FIDUCIAN FOCUS
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A TRUSTED PARTNER AT A CHALLENGING TIME

Thinking in advance about the final phase of our lives, or arranging aged care for our older loved ones, can be very difficult. Complex emotions come into play, and the need to make big decisions, sometimes at what feels like alarmingly short notice, can create high levels of stress and sometimes family conflict.

This can be avoided, or at least greatly reduced, by making plans for aged care funding well in advance of when it might be needed.

But this is easy to say. Facing the fact even of our own mortality is somehow easier than facing the possibility that we might eventually need some form of aged care. For example, many people arrange life insurance protection for themselves and their loved ones but neglect to plan for their aged care needs.

When planning for aged care costs, it's critical to seek professional help – and ideally, as far in advance as possible.

What aged care options are available?

Aged care isn't only about full-time residential care. There are a number of other options, outlined below, that are designed to help people remain in their own homes for as long as possible.

Commonwealth Home Support Program

This provides elderly people with ongoing help with basic household tasks in their own home. Assuming you can afford to contribute to the cost of the care, the amount you would be required to pay is negotiated between you and the service provider.

Home Care packages

Home care packages offers more comprehensive support to help older Australians remain in their home instead of moving into residential aged care. Depending on the package chosen, Home Care can help with things such as cleaning, meals, transport, personal care and nursing care.

The federal government pays most of the cost of Home Care. However, as with all aged care services, people may be asked to contribute towards the cost of Home Care if they can afford to do so. The cost can vary from person to person depending on an individuals' financial situation and the services provided.

A schedule of fees and charges is listed on the government's Aged Care website.

After hospital (transition) care

Short-term care for people who need help recovering after being in hospital, or need time in which to decide on their best long-term care options. The cost may include a daily care fee, and is agreed between you and your service provider.

Respite care

This is a form of support that allows you to keep receiving your usual level of care if your regular carer has other commitments or needs a holiday.

Residential aged care

Live-in residential age care is for people who are unable to safely or effectively manage at home with day-to-day tasks, or need constant health care. Residential care includes permanent and respite care.

The total cost of residential care will differ for each resident, depending on their ability to pay and level of assets. The costs may include:

- **A basic daily fee payable by all residents** (capped at 85% of the single person basic age pension)
- **A means-tested care fee** depending on your income and assets
- **A full or partial accommodation payment** depending on your income and assets
- **Fees for additional services** such as a higher standard of accommodation or health care.

Will the government pay?

Broadly speaking, the federal government subsidises a range of aged care options in Australia – but individuals are required to contribute to the cost of their care depending on their ability to pay, which is derived from their level of income and the value of their assets.

Support from a financial planner

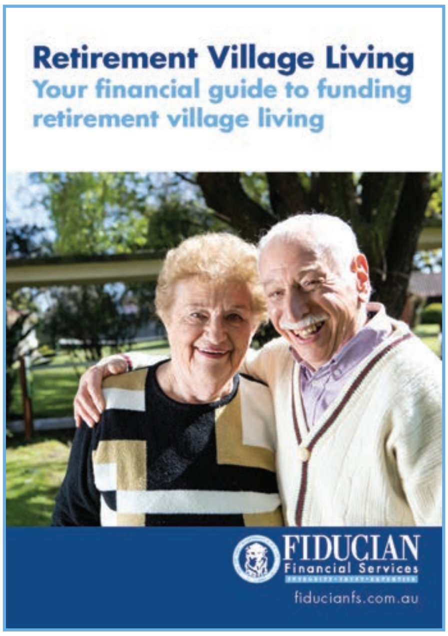
Whether you're thinking about aged care for yourself or partner, or for an older family member, the following are just some of the difficult financial considerations that can come into play when considering how to fund aged care:

- The pros and cons of selling or renting out the family home
- The impact of entering residential care on aged pension entitlement and other benefits
- How to fund the ongoing care fees (and other living expenses)
- Assessing how long your money will last
- If selling down investments, which to sell and when – and any capital gains tax implications
- The impact on your inheritance and estate planning arrangements.

