

Behind the Scenes at PRP

Aaron's Departure

Sadly, we farewell Aaron Gill this month, following a career with PRP Wealth Management that has spanned the past 10 years. Aaron is taking a break from Financial Planning to pursue other interests and we know that he will be missed by all PRP staff and the many clients that he has advised throughout this time.

We wish Aaron all the very best for the future and good luck for the coming 2014 Footy Season which will celebrate his 20th year at Senior level.

Welcome Leah and Trish

It is a pleasure to introduce two new staff to the Group:

Leah Gaerth commenced in August, having previously worked with Deloitte in Adelaide for 3 years following completion of her University studies. During leisure time, Leah enjoys fishing and cooking, but not necessarily cooking the fish that she catches.

Trish commenced in October and had previously worked at the Berri Pharmacy in addition to both the CBA and ANZ Banks. In her spare time, she plays golf, enjoys gardening, craft and spending time with family and friends.

Christmas Message

The management and staff of PRP wish you and your family our warmest wishes for a wonderful Christmas and a prosperous New Year.

PRP Christmas Trading Times

Adelaide and Renmark Wealth – Closed from 5pm on the 20th December 2013 and re-open 6th January 2014.

Renmark Accounting - Closed from 5pm on the 20th December 2013 and re-open 6th January 2014.



Grandma's Christmas Cake

- 1 cup (160g) raisins
- 2 ¼ cups (306g) sultanas
- ¾ cup (120g) currants
- 1 cup (140g) slivered almonds
- 1 cup (140g) chopped dates
- ¾ cup (180ml) brandy
- 1 teaspoon ground cinnamon
- ¼ teaspoon ground nutmeg
- 1 teaspoon vanilla extract
- 300g butter, softened and chopped
- 1 ¼ cup (220g) brown sugar
- 4 eggs
- 2 ¼ cups (335g) plain (all-purpose) flour
- ¼ teaspoon bicarbonate of (baking) soda
- ¼ cup blanched almonds



Place the raisins, sultanas, currants, almonds, dates, brandy, cinnamon, nutmeg and vanilla in a bowl, mix well, cover and soak for 6–8 hours or overnight. Preheat oven to 150°C (300°F). Place butter and sugar in the bowl of an electric mixer and beat for 8–10 minutes or until light and creamy. Add the eggs, one at a time, and beat well after each addition.

Sift flour and bicarbonate of soda over the fruit mixture and mix well, ensuring all the fruit is coated in flour. Add the butter mixture and stir to combine well. Spoon into prepared 22cm-round cake tin. Press the almonds around the edge of the cake to decorate. Bake for 3 hours 10 minutes or until cooked when tested with a skewer. Allow to cool in the tin. Serves 8–12.

+ To make 9cm-round cakes, bake for 1 hour 30 minutes. Makes 6. To make 12cm-round cakes, bake for 1 hour 50 minutes. Makes 3.

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Financial habits of successful people

Financial success is not an accident and it's not about luck. Instead, it's all about planning for the future and developing great financial habits along the way. Here we discuss five financial habits of very successful people, plus a few non-financial ones. Best of all, these practices are not exclusive to the rich and famous – they're all habits you can develop in consultation with your financial adviser.

1 Live within your means

Do you struggle to pay the bills each month or do you have the reassurance of a slowly rising savings account? Actress Keira Knightley famously paid herself just US\$50,000 last year despite the fact that her acting and other work brought in over US\$2 million. Success is about earning more than you spend, which begins by developing an awareness of what you spend, then setting strict budgets.

2 Set small, realistic goals

We'd all like to earn more each year but dreaming about it will get us nowhere. In order to make more money there are certain small, daily steps we need to take. These are the things successful people concentrate on, rather than only looking at the big picture. It may mean making five more sales call every day, setting a specific time to do the less productive things (answering emails etc) and working hard the rest of the day, spending more time at networking events or keeping a list of to-dos. The little changes in one's daily life can make a very big difference to annual earnings.

3 Familiarise yourself with finance matters

A person with a clear understanding of the way a car engine works is far less likely to have a problem with their car thanks to the fact that they know the maintenance essentials and the danger signals. Along those same lines, the wealthy are good

with money because they understand the various options open to them no matter what's going on in the market. They regularly seek counsel from financial advisers and spend time reading up on financial matters.

4 Take action

Successful people don't believe good things come to those who wait, they go out and create their own financial fate. Some people spend money on lottery tickets week after week, hoping for a financial miracle, while successful people are busy putting steps in place to ensure financial success. They see the clear value in a visit to their financial adviser and not watching TV in hope.

5 Don't buy what you don't need

Wealthy people put their spare money into investments that will provide returns. Those that are not as successful with their money tend to fill their homes with items that make them feel wealthy – laptops and big-screen TVs and tablets etc – but which essentially drain their spare funds and prevent them from becoming financially successful.

6 Lifestyle habits

Research has proven that financially successful people eat less junk food, count calories and exercise at least three to four times a week. They get up three hours before going to work, network and/or do volunteer work five or more hours per month and spend less time on the internet and watching TV. They value relationships and actively seek to build friendships with people both within work and in their private lives and spend time every day reading information relating to their careers in order to advance their skills and knowledge. Finally, they pass on these traits to their children, ensuring they will also grow up with a financially, physically and socially healthy outlook.

Source: INFORM Publication October 2013 Financial Wisdom Ltd

Did you know?

Do you know someone who would benefit from PRP Group Services? Why not pass along this newsletter to introduce us!

We have accounting and taxation services in both Adelaide and Renmark? We would be happy for you to refer friends and family to have their tax returns completed by us!

