MAP Newsletter

June 2017

Welcome to our June newsletter.

Superannuation is a hot topic this month with many people looking into the impact upcoming changes will have on their superannuation and opportunities that might still be available to them.

In this newsletter we share the most asked questions by our MAP members regarding the superannuation changes as well as a practical outline of how the legislation changes will affect you in our white paper, available on our website www.mapfunds.com.au

And it's that time of year again, when we dread having to ruffle through shoe boxes and drawers looking for receipts. The end of the financial year seems to come around so quickly. We share a few tips to help you manage your accounts.

We also update you on performance returns for the last quarter.

MAP members super Q&A for 30 June 2017

Here are the top four questions asked about super by MAP members leading up to the end of the financial year.

1 CAN I STILL CONTRIBUTE $540,000 BEFORE 1 JULY 2017? WHAT HAPPENS IF I TRIGGER A BRING-FORWARD ARRANGEMENT BUT DON'T FULLY USE IT BEFORE 1 JULY 2017?

Brett Marsh noted in the February newsletter that as an individual, you can still contribute up to three times the annual non-taxed (non-concessional cap) up to $540,000 this financial year, as long as, you are under age 65, and have not previously contributed more than your annual non-taxed (non-concessional cap) in the previous two financial years. If you are eligible, you automatically gain access to future-year caps, and this is known as the bring-forward arrangement.

If you do decide to take advantage of the bring-forward arrangement, and make a personal contribution over the annual non-concessional cap of $180,000 (but under $540,000) in the 2016-17 financial year, transitional arrangements will apply, and the amount of non-concessional contributions that can be made each financial year going forward will reduce. This is because from 1 July 2017, the non-concessional super contribution amount that can be contributed each financial year has been reduced to $100,000 per financial year.

This means that the maximum amount of bring-forward arrangement available to you will be reflected in the reduced annual contribution caps. The table below shows how much of the bring-forward arrangement can be used depending on the financial year the non-concessional contribution was made.

The year the bring-forward period started	Maximum non-concessional bring-forward amount available in 2017-18
2015-16	$460,000 ($180,000 annual cap x 2 years, + $100,000 x 1 year)
2016-17	$380,000 ($180,000 annual cap x 1 year, + $100,000 x 2 years)
2017-18	$300,000 ($100,000 annual cap x 3 years)

CASE STUDY EXAMPLE

- Joan is 53 years of age
- Joan triggers the bring-forward rule by making a contribution on 10 June 2017 of $200,000.
- Joan's total super balance at 30 June 2017 is $1.45 million

The non-concessional cap for the financial year ended 30 June 2017 is $180,000.

From 1 July 17, the non-concessional contributions cap reduces from $180,000 to $100,000. Joan is therefore affected by transitional arrangements due to the changing super regulations.

Joan's three year bring-forward cap is reduced to $380,000 ($180,000 for 2016-17 and $100,000 for 2017-18 and $100,000 for 2018-19).

Joan's remaining bring-forward balance is $180,000.

At 30 June 2017, Joan's total super balance is $1.45 million.

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2 AFTER 1 JULY 2017, CAN I CONTINUE TO SALARY SACRIFICE, OR SHOULD I CEASE THIS ARRANGEMENT AND JUST CONTRIBUTE PERSONALLY DURING THE YEAR AND CLAIM MY PERSONAL (AFTER-TAX) SUPER CONTRIBUTIONS AS A TAX DEDUCTION?

From 1 July 2017, you can contribute to super, either by contributing by organising a salary sacrifice arrangement with your employer, as well as a making a personal super contribution, as long as you do not exceed your concessionally taxed cap each financial year. **So what does this mean?**

- You can continue to salary sacrifice, however you cannot claim this as a personal tax deduction, as salary sacrifice is a component of your total salary package and is not counted as assessable income for tax purposes, nor is it subject to (PAYG) withholding tax.
- You can contribute personally to super from after-tax income, and claim a personal super contribution deduction on your tax return. OR
- You can do a combination of both to your annual concessional tax cap of $25,000 each financial year.

3 HOW IS MY TOTAL SUPERANNUATION BALANCE CALCULATED?

Your total superannuation balance, says Brett Marsh, includes the balance of your superannuation accumulation accounts, pension accounts, the value of any defined benefit pensions and any benefits currently between funds that you are in the process of moving to a different fund. However, it excludes any contributions made with the proceeds of a personal injury compensation payment.

