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Autumn **2013**

The changing state of super

From 1 July 2013, the Superannuation Guarantee (SG) percentage will increase to 9.25 per cent - the first increase to minimum SG rate since it reached 9 per cent in 2002/03. It will gradually increase to 12 per cent by 1 July 2019.

SG is the official term for compulsory superannuation contributions made by employers on behalf of their employees. Under the current SG scheme, all employers are required to make a prescribed minimum level of superannuation contributions to a complying superannuation fund on behalf of their eligible employees.

In May 2010, the Federal Treasurer Wayne Swan announced that compulsory employer super contributions were set to increase, and on 29 March 2012, the proposed increase in SG entitlements received Royal Assent and became law.

The Federal Opposition have confirmed their support for this initiative, and will not make any changes to the increases if they win the September election.

The new minimum

The increase in SG contributions is a stepped process starting with a 0.25 per cent in the 2013/14 financial year, and then a 0.25 per cent increase in the 2014/15 year. For the following five years after the 2015 financial year, the SG rate will increase by 0.5 per cent until it reaches 12 per cent from July 2019.

Year	Rate
Current rate	9.00%
1 July 2013	9.25%
1 July 2014	9.50%
1 July 2015	10.00%
1 July 2016	10.50%
1 July 2017	11.00%
1 July 2018	11.50%
1 July 2019 and onwards	12.00%

Source: superfuture.giv.au/indiviuals/more_super_for_your_future

The SG increase has significant financial implications for anyone expecting to remain in the workforce for more than seven years, because the full three per cent increase takes affect from the start of the 2019/20 year – in just over six years' time. According to the Federal Government, the 33 per cent increase in the SG rate will give a 30-year-old on average full-time wages and extra $108,000 in retirement savings just by turning up for work![1] The Government projects that these measures will generate an additional $10 billion by 2020 and $35 billion by 2035 in private saving each year.

Abolishing the SG age limit

Included in the Government's legislation is the abolition of the SG age limit from 1 July 2013.

This means employers will be responsible for contributing super regardless of your age – it's currently capped at 70 years.

Who will fund the additional SG contribution?

Some large employers will fund the additional 0.25 per cent superannuation for their employees. For others, employees will notice this additional charge in their first pay for the 2013/2014 financial year, which will reduce their take-home income.

You should check with your human resources or payroll departments if unsure about the arrangements for your employer. Going forward, employers will be able to take the SG increase into account when negotiating future wage agreements so the increase should not stop real wages growing.

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1 Source: Fact Sheet: Superannuation – Increasing the Superannuation Guarantee Rate to 12 Per Cent. http://www.futuretax.gov.au/content/Content.aspx?doc=FactSheets/super_guarantee_rate_to_12_percent.htm

Aged care: the financial challenges of living longer

Australia's ageing population means an increasing number of people will need some degree of living support, either at home or in a residential facility.

The Productivity Commission's 2011 report Caring for Older Australians says the number of people needing aged care services will increase to 3.5 million (10.3 per cent of the population) by 2050. Demand for services rises considerably once a person reaches 85, with more people developing disabilities, including dementia.

More than 1.6 per cent of the population is already over 85 and by 2050 this will have risen to at least five per cent.[1] Future challenges for the aged care system in Australia include the increasing expectations of older people, a relative fall in the number of informal carers and the need for more workers.

As you, your parents or relatives age, decisions about care and ongoing living arrangements will need to be made. Understanding the ageing person's financial situation, as well as current and future potential health needs can help to ensure they can continue to comfortably meet their living expenses.

Types of care

The Federal Government accredits and funds a large proportion of Australia's aged care homes – some of these may be run by religious and community organisations, private enterprise and state or local government.

There are generally two levels of care:

- **high-level care** (nursing homes) – for those who need 24-hour nursing care, perhaps because they are physically unable to care for themselves or because they have advanced dementia
- **low-level care** (hostels) – for people who need some help with daily living, for example they may need assistance with dressing, eating or washing.

Other options to consider are independent living units or a retirement village.

First steps

Prior to applying for a place in a government-funded aged care home, the local Aged Care Assessment Team (ACAT), or if you live in Victoria the Aged Care Assessment Service (ACAS), will need to conduct a free assessment. A member of the team will visit you (or the family member who is considering aged care) and may also speak to your doctor.

The assessment team will recommend an appropriate level of care, which may be one of the following:

- permanent high-level residential care (nursing home)
- permanent low-level residential care (hostel)
- respite care
- community care services to help stay in the family home.

Useful numbers

Aged Care Assessment Team/
Aged Care Assessment Service – **1800 052 222** (National)

Aged and Community Care
Information Line – **1800 500 853**

Centrelink number for
aged care related matters – **12 23 00**

Department of Health and
Ageing's Aged Care Complaints
Investigation Scheme – **1800 550 552**

Department of Veterans Affairs – **13 32 54**

The Aged Care Rights service – **1800 700 600**

1 Source: Productivity Commission, Caring for Older Australians, August 2011,h ttp://www.pc.gov.au/__data/assets/pdf_file/0010/83386/05chapter3.pdf

Fees and charges

Someone assessed as needing a bed in a low care facility may be asked to pay an accommodation bond. This is similar to an interest free loan to the aged care facility while they live there, however the facility is able to retain a portion of the bond each year for up to five years. The amount is negotiated with the facility depending on an individual's assets. A person entering a high care facility generally pays an accommodation charge instead of a bond.

