



## FOFA - Future of Financial Advice

We are in the midst of the largest Government reform agenda for the wealth planning industry. The Future of Financial Advice reform aims to improve the quality of advice given to consumers, to strengthen investor protection and to build consumer trust and confidence in the financial planning industry.

The three big FOFA obligations are:

1. Ongoing Advice Fee Disclosure Statements
2. A Ban on Conflicted Remuneration
3. Best Interest Duty

For a detailed explanation you can either contact us direct or go to the following link:

<http://frank.btf.com.au/the-reforms/fofa/>

Many of you will have already experienced additional documentation from our offices and we don't see this changing any time soon.

## Behind the Scenes at PRP



We are very pleased to welcome Tracy Rohrlach to Renmark office. Tracy is a long term Riverlander with 4 children at various stages of their education. She has worked in Banking for the past 4 years and prior to that, was working in the financial planning industry.

This newsletter may contain financial product advice of a general nature only and is not intended to constitute personal advice. It does not take into account your particular investment objectives, financial situation or needs and accordingly, you should consider the appropriateness of this information in light of your own circumstances. We recommend that you obtain professional advice. Where appropriate, you will be provided with a Product Disclosure Statement in relation to the product you are recommended. You should consider this document before making any decision to acquire the product in question.

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## Investment Market Update

As at the time of writing (July 1), investment markets have produced solid returns for the 2013 financial year. Once again however, that familiar theme of volatility raised its head during May resulting in falling share prices for the month. None the less, risk assets (Shares and Listed Property) have outperformed all other sectors during during the past 12 months as noted below:

Cash rate	3.15%
UBS Composite Bond index	2.78%
6 month Term Deposit average rate	4.30%
All Ordinaries Total return	20.67%
UBS Global Shares index	24.37%
Listed Property Trusts (AREITS)	24.22%

Source: Asgard

The major themes from a local perspective during this time have been:

1. The RBA reducing local interest rates to a historic low of 2.75% from 3.50% in July 2012.
2. Investors chasing yield through the purchase of quality Australian companies that deliver consistent dividend payments (particularly the Banks, Telstra, Wesfarmers)
3. An improving economic outlook for the United States
4. A reduction in the 'noise' associated with the European debt position and outlook

You, our clients have diversified portfolios which are designed to provide either income, capital growth or a combination of both over time and are structured around your individual ability to tolerate volatility. That is, the value of your investments fluctuating in the short to medium term.

Whilst unable to provide a forecast as to what will happen in the next 12 months, we believe that investment markets will remain quite volatile. The likelihood is that continuing low interest rates will make it difficult for investors to achieve a reasonable return without taking some risk. It is possible that Term Deposit rates could fall further resulting in a return in the high 3% region.

The Australian share market remains 28% below its peak reached in October 2007 (some 5 1/2 years later). When dividends are included the result is much improved but still flat throughout the period. In stark contrast, the US Dow Jones and S&P 500 have traded at record levels in recent weeks, recovering all of the losses associated with the Global Financial Crisis.

Our position remains consistent, in that we believe that over time a well diversified portfolio of investments will continue to not only protect capital but provide you with the outcome you desire.

## Did you know?

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!

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

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The 2013 Federal Budget was the 6th Budget delivered by the current Treasurer. Delivered exactly 4 months out from the next Federal election it may prove to be their “swan song”.

The key highlights:

- Personal tax rate changes deferred for at least three years
- Future increase in Medicare levy
- Limited deductibility for self education expenses
- Confirmation of the April superannuation announcements
- Age pension relief for pensioners considering downsizing their principal residence

The announcements made were largely non-surprising with virtually all major announcements (from a financial planning perspective) having been rumoured and confirmed in the days and weeks leading up to this night.

Of major significance, the Government is moving ahead with its proposal to fund the National Disability Insurance Scheme with a 0.5% increase to the Medicare levy from 1 July 2014.

Personal marginal tax rates and thresholds that were due to increase from 1 July 2015 have been deferred until the carbon price reaches \$25-40. By tying the change to the carbon price, there is no guarantee on when the change will occur, although it is currently predicted not to occur until 1 July 2018.