Providing advice on aged care financing is a specialist area. Fiducian's financial planners are experienced at helping their clients navigate this difficult and ever-changing financial environment.

More importantly, they understand the emotional toll that arranging aged care can have, especially if it has to be done at short notice. Making arrangements well in advance can avoid some of the most stressful elements of choosing and funding aged care.

Ask your financial planner for a copy



WE'RE HERE TO HELP YOU BE SUPER-SMART

To get the most benefit from super, there are ways of being super-smart. We're the first to agree that superannuation can be complicated, however you have a huge advantage. As a Fiducian client, you don't need to understand the technical aspects of how the superannuation rules work or what the latest legislative changes were – that's our job, and we take it very seriously. What we can do to help you through the pre-tax season is to point out some of the tax-effective strategies that could help you save for your retirement.

Your financial planner should be your first point of contact if you have any questions or you aren't sure whether a particular strategy applies to you.

Concessional (before tax) contributions

The concessional contribution limit is currently set at $25,000. For sole traders and business owners this means you can contribute up to $25,000 and claim a tax deduction. For PAYG employees you need to allow for any Superannuation Guarantee Contributions, but these can also be topped up to $25,000 by yourself. Making a contribution prior to June 30 is a great way to boost your retirement savings and reduce your tax. Instead of paying tax on your income at marginal tax rates, funds contributed to super are taxed at 15%. Employees are able to make concessional contributions via salary sacrifice and these arrangements are made directly with your employer.

Non-concessional (after tax) contributions

The current non-concessional contribution cap is $100,000. Rather than sitting in a bank account, if you contributed these funds to super, you could save thousands now and in retirement with the tax advantages offered by super.

Super smart strategies to discuss with your planner

1. Concessional (before tax) contributions
2. Non-concessional (after tax) contributions
3. Splitting super with spouse
4. Review your pension strategy with reference to the new $1.6m cap
5. Buying a new asset
6. Pre-pay interest on loans
7. Year-end trust distribution – planning in advance is essential

Splitting super with spouse

Contribution splitting allows you to transfer a certain percentage of your concessional contributions made in the previous financial year with your spouse. Your spouse must be under 55 (if retired) or between 55 and 65 if not retired from the workforce and the split must be made before 30 June. This strategy is useful if you want to:

- Potentially gain access to super sooner (if your spouse is older)
- Reduce your total balance if you are nearing the $1.6m cap
- Boost your spouse's retirement savings

Review your pension strategy with reference to the new $1.6m cap

If your retirement income streams are nearing, or exceed the $1.6m cap, you need to review your fund(s) to avoid potential penalties. This may require you to: a) transfer the excess back into accumulation phase, where earnings are taxed at 15%. b) withdraw the excess (you would need to satisfy the conditions of release) and invest elsewhere, where earnings are taxed at marginal tax rate. You should consult your financial planner to see if these new rules impact on your fund.

Buying a new asset

The $20,000 immediate asset write-off for small business entities has been extended to June 2018. Small businesses with annual turnover of less than $10m are able to immediately deduct the cost of each and every depreciating asset they purchase for less than $20,000. In order to access the deduction, the asset must be purchased, installed and ready for use before June 2018.

Pre-pay interest on loans

When you borrow money to make an investment that will generate assessable income (often called gearing), you are generally entitled to claim a tax deduction for the interest on the money borrowed. Considering interest rates are low at the moment it may be worth considering prepaying up to 12 months interest on the loan if you have a geared investment portfolio or rental property. Doing so will allow you to lock in the interest rate for the next financial year (giving you certainty around the cost of your investment) and bring forward your tax deduction to this financial year.

Year-end trust distribution – planning in advance is essential

A trust resolution determines which beneficiaries will receive distributions and what portion of trust income they will receive for that financial year, and must be made prior to 30 June. If they aren't made by this date, the income of the trust will be subject to the highest marginal tax rate.

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