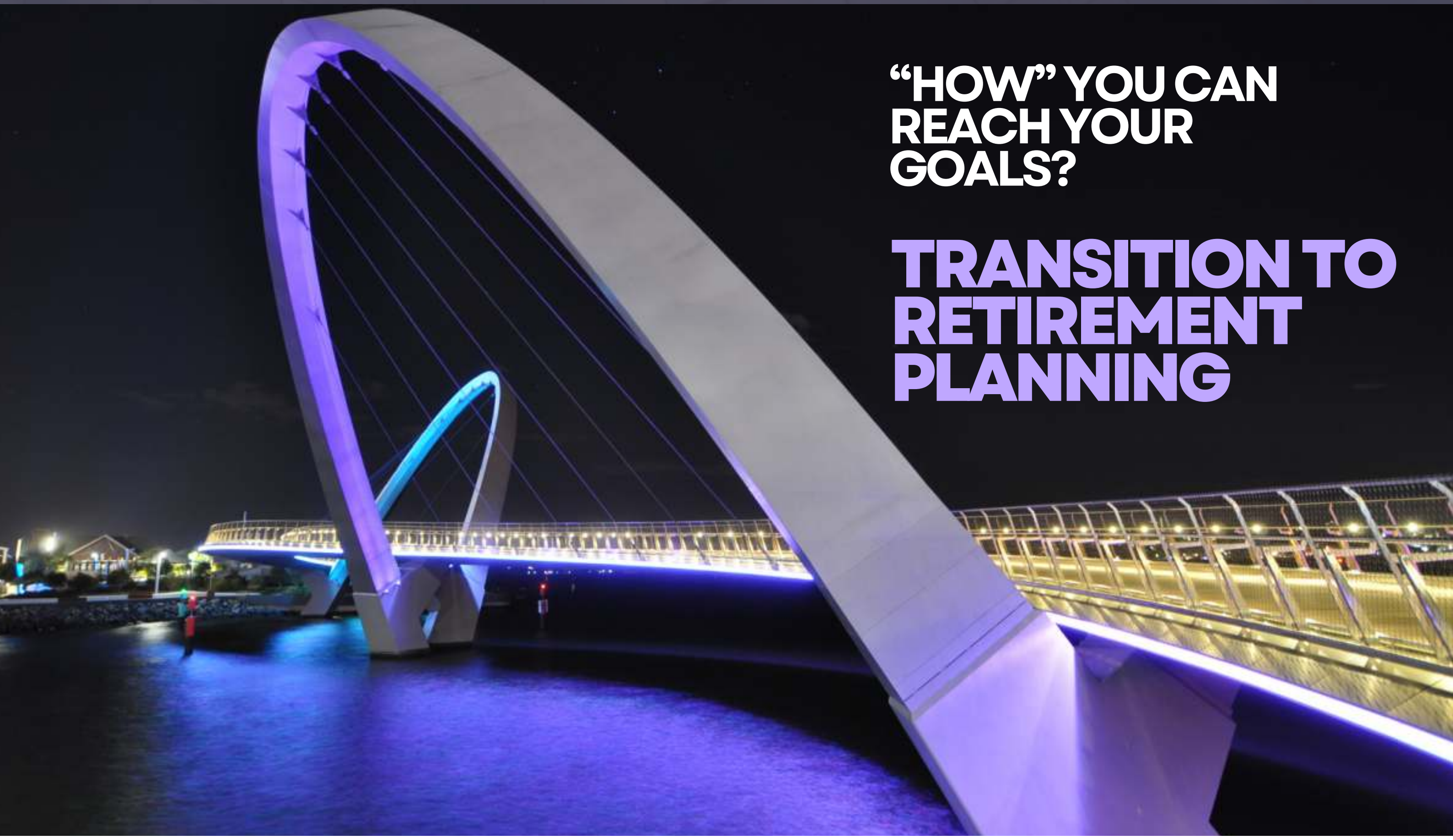
Supervision GROUP

EDITION: AUGUST 2024

THE TRUSTEE

The publication that keeps you informed and in control.



