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If you are new to reading The Key newsletter, welcome. If you are an avid reader of this publication you would be familiar with this forum, delivering relevant and interesting content from the financial planning industry, to help you better manage your financial life. A core value of our business is that every Australian should have access to, and benefit from, good financial advice. In reading this publication, we hope that you find the articles interesting, and perhaps they will provide some talking points for your next review meeting with your financial adviser.

Enjoy reading this edition of The Key.

Retirees and insurance

If you have retired and think the days of reviewing your financial plans are over, think again. Now is the time to review your entire plan in-line with your new lifestyle and pay particular attention to any insurance cover in place.

Policies expire

People often take out insurance while they are working to protect their dependants if they are injured and can't work, or they die prematurely.

However, when you reach a certain age, such as retirement, some policies may expire. It's important to work with your financial adviser to keep your policies current and appropriate for your stage of life.

Insurance options

Term life insurance, or death cover, provides a lump sum payment if the life insured dies or becomes terminally ill. The lump-sum payment received may go towards paying off debts, providing for education or allowing beneficiaries to continue to live in the family home.

Is this included in my Super?

It could be, but you need to check and be sure that it matches your individual needs.

Life insurance included by default within Super can be very limited.

When does it expire? Usually around age 99, but check your individual policy cover.

Total & Permanent Disability (TPD) insurance

is paid in a lump sum if the life insured becomes permanently disabled because of an accident or illness. The insurance payment may cover medical expenses, living expenses, home modifications or pay off debts.

Is this included in my Super?

It can be, but you need to check and be sure that it matches your individual needs as default TPD included with Super can be very restrictive and definitions of 'total and permanently disabled' vary significantly.

When does it expire? Generally at age 65, which can coincide with retirement, so you should speak to your financial adviser about the type of cover you may need in retirement.



Trauma insurance covers a major illness or injury, such as a stroke or car accident. It covers specific medical conditions and is paid out in a lump sum that can be used for any purpose, such as living or medical expenses. Trauma cover can be paid even if you can still work and you can buy a policy even if you are not working.

Is this included in my Super? No, it is not, you need a standalone insurance policy.

When does it expire? Typically, at age 70.

Income protection insurance covers loss of income if the life insured becomes disabled due to an accident or illness and cannot work. Typically, these types of policies pay 75 per cent of the insured person's income but there are many variations in their terms.

Is it included in my Super? Default income protection included with Super can be very restrictive in terms of the amount of cover, when it commences, how long it lasts and the definition of disability that must be met.

When does it expire? Typically, at age 70.

What about my super balance?

There are usually additional rules for policies held within a superannuation fund, and once you reach a defined age you may no longer be able to make contributions.

If your insurance is through your super fund, the premiums are deducted from your super account balance so once you are retired or have attained age 65, if you cannot contribute to superannuation, the deduction of the premiums can take a hit on your account balance which your financial adviser can work through with you.

To renew, or not to renew?

Life insurance coverage through super usually ends at the age of 65. When deciding whether to continue your life insurance cover, you may wish to consider such things as outstanding debts, mortgage repayments, the impact on dependents and the type of retirement lifestyle your superannuation fund can provide.

In most instances your insurance needs decrease with age and the range of relevant policies diminishes. However, some policies allow you to extend for a fee.

Funeral insurance plans

Retirement may be the time to consider taking out a funeral plan to cover funeral expenses when you pass away. Insurers offer age-based policies with premiums that start lower and gradually increase, or fixed policies with premiums that remain static¹.

Ready to review?

Each person's circumstances are different and if you are unsure what insurance policies you need, talk to your financial adviser who can help work through your options now, and in retirement.

¹ www.moneysmart.gov.au/insurance/funeral-insurance

Rules around super contributions

Making 'catch-up' contributions to your superannuation account can boost your savings for long term financial security.

Rules around super contributions allow certain individuals to increase their superannuation by making additional concessional (before tax) contributions.

This scheme provides flexibility for eligible individuals to make 'catch up' concessional contributions to their superannuation when they have the capacity to do so. It's particularly targeted at:

- people who take time out of work, work part time or have irregular income
- women who may have interrupted work patterns and generally lower super account balances than men
- individuals who take a break from the workforce due to illness, to care for someone or pursue further studies
- older people who have more disposable income as their ongoing costs decrease.

