

# Works Officers Association of Queensland Inc.

14<sup>th</sup> October 2011

*Changing Gears....  
for Changing Times*

Presented by: George Tynan\*

\*Representatives of TYNAN MACKENZIE PTY LTD ABN 94 066 074 744  
AUSTRALIAN FINANCIAL SERVICES LICENCE 230764

# important notice

The information provided in this presentation includes, by its very nature, general information about complex areas such as taxation, superannuation and investing in securities. The information is current as at 14<sup>th</sup> October 2011.

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**TYNAN MACKENZIE PTY LTD** ABN 94 066 074 744 AFS Licence No. 230764  
Head Office, Level 10, Gateway Building, 1 Macquarie Place, Sydney NSW 2000  
Telephone (02) 8274 1900 Free call 1800 250 444  
[www.tynanmackenzie.com.au](http://www.tynanmackenzie.com.au)

# Who is Tynan Mackenzie?

- Provide independent financial advice to staff of local government for over 18 years
- Retirement planning and Superannuation specialists
- Redundancy and separation specialists
- Manage over \$3 billion in assets for over 4,000 clients
- Professional advisers from diverse backgrounds including accounting, law, finance and taxation
- 7 offices across Australia
- Paul Clitheroe is a Director

# **Superannuation Salary Sacrifice**

## Salary Sacrifice - Standard Contributions

\$

Salary	70,000
Salary sacrifice	<u>Nil</u>
Taxable income	70,000
Income tax	<u>(15,600)</u>
Income	54,400
Super Cont. (6%)	(4,200)

\$

Salary	70,000
Super Cont. (7.05%)	<u>(4,935)</u>
Taxable income	65,065
Income tax	<u>(13,948)</u>
Net income	51,117

**Net income / super**    **50,200**

**Net income/super**    **51,117**

**Net after tax gain**    **\$917**

## Super - Voluntary Contributions

	\$		\$
Salary	70,000	Salary	70,000
Salary sacrifice	<u>Nil</u>	Salary Sacrifice.	<u>(10,000)</u>
Taxable income	70,000	Taxable income	60,000
Income tax	<u>(15,600)</u>	Income tax	<u>(12,150)</u>
Income	54,400	Income	47,850
		Voluntary Cont.	10,000
		Cont. Tax (15%)	<u>(1,500)</u>
		Net Super Cont.	8,500
Net income	<u>54,400</u>	Net income/super	<u>56,350</u>
Net after tax gain	<b>\$1,950</b>		

# Super – Contribution Limits

• <b>Concessional (Deductible)</b>	<u>&lt; 50</u>	<u>50 +</u>
• <b>Maximum (until 1 July 2012)</b> \$50,000	\$25,000	
• <b>Maximum (post 1 July 2012)</b>	\$25,000	

**\$50,000 limit remains for individuals 50+ with less than \$500,000 in Super**

• <b>Non-Concessional (Non-tax deductible)</b>			
• <b>Maximum contribution</b> period	\$ 150,000	OR	\$450,000 over 3 year

**Excess Contributions Tax Rate**  
**46.5%**



# Residential Property

# Property Investment ..... Know your Costs

## Assumptions

Marginal tax rate:	31.5%
Property Cost:	\$400,000
Capital Invested:	\$50,000
Borrowings:	\$350,000
Interest rate:	7.5%
Property expenses:	\$5,000
Rent:	\$20,000
Length of investment:	5 years

