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# Practice makes perfect is...

Preparing for the Financial Year End

June 2019

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As you would know, it is compulsory for members of the Jackson family to support the North Melbourne Football Club.

It has been a tumultuous week for the Club who had previously only won two games for the season. Our Coach Brad Scott resigned, and the team won his last game coached. An Assistant was appointed Interim Coach and the team duly won his first game coached!

Watching Brad Scott's last Media Conference as North Coach I have been reflecting on some sayings of Coaches.

Brad stepped down as the Coach of the team for 'the good of the Club'.

When asked why he did it, he answered:

*"Sometimes you have to do what is right not what is easy".*

North's most famous Coach Ron Barassi once said:

*"Practice makes perfect is bulls\*\*t. Only perfect practice makes perfect."*

Finally, the great John Kennedy implored his team at three quarter time in the 1975 Grand Final (which by the way North DEFEATED Kennedy's Hawthorn to win its first Premiership);

*"DON'T THINK - DO!!!"*

So, what has this got to do with preparing for the Financial Year end?

## Impact of the Federal Election result

To the surprise of the Australian political media, the ALP's tax platform was flatly rejected by the Australian public. The ALP philosophically wanted to alter the rate of tax paid **on investment income derived by entities (Trusts and SMSF's) and the rate of income tax paid by High Income Earners.**

The ALP was not proposing to alter the tax on the **transition of assets** (e.g. death duties) or the ability of people to access accumulated wealth.

This is notwithstanding Australia is one of the few developed nations without a Death Duty.

However with the Australian public rejecting major tax changes (as it did in 1993 when John Hewson tried to introduce a GST as part of his Fightback! tax platform) I do not think in my lifetime I will see a Government (or Opposition) have the courage to propose to introduce such a change.

The question however you need to ask yourself is whether the ALP will change its philosophy? Is it a matter of time before such changes are eventually introduced? If so, are you prepared?



## Coach's message One: Don't think – Do!!

I have been consistent with my message to clients over the years:

1. You need to be ultimately responsible for your own personal financial management strategy creation and implementation.
2. You need a team of quality Advisors who can proactively help you with changes in the tax and financial landscape to help with this process.
3. You need to ensure your personal financial management strategy takes into account the different phases of your financial life, and
4. You must continually look to simplify your financial structure.

I have been working recently with a number of clients updating their strategies with great success. It certainly creates a feeling of peace of mind for both of us.

So, as we travel towards 30 June 2019 make sure your personal financial strategy is up to date.

**Don't just think – DO!!**

## Coach's message Two: Practice Makes perfect is bulls\*\*t – only perfect practice makes perfect

### Short Term Management Issues pre 30 June 2019

You and your Taxation Compliance Advisor need to be on top of your year end taxation compliance matters.

Here is a quick checklist of matters to be abreast of:

#### Superannuation

1. If you are in Pension mode have you paid your minimum pension for the Financial Year?
2. Is it possible and advantageous for you to make further concessional and/or non-concessional contributions to your SMSF for the 30 June 2019 year?
3. Have you classified the 30 June 2019 cash withdrawals from your SMSF appropriately to minimise the tax payable by your successors on your passing? This is especially important if you have withdrawn more than the minimum pension amount from your Fund in the current Financial Year.
4. Have you reviewed your realised capital gains position to see if I need to realise some capital losses in the SMSF prior to 30 June 2019?

#### Trust Compliance

1. Do you know what the optimal distribution is from your Trust for the 30 June 2019 year? Has this been documented?

#### Company Compliance

1. Should your company pay a dividend for the 30 June 2019 year? If so, how much?
2. Does your Company have a minimum interest and principal repayment obligation with respect to non-arms' length transactions for the 30 June 2019 year?

#### Cashflow Management

Have you worked out the optimal sources of cash to be withdrawn from entities within your Group for the 2019/2020 year? This may not only have an impact on your current period tax profile but impact the tax payable by your successors on your passing.



Don't wait to be asked about these matters.

Proactively ensure you are meeting these obligations and taking advantage of opportunities that may exist pre year end. Don't just think it is the same as last year. Remember perfect practice makes perfect!

## **Coach's message Three: Do what is right not easy**

There have been a number of other issues I have been working through with clients that may require your attention.

### **Succession planning for Trust assets**

The use of Trusts has 'dodged a bullet' with the public's rejection of the ALP's policy of taxing Trust distributions to individuals at a minimum of 30%.

Accordingly, Trusts still play a valuable vehicle to utilise in the passing of assets through to the next generation without triggering a Capital Gains Tax liability with the change in control of the Trust.

Clients with multiple children who plan to maintain existing Discretionary Investment Trusts for their children need to review their paperwork.

If you would like your children to share the future income from the Trust on your passing you need to ensure that the appropriate Australian Tax Office Elections have been made. Elections need to be appropriately made not only for the existing Trust but for any future Trusts children made consider using as conduits to receive such investment income.

### **Updating Asset succession documentation**

- How long has it been since you reviewed your asset succession strategies?
- Is the current documentation still appropriate?
- Do you know where the original documentation is currently maintained?

Laws with respect to Powers of Attorney and the ability to challenge a Will have changed in the last few years. Your asset succession documentation might therefore require a review.

### **Management of future Family Law Issues**

Unfortunately, I have been assisting some clients separate the ownership of family assets as a result of the breakdown of their marital relationship.

What this has shown me is the current Family Law system is under strain and to utilise it is costly and results in unequitable outcomes for both parties.

Hopefully your current relationship stands the test of time. History shows however it is more likely your children's relationship may not last.

How will that impact your asset succession plans?

No one wants to discuss this – it is the Elephant in the room. However, is it worth considering your children executing a Binding Financial Agreement with their Partner confirming respective inheritances fall outside any separation of assets on the future breakdown of their relationship?

It is not questioning the longevity of your children's relationship just reducing the stress in determining the process of splitting assets if it does eventuate.

Remember – 'do what is right not easy'.

Anthony Jackson