VOLUME 3, ISSUE 23 | AUTUMN 2022
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The Peak Partnership
BUSINESS ADVISERS

# PINNACLE Newsletter

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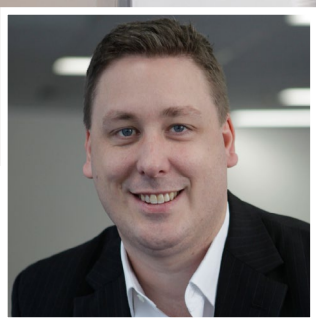


## VIEW FROM THE PEAK

with Brad Roberts

I think most people ended 2021 with an optimism that 2022 would be a big improvement and normality would return.

Then the borders opened, the Omicron variant landed, supply shortages began to bite, return to school was delayed, flash flooding in the south-east, and 2022 began to look not-so-bright.

Something we take seriously is the mental wellbeing of our people and families; extending that to our clients who may also be dealing with challenges in their business and personal lives.

We may not always get it right (although our client survey results on page 6 suggest we go close), but we recognise that it's important to have empathy and an ear for understanding for anyone in our 'village' who needs support. That's what 'community' is all about.

# Federal Budget arrives early.

*With a federal election looming in the coming months, the Budget announcement has been shifted from its traditional timeslot of the first Tuesday evening in May. The 2022 Budget will now take place on Tuesday, 29 March.*

As at publication date, the government had not formally announced the election date, but indications are it will be called for no later than 21 May.

Sarah Cameron, a political scientist in the School of Social and Political Sciences at the University of Sydney, said "Australia has maximum three-year terms for the House of Representatives and, for the Senate, half of the state senators' terms expire on 30 June every three years."

"As a result of these parameters, the last possible date for a combined half-Senate and House of Representatives election is 21 May. This is the last date that the election can be held so that senators can start their terms on 01 July of this year."

We're currently planning how best to deliver our annual comprehensive Budget Review to clients within the ongoing COVID climate. We'll keep you posted on that, with our review likely to take place on Thursday, 31 March.

# COVID tests tax-deductible, FBT-free.

The Federal Treasurer, Josh Frydenberg, has announced that PCR and rapid antigen tests (RAT) will be tax-deductible for individuals and exempt from Fringe Benefits Tax (FBT) for employers if purchased for work purposes.

In announcing the legislation changes on 07 February, Mr Frydenberg said, "COVID-19 tests are an important tool being used by businesses to protect their workforce and to ensure they can keep their doors open and our supply chains running."

Mr Frydenberg also said the move to make PCR and RATs tax-deductible would bring COVID-19 tests "in line with other work-related expenses".

There has been confusion over the tax treatment of RAT tests, with the Prime Minister stating for some time that they are tax-deductible, but in reality, the tests were probably only deductible in limited circumstances.

If you have had to purchase RAT tests to be able to work, you will be able to receive a tax deduction for the cost you have incurred from 01 July 2021 (you will need evidence of the expense). If the RAT test cost $20, someone on a marginal tax rate of 32.5% (ie. less than $120,001 annual income) would receive a tax benefit of $6.50.

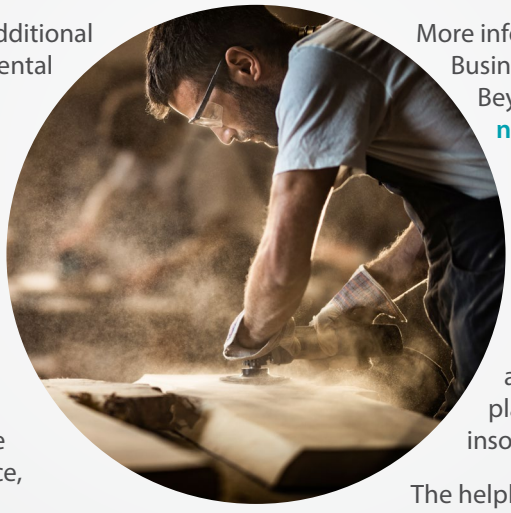
For business, it is expected that RAT, PCR and other coronavirus tests will be exempt from FBT from the 2021-22 FBT year (01 April 2021 – 31 March 2022).

Currently, in some situations where COVID-19 tests are purchased and used as a preparatory step (for example, a retail worker using a test before going to work), rather than for use while working and earning money, the expense may not be tax-deductible.

