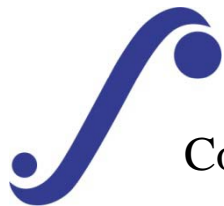




Your Family Day Care Industry Super Fund

Presented by **Rob Bean** *County Group Financial Strategies*
on behalf of Family Day Care Australia



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Disclaimer

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Your Expectations

What do **YOU** want to know?



Agenda

- ★ What is Super and how does it work?
- ★ Simplified super system which began 1 July 2007
- ★ Benefits of converting Assets to Superannuation
- ★ Brief look at how to have your cake and eat it too as you transition towards your retirement
- ★ Family Day Care Industry Super Fund
- ★ Summary and questions



What is Super and how does it work?

- ★ Savings Plan designed for saving for your retirement
- ★ Tax Vehicle
- ★ Options?



What is the simplified super system?

- ★ Plan to simplify and streamline super announced in 2006 Federal Budget
- ★ Substantial overhaul of current complex super system
- ★ The changes came into effect by 1 July 2007



Tax-free super benefits if you're 60 or over

- ★ Lump sums or pensions will be tax free from age 60
- ★ Benefit will not form part of assessable income
- ★ Good reason to consider super over other forms of investment structures

Example



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Craig and Vera's story

- ★ Craig and Vera, both 63, were receiving allocated pensions and have a total net income of \$80,275 pa

	Craig	Vera
Gross pension	\$ 45,000	\$ 40,000
Tax and ML*	\$ 2,775	\$ 1,950
Net pension	\$ 42,225	\$ 38,050

* Based on 2006/07 tax rates, including Medicare levy, assuming no other income received

- ★ From 1 July 2007, their pensions have been tax-free, giving them a total net income of \$85,000 pa – an extra **\$4,725**



Benefit limits and cashing restrictions abolished

- ★ Reasonable Benefit Limits (RBLs) abolished
- ★ Compulsory cashing abolished
 - ★ You can maintain super in accumulation phase indefinitely

New limits on undeducted contributions

- ★ There is a **\$150,000** annual limit on non concessional contributions, but if you're under 65, you can contribute a lump sum of **\$450,000**, to be averaged over **three years**
- ★ Anything over the limits will be taxed at **46.5** per cent



New limits on deductible contributions

Deductible Limits

Under 50	\$ 50,000	\$ 25,000
50 to 74	\$ 100,000	\$50,000 until 30/6/2012 then \$25,000 from 1/7/2012
*work test	Nil	
after age 65		

- ★ Excess deductible contributions taxed at 46.5% and included in post-tax contribution limit



Super incentives for **self-employed** people

- ★ Personal deductible contributions by self-employed individuals are **(100%)** tax deductible
- ★ Self-employed individuals will also be **eligible** for the Government **co-contribution**



Co-Contributions

- ★ Income (after business expenses) Under (approx) \$30,000
 - ★ **FULL** Co-Contribution \$1.50 for every \$1 you contribute (Max \$1,000 for \$1,500 Co-Contribution)
- ★ Income over \$30,000 but under (approx) \$60,000
 - ★ **PARTIAL** Co-Contribution. Reduced by 5c for every \$1 income over threshold
- ★ This now means self employed Carers have the choice of not claiming a tax deduction on their contributions (to be eligible for the Co-Contribution) or claiming a tax deduction.



Co-Contributions

- ★ For more details (and calculators) regarding the Government Co-Contribution visit www.ato.gov.au > Super > Co-Contribution

The screenshot shows the Australian Taxation Office (ATO) website. At the top, there is a search bar with the text "All ATO (except Legal database)" and a "GO" button. Below the search bar, there is a navigation menu with the following items: "Find what you need", "For Individuals", "For Businesses", "For Non-Profit", "For Government", "For Tax Professionals", "For Superannuation", "Online services", "Tax returns", "Activity Statements", "Stakeholder consultation", "Rates, calculators & tools", "Forms & services", "Booklets & publications", "Media centre", "Rulings, policies & law", "Objections, amendments & reviews", "Tax topics explained", and "Your industry type". The "For Superannuation" menu item is highlighted with a red circle, and its sub-menu is open, showing "Start here:", "Superannuation home page", "Superannuation Professionals home page", "More:", "Find your lost super", "Super for temporary residents", "Co-contributions", and "Choice of superannuation fund". The "Co-contributions" item is also highlighted with a red circle. The main content area of the website is visible, showing a welcome message and various news items.





