



# Spring 2024

## Welcome

Welcome to spring, a season that might be motivational for personal, business and financial renewal. We hope you enjoy the sunshine and warmer weather.

Our first article in our Spring newsletter looks at the many ways of receiving an income in retirement. We review the considerations for some of the main options available including account-based pensions, annuities and a transition to retirement strategy.

In our regular tax update, you'll find information about new tax deductions for small business and employer obligations to be aware of.

And finally, spring is the perfect time to have a clean out—not just for your physical space, but for your life and career and our final article provides some inspiration to get started.

Kind regards

Neil McLennan – Partner  
Carthills Financial Services Pty Ltd

## Economic update

Global stock markets – including the ASX – largely stabilised by the end of August after a rocky start when markets everywhere fell after news of high unemployment figures in the US and an interest rate move by Japan's central bank.

A slight drop in inflation figures – down to 3.5% in July from 3.8% the previous month – had investors checking the Reserve Bank's reaction but most economists agree there's no chance of an interest rate cut this year. The RBA's not forecasting inflation to get to its preferred levels until late 2026 or early 2027. While the cost of living has dropped ever so slightly (and partly due to \$300 federal government rebates on electricity bills), wages have risen. The Australian Bureau of Statistics reports that wages rose by 4.1% in the year to June. It means that wages are now keeping up with the cost of living.

The good news from the markets and inflation data contributed to a small upswing in consumer confidence although there's still much ground to recover after the losses caused by Covid-19.



# HOW DO retirement income options COMPARE?

Retirement is filled with opportunities and choices. There's the time to travel more, work on long-delayed personal projects or volunteer your help to worthwhile causes.

You also have a host of choices to make when it comes to funding your new life away from paid work. Here are four different options to consider.<sup>i</sup>

## Account-Based Pension

An account-based pension (ABP) using your superannuation is one of the most common retirement income options. The amount you receive depends on the balance of your account and the drawdown rate you choose, subject to the minimum pension requirements set by the government.

### Some considerations:

- **Tax benefits** – Investment earnings, capital gains and withdrawals are tax-free, unless you have an untaxed component within your super.
- **Payment flexibility** – Subject to pension minimums, most super funds allow you to adjust the payment amount and frequency, and even make partial or full lump-sum withdrawals if needed. You can also return to work and continue to receive a pension.
- **Longevity and market risks** – You might outlive your account balance, especially if your withdrawals are high or your investment returns are poor.

## Transition to Retirement

A transition to retirement (TTR) strategy allows access to some of your superannuation while still working, if you have reached age 60 (based on current rules).<sup>ii</sup>

### Some considerations:

- **Flexible work options** – You can reduce your working hours and supplement your income from your super.
- **Limits on pension rates** – Similar to an ABP, there is a minimum annual pension rate. However, there is also a maximum annual withdrawal of 10 per cent of your TTR account balance.
- **Reduced retirement savings** – Drawing on your superannuation while still working means your retirement savings might grow more slowly.

## Annuities

An annuity is a financial product that provides a guaranteed income for a specified period or for the rest of your life. There are various types of annuities, including fixed, variable, and indexed annuities. You can purchase annuities or lifetime income streams using your superannuation.

### Some considerations:

- **Predictable income** – Provides a stable income stream, which can be reassuring for financial stability and provide an income for as long as you live.
- **Lack of flexibility** – Once you purchase an annuity, the terms are generally fixed and you cannot alter the income amount. There's a restriction on capital withdrawals or in some instances no access to capital at all.
- **Inflation risk** – Fixed non-inflation-linked annuities may not keep pace with inflation unless specifically indexed to inflation.

## Innovative Retirement Income Stream

An Innovative Retirement Income Stream (IRIS) is provided by a newer range of products. These were introduced after changes to regulations designed to deliver more certainty to retirement income by paying a pension for life without running out of funds.

### Some considerations:

- **Age Pension benefits** – Centrelink only counts 60 per cent of the pension payments received as assessable income and only 60 per cent of the purchase price of the product counts as an assessable asset until age 84 when it is reduced.
- **Certainty** – Some IRIS products offer a stable guaranteed income stream, providing financial security.
- **No minimum requirements** – IRIS products do not require an annual minimum amount, instead just requiring at least one annual payment.
- **Complexity** – Features vary widely between different IRIS products and may involve complex terms or conditions.

