



Summer 2023

It's December – the month that always seem to race by as we approach the end of the year and all the festivities it brings. We hope you all have a lovely, happy, and safe festive season.

On the economic news front, there was some good news. Consumer prices eased by more than expected in October. The news that inflation may have been tamed means interest rate rises may be behind us, for now. The positive data also led to a jump in the Australian dollar, taking it to a new four-month high.

Retail spending slowed in October after a short-lived boost in August and September. But, in a further sign of good times ahead, business investment in the September quarter increased by 0.6% to almost \$40 billion.

In mixed outcomes for sharemarket investors, there were some devastating lows this year, and a flat performance as November ended, but the ASX200 is up 4 points since the beginning of the year. The unemployment rate has increased slightly to 3.7% with an extra 27,900 people out of work in October.

Overseas, China's plan to bolster support for infrastructure drove iron ore prices 36% higher than the low in May. Although prices slipped \$4 in November from a one-year high of \$138 per tonne. While oil prices have steadied with cuts to production on the table to reduce stocks. Brent crude ended the month at around \$83.

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YOURS, MINE AND OURS

- estate and succession planning for modern families



Navigating complex family relationships and blended families can be challenging at times and particularly when a family member dies.

A good estate plan can help to make sure your wishes are carried out when you die. An estate plan, of which a will is the first and most important part, can ensure your estate is distributed in the way you want. It can also help if you become incapacitated, particularly when it includes an enduring power of attorney and a medical power of attorney that indicate who should be in charge of your affairs and any relevant instructions.

Professional advice is vital in estate planning to make sure that you have considered all the issues, including tax matters, and that your loved ones are protected. It is also important to clearly communicate your wishes, particularly when there are complex issues involved, so that your wishes are clearly understood.

Here are some of the issues to think about.

Superannuation

A binding death benefit nomination should be at the top of your list when you are considering the distribution of your superannuation funds.

This makes certain that your super death benefit is paid to those you choose because without one, the trustee of your super fund will make their own decision.

The nomination is usually valid for three years before it lapses and must be renewed.

Blended families

If you have been married more than once and/or have children with more than one partner, your will helps to effectively provide for those you choose.

You may wish, for example, to ensure that your children receive the proceeds of your estate rather than your spouse or ex-spouse. Alternatively, you may need to ensure your will protects your current spouse from the claims of previous spouses.

When it comes to the family home, the type of home ownership is important. If you have purchased as 'joint tenants', the entire asset will pass to the surviving spouse. On the other hand, if you have purchased as 'tenants in common', each spouse can distribute their share of the house to others.

You may also wish to include a 'life interest' in the home so that your current spouse can continue to live in the home until their death before it ultimately passes to your other beneficiaries.

Trusts

Any existing family trusts should be reviewed with a blended family in mind. Check that the trust deed provides clear instructions for succession, if you want to ensure your children from past relationships are catered for.

Your will can also establish new trusts, known as testamentary trusts, to provide for any dependents with disability,

when you are worried that a child may waste or misuse your assets, or to allow for young children.

A testamentary trust can also help to protect your adult child's interests if they were to divorce a partner or are facing bankruptcy. Any inheritance they receive from you would become part of their property and can be considered in a divorce settlement or called on by creditors.

Handing on a business

If you are in business with partners, or would like to hand on the family business to one child but not others, a life insurance policy may be a useful strategy – sometimes known as estate equalisation – to even the distributions from your estate.

In the case of a business partnership, you would name your partner or partners as beneficiaries of the life insurance policy, to effectively 'buy you out' of the business. Where it's a family business due to be handed on to one child, your life insurance would go to your other children to match the value of the business.

Note that it is crucial to continually review the value of the business and the value of the life insurance to ensure they remain current.

Estate planning can be tricky and emotional, particularly when your circumstances are a little more complex. *So, get in touch with us to ensure your estate plan meets your wishes and takes account of all the issues.*

AGED CARE challenges IN THE HOME



Aging at home with government-subsidised funding is made possible through the Home Care Packages program.

However, a crackdown on what the funds can be used for and a shortage of support workers, can make it challenging to understand the funding available.

If you are approved for a Home Care Package you will be assessed at one of four levels. These levels acknowledge the different types of care needed.

Current annual funding for packages is \$10,271.10 for level one (someone with basic care needs); \$18,063.85 for level two (low care); \$39,310.50 for level three (intermediate care); and \$59,593.55 for level four (high care).ⁱ

It can take up to six months for a Home Care Package to be assigned following the initial assessment. Once assigned, a provider must be chosen to design a package of aged care services that is best and most appropriate for you – within the home care package guidelines.

Providers charge care and package management fees, which were recently capped at a combined 35 per cent of the package funds.

Income tests apply

The packages are income tested, with part pensioners paying no more than \$6,543.66 a year and self-funded retirees paying no more than \$13,087.39 a year in fees. Full pensioners do not pay an income tested fee.

Older Australians can apply for a package directly, or through their GP, via the government's My Age Care aged care gateway.

Due to high demand for Home Care Packages, you may be offered a lower level package while you wait for the one you are approved for. You may also be given access to the entry level government support known as the Commonwealth Home Support Program – where individual referral codes are allocated to you to access interim support such as cleaning, transport or personal care at highly subsidised rates.

