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PATRON Financial Advice

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Are you making the most of your **Centrelink** entitlements

No doubt you are familiar with some of the Centrelink benefits available to you. However, a full understanding of what you are entitled to can, at times, be a complicated learning experience.

Benefits such as the Age Pension, Pensioner Concession Cards and Rent Assistance might sound familiar, but are you making the most of them? Did you know that bereavement assistance is available?

A fairer pension

Have you noticed an increase in your Age Pension payments over the last six months?

During 2009, the Australian Bureau of Statistics developed the Pensioner and Beneficiary Living Cost Index (PBLCI). The PBLCI is for Pensioners what the Consumer Price Index is to consumers. It gauges the cost of living, specifically reflecting changes in the living costs of pensioners and other households receiving income support from the Government. Consequently, every quarter, social security pensions will be indexed by whichever is the greater: the increase in the CPI or the increase in the PBLCI.

Over time, the index will progressively improve to better reflect price changes experienced by pensioners and beneficiaries.

To make the Age Pension more sustainable to an ageing population, the Age Pension age for both men and women will gradually increase to 67. However, only people born after 30 June 1952 will be affected by this change.

If you already qualify for the Age Pension, you may also be entitled to some of the benefits outlined below:

Pensioner concession card

This card entitles you to reduced cost medication under the Pharmaceutical Benefits Scheme (PBS). You may also be entitled to various concessions from the Australian Government such as:

- bulk billing for doctor's appointments (this is your doctor's decision)
- more refunds for medical expenses through the Medicare Safety Net
- assistance with hearing services through the Office of Hearing Services.

You may also be entitled to various concessions from State and Territory Governments and local councils which include:

- reductions on property and water rates;
- reductions on energy bills;
- a telephone allowance;
- discounted mail redirection through Australia Post;
- reduced fares on public transport;
- reductions on motor vehicle registration; and
- free rail journeys.

Please note that Pensioner Concession Card concessions are different in each State and Territory and vary between local councils.

For a complete list of available concessions, you can obtain a copy of 'A guide to Centrelink concession cards' booklet from any Centrelink office or visit www.centrelink.gov.au

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Rent assistance

Rent Assistance will give you that extra help if you are renting privately. However, if you are currently paying rent directly to State or Territory Housing Authorities, you are not eligible to claim Rent Assistance.

Pension loans scheme

If you (or your partner) are of Age Pension age and cannot get a pension because of your income or assets (but not both), or if you only receive a part pension, you can access capital tied up in your assets under the Pension Loans Scheme.

The Pension Loans Scheme is a voluntary arrangement which provides support in the form of a loan, for a short time or for an indefinite period, which is paid in regular fortnightly instalments.

Bereavement assistance

The trauma of losing a loved one can sometimes be compounded for a survivor by the uncertainty of their immediate financial future. Although most people do not feel inclined to deal with financial matters at this time, understanding what assistance is available can help to ease the stress.

Prompt notification about the death of a loved one enables Centrelink to assess your entitlement to bereavement assistance. A bereavement payment is usually paid as a fortnightly amount to help settle the financial affairs of the person who has died. It also helps the partner, or carer, to adjust to the change in financial circumstances as a result of that person's death. For some payments, such as Wife Pension, Carer Payment, Partner Allowance or Parenting Payment, the payment may continue for 14 weeks following the death, allowing you time to seek other income support if necessary.

When one member of a couple dies, the survivor's financial position can also be complicated by the inheritance of assets held in joint names as this can affect their total asset position.

It's important to consider carefully the implications of passing on assets to children and bypassing yourself. This can also significantly affect your asset position and may result in changed payment rates and is especially relevant if you inherit a valuable asset such as a house, share portfolio or antiques.

Your financial adviser can help you review your position and decide how to manage your new asset position. Not only will this put your mind at ease, but will also help ensure you are making the most of your Centrelink entitlements and benefits.

Source: Centrelink

Make your **Money** work harder

Too young to start investing? It's never too early to start. In fact, the earlier you start investing, the better – not only will you have more time in the market to increase your potential returns, but you will reap the benefits of compounding interest (or interest on your interest).

A good place to start is to look at your super. Your super fund invests your money for you, so getting to understand your super will give you a broader understanding of investing.

