

THE VOICE of Pensioners and Superannuants

28 July 2021

To SMSF or not to SMSF, that's the half-a-billion-dollar question



A RECENT article in the Australian Financial Review reported that the top Self-Managed Superannuation Fund (SMSF) in 2019 had assets worth more than half a billion dollars. Twenty-seven funds were worth more than \$100 million each.

All these funds are producing annual investment returns tax-free and tax benefits worth way in excess of the full rate single Age Pension.

Unfair? You bet, but nice work if you can get it.

But let's talk not about the top funds. Let's talk about the ones closer to the middle and the bottom.

Because just as an SMSF is a very effective way of avoiding income and capital gains tax on investment returns if that SMSF is worth millions of dollars, the ones closer to the bottom often have assets producing investment returns that would be tax-free even if those assets were held outside superannuation.

In other words, if you are the trustee of an SMSF, ask yourself the question: do I really need to be in super at all, let alone in an SMSF with its costly reporting requirements and complicated rules.

Another very important consideration is what happens with your SMSF if you are the 'active' trustee (doing the admin and making sure tax returns are lodged and annual audits carried out) and you die before your partner.

It is very common for SMSFs to have two members who are married. If the 'active' partner dies first, he or she potentially leaves a nightmare behind for the surviving partner.

So, there are very good reasons to ask yourself the question if you need your SMSF, or at what point it would change from boon to burden, particularly if you are of pension age and retired, with your SMSF in pension phase.

As a rule of thumb, if the annual income your SMSF produces is less than \$50,119 if you're single (\$83,580 for partnered combined), the Seniors and Pensioners Tax Offset (SAPTO) might do the job your SMSF does: making your income tax-free. Income under those amounts is tax-free outside super if you are of pension age and meet the other usual eligibility criteria.

There are ifs and buts.

For example, subject to legislation passing by 1 July 2022, if you are between 70 and 75 and receive a lump sum such as a redundancy pay-out, an inheritance or a lotto win, you will be able to put that into superannuation.

Another example, if you wind up your SMSF and invest your money outside, any subsequent sale of assets may create a capital gains liability.

The answer to the question whether to SMSF or not to SMSF may not be easy to answer. Everyone's circumstances are different. But it's a question worth asking and to get some professional advice on.

Unless your SMSF holds half a billion dollars, that is.

How to jack up the price of nursing home bonds and look scientific about it



HAVE you ever wondered how nursing homes set bonds? Nursing home bonds these days are called Refundable Accommodation Deposits, or RADs.

The way in which a RAD is set is not regulated.

Typically, people wanting to move into a nursing home own and occupy their home.

Typically, being in their eighties, their life savings have been used to fund their retirement. Their house is their only asset of commercial value.

Typically, nursing homes, which are obliged to advertise the asking prices for their rooms, will base these asking prices on home values in the area they serve.

There is a marketing consultancy which claims to have worked out that nursing homes are getting their RAD pricing wrong a lot of the time, underpricing and overpricing RADs

This consultancy says it has developed complex artificial intelligence algorithms to set RAD charges that are fair, accurate and evidence based.

According to this consultant, in NSW, more than 2,000 scanned aged care rooms in the state revealed 19 per cent are under- priced between \$30,044 and \$760,518, while 20 per cent are over-priced between \$30,227 and \$773,285..

The first question that comes to mind is: would this consultant make the results produced by its complex artificial intelligence algorithms available to consumers so that it could help them not to overpay?

Yes, says this consultant, because nursing homes utilising the RAD-Equation can respond effectively to questions by clients about the amounts and clients can be satisfied the charges are fair and transparent.

Really? If nursing homes can get away with overpricing, does anyone really think they will quit doing so because the computer says no?

Remember, nursing homes must advertise their RAD prices on their website. These prices are asking prices. You can negotiate and shop around like you would when buying a house, a TV or a fridge.

Beware COVID-19 vaccination scams



AUSTRALIANS are the targets of scams related to COVID-19 vaccinations that are leading to personal information being stolen and to financial loss.

Scamwatch, an initiative run by the Australian Competition and Consumer Commission, provides information to Australians about how to recognise, avoid and report scams.

Scamwatch has provided a few tips as to how you can avoid a vaccination scam, they are as follows:

Don't give personal information to someone who calls you about the vaccine.

Don't click on links in unexpected emails or text messages.

Don't pay to get on a vaccination list. COVID-19 vaccinations are free for all Australians.

Don't pay for early access to a vaccine.

You will not need a prescription from a GP to get vaccinated.

If you are asked for any of the above by someone claiming to provide COVID-19 vaccines, it is a scam.

Scamwatch has also said it is aware of scams that offer people the opportunity to invest in the Pfizer vaccine and fake vaccine related surveys that offer cash prizes as well as early access to vaccines upon completion of the survey. These surveys and fake investment pitches are just after your personal and financial information.

The vaccination rollout in Australia has been very slow in relation to other economically developed nations. A result of the slow rollout is undoubtedly causing frustration and desperation among many Australians to get vaccinated.

Unfortunately, this may cause Australians to be more vulnerable to vaccination scams. It's important to remember responding to an email, text or handing out your personal or financial information over the phone won't move you up the vaccination waiting list.

If you have come across a scam similar to any outlined in this article, you can report the scam to Scamwatch by following the instructions at this web address: <https://www.scamwatch.gov.au/report-a-scam>