INSIGHTS

SPRING 2017

FINANCIAL ISSUES AFFECTING YOUR LIFESTYLE

BUYING YOUR DREAM HOME – AT ANY STAGE OF LIFE

Spring is boom-time for real estate, with a market surge after the quieter winter months. So if you're planning to buy a home this season you should have plenty of options to choose from – if you know what you're looking for.

Starting out

If you're a first home buyer looking to enter the property market, price will likely be the main consideration in your choice of home. So you may need to steer clear of expensive inner-city locations in favour of suburbs or regional centres.

But as your first property is likely to be a long-term investment, you'll want to make sure it has the potential to increase in value – so it's worth doing some research around up-and-coming neighbourhoods in your area.

To avoid straining your budget, be wary of 'fixer-uppers' that may require hefty spending on repairs and maintenance down the track. But at the same time, think about how you can add value to the property when you eventually sell. Even a small renovation could give a big boost to your sale price.

The good news for first home buyers is that the government is proposing to offer a helping hand. If the First Home Super Save Scheme is legislated, you'll be able to access up to $30,000 of your pre-tax super contributions (plus earnings) and put this amount towards a deposit.

Upgrading

As you move through life, your housing needs may change as well. For instance, if you have a growing family or pets, you might be in the market for a larger property with plenty of living areas and outdoor space. You might even consider a cheaper neighbourhood if it means you can afford a more sizeable home.

Other geographic considerations may include easy access to schools, parks and public transport. You may also want to be within a comfortable distance of your parents or other relatives.

If you don't have a family and you're not planning to start one, a change of address could allow you to enjoy the type of lifestyle you love. For example, you might take the opportunity to move to a vibrant neighbourhood with plenty of restaurants, cafes and recreational facilities nearby.

Working from home? You'll probably want a peaceful location with enough space for your home office.

Median home prices in each capital city

State	House	Apartment
Adelaide	$524,968	$312,346
Brisbane	$546,043	$375,269
Canberra	$723,299	$403,128
Darwin	$666,686	$351,880
Hobart	$404,522	$310,854
Melbourne	$865,712	$474,848
Perth	$555,788	$377,823
Sydney	$1,178,417	$757,991

Source: Domain State of the Market Report, June 2017.

Downsizing

Once the kids have flown the coop, you might think about selling the family home and moving somewhere cosier. And as you settle into retirement, you may prefer to be surrounded by a community of people your own age who enjoy similar hobbies and activities.

Chances are you won't want to move again any time soon, so you'll need to consider how your needs may change in the future. As you become less active, you'll want a home and neighbourhood that are both easy to get around. It's also worth ensuring you'll have easy access to medical facilities and government services.

If you're looking to downsize, you may be able to use it as an opportunity to boost your nest egg. A new government proposal will allow Australians aged 65 and over to contribute up to $300,000 from the sale of their home directly into super if they've owned it for 10 years or more. If legislated, this proposal will take effect on 1 July 2018.

Speak to your financial adviser

No matter what you're looking for in a new home, it's worth talking your financial adviser. They can help you work out your budget and create a financial plan to suit your needs and lifestyle at any stage of life.

MAKING A SMOOTH TRANSITION TO RETIREMENT

Wondering about the best way to ease into your retirement years? A transition-to-retirement strategy may be the answer, but it's important to know that the rules have recently changed. Here's the lowdown.

These days, there are all sorts of pathways to retirement. As more Australians choose to wind down gradually from their careers, it's becoming increasingly common to move to part-time hours before leaving the workforce altogether. Other pre-retirees prefer to use their last few years of earning a regular income as an opportunity to give their nest egg a final boost.

Since 2005, Australians who have reached their 'preservation age' have been using transition-to-retirement (TTR) strategies to take advantage of tax savings when they start accessing their super. But with recent changes to super rules from 1 July 2017, are TTR strategies still as rewarding as before?

How does a TTR strategy work?

In a nutshell, a TTR strategy involves drawing a transition to retirement pension from your super while you're still working. To set it up, you transfer part of your super into a pension account. Then, you have to withdraw between 4% and 10% of the balance each financial year.

When can I start one?

While you're still working, you can start drawing a TTR pension from your super as soon as you've reached your 'preservation age'. This could be anywhere from 55 to 60 years old, depending on your date of birth. Check the Australian Taxation Office (ATO) website for details.

But remember, if you've already fully retired after satisfying a condition of release or turned 65, then you don't need to set up a TTR pension to access your super. You can simply take out a lump sum or begin drawing a regular income stream from your super to fund your retirement.