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Aged Care and the former home

People often assume they need to sell their home when they enter an aged care facility. The decision to sell or retain the former home is a complex one and family members often make the decision without fully understanding the effects on social security and aged care fees.

In this article, we focus on the social security and aged care fee impacts of selling or retaining the former home. In reality, we understand that there are a number of other considerations including the wishes of the person entering the aged care facility and their family.

Does the client have to pay an accommodation bond?

The decision to sell or retain the former home is often dependant on whether the resident has to pay a lump sum accommodation bond. An accommodation bond is essentially an interest free loan to an aged care facility. The average bond in metropolitan areas is approximately \$300,000.

If the resident has to pay an accommodation bond and has limited other assets besides their family home, they may have to sell the family home to fund the bond. An alternative is to pay interest on the outstanding bond amount however the current interest rate of 6.6%pa makes this an expensive option.

An accommodation bond is generally payable when entering a low level care facility, often called a hostel. An accommodation bond may also be payable if the resident is entering an "extra services place" in a high level care facility. An extra services place offers 'hotel' type services including higher standards of accommodation or increased entertainment or food choices.

An accommodation bond is not payable if the resident is entering a high level care facility, often called a nursing home, that is not an extra services place. If an accommodation bond is not payable in a high level facility, an ongoing accommodation charge is generally payable instead. The current maximum accommodation charge payable is \$33.55 per day.

If the client does not have to pay an accommodation bond or has sufficient assets to pay a bond without selling the former home, it can be advantageous to retain the former home and rent it out as the resident may be eligible for a 'special exemption'.

Special exemption

The advantage of the special exemption is that the former home is exempt under the social security assets test and the rental income from the former home is exempt for both the social security income test and for the calculation of income tested aged care fees. This can result in the resident receiving a higher rate of Age Pension and paying lower income tested fees than if the client sells the home and invests the proceeds.

To be eligible for the special exemption, the resident must:

- Retain their former home, and
- Rent it out, and
- Pay either an accommodation charge or part of an accommodation bond as periodic payments.

Periodic payments refer to paying interest on an outstanding accommodation bond amount. The outstanding bond amount can be as small as \$1,000 resulting in periodic payments of \$66pa under current interest rates (6.6%pa).

Example

Rose is entering a low level care facility called Sunny fields Hostel. She owns her former home worth \$500,000 and has been asked to pay an accommodation bond of \$300,000. Rose also has cash and term deposits of \$350,000 so she can afford to pay the accommodation bond without selling her home.

If she retains her former home and rents it out, Rose will be entitled to the special exemption as long as she pays a portion of the accommodation bond as periodic payments. Rose decides to pay \$1,000 of the accommodation bond as periodic payments and the remaining \$299,000 as a lump sum.

As Rose is entitled to the special exemption, the value of her former home (\$500,000) will be an exempt asset for the social security asset test and Rose will continue to be assessed under the homeowner asset test limits. In addition, the rental income of \$20,000 from the former home will be exempt from the social security income test and the calculation of the income tested fee.

Alternatively, If Rose sold her former home she would be assessed as a non-homeowner under the social security assets test and any sale proceeds would be assessable. Depending on how she invests the sale proceeds, they would generally be an assessable asset under the social security assets test

Insurance Policies

More and more Australians are kicking the smoking habit and enjoying better health and lower Insurance premiums. If you have an Insurance policy through PRP, and have given up smoking for longer than 12 months, please contact us to find out the potential insurance premium savings. We will forward you a "Non Smoker Declaration" for you to complete and then once accepted by your Insurer the premiums will reduce immediately.

Last chance to access small business immediate deductions

Small businesses thinking of acquiring a depreciating asset costing less than \$6,500 or a motor vehicle need to do so by 1 January 2014 before the concessions available for capital purchases are removed.

What are the current and the proposed measures?

The key capital allowance concessions currently available to small business may be summarised as follows:

- an immediate tax deduction is available for business plant and equipment purchased with a cost of less than \$6,500, and
- a small business which purchases a motor vehicle for business use is entitled to an immediate deduction of the first \$5,000 value of the motor vehicle plus 15% of

and deemed income would be assessable for both the social security income test and the aged care income tested fee.

The following table compares the amount of Age Pension and aged care fees payable under the two scenarios:

	Age Pension	Aged Care Fees
Keep home	\$21,504pa	\$16,720pa
Sell home	\$13,285pa	\$19,277pa

Calculations use rates and thresholds current 4 November 2013

The reduction in Age Pension and increase in aged care fees can come as a surprise to the resident and their family and highlights the need for advice before entering an aged care facility.

Every situation is different and it's important that an adviser who is familiar with social security and aged care rules reviews the situation. Retaining the former home and gaining the special exemption is not the right decision for everyone, but for some residents it can be the right strategy.

Source: Financial Wisdom Ltd

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Fee Disclosure Statements

During January and early February, many of you will receive a Fee Disclosure Statement. This is now a legislated requirement which outlines to you, the Advice Fee that PRP receives from you each year. You have been provided with this information in the past during our review process and the Fee is also disclosed each year in your Account statements.

The statement is for your records and requires no action on your behalf.

any additional value. The remaining value is allocated to the small business general pool with a rate of 30% to be claimed in subsequent income years.

The proposed amendments however will:

- reduce the \$6,500 threshold to the previous amount of \$1,000 so that assets exceeding the \$1,000 threshold will instead be allocated to a general small business pool for depreciation claims, and
- repeal the special rule for motor vehicles so that motor vehicles will be depreciated by small businesses in the same manner as other depreciating assets (ie. by being allocated to the general small business pool).

The repeal of these small business capital allowance concessions will apply from 1 January 2014.