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GODFREYPEMBROKE

Financial Advice Specialists

Welcome to GPL Outlook. I hope you enjoy the articles and find them interesting and informative. If you have any feedback, questions, or would like to review your financial plan, please feel free to contact me.

Retiring from small business

Selling a small business can be a challenging, complicated and uncertain time. So too can retiring. Combine the two and you have a situation where early planning and advice is critical.

Plan early

The earlier you plan for the sale of your business, the more value you are likely to gain. Selling a business can take up a lot of your time but so can addressing the day-to-day demands of running your business. Trying to do too much of both at the same time can mean you don't manage either properly.

There are a range of things that may need to be addressed early on with the assistance of your accountant or solicitor. Key examples include:

- ensuring the financial accounts are in order
- obtaining a valuation of the business
- determining the potential tax implications if the business is sold
- considering whether the business should be restructured before the offer for sale, and
- preparing or amending the legal and/or other documentation to facilitate the sale.

Manage capital gains tax

When you sell your business, you may be eligible to claim certain capital gains tax (CGT) concessions. For example, you may be able to disregard 100% of a capital gain made on the sale of your business if you:

- have owned the assets for a continuous period of 15 years or more
- are at least 55 years of age, and
- are disposing of the asset for retirement purposes or are permanently incapacitated.

Alternatively, if you don't meet the above conditions, there are other concessions that you may be eligible to use that could reduce or eliminate any taxable capital gain on the sale of your business.

You should consult with a registered tax agent to determine the CGT implications, whether the small business concessions will be available to you and which ones should be claimed.

Maximise super contributions

If you are like many small business owners, you have probably used most of the profits from your business to service debt and/or fund the next growth stage, which means you may not have been able to make further contributions to your super. Fortunately, following from the sale of your business, there are strategies that you may be able to use to get some or all of the sale proceeds into super and generate a tax-effective income to meet your living expenses in retirement.

Depending on your circumstances, you may be able to contribute up to $1.480m[1] from the sale of your business into super in 2018/19. What's more, the money won't count towards the concessional or non-concessional contribution caps that would ordinarily apply when contributing to super.

A financial adviser is the best person to help you maximise your super contributions using your sale proceeds. They can liaise with your accountant to ascertain which small business CGT concessions will be claimed and help formulate a contribution plan that takes advantage of the available contribution caps.

Address other advice issues

While boosting your super would be a top priority, there are a number of other issues you may need to address when it comes to selling your business and planning for retirement. For instance, you may need to:

- decide where to invest sale proceeds that can't (or shouldn't) be put in super
- unwind or reassign business insurance policies, such as those used to fund a Buy Sell agreement
- pay-off business loans and release guarantees
- deal with business property that may (or may not) have been held in a self-managed super fund
- review your personal insurance needs to ensure you are suitably covered, and
- facilitate, with legal advice from your solicitor, any changes that may need to be made to your estate planning.

Your financial adviser can provide or facilitate advice regarding all these and other issues you may encounter. They can also work with other professionals to ensure all areas are covered in an integrated and seamless manner.

1. Source: Australian Taxation Office.

Earning extra from the gig economy

Looking to make a little extra money? The sharing economy is helping scores of Australians top up their finances.

Millions of Australians have been introduced to the sharing economy by ride and accommodation sharing services, with multiple examples of successful start-ups that have become household names around the globe in less than a decade.

As a nation, we've embraced the sharing concept with gusto. According to recent research, more than two thirds of us[1] earn or spend money through online platforms that connect owners of underused assets with individuals willing to rent them.

The sharing model offers opportunities for people to establish side businesses and earn incomes in a flexible way.

It's important to note that payments received via the sharing economy are assessable income and must be declared in your tax return[2]. You are, however, also able to claim deductions for related expenses. And if you're planning to offer your driving services via ride-sharing platforms, you'll need to have an ABN and register for GST, regardless of your turnover.

Mind pets for profit

Collectively Australians own 4.8 million dogs and 3.9 million cats[3] and finding holiday care is a perennial problem for pet owners reluctant to entrust their furry friends to kennels and catteries. There are a variety of online services that offer a more personal alternative by linking owners with local pet-sitters. If you're an animal lover who'd enjoy being a part-time pet 'owner', or you're happy to welcome another set of paws into your menagerie, it may be a very relaxing and enjoyable way to earn extra money.