INSIDE THIS EDITION:

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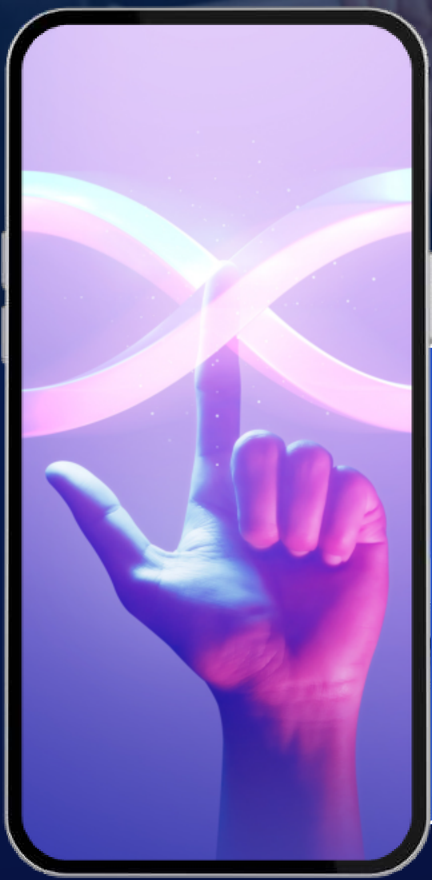
WELCOME

2025 Financial Year is here.

Another year, another opportunity to strive for better things in our lives. The things that we strive for don't have to be money related, but they should lead us to greater wealth.

What does wealth mean to you?



Is it,

- Solving the puzzle of your business and making it work for you.
- Learning something new?
- Improving your health and fitness?
- Creating better relationships with loved ones?
- Freeing up time and energy for you?
- Not feeling stressed about money?
- Clarity about what is important to you?
- Learning to be satisfied with your life?

You may have noticed that "buying the latest sports car", "buying the biggest house in your favourite suburb", "sitting on a beach in the Bahamas" etc, didn't make the list. Whilst those things could be an outcome of having financial wealth, material objects can never take the place of real wealth.

The beautiful thing about what I do, is I speak to many financially wealthy people who all have a different story to tell.

One of my learnings is that real wealth resides in your mind and not your bank account. Joy is contained in the things that you do and the experiences you have, rather than any accumulation of cash and assets.

If the journey that you took, taught you about yourself and the world around you, that is wealth creation.

It is entirely possible to be rich on paper but be totally miserable in life. Some people even have stress caused by the accumulation of money, for them, the burden of wealth weighs heavily. For others it is the great enabler to freedom and stress-free lives.

Will you indulge me with the following proposition?

You are rich and everyone around you is rich. I can say that with confidence, because anyone that lives in Australia, achieves a very high standard of living with incomes that are comparatively high worldwide.

Creating wealth from these riches is more difficult, because it demands more discipline, self-reflection, sacrifice, courage, risk taking and responsibility than most people can manage.

Wealth is so valuable because it is harder to achieve, and there is not one common measure of wealth that can satisfy everyone.

So, what makes you tick? What wealth do you consider the most important to you? What action can you take to make your life wealthier? Please create time in your life to be reflective, formulate your plans and get cracking on the things that make life great for you.

We wish you the best of health and wealth, please enjoy the latest edition of “The Trustee”.

