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The Rich Life Vol 74

The warmer weather and spring rains are a welcome break from the colder months. And, while outside activities become more tempting, don't forget to find a moment or two to review your finances to make sure you're up-to-date and on-track.

Household wealth has increased for the third quarter in a row. It rose by 2.6% in the June quarter, pushed up by rising house prices and increases in superannuation balances. Meanwhile demand for credit was the lowest since 2005. But consumers are not spending and consumer confidence is down. Retail sales growth was the slowest since the pandemic lockdown.

While the number of job vacancies have fallen by about 18% since their peak in May this year, they are still around 72 per cent higher than just before the pandemic – that's an extra 160,000 positions that employers are looking to fill. Unemployment was unchanged at 3.7%.

The Australian dollar rebounded a little to finish the month where it began but it's ended the quarter about 3% thanks to surging oil prices, interest rate uncertainty and the US markets.

Brent crude has continued its relentless climb since June, ending the month just over 30% higher than three months ago. That's pushed petrol prices ever higher – about 17% over the same period – with the national average price for unleaded at \$2.11 a litre compared to \$1.80 in June. Oil prices are expected to continue to increase because of depleted US inventories and cuts to production in Saudi Arabia and Russia. Increasing petrol prices helped fuel a jump in inflation last month.



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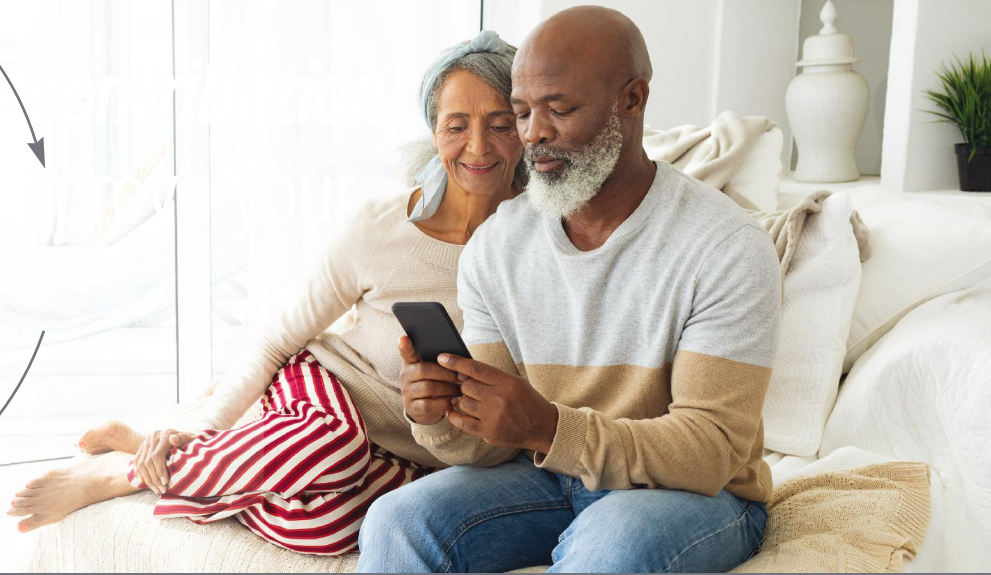
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How a *super retribution strategy* could improve your tax position



Withdrawing part of your superannuation fund balance then paying it back into the account, known as a retribution strategy, may sound a little strange but it could deliver a number of benefits including reducing tax and helping to manage super balances between you and your spouse.

Your super is made up of tax-free and taxable components. The tax-free part generally consists of contributions on which you have already paid tax, such as your non-concessional contributions.

When this component is withdrawn or paid to an eligible beneficiary, there is no tax payable.

The taxable component generally consists of your concessional contributions, such as any salary sacrifice contributions or the Super Guarantee contributions your employers have made on your behalf.

You may need to pay tax on your taxable contributions depending on your age when you withdraw it, or if you leave it to a beneficiary who the tax laws consider is a non-tax dependant.

How retribution strategies work

The main reason for implementing a retribution strategy is to reduce the taxable component of your super and increase the tax-free component.

To do this, you withdraw a lump sum from your super account and pay any required tax on the withdrawal.

You then retribute the money back into your account as a non-concessional contribution. If you withdraw this money from your account at a later date,

you don't pay any tax on it as your contribution was made from after-tax money.

The retribution doesn't necessarily have to be into your own super account. It can be contributed into your spouse's super account, provided they meet the contribution rules.

To use a retribution strategy you must be eligible to both withdraw a lump sum and retribute the money into your account. In most cases this means you must be aged 59 to 74 and retired or have met a condition of release under the super rules.

Any retribution into your account is still subject to the current contribution rules, your Total Super Balance and the annual contribution caps.

Benefits for your non-tax dependants

Recontributing your money into your super account may have valuable benefits when your super death benefit is paid to your beneficiaries.

A retribution strategy is particularly important if the beneficiaries you have nominated to receive your death benefit are considered non-dependants for tax purposes. (The definition of a dependant is different for super and tax purposes.)