# Free mental health support for SME.

*The past two years have been challenging for many people, including SME business owners who have had to deal with financial losses, staff absenteeism and redundancies, changing work practices (think WFH), supply shortages and increasing material costs…and the list goes on. As a professional services SME ourselves, the wellbeing and mental health of our team has been paramount throughout the pandemic, so this story is welcome news.*

The Federal Government has announced additional funding to extend the availability of free mental health support to small business owners dealing with the current pandemic and recent natural disasters.



The **NewAccess for Small Business Owners Program**, developed and provided by Beyond Blue, provides free, confidential, one-on-one mental health support by phone or video call to small business owners, including sole traders. The coaches are former small business owners themselves, so they understand the unique challenges that small businesses face, including family and financial pressures.

The sessions use Low-intensity Cognitive Behavioural Therapy (LiCBT) work, tailored to your needs, to help you recognise the ways you think, act and feel, and to separate from unhelpful thoughts. You'll learn practical skills to manage stress and get back to feeling like yourself.

More information about the NewAccess for Small Business Owners program is available on the Beyond Blue website at **beyondblue.org.au/newaccess-sbo** or by calling **1300 945 301**.

The **Small Business Debt Helpline** is run by Financial Counselling Australia. It's a free service for small business owners in financial difficulty, and offers independent, confidential and impartial support to navigate issues including avoiding bankruptcy, negotiating payment plans, debt waivers, grant applications and insolvency.

The helpline's professional financial counsellors offer a listening ear and practical business advice. They don't sell anything or work on commission.

For more information, visit the Small Business Debt Helpline website at **sbdh.org.au** or you can phone the Small Business Debt Helpline on **1800 413 828**.

# SMSFs investing in crypto-assets

*According to ASIC, there has been surge of promoters encouraging individuals to set up Self-Managed Superannuation Funds (SMSFs) in order to invest in crypto-assets. It warns that crypto-assets are high risk and speculative, as well as being an attractive target for scammers. While SMSFs are not prohibited from investing in crypto-assets, individuals thinking of setting up an SMSF are encouraged to be informed around the decision. Remember, trustees bear all the responsibility for the decisions of the SMSF complying with the law, and breaches may lead to administrative or civil and criminal penalties.*

Current record low deposit rates and volatility in stock markets around the world has motivated many retirees to seek alternative asset classes to either protect their investments or get a higher return. In conjunction with these sentiments, there has been a noticeable increase in spruikers encouraging individuals to invest in crypto-assets through SMSFs, with many recommending switching from retail or industry super funds in order to do so.

While promoters of these investments often bill them as high return and low risk, that is far from the truth. ASIC has recently issued a warning to SMSF trustees on the nature of crypto-assets which it says are a high risk and speculative, in addition to being an attractive target for scammers.

For example, late last year, ASIC moved to shut down an unlicensed financial services business based on the Gold Coast that promised annual investment returns of over 20% by investing in crypto-assets through SMSFs. The money obtained from investors was allegedly used by the directors of the business for personal benefit, including acquiring real property and luxury vehicles in their personal names.

Professional advice should be sought before deciding on whether an SMSF is appropriate for your circumstances, as there are risks involved in being the trustee of an SMSF, and any SMSF established must meet the "sole-purpose test". Remember, trustees bear all the responsibility for the decisions of the SMSF complying with the law, and breach or non-compliance may lead to administrative or civil and criminal penalties. This is the case even if you as the trustee rely on the advice of other people, licensed or otherwise.

SMSFs are not generally prohibited from investing in crypto-assets, if you do decide, after receiving appropriate advice, that investing in crypto-assets through an SMSF is right for your situation, you are able to do so. Although, consideration must be given to the following factors:

- **Fund's governing rules** – trustees need to ensure that any investments in crypto-assets are allowed under the SMSF's deed;
- **Investment strategy** – documentation of how the SMSF's investments will meet retirement goals, taking into account diversification, liquidity, and ability of the fund to discharge its liabilities. Trustees need to consider the level of risk of the crypto-assets invested in, and review/update the fund's investment strategy to ensure the investment being considered is permitted;
- **Ownership and separation of assets** – crypto-assets must be held and managed separately from any personal or business investments of trustees and members. The SMSF must maintain and must be able to provide evidence of a separate crypto-asset "wallet"; and
- **Valuation** – SMSFs must obtain fair market valuations for their crypto-assets for the purposes of calculating member balances.

In addition, other considerations include restrictions on related-party transactions (ie if you currently own crypto-assets and want to transfer it to the SMSF for various purposes, you will be unable to do so), and potential CGT consequences when an in specie lump sum payment of crypto-assets occur upon a condition of release.

