Prepare FOR LIFE
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THERE'S MORE

to income protection than you may think

When discussing income protection with clients, we find there's no shortage of misconceptions around what income protection actually covers, and how far reaching this cover can be.

Some people think that income protection only covers injuries and has limited value for those in low risk occupations. The reality is that it also covers illness, which makes up 40 per cent of claims.

Furthermore, it's not only illnesses with obvious physical affects that are covered. Mental illness is responsible for many claims and is by no means uncommon in our community; one in five Australians will experience a mental illness at some stage in their lives.

Many clients are equally unaware of the variety of ways income protection can assist, through supplementary benefits and support beyond the basic income stream. The following real life story dramatically illustrates the value of quality income protection insurance.

HOW SIMON'S STORY UNFOLDED

In the three months following the death of Simon's best friend, Simon developed a debilitating post traumatic stress disorder resulting in clinical depression and time off work.

Fortunately, some years earlier Simon had purchased income protection.

This paid him a regular income, which helped replace lost wages. Simon was also offered a rehabilitation benefit, through which he was assigned a rehabilitation adviser.

The rehab adviser developed a management plan and worked with Simon's GP to identify appropriate courses of therapy.

With Simon unable to return to his own occupation, the rehab adviser engaged a specialist — paid for by insurance — to retrain Simon for the building industry. Simon progressed well and was able to secure his first building job.

A TWIST IN THE TALE

Long working hours, less family time and medical support took its toll; Simon suffered a relapse. The rehab adviser once again became involved and even organised a personal trainer to help Simon lose weight and to improve his general well-being.

Simon persevered, recovered and was able to recommence work, this time with more on-the-job training and support. Despite the fact that he was working full time, the insurance continued paying partial income support, due to his wages being less than what they were prior to his disability.

TAKING THE NEXT STEP

Simon's story demonstrates the value of quality income protection insurance that goes beyond a simple income stream; insurance that provides holistic support for the complexities that illness can bring.

Source | Asteron

Life is full of unexpected twists and turns.

If you found yourself in a situation similar to Simon's, could you survive without income protection? Don't leave it to chance; speak to us today about the income protection options available to you.

People seeking support and information about depression can contact Lifeline on 13 11 14 and MensLine Australia 1300 78 99 78.

Estate planning- Essential for everyone

When you think of estate planning what comes to mind? For most of us, it immediately conjures up thoughts of death. Who wants to think about death when you have a whole life to live? Understandably, we often push estate planning to one side and focus on more pressing concerns such as looking after our family, paying our bills and generally living life.

If you change your view slightly, however, it's easy to see estate planning in a more positive light. If you have loved ones that depend on you and if you want to ensure that they are properly cared for, estate planning should be important to you.

Estate planning basically ensures that the wealth you have worked hard to build is protected. It reduces the stress on your loved ones or beneficiaries by ensuring that when you pass away or become incapacitated, your wealth is transferred to them smoothly, tax effectively and according to your wishes.

Essential for everyone

The word estate can bring to mind images of vast properties and millions of dollars, but you don't have to be wealthy to have an estate plan. You also don't have to wait till you're older to get your estate affairs in order.

Estate planning is essential for everyone, particularly if you:

- Are the parent of minor children
- Have family members with special needs
- Have recently bought or sold major assets
- Have a family trust, self-managed super fund or business, and
- Care about your health care treatment.

Why estate planning is important

Estate planning is vital if you want to:

- Avoid probate – this is often a lengthy process where your assets are frozen and cannot be transferred to your loved ones until the courts determine if your Will is valid and enforceable
- Minimise tax
- Protect your beneficiaries and your assets, and
- Avoid beneficiaries fighting over who gets what.

More than just a Will

Estate planning is also more than just having a Will. If you already have a Will, then you're off to a good start. Most people, however, make the mistake of believing their Will covers all of their assets.

In reality, jointly held assets, trust assets and superannuation are excluded from Wills and should be considered as part of a comprehensive estate plan.

A comprehensive estate plan should include:

- Having a valid and up-to-date Will
- Nominating your beneficiaries for your super
- Listing beneficiaries for your insurance policies
- Naming guardians for minor children
- Setting up testamentary trusts to reduce tax liabilities for your beneficiaries, and
- Choosing a power of attorney to look after your financial and personal affairs if you become incapacitated.