## Next steps

How do these different options suit your personal needs and how would they affect your retirement income? Consulting with a financial advisor can help you navigate these choices and tailor a plan that best suits your needs. Speak to us, so we can help you structure a plan to fund the retirement lifestyle you've worked so hard for.

<sup>i</sup> <https://www.ato.gov.au/individuals-and-families/jobs-and-employment-types/working-as-an-employee/leaving-the-workforce/planning-to-retire#ato-Afteryouretire>

<sup>ii</sup> <https://www.ato.gov.au/individuals-and-families/jobs-and-employment-types/working-as-an-employee/leaving-the-workforce/transition-to-retirement>

# >> TAX ALERT

## September 2024

### New deductions and employer obligations

Employers need to check that payroll systems reflect recent legislative changes, and the ATO is highlighting deduction opportunities available to some small businesses. Here's your roundup of the latest tax news.

#### Updated employer obligations

The ATO is reminding employers to stay on top of legislative changes affecting payroll systems.

The Super Guarantee rate increased on 1 July 2024 to 11.5 per cent of ordinary times earnings, so all payments (starting with those for the July to September quarter) to super accounts for eligible workers must reflect the new rate.<sup>i</sup>

Individual income tax rate thresholds and tax tables changed also changed on 1 July 2024 so you may need to check calculations for your Pay As You Go Withholding obligations.

#### Claims for energy expenses

Many small business are eligible for a bonus 20 per cent tax deduction for new assets (or improvements to existing assets), that support more efficient energy usage.

The Small Business Energy Incentive applies to eligible assets first used or installed ready for use between 1 July 2023 and 30 June 2024.<sup>ii</sup>

Eligible expenditure for external training courses for employees incurred between 29 March 2022 and 30 June 2024 could also qualify for a 20 per cent bonus tax deduction from the Small Business Skills and Training Boost.<sup>iii</sup>

#### Pay less capital gains tax (CGT)

While a business can reduce capital gains made during a tax year by offsetting them with capital losses from

the same or previous income years, not all capital losses are eligible.<sup>iv</sup>

Capital losses carried forward from previous years need to be used first, with losses from collectables (such as artwork and antiques) only permitted to be offset against capital gains from collectables.

Losses from personal use assets (such as boats or furniture), CGT exempt assets (such as cars and motorcycles), paying personal services income to yourself through an entity you set up, and leases producing income (such as commercial rental property), are ineligible as offsets.

#### Fuel tax credit rates change

Before claiming fuel tax credits in your next Business Activity Statement (BAS), check you are using the latest rates as they have changed twice in the new financial year.<sup>v</sup>

On 1 July 2024, the rate for heavy vehicles travelling on public roads changed due to an increase in the road user charge, with the rate altering again on 5 August 2024 due to a change in fuel excise indexation.

Different rates apply based on when you acquired fuel for your business' use, so ensure you use the correct rate. If you are unsure, try the ATO's online Fuel Tax Credit Calculator to work out the amount to report in your BAS.

### Records essential for rental expense claims

Rental property investors without correct documentation to substantiate their expense deductions may find their claims declared invalid.<sup>vi</sup>

The ATO is warning investors they need all receipts, invoices and bank statements plus details of how deductions were calculated and apportioned for a valid claim.

#### Lodging a 'nil' BAS

While taxpayers registered for GST automatically receive a Business Activity Statement and are required to lodge and pay in full by the due date, businesses with nothing to report are still required to lodge.

