WINTER 2023

WEALTH & SUPER MATTERS

Superannuation strategies and your personal guide to wealth creation

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OPES ACCOUNTING GROUP
ACCOUNTANTS & ADVISERS

Changes Are Coming For First Home Buyers

If you're ready to buy your first home or just doing some research, it's important to understand what federal or state Government support is available when it comes to grants, incentives and how much you could save.

Plus, from 1 July 2023, some important changes will be occurring to some of that support that could affect your purchase power.

AUSTRALIA

Currently, first home buyers have access to the following grants and schemes under the Housing Guarantee Scheme:

- **The First Home Guarantee (FHBG)** – to support eligible first home buyers to buy their first home sooner, with a deposit as little as 5%. 35,000 places are available each financial year
- **The Regional First Home Buyer Guarantee (RFHBG)** - to support eligible regional first home buyers to buy a home in a regional area. From 1 October 2022, 10,000 places are available each financial year to 30 June 2025
- **The Family Home Guarantee (FHG)** – to support eligible single parents with at least one dependent child to buy a home, with a deposit of as little as 2%. 5,000 places are available each financial year to 30 June 2025.

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Corporate Secretarial & Advisory Services

From 1st July 2023, "any two eligible individuals" can apply for the First Home Guarantee Scheme under the newly expanded definition of 'couple' from the Federal Budget. The new definition will allow family members or two friends living together to access to scheme. The definition of single parent will also be expanded from 1st July 2023 to include legal guardians, including aunts, uncles and grandparents.

The Federal Government will also open up the eligibility of the First Home Guarantee Scheme to include non-first homeowners who haven't owned a property in the last 10 years, and will be expanded to include permanent residents, as well as Australian citizens.

Australians can also access the Australian Government's First Home Super Saver Scheme. This allows you to access up to a total of $50,000 contributions of your voluntary concessional (before-tax) and voluntary non-concessional (after-tax) contributions into your super fund to save for your first home.

NSW

First Home Buyer Assistance Scheme Expanded

From 1 July 2023, the transfer duty (stamp duty) exemption threshold for new and existing home purchases by eligible first-home buyers will increase from $650,000 to $800,000, and the concessional rate will increase from $800,000 to $1 million.

First Home Buyer Choice Changes

The Government is also closing off access to the **First Home Buyer Choice (FHBC).** The First Home Buyer Choice provides first-home buyers purchasing properties for up to $1.5 million the ability to choose to pay an annual property tax instead of transfer duty. The property tax will only be payable by first-home buyers who choose to opt-in, and will not apply to the subsequent property purchasers.

Purchasers who exchange contracts on or before 30 June 2023 have up until settlement to opt-in to the FHBC. From 1 July 2023, there will be no option to choose between property tax and transfer duty on new purchases.

Those who have opted into FHBC will continue to pay property tax for as long as they own that property and remain exempt from transfer duty on that purchase. First homebuyers purchasing a home for $1 million or more on or after 1 July 2023 are ineligible for transfer duty exemptions or concessions and will be required to pay transfer duty.

FIRST HOME OWNER'S GRANT (NEW HOME)

NSW residents will still be able to access the First Home Owner's Grant (New Homes) if eligible. If you are buying or building your first home, you may be eligible for a $10,000 grant under the First Home Owner Grant (New Homes) scheme.

Your first new home can be a house, townhouse, apartment, unit or similar that is newly built, purchased off the plan or substantially renovated.

VICTORIA

Victorian first home buyers currently have access to a number of grants and measures from their state government to ease the cost of purchasing their first home. These include:

Victoria First Home Buyers Stamp Duty Discounts

- First homeowners in Victoria don't pay stamp duty at all on their first home as long as the property is valued below $600,000.
- You may still be eligible for savings on stamp duty if you pay between $600,000 and $750,000 for your first home.

Victoria First Home Owners Grant

- A $10,000 grant to put towards a newly constructed dwelling with a value less than $750,000.

QUEENSLAND

First home buyers in Queensland may have access to the additonal following grants to put towards their purchase:

First Home Owner Grant

- The first home owner grant gives eligible first-time home buyers $15,000 towards buying or building a new home in Queensland.

