

# THE TRUSTEE

The publication that keeps you informed and in control.

## ACTION PLAN



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# WELCOME

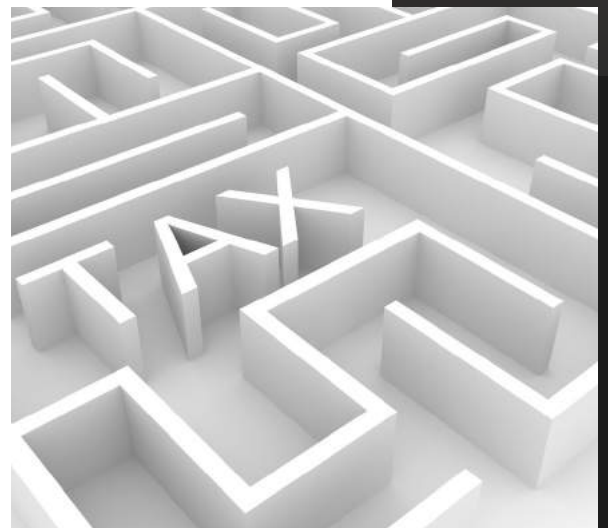
2024.

## ANOTHER BIG YEAR IS IN FULL SWING.

The year is already rapidly moving forward with great pace. Most of our tax return duties have been completed for the year. If you haven't received your tax return, our team would be happy to guide you to your requirements to complete your return.

The start of the year has followed on from the frantic end of last year, with lots of conversations and meetings about various topics.

- Transition to retirement strategies,
- Estate Planning Requirements (Wills, EPOA's, Testamentary Trusts),
- Refinancing property loans,
- Life insurance,
- Downsizer contributions,
- Employee Share Schemes & Contributions Limits
- Concessional Contribution Limits (Catch up)



The above topics have dominated the discourse with you in the past 8 months.

We have also received lots of new business enquiries and referrals from our existing clients. Most calls and engagements have centred around the purchase of residential rental properties. The current environment and hype about the property market in WA (which is very real) is attracting investors to this market.

Significant increases to market value of WA properties in the recent months will lead to higher rates of returns for those SMSF's with WA Property.



For many that rely very heavily on this asset class, it will be welcome news. With demand still projected to outstrip supply, property will continue to hold the spotlight for some time to come, in WA at least.

When times are good, it becomes more important to review your SMSF's investment strategy. Most advisers will say that good times are as dangerous to your financial health as bad times. Bull markets can lead to over confidence and over exposure to certain investments or strategies.

Financial Planners do this work daily, analysing your investment strategy against your risk profile and making the required adjustments.



We are pro adviser and believe they can make significant improvements to your financial wellbeing, so if you don't currently have an adviser, please reach out to us for a solution.

***We will be inviting you to join us for tax planning soon. These meetings are for you to ask as many questions as possible and discuss how you structure your contributions to save tax. There will be a small cost to attend these meetings, however we have been able to save our clients thousands in personal tax because of that meeting.***

Please reach out to me if you would like to bring forward any tax related questions prior to the meetings.

We only have 2 months to go until the new financial year rolls around.

Best regards,

**CHRISTOPHER HOMER**  
Director



# FEATURE ARTICLE

## PERSONAL TAX RATES – 2025 FINANCIAL (APPLIES FROM 1ST OF JULY 2024)



**The Albanese government has announced changes to personal tax rates from the start of the 2025 financial year. They are now law.**

New personal tax rates and thresholds for 2024-25

0 –18,200	TAX FREE
18,201 – 45,000	16
45,001 – 135,000	30
135,001 – 190,000	37

The major changes are as follows:

- reduce the 19 per cent tax rate to 16 per cent.
- reduce the 32.5 per cent tax rate to 30 per cent.
- increase the threshold above which the 37 per cent tax rate applies from \$120,000 to \$135,000.
- increase the threshold above which the 45 per cent tax rate applies from \$180,000 to \$190,000.