## NEED MORE ADVICE, CLARITY, AND DIRECTION?

If you think you would like to set up an SMSF and/or invest in crypto-assets, we can explain in simple terms your responsibilities as a trustee of an SMSF.

We can also help you navigate any pitfalls in relation to the administration and regulation of the fund. Contact us today for expert advice.

# When you need money in retirement.

*Retirees who own their own home and need more money in retirement are now able to access the **Home Equity Access Scheme**, run through Services Australia.*

*The scheme was previously known as the Pensions Loans Scheme but along with a new name, the fortnightly interest rate has been lowered to 3.95% p.a. There is no need for an individual and/or their partner to be on the Aged Pension to access the scheme, although there are certain other requirements which will need to be met. Loan payments under the scheme can be started and stopped at any time.*

If you're a retiree and the current rise in the cost of living and inflationary pressures are starting to bite, don't turn to high interest loans. If you meet certain eligibility criteria, you may be able to access the Home Equity Access Scheme, operated by the government through Services Australia.

The Home Equity Access Scheme allows older Australians to get a voluntary non-taxable fortnightly loan at an interest rate of 3.95% p. a. – a much lower rate than personal loans from various lenders, which start from around 5% p.a. To access the loan, you or your partner need to meet the following requirements:

- are at Age Pension age or older;
- receive or are eligible to receive a qualifying pension (ie. Age Pension, Carer Payment or Disability Support Pension);
- own real estate in Australia that you can use as security for the loan;
- have adequate and appropriate insurance covering the real estate offered as security; and
- are not bankrupt or subject to a personal insolvency agreement.

**"For individuals that do not receive the pension, the maximum amount under the Home Equity Access Scheme can be accessed, which is $1,665.45 per fortnight".**

It should be noted that you can get a loan even if your income and assets mean that you wouldn't normally get one of the qualifying pensions – you just need to be able to meet the eligibility rules.

In addition, individuals that are on either the Pension Bonus Scheme or an Asset Hardship Payment may have their eligibility to the scheme affected.

There are costs associated with starting and stopping the Scheme. For example, Services Australia will place a charge or caveat on the property offered as security for the loan, and you'll need to pay the costs involved with registering and removing the charge or caveat. These costs will not need to be paid upfront and can be added to your loan balance which you can then pay at any time.

If you qualify for the scheme, you can choose to get your loan payment each fortnight at either the maximum amount which is 150% of your maximum pension rate, a smaller percentage, or a fixed loan amount of your choosing. The loan amount will be automatically adjusted whenever your pension amount changes.

For individuals that do not receive the pension, the maximum amount under the Home Equity Access Scheme can be accessed, which is $1,665.45 per fortnight.

Payments under the scheme will continue until your reach your maximum loan amount (including interests and costs). This maximum loan amount depends on your age, the age of your partner (if any), and the market value of the property you're offering as security. For example, if you're a single person who is 70 and the market value of your home is $800,000, the maximum loan amount you can get under the Scheme is $246,400.

The Scheme is flexible, which means you can stop loan payments at any time, and you are able to make repayments at any time, but you do not have to. Recipients of the loan have the choice to wait to pay the loan, legal costs, and accrued interest in full when they sell the property used as security. However, it should be noted that the longer you have the loan, the more interest you'll need to pay.

## ACCESSING THE HOME EQUITY ACCESS SCHEME?

If you're retired and want to enhance your standard of living by using the Home Equity Access Scheme, we can help you determine if you're eligible and the maximum loan amount you can get.

Contact one of our Peak financial advisers on **3360 9898** for more information and expert help.

# Income Protection insurance in superannuation.

## Beware of 'offset' clauses.

**IN AUSTRALIA, around seven of the 20 largest MySuper products provide default income protection insurance on an opt-out basis – but ASIC warns about offset clauses against benefit payments.**

While income protection insurance has the advantage of providing individuals with a regular income for a specified period of time if they cannot work due to temporary disability or illness, a recent ASIC review into this type of cover in super has raised concerns around the amount of information received by members, in particular the communication of "offset clauses" which are often described in technical and legalistic language.

Insurance within super is usually the most cost-effective way for somebody to cover themselves in the event of a mishap. Most super funds typically offer three types of insurance for their members – life cover, total and permanent disability (TPD) and income protection insurance (or salary continuance cover).

Life cover (death cover) pays a lump sum or income stream to beneficiaries upon death or in the event of a terminal illness. TPD insurance pays you a benefit if you become seriously disabled and are unlikely to work again. Income protection (IP) insurance pays you a regular income for a specified period, ranging from two years to five years, or up to a certain age, if you can't work due to temporary disability or illness.

