Stratagem

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Intralink Mortgage Solutions could save you money

At Intralink we always strive to provide you the highest quality advice and service.

However, in the past when it came to home loan finance, we would usually refer you to a reputable mortgage broker.

A recent report highlighted that most Australians cannot remember what interest rate they are paying or the full details of their home loan. With regular interest rate fluctuations and banks no longer passing on rate cuts in full, its well worthwhile to know if your current home loan is still the best option for you.

To ensure our clients and families are optimising their resources Intralink has initiated a relationship with a salary based mortgage broker, to offer you Intralink Mortgage Solutions. This partnership enables us to provide competitive mortgage solutions tailored to your latest circumstances.

We've received very positive feedback from clients using this service, in terms of making the process easy, achieving reduced interest rates and ensuring the loan has the features suited to each client's individual needs.

A major benefit of this relationship is we review your loan every three years, ensuring it remains competitive and right for you. This proactive stance is not offered by your bank, as it is usually in their best interest to offer you the highest rate that you will accept when you initially borrow, not the lowest they may be able to offer you later, if interest rates have dropped.

Test the market with a Home Loan Health Check

With the current low interest rate environment, it's a great time to be reviewing your current home loan, but often it's hard to just 'get started'. Our Home Loan Health Check is the easy way to ensure your current home loan is still competitive as well as meeting your financial goals.

Reasons to refinance your home loan may include:

- **Interest rate savings** – It may be the right time to capitalise on interest rate movements or adjust your mix of fixed vs variable loan components. There may also be cost savings if you have a loan product with features that you do not need.
- **New lending products** – Current competition between lenders means there may be new or refreshed products better suited to your requirements that could save you money.
- **Change of circumstances** – Your borrowing requirements may have changed. You may be thinking about a new home, renovating your existing home, an investment property or unlocking the equity in your home. Or you may wish to reduce your payments or consolidate some debts.

Whatever has got you thinking about your home loan, a Home Loan Health Check allows you to comprehensively compare your loan with other loans and lending products from over 30 different banks and lenders.

It only takes a few minutes to collect the information we need to get started.

Our mortgage broker partner, in conjunction with your Intralink advisor, will provide you with a report on the best options available listing, interest rates, fees, monthly repayments and all relevant information. We will also review and advise on the loan structure most suited to your current or changed requirements.

To see how much money you could save call your Intralink advisor for more information today on 03 9629 1100.

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bringing wealth to life

Tips for raising financially savvy kids

If you want your children to grow up making sensible financial decisions, it pays to start early. Guiding your children through the basics of saving, budgeting and spending from a young age will help them to develop good habits for life.

1. Start early

Introduce numbers as early as possible with games and books. This is a vital concept young children need to grasp before they can understand money, but almost one in five Australian children start school without knowing how to count or recognising numbers.

Young children are naturally curious so this is a great time to expose them to everyday money. Take them grocery shopping, and take them to the bank. Talk to them about what you're doing and answer any questions. When paying for things around young children, try to use cash – it's visual, tangible and easy to understand. Paying on debit or credit can give children the impression that you can get whatever you want if you just have a magic plastic card.

2. Introduce pocket money

When they get a bit older, start giving a small allowance to teach short and long-term saving, and good spending habits. Talk to them about how to use their money – it's okay to spend some, but it's also a good idea to keep some for a rainy day.

If they have their sights set on a special new toy, it's time to learn how to save. You can show them the rewards of work by giving them small jobs around the house in exchange for pocket money. When they've saved enough (and if they still want the toy!) take them to buy it and let them hand over the cash themselves.

It's also important to let them make their own choices about what to do with their money, so they can understand the consequences if they run out.

3. Involve them in family budgets and shopping

Talk to children about where the family's money comes from, and how you use it to cover things like food, household items, utilities and internet. Get them to help you plan, make shopping lists and find the best value products.

Teach them budgeting through delayed gratification. If you're planning a big trip and they want to go out for dinner tonight, let them know you're saving your money for your holiday – and if you eat at home now you'll be able to use that money for something fun later.