Get your affairs in order

The best time to get your estate affairs in order is now. We can help you set up an estate plan, ensuring you have a valid Will and enough insurance. We can also help you find the most financially and tax effective way to distribute your assets after you pass away.

Source | IOOF

New obligations for trustees of self-managed super funds

Trustees of self-managed superannuation funds (SMSFs) now have some new obligations to comply with as a result of recent amendments to superannuation legislation.

The changes that took effect from 7 August 2012, codify measures originally announced as part of the Government's Stronger Super reforms.

The key changes you need to be aware of include:

Investment strategies

While trustees of SMSFs have an obligation to formulate an investment strategy for their SMSF and invest in accordance with that strategy, legislation now requires trustees to also regularly review their investment strategy, taking into account any changing circumstances of the fund or its members. For example, a member commencing to draw an income stream (pension) from their fund would generally be regarded as a change in circumstances that necessitated a review of the investment strategy.

Trustees are also required to consider the insurance needs of the members of the fund. Consideration of insurance forms part of the investment strategy requirements.

For trustees to comply with this requirement, they need to consider the types and levels of insurance cover, taking into account the personal circumstances of each member and whether the insurance should be held inside or outside the superannuation environment.

Separation of fund assets

Superannuation legislation has always contained a provision that stipulates that assets of a SMSF must be kept separate from assets owned personally by the trustees of the fund, or by a "standard employer sponsor". To strengthen this requirement, it has now become an operating standard. As a result, the Australian Taxation Office (ATO) has the power to enforce compliance.

Trustees should take the time to review the assets held by their SMSF to ensure they are correctly recorded as being owned by the trustees of the SMSF, rather than in their personal names. Where a SMSF has members as the individual trustees, it is important to ensure that the assets are held by the trustees in their capacity as trustees of the SMSF.

Valuation of fund assets

Prior to the introduction of the amending legislation, trustees of SMSFs have been free to record the value of their fund assets at historical cost or market value. However, from the 2012/13 financial year, trustees will now be required to value all fund assets at market value.

This requirement does not necessarily mean that trustees will need to embark on a process of obtaining valuations from independent qualified valuers, but in certain cases this may be necessary.

Need help?

Your qualified financial planner or risk adviser, accredited to provide SMSF advice, will be able assist you in understanding your obligations that arise from the new requirements.

Furthermore, we can assist you in ensuring your investment strategy is up-to-date, conduct regular reviews and ensure that the insurance requirements have been fully complied with. Where necessary we can also assist by reviewing your SMSF's current investments to make certain the ownership is correctly recorded and we can provide advice and guidance around the valuation of your SMSF's assets.

Source | Peter Kelly
Associated Advisory Practices

INVESTING *for your children's future*

Every parent wants the best for their children. If you are in a position to invest money specifically for your children's future, you should follow the same approach as if you were investing for yourself.

The first step is to clearly identify why you are investing, then set yourself a goal and put a strategy in place to achieve that goal. Your strategy needs to suit your circumstances, risk tolerance and investment timeframe.

Whether you have short-term goals and want a high interest earning savings fund or you have long-term goals with a focus on managed funds, one vital question you need to consider is 'Whose name should the investment be held in?'

Children are taxed at penalty rates on unearned income.

There are other tax-effective investment options available including:

- Investment bonds — income is taxed at up to 30 per cent within the bond and reinvested each year. The proceeds of the bond are tax-free after 10 years and the child can be named as the beneficiary.
- Investments can be held by, and in the name of, the parent on the lowest marginal tax rate. Although all income is declared in that parent's tax return, the tax payable on this income may be reduced considerably with franked dividends paid from investments in Australian shares.
- Implied trusts — the investment is held in the parents' name in trust for the child. Beware that the investment must be used for the benefit of the child, otherwise the Tax Office can attribute the income to the parents and tax them personally.

As there are a number of options to choose from, make an appointment with us today to determine the right choice for you and your children.

Source I IOOF

Arrow Insurance

Arrow's Financial Adviser Steve Culpitt says, "We focus on assisting clients – families and individuals - protect their lifestyles and grow wealth without feeling like they could lose it all at the drop of a hat. We do this by identifying ever changing financial goals and objectives, and then offering tailored, strategic solutions."

Arrow is dedicated to providing the appropriate solutions for families, individuals, businesses and its employees. Steve and his wife Janet share one vision – to help clients make enlightened decisions – because they firmly believe that "the greatest satisfaction comes from knowing you've made the right choice."

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