INSIDE

JANUARY 2020

FINANCIAL MATTERS AFFECTING YOUR LIFESTYLE

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New Year's Resolutions, 5 Tips to achieve your money goals in 2020

Take control of your future by setting some financial goals this year. Here are top tips to help make 2020 your best year yet.

- ✓ Make a plan for your money
- ✓ Home in on your savings
- ✓ Knock out your debts
- ✓ Take charge of your super
- ✓ Invest in your future

Make a plan for your money

What are your money goals this year? To give yourself the best chance of achieving them, your goals need to be SMART: specific, measurable, achievable, realistic and timely. Setting timely goals means giving yourself a timeframe to achieve them.

With a SMART goal in mind, need to set up a plan for how you'll achieve it. For example, if you want to save $5,000 by the end of the year, work out how much you can allocate to that goal each pay day.

Start with a budget

A budget will help you to map out your finances and work out where your money is going. Start with essential costs like rent or mortgage, food, bills and transport, then allocate money for any debts you're paying off. Anything left over can go towards your money goals.

Home in on your savings

Having savings set aside will help cover you in case of an emergency and will also help you reach your bigger money goals. Set up an automatic recurring payment to regularly transfer money into a high-interest savings account that is easy to deposit into but hard to withdraw from.

Some keynote's that might zero in on your savings if you're:

- Building an emergency savings fund
- Saving for a home
- Saving for your children's education

Knock out your debts

If you want to get on top of your debt in 2020, breakdown what you owe into manageable chunks by prioritising what you can pay first.

You could start by making extra repayments on your smallest debt first. Once you have paid that off, move onto the next smallest, and so on. If you start small, by the time you get to your biggest debts you will be well equipped to knock them out.

Another option is to pay off the debt with the highest interest first.

Smart Tip – Stay on top of your credit health by getting a free copy of your credit report and correcting any details that are wrong.

Take charge of your super

Make 2020 the year you get on top of your super. If your super is spread out across multiple funds, you are paying multiple sets of fees that are reducing your balance. Your super is your nest egg for your future, so why not start the year by consolidating your super into one fund so you pay less fees and grow your balance.

Smart Tip - Get to know your super by checking your investment options and what, if any, life insurance your super covers.

future Invest in your future

If your debts are under control and you've built up some savings, 2020 could be the year to start investing.

Boost your investment knowledge

Never invest in something you don't fully understand; take the time to read up on the types of investment options you're interested in.

You might consider reading money or investment magazines, or follow finance and investing experts on social media.

Invest for your time frame

It's best to choose an investment based on how long you are prepared to have your money tied up. Growth assets like shares and property that usually have better long –term returns, can be more volatile in the short term.

Setting and reaching your money goals will help you achieve financial freedom. By putting a good plan in place and committing to keeping your money on the right course, you'll hit your target.

Resource: ASIC'S Money Smart Guide

CGT CONCESSIONS:

Does your business quaify?

Wondering if you're eligible to claim the small business CGT concessions can be settled by answering a few basic questions:

In addition to the capital gains tax(CGT) exemptions and rollovers available more widely, there are four additional concessions that allow a small business to disregard or defer some or all of a capital gains from an active asset used in the business:

- 50% active asset reducton – where you can reduce the capital gain on an active asset by 50% (in addition to the general 50% discount if you've owned it for 12 months or more, for companies).
- Retirement exemption – capital gains from the sale of active assets are exempt up to a lifetime limit of $500,000. If you're under 55, the exempt amount must be paid into a complying super fund or a retirement savings account.
- 15 year exemption – if your business has continously owned an active asset for 15 years and you're aged 55 or over and are retiring or permanently incapacitated, you wont have an assessable capital gain when you sell the asset.
- Rollover – if you sell an äctive"asset, you can defer all or part of a capital gain for two years, or for longer if you acquire a replacement asset or incur expenditure on making capital improvement to an existing asset.

The threshold tests

These concessions are available when you dispose of an active asset and any of the following apply:

- You're a small business with an aggregated annual turnover of less than 2 million
- Your asset was used in a closely connected small business.
- You have net assets of no more than 6 million (excluding personal use assets such as your

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home to the extent that it has not been used to produce income).

Asset on which a capital gain has accrued

To start with, let's look at the first – what is the asset on which a capital gain has accrued? This is important because:

- The asset must be an "active asset" to be eligible for the CGT small business concessions (which usually means that it must be used, or held ready for use, in the course of carrying on the business).
- An active asset can include shares and trust interests where specific conditions are met.
- Certain CGT assets are not eligible for the small business concessions (for example, assets whose main use is to derive rent).