Retribution strategies can be very helpful for estate planning, particularly if you intend to leave part of your super death benefit to someone who the tax law considers a non-tax dependant, such as an adult child.

Otherwise, when the taxable component is paid to them, they will pay a significant amount of the death benefit in tax. (Your spouse or any dependants aged under 18 are not required to pay tax on the payment.)

Some non-tax dependants face a tax rate of 32 per cent (including the Medicare levy) on a super death benefit, so a strategy to reduce the amount liable for this tax rate can be worthwhile.

By implementing a retribution strategy to reduce the taxable component of your super benefit, you may be able to decrease – or even eliminate – the tax your non-tax dependant beneficiaries are required to pay.

Watch the contribution and withdrawal rules

Our retirement system has lots of complex tax and super rules governing how much you can put into super and when and how much you can withdraw.

Before you start a retribution strategy, you need to check you will meet the eligibility rules both to withdraw the money and contribute it back into your super account.

If you would like more information about how a retribution strategy could help your non-dependants save tax, give our office a call today.

YOURS, MINE AND OURS

- estate and succession planning for modern families



Navigating complex family relationships and blended families can be challenging at times and particularly when a family member dies.

A good estate plan can help to make sure your wishes are carried out when you die. An estate plan, of which a will is the first and most important part, can ensure your estate is distributed in the way you want. It can also help if you become incapacitated, particularly when it includes an enduring power of attorney and a medical power of attorney that indicate who should be in charge of your affairs and any relevant instructions.

Professional advice is vital in estate planning to make sure that you have considered all the issues, including tax matters, and that your loved ones are protected. It is also important to clearly communicate your wishes, particularly when there are complex issues involved, so that your wishes are clearly understood.

Here are some of the issues to think about.

Superannuation

A binding death benefit nomination should be at the top of your list when you are considering the distribution of your superannuation funds.

This makes certain that your super death benefit is paid to those you choose because without one, the trustee of your super fund will make their own decision.

The nomination is usually valid for three years before it lapses and must be renewed.

Blended families

If you have been married more than once and/or have children with more than one partner, your will helps to effectively provide for those you choose.

You may wish, for example, to ensure that your children receive the proceeds of your estate rather than your spouse or ex-spouse. Alternatively, you may need to ensure your will protects your current spouse from the claims of previous spouses.

When it comes to the family home, the type of home ownership is important. If you have purchased as 'joint tenants', the entire asset will pass to the surviving spouse. On the other hand, if you have purchased as 'tenants in common', each spouse can distribute their share of the house to others.

You may also wish to include a 'life interest' in the home so that your current spouse can continue to live in the home until their death before it ultimately passes to your other beneficiaries.

Trusts

Any existing family trusts should be reviewed with a blended family in mind. Check that the trust deed provides clear instructions for succession, if you want to ensure your children from past relationships are catered for.

Your will can also establish new trusts, known as testamentary trusts, to provide for any dependents with disability,

when you are worried that a child may waste or misuse your assets, or to allow for young children.

A testamentary trust can also help to protect your adult child's interests if they were to divorce a partner or are facing bankruptcy. Any inheritance they receive from you would become part of their property and can be considered in a divorce settlement or called on by creditors.

Handing on a business

If you are in business with partners, or would like to hand on the family business to one child but not others, a life insurance policy may be a useful strategy – sometimes known as estate equalisation – to even the distributions from your estate.

In the case of a business partnership, you would name your partner or partners as beneficiaries of the life insurance policy, to effectively 'buy you out' of the business. Where it's a family business due to be handed on to one child, your life insurance would go to your other children to match the value of the business.

Note that it is crucial to continually review the value of the business and the value of the life insurance to ensure they remain current.

Estate planning can be tricky and emotional, particularly when your circumstances are a little more complex. *So, get in touch with us to ensure your estate plan meets your wishes and takes account of all the issues.*

When enough is never enough



How much is enough? It's a good question. Our relationship with our finances can be a tricky one. Everyone has a different idea of how much it takes to be comfortable or even well off.

Given it is something that has such a strong influence on how we live our lives it's unsurprising that money, or the pursuit of it, can develop into somewhat of an addiction.

The million-dollar question is how do you know if you are developing an unhealthy relationship with money and what can you do if you, or someone you know, is heading down that path?

The love of the dollar

When John D. Rockefeller, who has been widely considered the wealthiest American in modern history, was asked how much money is enough, he famously stated: "Just a little bit more."

It's a common approach to money – that it's not possible to have too much of a good thing. However, we can become addicted to the act of growing our net wealth to the detriment of our daily lives. If you're only interested in seeing your account balance go up, you might miss opportunities to put your money to work in other ways and enjoying what life has to offer.

If you can relate to the words of Rockefeller, it might be time to do some self-examination and see whether your relationship with your finances could be healthier.

Common feelings about acquiring money

Competitive

"Keeping up with the Joneses" is embedded in our culture. As a society, we're constantly comparing ourselves to those who earn more or are wealthier than ourselves. The danger is there will always be someone better off than you (unless you are Rockefeller!). Gratitude can serve as an antidote to competition, so try shifting your focus to what you have rather than what others possess.

