

## CLIENT SOLUTIONS – Winter 2016

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## NASH SOLUTIONS – Practice News



### Scams and Bogus Emails

We would like to remind clients that the ATO will never send you an email requesting you to claim your refund, confirm, update or disclose confidential details via an insecure channel such as email. You should always independently verify the source before taking any action. If you receive communication of this nature do not respond to it. The banks and PayPal have also been the subject of similar scams in recent times.

**Our Nash Solutions Email Policy**

We take this opportunity to remind clients that we check our emails at regular intervals during the day and seek to respond to all emails and telephone calls on a timely basis. This policy provides an adequate response to the vast majority of enquiries. However, if you have an urgent matter that must be dealt with on an immediate basis, then please send us a detailed email brief of the situation and then contact us by telephone to ensure your matter is escalated.

At Nash Solutions our goal is to provide holistic solutions to client problems, to grow our client businesses and investments and to accumulate client wealth for their retirement. We seek to deliver this by providing accurate, timely and proactive advice.

We value our relationship and if you have any like-minded business associates who could benefit from Nash Solutions services, then we would be most grateful for your referral.

## CLIENT PROCESSING –Taxation Compliance



**“Of course you have a purpose in life. You pay taxes, don’t you?”**

<b>Tax Lodgement</b>	<b>Due Dates#</b>
July 2016 BAS	21/08/2016
Monthly BAS/IAS	21st of next month
Quarterly Activity Statement for Quarter 4	25/08/2016
Super Guarantee charge statement	25/08/2016

# Further extension may be available, contact us if you have an exceptional circumstance which might delay your lodgement.

## TAX OFFICE SOLUTIONS- Buyers Beware, Sellers Prepare



### ATO requires clearance certificate for sales over \$2 million

The Australian Taxation Office (ATO) has introduced a new rule which affects investors who plan to purchase or sell a property with a market value of \$2 million or more.

Announced in 2013 and legislated this year, the change was introduced to ensure foreign residents meet their capital gains tax obligations.

Effective from the 1 July 2016, the new withholding rule requires Australian residents who are selling a property with a market value of \$2 million or more to obtain a clearance certificate from the ATO. The certificate confirms a 10 percent withholding amount does not need to be withheld from the transaction.

If a seller does not produce a clearance certificate, the purchaser will be required to withhold 10 percent of the sale price and pay this to the ATO.

Vendors are encouraged to obtain the clearance certificate as early as possible as it must be provided to the purchaser prior to settlement. Sellers who fail to produce the certificate and purchasers who don't receive them are both at risk of being required to pay severe penalties to the ATO for any false or misleading declarations made.

Sellers can obtain a clearance certificate by downloading the relevant form from the ATO website. Once obtained, the certificate is valid for twelve months from the date of issue.



### Asset test Changes from 1 January 2017

It's official. The Government has passed law to change Centrelink's Age Pension assets test from 1 January 2017.

The changes are a win for pensioners with lower levels of assets, however they are a blow to those with higher levels of assets.

More people will be eligible for the full age pension, but the rate at which your pension is reduced from the assets test is increased significantly. This means "wealthy retirees" who currently receive a part-pension may no longer be eligible once 2017 arrives.

#### **To receive a full pension:**

From 1 January 2017, the Government will increase the assets test limit to qualify for a full pension from \$291,500 to \$375,000 for couples and from \$205,500 to \$250,000 for single people. This will increase the amount of people that will receive a full age pension.

#### **To receive a part-pension:**

The pension amount you lose for owning assets above the full Age Pension threshold will increase. Essentially your pension is cut at a faster rate, which means the upper limit is decreasing from \$1,151,500 to \$823,000 for couples (and from \$775,500 to \$547,000 for single people). This means once you reach \$823,000 in assets for couples you will no longer receive an age pension and \$547,000 for single people.

