crest FINANCIAL SERVICES

June 2016

Welcome to the latest edition of our client newsletter,

Our articles cover a range of topics which we hope you will find interesting. We aim to keep you informed of changes as they happen, but we also want to provide ideas to help you live the life you want – now and in the future.

In this edition we discuss ‘Are Grandparents Giving Too Much’ and provide you with information on ‘Parental Subsidies at Tax Time’ and ‘Five Money Habits for a Happy Financial Year’.

If you would like to discuss any of the issues raised in this newsletter, please don’t hesitate to contact us.
In the meantime stay warm and we hope you enjoy the read.

All the best,
Crest Financial Services

Crest Financial Services

Newcastle: Level 1, 116 Darby Street NSW 2300
East Maitland: 97 Lawes Street NSW 2323
Nelson Bay: 1/67 Magnus Street NSW 2315

P 02 4929 2552
E newcastle@crestfs.com.au
W www.crestfs.com.au

Are grandparents giving too much?

For many Australian families the arrow of intergenerational help is pointing in a new direction.

Not so long ago, it was the norm for adult children to lend a financial helping hand to their ageing parents. These days, the support is more likely to flow downwards, and grandparents are increasingly likely to provide financial support to their children – and even grandchildren.

As school costs soar for instance, a growing number of grandparents are dipping into their pockets to give their grandchildren a quality education. Industry research shows almost one in four education savings plans are started by people aged 60 or older[i].

In other families, time rather than money is being provided. Faced with expensive and often limited formal childcare options, many working families turn to grandparents as a source of low cost childcare. A 2014 report by AMP and the National Centre for Social and Economic Modelling (NATSEM)[ii] found that grandparents provide 23% of all childcare to children aged under 12.

Informal childcare can be taxing

Quite naturally, many grandparents relish the opportunity to spend one-on-one time with their grandkids. However, along with the physical demands of caring for a youngster, providing childcare can also be financially taxing, and it's not just about occasional outings to the zoo or the purchase of a few age appropriate toys.

At a time when the pension eligibility age is being raised and pension rates reduced, caring for a grandchild can have a significant impact on a grandparent's financial wellbeing.

One in five have changed jobs to offer childcare

A survey by National Seniors Australia[iii] found many grandparents who provide informal childcare are 'working around care', and making significant adjustments to their own career as a result. Among those surveyed, 70% altered the days or shifts they worked, 55% reduced their working hours, and 18% had even changed their job because of their caring commitment.

On the plus side, the same study found grandparents reported enjoying a far better relationship with both their grandchild and adult child as a result of providing care. But it comes at a cost. Just over one-third (34%) of respondents said their childcare responsibilities had a negative impact on their incomes, household budgets and/or retirement savings.

It's all about finding a balance

These results highlight the need for seniors to find a balance in how – and how much – they help their adult offspring and grandchildren.

We all want the best for our family but as we age we need to think about our own needs too. Increasing longevity means longer retirement periods to plan for, and giving too much today could limit your ability to remain financially independent throughout retirement.

Having open and frank discussions with your adult children about the level of support you can realistically provide – both physical and financial – is the starting point in achieving this balance. These may not be easy conversations to have but they are critical to achieve a win-win for all family members.

Speak to us about the best way to structure your finances so you can help your adult children while still achieving your retirement goals.

i Australian Unity media release: Grandparents step in to fill the education savings gap, 31 October 2014 https://www.australianunityinvestments.com.au/resource-centre/media-releases/grandparents-step-in-to-fill-the-education-savings-gap

ii http://media.amp.com.au/phoenix.zhtml?c=219073&p=irol-reportsNATSEMArticle&ID=2076401

iii National Seniors Australia, Grandparent childcare and labour market participation in Australia, September 2015 http://nationalseniors.com.au/system/files/09151356PAC_GrandparentsChildcareLabourForceParticipation_Report_FINAL_Web_0.pdf

Remember to factor in parental subsidies at tax time

While you're sorting your income and expenditure at tax time, make sure you know what you're entitled to as a parent, carer or grandparent.

When the cost of raising kids is ever-increasing, every little bit helps and a bigger tax return is generally welcome.

These days just sending a child to school comes with mounting costs, regardless of the type of school they go to. It's estimated that the total cost of putting a child born today[i] through school would amount to an estimated $66,862 in a government school and $468,397 in a private school.[ii]

The good news is that depending on your situation you may be eligible to claim for government subsidies and tax breaks this end of financial year.

Subsidies for text books and uniforms

Depending on the state you live in, you may receive rebates or concessions on things like textbooks, learning resources, school uniforms and shoes.