What are the benefits?

Starting a TTR pension means you can work fewer hours but still have the same amount of money coming in, with your pension payments supplementing your reduced income.

Alternatively, you can keep working full time while salary sacrificing part of your pre-tax earnings into super. Again in this case, your TTR pension helps make up the shortfall in your take-home pay.

This was once a particularly tax-effective strategy, but new rules around the tax treatment of TTR pensions have made this a less attractive option for many pre-retirees.

What's changed?

Until 30 June 2017, all investment earnings on super assets supporting TTR pensions were tax-free – but this is no longer the case. Legislation was passed in late 2016 to remove the tax-exempt status of TTR pensions, with this rule coming into effect on 1 July 2017.

From that time, investment earnings on TTR pensions (including those commenced prior to 1 July 2017) are taxed at up to 15% – the same tax treatment that applies to your super while in the accumulation phase.[1]

This change means that TTR strategies will generally become less beneficial, although they can still be worthwhile in many situations, depending on your circumstances.

Importantly, there are no changes to the tax treatment of TTR pension payments.[2] If you're aged 60 or over, your payments are tax free. If you're between preservation age and 59, then the taxable component of your pension payments will be taxed at your marginal tax rate. On a positive note, you're eligible for a 15% offset to reduce the tax you pay on this component.

Is a TTR strategy right for me?

If you already have a TTR strategy underway, or you're thinking of starting one soon, check with your financial adviser to see if it's still the best option for you. And since a TTR strategy may involve chipping away at your retirement savings, your financial adviser can help work out how much you can draw down so you'll still have enough super to last the rest of your life.

1 Once you reach age 65, or notify your super fund that you've met another eligible condition of release (retirement, terminal medical condition, permanent incapacity), your TTR pension becomes a retirement phase income stream and earnings on assets supporting your pension become tax free.

2 The tax treatment discussed assumes you are a member of a taxed superannuation fund (most funds)

FINDING YOUR FLEX

Nicolette Rubinsztein has built her career as a senior financial services executive and non-executive director – all while working part time and caring for three young daughters. She shares her seven strategies for balancing a successful career and parenthood.

7 strategies to find your flex

Nicolette used her corporate expertise to find a solution to managing work-life balance, based on **McKinsey's 7S Framework**.

1. Shared Values

What will make you happy? And what will make your family happy? The answers may be different for everyone, but Nicolette says it's important for partners to be on the same page.

"You and your partner need to discuss and agree how you will approach parenting and work. Having the support of your partner is critical to enabling you to succeed as a career mum or dad."

2. Structure

How will you structure your life? Are you able to work part time, or job share? Or work from home?

"I'm a fan of part time – it lets you keep a foot in the career door and stay up to date. But it can be financially challenging."

"In an ideal world, I'd like to see a model where both parents work part time – that would be much more sustainable. Running two full-on careers in one household is very tough," says Nicolette.

3. Style

This is all about creating a brand that enhances the perception of value to your business – building up brownie points that you can cash in for greater flexibility.

"Make sure you're a star before you go on maternity leave, so you are in a stronger position to negotiate when you return. One way to do this is to build relationships by staying in the same company for a few years before you start a family."

4. Skills

"Statistics show that having women in the workplace reduces risks, boosts morale and lifts profits and brand image – so don't be afraid to be yourself."

Her advice is to use your skills and plan ahead of time so you are in the right role, with the right company and the right boss. This will make negotiating part-time arrangements easier.

5. Strategy

Childcare strategy is a key element of success – and a bit of a jigsaw, Nicolette says.

"You'll probably need a combination of both parents, day care, grandparents or babysitters to fill in the childcare gaps."

"But try not to overuse day care if you can help it, and make sure you have one on one time with your child every day."

6. Staff

Nicolette says it's important to get help with everyday tasks, to free up valuable time at home.

"Your partner will generally be the first port of call – but, if you can afford to, outsource some domestic work to create more time for work and family."

"There are plenty of men and women in high powered jobs and children that are still doing their own cleaning. This may work for a while, but it's ultimately unsustainable."

7. Systems

Your systems can help keep you organised – whether its synched calendars to help you and your partner manage your time, a detailed 'to do' list, or online groceries delivered every week.

You can find more about Nicolette's strategies for success at her **website** or in her book **Not Guilty** – a practical guide for juggling a family and corporate career to find genuine work/life balance.

SPEAK TO US FOR MORE INFORMATION

We are always available to discuss any questions or concerns you may have.