Taxpayer who made the gain

The question – who owns the asset on which the capital gain is made – is important in order to determine the "connected entities" and " affiliates " of the taxpayer. This needs to be ascertained because:

- An asset of the taxpayer that is used in a business carried on by a "connected entity" and/or an "affiliate" can also qualify for the CGT small business concessions.
- Whether a taxpayer meets the "small business threshold" tests (that is 6 million maximum net asset value or $2 million annual turnover), as the turnovers or net assets of "affiliates" and "connected entities" are taken into account for these purposes and
- Legal personal representatives, beneficiaries and surviving spouses and joint tenants can qualify for the small business concessions for a CGT asset owned by a deceased taxpayer if certain conditions are met.

The relevant CGT event

The question (what is the CGT event involved?), this is important because:

- The concessions are not available for capital gains arising under all CGT events (eg under CGT event K7 where a capital gain arises from the partial non-business use of an asset)
- Some of the concessions are not available for capital gains arising after certain rollovers come to an end (for example, the 15 year exemption is not available for gains "reinstated" under the small business roll-over)
- A capital gain arising under CGT event D1 (ie when creating contractual or other rights) has additional conditions to be met. Source: Butler Settineri

SMSF event – based reporting:

What needs to be reported, what doesn't

Since event-based reporting started for SMSFs from 1 July 2018, the ATO says that for the larger part, SMSF trustees have mostly adjusted to the new requirements.

Now that an entire income year under the transfer balance account report (TBAR) regime is complete some teething problems have emerged. A big one for the ATO has been the high number of commutation authorities that have been unnecessarily issued. The ATO says more than 50% of these were revoked due to it consequently receiving amended reporting.

EVENTS THAT NEED TO BE REPORTED

Every SMSF must now report certain events in the ATO's event-based reporting framework by the due dates. (within 10 business days after the end of the month in which the commutation occurs.

An SMSF must report events that effect a member's transfer balance, including:

- Details of pre-existing income streams (including value and type) being received on 30 June 2017 that continued to be paid to them on or later after 1 July 2017.

Were in retirement phase on or after 1 July 2017

- Details of new retirement phase and death benefit income streams including value and type (when a death benefit income stream is reversionary, the start date will be the date on which the member died)

- Details of LRBA payments (including the value and date of each relevant payment) if the LRBA was entered into on or after 1 July 2017) (or a pre-existing LBRA was re -financed on or after 1 July 2017) and the payment results in an increase in the value of the member's interest that supports their retirement phase income stream.

- Compliance with a commutation authority issued by ATO
- Details (including value) of personal injury (structured settlement) contributions
- Details (including value) of commutations of retirement phase income streams that occur on or after 1 July 2017.

If no event occurs, there is nothing to report.

SOME EXCLUSIONS FROM REPORTING

Events that an SMSF does not need to report include:

- Any pension repayments made on or after 1 July 2017
- Investment earnings and losses that occurred on or after July 207
- When an income stream ceases because the interest has been exhausted
- The death on a member
- Information that individuals report to the ATO directly using a Transfer balance event notification form. Typically, this is when the following events occur
  - Family law payment split
  - Debit event from fraud, dishonesty, or bankruptcy
  - Structured settlement contributions made before 1 July 2007
- Information other funds will report to the ATO, such as a member's interest in an APRA fund.

Once the reporting framework is set, SMSF trustees will not be expected to move between annual and quarterly reporting due dates, regardless of fluctuations in any of the member's balances or members leaving or joining the SMSF.

DUE DATES FOR REPORTING TBA EVENTS:

Transfer balance account (TBA) event

A voluntary member commutes an income stream in response to an excess transfer determination

Amount of SMSF member's total superannuation balance (TSB)

Not applicable as member has exceeded their transfer balance cap.

TBAR due date :Within 10 business days after the end of the month in which the commutation occurs.

A response to a commutation authority: Any other TBA event

TBAR due date: Within 60 days of the date the commutation was issued.

Any other TBA event : When the first member started a retirement phase income stream during a year, and all members of the SMSF had a TSB of less than $1 million as at 30 June immediately before they started their income stream.

TBAR due date: No later than the due date for lodging the SMSF's annual return for the financial year in which the event occurs

Any other TBA event: When the first member started a retirement phase income stream during a year and the SMSF had any member with a TSB of $1 million or more as at 30 June immediately before they started their income stream.

We are always available to discuss any questions or concerns you may have.

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