

# AKW



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Q4 2023

## Action.

### Go even further

The people that invest in themselves and take action make progress and get results.

## Knowledge.

### Know more. Do more.

We believe it all starts with having the right information when it's time to make key decisions.

## Wealth.

### Informed financial Insights.

Articles to remind you of some of the current and emerging opportunities and changes that you may be able to take.

**The NSW first home buyer property tax option has arrived**

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**The only constant in life is change**

**Get a clear idea of your profit and tax position before EOFY 2023**

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# Beyond Profit

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## Welcome to our Autumn edition of the AKW newsletter



We hope you enjoy this issue, which includes select AKW Insights. For further reading on our website, simply scan the QR code to take you there.

As a team of financial experts, we're dedicated to providing the knowledge you need to make smart decisions about your money at every stage of life.

For any clarification or questions, our Chartered Accountants & Wealth Advisers are here to assist you in getting financially organised. Happy reading!

## The NSW first home buyer property tax option has arrived

### Have you heard that first home buyers may not need to pay stamp duty upfront in NSW anymore?

From 16 January 2023, the first home buyer property tax option will enable first home buyers to choose between paying:

- an upfront stamp duty, or
- an annual property tax - First Home Buyer Choice (Property Tax).

### Annual property tax option

First home buyer owner-occupiers who opt into the property tax will be charged at a rate made up of a fixed amount of \$400 plus 0.3% of the unimproved land value of the property. These rates remain in place for each year the first home buyer remains an owner-occupier. If you are not an owner-occupier higher rates apply (\$1,500 plus 1.1% of land value).

In the years following a purchase, the property tax will be calculated based on the Valuer Generals most recent land value. This is capped at 4%. If you choose the annual property tax option, you will be issued a property tax assessment each year. This assessment will show the change in the property tax in line with the updated land value.

### Criteria

The property tax option will be available to first home buyers on purchases of up to \$1.5 million or \$800,000 in the case of vacant land. There are also other criteria that needs to be carefully studied before making a decision.

### Next Steps

The proposal presents some good opportunities for young people to enter the property market more cost effectively, particularly if you do not intend to hold the property for a long period of time. Other First Home Owner grants and exemptions still remain in place so these options should also be considered.

AKW would be delighted to help you by providing further advice, including detailed calculations if you need them.

## Congratulations to our CA SMSF Specialist, Elena Longmore

At AKW our staff are continuing to enhance their education and skills.

We are thrilled to congratulate Elena Longmore on becoming an accredited CA SMSF Specialist. Elena has been a member of the AKW team for over ten years and works in our Self Managed Super Fund division. Her passion and in-depth knowledge of superannuation rules and regulations helps our clients make smart decisions about their money.

At AKW, engaging our specialists can provide many benefits, including expertise, compliance, ongoing support, and peace of mind.

**For further questions and appointments regarding Self Managed Superannuation Funds, please do not hesitate to call our office on (02) 6937 7900.**



## Proposed changes to Superannuation

The Government has announced its intention to increase taxation on superannuation balances for individuals that have a total superannuation balance of more than \$3 million. It is proposed that for those with a balance above this amount, an additional tax of 15% will apply to the proportional earnings.

At this stage the measure is a proposal only and has not been made law. A fact sheet and consultation paper was released by the Treasury on 31 March 2023, however, given the lack of political fallout from this announcement, there is little doubt that this will be implemented from the proposed date 1 July 2025.

Your Total Superannuation Balance (TSB) includes your accumulation and your pension balances. If you have more than one superannuation account, these will all be counted. The Australian Tax Office (ATO) collates this information on your behalf.

The consultation paper has indicated that this additional tax will not be levied on the actual earnings of the fund, but on the difference in the TSB. This means that you could pay tax on the unrealised gains on an asset which may provide an issue in particular for Self Managed Superannuation Funds with a high level of illiquid assets and low cash levels. At this stage, it appears that the ATO will work out how much additional tax will be paid and will issue notices in the 2026/27 financial year.

