

Money Matters

Morvest Financial Planning Newsletter • Spring 2010 Edition

Welcome

Welcome to the Spring edition of Morvest FP Money Matters. We commence this issue looking at Australian women and superannuation – the changing face of the Australian workplace means women need to take control of their future by planning for retirement carefully.

You'll find news of Morvest's involvement in local activities, an informative questionnaire to help you evaluate your financial plans and information on the Education Tax Refund. At Morvest FP, we are always available to discuss and review your current situation and offer tailored advice to help you achieve your financial goals. I look forward to talking with you in the near future.

Best regards, Mark Carroll.



LOOKING AFTER WOMENS BUSINESS

According to the Association of Super Funds of Australia (ASFA), the average super balance for women at retirement is \$73,000, compared to \$155,000 for men¹.

This significant dollar difference highlights a number of key trends and issues for Australian women:

- their lower average super balance can be partly attributed to many taking time out of the workforce to have children, and the gender pay gap that still exists in many industries²
- they are over-represented among low-paid and casual workers, and
- women have traditionally taken a less active role than men in financial planning.

Given that women outlive men by an average of six years, it's crucial they make planning, saving and investing for their retirement a priority.

There are ways to 'catch up'

Leaving the work-force to have children and raise families is unavoidable (and preferable) for many women, but it doesn't have to mean a lessened super balance. Similarly, unmarried or divorced women shouldn't be disadvantaged when it comes to their super. There are various ways for women to 'catch-up' and ensure they have enough to support themselves in retirement.

1. Salary sacrifice

If you arrange with your employer, they could make extra contributions³ into your super fund from your pre-tax salary. This allows you to reduce your taxable income and the contributions are generally taxed at a maximum rate of 15%, not your marginal rate.

2. Government co-contributions

You can also make super contributions⁴ from your after-tax salary or savings. Provided you earn less than \$61,920⁵ pa and meet certain other criteria, the Government may make a co-contribution of up to \$1,000 into your super account. For more information visit: www.ato.gov.au/super

3. Spouse contributions

If you have a partner, you could get them to make after-tax contributions⁴ into your super account. Provided you earn less than \$13,800⁵ pa and meet certain other conditions, your partner can claim a tax offset of up to \$540 when they complete their tax return.

4. Investment strategy

Numerous studies into investor behaviour have shown that women are more risk-averse than men when it comes to

investing, and this has significant implications for their wealth at retirement⁶.

It seems a growing number of women are becoming more interested, educated and 'aggressive' when it comes to investing, and more are seeking financial advice, but overall their super balances remain lower.

A high-growth investment strategy has the potential to deliver higher returns over the long-term. If you're comfortable with a certain degree of risk and still have a few years to go before retirement, this could be a good strategy for boosting your wealth.



5. Financial advice

The more information and expert advice you have the better. A financial planner can help assess your risk tolerance and prepare an investment strategy to achieve your long-term goals. They can also advise you on superannuation strategies and the right insurances.

Regardless of your age and income, having a current financial plan and a wealth creation strategy means taking control of your future. Given the statistics on superannuation, this is particularly important for Australian women.

1. www.superannuation.asn.au, 2009.
2. According to the Australian Bureau of Statistics (ABS) the current gender pay gap between full-time, adult male and female earnings is 17.53% (ABS, 2008 Average Weekly Earnings Australia, November 2009).
3. A cap applies to salary sacrifice and certain other concessional super contributions. In 2009/10, this cap is \$25,000 pa or, if you're aged 50 or over, \$50,000 pa until 30 June 2012 and \$25,000 pa thereafter.
4. A cap applies to personal after-tax super contributions, spouse contributions received and certain other amounts. In 2009/10, this cap is \$150,000 pa. But if you're under age 65, the cap is \$450,000 provided your total non-concessional contributions in this financial year and the following two financial years don't exceed \$450,000.
5. Includes assessable income, reportable fringe benefits and reportable employer super contributions.
6. Women's 'problems' with finance and investment. Marilyn Clark-Murphy & Paul Gerrans, Edith Cowan University, 2004.

MORVEST FP SUPPORTS ST PHILOMENAS



At Morvest FP we are delighted to be able to support local community groups, charities and schools.

Recently we supported a fund-raiser for St Philomenas School, Moree, by providing the second prize for the school's P&F Association mid year raffle – a financial health check up valued at \$750.

Congratulations to the raffle winner, Luke Cubis, pictured being presented with his prize by St Philomenas School P&F president John Bruno and Morvest director, Peta Carroll.

The money raised from the raffle will help the P&F fund improvements to the facilities and education resources for the region's children.

ACT NOW

Score 12–17

It sounds like you have a few questions you'd like answered, so it could be a great time to review your financial strategy. A Morvest Financial Planner can help you make the most of your money and discuss strategies that could help you achieve a better outcome.