4. Open their own personal bank account

Opening their first savings account is a milestone moment, ideally in the later years of primary school. Look for one with minimal fees but the opportunity to earn interest if

regular deposits are made. It can be very powerful for children to see how money can make more money (even if it's just a few dollars) through compound interest.

Once your child starts high school and becomes more independent, get an ATM card so they can access their cash and talk to them about keeping their PIN safe and their money secure online.

5. Add responsibility

To increase the responsibility for older children, you could involve them in household budgeting discussions. Let them help plan family holidays or decide which sports and other activities will fit into the family budget.

Encourage teenagers to start work when they can – whether it's a paper run, babysitting for the neighbours, or a casual weekend job. A record of small part-time jobs will also look good on their CV when they start their career.

If you do decide to give loans – such as for a new mobile phone, or if they do run out of money – use it as a chance to teach them about credit and have the money paid back with interest on set payment terms. And if your child goes over their phone bill, don't simply pay it for them – give them a strategy to earn the money to pay it back.

6. Model good behaviour

As a parent, you have a big influence on your children's spending habits and their attitudes towards money. If you're running up debts, impulse buying or arguing about money with your partner, your children will notice. Make money a regular topic of conversation, answer any questions, and model good financial habits. It's important to teach by example.

Teaching your children to be responsible with money is an important life skill. If they end up making a few mistakes along the way, that's OK – everyone does. It's what they can learn from those financial hiccups that really matters.

Super legislation now passed

It doesn't seem that long ago we were told about 'simpler super'. It always seemed too good to last! Now almost 200 pages of new legislation, with over 300 pages of explanatory notes, have just passed into law.

The rationale behind the changes was to correct for perceived excessive use of super tax benefits. The major changes include:

- **Tax deductible amounts reduced** – This is simply poor policy in our view. The limits for people over 50 have been drastically reduced already. $25,000 as a limit for everyone is simply too low. People must start salary sacrificing to super very early in their working life to build up a decent balance.
- **After tax contributions reduced –** The $500,000 lifetime cap did not go through, so there is much more ability to contribute. The annual limit will fall from $180,000 to $100,000 and anyone with more than $1,600,000 in super will not be able to contribute. This is a major win for people who are still looking to build up their super balances with after tax contributions, as compared to the $500,000 lifetime cap. It also gives one last chance for those with member balances above $1,600,000. Given the higher limits this year and no further contributions for some post 30 June 2017, it is vital to review any plans now.
- **Tax free pension amount capped** – $1,600,000 per member is the limit. The rest must stay in accumulation phase where the tax rate is 15% on income and 10% on capital gains held for 12 months. Super remains extremely tax effective, even at high account balances as shown in the following example:

  Max and Mary have $2,000,000 each in super. Under the new rules they could have $1,600,000 each in pension phase, but would have to leave $400,000 each in accumulation. The tax rate they would pay on income across their $4,000,000 fund would be 3% and it would be 2% on any capital gains held for 12 months.

There continues to be no tax on the pension payments or any withdrawals from accumulation.

For bigger funds, having a more even spread between members of a couple becomes important. There are a range of strategies to help achieve this.

There is a lot of complexity around the new rules.
Key issues include:

- Defined benefit pensions are included in the limit and anyone with such an income stream needs to discuss their situation, to determine what should be done by 30 June 2017. This includes what were referred to as Term Allocated Pensions or Market Linked Pensions, that are treated in a way that seems to ignore all common sense.
- Anyone who can contribute to super can now make personal tax deductible contributions. You do not need to salary sacrifice. You could just contribute out of your own funds near year's end. The limit in total is still only $25,000.
- There is no longer any tax benefit in running a pension prior to retirement. Retirement has a specific definition in the super legislation and includes turning 65. It will be important to ensure that funds know when a superannuation retirement definition has been met.
- There is a process of resetting cost bases for capital gains tax purposes to market value on 30 June 2017, where changes are made to comply with the new legislation.
- Segregation will no longer be allowed. It would be beneficial for those that had to hold some of their funds in accumulation to segregate high taxable income assets to the pension account and low taxable income assets to the accumulation account (this is just done via the accounting). This will not be allowed. It can only be achieved by having more than one super fund, but then you must weigh up the additional administration costs. It needs to be looked at it on a case by case basis.