If you have paused your business, you are required to lodge a 'nil' BAS by the due date either online or via the ATO's automated phone service.<sup>vii</sup>

<sup>i</sup> <https://www.ato.gov.au/businesses-and-organisations/super-for-employers/paying-super-contributionshowmuch-super-to-pay>

<sup>ii</sup> <https://www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/incomeanddeductions-for-business/deductions/small-businessenergy-incentive>

<sup>iii</sup> [https://www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/incomeanddeductions-for-business/deductions/smallbusiness-skills-and-training-boost?=Redirected\\_Skillstrainingboost](https://www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/incomeanddeductions-for-business/deductions/smallbusiness-skills-and-training-boost?=Redirected_Skillstrainingboost)

<sup>iv</sup> <https://www.ato.gov.au/businesses-andorganisations/small-business-newsroom/pay-lesscapital-gains-tax-cgt>

<sup>v</sup> <https://www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/incentives-andconcessions/fuel-schemes/fuel-tax-credits-business/rates-business/from-1-july-2024-to-30-june-2025>

<sup>vi</sup> <https://www.ato.gov.au/media-centre/ato-warning-to-rental-property-owners-dont-let-your-tax-return-be-afixer-upper>

<sup>vii</sup> <https://www.ato.gov.au/businesses-and-organisations/gst-excise-and-indirect-taxes/gst/if-your-business-changes-or-ceases/cancelling-your-gst-registration>



## ◆ Freshen up ◆ your professional and personal life

As the seasons change and the air fills with the promise of renewal, it's the perfect time to have a clean out—not just for your physical space, but for your life and career as well.

Spring cleaning isn't just about dusting shelves and organising files; it's about refreshing your mindset, optimising your processes, and ensuring that both your personal and professional worlds are in top shape. Here are some ideas to help you revitalise your business and life as we move into the warmer months.

### Declutter your physical and digital environments

Start with your physical workspace. Clear out the clutter that has accumulated over months of hard work. A tidy workspace not only improves productivity but also clears mental clutter, allowing for better focus and creativity. Organise your files, shred unnecessary documents, and create a system that makes everything easily accessible.

Extend this decluttering to your digital life. Clean up your email inbox by unsubscribing from unnecessary emails and set up rules to automatically organise emails into folders. Streamline your phone by deleting unused apps, grouping them by categories as well as reviewing your contacts and deleting old ones. Make sure everything you need is being backed up properly.

### Streamline your life and get organised

Next, it's time to look at where you spend your time. Spring cleaning your life means being ruthless with your time management. It's said that a small portion of our time and effort (20%) generates a significant part of our results (80%) so focus your efforts on those activities that yield the most effective

outcomes. Evaluate your commitments and activities—are they truly adding value to your personal or professional growth? Learn to say no to tasks or obligations that don't align with your goals or values. This will free up time for activities that truly matter.

Then it's time to get organised. Allocate time for the important stuff. Review your calendar and update it with both personal and professional commitments. Prioritise self-care and relaxation alongside business meetings and deadlines. This balance ensures you remain productive without burning out and it's vital to have time in your life for the things and people that you care about.

### Dust the cobwebs off your workplace and business processes

Take a critical look at your everyday processes at work. Are there inefficiencies that can be streamlined? Are there repetitive tasks that can be automated? Improving your processes not only saves time but also reduces costs and enhances customer satisfaction.

Getting your house in order also involves making sure your business is not vulnerable. Review your contracts with suppliers, clients, and employees, ensuring they are up to date and protect your interests. Evaluate your data security measures to safeguard sensitive information against cyber threats and review your insurance policies to ensure adequate coverage for your business needs.

### Polish your skills and connections until they shine

Investing in yourself is key to staying competitive. Commit to ongoing

professional development by planning to attend workshops, webinars, or conferences relevant to your field. Think about what areas you need to work on and update your skills and knowledge to stay ahead of industry trends and innovations. This can be as easy as listening to a regular podcast on your commute.

Networking is also crucial. Refresh your professional network by reconnecting with contacts, attending industry events, and actively building new relationships. Your network can provide valuable support, advice, and opportunities for growth.

### Taking the first step to transformation

Spring cleaning your life, career, and business is not just a seasonal chore; it's a transformative process that sets the stage for success throughout the year. By decluttering your physical and digital spaces, streamlining your life, honing your processes at work, and committing to ongoing growth, you set yourself up for greater productivity, efficiency, and personal fulfillment.

Take the first step today. Start small with one area—whether it's organising your desk or updating your LinkedIn profile. Each step, no matter how small, contributes to the bigger picture of a rejuvenated business and a balanced life.

Remember, spring cleaning is not just about tidying up—it's about creating space for new opportunities, ideas, and experiences. Embrace this time of renewal and watch as your business thrives and your life flourishes.