Your total superannuation balance is relevant when working out your eligibility for the:

- unused concessional contributions cap carry-forward
- non-concessional contributions cap and the two or three year bring-forward period
- government co-contribution
- tax offset for spouse contributions.

4 HOW LONG DO I HAVE TO REDUCE MY TRANSFER BALANCE CAP UNDER THE $1.6 MILLION CAP?

Generally, from 1 July 2017, the balance you hold in the retirement phase (pension) will need to be within the $1.6 million cap. However, there are transitional arrangements in place where an individual has an accumulated pension balance between $1.6 and $1.7 million. In this case, you will have six months to 31 December 2017 to remove the excess capital without incurring excess taxation.

The transfer balance cap of $1.6 million commences on 1 July 2017. It introduces a new limit on the amount of your accumulated super benefits that you can transfer or hold in the retirement income phase to support an income stream over the course of the super member's lifetime.

Amounts included in the transfer balance cap include the combined value of all super pension accounts held in retirement phase, as well as any super pension received from a deceased spouse's super account, and any pension income received as part of a family law court settlement.

While there have been transitional arrangements put in place where the amount in retirement phase is between $1.6 and $1.7 million, to reduce uncertainty, super funds will be required to transfer amounts in excess as at 30 June (over $1.7 million) and as at 31 December (over $1.6 million) and excess taxation of 15% will be required to be paid on national earnings on the excess amount.

Super changes white paper

1 July 2017 will bring the most significant changes to superannuation legislation in a decade and many are racing to take up opportunities before 30 June. We have developed a white paper on the upcoming super changes that will help you understand how the changes will affect you and how you can respond to these changes before and after 30 June.

Key changes and opportunities include:

1. changes in concessional and non-concessional contribution caps
2. introduction of total superannuation balance
3. superannuation contribution deducations up to the concessional contribution cap
4. $1.6m transfer balance cap
5. government co-contribution threshold
6. transition to retirement changes.

The white paper is available on **www.mapfunds.com.au**

If you have any questions or wish to know any additional information, call our member services team on **1800 359 686**.

End of financial year tax tips

by Brett Marsh, Head of Product and Transitions

It's June, it's cold and we're nearly at the end of the financial year, but there is still time to get organised with your paperwork and get your receipts in order. You may not think you have much to claim but you should consult your accountant and check your receipts. Here are some tips to consider and to help get you started.

Health insurance

Do some research. It's easy to do online now, so compare the different service providers and cover available and make sure you use what you pay for. Do you use all of the ancillary services? Is the excess reasonable? If you are a high income earner and don't have health insurance, you should look into getting private health insurance to minimise the Medicare Levy surcharge.

More details are available at ato.gov.au/individuals/medicare-levy.

Donating to charity

Make sure you obtain and keep the receipt. You will get a deduction, and you will also be benefiting a person or organisation in need.

Work related expenses

As an individual, you may be able to claim work related expenses, including vehicle and travel, equipment, tools, education etc. Firstly, you will need to have kept your receipts. In order to claim a deduction for any form of work related self-education expense, there needs to be a connection between the self-education activity and your income earning activities at the time you incur the expense. According to the Australian Taxation Office (ATO), self-education is defined as courses undertaken at an educational institution, attendance at work related seminars or conferences, or self-paced learning and study tours. Be careful though, the ATO has stated it is targeting large self-education expenses.

Are you part of the sharing economy?

If you are working with Uber, Airbnb, Stayz, GoCatch, Airtasker or Parkhound, you may be able to claim work related expenses incurred in the course of earning your income. As a small business, you may be able to obtain an immediate write-off for equipment valued under $20,000, purchased in this financial year. Confirm your eligibility with your accountant.

A super boost

If you have any spare cash, extra savings or a bonus due, consider contributing extra into your superannuation fund. There is still time, and it's worth considering this financial year before the amount you can contribute reduces on 1 July 2017.

Prepay expenses or deductible interest on investment loans

If you can afford it, some common expenses that can be prepaid are professional association subscriptions and educational expenses.

