



2015 TIPS Latest Newsletter

We certainly know this is now the start of the busy period with midyear exams and the task of preparing reports almost upon us! With the recent pay rise having now been added to your fortnightly take home pay this works out well with the July holidays not too far off!

At TIPS we receive regular daily questions from teachers just like yourselves which first start by asking:

- “Is there anything we should consider doing now to make my finances easier to have more time with my family?”

Simple question really, but is it? In reality it is a combination of looking at both your lifestyle and finances to see if you are really making the most of your family’s current situation.

In this issue we look at:

- Ways to help your family stay in control to be able to get ahead and make a real difference with a potential wealth transfer. Are your kids ready today?
- We all certainly can find ways to spend money! TIPS to make smart decisions with your spending in 2015.
- Don’t worry, be happy! Insights from around the world for living an EXTRA 20-30 years with positive action.

Following reading these articles if you do have any burning questions or just want to have a quick chat to give yourself the peace of mind that you are on top of your finances, please feel free to contact the TIPS team.

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Intergenerational wealth transfer

Intergenerational wealth transfer – or in simpler terms, passing on assets to your family, can be, and often is, a huge issue for all family members concerned. If done well and executed properly, it can make a real difference to the financial position of the recipients. If misjudged or poorly handled, it can cause enormous grief, fights and resentments that are never forgotten nor forgiven.

What's involved?

The first step you should take, is to go through the process of making a will, which is a legal document that enables you to say who gets what after you die. Without one, your estate could go to people you wouldn't want it to. Indeed, in the absence of a will, and any relatives, your estate may end up going into the public purse.

Given the importance of a will in seeing your family receive what you want when your estate's distributed, incredibly, it's estimated that nearly half of all Australians die without one.ⁱ This is even more surprising when you realise a will can be a fairly simple document to draw up, and generally doesn't cost much. Having a solicitor draw one up for you will ensure it's properly completed and worded, and is less likely to be successfully contested by anyone who believes they haven't received their fair share of the pie.

Naturally, there's not much point in having a will if no one knows where it is. Make sure one copy is in a safe place for yourself, and keep another copy with your executor and/or solicitor.

Wealth transfer during your life

While having a well-considered and properly drawn up will is a necessity for anyone serious about achieving good outcomes, you don't have to wait until you die before distributing your wealth. You can pass on assets while you're alive, though note, there may be some pitfalls involved, depending on your circumstances.

Firstly, you need to ensure that by giving your capital or assets away you're not going to leave yourself short-changed, particularly if you live longer and have greater aged care costs to deal with than anticipated, which is not unlikely.ⁱⁱ You really have to consider closely whether you can afford to pass on the assets you would like to while you're alive.

Secondly, if you give away assets worth more than \$10,000 in one year or more than \$30,000 in five years, anything above those limits, under so-called 'deprivation' rules, are still counted as belonging to you, for up to five years – and this can negatively affect your Centrelink aged pension and aged care entitlements. We recommend you speak with your financial adviser if you might be at risk.ⁱⁱⁱ

There may also be costs involved in the transfer, such as capital gains tax and stamp duty. Make sure you speak to your accountant before making any decisions.

Other considerations

With intergenerational wealth transfer there are other issues to consider in addition to the ones above. These include:

- what tax implications there may be for your beneficiaries (some assets may be passed down with a potential capital gains tax liability or a superannuation death benefit tax attached – which affects their ultimate net value)
- what your beneficiaries really want (one child may want your shares, the other may want your old Jaguar)
- which of your beneficiaries may be 'at risk' (for example, your daughter's marriage could be looking shaky, which could see part of her inheritance from you end up in her ex partner's hands).

These and other matters can be addressed through some key steps including open family communication, the use of testamentary trusts if required, a binding nomination on your super and a good will. Much of intergenerational wealth transfer will involve input from your solicitor, however for an area as important as this, a lot of very useful advice and help can be provided by your financial adviser.

i <https://www.moneysmart.gov.au/life-events-and-you/over-55s/wills-and-power-of-attorney>

ii http://www.legalanswers.sl.nsw.gov.au/guides/wills_estates/intestacy.html

iii <http://www.humanservices.gov.au/customer/enablers/assets/gifting>



Saving in a material world

It's not easy to be thrifty in our consumer society. We're surrounded by so much temptation that it can be difficult to avoid spending money.

So why not try taking a break from spending? If you can tighten your belt on the little things, it can help ensure you have enough for the odd splurge, that well-earned holiday, or for unforeseen expenses.

Here are some creative ways to cut your spending.

Get smarter with your spending...

Negotiate on your utility bills

It's a competitive market, with energy companies chasing your business. So don't be afraid to ask your provider for a better deal, or switch providers for a better offer. Many companies also offer 'bill smoothing' so you make even payments throughout the year and don't have to worry about a jump in your bill when the season changes.

Give up the daily latte!

For many of us, the morning coffee has become an integral part of our working routine. But why not try the coffee machine at work? After three months you could have saved more than \$360.