Examination of the new legislation exposes a range of nuanced issues and considerations, particularly the impact the death of a spouse may have on the surviving spouse.

You'll also find that while self managed funds can take advantage of the detail, because they can be more personalised, the big public offer funds will not be able to use the most tax effective options, as their administration costs will outweigh the benefits.

There is no doubt that super still remains extremely tax effective and the best option when looking to fund your retirement. It just may not be as easy to build up larger balances in the future.

If you have any concerns about your Super be sure to chat to your Intralink advisor about how you may be affected by the new changes.

Mortgage or retirement: putting your extra cash to best use

For many people, funding their retirement isn't front of mind – especially when there are more immediate concerns like mortgage repayments or school fees.

Unfortunately, the compulsory employer super contribution of 9.5 per cent won't be enough for the average Australian worker. If you want to have a self-funded retirement, your lifestyle could fall short of expectations.

That's one good reason to make up the difference with extra contributions to your super. But is this where your money works best for you? Or should you be using any extra cash to pay off debt, like your home loan?

Often the answer largely depends on your age and tax position. Both are positive things to do. But the closer you are to retirement age, the more urgently you need to build up your superannuation balance. Often it's important to think about how many more years you have left in the workforce, your target amount for superannuation or retirement income, and how manageable your current home loan is.

The case for paying down the mortgage

Paying off your mortgage has both financial and psychological benefits. When you make extra mortgage repayments, you'll reduce the total interest you pay over the duration of your mortgage and also secure yourself a place to live in retirement.

You may also be able to tap into the increased equity in your home to invest in other property, as part of your long-term retirement plan. But bear in mind this is adding to your debt, rather than reducing it.

Plus, any money you deposit into your mortgage offset can be accessed at any time. Obviously, the longer you leave it in there, the sooner you'll pay down your mortgage.

The case for topping up your super

It may feel reassuring to know you're retiring with a debt-free home. But if you prioritise this at the expense of your retirement savings, you may be forced to downsize sooner than expected.

It's about finding the right balance between having a debt free home and having enough income during retirement.

Unfortunately, many retirees underestimate how much income they'll really need.

You need money to enjoy your free time. Your spending patterns will change but they probably won't decline – you'll spend more on travel, hobbies, entertainment and healthcare.

Obviously, any extra super contributions you make today will make a big difference to your lifestyle in retirement.

Plus, under current regulations you may benefit from favourable tax incentives. When you make contributions from pre-tax income (salary sacrificing) they are taxed at 15 per cent (up to a capped amount), or 30 per cent if you earn more than $300,000. If you earn less than $37,000 the Government may pay a Low Income Superannuation Contribution of up to $500 into your super account.

You may also potentially benefit from the flat 15 per cent tax rate on earnings your money makes within super, and 10 per cent on capital gains for assets held for 12 months or longer. Those tax rates generally reduce to nil when you start a pension.

Remember to always keep an eye on the various rules and laws. The Government, in the 2016 Federal Budget, proposed several changes to the superannuation environment that will affect the concessions available for both pre and post retirees.

Keep your options open

It's important to remember that when you make super contributions, you're locking your money away until you retire. But equally, the clock is ticking on how much more you can add to your super fund – and if you're considering moving or downsizing you may not need to pay the mortgage off completely.

It's reassuring to know that whether you put your extra cash towards your super or your mortgage, both options will set you up for a more secure future, and give you more choices when you retire.

With 2016 rapidly coming to an end, we would like to offer our sincere thanks for your ongoing loyalty and support. We trust that you and your family have a safe and relaxed holiday and happy and healthy start to the New Year.

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