# Property Investment ..... Know your Costs

## Costs

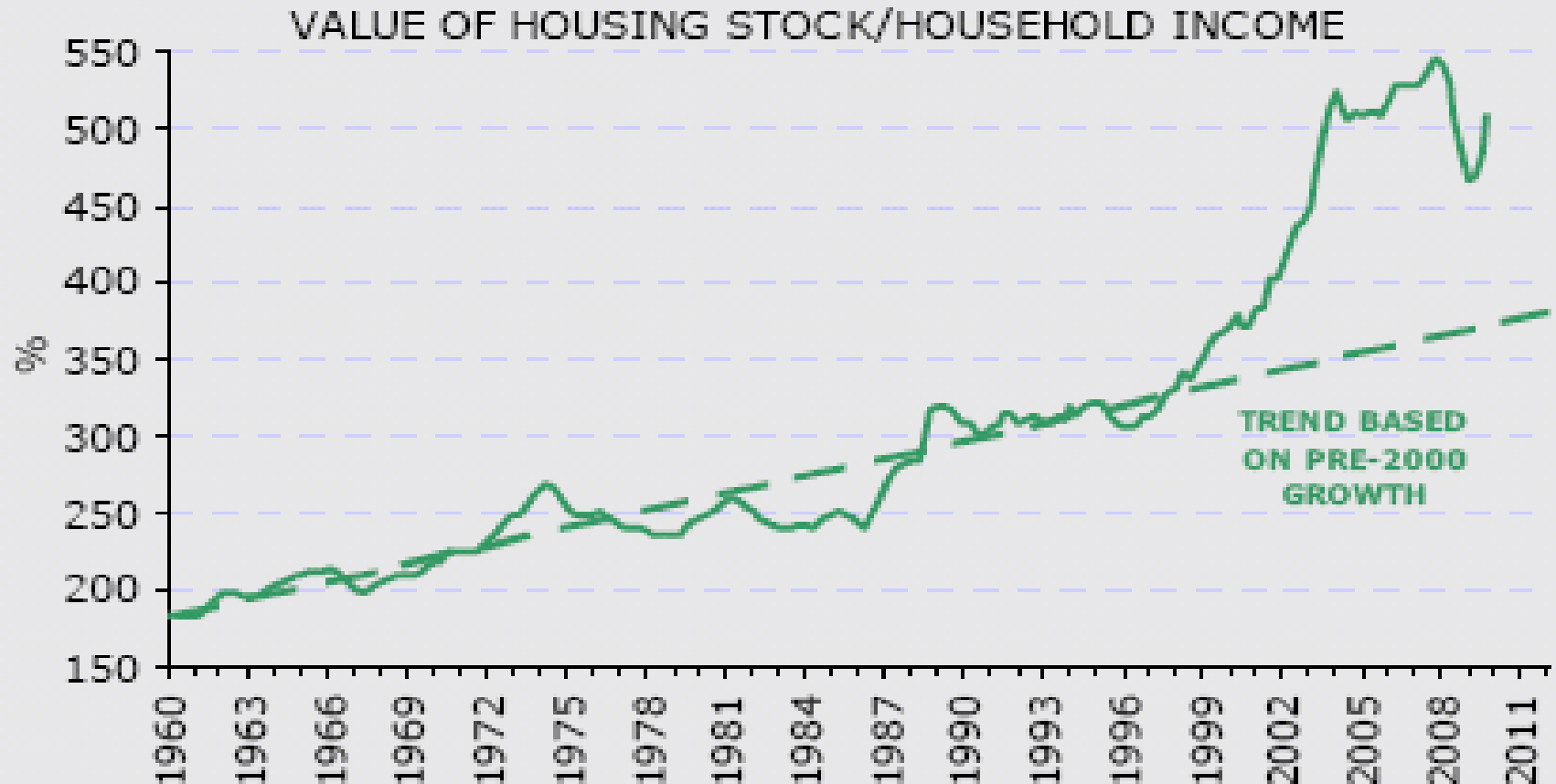
Property Cost:	\$400,000
Stamp Duty:	\$12,425
5 years losses (net of tax):	\$38,500 (\$7,700 pa)
Selling agents commission:	\$8,000
Conveyancing costs:	\$2,000
Capital Gains Tax:	\$10,400

**Breakeven sale price: \$471,325**

# Property prices compared to income

Exhibit 2

## Valuation #2: Over-valued By ~35%



# **Maintaining Capital / Income in Retirement**

# Super Income Streams

15% tax on earnings

\$500,000  
superannuation

rollover  
0% tax

0% tax on earnings

\$500,000  
superannuation  
pension

pension

minimum \$20,000



no maximum

Age 60 plus  Withdrawals tax-free

Age 55 – 60  Partly tax-free (15% tax offset)

# Superannuation Pensions

## Age 55 - 59

	\$
Pension income	43,000
Taxable income	43,000
Income tax	(6,450)
Medicare	(645)
Tax rebate (15%)	<u>6,450</u>
<b>Net income</b>	<b>42,355</b>