### **Implications for Superannuation**

The Australian Government creates an incentive for salary and wage earners (and small business owners too) to put money into Superannuation.





### Contribution Incentives

The incentive is- you can reduce your personal taxable income by the amount you contribute over and above your Superannuation Guarantee. For example- when you contribute \$1,000 above your SG rate, your taxable income is reduced by \$1,000. Therefore, saving personal tax.

Once you claim that deduction however, you pay 15% tax on your contribution (inside of Super) until your personal income exceeds \$250,000.

Supervision each year analyse the cut-off point where contributing to Superannuation becomes less tax effective.

In the current financial year, if your income is lower than \$54,500 then you will pay more tax by putting money into Superannuation than paying marginal tax rates.

When analysing the new tax rates (2025 Financial Year), salary and wage earners need to be earning more than \$61,400 in personal income before receiving any tax benefit for voluntary contributions.

You may be wondering how the maths works.

Please see the calculation below:

### Current Year (2024 FY) Not including Medicare Levy

Salary & Wages	Tax on Salary & Wages	Tax on Superannuation Contributions
\$54,500	<b>\$8,179.50 = Effective Tax Rate 15%</b>  <div><div>1. 0 – \$18,200 = <u>\$0</u></div><div>2. \$18,201 – \$45,000 = (19 cents for each \$1 over \$18,200) = <u>\$5,092</u></div><div>3. \$45,001 – \$120,000 = (32.5 cents for each \$1 over \$45,000) = <u>\$3087</u></div></div> Total 1 + 2 + 3 = <b>\$8,179</b>	<b>\$8,175.00= Effective Tax Rate of 15%</b>  <div><u>\$54,500 X 15% = \$8,175.00</u></div>

In the example above, if you earn more than \$54,500, then your effective personal tax rate is higher than 15%. Therefore, any reduction in your income, due to salary sacrifice will reduce your personal income taxation. The more you earn over this amount, the bigger the impact of Salary Sacrifice becomes.

## Next Financial Year (2025 FY) not including Medicare Levy

Salary & Wages	Tax on Salary & Wages	Tax on Superannuation Contributions
\$61,400	<b>\$9,208 = Effective Tax Rate 15%</b>  <div><div>1. 0 – \$18,200 = <u>\$0</u></div><div>2. \$18,201 – \$45,000= (16 cents for each \$1 over \$18,200) = <u>\$4,288</u></div><div>3. \$45,001 – \$135,000= (30 cents for each \$1 over \$45,000) =<u>\$4920</u></div><div>Total 1 + 2 + 3 = <b>\$9208</b></div></div>	<b>\$9,210= Effective Tax Rate of 15%</b>  <div><div>\$61,400 X 15% = <b>\$9,210</b></div></div>

So, to save personal tax dollars by salary sacrificing into Superannuation in the 2025 Financial Year, your annual income will need to be above \$61,400. If your income drops below this amount then you will pay 15% tax on contributions, whereas your marginal tax rate is lower than 15%.

The point of the above calculation is to make sure you understand that the tax incentive is limited once your taxable income dips below a certain point. You may still want to contribute for other reasons, but you can choose to contribute as non-concessional contributions into Super and save on 15% tax.

## Final thoughts

The 2025 financial year brings significant changes to personal tax rates under the Albanese government, aimed at reducing tax burdens for Australians. With tax cuts across various income brackets and revised thresholds, individuals need to navigate these changes smartly. While superannuation remains a tax-effective investment avenue, the calculations reveal that the tax benefits of salary sacrificing into super kick in for those earning over \$61,400 annually. Understanding these intricacies is crucial for individuals to optimize their tax strategies and financial planning in the coming fiscal year.

# Get Started?

Don't wait until tax time – act now to maximize your savings and secure a brighter financial future.

Contact an expert

# LEADERS IN BUSINESS SPOTLIGHT

## – BRAD RAYNOR (DIRECTOR – COGNITO)

Supervision has been working with Brad for the past 6 months, improving the design of our business and creating the right platform for our continued growth.