## How much pension will you receive with different levels of assets?

The following tables give you an idea of how much you may receive with different levels of assets:

### Single Pensioner

Assets Homeowner	Assets Non-Homeowner	Rate of Pension
\$250,000	\$450,000	\$891
\$300,000	\$500,000	\$741
\$350,000	\$550,000	\$591
\$400,000	\$600,000	\$441
\$450,000	\$650,000	\$291
\$500,000	\$700,000	\$141
\$547,000	\$747,000	\$0

### Pensioner Couple

Assets Homeowner	Assets Non-Homeowner	Rate of Pension
\$375,000	\$575,000	\$671.60
\$400,000	\$600,000	\$643.10
\$450,000	\$650,000	\$559.10
\$500,000	\$700,000	\$484.10
\$550,000	\$750,000	\$409.10
\$600,000	\$800,000	\$334.10
\$650,000	\$850,000	\$259.10
\$700,000	\$900,000	\$184.10
\$750,000	\$950,000	\$109.10
\$823,000	\$1,023,000	\$0

## Do you receive a health card if your pension is cut?

Some consolation is that those who lose their Age Pension should automatically be issued with the Commonwealth Seniors Health Card.

The Commonwealth Seniors Health Card is available to those who have reached Age Pension age and it gives you discounts on prescription medicines through the Pharmaceutical Benefits Scheme (PBS). You may also be entitled to other concessions in areas such as health and transport, depending on your State or Territory.

## **I want to keep my age pension what can I do?**

Some options and strategies to reduce your assessable assets could include:

### **Contributing to super in the name of a spouse under Age Pension Age**

Did you know that while you are under Age Pension age, money that you have in super in the accumulation phase is not counted under the assets test? An opportunity to consider for couples with a gap in age, where only one partner currently receives the pension.

### **Improving principal home**

Funds spent on home improvements and renovations are not assessed against your pension. So it may be time to grant your partners wish to finally update that kitchen... for the good of your pensions!

### **Gifting early**

You can gift up to \$10,000 each financial year up to a maximum of \$30,000 over five years without impacting your pension

Importantly there is nothing stopping your from gifting a larger amount above these limits five years before you reach your age pension age. By the time you reach your pension age, the gifted amount will not need to be included in your pension application.

So if you have some spare dough that you plan to use to assist the kids, plan ahead and consider gifting before reaching your pension age.

### **Lifetime Annuities that have a reducing asset value**

A lifetime Annuity is an investment that provides you with a regular income throughout your lifetime.

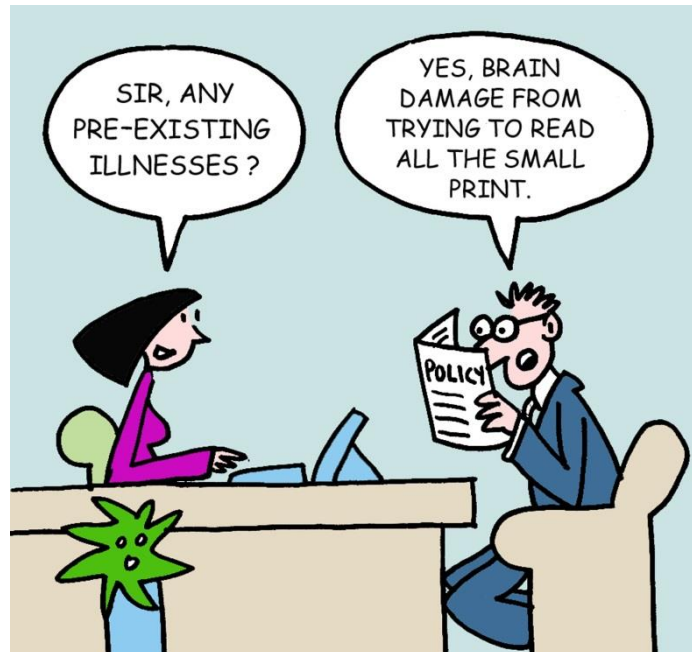
These types of annuities can have a reducing asset value. Each year an amount is subtracted from the asset valued used by centrelink to calculate your entitlement.

## **Before you do anything!**

Please contact us to ensure that the strategy suits your personal needs and objectives.



## BUSINESS & COMMERCIAL NEWS – Protecting assets used to secure business debts\*



There are a number of ways a business can use debt to start-up or grow its operations. A commonly used approach is to borrow from a lending institution, where the loan is secured by:

- The principal's personal assets, such as the family home, or
- Business assets, such as business real property.

When taking out (and reviewing) these loans, the business should consider what could happen if a principal dies, becomes totally and permanently disabled or suffers a critical illness.

If these events occur, the business could have difficulty meeting its loan commitments. The lending institution could have concerns regarding the business' cashflow and credit position and may require the outstanding loan to be repaid immediately. The lending institution may even have to sell the personal or business assets used as security so the debt can be cleared.