Regional Home Building Boost Grant

- The regional home building boost grant gives eligible applicants $5,000 after the purchase or construction of a brand-new house, unit or townhouse in regional Queensland.

ACT

Home Buyer Concession Scheme

The ACT Government has a concession scheme to help people buy a home or residential land. The scheme is administered by the ACT Revenue Office. The scheme helps people to buy the home that's right for them by removing or reducing duty on any property they want to buy.

WESTERN AUSTRALIA

First Home Owner Grant

The first home owner grant (FHOG) is a one-off payment to encourage and assist first home buyers to buy or build a new residential property for use as their principal place of residence. The grant is $10,000 or the consideration paid to buy or build the house if less than that amount.

Only one grant is payable per eligible transaction, so two people purchasing a house together may only receive one grant.

Home Buyers Assistance Account (HBAA)

The scheme provides a grant of up to $2,000 for the incidental expenses of first-home buyers when they purchase an established or partially built home through a licensed real estate agent.

The maximum purchase price criteria for the Home Buyers Assistance Account is $400,000.

Stamp Duty Concession For First Time Home Buyers

If you're a first home buyer, a concessional rate of transfer duty (also referred to as stamp duty) will apply if the value of your property is below certain thresholds. This is an incentive from the State Government to encourage first home buyers to get into their own home. This benefit applies to new and established homes.

TASMANIA

Tasmania First Home Owner Grant

A first home owner grant is available to eligible applicants who purchase or build a new home in Tasmania from 1 July 2016. A new home is a home that has not previously been occupied or sold as a place of residence and includes kit homes. A $30 000 grant is available for transactions that commence between 1 April 2021 and 30 June 2024.

NORTHERN TERRITORY

First Home Owner Grant

This grant allows you as a first home buyer to receive a $10,000 grant to buy or build a new home in the Northern Territory.

Stamp Duty Exemption

If you're buying a house and land package in the Northern Territory (NT), you may be eligible for an exemption on stamp duty through the House and Land Package Exemption.

To be eligible, you must:

- buy a house and land package from a building contractor
- sign the contract between 1 July 2022 and 30 June 2027.

Under the contract, the building contractor agrees to sell land to the purchaser and do one of the following:

- build or place a detached, new home on the land being conveyed
- complete the building of a partially completed and detached new home on the land being conveyed
- transfer ownership of a completed and detached new home on the land being conveyed.

The building contractor must have bought the land from a developer and paid stamp duty on the dutiable value of the land.

The exemption is not means tested and there is no cap on the value of the property.

Can AI Give Money Management And/Or Financial Advice?

AI has been heralded as both the harbinger of doom and the foreteller of greatness as its popularity has gained a foothold in dozens of industries. AI has become a useful tool for businesses, with automation, customer support, and even content generation among its uses.

But does it have a place in the financial domain of wealth generation, advice and money management?

> All financial advice comes with risk. This risk does not differentiate between human or AI-generated advice. However, there are factors that might make AI intriguing/attractive to you.

The cost of face-to-face financial advice is rising, as well as a decrease in trained professionals available to assist., creating gaps for the average Australian regarding access and availability. AI has been flagged as a potential means that financial advisors could create affordable and accessible planning services to suit the average Australian looking for advice.

While AI might not be able to fill the gap of human interaction, it may be able to assist in broaching the other gaps. AI could be used, for example, to facilitate fact-finding about the individual seeking advice via an algorithm. These facts are important for creating comprehensive, personalised financial advice that works best for the individual's circumstances.

There have also been attempts to use AI to create investment strategies for stocks or shares, in the hopes that it can predict patterns (for example). For example, an AI tool could be used to analyse financial data, such as balance sheets and income statements, from technology companies. It could identify patterns that might indicate opportunities or problems. An investor could then adjust their portfolio, potentially increasing returns or even just helping to reduce exposure to certain risks.

AI could also be used to build an investment portfolio tailored to an individual's specific investment goals and risk tolerance. Using information based on your preferences, such as your current financial situation and risk attitude, for example, the AI could generate a customised portfolio that accounts for the level of return you'd like to make and the kinds of risks you'd like to avoid.