## Age 60 +

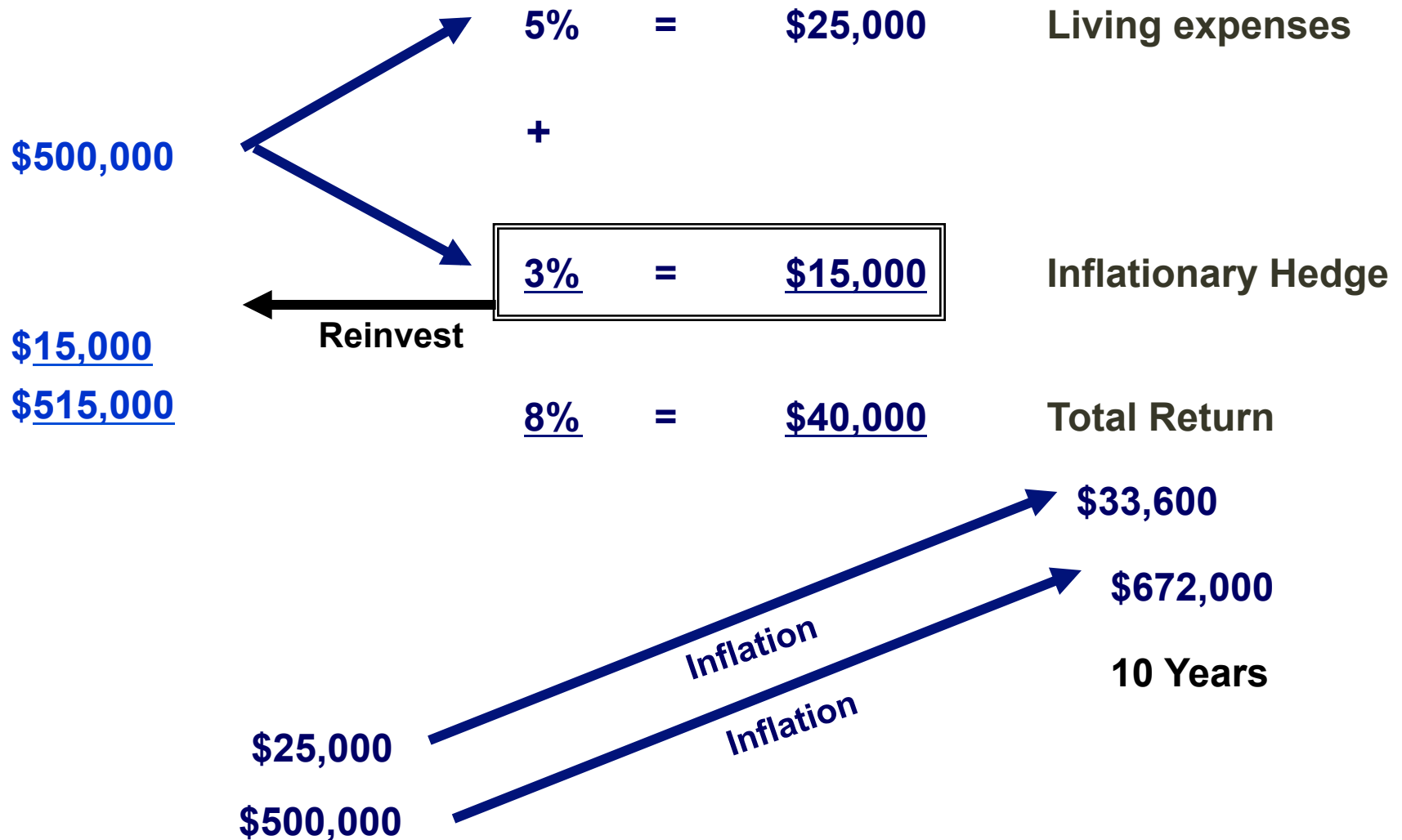
	\$
Pension income	43,000
Taxable income	Nil
Income tax	Nil
<b>Net income</b>	<b>43,000</b>

Pension Income & Lump Sum withdrawals tax free after age 60

# When do I retire?

- 2 simple questions
  - Have you got enough?
  - Have you had enough?