### Role of insurance

A cost-effective way to provide an injection of cash to address these risks is to arrange for the principals to take out sufficient Life, Total and Permanent Disability (TPD) and Critical Illness/Trauma (CI) insurance.

In the event of a claim, the insurance proceeds could be used to:

- Pay off or reduce debts
- Release any loan guarantee or security, and
- Improve the cashflow position and credit standing of the business.

This is particularly important for highly geared businesses where asset (debt) protection often ranks the highest in the hierarchy of business insurance needs.



## Types of insurance

It's generally recognised that Life Insurance has an important role to play in clearing business debts if a principal dies. However, a common misconception is that TPD and CI are an either or option. While this may be the case for some business owners, it won't apply in all situations.

For example, a principal may have a heart attack and return to work several months later. In this case, a CI (but not a TPD) claim would be paid. Conversely, if a principal was to suffer a nervous breakdown, they would usually not be able to claim a CI benefit, but may be able to claim TPD benefit instead.

In other words, depending on your individual circumstances, taking out insurance to cover all three trigger events (death, TPD and CI) may be appropriate.

### General Tax Implications

When insurance proceeds are used to clear a debt, the proceeds are typically not counted towards the assessable income of the business and the premiums are not tax-deductible.

### CGT Implications

Proceeds paid from a **Life Insurance** policy in the event of death are exempt from capital gains tax (CGT) if received by the:

- Original policy owner, or
- A person who isn't the original policy owner, so long as they didn't pay money or provide any other consideration when acquiring the interest in the policy.

The same rules apply when a terminal illness benefit is paid.

Finally, if a benefit is paid from a TPD or CI policy the proceeds are exempt from CGT if paid to the:

- Life insured,
- A defined relative of the life insured,
- The trustee of a trust where a beneficiary is the insured, or
- The trustee of a complying super fund.

As a result, when using TPD and CI insurance for asset (debt) protection purposes, the CGT implications will be influenced by 'who' owns the policy and the relationship between the policy owner and the insured person.

### Policy Ownership Options

There are three policy ownership options that are generally used when asset (debt) protection insurance is taken out on the life of a principal who has provided a guarantee or security for a loan sourced from a lending institution.

These are business ownership, self-ownership and (less commonly) super fund trustee ownership.

While business ownership is used more frequently, each option has distinct pros and cons that should be considered. Given the complexities involved, the principals should seek legal and taxation advice when selecting the ownership option that best suits their situation.

Note: These ownership options may not be relevant or appropriate if insurance is used to protect other types of business debt.

## Business ownership

This is arguably the easiest option to understand. In the event of a claim, the insurance proceeds are paid to the business, which can use the money to repay the loan.

The downside is that CGT may be payable on the portion of any TPD or CI proceeds that are paid to the business (except in partnerships, to the extent that the recipients are partners who are the life insured or a defined relative of the life insured). The business could, however, make a provision for CGT by increasing the amount of TPD or CI cover taken out.

Another consideration is that when the business receives the TPD, CI or Life Insurance proceeds, its working capital and net value will increase. While this, in isolation, can be a good result, it can lead to financial outcomes that are less optimal than the other policy ownership options.

For example, if a company sells the asset securing the debt and the principals want to distribute some of the increased value to themselves as a dividend, tax will be payable in their hands at the relevant marginal rate less any franking offset available in respect of tax paid by the company.

Alternatively, if the principals want to sell their interest in the business (rather than the assets securing the debt) they could receive a higher price due to the improved net asset position. As a result, a higher CGT liability could arise when their interest is sold.

Note: to ensure the remaining principals used the insurance proceeds for the intended purpose, the principals should have a legally binding agreement that sets out, among other things, the rights and obligations of the relevant parties. This agreement could be included in, or drafted separately to, the Business Owners' Agreement.

## Self-Ownership

With this option, each principal owns a policy on their own lives. This method provides a greater degree of control and flexibility, as the insured principal (or the executors of their estate) receives the insurance proceeds and can stipulate that the loan repayment is conditional on the release of any loan guarantee or security provided.

Furthermore, unlike business ownership:

- CGT won't be payable on proceeds received from a TPD or CI policy, as the money will be received by the life insured, and
- Because the working capital and net value of the business won't increase, the sub-optimal financial outcomes outlined on the previous page can be averted.

But, despite these potential benefits, self-ownership won't suit all businesses and before a principal selects this option, they should consider that:

1. If the recipient (i.e. the insured principal or the executors of their estate) lends the insurance proceeds to the business so the debt can be repaid, they will replace the lending institution as creditor.