Best Regards

CHRISTOPHER HOMER
Director

SCHEDULE A CALL

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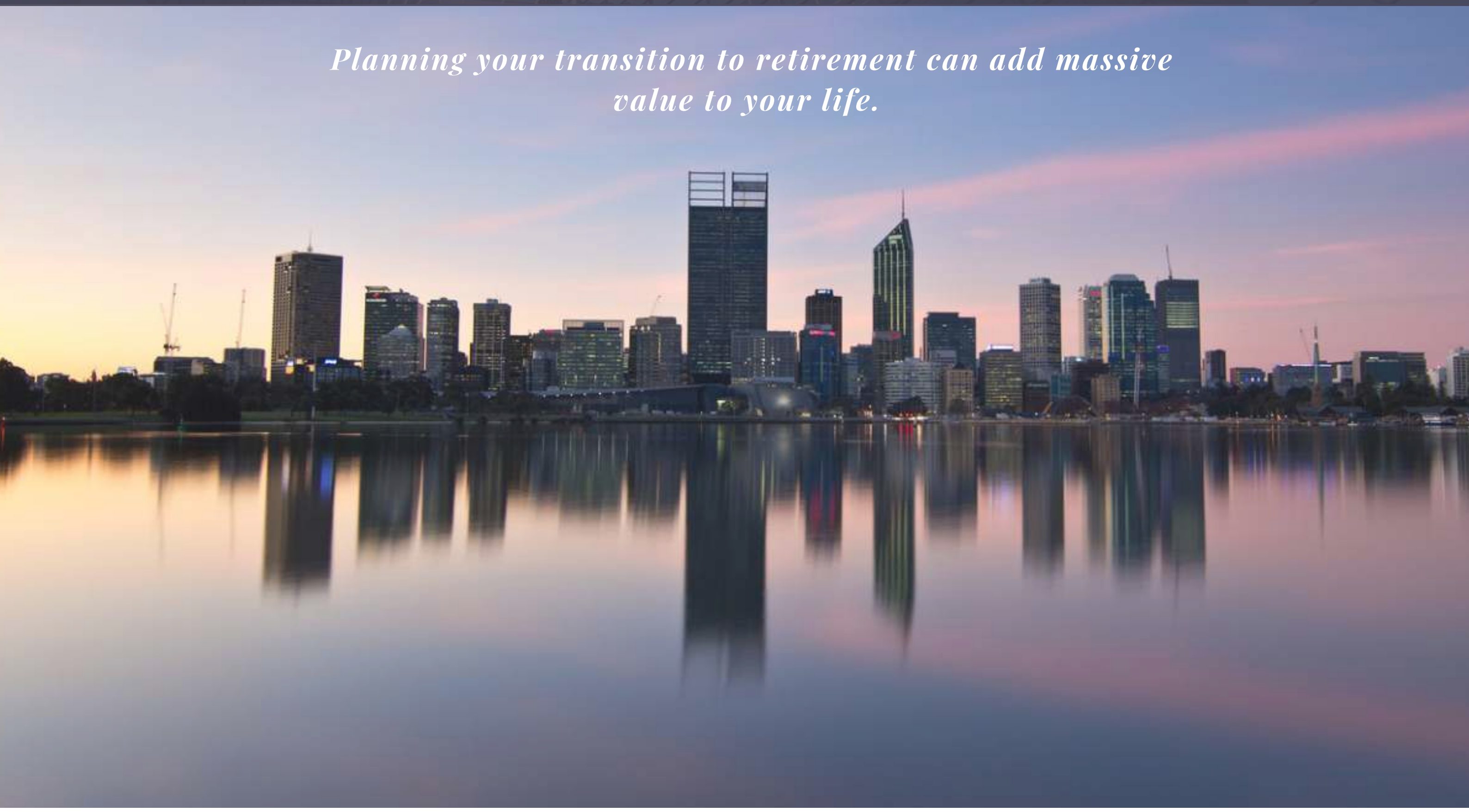
FEATURE ARTICLE

TRANSITION TO RETIREMENT PLANNING

Planning your transition to retirement can add massive value to your life.



Thinking about retirement for some can cause serious discomfort. Whilst most people have a clear idea of how they will spend their time, they may lack clarity on how they are going to pay for it.

Transition to Retirement planning provides financial clarity on “how” you can reach your goals, which leads to greater confidence, not just for a future retirement, but now, in the run up.

People who receive Transition to retirement advice emerge with clarity of purpose and an actionable plan. Clarity leads to peace of mind and a renewed sense of purpose. You are actively participating day to day in the construction of your financial future and that feels great.

Whilst many strategies can be advantageous for a multitude of people, everyone has different needs based on their circumstances that requires deeper analysis and bespoke solutions.

During our annual SMSF catch up meeting, clients (without financial advisers) press us for answers on questions about their retirement needs, like:

- How much money do you need before I can retire?
- How can my Superannuation and non-Super investments, replace my salary in retirement?
- How much money will I need once I retire?
- What type of investments do I need to meet my income requirements?
- How long will my money last?

THE ANSWERS TO THESE QUESTIONS DEPEND ON YOUR CIRCUMSTANCES.

Do you have a large mortgage or other personal debts to pay off? Do you own your own home or rent? What lifestyle goals do you want to have in retirement? Do you like traveling, eating out regularly, spoiling your children and/or grandchildren?

We can provide general information of what success would look like for the "average" Australian, but that does not account for your specific requirements. What has the average Australian got to do with you.

CREATE A TRANSITION RETIREMENT PLAN

The only way to get the right answer for you is to work with your financial adviser to create a transition to retirement plan. This plan can be 1, 5, 10, 15 years prior to your retirement. Depending on your situation, it may be a relief to find that you are already on track to meet your goals. This discovery provides peace of mind that staying the course is worthwhile.