# Maintaining Capital in Retirement

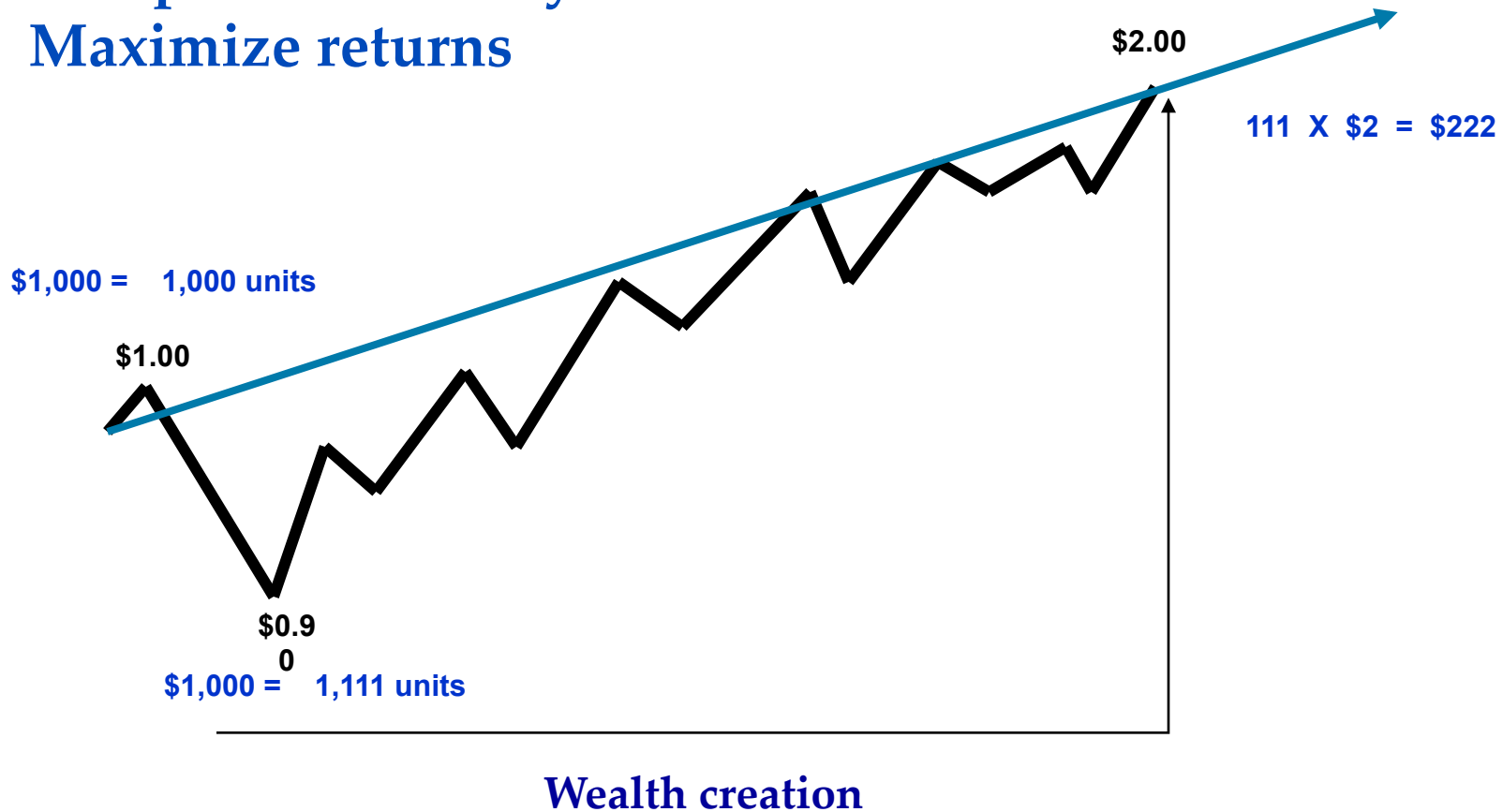


Assume "Balanced" investor

# Capital Preservation Strategy

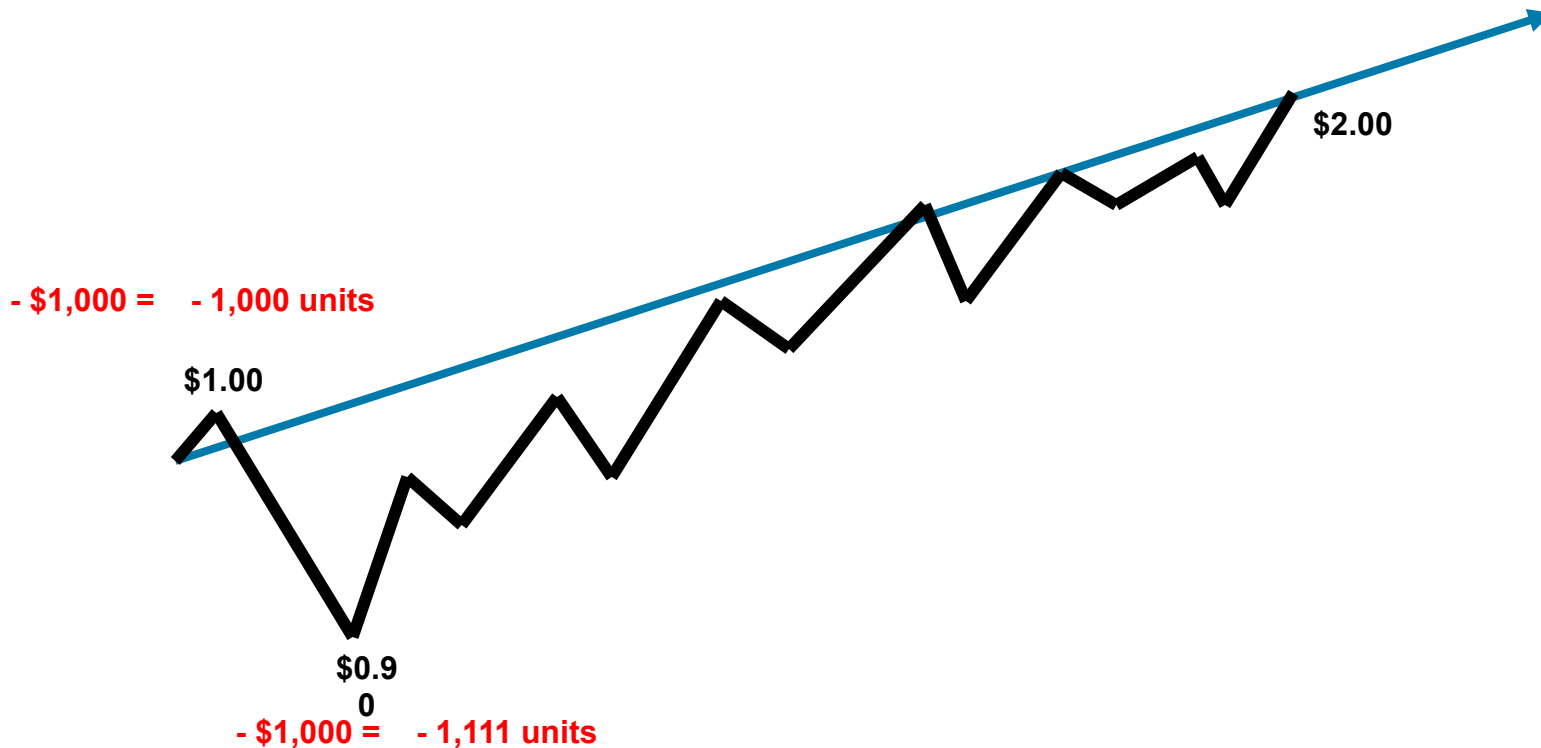
# Accumulator

- Short term volatility is irrelevant
- End point is the key
- Maximize returns



# Retiree

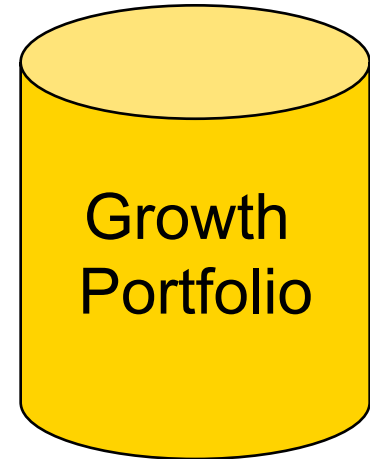
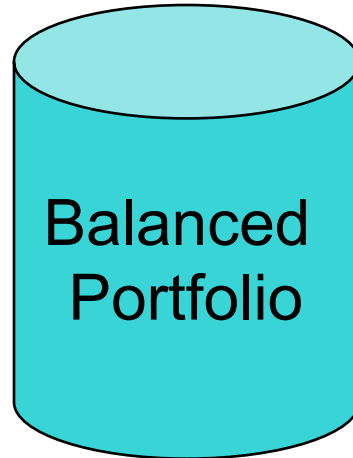
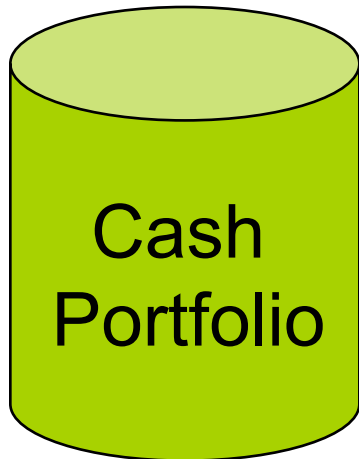
- End point is not as important
- Minimizing Short term volatility is the key



**Permanent destruction of capital - loss of 111 units**

# Capital Preservation Strategy

Pension



Monthly Pension \$4,000



\$1.00

- 4,000 units

\$1.00

- 4,000 units

# Centrelink Options

# Age Pension - More Retirees Eligible

	<b>Couple</b>	<b>Single</b>