It is estimated that seven out of the 20 largest MySuper products provide default IP insurance on an opt-out basis and around 3.4 million MySuper accounts have income protection insurance.

Recently, ASIC reviewed the practices of five large super funds that provide default IP insurance on an opt-out basis to their members, accounting for around 2 million MySuper member accounts as at June 2021. From that review, it has raised various concerns around the amount of information received by members on these policies and whether funds should be doing more for their members.

Overall, the review found that most IP insurance policies contain "offset" clauses, which means that the insurance benefit is reduced or "offset" if the individual receives other kinds of income support. This is used as a way to reduce incentives for individuals to delay their return to work as a result of receiving more income while incapacitated, rather than working.

In addition, the review found there were large variations between super funds in the types of income that were offset against IP benefits. For example, different funds will offset different combinations of alternative income; such as paid leave (annual or long service), employer super contributions, social security benefits, TPD benefits, workers' compensation, and other insurance settlement or benefits.

ASIC's concern is not that these offset clauses exist, but rather relevant information to explain the clauses were not available on website communications or in welcome packs, and only described in technical and legalistic language in insurance guides.

It is also concerned that the super fund trustees were unable to demonstrate that they had sought reliable data on offsets and use it to review the appropriateness of their default IP insurance offering. This could cause unnecessary erosion of super benefits of members if offsets mean that particular groups of members get little value from their default insurance if they need to claim, according to ASIC Commissioner Danielle Press.

> **"We found that the trustees were not proactively giving their members clear explanations about when insurance benefits would or would not be paid as a result of offsets. This information is relevant to members in considering whether they should opt-out of default IP insurance. It is also useful when members are making an insurance claim."**
>
> *– ASIC Commissioner, Danielle Press –*

### DO YOU HAVE INCOME PROTECTION INSURANCE?

If you need help to figure out whether you have Income Protection insurance as part of your superannuation or if your IP insurance is worth the money that you're paying, we have the expertise to work it out.

Jenny Kitching, our Financial and Risk Insurance Adviser, has an in-depth knowledge and experience when it comes to IP insurance, including recent changes to IP cover.

Call Jenny on **3360 9898** to start your IP insurance discussion, and formal advice if required.

# Framed: **Trish Allen**

TRISH ALLEN has only just marked her first year of service with The Peak Partnership, and we're celebrating our good fortune to find such a remarkable team member.

Your classic quiet achiever, Trish has taken on the role of Risk Insurance Administrator in our Wealth Design area with such a refreshing and enthusiastic approach – so much so that she has already been awarded our Employee of the Month on two occasions.

With 12 years' experience in the financial services profession and a Diploma of Financial Planning, Trish came to us from a boutique financial planning firm in Cairns when she wanted to return to Brisbane.

Trish looks after all the administration of our Risk Insurance client portfolio, from new client engagements, policy reviews and renewals, and claims processing – working closely with Danielle Fox (Risk Insurance Manager) and our Financial Advisers, Pat Kelly and Jenny Kitching.

For an exceptionally demanding role, Trish takes it all in her stride with a smile, saying that helping clients realise their financial goals through wealth and asset protection is what makes her day. Meantime, Trish makes our day, every day.

# THE PEAK PINK PARADE

Sadly, the International Women's Day Pink Fun Run on 06 March was cancelled due to the recent floods – just when our Peak team of 11 was ready to tackle the 5km course to support women with breast cancer.

However, some of the team forged ahead with their own Sunday neighbourhood run (in Pink t-shirts) to show their support.

Best of all, we still collectively raised more than $1,700 for a truly wonderful cause.

And a big thank you to The Pink Partnership's team captain, Robyn Henshaw *(pictured)* for inspiring so many people to get on board.

# Clients give us a piece of their minds.

IN **JANUARY**, we conducted our annual Client Feedback Survey, to help us better understand how our clients think we perform across a number of key measures.

Asking our clients for their views of our service and working relationship is an important part of how we evolve our business – especially so after we've had to adjust the way we work together with some clients over the past two years (which may indeed become the 'new' normal for some of our adviser : client interactions).

After reviewing the feedback from this latest survey, we can acklowledge that we're not perfect – but we're working on it. Here's a snapshot of what our clients told us.

**98%** Quality service and advice

**89%** More than tax & accounting

**85%** Proactive support

**97%** Trusted adviser

**97%** Knowledgable, experienced staff

**86%** Value for the work we do

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Learn more at www.peakpartnership.com.au