So how can you get started? It's easy.

Speak to your Financial Adviser or speak to Supervision (08 9367 9655) if you don't have one.

Your adviser will ask questions about your current situation. From there they will analyse various scenario's which are designed to illustrate various options that you have. Once the work is done and you understand your options, a plan can be implemented. From there, you can commence making an impact.

We believe that financial advice is always beneficial, transition to retirement is even more important because it addresses a specific need that you have. If you are thinking that this could be helpful or you have the same questions as mentioned above, please reach out as soon as possible.

WHY DO WE REMIND YOU ABOUT?

Insurance

Last month, we had a very challenging meeting with a client that had recently been declared unfit for work for his $150K/year job. After a medical procedure, the client suffered permanent physical damage which means the 48-year-old will never be able to work again. He asked me if his SMSF had any life or TPD insurance that would cover him for his loss of income? Unfortunately, when he started his SMSF, he did not establish any life insurance products.

He did not think that paying for insurance was worth it, because at the time he was fighting fit. He now faces a future where he doesn't have independent wealth and will need to rely on the generosity of his elderly parents.

NOW OR NEVER

If a life/TPD insurance policy was in place under the above scenario, the SMSF would have been able to receive a large payout from an insurance company and would be available for the member to use for any purpose.

Yes, getting life insurance costs money, and going through the process can take some time, but without it, you may be left with debts to pay and no way to pay them.

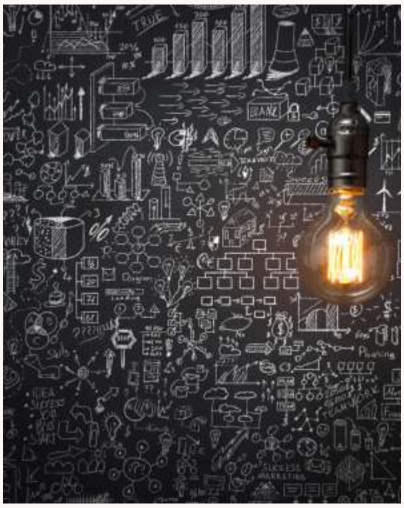
To add to that, it's a compliance requirement to "consider" insurance for the members in your investment strategy document. This doesn't mean you have to take it up, but you must consider it and document why the members are not taking up insurance.

READ MORE ↓

Why do we remind you about?

INVESTMENT STRATEGY

An SMSF investment strategy is the “business plan” for your SMSF. The investment strategy that we create in the establishment documentation is a template designed for you to meet your initial compliance requirement. It is required to be replaced by “your” strategy which is unique and suits your plan.



To make this easy for you, we created an investment strategy builder on our website (search “investment strategy” on our website). Alternatively, your Financial Adviser can create this strategy for you and review it regularly during the annual review process.

Investment strategies are designed to provide guidance to you - the Trustee, about how to invest your money and what to do when things do or don’t go to plan. It should document the general and specific risks that you are taking on certain investments and how you can mitigate those risks with certain strategies.

The strategy covers members liquidity & post-retirement lifestyle requirements. Your SMSF can be the most important part of your retirement savings, so being clear about members requirements in retirement and the SMSF’s response to those needs is vital.

We have had several SMSF’s where the annual audit has picked up investment strategies that don’t meet legal standards. This is not fatal and won’t cause long term issues, however some work needs to be done to fix it up.

The first thing to do is identify what investments are causing the auditor problems. From there you can address the matter in the investment strategy document. The next time your investment strategy document is prepared with the amendments made, it will pass audit.

REMINDER:

Review your investment strategy document.

Now is the right time to review your investment strategy document, if you need help please call the office and make an appointment.

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Why do we remind you about?

PROPERTY VALUATIONS

The ATO has sent out communications to the SMSF Auditors that they need to be strict on asset valuations. They want SMSF financial statements to correctly reflect the value of the assets. Asset values create the dollar value of a member's balance.

Member balances now dictate how much members can contribute to Superannuation, and how much money can be in pension phase. If members balances are artificially low, they would be able to take advantage of various incentives designed for lower balance holders trying to improve their situation.

FREE VALUATION

RP data provides Supervision with one free residential property valuation (per property) a year.