Cash in your camper

If you're a recreational vehicle enthusiast, you're likely to have spent significant dollars on your machine. There's also a fair chance it sits on your driveway unused for several months of the year, while still costing you plenty in registration, insurance and maintenance. You may be able to recoup some of these costs by renting out your caravan, campervan, motorhome or camper trailer to others looking to hit the road.

Baby, you can drive my car

If you're in Sydney, Melbourne, Brisbane or Newcastle and have an underused car you're not overly anxious about entrusting to others, you may be able to offset the costs of ownership by renting it out by the hour or day via a car-share site. These sites connect car owners with pre-vetted members in need of temporary wheels. Usually, vehicles must be less than 12 years old, in reasonable condition and have less than 200,000 kilometres on the clock. You're able to set your own hourly and daily rates and will receive mileage per kilometre. If you're out of town or off the road often, it's an option to consider.

Space to spare

If you have extra space in your home, the sharing economy may be able to help you turn that to good use. There are a number of sites popping up for renting out storage and car parking spaces in sheds, garages, spare rooms and driveways. Hirers are looking for somewhere to store their excess goods (or park their cars), either short or long term. You can choose whether to accept bookings and decide on what you'll be happy to store and how you'll interact with renters. Rent is paid monthly and users are encouraged to check that the site offers insurance cover. Spaces are often free to list and renters pay a fee per transaction. It's important to note that using part of your home to create an income can have capital gains tax[4] implications, so you may wish to talk the idea through with your accountant or a licensed financial adviser before proceeding.

Odd jobs online

Fancy standing in line to buy the latest iPhone on behalf of a gadget tragic or organising a Game of Thrones-themed date night? They're just two of the assignments that have been up for grabs on popular odd job platforms that allow individuals to bid for gigs in their area. Some of these sites are very popular – with millions of dollars, worth of work, being listed each month. They also provide plenty of opportunities to earn a dollar in more traditional ways – with everything from cleaning, gardening and handyman tasks to assembling flat-pack furniture, on offer.

1. Canstar, 2 in 3 Aussies use shared economy, February 2017.
2. ATO, Income tax and GST in the sharing economy, January 2018.
3. RSPCA, How many pets are there in Australia? May 2018.
4. ATO, Using your home to produce income, June 2018.

Finances in your 50's (and beyond)

Run the slide rule over your finances recently?

If you were born in the 1960s, you're now either in your 50s or fast approaching them. If you have children, it's possible they've reached adulthood and may be preparing to fly the coop. Your sixth decade is, generally speaking, a time to consolidate your position and ready yourself for retirement. It makes sense to check you're on track financially and, where necessary, seek advice that takes into account your personal circumstances.

Assessing your position

Your time to down tools may be drawing near, given the average age of retirees leaving the workforce is 62.9 years.[1] Your 50s are likely to be your final decade of full-time work, unless you're planning to carry on working for longer than the norm. Understanding when and whether you'll be able to retire comfortably starts with assessing your position. This may involve quantifying the value of your assets – including your home, superannuation, investment properties and shares – and adding up your debts.

Identifying the kind of lifestyle you'd like to enjoy in retirement can, generally speaking, help you determine whether you're on track or if you need to make changes to your current budget and lifestyle to achieve it.

If you're a single person hoping to have a comfortable time of it, with occasional overseas travel, meals out and other luxuries, the Association of Superannuation Funds of Australia's current Retirement Standard suggests you may need an income of about $43,000 a year.[2] Couples aspiring to the same standard of living may need about $60,000. Singles happy to live more modestly will need about $27,000 a year and couples about $39,000.

Paying down debt

If you still have a mortgage on your home, or any other outstanding debts, you could consider setting yourself the goal of paying them off while you're still in the workforce. Having these goals may provide you with a greater level of certainty and comfort a few years down the track, depending on your personal circumstances of course.

Superannuation

Super can be a tax-effective way to prepare for your retirement. Perhaps consider boosting your balance with additional contributions, if that suits your situation.

Downsizing

Downsizing is an option many Australians in their 50s and 60s consider. If you're interested in the idea of shifting somewhere smaller and investing any surplus, you might want to investigate the federal government's downsizer measure. It enables Australians aged over 65 who meet eligibility requirements to use the proceeds from the sale of their home to top up their superannuation by up to $300,000.[3]

Protecting what's important

While everyone hopes their 50s are a time of robust health, the reality is life can change very quickly. Appropriate insurance is the key to minimising the financial impact of adverse events such as injury, illness or job loss. If you don't have it, a long break or premature departure from the workforce could disrupt the best-laid retirement plans. It's worthwhile reviewing your policies to ensure they continue to meet your individual needs, particularly if it's been some time since you last did so.