2. If the recipient lends the insurance proceeds to the business and then forgives the loan, the 'commercial debt forgiveness' laws could apply with adverse tax consequences to the business.

3. Similar outcomes to points 1 and 2 above could arise if the recipient uses the insurance proceeds to repay the lending institution directly. This is because the recipient has repaid the debt of the business. Due to the equity law concept known as the 'doctrine of subrogation' the business is now deemed to owe the recipient and equivalent amount. If the latter waives this right, again the commercial debt forgiveness laws apply.

4. If the principals establish a documented loan agreement funded by self-owned policies prior to the occurrence of an insured event, many of the aforementioned adverse outcomes of business and self-ownership can be minimised or averted as demonstrated in the case study below.

In summary, self-ownership will generally only suit businesses where:

- It will be acceptable for the recipient of the insurance proceeds to remain as a creditor of the business, or
- There's capacity to implement a documented loan agreement.

In other circumstances, the business may be better off owning the policy and increasing the sum insured to make a provision for CGT on the TPD and/or CI proceeds.

### **Case study – The value of documented loan agreements**

Tom and Jerry (both 35) operate a restaurant that also caters to external customers and hosts large functions such as wedding receptions.

The debt of the business (a company) is \$500,000 for which they have each provided personal guarantees, although Tom is the one with more personal assets 'on the line' given Jerry has been through a divorce settlement and lost ownership of his family home.

#### *Business ownership*

Tom and Jerry each take out life cover with a critical illness extension with the company owning the policies.

In the event of a critical illness claim, 30% of the proceeds would be lost in tax based on a tax rate of 30%, however, a slightly lower tax rate and gross up would apply if the company has an annual turnover of less \$2m.

A gross up of the sum insured to \$715,000 would be required to ensure a net of \$500,000. This means a 42% greater premium on the critical illness cover each and every year. Also the extra \$215,000 cover would generally be priced at a more expensive stand-alone premium rate.

Additionally, Tom and Jerry have had no legal advice in amending their shareholders' Agreement. This means that if an insured event happened to Tom, Jerry may gain control of the business because of this Agreement (or a buy sell agreement).

Jerry may use the insurance proceeds for another purpose such as the company entering into a new venture, rather than ensuring the debt is repaid so that Tom's home will no longer be exposed to the ongoing fortunes of the business.

#### *Self-ownership with documented loan agreement*

Instead of the traditional solution of having the company as policy owner, Tom and Jerry take the cover out as part of a debt protection package where the policies are self-owned and a documented loan agreement is established. The advantages of this doing include:

1. There would be no CGT payable on the insurance proceeds, as the policies are self-owned
2. If Tom suffered a critical illness, he would receive the insurance proceeds instead of the company, giving him greater control of outcomes.
3. The deed would oblige Tom to transfer the proceeds to Jerry on the condition that they both negotiate with the lending institution to release Tom's home from being held as security.
4. Once the home is released, Jerry, who now has the proceeds, would have some options and could negotiate with the lending institution to reduce personal (tax inefficient) debt such as his home mortgage.
5. More commonly (given the business has lost a key person) Jerry would invest the proceeds in the company by way of a loan, so that it had the funding with which to repay its debt.
6. By loaning the proceeds to the company, there would be a facility by which the company could pay certain amounts out to Jerry tax-free (e.g. the cost base of capital assets could be paid out tax-free rather than as a dividend that would be taxable in Jerry's hands).
7. The proceeds being owed to Jerry, rather than inside the company, could potentially place Jerry (as an unsecured creditor rather than shareholder) in a better position if the business ever goes into trading difficulties and faced liquidation.

Note that these agreements may operate differently in scenarios where, for underwriting or other reasons, the business principals have been unable to obtain sufficient cover to secure the release of their personal guarantees.

The cost of the documented loan agreement is a one off and could be around the cost of the premium saving in the first year.

## Super Fund trustee ownership

A third option is for the principals to take out TPD and/or Life insurance in a super fund, where the policy is owned by the super fund trustee. This option is similar in many respects to self-ownership, given that:

- CGT won't be payable on TPD proceeds,
- The working capital and net value of the business won't increase, and
- The first three issues outlined in the previous page should be considered.