We pass this free report to you. Unfortunately, due to the unique nature of commercial property, we are unable to receive the same service from RP data.

COMMERCIAL PROPERTY

Commercial properties can pose difficulty when it comes to valuation. Finding recent sales of similar properties can be difficult. Without similar sales, the valuation will need to examine other factors such as lease term, annual income and special use of the property to extract a value.

Your SMSF will not be required to provide a sworn/licenced valuation each year, however if a long term lease is going to be entered into, it is in your best interests to have an authority (valuer/agent) assess the value of the property and provide a written report.

After this has been provided, then each year the SMSF Trustee can provide an updated valuation based on your observations and evidence of properties in similar circumstances. If you need help with this, we can support you to provide Trustee valuations.

It is not permissible for the Trustee to get one valuation and leave it unchanged over the medium term, or leave the value at cost.

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Why do we remind you about?

Depreciation Schedules

If you own a property in your SMSF, a depreciation schedule can save tax each year until the building has been completely written down to zero. Depreciation expense is the amount that the ATO allow you to claim as a deduction based on the allocated to wear and tear on the building.

This means that if you have spent money on capital works on your property asset during the year, it may be possible to increase your deductions with the use of a depreciation schedule. Depreciation schedules are provided by specialists and the ATO will accept the deductions based on this report.

We recommend Asset Reports as our preferred supplier of depreciation reports. They offer a discount for Supervision clients, so please mention that we have sent you.
https://www.assetreports.com.au/

CONNECT ANYTIME

Get in touch via the desired contact method below:

SCHEDULE A CALL

We'd love to connect! Send us an email to request a convenient time to answer your inquiry.

GATHER INFORMATION

Feel free to leave a message if you need more information so far. We'd be happy to assist!

When can I access my Super?

"Superannuation" and the "Age"

The answer to this question depends on your circumstances. Many people don't realise that if they are turning 60 and have retired from work, they are eligible to access their Superannuation, even if they go back to work afterwards.

Many people are confused between access to "Superannuation" and the "Age" pension from Centrelink.

The two ages are different.

Currently, the Age pension is available to those aged 67 and above and meet income and assets tests.

Superannuation is available to those "retired" over the age of 60, and those that have reached 65 but still work.

There are other conditions of release, which will allow people to access Super, but the above are the main ones.

If you want to access your Superannuation, have already met a condition of release, please feel free to reach out to Supervision for more information. We can help you with your questions.

SMSF CONTRIBUTIONS

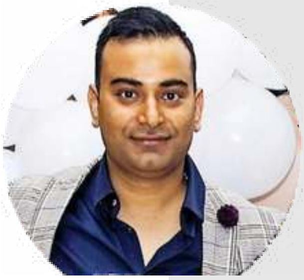
FAQS WITH SHISH

Hi Everyone,

We have been doing well with our tax return program last year and this year so far.

Thank you for helping us to achieve our high rate of completion this year and last.

There is much work to be done, but we are always creating speedy returns and refunds for our clients, which creates value for you.



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.

Quick Super Facts – 2025 FY

- We are currently in the 2025 Tax Year.
- The Superannuation Guarantee is 11.5%.
- The concessional contribution limit is $30,000.
- Unused concessional contributions are available to those with balances under $500K.
- The non concessional contributions limit is $120,000.
- If you earn over $250,000 in personal income, you will pay Division 293 tax which is an additional tax of 15% on your contributions.
- The Government will pay you up to $500 as a co-contribution if your personal income is between $45,400 and $60,400 and you make a non-concessional contribution of $1000 or more during the year.
- Downsizer contribution to Super is available for those over the age of 55 years of age. The amount is $300K. Conditions apply, please check prior to contributing.
- Preservation Age (earliest access to Superannuation) is 60 Years of age for anyone that has not reached that age. Conditions apply, please check prior to accessing your Super.
- Total Superannuation Balance is $1,900,000 which determines contribution limits and other tax advantages.
- Pension Minimum's according to age are:
- Under 65 = 4%
    - 65 to 74 = 5%
    - 75 to 79 = 6%
    - 80 to 84 = 7%
    - 85 to 89 = 9%
    - 90 to 94 = 11%
    - 95 or more = 14%

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EDITORIAL

THE NEW LEGISLATION SHAKING UP THE ACCOUNTING INDUSTRY

TAX AGENT OVERHAUL OR OVERREACH?