The Value of Creating Purpose for Better Leadership:

There are so many reasons why having a clear purpose is important to business owners and leaders inside of business.

**3 major reasons are explained below.**

### 1. Guided Decision-Making

- Purpose serves as a guidepost, aiding leaders in ensuring that the best decisions are made, and they align with our collective purpose.

- Leaders with a service focused purpose are released from having to make all the decisions in the business as they build the capacity of others to unlock the potential now, build a secure future and receive the freedom they desire.
- Purpose guides who make decisions, how decisions are made, what decisions are made and most importantly what happens when decisions are made, and the outcome is not positive.

**Remembering that by our actions we shall be known.**

### 2. Resilience

- In challenging times, purpose fuels resilience, allowing leaders to navigate obstacles with unwavering determination and additionally change direction when the data and evidence shows us.



- Leaders who are not clear on where they are going cannot pivot, adjust, improvise, and overcome.
- Business and leaders' resilience is built with clear purpose and aligned behaviours.

### 3. Team Alignment

- A shared sense of purpose fosters cohesion, aligning team members toward collective success.

- Teams cannot be aligned when everyone is choosing their own adventure. That's why building teams that have a clear purpose with the power to refine the purpose will take your organisation to amazing places we never thought possible.
- If you would like to learn more about improving teamwork in your business or where you work, please feel free to contact us for more information about our experience and how to make change happen.

## UPCOMING EVENTS

### SMSF Tax Planning Meetings

Supervision will be conducting its annual tax planning meetings between now and the 30th of June. Its going to be a jam packed, so please call as soon as you read this article to book a time.



### What's in it for you?

1. Getting the maximum tax deduction in your personal tax return.
2. Cover all your compliance requirements including your investment strategy documentation.
3. Getting automation in place for documentation for the following year.
4. Talking about anything that has been on your mind.
5. Pension adequacy calculator.

The meeting is based on what you require. We may ask questions to cover our base line requirements, but the rest will be up to you.



## GET IN TOUCH

If you have any specific questions that you would like to ask, please mention this when you book your meeting.

**I'M INTERESTED**



# VALUING FUND ASSETS CORRECTLY FOR THE SMSF ANNUAL RETURN

by ATO.GOV.AU

four paragraph text

## SMSF UPDATE

# Valuations (From the ATO)



Every year you need to value your SMSFs assets and provide supporting evidence to your auditor.

A key responsibility self-managed super fund (SMSF) trustees have every income year is valuing your fund's assets at 'market value'.

Prior to lodging your SMSF annual return (SAR), your fund's SMSF auditor is required to check the assets have been valued correctly and assess and document whether the basis for the valuation is appropriate.

We (ATO) are increasingly using data to identify and deal with risks and have recently identified a number of funds who have maintained the same values on reported SMSF assets in their annual return.

↓ In this newsletter you will find:

Latest projects, reports, free resources, and more. Keep Reading!

We are concerned these funds may not be meeting their legal requirement to value and report their assets at 'market value' every year.

Of specific concern is a higher risk category of approximately 16,500 funds which have reported certain classes of assets at the same value for at least three income years. This includes residential and commercial property, unlisted companies, and unlisted trust investments.

There were more than 1,000 SMSF auditors associated with this high-risk population and our data tells us no auditor contravention reports (ACRs) were lodged for potential breaches of the market valuation rules for the assets.

To address this, we have commenced sending targeted messages to trustees and auditors about this obligation and we will be monitoring the approach taken by the funds in their next annual return.

**Precision in valuations is paramount for informed financial decisions; let's collaborate to ensure accurate assessments and safeguard your Superannuation entitlements**

## From the Editor

**WHAT IF YOUR SUPERANNUATION ISN'T ACCURATELY VALUED,  
RISKING YOUR FINANCIAL FUTURE?**

The ATO is targeting valuations. It has been broadcast in different SMSF industry publications in recent months and Auditors will view this communication as a clear directive going forward.