Interest costs associated with investment loans are generally tax deductible in the year the costs are incurred. This presents an opportunity for individuals to pre-pay up to 12 months of interest and bring forward the deductions to reduce the tax liability in the current tax year. Always check the loan contract to make sure there are no penalties.

If you own an investment property, consider having any minor repairs and maintenance work completed prior to 30 June. Always check with your accountant to be sure you can claim before committing to the repairs.

Get advice and consult the experts

You may want to go for the do-it-yourself option, but most people can benefit from another perspective, particularly this year with so much change in the financial and superannuation worlds. Speak with your accountant or financial adviser and take advantage of their expertise. They can guide you on what you can claim and what to do that's best for your financial circumstances.

Revamp your record keeping

If you are still keeping paper records, or even a shoebox for your receipts, consider keeping your records electronically or within an app or software package. Scanning receipts and electronically storing them or even having a separate bank account to keep track of expenditure that can be claimed will help you maximise your tax refunds each year. And it will also help you be more organised when it comes to lodging your tax return.

Unpaid super? What you can do?

It's against the law for employers to withhold your superannuation payments. If you suspect your employer is not paying you superannuation, there are steps you can take to change the situation. You can **contact your employer, the ATO or MAP member services**.

The **ATO investigates 20,000 complaints a year** from people who think their employers are avoiding paying their superannuation. Last financial year (2015-16) the **ATO recouped $670 million from employers** who weren't paying their employees the right amount of superannuation. Many of them were contractors.

Your Super returns to March 2017

by Dragana Timotijevic, Head of Research

The Australian market performed strongly over the March quarter (+4.8%) boosted by improving global economic conditions and the generally strong half year financial results. The latter has been described as the strongest reporting season since 2010.

During the quarter the Reserve Bank of Australia (RBA) decided to leave the cash rate unchanged at 1.50%, indicating that the current rate setting "was consistent with sustainable growth". However, the RBA noted heightened risks in the housing market, particularly in Melbourne and Sydney, due to the high level of household debt. The Australian financial services regulator APRA has also weighed into the debate by instructing all the banks and lenders it supervises, to limit the flow of new interest only lending and to improve and tighten lending standards. The banks have since responded with out of cycle increases on interest only loans to curtail the riskier end of the market. Time will tell if this is too little too late.

In the US, markets shook off a short-lived slump following President Trump's failure to find any support from Congress to repeal and replace the Affordable Care Act (Obamacare). The Fed hiked the Fed Funds Rate to 1% while expressing confidence in the outlook for the US economy. Robust economic data and high consumer confidence have continued to provide support for US equities.

Elsewhere, the economy has continued to expand with growing optimism about the synchronised global economic recovery taking place. Consumer sentiment and business confidence surveys suggest optimism and economic indicators of manufacturing and personal consumption have been generally pointing in the right direction.

Whilst there was a number of positive developments during the March quarter, there are still many risks in the system which cannot be ignored. Global tensions continue to simmer in many pockets of the world including the Middle East, North Korea and the China South Sea. These potential flash points could disrupt and rattle markets. Closer to 'home', lacklustre growth and the overheated housing market are the main concern. They all warrant careful monitoring and risk management.

While cautious and fairly selective, we retain our preference for Equities relative to Fixed Income. Alternative investments remain the primary source of diversification, given the expected poor performance of bonds in an environment characterised with rising interest rates and elevated volatility.

With regards to the MAP performance we note that annual returns to end of March for all options (except Cash), remained above the objectives during the quarter. Specifically, we highlight the solid performance of the Diversified Property option over all time horizons.

Table 1: MAP Super Plan returns (Accumulation) to 31 March 2017[1]

Figures are p.a. after fees and tax

	1 year	3 years	5 years
Cash	1.61%	1.77%	2.03%
Capital Stable	5.19%	2.60%	3.58%
Balanced Moderate	7.43%	3.19%	4.44%
Balanced	9.10%	3.38%	5.03%
Growth	10.71%	3.83%	5.72%
Australian Equity	14.75%	4.12%	5.99%
International Equity	12.02%	1.78%	7.85%
Diversified Property	5.89%	6.70%	7.71%

[1] Please refer to the *MAP Investment Guide* for stated objectives.

Disclaimer: Investments can go up and down. Past performance is not necessarily indicative of future performance.

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