

Your money Your future

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Don't overlook insurance!

No financial plan is complete unless it considers the investor's needs for life insurance and income protection insurance.

Insurance is an important, yet often overlooked, component of a quality financial plan. The purpose of your plan is to enhance your financial security by covering all the variables, including taxation, interest rates and inflation. But one of the greatest variables is our own mortality. So it makes sense to arrange adequate insurance to protect your family or business, rather than risk losing everything you've worked for.

How much cover do you need?

Add up your outstanding debts, add a lump sum which can be invested to provide an income for your family, subtract your existing life cover, (including superannuation), and the difference is a figure you may wish to consider.

To arrange an appointment to discuss your insurance needs contact our office on 03 9803 1414.

Cold comfort

How to battle the super shortfall and boost your retirement savings

It's official. We are retiring earlier and living longer than ever before.

The average Australian retires at 57, while a 55-year-old woman can expect to spend 34.7 years in retirement and live to the ripe old age of 89.¹

The basic age pension, at \$14,367 (single) or \$11,952 (per person in a couple), will keep the wolf from the door but is unlikely to cover anything more than the most frugal lifestyle.

A comfortable lifestyle involving a range of leisure activities requires \$48,962. This means that you will

need to save at least 12-15 per cent of your gross income for 30 years.²

Contributing the compulsory 9 per cent over 30 years will not be enough for most people.

Spending habits fluctuate during retirement, and your need to access capital will vary depending on expenses such as home renovations and healthcare costs.

It's never too late to work out a retirement plan. Take the first step by arranging an appointment with your financial adviser today.

¹ Australian Government Actuary – 2006
² ASFA Fact Sheet No 5 – Jan 2004



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Protecting one of your most important assets – your income

Unless you have inherited great wealth or won a big lottery prize, you will need to work to pay for the necessities of life.

But have you ever thought about how you'd cover the costs of food, clothes, rent or mortgage payments, child care or school fees, entertainment and holidays if you couldn't work due to illness or a serious accident?

This is where income protection insurance can help, by providing you with the peace-of-mind of knowing you can receive up to 75 per cent of your income if illness or injury stops you working for a period of time.

With income protection insurance in place, you can receive a regular income stream, allowing you to maintain a reasonable lifestyle for yourself and your family until you are recovered and ready to return to work again.

The cost of premiums for income protection insurance will be tax deductible if you are paying them yourself, whether you are an employee or a self-employed person. This reduction in tax liability makes protecting your income a more affordable option.

Policies offered by different insurers can vary greatly so it's a good idea to discuss your individual requirements with your financial adviser to help determine which policy is the right one for you.

For instance, policies can carry a range of definitions and options. Choices need to be made about the desired benefit period (ie the longest period of time for which a benefit is payable for continuous disability) and waiting period (ie the length of time before becoming eligible for benefits), as well as many other options.

- If your employer is paying your income protection premiums under a salary packaging arrangement, your employer, rather than you, will be able to claim this as a tax deduction.
- Regardless of whether you or your employer is paying your premiums, it's important to note that any income you receive via your income protection insurance policy will form part of your assessable income for taxation purposes.

For assistance and more information on income protection insurance please speak to your financial adviser.

Will you be eligible for the baby bonus next year?

Are you about to welcome a baby into the family? Do you know if you're eligible for the baby bonus? And have you heard about the new rules applying to the bonus from the beginning of next year?

The baby bonus is a Federal Government initiative to help parents cover the extra costs associated with the birth of a child. Costs such as baby clothes, nappies, change table, baby bath, cot, nursery furniture, high chair, toys and stroller, to name just a few.

On 1 July 2008, the bonus rose from \$4,258 to \$5,000 and will continue to rise each year in relation to cost-of-living increases. Currently, there is no income or assets test associated with eligibility. But from 1 January 2009, a means test will apply and families with a combined income of \$150,000 or more per year will no longer be eligible for the bonus.

However, the means test will be calculated on a pro-rata basis against

a family's income during the first six months after their child is born. And provided that income is no greater than \$75,000, a family may still qualify for a baby bonus payment, as the case study demonstrates.

In further changes to the baby bonus from 1 January 2009, it will no longer be paid in a lump sum, but in 13 fortnightly instalments of around \$385.

And parents adopting a child aged up to 16 will also be able to claim the benefit. Currently, the baby bonus rules governing adopted children specify that it's only available to parents adopting a child aged under two.

For more information on the baby bonus visit www.familyassist.gov.au or speak with your financial adviser.

Case study – Michael and Natasha

Michael and Natasha are a young couple expecting their first child in February 2009. Michael earns \$64,000 a year and Natasha \$90,000, giving them a combined income of \$154,000. After the baby is born, Natasha plans to take 12 months maternity leave and will receive a six-week maternity leave payment of about \$10,000.

As the couple's combined annual income is currently over \$150,000, they believe they will not be eligible for the baby bonus.

But in the means-tested period covering the six months after their child is born, Michael's income will be \$32,000 and Natasha's \$10,000. As the total of \$42,000 will be well under the \$75,000 pro-rata limit, they should be entitled to the \$5,000 baby bonus.