Whilst the Government is looking to improve education funding generally through implementing many reforms from the Gonski report, many people may actually find that the personal cost of education will increase. The Government has announced that from 1 July 2014, an annual limit of \$2,000 will apply to the deductibility of work related self-education expenses.

For aged pensioners that have previously considered downsizing their principal residence, the Government has announced a trial of a new scheme that allows for some of the proceeds from the sale of the principal residence to be invested in a special account, and for that amount (and the earnings on it) to be exempt from Centrelink means testing for a period of 10 years.

Overall it was a Budget with many small measures, but no significant changes of any magnitude that weren't already known. In an election year, it was perhaps lacking for expected concessions that are often promised as part of an election pitch. For many, it may actually prove to be a tough Budget with more to be paid in the future. However, this appears to be what the Government was actually aiming for - a socially and economically responsible Budget as a step to trying to return the Budget to surplus in the future.

It is always important to remember that virtually all measures introduced will still need legislation to be introduced and pass through Parliament, so the final version of the changes may differ to the announcements made.

Taxable income	Tax on this income
0 - \$18,200	Nil
\$18,201 - \$37,000	19c for each \$1 over \$18,200
\$37,001 - \$80,000	\$3,572 plus 32.5c for each \$1 over \$37,000
\$80,001 - \$180,000	\$17,547 plus 37c for each \$1 over \$80,000
\$180,001 and over	\$54,547 plus 45c for each \$1 over \$180,000

## Changes to Superannuation

### Higher tax on concessional contributions for high income earners

Previously announced in the 2012 Budget and the recent subject of draft legislation released for consultation, individuals with “total income” in excess of \$300,000 will be subject to an additional 15% tax on their concessional contributions to super up to their relevant concessional contribution cap limit.

### Changes to tax free treatment of superannuation in pension phase

As previously announced on 5 April 2013, the existing tax free treatment applying to assets supporting a superannuation income stream will be limited to the first \$100,000 on earnings on those assets. Any earnings above that limit will be subject to the standard 15% tax rate applying to complying superannuation funds. The \$100,000 threshold will be indexed to CPI and increase in \$10,000 increments.

Transitional rules will apply in respect of capital gains that accrue on assets acquired before the commencement of this measure (ie pre 1 July 2014).

### Changes to concessional contribution caps

From 1 July 2013 a higher concessional contribution cap of \$35,000 will apply to people aged 60 and over. This higher cap will then become available to people over aged 50 from 1 July 2014.

### Low Income Superannuation contribution

The low income super contribution was introduced with effect from 1 July 2012 and essentially provides a refund of the 15% contribution tax for those on incomes of up to \$37,000.

Under the existing rules, if the amount of low income super contribution a person was eligible for was less than \$20, no payment would be made. This technical issue has been amended, so that anyone on an income up to \$37,000 and otherwise eligible will have the payment made to their super fund.

## Social Security and welfare payments

### Deeming superannuation account based income streams (Allocated Pensions)

For Centrelink income test purposes, superannuation income streams are concessional treated as a result of the calculation of a “deductible amount” that reduces the income amount assessed for benefit calculation purposes.

This concession will continue indefinitely for existing income streams. However, new superannuation account based income streams starting after 1 January 2015 will be assessed under deeming arrangements applying to other financial investments.

### Increased level of income before allowance payments reduced

Currently, allowance recipients can earn \$62 per fortnight before there is a reduction in the amount of the allowance payment they can receive. For the first time in over 10 years, this threshold will be lifted. With effect from 20 March 2014, the threshold will increase by \$38 to \$100 per fortnight. This equates to an annual increase in income under the income free threshold of \$988.

In addition, from 1 July 2015, this new \$100 threshold will be indexed annually to CPI.

The payments impacted by these changes are Newstart Allowance, Sickness Allowance, Parenting Payment Partnered, Widow Allowance, Partner Allowance Benefit and Partner Allowance Pension.

### Replacement of existing Baby Bonus

From 1 July 2014, the existing Baby Bonus scheme will be removed. Instead, for families eligible for Family Tax Benefit A, increased benefits of \$2,000 will be paid in the year following the birth (or adoption) of a child, and a \$1,000 increase for second and subsequent children. The additional amounts will be paid as an upfront payment of \$500 with the remainder to be spread over the next seven fortnightly payments.

Source: Asgard “TECHknow - Special Budget Update”