Getting valuations right is vital to give the members an accurate picture of the value of their Superannuation entitlements each year. If a valuation is higher than it should be, members may make plans based on false assumptions.

Undervaluing an asset will also do the same thing. Members' balances will make you eligible for certain tax benefits, so the ATO is making sure that member balances are based on reality, not kept artificially low to take advantage of tax concessions. We understand the difficulty in preparing valuations for assets that are not easily sellable or do not have a recent sales history. If valuations are not readily available or horrendously expensive, please speak to us about how we can come up with clever solutions to make valuations available and value for money.

# YOUR FIRST SMSF TAX RETURN?

If you are completing the first financial year of your SMSF and wondering what happens next, this article is for you.

## 12 ESSENTIAL GUIDE PORTFOLIO ACCESS TO LODGING



- You should have access to your portfolio online, please login. <https://app.class.com.au/my/login>
- You can check your portfolio information and speak to us if you have any issues with what you see.
- Our team will ask you to update us on any “unmatched” cash transactions.
- Our team will ask you for any missing documents that are related to the cash transactions.
- If you are in a taxable position, we will not complete your return immediately.
- Your first tax return is due by the 28th of February 2025.
- Supervision will send your SMSF to our preferred Auditor.
- Your SMSF will be audited and any problems the Auditor had will be relayed back to you.
- We will work with you to remove any audit issues.
- You will receive a year end tax pack for signing.
- Please sign and your return and it will be lodged by Supervision.
- Don't forget to take us up on our offer for a tax meeting.

If at any stage you are worried about the process, please call us to make an appointment or get your answer immediately over the phone.





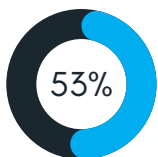
# HIGHLIGHTS: SMSF QUARTERLY STATISTICAL REPORT DECEMBER 2023



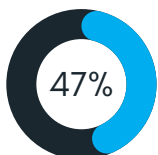
## The top asset types held by SMSFs (by value) are:

- listed shares (29% of total estimated SMSF assets) = \$262,468,000,000 OR \$262,468 Mill
- cash and term deposits (16%)

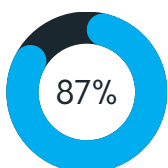
## SMSF Distribution by Gender and Age.



**Male**  
SMSF Members



**Female**  
SMSF Members



**Age**  
SMSF members are  
45 years or older.

# 614,705

Total SMSFs

# 1,146,724

Members of SMSFs

# \$913.7 billion

Total estimated assets of SMSFs

# \$796,801

Average Member Balance

# SMSF CONTRIBUTIONS

## FAQS WITH SHISH

## Hi Everyone,

Thanks for joining me again for another of my frequently asked questions.

Every day ***I get asked about the contributions, specifically how much can be contributed to Superannuation each year.***

The answer to that question is that it depends.

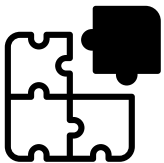


*Hi, its Shish back again. My role is to review your SMSF returns each year and guide you through the annual audit process. Hopefully you enjoy my insights.*



1. Concessional Contributions (SGC employer contributions and voluntary contributions that I can claim a tax deduction for) = \$27,500

a. Add, if your member balance is below \$500,000 as at the 30th of June the previous year, any unused cap amounts from the previous 5 years.



2. Non-Concessional Contributions (After tax contributions) = \$110,000

a. If your member balance is lower than \$1.68 Mill, you can bring forward two additional future years cap = \$330,000

b. If you use the bring forward rule, you will not be able to contribute any further Non-Concessional Contributions for the following two years.

**Next Financial Year (from the 1st of July 2024) the caps are increasing.**

1. Concessional Contributions = \$30,000

2. Non-Concessional Contributions = \$ 120,000 (\$360,000 Bring Forward)

*(Please note that if you have already triggered the bring forward non concessional cap in previous years, you won't be able to increase your cap with the indexation. Your cap is fixed to the cap in year in which you triggered the bring forward cap.)*

The catch-up rules will still apply with the increase to the caps.

