 267 to find out more. |
| No nomination | Depending on the product, the trustee will either pay your death benefit to your estate or it may use its discretion to determine the beneficiaries. |

If your super's with AMP, we'll let you know when a lapsing binding nomination is about to expire, but you need to make sure your details are up-to-date.

Next time your binding nomination lapses, ask AMP whether your super product allows you to change to a **non-lapsing binding nomination.** This would mean having less personal administration to worry about—you nominate your beneficiaries once and don't have to worry about it again unless you want to change it.

It also gives you the peace of mind that you won't get caught out if you don't receive the lapsing reminder notice and something happens to you.

### WILL THE MONEY BE TAXED?

It will depend on whether the beneficiary receiving the super is a tax dependant or not.

A tax dependant includes your spouse, ex-spouse, children under the age of 18 or any other financial dependants. Lump sum super benefits paid upon your death to tax dependants will be tax free[1].

For a non-tax dependant beneficiary, the tax payable on the taxable component of the **lump sum super** benefits described in the table below.

| Type of super | Effective tax rate |
|---|---|
| **Taxable component: taxed element**<br>This is the part of the death benefit that relates to pre-tax contributions plus all fund earnings, which have been subject to tax in the fund. | Maximum tax rate or 15% plus the Medicare levy |
| **Taxable component: untaxed element**<br>This is untaxed because it has not been in the super environment until after the member dies. In other words, it is the part of the death benefit that has not accumulated in super. | Maximum tax rate or 30% plus the Medicare levy |

### WHAT TO DO NOW

To ensure you have binding nomination arrangements in place for your super money:

1. Check that your super fund allows binding nominations and find out what nominations you have in place. If your super is with AMP, you can login to My AMP, select your super account and manage your nominations. Or you can give us call on 131 267.
2. Make sure your chosen beneficiaries are eligible super beneficiaries and your will is up-to-date.
3. Complete and sign a binding nomination form—in the presence of two witnesses who are not beneficiaries—then send the form to your fund.

When you're considering who you're going to leave your super to, think about the people that matter to you most and how tax implications may affect the amount they receive.

1 https://www.ato.gov.au/Individuals/Deceased-estates/Superannuation-implications/

By AMP Life Limited, originally published on 24 November 2015 on amp.com.au/insights

# What's worth more – your belongings or your livelihood?

**At least one in five of us will be unable to work due to injury or illness in our lifetime, yet we're still more likely to insure our car than our most important asset–ourselves.**

You might have the attitude 'she'll be right' but looking at the statistics, there is more chance of something going wrong than you might think.

Over 80% of Australians insure their car but less than a third of us have income insurance should we have an accident and be unable to work[1].

## HOW INVINCIBLE ARE WE REALLY?

It's estimated that at least one in five Australians between the ages of 21 and 64 will be incapable of working at some point due to an unforeseen accident, injury or illness[2].

Despite this, almost 95% of the population is underinsured, meaning we could be setting ourselves up for real financial difficulties should something happen[2].

Here are some national figures to put it into perspective:

- Every year 236,000 people of working age suffer a serious injury or illness[2]
- 18 families in Australia lose a working parent every day of the week[2]
- 50,000 Australians have heart attacks every year[3]
- One third of women and a quarter of all men are diagnosed with cancer[3]
- More than 1,600 people die on Australian roads every year, most aged 26 to 59[3]
- A stroke occurs every 12 minutes across the country[3].

## DEBUNKING THE MYTHS

The national Lifewise campaign set the record straight on a number of misconceptions believed to be part of the reason behind why Australia is underinsured as a nation. These include:

1. **The government will look after me if something happens**
   Centrelink pays benefits, but it might not be enough to cover your current lifestyle.
2. **Workers' compensation will cover me**
   This only covers incidents that occur during work hours or illnesses that are a direct result of your employment.
3. **Life insurance is not affordable**
   For most Australians insurance is affordable and can be paid via monthly premiums. If you want a quick estimate, AMP's online calculator can help you crunch the numbers.
4. **Life insurance companies don't pay claims**
   Insurers pay out almost $10 million every working day in claims.
5. **I've already got enough insurance**
   Research shows 60% of families with dependent children don't have enough insurance to cover household expenses for a year if the family bread winner were to pass away.

## WHAT TYPES OF COVER ARE AVAILABLE?

Insuring yourself and your income can allow you to maintain your lifestyle and living arrangements, and give you comfort in knowing you can still meet your financial commitments—things like mortgage, rent, card repayments, bills, kids' education fees, and treatment and rehabilitation costs should you need it.