<b>Assets for Max pension</b>	<b>265,000</b>	<b>186,750</b>
<b>Upper threshold of assets</b>	<b>1,018,000</b>	<b>686,000</b>
<b>Reduction rate</b>	<b>\$1.50 per \$1,000</b>	<b>\$1.50 per \$1,000</b>

<b>Max age pension p.a.</b>	<b>\$29,534</b>	<b>\$19,469</b>
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# Age Pension Example - Couple

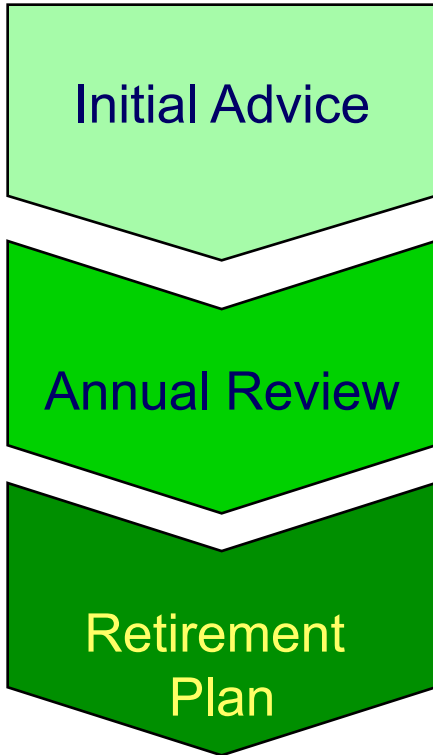
<b>Super</b>	\$800,000	\$700,000	\$600,000	\$500,000	\$400,000
<b>5% super pension</b>	\$40,000	\$35,000	\$30,000	\$25,000	\$20,000
<b>Age pension</b>	<b>\$8,489</b>	<b>\$12,389</b>	<b>\$16,289</b>	<b>\$20,189</b>	<b>\$24,089</b>
<b>Total income</b>	<b>\$48,489</b>	<b>\$47,389</b>	<b>\$46,289</b>	<b>\$45,189</b>	<b>\$44,089</b>

# The Tynan Mackenzie Service



# Pre Retirement Tracking Service

Complimentary Service  
No fees charged



- Set goals & targets
- Cashflow & salary packaging
- Structures, superannuation, investments, debt
- Project progress to financial independence
  
- Advise on legislative & market changes
- Review cashflows & salary packaging
- Review investment growth and debt reduction
- Track progress on targets
  
- Comprehensive retirement plan
- Transition investments to produce income

Fee for service  
charged



- Portfolio management & wealth preservation
- Income generation
- Taxation
- Estate planning
- Centrelink

## **Please complete your feedback form including contact details**



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