The key differences are that if the insured principal arranges with the business to make salary sacrifice contributions into their super fund (or makes personal deductible contributions in the case of a partner), the premiums can be funded more tax-effectively. As a result, it will generally cost less on an after-tax basis to insure in super than it would when using self-ownership or business ownership.

This will usually also be the case if the sum insured is grossed-up to make provision for any lump sum tax that's payable when:

- A TPD benefit is received by a departing principal under age 60, or
- A death benefit is paid to a non-dependant for tax purposes.

The lump sum will be paid tax-free in all other circumstance.

It's also important to keep in mind that salary sacrifice (and certain other) super contributions will count towards the insured principal's concessional contribution cap and penalties could arise if the cap is exceeded.

Finally, when an insurance policy is held in a fund with an investment balance, the premiums can be paid from the investment balance. This could be suitable, for example, in a year where the business is experiencing tough trading conditions and has limited cashflow.

However, super fund trustee ownership is generally best restricted to businesses owned by spouses or single principal businesses' where it's usually acceptable for the insurance recipient to remain a creditor of the business given:

- The complexities associated with holding asset (debt) protection outside the business,
- The extra issues involved in holding this cover in super,
- TPD 'own occupation' and CI cover now being unavailable in super, and
- The fact that document loan agreements are usually not available for super policies.

## Determining the sum insured

Two approaches are often used to calculate the sum insured required for asset (debt) protection purposes. These are the debt cancellation and the proportionate method.

When using either of these methods, consideration should be given to grossing up the sum insured to make a provision for any:

- CGT that may be payable on TPD or CI proceeds if the policy is owned by the business, and
- Lump sum tax that may be payable on death or TPD benefits if the policy is owned by the trustee of a super fund.

It's also important to consider any underwriting rules that could limit the amount of insurance that can be taken out in certain circumstances.

Finally, once determined, the sum insured should be reviewed at least annually and adjusted accordingly.

### **The debt cancellation method**

This method involved calculating the cost of cancelling the entire debt so that all loan guarantees or assets used as security can be released.

The basis of this method is the business principals are each jointly liable for the business debt and may be appropriate where there are only a small number of principals (e.g. two or three) and each of them plays a crucial distinct key person role in the business.

In this scenario, the death, disability or illness of one of these principals is likely to have a significant impact on the business' ability to meet its loan commitments.

As a result, there's a high risk that the remaining principals could lose (or be forced to sell) any personal or business assets used as a loan security.

The debt cancellation method may, however, not be available for business with several principals. This is because the insurer's underwriters may determine the impact on the business ability to service its debts will generally be lower if one of the principals departs due to death, disability or illness.

### **The proportionate method**

With the proportionate method, you need to work out the interest each principal has in a debt and insure each principal for that specific amount. The basis of this method is that the business principals are severally liable for the business debt.

You should be aware, however, that the proportions for each principal may not necessarily be aligned with their equity in the business or interest in the debt.

For example, one principal may have provided a significantly greater amount of personal assets as security than the other principal if the latter's assets are already highly encumbered with debt.

In this scenario, the principal who has provided the greater amount of security might have the greater proportion of insurance taken out on their life.

## **Other business insurance needs**

There are other situations where asset (debt) protection insurance could be used. Key examples include:

- When an unsecured loan is sourced from a relative or an associated entity, and
- Where a proprietor loan account has been created because the trustees of a trust have distributed income to the beneficiaries on paper and retained the cash to fund operations or expand the business.

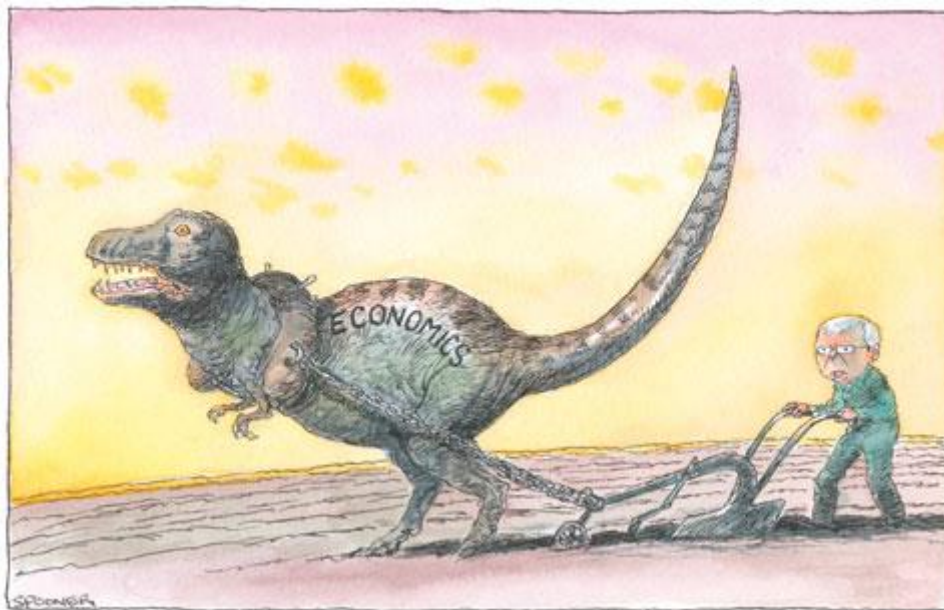
It's also important to consider other situations where insurance could be used to protect a business and the principals' interest in that business in the event of death, TPD and CI. For example, insurance could be used to:

- Offset a reduction in revenue and cover the costs associated with finding and training a suitable replacement, and
- Ensure orderly transfer of business ownership by funding a Buy Sell agreement.

When looking at business insurance, it's important to address all the potential risks and put in place strategies that ensure the right amount of cash is paid to the right people at the right time.

\*This publication has been prepared by technical and development, a division of GWM Adviser Services Limited, a member of the National Australia Bank group of companies.

## FINANCIAL PLANNING – Economic Updates#



We remind clients that we provide a full range of financial planning services including investments, savings and retirement plans, life and income protection insurance, superannuation, super pension and Centrelink age pension analysis using our 'DomaCom Guided Planning System'.

### Recent History

April and May were generally positive for growth assets while June has seen a sharp pullback as markets focus on Brexit – i.e. the unexpected vote by Britain to leave the European Union (E.U.). These concerns have contributed to lower global bond yields with the German 10 year government bond finally trading below zero percent yield. Another major event during the period was the Reserve Bank of Australia (RBA) cutting the official cash rate from 2.0% to 1.75% in May, a new all-time low on lowered inflation forecasts.

The Australian share market returned 11.6% for the 3 months to the end of May as markets recovered from the big sell-off earlier in the year. Australian Small Cap Equities continued their recent outperformance over large caps returning 13.1%. Developed Market global shares



underperformed domestic shares with a return of 7.6% while Emerging Market equities returned 8.1%. Global equities were hindered by the Australian dollar which rose 1.4% versus the US dollar over the period. The Australian fixed interest benchmark returned 1.3% for the 3 months to end of May while Cash returned 0.59% for the period.

## **Economy**

While the RBA rate cut was unexpected, it was their view on inflation that surprised markets. The RBA said “ongoing very subdued growth in labour costs and very low cost pressures elsewhere in the world, point to a lower outlook for inflation than previously forecast”. First quarter inflation came in at -0.2% which was below expectations and the annual rate fell to 1.3% per year, from 1.7%. This was well below the RBA’s 2% to 3% target range. Australian bonds rallied on the news and the market anticipated another rate cut. The Australian dollar fell about 5% on the cut but has rebounded since then. Australian GDP grew 3.1% in the year to March 2016, this was the biggest expansion in three years, led by a household spending and exports.

The other significant event was US employment growth which surprised markets by only increasing by 38,000 in May, well below expectations of 160,000 while there also downward revisions to the prior two months employment numbers. The weaker outlook for the US economy resulted in the US Federal Reserve lowering expectations for the pace of future rate rises and US yields moved lower. US Headline inflation rose 1.0% in the year to May 2016. However the Core CPI (which strips out food and energy costs) rose 2.1% over the same period.

## **Markets and Outlook**

There is huge amount of uncertainty regarding the fallout from Great Britain leaving the E.U. European markets were particularly hard hit but have recovered much of that ground lately. It has also been quite a volatile period for the Australian dollar as well as local interest rates.

The Australian ten year government bond yield trended lower in June to briefly trade below 2.0% before rising again, while the Australian dollar traded below 72 US cents on the rate cut but is now closer to 75 cents. These moves reflect swings in bearish and bullish sentiment which is currently being driven by uncertainty of the effects of Brexit on economies and markets. The Australian equity market (with the ASX 200 at 5,220) is trading at about 16x forward PE - a level that has not been sustained historically without strong earnings growth.