The cost of bonds vary greatly, depending on the facility, an individual or couple's circumstances and the financial advice they may receive about the best way to pay a bond.

After the bond, there is a basic daily care fee and a daily income-tested fee, which the Department of Health and Ageing determines. The daily care fee depends on a person's pension status and the date on which they enter care, while income as assessed by Centrelink.

The family home

One of the biggest decisions facing families whose loved ones are moving into aged care accommodation can be whether the family home is retained or sold. While selling the home may provide extra income to live on, there could be significant implications on the accommodation bond, accommodation loan or eligibility for the age pension. It's critical to have all the information to make an educated decision, and that's where we can help.

Talking together

Ideally, you should start to talk about aged care with your family while you, elderly parents or relatives are still able to make sound decisions about future care.

Of course, this may not be possible as aged care, capability and personal finances are often difficult topics to discuss. It is also a notoriously complex and involved sector, with multiple government and private agencies to deal with. Many people find that they don't know where to start.

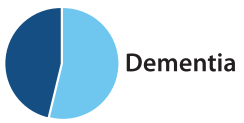
Speakingwith us, your financial adviser provides a way to plan effective aged care options. It can also be a good way to facilitate a clear family discussion at a time when emotions may be running high.

By working with us, we can consider issues such as superannuation arrangements, assets and debts, Centrelink pensions and aged care entitlements, so you can build a clearer picture of the available choices.

We can help with financial decisions such as how to pay the accommodation bond or charges and their impact on pensions and tax. You may also need to consider power of attorney options as part of the same discussions. We can also help you work with other professionals, such as accountants, lawyers and real estate agents as required, enabling you to make educated decisions about this important transition.

1 in 7 Australians are aged 65 years or over. As Australia's population ages, the demand for aged care community packages and residential services is likely to increase.

Over 50% of permanent residents in Australian Government funded aged care facilities had a diagnosis of dementia.



Over 4 times as many women as men aged 90 or over, are in permanent aged care.

Source: http://www.aihw.gov.au/aged-care/

Review your insurance strategy: **it's an investment**

We're all interested in reviewing the current status of our wealth creation plan to see how our investments are performing. Unfortunately however, reviewing your insurance strategy is an often forgotten activity, as many of us adopt a 'set and forget' approach.

Do I still need my insurance?

If you've ever been involved in a car accident, had a flight cancelled, become seriously ill or had an injury that has kept you out of action for any length of time, you'll know how worrying these incidents can be. If you have insurance, the cost of repairs, medical treatments, travel changes or recovery treatment can be softened.

Insurance provides the money you need when things go wrong, and we all know that sometimes, they do.

What if nothing has really changed?

You should still review your insurance strategy every year, even if nothing has changed. Intense competition in the risk insurance marketplace means that insurance providers are always looking for the 'edge' with their products, particularly to ensure they remain in the highest rated products.

This can often result in additional benefits, better policy definitions and the introduction of new additional options which can be of value to you if you need to make a claim. While many insurers will automatically 'pass back' improvements in their policy definitions, this shouldn't be assumed.

When should I review my cover?

You should review your insurance strategy whenever there is a change in your personal or business circumstances, and at least annually.

Changes in any of the following areas should prompt you to review your cover as they can impact the type and amount of insurance cover you need:

- income
- assets
- debt levels
- dependants
- relationship status (for example marriage, divorce or a new partner)
- occupation or employment status (for example if you become self-employed or employee)
- health (improvements or change in health of you or your partner)

Where can I go for help?

It's best to speak with us, as we specialise in helping you understand the details of any policies you have, or that you are applying for.

Why do my premiums go up?

A question that is sometimes asked is 'Do events such as the GFC impacted on my premiums? I have heard that due to the poor investment returns life insurance companies are facing, they have to pass this on to me in higher premiums.'

According to TAL, the answer is generally no. Most life insurance companies invest the premiums received into the short term money market and not into shares, in respect of backing their insurance liabilities. In broad terms, insurers are trying to match their investment strategy to suit the liabilities they are exposed to.

Whilst short-term interest rates have come down, as the Australian Government and those around the world have tried to stimulate economic activity through cheaper credit, this would only have a marginal impact on term premium rates. An exception to this is long term income protection, where falling interest rates have their biggest impact, due to the long term nature of the liability potentially stretching many years into the future.

Does inflation impact your premium rates?
Yes, although only marginally so. As with any other business, rising costs faced by life insurers end up being passed on to customers. However, the component of your premium which is used for the running business expenses of the insurer is often only a fairly small component, and with inflation at approximately 2.5 per cent per annum (http://www.rba.gov.au/inflation/measures-cpi.html), this is not a significant factor.

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