Your goals will ultimately shape the way you approach the sharemarket. Whereas saving is for the short-term, investing is for the long-term so remember that it's not about timing the market (trying to predict the highs and lows) but rather about time in the market. With time on your side to ride out the market fluctuations, you may be willing to take on a higher level of risk for a higher potential return.

Managed funds

In terms of an effective long-term investment plan, the traditional bank savings account and fixed term deposit fall short of the mark; these are only savings accounts not investment accounts as they only offer a standard rate of return and no prospect of capital growth. As an alternative, providing you have an investment timeframe of at least five years, managed funds have the potential to offer higher returns compared to cash and fixed term investments.

Managed funds pool your money with that of other investors to give you access to a world of investment opportunities. They also offer an easy way to invest in particular asset classes such as Australian and international shares without having to do all the research yourself.

And, you can spread your money across different asset classes, reducing your risk but also increasing the potential for growth.

When investing in a managed fund, one of the benefits is capital growth as a result of rising unit prices but you will also receive income from distributions. The income you receive is taxed in the same way as bank interest, at your marginal tax rate. You also receive 'franking credits' for the dividend income you receive, which reduce the tax payable.

What is an asset class?

An asset class is a categorisation of investments with distinctly similar attributes, for example Australian shares (or equities), international shares (or equities), fixed interest, property (direct or listed on the share market) as well as 'alternative' investments. Each asset class carries a different level of risk vs return – that is, they all perform differently. Diversifying your investment across a number of different assets classes is a smart way to reduce your overall risk.

How much do you need to start?

Depending on the fund you choose, you can start with an initial investment of as little as $1,000. Then you can make regular payments to purchase more units. Salary deduction is an ideal way to establish a regular investment plan and you reap the benefits of dollar cost averaging.

What is dollar cost averaging?

A dollar cost averaging strategy is simply investing the same amount of money at regular intervals over a period of time. In so doing, you actually reduce market risk; when the market is down, you receive a higher number of units and when the market is up, you receive a lower number of units. However, over time, you get a lower average price per unit.

Start a good habit

Your financial adviser can help you develop and manage an investment strategy that suits your goals, circumstances and needs, all while you continue living your life! Talk to your financial adviser now to start making the most of your money.

Bridging the gap in Super.

Did you know that Australian women who have children and take a career break of five years in total will, on average, have 26 per cent less in superannuation savings by the time they retire at 67 compared to women who work continuously? Not only that, but they also have 35 per cent less in their super compared to the average Australian male[1] .

This, of course, translates through to the retired householders as well; of those receiving a single Age Pension, a startling 73 per cent are women[2]. This is also partly due to women living longer than men.

So, if you're a woman, or you have daughters or granddaughters, who tick any of the boxes above, addressing the super gap needs to be given urgent and serious consideration as strategies can be implemented to help close the gap.

Women also have longer life expectancies than men, so not only do their savings need to stretch further in retirement but they also have to last longer.

Why are women missing out?

Women tend to have less in their super savings because they generally earn less than their male counterparts, they take time out of the workforce to have children and, if they do return to work, they are more likely to work casual hours or take part-time roles.

Many women also make the mistake of relying on their partner when it comes to super, assuming it will take care of them both. While this can work well in some cases, in others, where divorce has taken place, it can cause extreme hardship and financial distress. Taking control of your own retirement savings is a much more certain option.

Closing the gap

The first step is to make super your friend. No matter what stage of your life you might be at, understanding your options as well as the tax-effective strategies that are available, such as salary sacrificing or the Government's super co-contribution for example, is extremely important.

Simply by contributing pre-tax money to your super using a salary sacrifice strategy not only do you increase your super, but you reduce the amount of tax you pay and you could even drop down a tax bracket. By making an after tax contribution to super, if eligible, the Government's super contribution could add up to an extra $1,000 to your super. You can either make a one-off larger contribution or regular smaller contributions.

Have you had more than one job? If so, chances are that you have more than one super fund. Multiple accounts mean multiple sets of fees and charges. Consolidating your money into one super fund account means you only pay one set of fees and charges.

As the saying goes, "Don't put off until tomorrow what you can do today". A little bit extra in your super today could make a big difference to tomorrow. To ensure you are making the most of your super, please speak to your financial adviser about a strategy that suits your individual circumstances.

1 Investor Daily article, IFSA, calls for super in parental leave 15 March 2010.

2 Sydney Morning Herald, Money, 15 September 2010.

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