Assessing your eligibility

Even if you don't belong to any of the target groups, you may still make catch-up concessional contributions this financial year if:

- you have unused concessional contribution cap amounts from the 2018-19 financial year
- you had a total superannuation balance of less than \$500,000 at 30 June 2019, and
- if you're aged between 65 and 74, you must meet the work test for the 2019/20 financial year or be eligible for a work test exemption.

Unused concessional caps (commencing from the 2018-19 financial year) can be 'carried forward' for five financial years on a rolling basis.

How it works

The concessional contribution cap is currently \$25,000 (2019/20) and includes salary sacrifice and mandatory employer contributions. In addition, an individual can use unused concessional contribution cap amounts from the 2018/19 financial year if they meet the above requirements.

Example: If you made total concessional contributions of \$10,000 in the 2018-19 financial year and your total superannuation balance at 30 June 2019 was less than \$500,000, you'll be able to make up to \$40,000 of concessional contributions to your super this 2019-20 financial year. The \$40,000 being the \$25,000 annual cap plus the \$15,000 unused concessional cap from the 2018-19 financial year.

Other things to keep in mind

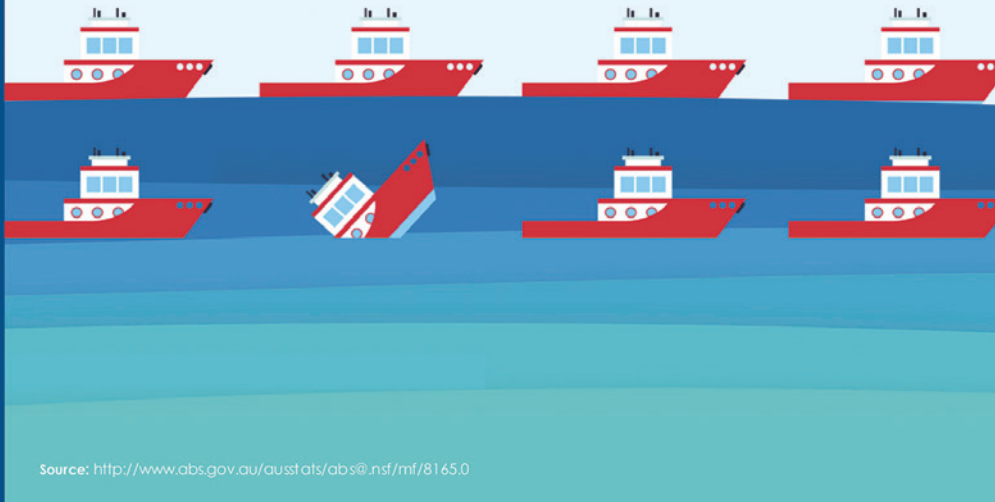
Keep in mind that you won't be able to utilise your unused amounts from the 2018/19 financial year in the current financial year if your total super balance was at least \$500,000 at 30 June 2019.

If your total super balance is below \$500,000 at the end of this financial year, you may be eligible to make catch up concessional contributions in the following financial year utilising your unused concessional contributions from the 2018/19 and 2019/20 financial years.

Seek advice

If you're thinking of using the catch-up rules, seek professional financial advice on how to use concessional super contributions to your advantage. Your financial adviser may also help you consider the tax implications.

Each year, one in eight Australian businesses cease trading.



Source: <http://www.abs.gov.au/auststats/abs@.nsw/mf/8165.0>

Is your small business protected?

According to a 2018 survey by research firm East & Partners for Scottish Pacific, nearly 80 per cent of small and medium enterprises (SMEs) said cash flow issues caused them the most sleepless nights,¹ whilst a 2019 survey by the same group highlighted that the number of SMEs planning to borrow from their bank to fund business growth has halved in the past five years to 18.3 per cent².

If small businesses are struggling with cash flow, but not willing to borrow from their bank what strategies are they considering to improve cash flow, grow their business and ensure longevity of their livelihood?

Build a cash reserve

Cash is king and poor cash flow can result in being rejected from loans you need to grow your business or cover yourself during downturns in business activity.

To maintain a consistent cash flow it's important to build a robust cash reserve which can help you meet your financial obligations in difficult times and allow you to take up opportunities when they present themselves.

To build your cash reserve take care that you are paying your invoices on time and getting paid on time by your customers. If you have any bad business debts, take a look at how you can reduce them. An outstanding tax bill can be a huge hindrance to cash flow so talk to a professional about getting this under control.

Separate business and personal money

By keeping business and personal expenses separate, you may better understand your business's cash position.

It may also ensure that you don't use money meant for your business on personal expenses and conversely can help make sure you are paying yourself a wage from your business.