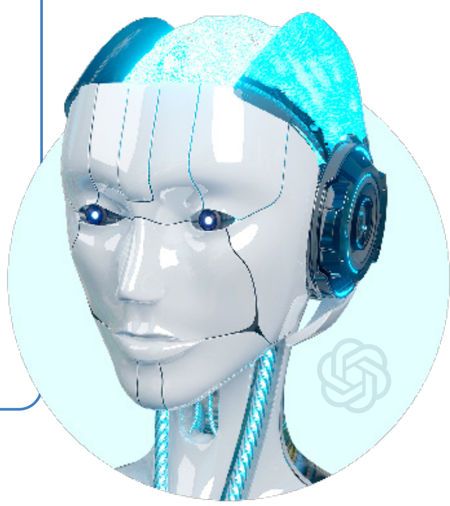
While some may experience success in using AI for their own personal situation, you need to be wary of the potential risks that could arise from using it for wealth-creation purposes.

There are several factors that AI tools may not be able to account for, such as unexpected events or changes in market conditions, as well as human behaviour. The intricacies of human language and misunderstandings that may arise from prompts given to the AI could lead to incorrect or misleading information.

There is also a need for greater transparency about how these tools make decisions, including the privacy and security of the personal information that must be fed into AI systems, as well as the potential for bias.

While AI has capabilities, it may still be some time before they replace human advisory services for financial advice. From ChatGPT itself:

> "As an AI language model, I can provide general financial information and guidance, but it is best to consult a licensed financial advisor for specific personal finance questions."



Credit Cards In A Cost Of Living Crisis

Do you owe money on your credit card? You're not the only one, as rising interest rates, inflation, and the current cost of living crisis have prompted an uptake of credit card debt to deal with higher costs.

The average amount owed on personal credit cards is nearly $3,000, with most households taking over six months to pay this off.

Credit cards can be useful if they are managed correctly and used within the bounds of your income. It's recommended to use it mainly for big-ticket items, such as major appliances or travel expenses, as you will be expected to repay regularly or to have it on hand for emergencies.

Failing to make these repayments can wreak havoc on your personal credit score. On average, credit card interest rates sit at about 20 per cent (however, many may have a certain number of interest-free days, which dictate the number of days you must pay back before incurring interest on the amount).

If you only make the minimum repayments required, this can hurt your credit score.

WHAT ABOUT A BUSINESS CREDIT CARD?

Like a personal credit card, a business credit card gives business owners a credit limit they can borrow against each month. A business credit card allows you to easily build your credit profile, making it easier to borrow money in the future.

If you're in possession of a business credit card as a business owner, this could also affect your personal credit if you are not careful.

This is because when you apply for a business credit card, you provide a personal guarantee. This means that you are personally liable for all business credit card activity. If you sink your business credit score, it also means that you're sinking your personal score along with it.

When starting a business for the first time, your personal credit and business credit will be necessarily linked since lenders only have your personal credit history to go off when assessing your finance applications. As soon as possible, you should seek to separate your business credit from your personal credit.

DO THE REWARDS OUTWEIGH THE RISKS?

Whether your card is for personal use or business use, people often obtain credit cards to benefit from various perks and rewards that are granted to users (such as frequent flyer points or travel insurance). Rewards are one of the key draws for credit card users, with many opting to use them much like debit cards, paying off the full amount owed monthly and reaping the benefits.

However, these cards often have higher risks attached to them, such as higher annual fees or interest repayments.

Failure to keep on top of your credit card payments could lead to hot water, so it's important to speak to a legal or professional adviser if you need assistance managing your debt obligations.

New Pension Thresholds From 1 July 2023

One of the most common questions that we encounter from those entering or nearing retirement is 'How much money can I have before it affects my pension?'

Our answer is usually derived from the total value of your savings, other assets and any income that might be earned from other sources. However, from 1 July 2023, the thresholds that determine how much pension you may be paid are to change due to inflation-related adjustments.

This means that many of those who may otherwise have been looking at a part-pensioner status due to being over the threshold will likely be able to be on a full pension with the adjusted thresholds. Similarly, those who may have been ineligible for a pension due to being over the cut-off point for the assets test should become eligible to start claiming a part-pension (and all the concessions that go with it.

WHAT ASSETS WILL I BE TESTED ON?

