MyLife Newsletter Winter 2014

Welcome to the MyLife Newsletter.

Boost Your Super as you Ease into Retirement

Approaching the end of your working life should be an exciting time. You should be able to wind down and start looking forward to having enough time to really enjoy life. But if you don't have enough super, this may not be the case. But all is not lost.

It's not too late to improve your super situation

Life very rarely goes according to plan and you may find yourself approaching retirement with a lower superannuation balance than you would like. Factors outside of your control, such as illness, divorce, premature retrenchment or poor investment markets can significantly reduce your retirement savings. There's not much you can do about these things. But you can do something to improve your prospects in retirement.

With a transition to retirement strategy, you can ease into retirement at the same time as giving your superannuation a boost. A transition to retirement strategy allows you to gradually reduce your working hours while accessing a pension income stream and can provide you with significant benefits and tax advantages.

Boost your super and supplement your income

There are two main benefits of a transition to retirement strategy:

- Maximising your super – You can continue to work while drawing an income from an account-based pension. By doing this you can salary sacrifice as much of your pre-tax salary to super as possible while receiving an income from your pension. This allows you to increase your retirement savings without reducing your income. This can also be extremely tax-effective because pension payments are generally taxed at a lower rate than your salary.
- Supplementing your income – If you want to move into part-time work before you retire but don't want your income to drop you can use your pension to supplement your salary

Are you eligible?

One of the great things about a transition to retirement strategy is that it gives you the flexibility to approach retirement in a way that suits you.

You can take advantage of a transition to retirement strategy if you meet the following conditions:

- You are aged between 55 and 65 years of age
- You are still working
- You transfer some, or all, of your super account to an account-based pension.

Set it up right from the start

Transition to retirement strategies can provide significant tax savings and benefits, but they can be complicated. For this reason we strongly recommend that you talk to us in the lead up to retirement so that the strategy you put in place is right for your personal situation.

Safeguard Your Financial Security If You Suffer Critical Illness

It can take years of treatment to recover from serious illnesses such as cancer or heart disease. This is long enough to put you into financial hardship. So if you think that life insurance alone is enough life cover for you, it may be time to rethink your insurance needs.

Your chances of getting a critical illness

Unless someone in your family has been diagnosed with a critical illness such as cancer, heart disease or stroke, you may think that it won't happen to you.

So what are your chances of suffering from a critical illness? The following facts and figures from Australian national health organisations reveal that the chances may be higher than you'd like to think:

- 1 in 6 people will suffer a stroke in their lifetime and it is a leading cause of disability.[1]
- 1 in 2 men and 1 in 3 women will be diagnosed with cancer by the age of 85.[2]
- 2 out of 3 families will be affected by cardiovascular disease, and disability resulting from the disease prevents 1.4 million people from living a full life.[3]

Another interesting fact is that many people now survive serious illnesses that used to be fatal thanks to advances in medicine and technology. For instance, the National Cancer Council has reported that although cancer is the leading cause of death in Australia, the survival rate for many common cancers has increased by 30% in the past two decades.

It may not cost you your life, but it will cost you

You may end up paying tens of thousands of dollars in medical treatment and rehabilitation costs if you are ever diagnosed with a critical illness. What's more, you may be unable to work during treatment so there may be periods where you lose your income.

To cope financially during this time, you will need to have significant savings behind you or one or more assets that can be liquidated to cover medical bills and, possibly, day-to-day living expenses. However, it's rare to come across people who have accumulated enough wealth to cover these expenses. Usually, the significant costs associated with a critical illness take a huge toll on a person's financial situation.

Get cover for peace of mind

Rather than setting yourself back financially, it may be a good idea to insure yourself against the risk of suffering from a critical illness.

Trauma insurance, which is also known as critical illness cover, pays you a lump sum benefit when you suffer a critical condition specified in your insurance policy. This benefit is paid regardless of your ability to return to work. Different trauma insurance policies cover different illnesses and they can often be purchased as a stand-alone policy or along with a life insurance policy.

Having a critical illness insurance policy in place can mean the difference between maintaining your financial security or experiencing severe financial hardship.

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[1] The National Stroke Foundation website, accessed February 2013

[2] Cancer Council Australia website, accessed February 2013

[3] The National Heart Foundation website, accessed February 2013

Should you have any queries in relation to this newsletter, please feel free to contact our office on 03 9017 4114 or email admin@mylife.com.au .

MyLife

25 Canterbury Road
Blackburn
VIC 3130
Australia

Phone: 03 9017 4114
Phone: 1300 889 446
Fax: 03 9013 0055
Email: admin@mylife.com.au

MyLife Financial Planning

www.mylife.com.au

It Pays To Be Tax Smart

No matter what you situation, age or income, just a little bit of year-end planning can help:

- Boost you retirement savings
- Maximise your government entitlements, and
- Minimise your tax liabilities.

Your financial adviser can sit down with you and look at the different strategies to see which suits you the best.

1. Gain from a capital loss

If you have received capital gains from your investments
You may want to trigger a capital loss by selling a poorly performing investment that no longer suits your circumstances
So you can use the capital loss to offset your taxable capital gain and save tax and free up money for more suitable investment opportunities

2. Defer asset sales to save tax

If you are thinking of selling a profitable asset this financial year
You may want to defer the sale until a future financial year
So you can defer paying Capital Gains Tax (CGT) and reduce your CGT liability

3. Pre-pay investment loan interest and reduce this year's tax

If you have (or are considering establishing) a geared investment portfolio
You may want to pre-pay 12 months' interest on your investment loan
So you can bring forward your tax deduction and pay less income tax this financial year

4. Pre-pay income protection premiums and reduce this year's tax

If you are employed or self-employed
You may want to pre-pay 12 months' income protection insurance premiums
So you can bring forward your tax deduction and pay less income tax this financial year

5. Make better use of your tax return

If you receive a tax return
You may want to use your return to:

- pay off non-deductable debts first
- pay off your home loan and then borrow to invest
- fund your daily living expenses and contribute your pre-tax salary into super

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MyLife

25 Canterbury Road
Blackburn
VIC 3130
Australia

Phone: 03 9017 4114
Fax: 03 9013 0055
Email: admin@mylife.com.au

MyLife Financial Planning

www.mylife.com.au