Control business costs

Controlling costs might help you to maintain healthy cash flow. This may mean taking a hard look at the practices and processes you have in place and determining if they are efficient or eating up too much of your time.

Identify where you are wasting time and money and consider if you can make changes without sacrificing growth or diminishing the client experience.

Take a good look at stock levels, supplier terms and rates, customer engagement, loyalty and ease of transaction.

Predict your growth

Having a view of expected business growth can help you to map out when there may be ebbs and flows so you can tighten up spending when income is low. The 2019 survey reported that revenue sentiment in SMEs was growing, and metropolitan businesses were more positive than those that were regional based. The figure of expected growth in metro areas was 58% compared to 47% in regional areas².

Protect your business

Taking out business expenses insurance and key person insurance may help meet business running costs if a key employee is too ill to work. Both insurance plans provide a monthly benefit if you or a key person in your business become incapacitated which protects you, your business partners, family and, the reputation of the business which is paramount to your ongoing success, particularly if the time comes that you need to sell up.

Do you have a trusted adviser?

Each small business is different and the way the owner wants to run their business is different so it's wise to seek advice tailored to your business. Whilst the opinion of family, friends and colleagues is important, professional advice is paramount.

¹ Scottish Pacific and East & Partners, October 2018, 'SMEs flag higher revenue growth, but prospects could be dampened by declining property market and cash flow issues,' accessible at: <https://www.scottishpacific.com/media-releases/smes-flag-higher-revenue-growth-but-prospects-could-be-dampened-by-declining-property-market-and-cash-flow-issues>

² SME Growth Index September 2019 https://www.scottishpacific.com/images/General/SPC11500-SME-Growth-Index_AW2_Digital.pdf



Recovering from a loss

We cannot control or influence curve balls life throws at us such as sudden trauma or loss, but we can protect ourselves from the impacts by having a sound estate plan in place and appropriate insurance cover.

If you are unsure what plans you have in place then it's time to book a review meeting with your financial adviser who can look at your individual circumstances and advise on any gaps in your overall financial plan.

There are many types of trauma and loss we may experience in our lifetime. This includes financial (assets, property, livelihood and cash), physical (death, disability or severe illness), and emotional (grief, trauma, denial and isolation).

What comfort can a financial adviser provide?

In times of loss there are professionals who can help get your affairs sorted so you can return to normality as much as possible, as quickly as possible.

A financial adviser is often able to assist as they have detailed knowledge of your financial affairs, insurance cover and estate planning wishes. If you experience trauma or loss, get in touch with your financial adviser, tell them what has occurred and let them guide you.

They may assist with:

- Liaising with insurers on your behalf
- Processing insurance claims
- Processing estate planning paperwork and talking to your family and beneficiaries
- Liaising with your accountant, solicitor and powers of attorney
- Putting you in touch with local community services
- Advising on steps to financial recovery
- Drawing down on superannuation if early access is an option.

If you have suffered a loss and would like help working through the myriad of paperwork, don't go it alone.

Your financial adviser is well-placed and willing to assist.

What comfort can friends and family provide?

After a major event care and support is needed to help ease the impact of the trauma or loss, but for many people, it can be hard to know how to respond and support your friends and family.

The type of support you can provide is often simple things, that if done in a respectful way, will be invaluable.

Here are some suggestions:

- Spend time with the person, let them know you are there for them
- Don't let them spend the first few nights alone or in an empty house
- Allow them to cry
- Listen to them and try not to direct the conversation back to yourself
- Avoid telling them you know how they feel, it's more helpful to tell them you are sorry for what they have been through and you want to assist in their recovery

- Sometimes a simple gesture like a hug is all they need
- Help with everyday tasks such as cooking, cleaning, child minding.

Children experience strong emotions during and after events and may find it difficult to articulate how they are feeling. No matter how much we want to, we can't protect children from experiencing strong emotions and distress following major events, but we can help to reduce the impact of the trauma or loss.

- Give ongoing reassurance, tell them they are safe, and try to normalise their feelings
- Provide information in a way that is appropriate for their age, listen patiently and respond to their fears
- Encourage children to express their emotions, even if you as an adult would not express your feelings in the same way
- Spend more time with them, give lots of cuddles and give them the opportunity to talk
- Bedtime may be when feelings of fear are strongest so spend extra time preparing for bedtime together, read a story in bed, having a comforting warm drink, stay with them until they fall asleep
- Keep to their usual routine as much as possible.

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