The assets that you or your partner own that are included in your assets test include the following:

- **Real estate** (excluding your family home)
- The **market value of your household contents** (such as fridges, appliances, etc).
- **Superannuation balances** if both you and your partner have reached the Age Pension eligibility age, including the balance of your pension accounts that provide you with an income stream. If your partner is below the Age Pension eligibility age, their super balances will not be included in your assets test
- Other financial investments, like term deposits or any surrender value of life insurance policies
- Retirement village contributions
- Business assets
- Motor vehicles
- Boats
- Caravans
- Jewellery
- Cryptocurrencies

ASSETS LIMIT FOR A FULL AGE PENSION

To be eligible for either a full or part Age Pension, there are limits on the value of the assets you (and your partner combined) can own.

The limits depend on whether you own your own home, as well as your living arrangements (including if you have a partner and whether they are age-eligible for the pension or not). The asset limits are higher for non-homeowners in recognition of the higher cost of housing for pensioners who rent their home.

To be eligible for a full Age Pension the value of your assets must be below the following thresholds:

Situation		From 1 July 2023	1 July 2022 to 30 June 2023	Increase
Single	Homeowner	$301,750	$280,000	$21,750
Single	Non-homeowner	$543,750	$504,500	$39,250
Couple (combined)	Homeowner	$451,500	$419,000	$32,500
Couple (combined)	Non-homeowner	$693,500	$643,500	$50,000

You also need to pass the income test and age and residency requirements.

The asset-free thresholds for full Age Pension are the same for couples living together and those separated by illness.

If the value of the assets are above the thresholds listed, you may still qualify for a part-Age Pension.

ASSETS LIMITS FOR A PART-AGE PENSION (RESIDENTS)

If the value of the assets are above the thresholds listed, you may still qualify for a part-Age Pension.

Situation		From 1 July 2023	1 July 2022 to 30 June 2023	Increase
Single	Homeowner	$656,500	$634,750	$21,750
Single	Non-homeowner	$898,500	$859,250	$39,250
Couple (combined)	Homeowner	$986,500	$954,000	$32,500
Couple (combined)	Non-homeowner	$1,228,500	$1,178,500	$50,000
Couple (illness-separated, combined)	Homeowner	$1,161,000	$1,128,500	$32,500
Couple (illness-separated, combined)	Non-homeowner	$1,403,000	$1,353,000	$50,000

The Age Pension assets limits are adjusted three times a year based on movements in the consumer price index (CPI). The thresholds for the full Age Pension change in July, while thresholds for the part Age Pension change in March and September.

THE INCOME TEST

The new thresholds also increase the amount pensioners can earn before their pension starts to reduce under the income test. For a couple, the income test cut-off point rises from $336 a fortnight to $360 a fortnight – for singles, it increases from $190 a fortnight to $204 a fortnight.

If you reach the threshold limits in both the assets and income tests, your pension will be based on the lower amount.