Score 18–25

You seem to have many aspects of your financial health in good shape, but could still benefit from a

comprehensive review. At Morvest FP we can highlight new opportunities and strategies you may not have considered, to help put you in a better financial position through all market conditions.

Score 26+

You may well be on track to a secure financial future as you seem to have a broad understanding of financial strategies and confidence about your financial plans. If you'd like to ensure your plan will help you achieve your long-term goals, just give us a call.

GET YOUR FINANCES INTO SHAPE

What would you like to be doing in the next year, in five years or even thirty years?

Getting your finances into shape now can help you and your family prepare to achieve your goals and enjoy a better financial future.

The best place to start is with a quick financial health check. Take a few minutes to work through the questions below – it will help you evaluate your

current position and where you might need some help staying on track.

If you would like help to review or plan your strategies, or discuss opportunities that could help you achieve better outcomes in the current climate please contact Mark Carroll at Morvest FP to arrange an appointment.

Question	1 point	3 points	Score
Financial markets			
1. Do you feel you have a thorough understanding of current market conditions and what they mean for you?	No	Yes	
2. Would you like to find out more about financial markets and investing?	Yes	No, I have a good understanding	
Building wealth – Did you know:			
3. You can structure your debt to pay off your loans faster?	No	Yes	
4. By diversifying (spreading your money across a range of investments) you can reduce your investment risk?	No	Yes	
5. You can use the equity you have built up in your home to create wealth?	No	Yes	
6. There is a range of smart strategies that could maximise your after-tax returns?	No	Yes	
Super – Do you:			
7. Have multiple super funds?	Yes	No	
8. Know the benefits of consolidating your super into one fund?	No	Yes	
9. Know what your super is invested in?	No	Yes	
10. Know you can purchase tax-effective insurance through super?	No	Yes	
Protect your family and lifestyle			
11. Would your family be able to maintain its lifestyle and pay off debts if you were to die or suffer a serious disability?	No	Yes	
12. Do you have money set aside for a rainy day, or in case you or your partner is made redundant?	No	Yes	
13. If you were unable to work for three months or longer because of an accident or illness, could you meet your living expenses without a regular income?	No	Yes	
Plan ahead			
14. If you're planning to retire in the next 10 years, which statement best describes you?	I am on my way but would still like to build more wealth.	I am looking forward to retiring; I know I'll be able to afford an enjoyable lifestyle.	
15. Do you know how much you'll need to have invested to enjoy the same lifestyle in retirement as you do now?	No	Yes	
		TOTAL	

EDUCATION: IT PAYS TO CLAIM

Helping your children do well at school and setting them up for success is the goal of every parent.

But getting them there can be an expensive exercise. The costs add up with school fees, uniforms, text books and computer expenses, so every little bit helps.

The Government's Education Tax Refund (ETR) gives parents a tax offset for certain expenses related to their child's schooling.

According to the Government, only half those eligible for the ETR are currently claiming. Given you can claim up to \$750 per child, you might want to check your eligibility.

Unclaimed money

At the end of 2009, the ATO found they had under a million claims for the ETR.

This is out of an estimated 2,669,000 children that are eligible. In dollar figures, only \$488 million of the projected \$1.02 billion costs has been claimed so far.

Those families yet to claim are missing out on a significant tax break; up to \$750 for high school children and \$375 for primary school children.

How do you get it?

To claim the benefit you'll need to have spent on education expenses (such as textbooks and computers), for a child who you've received:

- the Family Tax Benefit Part A (FTB-A) for, or
- a payment for the child, such as the Youth Allowance, that stopped them receiving FTB-A.



Making a claim

The easiest way is to contact your financial planner or accountant, they'll be able to tell you more about the ETR and if you're eligible.

You'll need to claim the expense in the tax year it was paid and can only be made for eligible expenses incurred from 1 July 2008.

If you didn't claim for last year there are options:

- If you lodged your return through a tax agent you can ask them to make an online variation to claim the refund.
- If you lodged it yourself you can write a letter to the Tax Commissioner explaining you didn't realise you could claim the ETR and would like your refund amended.*

Of course, once you receive the ETR it's worth putting it to good use – such as planning for your child's future education. Morvest FP can offer tailored financial advice to help you work towards your child's educational requirements, call 02 6752 1917 today or email mark@morvestfp.com.au

*Source: Financial Focus Winter 2010 – MLC limited publication.

FAREWELL

Following five years with Morvest FP, our Customer Services Manager, Carmel Mills, has announced her resignation to pursue new opportunities and further her career. Carmel's final day with us will be Thursday 23 September.

Carmel has made a significant contribution to the evolution of our business and I would like to acknowledge her commitment to Morvest FP and her valuable work with our clients. On behalf of everyone here, I wish Carmel all the very best in her future endeavours. We will certainly miss her.

We will soon be in a position to introduce our new Client Services Manager who will work with us through our next stage of growth. In the meantime, as always, we look forward to continuing to provide you with the highest level of financial advice and personal attention.

Where to find Morvest Financial Planning

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