Of course, for many the focus is not outward but inward. The competition can be an internal struggle to meet and exceed continually shifting self-imposed financial objectives. If this is moving beyond a healthy drive for success, it might be time to celebrate your successes and focus more on enjoying your wealth.

You are what you possess

Compulsive saving can be a need to find self-worth, defining yourself by what you possess and accruing the trappings of wealth to feel whole. Recognising your self-worth goes beyond possessions and how much money you have in the bank is a key step in breaking the hold money may have over you.

Fear of loss

Being afraid of losses can keep you from making smart decisions with your money that could improve your financial situation. For example, you might be so fixated on accruing wealth and so afraid of losing money that you never invest. Having an appreciation of the relationship between risk and reward can help you make healthier decisions.

Scarcity mindset

An extreme focus on your financials can be driven by a fear of not having enough. The underlying cause of anxiety around money might be traced back to a time when you struggled. The key is to review your financial situation and let go the past to manage your finances in a way that is appropriate to your present circumstances.

Breaking money habits

That sounds easy but it can be difficult in practice. Whatever the driver of your approach to money, if you've been operating in a certain way for a long time, habits can be hard to break.

If you've been saving furiously for a home deposit it can be hard to step out of the frugal behaviour, take a breather and feel okay about spending money again. Alternatively, if you've spent a lifetime building your wealth to have a wonderful retirement it can be difficult to flick the switch from saving to spending – especially if you suddenly have no wages coming in.

Recognise that old habits can be hard to break but that it is possible to change.

One thing that can help is having a financial plan, so you know how you are tracking to meet your financial goals. That's where talking to a third party who is not so emotionally involved can be of benefit.

We are here to assist if you need assistance with any aspect of your financial life.

Ignite your entrepreneurial spirit



Entrepreneurs have long been instrumental in changing the way we live and work. Just think about Thomas Edison's inventions when you switch on a light, the contribution of Henry Ford to the motor industry as you jump behind the wheel of your car, or even the way Steve Jobs transformed computers as you open your laptop.

If you aspire to join the ranks of those that initiate change, whether you want to develop a new ground-breaking business offering or simply employ a bit of lateral thinking to a problem you are mulling over, igniting your entrepreneurial spirit can help you embrace opportunities, seek solutions, and innovate.

While true visionaries tend to follow their own path to achieve what was previously deemed impossible, there are some common traits shared by those who reach for the stars, and you can cultivate those traits.

A positive mindset

"Whether you think you can or think you can't—you're right." - Henry Ford

Entrepreneurship is very much a mindset. Successful entrepreneurs are possessed with a great deal of self-belief. They believe not only in themselves but also in their vision.

Thinking outside the box also comes in handy. Lateral thinking is like a muscle that can be strengthened with use. One of the best ways to flex your creative thinking is to brainstorm and let your imagination run wild. No idea is too crazy and there is no such thing as too many ideas at this stage. If something has 'always' been done the same way question, why? Free up your thinking and look for constructive solutions to problems.

Resilience

"I have not failed; I have just found 10,000 ways that won't work" - Thomas Edison

Being successful does not mean never failing. In fact, the road to success is often littered with failures, and let's face it, risk taking is an intrinsic part of pursuing innovation. The key is to learn each time something did not work and use the knowledge to rectify what went wrong.

That's clearly a lot easier said than done. It can be hard to bounce back from repeated failures and to redefine failure as a lesson. Resilience will build with each obstacle you overcome if you frame failure as an opportunity to grow.

Focus on continual improvement

"Have no fear of perfection - you'll never reach it" - Marie Curie

Creating and maintaining a focus on continual improvement will help you to build a better business, while making you stronger and more successful in all your other pursuits. The way to achieve this personal growth is to make the choice to open yourself up to new opportunities to acquire knowledge.

We are fortunate to live in an age where so much information is available at our fingertips so explore your passions and interests: read, listen to podcasts, watch

videos and Ted Talks, and soak up that knowledge. Ask others if they have recommendations for you to try.

Collaboration and teamwork

"Great things in business are never done by one person, they are done by a team of people" - Steve Jobs

Speaking of asking others, one of the most powerful things you can do is to surround yourself with those who can help you, whether that's building a high calibre team of amazing individuals or nurturing a network of people with relevant skills that you can call upon from time to time. It's fantastic to have people you can use as a sounding board for ideas, especially when thinking creatively or strategically.

There are a lot of groups you could join including broad-based groups of like-minded businesspeople in your area to industry specific groups, who will have an appreciation of your challenges and objectives. You could even approach someone you look up to, to act as a mentor.

Knowledge of individual strengths

"You were born an original - don't become a copy" - Coco Chanel

It's important to note that everyone is different and brings different qualities to their endeavours. So, make sure you walk your own path: think about what you are good at, what you enjoy doing, as well as what the world needs. Your unique vision will come from developing your entrepreneurial talents.