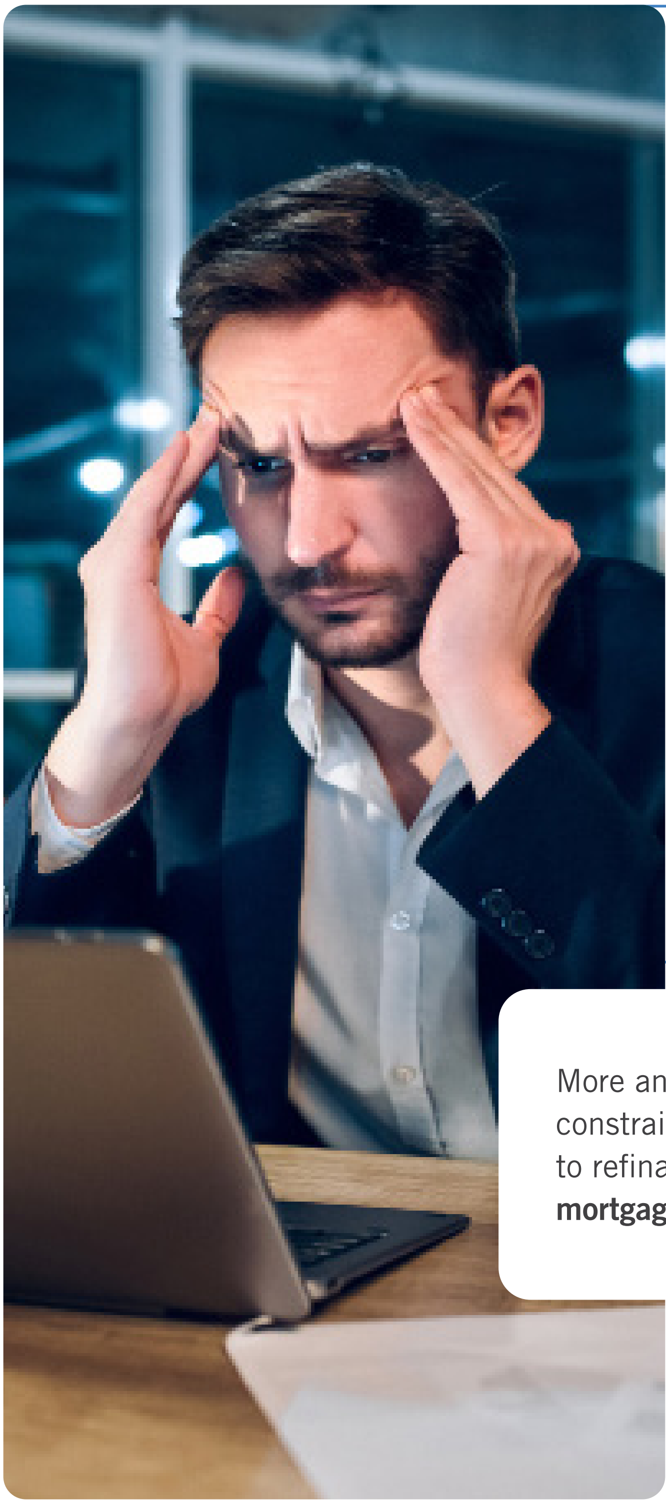
For example, if you are eligible for $400 per fortnight according to the assets test, and $500 per fortnight under the income test, then the $400 per fortnight test will apply.

IF I HAVE QUESTIONS ABOUT MY RETIREMENT/ PENSION, WHO SHOULD I TALK TO?

We are always happy to start a discussion with you regarding your retirement plans, pension questions or queries about your assets. Why not chat with us today?

Are You In A Mortgage Prison?

Taking out a mortgage to fulfil your dream of house ownership will likely be one of the most significant financial decisions you could make. But with rising interest rates, monthly repayments and day-by-day costs straining finances across the country, are you able to refinance your home loan?



Switching to another bank for your home loan is known as refinancing. **Refinancing** your home loan could help you:

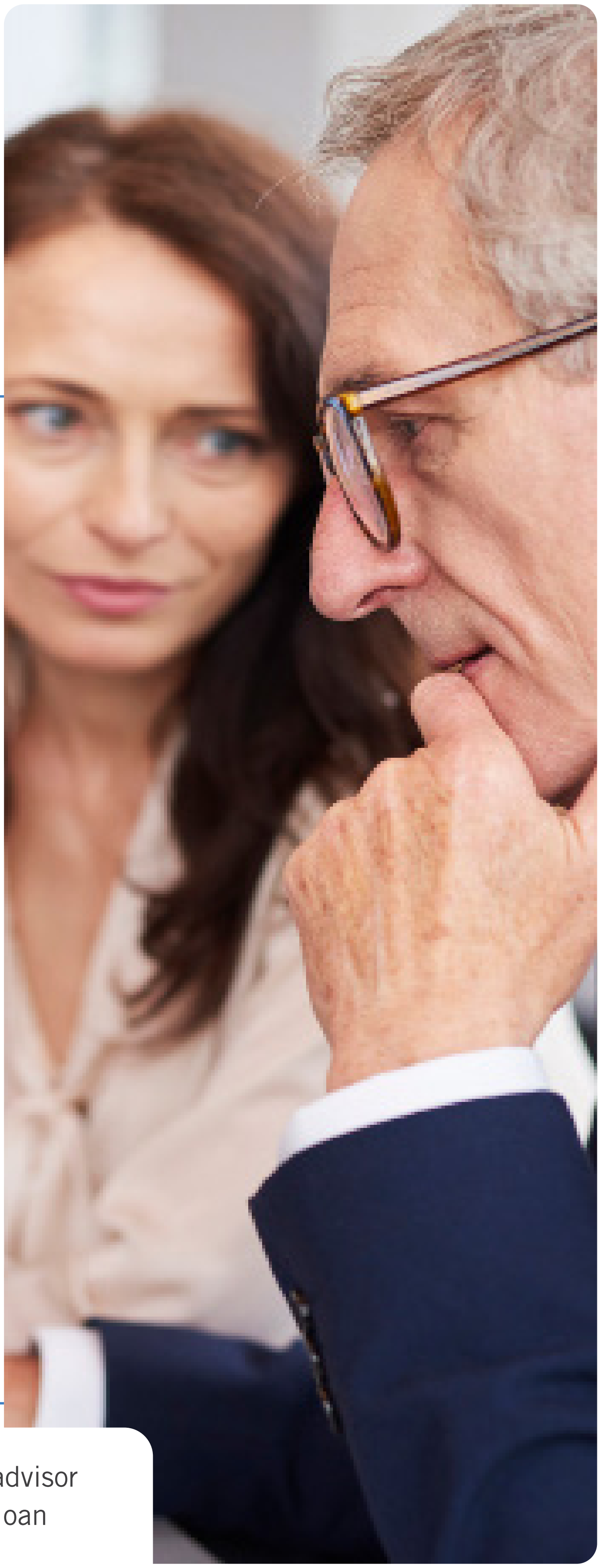
- Save money with a lower interest rate or reduced fees
- Reduce your repayments
- Borrow more for a renovation, investments, or a new car
- Lock repayments in with a fixed rate home loan
- Consolidate several loans

More and more Australians are finding themselves constrained by their mortgage however, and are unable to refinance or switch lenders. This is what's known as **mortgage prison.**

This means that, even if your circumstances have changed since you took out your home loan, you may not be able to switch to another bank to help improve your financial position due to not being eligible according to the new bank's lending criteria.

For example, banks generally require that a new customer (including one refinancing from another bank) can handle 3 percentage points in interest rate rises from the rate they are being assessed on. Customers can also end up in mortgage prison if their home has lost value since they bought it, causing their loan-to-valuation ratio to deteriorate.

Many homeowners may find it difficult to refinance their home loan due to lending policies that keep them trapped in their mortgage prison.



If you would like to break free from your mortgage prison, examine your current loan closely, including the terms and conditions. Then:

- Be clear about what you want to achieve by refinancing
- Choose the type of loan based on your needs
- Check your financial position
- Research all your options
- Look out for hidden costs
- Choose a suitable accredited lender

Speaking directly to a mortgage broker or a legal advisor may be your best solution to resolving your home loan situation.

Your Super Checklist For EOFY

Superannuation planning is just as important as tax planning at the end of the financial year. As such, it is an area that needs to be carefully reviewed and checked to ensure that legal requirements, regulations and deadlines are being met to avoid breaches from occurring.

MAKING SUPER CONTRIBUTIONS

One of the areas that individuals need to review each year involves superannuation contributions.

Specifically, if contributions are to be deemed concessional or non-concessional if they are at risk of exceeding contributions caps or if it is possible to bring forward contributions into the current financial year. Superannuation contributions need to be made prior to the 20th of June, as clearing houses can take up to 7 days to process the contribution.

You may also want to decide whether you will make a contribution to your spouse's super, splitting concessional contributions with them or make a super contribution to save for your first home.

Are They Concessional (Tax-Deductible) Contributions?

Concessional contributions are before-tax contributions made into a super fund.

They include employer contributions, salary sacrifice payments and personal contributions that can be claimed as a tax deduction. For the 2022-23 financial year, the concessional contributions cap is $27,500.

You may be eligible to carry forward unused contributions contribute more than the general concessional contributions cap, and make additional concessional contributions for any unused amounts.

Accounting firms and financial planners can help you determine how much money you can contribute to super this year and still be entitled to a tax deduction. Concessional contributions are taxed at 15%. Individuals may also pay Division 293 tax, which is an additional tax on concessional contributions for individuals whose combined income and contributions are greater than $250,000.