If you're still in the workforce, income protection insurance can safeguard a percentage of your salary or wages –covering you if you're out of action for an extended period or forced to retire earlier than you'd planned. Total and permanent disability insurance can provide you with a lump sum payout if you're left unable to work in any capacity while trauma insurance can cover you with a lump sum if you're diagnosed with one of a specified set of serious conditions or illnesses.

Your 50s can be a decade of fun and renewed freedom as children reach adulthood and become independent. They're also vital years for considering your financial position before you exit the workforce. Taking time to evaluate how you're travelling and making changes if necessary can ensure you're well placed to enjoy your retirement, when you decide it's time to call it a day on your career.

1. Australian Bureau of Statistics, Retirement and Retirement Intention, Australia, Catalogue no. 6238.0, 2017-17.
2. *ASFA Retirement Standard* – June Quarter 2018.
3. Australian Tax Office –Downsizing contributions into superannuation - June 2018.

Planning for a longer retirement

Australia has one of the highest life expectancies in the world. A 65-year-old man today will live, on average, nearly 20 years longer and a woman the same age can look forward to about 22 more years, according to Australian Bureau of Statistics Life Tables data.[1] Furthermore, since life expectancy is increasing, today's younger generations are likely looking forward to an even longer retirement.

While this can be good news, it could also mean you need to take those extra years into account when you're planning your retirement. The challenge is to find a balance between overspending in the years straight after you retire so that you don't run into financial issues down the line, and having to live more frugally than you need to.

Even though there are lots of variables involved in how much you'll have in retirement, generally speaking there are some simple steps you can take to prepare for a longer post-working life.

1. Consider your retirement savings

Generally speaking, superannuation contributions, investment options and appropriate insurance will help to build a savings pool less likely to be eroded by your expenses in retirement.

2. Working longer

Planning to work a little longer (either full-time or part-time) means you may not need to start drawing on your retirement savings so soon.

3. Consider matching expenses to your income

Whether you receive an income stream from your super or another investment source, a possible way to minimise your risk of running out of money is to budget based on your actual income. Bear in mind that in early retirement, you may enjoy a more active lifestyle than later in life.

4. Consider your life stage

Ensuring your investment mix is right for today's needs and your long-term objectives will help you preserve your capital for longer.

Remember your safety net – as your circumstances change over time, you may find yourself eligible for the Age Pension (full or part). As at May 2018[2] the basic rate of Age Pension is $826.20 per fortnight for a single person and $1,245.60 for couples (basic rate, combined). These payment rates are indexed twice per year. Be aware the Age Pension age is increasing to 67 years of age for those born in 1957 or later, this may be an important consideration for future planning.

Retirement can be a truly rewarding time, and with the right planning, you'll be able to protect your retirement savings wisely. If you need some help creating strategies that suit your individual circumstances, it may be worth seeking professional advice.

1. Australian Bureau of Statistics, Released in November 2013. Life Tables – States, Territories and Australia, 2010-2012 were released by the Australian Government Actuary in December 2014. The Life Tables are updated every five years, with the next update due for release in 2019.
2. Department of Human Services – Age Pension Payment Rates May 2018.

7 habits of a great investor

Peter Switzer, Founder and Publisher of the Switzer Super Report, lists seven habits to set you up for financial success.

1. Know what you want

Write your goals down and put them somewhere you can see them every day. Figure out how much time and money you'll need to make it all happen.

2. Use the most tax-effective structure

The smartest investors all do. Weigh up the pros and cons of investing inside and outside of super, and always consider the tax implications.

3. Get good advice

A wise investor always seeks advice, especially when it comes to tricky areas of tax.

4. Play the long game

Successful investors identify quality assets, build diversified portfolios and take a long-term view.

5. Develop the investment strategy

Don't lose sleep at night trying to achieve financial goals at the expense of your well-being. Make a plan that suits you.

6. Get into self-improvement

Setting out to build your wealth is aspirational, so you need to be willing to learn from the experts. The more you understand things like risk, diversification and dollar-cost averaging, the further you'll go.

7. Put money aside for a rainy day

You never know when something unexpected might come along. It could be a big expense or an even bigger opportunity. Either way, it pays to be prepared.

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