Current estimates are for earnings growth (EPS) to be about 11% lower in fiscal 2016 compared to 2015. Earnings are forecast to rise about 6% in fiscal 2017, largely driven by resources. So the valuation of the Australian market (PE) is well above the long term average which is in the low 14 times earnings.

Equity markets are being supported by extremely low interest rates. For example, ten developed-market sovereign issuers have negative yields on their five-year bonds according to data compiled by Bloomberg. Also, more than \$US100 billion of corporate bonds, including French drug maker Sanofi and Royal Dutch Shell, now yield less than zero. With negative yields, in order to make a return on your investment you need a capital gain i.e. yields need to go even lower. Obviously this cannot go on forever. Simply put there is almost nowhere to go apart from equities if you are looking for a reasonable yield.

Given current yields we remain underweight in fixed interest despite the flight to safety caused by Brexit. However, with equities trading at above long term average valuation levels we expect returns to be below historical averages. In a low growth environment, active management will help, but investors also need to take advantage of market pullbacks to add to their holdings rather than using a fixed schedule if possible.

Returns to 31 May 2016 (% p.a.)

<b>Asset Class</b>	<b>1 Month</b>	<b>3 Months</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>
<b>Australian Shares</b>	3.09	11.60	-2.38	7.71	7.54
<b>Global Shares</b>	5.47	7.60	-0.07	15.50	13.61
<b>Listed Property</b>	2.63	8.04	15.31	16.80	17.09
<b>Fixed Interest</b>	1.26	1.30	4.64	5.41	6.57

# FINANCE

## Thinking of buying a new vehicle?

We remind clients that car dealers play many tricks with new car prices, trade values and in-house finance in order to spruik up their 'deal' and at the same time extract maximum profit. We are in a position to advise you on how to get the best actual deal when trading.

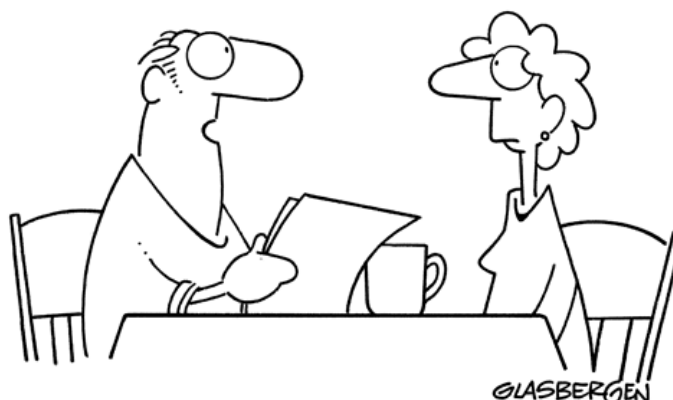


## Planning points:

- Find your new vehicle / plant.
- Negotiate a cash price.
- Call us for effective financing of the deal.

## SPECIAL TOPIC – Retiring from small business

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www.glasbergen.com



**“Here’s our retirement plan: at age 65,  
we’ll get divorced then marry other  
people who planned better.”**

### Retiring from small business

**Selling a small business can be a challenging, complicated and uncertain time. So too can retiring. Combine the two and you have a situation where early planning and advice is critical.**

#### Plan early

The earlier you plan for the sale of your business, the more value you are likely to gain. Selling a business can take up a lot of your time but so can addressing the day-to-day demands of running your business. Trying to do too much of both at the same time can mean you don’t manage either properly.

There are a range of things that may need to be addressed early on with the assistance of your accountant or solicitor. Key examples include:

- ensuring the financial accounts are in order,
- obtaining a valuation of the business,
- determining the potential tax implications if the business is sold,
- considering whether the business should be restructured before the offer for sale, and
- preparing or amending the legal and/or other documentation to facilitate the sale.

#### Manage capital gains tax

When you sell your business, you may be eligible to claim certain capital gains tax (CGT) concessions. For example, you may be able to disregard 100% of a capital gain made on the sale of your business if you:

- have owned the assets for a continuous period of 15 years or more,
- are at least 55 years of age, and
- are disposing of the asset for retirement purposes or are permanently incapacitated.

Alternatively, if you don't meet the above conditions, there are other concessions that you may be eligible to use that could reduce or eliminate any taxable capital gain on the sale of your business.

You should consult with a registered tax agent to determine the CGT implications, whether the small business concessions will be available to you and which ones should be claimed.