A revised manual released earlier this year by the Department of Health clarifying what a Home Care Package can be used for is presenting additional challenges for some package recipients looking to maximise what they can get.ⁱⁱ

Generally, a requested support or service must meet an individual's "ageing related functional decline care needs". The main categories of care and services you can get from a Home Care Package are services to keep you:

- **well and independent** (nursing, personal care, food),
- **safe in your home** (home maintenance, goods and equipment) and
- **connected to your community** (transport and social support).

Exclusions and inclusions

One area that is becoming more difficult for those with Home Care Packages is gardening – which is one of the most popular subsidised service requests.

Once a regular prune and possibly some new planting was an approved service, but now only minor or light gardening services can be provided and only where the person was previously able to carry out the activity themselves but can no longer do so safely. For example: maintaining paths through a property or lawn mowing.

Other exclusions causing angst amongst recipients are recliner chairs (unless they support a care recipient's mobility, dexterity and functional care needs and goals); heating and cooling costs including installation and repairs; whitegoods and electrical appliances (except items designed specifically to assist with frailty, such as a tipping kettle).

With an aging population it is no secret that there is a shortage of support workers. While there are government programs to try and fix this, a back-up plan is needed for when support workers call in sick or are unavailable and no replacement can be found.

Most people's preference is to remain living independently at home for as long as possible. If you would like to discuss your options to make this happen, give us a call.

ⁱ <https://www.myagedcare.gov.au/help-at-home/home-care-packages>

ⁱⁱ <https://www.health.gov.au/sites/default/files/2023-04/home-care-packages-program-inclusions-and-exclusions-faqs-for-providers-version-1.pdf>

HOW TO GIVE BACK



Australia is a giving country, but we often give in kind rather than financially.

Whenever there is a disaster here or overseas, Australians rush to donate their time, household goods and cash. However, we still lag other countries when it comes to giving money.

According to Philanthropy Australia, our total financial giving as a percentage of Gross Domestic Product is just 0.81 per cent, compared with 0.96 per cent for the UK, 1 per cent for Canada, 1.84 per cent for New Zealand and 2.1 per cent for the US.ⁱ

Currently the number of Australians making tax deductible contributions is at its lowest levels since the 1970s.ⁱⁱ Despite this, the Australian Tax Office reports that deductible donations claimed by individuals rose from \$0.74 billion in 1999-2000 to \$3.85 billion in 2019-20.ⁱⁱⁱ

Considering an estimated \$2.6 trillion will pass between generations over the next 20 years, the opportunities for increasing our financial giving abound. Philanthropy Australia wants to double structured giving from \$2.5 billion in 2020 to \$5 billion by 2030.^{iv}

Many ways to give

There are many ways of being philanthropic such as small one-off donations, regular small amounts to say, sponsor a child, donating to a crowd funding platform or joining a giving circle.

For those with much larger sums to distribute, a structured giving plan can be one approach.

Structured giving

You can choose a number of ways to establish a structured giving plan including through a public or private ancillary fund (PAF), a private testamentary charitable trust or giving circles.

Whichever way you choose, there are attractive tax incentives to encourage the practice.

The type of vehicle will depend on:

- the timeframe of your giving
- the level of engagement you want
- whether you want to raise donations from the public
- whether you want to give in your lifetime or as a bequest
- whether you want to involve your family to create a family legacy.

Private ancillary fund

A private ancillary fund is a standalone charitable trust for business, families and individuals. It requires a corporate trustee and a specific investment strategy. Once you have donated, contributions are irrevocable and cannot be returned. To be tax deductible, the cause you are supporting must be a body identified as a Deductible Gift Recipient by the Australian Tax Office.

The benefits of a PAF are that contributions are fully deductible, and the deductions can be spread over five years. The assets of the fund are exempt from income tax.

The minimum initial contribution to a PAF is at least \$20,000. The costs of setting up a PAF are minimal and ongoing costs are usually about 1-2 per cent of the value of the fund.

Each year you must distribute 5 per cent of the net value of the fund to the designated charity.^v

Testamentary charitable trust

An alternative to a PAF is a testamentary charitable trust, which usually comes into being after the death of the founder. The governing document is either a trust deed or the Will.

With a testamentary charitable trust, trustees control all the governance, compliance, investment and giving strategies of the trust. The assets of the trust are income tax exempt. The minimum initial contribution for such a fund is usually \$500,000 to \$2 million.^{vi}

Philanthropy through structured giving still has a long way to go in Australia. The latest figures for total giving in Australia is \$13.1 billion, of which \$2.4 billion is structured giving. Currently the number of structured giving entities stands at just over 5400.^{vii}

As the baby boomers pass on their wealth to their families, there is a wide opening for some of this money to find their way into charities and causes through structured giving.

If you want to know more about structured giving and what is the right vehicle for you to help the Australian community at large, then give us a call to discuss.

i,iii <https://www.philanthropy.org.au/wp-content/uploads/2022/11/7480-PHA-Giving-Trends-and-Opportunities-2023-1.2.pdf>

ii <https://www.socialventures.com.au/sva-quarterly/insights-to-grow-philanthropic-giving-for-not-for-profits/>

iv,vii <https://www.philanthropy.org.au/our-impact/a-blueprint-to-grow-structured-giving/>

v,vi <https://www.philanthropy.org.au/guidance-and-tools/ways-to-give/choosing-the-right-philanthropic-structure/>