You can buy different forms of personal insurance through your super fund or via an insurance company. Here's a rundown of the four main types of cover available:

- **Life insurance** pays a lump sum on your death or the diagnosis of a terminal illness
- **Trauma insurance** pays a lump sum on the diagnosis or occurrence of a specific illness
- **Income protection** provides a replacement income of up to 75% of your regular income if you're unable to work due to illness or injury
- **Total and permanent disability (TPD)** pays a lump sum if you become disabled and are unable to ever work again.

## WHAT AMP'S DOING IN THIS SPACE?

In 2014, AMP paid more than $887.6 million in claims across its life, trauma, income protection and TPD policies. The age range of those making a claim varied from six years old to 88 years old.

The important thing to understand is why insurance might be necessary for your situation, whether that includes a partner or children, and how much you need so you are not under or over insured.

## FOR FURTHER INFORMATION

- AMP's online calculators can help you estimate how much insurance costs and how much insurance you need and for further information – videos and information.

## NEED HELP?

Speak to us today.

1 www.lifewise.org.au/facts-research#sthash.fSaAlgeC.dpuf

2 www.lifeinsurancefinder.com.au/post/compare-life-insurance-australia/the-impacts-of-underinsurance-in-australia/

3 www.lifewise.org.au/insurance-101/understanding-the-risks

By AMP Life Limited, originally published on 4 March 2016 on amp.com.au/insights

# Time to upgrade your ideas about retirement living?

## A lot has changed in recent years, especially when it comes to your living options in retirement.

Retirement living can offer much more than it once did. One thing's certain: you don't have to feel as though you're losing your independence and freedom when you move on from the family home.

Imagine your own precinct where you can get good coffee at the nearby café before a round of golf or doing a lap or two in the pool as you please. And all a short stroll from your own designer living room.

### AUSSIES ENJOY VILLAGE LIFE

Retirement villages are a popular accommodation option for older Australians, with more than 184,000 people calling a retirement village home[1].

Nine out of ten residents use the money from selling the family home to pay their ongoing contribution to village living[1]. And according to the Retirement Living website 95 per cent of people who live in retirement villages say village life is as good as or better than they expected.

These days the number of retirement village developments is on the rise with some being shortlisted and awarded prizes for the services they offer.

### WHAT TO LOOK FOR

If you are considering moving on from the family home, you may not have to give up any of your pleasures in life. And if a retirement village sounds like an option, there are things to consider when searching for the right place:

- What's important in your lifestyle—it could be golf, regular Pilates classes, an onsite beauty salon or medical consultancy rooms, or living with your pets
- Whether you want a social lifestyle or a more private one—you may choose to live in an apartment, townhouse or bungalow that offers the security you need but allows you to live independently
- Where you want to live—some retirement precincts are located close to local shopping centres rather than being gated-precincts that cut people off from the local community
- The ownership structure which will affect your legal rights, determine your security of tenure and the tax and stamp duty you may need to pay—you may have the option of a lease, strata title, company title, rental or licence
- Your preferred proximity to what's important to you, such as family and friends, and public transport
- The local facilities you'll need, like supermarkets and cafes.

When it comes to choosing the right option for you, consider what's available and the costs involved. Living options can range from serviced apartments to extra-care units. And costs will depend on the ownership structure you choose and can include an initial purchase price, maintenance fees and departure costs.

### WHEN TO CONSIDER YOUR LIVING OPTIONS

Almost 1 in 4 Australians between 55 and 64 years of age moved house in the last five years[2]. And at some stage you may want to downsize. When looking into retirement living, it's important to think about your needs today and in the longer term.

Explore our education module Selling the family home to understand all that's involved in downsizing.

Retirement living may not be something you want to consider right now—or ever. It's not for everyone. But if you or your partner reaches a stage where convenience or a sense of community is important, you may be pleasantly surprised when you look into the retirement living options available.

### PLAN AHEAD

If you're thinking about downsizing, our home and retirement planner can help you explore your financial position and how your home fits in with your plans.

Talk to us, that way you can put a plan in place early on and live your best life.

1 http://www.retirementliving.org.au/industry/services/facts/

2 ABS Census 2011, AHURI Downsizing Amongst Older Australians.

By AMP Life Limited, originally published on 4 September 2015 on amp.com.au/insights


## Contact us

**Money Sense Financial Group Pty Ltd** 64 Church Street, Traralgon 3844 134 Raymond Street, Sale 3850

**Telephone** 03 5174 3622 (Traralgon) 03 5144 2922 (Sale) **Email** contact@moneysense.com.au **Website** moneysense.com.au




23521 10/16