Are They Non-Concessional Contributions?

Non-concessional contributions are paid into super funds from after-tax income. They include contributions made by individuals or their spouses to a super fund where contributions are not claimed as an income tax deduction.
The annual non-concessional contribution cap for the 2022-2023 financial year is $110,000.

Eligible individuals may make bring-forward contributions, allowing them to bring the next two years of their annual non-concessional contributions cap forward into the current financial year without breaching the contributions cap. Non-concessional contributions are not taxed unless the caps are exceeded.

DEPOSITING CONTRIBUTIONS INTO AN SMSF

Any contributions that have been recorded for your SMSF need to be deposited into the fund's bank account by no later than 30 June. This is especially important when members have reported concessional or non-concessional contributions on their tax returns.

If you plan to set up an SMSF before the financial year-end, it may be better to defer the set-up until the start of the new financial year (1 July). This is because SMSFs incur fixed annual compliance costs that will apply regardless of whether it has been in action for a week or in action for a year.

REVIEW YOUR SALARY SACRIFICE AGREEMENT

Review your salary sacrifice agreement to ensure that you have maximised your salary sacrifice superannuation contributions for the 2022-23 financial year. If you do not have an agreement in place, then consider establishing an agreement with your employer for the 2023-24 financial year. From 1 July 2023, your salary sacrifice agreement must consider that the super guarantee rate will increase from 10.5% to 11%.

NOTICE OF INTENT TO CLAIM

In order to claim any superannuation contributions that you have made yourself to your super fund (outside of super guarantee or salary-sacrificed contributions) or to an SMSF, you must lodge a Notice of intent to claim a tax deduction to your super fund/SMSF. There are no early lodgements if you claim your contributions as a tax deduction.

DON'T FORGET TO SIGN YOUR FAMILY TRUST DECLARATIONS

Family trusts must decide who receives the trust's income and capital before 30 June 2023. As family trust declarations can be digitally signed, it is important that they remain compliant with requirements (that the signatures are taken with all trustees present, that they are dated with the correct date, etc). Make sure that your accountant is aware of how your family trust will proceed with their distributions for the new financial year.

NEW TBAR FRAMEWORK TO BE INTRODUCED FOR SMSFS

A new transfer balance account reporting will be in operation for SMSFs from 1 July 2023 to create a more streamlined approach. SMSFs will be required to report on a quarterly basis.

Pror to 1 July 2023, SMSFs are required to report events affecting members' transfer balances within 28 days after the end of the quarter in which the event occurs, or if the total balance of all SMSF members is less than $1 million, the SMSF can report this information at the same time that its SMSF annual return (SAR) is due.

The obligation to report earlier will remain for:

- A commutation of an income stream in response to an excess transfer balance determination (10 business days after the end of the month in which the commutation occurred)
- A response to a commutation authority must be reported by the legislated due date, as specified on the notice.

SMSF trustees may choose to report transfer balance account events more frequently than the quarterly-based timeframe. It is hoped that this change will allow you to better manage the transfer balance cap and avoid excess transfer balance tax on your SMSF

Investment Property Loan Interest As A Tax Deduction?

If you borrow to buy an investment property, the interest on that loan can be claimed as a tax deduction.

The first thing to understand about claiming a tax deduction for your interest is that it is only available on a loan that was used to purchase an investment. It does not matter what security was used, only what the money was used for.

This means that, if you borrow against your main residence to buy an investment property, the interest from that loan is tax-deductible. Conversely, if you borrow money against your investment property to purchase a car for personal use only, the interest will not be tax deductible.

The important thing to remember is if you redraw against an investment loan for personal use, you are essentially 'watering down' your tax-deductible interest. This is because the new draw-down is not for investment purposes. Even if the amount is paid back off of the loan, your tax-deductible interest amount has already been affected by the draw-down.

It is important to ensure that your investment loans are quarantined for investment purposes. Do not rely on or use it as a line of credit. A better strategy, if you only have investment-related debt and are looking to pay it off, is to place funds into an offset account and instead redraw those cash funds for personal use.

In this way, your loan will continue to be for investment purposes - you also need to make sure that your offset is actually a real offset, and not simply a redraw that has been disguised as such by bank lenders.