***If you would like to know how much you can contribute to your Superannuation this year and next, please call Supervision to get confirmation.***

# EDITORIAL

## SUPERANNUATION STRATEGIES IN THE FACE OF TAX REFORM

# SUPER

## RETHINKING SUPER CONTRIBUTIONS IN LIGHT OF TAX REVISIONS

**The latest changes to personal tax rates (feature article) highlights the need for a discussion on how Australia will maintain the incentive for lower-income earners to contribute more to Superannuation.**

In the 2025 Financial Year, anyone earning under \$61,400 will not receive any tax benefits by sacrificing pre-tax money into Superannuation.

They can still contribute after tax money into Superannuation with zero tax implications, but without a tax incentive many will not want to “lock away” money into Superannuation especially if the timeframe to retirement is a long way off.





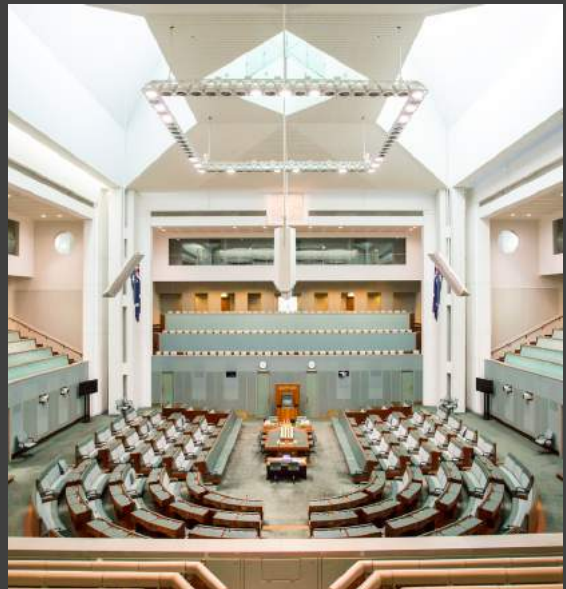
Most people start out in their careers with lower incomes and less capacity to contribute more into Superannuation.

They have many more expenses earlier in life (mortgages, school fees for kids, student debt, cars) that makes it increasingly difficult to add more to superannuation. The paradox is that if you do front load your contributions, outcomes are radically better due to the impact of time and compound interest. A person contributing small amounts early in life will outperform people that try to catch up with larger contributions later in life.

Whilst Superannuation Guarantees will reach 12% in the future, those with lower annual incomes will need to boost their contributions if they want to create larger Superannuation balances and have less reliance on the Government in retirement.

Lawmakers provide lower income earners with co-contributions which practically repays you for tax that you have paid on concessional contributions. It requires an after-tax contribution. Unfortunately, over time, the incentive and thresholds have been reduced to the point that the lure of \$500 is not worth the effort.

With budget constraints, the Government may not be able to make any changes to the current co contribution incentives. Reducing the tax rate inside of Superannuation from 15% to 10% for lower income earners would also cost the Government too much to implement.



Generation Wealth





## Building Family Wealth

**So, what can you do to help family members to build their Superannuation early in life?**

Putting a plan in place to contribute to your children's or grandchildren's Superannuation account may lead to better financial outcomes than providing them money for immediate personal expenses such as holidays, cars, houses etc. This is because Superannuation has a long-time horizon for the ultimate pay off and contributing early means that less is required now to achieve the same result in the future.

*If you think that this financial assistance for your children or grandchildren would be of advantage to you, please reach out to your financial adviser or Supervision for some guidance.*

**BOOK A MEETING**

# THE TEAM BEHIND SUPERVISION SMSF

## SUPERVISION SMSF

### Perth Office

**Pina Reid**  
Client Services Manager

**Shishpal Rana**  
SMSF Manager

**Leanne Wise**  
Client Services Manager

**Taylor Reid**  
Client Services

**Christopher Homer**  
Director of SMSF

**Clinton Reid**  
Managing Director Supervision Group

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Senior Bookkeeper

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