GOLDSCHMIDT & CO

Chartered Accountant
Financial Planning Specialist

NEWSLETTER MARCH 2017

Welcome to our March newsletter. As I write, the financial year has been good to us, with the all-ordinary's index now sitting at 5775, up from 5240 on the day of The Donald's election. There are still a few uncertainties out there that have the capacity to upset the markets, so I remain cautious, and the recent changes to my risk levels reflect a slightly more conservative outlook going forward.

Those clients for whom we have Adviser Authority, and drawing a pension from cash, would have noticed that we have recently rebalanced your portfolios back to your risk level percentages, taking profits from shares and topping up your cash for future drawings.

If any clients are at all uncertain about their portfolio or you have had changes happen in your life, then just give Lila a ring and make an appointment to check with me.

WEBSITE

We have just upgraded our Website, the address is goldschmidt.com.au There are several enhancements and it also gives easy links to most of the fund managers etc.

We have tried to make it more intuitive, with information for prospective clients that you refer to us, so they can see what we do, and sections to help existing clients as well.

ONLINE SECURITY

We have installed extra security protection on our computers to further protect us against cyber frauds and hackers. It's now hard for us to access, so must be really hard for someone trying to hack into our information. Forgive us if it takes an extra minute to access your information. Remembering the passwords is better for our brains than Sudoku.

NEW EMAIL ADDRESS

As part of the cyber security upgrade we have a new email address that we would like clients to use.

It is: admin@goldschmidt.com.au

This will be visible to David, Lila and Denise as well, so less risk of David missing it.

Please remember that we will never email you to ask for confidential information "out of the blue". We will confirm by phone or mail first. Scams are getting very sophisticated and believable, so please exercise caution.

COMPLIANCE – RENEWAL NOTICES

Thank you all for responding well to the ever more numerous compliance obligations needed to run our business. Soon we have to send out "Renewal Notices" to all **new** clients from 01 July 2013. **This notice must be signed and dated and returned to us.** This will give us authority to continue to give you financial advice in return for paying ongoing fees. If the renewal notice is not returned to us, then our relationship with you will terminate and we will not be able to provide you with any further financial advice or services.

Other clients that pay us fees through their accounts will receive their annual fee disclosure statements, which are just for your records. Most of our clients will receive these by email.

JULY SUPER CHANGES

July '17 is not far away now. There are major changes to the super system that clients need to be aware of:

There is no more 10% test. Those under 65 can make a personal concessional (deductible) contribution, as long as total concessional contributions do not exceed $25,000.

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The maximum amount in or transferred to an allocated pension is $1.6m – the rules on this are complex and not something you should try at home.

Transition to retirement allocated pensions now become taxable at normal super fund rates, so not much benefit to those who are not using them as funding for salary sacrifice. Anyone who has one and has retired or has changed employment since turning 60 should let their allocated pension manager know, so it can be treated as a normal tax-free allocated pension. Again, these rules are complex.

The annual $25 000 maximum will have a rolling 5 year bring forward top up rule, so if you have put in $10 000 per year for 4 years ($40 000) you can put in $85 000 in the 5th year (5 x $25 000-$40 000), provided your existing super & allocated pensions do not exceed $500 000.

The annual non-concessional contribution amounts change from $180,000 per year to $100,000 per year. The 3 year bring forward rule still applies for those younger than 65. Those lucky enough to have more than $1.6m in the super environment cannot make any further non-concessional contributions.

The new rules are cunningly designed to make financial planner indispensable, and even we find it confusing. I'm going to need to increase our professional indemnity insurance cover.

GREAT GREAT GREAT GRANDKIDS

There is a view amongst 20 something year olds who actually think about it, that the current generation that runs the planet (mostly baby boomer age) doesn't care too much about environmental sustainability as long as there is a buck to be made now, and climate change and the overuse of finite resources will be for future generations to worry about and try to solve.

I have some sympathy for that, as I have kids and hopefully grandkids, so I've invested in solar power on my roof and recommend that clients look into it. The return on capital is better than I've been able to give my clients over the past 10 years. I've also researched Perpetuals Ethical SRI (Socially Responsible Investments) Fund and added it to our approved list. It is a share fund and available through Colonial First State if any of our clients want to consider it. Past performance has been very good as well.

Only a token gesture in the grand scheme of things I'm sure, but better than nothing.

DEATH TAXES ON SUPER & ALLOCATED PENSIONS

There appears to be some confusion as to tax on super and allocated pensions on death.

The basic rule is that super/allocated pensions go tax-free on death to a financial dependant such as spouse or defacto or dependent child.

Any portion that goes to a non-dependant such as major child is subject to tax at 15% plus Medicare Levy.

Therefore, if you have no dependent heirs and the doc gives you the news that your time here has become very limited, then the strategy should be to take all money out of super/allocated pension (usually tax-free) and place it in cash where it can be passed on tax-free to non-dependent heirs.

REMINDERS

Anyone who has made a Personal concessional (deductible) contribution to super must lodge a "Notice of Intention to Claim a Tax Deduction" form with their super fund. Not us.

Anyone who receives franking credits from direct shares or share investments through us, but does not have to lodge a tax return because their taxable income is too low, should still do an "Application for Refund of Franking Credits" form NAT4131 and get a pleasant surprise present from the ATO.

Kind Regards,

David Goldschmidt

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Director