FOR EXAMPLE

Debbie earns say \$35,000pa

Contributes \$2,000 to FDCA Super

Claims 100% as a tax deduction saves \$300 on tax (after contributions tax)

If she only claimed 50% -

Would save \$150 on tax but govt would contribute \$1,267 to her super

\$1117 better off!!!!!!!!!!!!!!!!!!!!

Co contribution reduces next year to \$ for \$



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Lower minimums and no maximums for pensions

- ★ Rules for pensions drawn from your super
- ★ Tax free after age 60
- ★ No maximum limit on your pension
- ★ Lower minimum limits:
 - ★ 4 per cent of balance if you're aged between 55 and 64
 - ★ 5 per cent of balance if you're aged between 65 and 74
 - ★ 6 per cent of balance if you're aged between 75 and 84



Recapping 'Simpler' Super

- ★ From 60, super benefits will be tax free
- ★ No limits on how much you can have in super
- ★ Limits on annual contribution amounts (before and after tax)
- ★ Before tax contributions 100% tax deductible
- ★ Eligibility for the Co-Contribution



Super or Non Super? That is the Question

Super is the most **tax effective** way to save for your retirement

Non Super Investment

Super Investment

Initial Contribution

- ★ Paid from after-tax income. Tax payable on income at marginal tax rate

If you earn \$45,000 p.a. you would fall into the 31.5% bracket

- ★ In general, 15% tax applies to pre tax contributions. No additional taxes are levied if you contribute after tax.

Additionally, you may be eligible for a tax deduction, rebate or co-contribution

During investment period

- ★ Generally treated as income and taxed at marginal tax rates when you lodge your tax return

- ★ Taxed at a maximum of 15% with tax taken from your super account balance

On withdrawal

- ★ Capital Gains Tax payable at marginal tax rates

- ★ There are many variables which determine tax on super benefits. Generally after age 55, taxes will be no more than 15% plus 1.5% Medicare levy. From age 60, if you convert your superannuation to a pension, there will be **NIL** tax payable.



Converting Assets to Super

What are the issues to consider when implementing either these strategies ?

- ★ Contribution rules
- ★ Preservation rules
- ★ Costs of sale
 - ★ Capital gains tax (CGT)
 - ★ Stamp duty
- ★ Examples are available on request



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Transition to retirement strategy

- ★ **Problem** – how to boost your super as you transition to retirement without lowering your current income
- ★ **Solution** – a strategy based around accessing your super through a non-commutable allocated pension (NCAP)
- ★ **Action steps**
 - ★ Continue to work
 - ★ Boost your super with salary sacrifice payments
 - ★ Maintain current income with an NCAP
- ★ **Result**
Have your cake and eat it too with MORE super for your retirement

What an 'Industry' Fund

Family Day Care Industry Super



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What an 'Industry' Fund

FDCA and County Group Financial Strategies developed a 'super' plan for Family Day Carers

We understand Family Day Care and have developed a product which suits!

Key Features of the plan are:

- ★ Minimum Weekly contributions of \$20 or above (payable as \$86 per month)
- ★ A wide range of investment portfolio options suitable to your Investor Profile
- ★ The flexibility to suspend contributions and restart at a later date
- ★ Discounts to Carers and spouses for Life and Trauma Insurance
- ★ Consolidation of other superannuation funds (when requested)
- ★ Application for Life Insurance when joining the fund. (You are able to cancel)
- ★ Tax deductible contributions for Self-Employed members

What an 'Industry' Fund

Fees and Charges of the AXA Business Super Directions Plan

FDCA Charges:

Application Fee (once off)

Members \$8.25

Non Members \$67.90

Administration Fee* \$1.89

** This fee is payable by all members of the super plan each time you make a contribution.
This fee is to cover the administration and bank charges incurred by FDCA*



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What an 'Industry' Fund

AXA Charges:

Membership Fee

\$57.60 per year – not even **\$1.11 per week!**

Contribution Fee

None - 0%!

Rollover Fee

None - 0%!

Insurance Fee

You have the option for insurance coverage on the super plan. If you elect to take up cover, there is an additional charge dependant on the level of cover you take out.

Other

There are a number of fees which are deducted from your super which are not visible. These fees relate to investment management fees – i.e. the charge for investing your super funds.

It is important to note that these charges are deducted prior to any investment returns being credited to your account.

Sign Me Up!

- Our service to Carers

No cost financial plan (4 fully qualified advisers available)
Dedicated Admin Team (led by Caitlin)

REMEMBER: We are here to help!

Family Day Care Industry Super
1800 645 603



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Questions



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