

## AAS JUNE NEWS UPDATE

Welcome to AAS' June news update. In this month's update we cover

- S&P Global US Investment Tour
- Making a non deductible spouse contribution
- Understanding the benefit of splitting Super Contribution
- SMSF Returns Lodgement Due 30 June 2018
- Transfer Balance Amounts to be lodged by 30 June
- Productivity Tip: Using AAS Web Calculators
- AAS KL Conference Major Sponsor Announced

### S & P GLOBAL US INVESTMENT TOUR

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Recently S&P Global hosted a US study tour which I was lucky to be a part of. The ten day tour provided a fascinating insight into the US advice market, in terms of the trends and developments that are occurring within the financial services industry.

The two-week tour included attending the US Adviser Morningstar Conference in Chicago, visiting the Chicago Board Options Exchange (CBOE), being on the floor for the opening bell of the New York Stock Exchange (NYSE) (as two IPO's we listing), visiting the S&P Global head quarters in New York, attending a New Yankee's base ball game, and attending the S&P ETF Forum in Denver.

Note surprising the advice industry is not too different from the Australian advice industry. Yes it is bigger, and not too uncommon for practices to have US \$1 billion in client funds under management however the challenges in fee pressure and meeting client expectation is just as real.

Whilst the trip covered a lot, I have summarised the highlights from the tour below.

- US EFT market is now over \$5 trillion dollars (about 2.7 times the total market cap of the ASX) and makes up nearly 25% of the market.
- Given that the total EFT market in Australian is around \$40 billion i.e. 2% of the market this grow likely still to occur.
- Lots of discussion about the market bursting. Total market cap of the S&P 500 is \$24 billion v US GDP of US \$18.5 trillion - is this a sign that the market is at the top?
- Lots of discussion around interest rates and trade wars and the affect on the market.
- The S&P500 market cap has increased by 25% in two years.
- 30% of income for companies in the S&P 500 is derived from overseas.

- Not uncommon for practices to have over \$1 billion in FUM.
- Big focus on factor investing and smart beta ETF's – and in particular the potential benefits of an equal weighted ETF.
- Growth in reporting of Economically Sustainable Governance (ESG) / investing i.e. measuring firms carbon foot print amongst other things.
- Increased cost pressure on platforms / custodian with brokerage rates around \$5.00 a trade, with ETF providers paying brokerage firms to list their products.
- Increased trend of developing active asset model portfolio using ETF's so as to reduce the total investment management fee that clients pay.
- Overall the industry is very similar to Australia but bigger!

#### [Detailed S&P Global US Study Tour Presentation](#)

### **MAKING A NON DEDUCTIBLE SPOUSE CONTRIBUTIONS**

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For the 2018 financial year members are able to make a non-deductible contribution on behalf of their spouse and claim a 18% tax offset of up to \$3,000 (i.e. \$540.00) provided certain measures are met.

In particular

- The receiving spouse must have an income less than \$37,000
- If the receiving spouse earns more than this amount the tax offset is progressively reduced and is phased out once the spouse's income reaches \$40,000.
- The receiving spouse must not have exceeded their non-deductible contributions for the year
- The receiving spouse must have a total superannuation balance less than \$1.6 million for 2017–18) immediately before the start of the financial year in which the contribution was made.

### **UNDERSTANDING THE BENEFITS OF SPLITTING SUPER CONTRIBUTIONS**

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Members can also split 85% of their concessional contributions with their spouse. In previous years this was not much of an issue. However with the Super changes announced last year the benefits are more real.

Some of the main benefits of splitting super contributions include:

- Paying insurance premiums for a non-working or low-income spouse
- Providing superannuation benefits earlier by splitting contributions to the older spouse
- Improving the client's Centrelink position by splitting contributions to the younger spouse,
- From 1st July 2018 ensuring a member's balance is under \$500K so as to take advantage of the unused super contributions which can be applied for up to five years
- Reducing the tax payable for a couple wishing to start a superannuation pension prior to

- age 60 (i.e. accessing two tax-free thresholds of \$18,200 for the 2016 /17 financial year);
- Taking advantage of two super lump sum low-rate thresholds (\$195,000 for the 2016/17 financial year) if the benefits are received between preservation age and 59.

For more information about splitting contributions with spouses, including who is eligible please click on the link below.

[Benefit of Contribution Splitting](#)

## **REMINDER: SMSF FUNDS TO BE LODGE BY 30 JUNE**

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Quick reminder that all SMSF funds are due to be lodged by the 30<sup>th</sup> June 2018 (i.e. this Saturday). Given that 30 June falls on a Saturday all client returns should be returned by Thursday at the latest.

Any returns that are lodged late, could receive administration penalties and fines for over due tax.

It is also likely that any returns that are lodged late will have to lodge date for their 2018 return brought forward to the 31<sup>st</sup> October 2018.

To help with lodgements we can accept client confirmation via email, or alternative clients can sign their returns digitally using DocuSign, Secure Signing and Adobe.

## **TRANSFER BALANCE ACCOUNT REPORT TO BE LODGED BY 30 JUNE**

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A further reminder that all funds which had a pension account at 30 June 2017 need to lodge a transfer balance account report to the ATO by 30 June.

AAS will be managing this on behalf of all clients. However it is important that funds with pension accounts have lodged their 2017 returns before their TBA report can be lodged with the ATO.

If advisers have funds with pension accounts, that have not been lodged, please contact your administrator as these funds need to be given priority.

## **PRODUCTIVITY TIP – AAS CALCULATORS**

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AAS has recently upgraded it's web calculators so as to allows advisers to calculate Expected Balance at Retirement, Expected Income in Retirement, Centrelink Pensions and much more.

To access the calculators, go to the AAS website, and click on resources and then calculators.

Alternatively the calculators can be accessed by clicking on the link below.

[AAS Web Calculators](#)

## **AAS CONFERENCE MAJOR SPONSOR ANNOUNCED**

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The fourth AAS KL Conference is fast approaching.

The conference will run from the 23<sup>rd</sup> to 26<sup>th</sup> of August. The conference will include two nights in KL at the Novotel Hotel and two nights in George Town.

We are also delighted to announced that Balmain Private has agreed to come on board as a major sponsor of the event.

Balmain Private offers has a strong appeal to SMSF and direct investing clients as it offers a unique approach to providing stand alone first mortgages to advisers and their clients.

For more information about Balmain visit <https://www.balmainprivate.com.au/>

For a full itinerary and conference agenda please click on the link below.

### **[AAS KL CONFERENCE 2018](#)**

For advisers that have never been to KL or an AAS conference it will be a great experience, both culturally and technically as well as from a business networking perspective.

This year given the strong demand, places will be limited to 15 people. In order ot reserve your spot, please contact Wenny or Agnes on the email addresses below so that we can help coordinate arrangements.

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