Buy in bulk... and get to the market

More Australians are realising the benefits of buying home brands and in bulk. Stock up on daily household staples to make some real savings. And for your fruit and veg, it's worth trying the market. Buying directly from market traders can mean less mark-up. Get there half an hour before stalls close and you'll find that prices go down rapidly as traders sell off their stock.

Shop online

There's also a reason marketers pay a lot of money to put their products at the end of the aisle. It's just too easy to pop them into your trolley. So why not go online? You might not get quite so many bargains. And you might pay a little for delivery. But you'll avoid those impulse purchases. And by consuming less, you could spend less.

Leave the car at home

As the weather warms up, you could try walking or cycling to work. You'll save money, get fit and you might even get to work more quickly by avoiding the gridlock.

And if your workplace is simply too far away, what about cycling to the nearest train station?

Put more into super

You can sacrifice some of your before-tax salary to boost your super and potentially make immediate tax savings. These 'concessional contributions' usually carry tax advantages. That's because these contributions are taxed at only 15% (or 30% if you earn over \$300,000pa), which for many people is lower than their marginal income tax rate. You can put up to \$30,000 into your super at this concessional tax rate (or \$35,000 if you're 49 or over as at 30th June 2014).

Bring your super accounts together

More Australians are realising the power of one super fund. We can help you bring your super together for immediate savings if you are paying multiple sets of fees.

Consolidate your debts

Having a number of debts could potentially mean you pay higher interest rates and multiple sets of fees. So think about bringing them together into the debt with the lowest interest rate, which could be your home loan. The lower interest rate means you'll pay less interest from day one. And down the line you'll pay off your debt sooner.

Set up an offset account for your home loan

An offset account is a day-to-day savings account typically linked to a variable rate home loan. Your savings reduce the balance of your home loan for the purpose of calculating interest charges. It's a simple tool that can help you make immediate savings on interest. And over the life of your home loan you could save thousands of dollars.

Get your tax return done!

The official tax return deadline is the end of October. Although if you're using an accountant you've got even longer. But why wait until the last minute? The earlier you receive any tax return, the earlier you can start getting your money working for you. After all, it's your money.

Keep it going!

Of course, we're all different. So it's important to find your own way to save and make the sacrifices you're prepared to make to achieve the outcome you want.





Live Happier Live Longer

– Positive Ageing tips from around the world

By Dr. Timothy Sharp

Dr. Timothy Sharp is an academic, clinician, coach and founder of the 'Happiness Institute'. He is an Adjunct Professor at the University of Technology Sydney and at Melbourne's RMIT University.

Did you know, you are more likely to live an extra twenty to thirty years more – another adult lifetime – than your predecessors did, only two or three generations ago? This evolutionary improvement is the gift of a 'third age' – and properly enjoyed, it need not be one of illness or decline, but one of growth, wisdom, maturity and more.

Positive Ageing

Why does positive ageing seem radical? Why does it seem at odds with our view of ageing? Because many of us base our understanding on the universal concept of entropy – the natural tendency for the universe and everything it contains to fall apart, to decline into chaos.

There's an argument to be made that this concept definitely doesn't apply (or at least, doesn't have to apply) to many aspects of ageing – notably, those parts of our lives and physical beings that grow and improve over time, rather than decline and diminish.

So, what are these areas? The gaining of wisdom, maturity, sophistication and the enduring strength of the human spirit. These attributes, can contribute to positive ageing in our gift of a 'third age'. The benefits of

these we may only enjoy once we have acknowledged their existence and actively taken responsibility for them.

Taking positive action and making plans to unwrap the gift we've been lucky enough to be given all feature in my latest book. As the old saying goes, 'If you fail to plan, you're planning to fail', and failing in this scenario has some pretty serious consequences.

Blue Zones

Much of what we know about positive ageing comes from research into the "Blue Zones"; these are towns or regions with significantly higher proportions of healthier older people; relatively more centenarians and less age related illness.

Researchers have studied these Blue Zones, including Okinawa in Japan and Sardinia off the coast of Italy, and they've found a number of common themes for living longer and healthier lives, including:

- A life purpose, a reason for living and for getting up each and every day
- Respect others and value close familial and community ties
- Optimism, a positive attitude for life, laughing often and using perspective to manage stress
- Avoid overeating, consuming a diet high in natural produce with small amounts of protein and 'good fats'

- Keep active in the normal course of daily living
- Live a relatively simple life, with health, wellbeing and relationships taking precedence over possessions
- Adequate sleep and rest, typically benefiting from at least eight or nine hours of sleep nightly, and for some enjoying naps during the day
- Know that happiness isn't just about feeling good but also doing good
- Practice gratitude and appreciation, focusing more on what they have and less on what they don't
- Respect the older generation. Older people are not considered frail, weak or incompetent. Quite the opposite was observed - elders were given greater respect because of their experience and wisdom.

These are things each and every one of us can do too. You don't have to move to Okinawa, Sardinia or anywhere else, because the things that the Blue Zone residents do are not dependent on where they live, but on how they live.

This is an edited extract from Dr. Sharp's latest book ("Live Happier Live Longer – your guide to positive ageing and making the most of life")