The state governments in Queensland, Victoria, South Australia and Western Australia offer education programs to help with the costs of education, and in Tasmania grandparents may receive financial support to help with the cost of raising their grandchildren.

Help for special needs and circumstances

If your child has a disability or special needs, you could receive tax-free payments regardless of your assets or income levels.

And if your school-aged child can't attend a government school in your state because they live in an isolated area or board away from home, you may be eligible for extra support too.

If you're living in New South Wales in an area where there's no public transport, and you drive a child to school, the state government may provide you with a private vehicle conveyance subsidy to help with your transport costs.

Last calls for schooling bonus

You could receive an automatic payment of $430 or $856 depending on the age of your child. But this is the last year the federal government will be providing the Schoolkids Bonus. It's an income-tested payment for parents (and carers) with dependent children in primary or secondary school.

This year the payments will be made for the last time in July so call us today to see if you may be eligible.

Tax offset and free super boost

You and your partner may have two opportunities to use a tax offset and government payment to boost your tax return and super balance. That way, while you're taking care of the kids, you're setting yourself up to be better off down the track too.

If you're a stay at home parent or you work part-time, your partner can make an after-tax contribution into your super and then claim an 18% tax offset on the first $3,000 paid into your super account—depending how much income you've earned this financial year.

Depending on your income,[iii] the government may also boost your super with up to $500 when you make an after-tax contribution into your super, so chat with us about how to take advantage of the free $500.

Boost your tax return

The cost of kids has almost doubled in the last ten years[iv] so it's important to ensure you make the most of the tax breaks and subsidies available to you.

Call us today so we can chat about your needs this financial year, including any additional financial support you may be entitled to. We're here to help make sure you're getting everything you're entitled to.

i Pre-school, primary and secondary schooling in an Australian capital city.
ii asg.com.au/.
iii Money earned from employment or self-employment.
iv AMP.NATSEM Income and Wealth Report Issue 33—Cost of Kids: The Cost of Raising Children in Australia.

Five money habits for a happy financial year

As you say goodbye to the 2015/16 financial year, it's a good time to put new habits for success in place for the coming year.

Here are our five tips to help you make a success of the coming year as you put your tax affairs in order and say goodbye to the 2015/16 financial year.

1. Set your goals

Setting achievable goals and making a commitment to achieve them can increase your chance of success.

So rather than going it alone, give yourself the best chance of living the life you want. Make a time to come see us and we'll help you set goals for the coming financial year and work out the best way to achieve them.

2. Make the most of your income

Managing your income well from 1 July will help set you up to be better off in the coming financial year, and beyond.

As you're reviewing your income and expenditure this financial year end, make a point to develop a longer term plan for managing your money. Rather than taking a short-term money focus and making decisions payday to payday, it's time to set yourself on the road to developing wealth.

We can help you take simple steps—like making a money management plan, consolidating multiple super accounts into one fund and setting up an automatic transfer from your everyday account to a savings account or other investment—to make a big difference to your financial wellbeing by the same time next year.

3. Plan to invest

There's so much choice when it comes to investments. Will you be better off with property, shares, an alternative asset like a hedge fund or a managed fund that allows you to invest in property indirectly? There's so much to consider.

You may not be ready to invest right now or perhaps you're a seasoned investor. Either way, we can help. When it comes to investing your money for growth, we will share our insights and knowledge, and find the right investments for you.

4. Protect what you've got

When it comes to working, earning, saving and spending, there's no use doing much at all if you're exposed to too much risk.

You want to make the most of all you have, not lose it. And if your biggest asset is your ability to earn an income, you need to protect it. You may have debts and a family and if so, you can take simple steps to protect your loved ones this coming year.

There are tax-effective ways to hold insurance too, like buying life insurance through your super fund. That way you may not need to pay for your cover from your take home pay. Some cover like income protection can be tax-deductible so now is a good time to put a new policy in place.

We can help you find the right cover for you and your family so you have peace of mind throughout the coming financial year.

5. Review, review, review

Life's constantly changing. What you want changes when you start a new job, buy your first home or become a parent. As you approach retirement, things will be shifting again.

We're here to help you reassess your needs and put different plans in place over time so you can become better off and build wealth. This coming year, make sure you're not spending too much on things you no longer need and put the right plans in place for your 2016/17.

We're here to help

Whatever you do, make sure you're on track to be better off this time next year—one of the most-costly habits of all can be doing nothing.

Call us today and get your new financial year off to a good start while putting everything in order for the end of financial year. It can be a lot easier than you might think.