As the final details are yet unknown and the new rules have not been legislated, it is important not to do anything in response to this. Having said that - if you feel that you could be impacted by this, it may be worth getting some early advice on what your options may be. It should also be noted, if you have a Self Managed Superannuation Fund that the rule is per member, not the total balance of the fund. You will need to look at your individual member balances.

## Aged Care changes – increase in interest rates

Some new entrants to aged care are set for an increase to daily accommodations fees. The Maximum Permissible Interest Rate (MPIR) increases to 7.46% from 1 April. This is an increase from:

- 7.06% for the March 2023 quarter, and
- 6.31% for the December 2022 quarter.

The increase could make payment of a lump sum accommodation fee more attractive. However, it's not always possible for a someone to pay the full balance of a lump sum, which may make ongoing fees more expensive. Particular strain may be felt by certain Age Pensioners, including those who are homeowners and self-funded aged care residents, with limited access to capital, whose main asset is the family home. It is important to understand who the MPIR increase will impact, including the potential implications on the fee payment options and the potential impact on cashflow.

Important Note: If you have already entered aged care, you will not be impacted as the MPIR applicable at the time of entry continues to apply.

AKW Financial Services are able to provide advice to people entering aged care to help you fully understand your options and costs. If you or a loved one would benefit from this, please do not hesitate to contact our office to arrange an appointment with one of our specialists.

## Tips from Charlie Munger

Each year, Warren Buffett writes a letter to the shareholders of his company, Berkshire Hathaway. Warren bought Berkshire Hathaway in 1965, which at the time was just a textile company on a path to nowhere. But from there, it started buying other businesses and the rest is history.

Warren has a business partner who takes a relatively low public profile. His name is Charlie Munger. He is 99 years of age, seven years older than Warren (let's just say, retirement at age 65 wasn't an option for them). The shareholder letter is always a must-read, and in the latest instalment, Warren shares some Charlie Munger tips on a successful life, some of which are shared below;



***The world is full of foolish gamblers, and they will not do as well as a patient investor;***

***Early on, write your desired obituary – and then behave accordingly;***

***Patience can be learned. Having a long attention span and the ability to concentrate on one thing for a long time is a huge advantage;***

***There is no such thing as a 100% sure thing when investing. Thus, the use of leverage is dangerous. A string of wonderful numbers times zero will always equal zero. Don't count on getting rich twice;***

***You don't need to own a lot of things in order to get rich;***

***Don't bail away in a sinking boat if you can swim to one that is seaworthy;***

***You can learn a lot from dead people. Read of the deceased you admire and detest.***



That is only a selection of some of the tips and if you would like to read the full letter, or read all of the letters going back to 1977, they are available on the Berkshire Hathaway website.

The letters are insightful and entertaining with a good mixture of intelligence and wit. The world is richer for having people like Warren and Charlie providing us with sensible and coherent learnings from life.

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*What matters is whether you are on track to meet your own long-term goals detailed in the plan designed for you.*

**Zachary Morden-Jones**  
AKW WEALTH ADVISER



## The only constant in life is change

**We don't need to look far to find concerning indicators surrounding our financial future;**

We don't need to look far to find concerning indicators surrounding our financial future; be it geopolitical tensions, high inflation, rising interest rates, declines in economic growth and property values, or potential tax and Superannuation reforms.

Whilst it's important to be aware of current events and the potential impacts, it's vital we don't get disoriented by the current economic narrative.

At AKW, we realise change is constant, it's why we believe it's better to plan than predict. Planning for a range of potential outcomes rather than relying

on a prediction, provides greater understanding of what the future may hold, and greater peace of mind, or as we call it, financial wellbeing.

We believe financial wellbeing is about the intangibles just as much as the tangibles, this involves feeling in control, and having confidence about your financial future, in all economic environments.

Our wealth advice team have a mission to improve the financial wellbeing of our community. If thinking about your finances stirs up feelings of uncertainty or worry, our AKW Wealth Advisers are here to help.

[Enjoyed the read? Click here for more Insights](#)

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