### **Maximise super contributions**

If you are like many small business owners, you have probably used most of the profits from your business to service debt and/or fund the next growth stage, which means you may not have been able to make further contributions to your super. Fortunately following from the sale of your business, there are strategies that you may be able to use to get some or all of the sale proceeds into super and generate a tax-effective income to meet your living expenses in retirement.

Depending on your circumstances, you may be able to contribute up to \$1.395m (subject to a \$500,000 limit if Budget changes occur) from the sale of your business into super in 2015/16. What's more, the money won't count towards the concessional or non-concessional contribution caps that would ordinarily apply when contributing to super.

A financial adviser is the best person to help you maximise your super contributions using your sale proceeds. They can liaise with your accountant to ascertain which small business CGT concessions will be claimed and help formulate a contribution plan that takes advantage of the available contribution caps.

### **Address other advice issues**

While boosting your super would be a top priority, there are a number of other issues you may need to address when it comes to selling your business and planning for retirement. For instance, you may need to:

- decide where to invest sale proceeds that can't (or shouldn't) be put in super,
- unwind or reassign business insurance policies, such as those used to fund a Buy Sell agreement,
- pay-off business loans and release guarantees,
- deal with business property that may (or may not) have been held in a self-managed super fund,
- review your personal insurance needs to ensure you are suitably covered, and
- facilitate, with legal advice from your solicitor, any changes that may need to be made to your estate planning.

A financial adviser can provide or facilitate advice regarding all these and other issues you may encounter. They can also work with other professionals to ensure all areas are covered in an integrated and seamless manner.

## **Important information and disclaimer**

Any advice in this publication is of a general nature only and has not been tailored to your personal circumstances. Accordingly, reliance should not be placed on the information contained in this document as the basis for making any financial investment, insurance or other decision. Please seek personal advice prior to acting on this information.

Information in this publication is accurate as at the date of writing (May 2015). In some cases the information has been provided to us by third parties. While it is believed the information is accurate and reliable, the accuracy of that information is not guaranteed in any way.

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**Sourced by Brendon Colville, Financial Planning Client Services Manager.**

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**# Acknowledgement: We wish to acknowledge Lifespan Financial Planning as the source of the information used in the preparation of this newsletter. The economic and investment analysis content of this newsletter is based on their latest published Personal Wealth Winter Newsletter for 2015.**

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## **“Cashflow is critical for business growth and survival. Is your business generating the returns you require and is it maximising your wealth?”**

**Nash Solutions Business Services** can assist you with:

### **Accounting, book-keeping and day to day business administration services**

#### **Taxation advice**, including:

- Year-end tax planning
- CGT and business rollovers
- GST
- Negative Gearing

#### **Small Business advice**, including:

- Structuring
- Incorporation and company secretarial services
- New business start up
- Business acquisitions and valuations
- Business Sale

#### **Tax return and BAS preparation**

#### **Superannuation**, including:

- Self Managed
- Employer Superannuation Funds
- CGT rollovers on sale of business

#### **Business analysis**, including:

- Financial Analysis
- Management accounting

#### **Business planning**, including:

- Financial Analysis
- Management accounting

#### **Financing**, including:

- Review of current finance arrangements
- Equipment and motor vehicle finance

#### **Computerised Records**, including:

- Accounting related assistance generally
- MYOB software and computer support
- Banklink

#### **Audits**

- Self Managed Super Funds
- Clubs and Associations
- Companies

## **“Savings plans are necessary to ensure sufficient funds are available for your retirement. Will you live the comfortable retirement you dream of?”**

**Nash Solutions Financial Planning Services** can assist you with:

#### **Children's education plans**, including

- Imputation Bonds

#### **Direct Share Investment**

#### **Superannuation**, including:

- Individuals
- Employer group policies
- Self Managed Superannuation Funds

#### **Personal Insurance**, including:

- Life
- Total & Permanent Disablement
- Income Protection

#### **Finance**, including:

- Debt consolidation
- Housing & Commercial Loans
- Investment Loans
- Vehicle, Plant & Equipment

#### **Wealth retirement and lifestyle planning analysis**

- Income streams and capital drawdowns
- Centrelink benefit planning and analysis for age pension retirees

#### **Estate succession planning**

#### **Aged Care Planning**

## **“3 in every 4 Australians will be diagnosed with a serious illness during their working life and will spend many months off work. Will your family live in poverty?”**