UPDATE:

Recently the Government (Stephen Jones- Assistant Treasurer) has introduced legislation designed to improve the level of professional standards within the tax and accounting industry.

INSIDERS VIEW

Written by Supervision Group

The changes are in response to the misadventures of the biggest accounting firms who allowed massive financial contracts to interfere with their moral and ethical standards.

The resulting professional standards will be the industries biggest shake up for some time. You may not have heard about them, but within the accounting fraternity, there has been quite a lot of distress and angst. So much so, the changes which were supposed to already be in place, have been delayed until next year.

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So why would the profession be so affronted with the proposed changes, considering the Tax Practitioners Board has summarised the changes as:

- Upholding and promoting the ethical standards of the tax profession
- Penalising false or misleading statements.
- Reducing conflicts of interest in dealings with government.
- Maintaining confidentiality in dealings with government.
- Keeping of proper client records.
- Ensuring tax agent services provided on your behalf are provided competently.
- Quality management systems.
- Keeping your clients informed of all relevant matters.

Sounds extremely reasonable and something everyone should stand for, it's common sense, right?

BUT THE DEVIL IS ALWAYS IN THE DETAIL.

1. **The Code provides the Minister with the ability to add additional obligations that practitioners must comply with when the Minister deems it necessary.**

This rule bypasses the traditional consultation process that has always taken place within the industry. Effectively, the Government is taking over the Governance of the tax and accounting industry by giving themselves the power to make immediate changes to the rules without consultation and examination of practical realities. If you were the Minister of the day and you could make any changes in an industry without consultation, would you consult, especially when you are under pressure to be seen to make changes?

2. Tax Agents are required to keep details/records of all advice/facts/background they have provided to clients for 5 years which includes all of their research and reasons for their advice. The Tax Practitioners board can force the tax practitioner to provide this client information to them at any time.

This requirement covers any advice provided between tax practitioners and the client. This information belongs to the tax practitioner and the client but compels tax agents to provide this information without the client's permission. The justification for the advice will be the most difficult and time-consuming part of this requirement. A tax practitioners knowledge grows over years of experience. Writing down every justification for the advice given is a gross overkill for simple taxation matters. The result will be higher fees and no verbal advice given over the phone without all the documentation being completed.

3. Tax Agents must advise all current and prospective clients informed on:

- **Any matter that could significantly influence a decision of a client to engage the agent. Back dated to 2022.**
- **How they can make a complaint about a tax agent service you have been provided, including complaints.**

Where do we draw the line of matters that significantly influence a decision for our clients? How will the tax agent know how what information to declare to clients as significant? Tax agents must self-report and tell our clients everything that may or may not impact our ability to provide tax and accounting services. Tax agents are left to guess what they consider to be reasonable to disclose to their clients.

4. Tax Agents are required to inform on other tax agents if they are aware that the tax agent is in breach of the code.

> ***"Reform is essential to restore trust in the tax industry, but broad changes risk punishing many for the misdeeds of a few."***

Professionals working in a pressurised environment like accounting should not be placed in a position where they are forced to inform on other professionals or risk their own livelihoods. This is the most insidious provisions which pits people in the industry against each other and should be opposed most vehemently. Do we want to live a society where we fear what we say or do will be used against us at any time, even if the claim against us is not true? Do we now want to be a nation of dobbers?

There are many more clauses in the code that should worry practices like ours even though we are not in the running for lucrative contracts from Government and multinational corporations.

The Government has every right to be angry about a breach of trust at the top end of town. They should hit the transgressors with penalties that really hurt, cancel their massive consulting contracts and crack down on their multinational clients. This remedy is already underway, and there should be more of it for a sustained period.

The problem is that an industry wide approach will end up punishing everyone in the industry which passes on additional costs to small businesses, individuals and SMSF's like yours.

The real reform to build public service capabilities (ATO) is much harder to achieve. The Government can't compete with the private sector who pay higher salaries and provide a perceived sexier work environment. So, although consulting contracts are being cancelled now, there will be a resurgence back to the big four in the future as Governments realise, they have no alternative.

All practitioners (including us) will need to shoulder the burden of additional compliance to show that the Government is serious about cracking down on broken tax services, but the underlying causes will be left unchanged and everyone will forget the reason the reforms were introduced in the first place.

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SUPERVISION SMSF

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