Financial health check

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WITH only a few weeks left before the end of the financial year, it is a good time to get your finances in order as part of your tax-time planning process.

A financial health check will help you identify whether arrangements in place are still in your best interest.

1. Property

Check your home mortgage position. There may be better rates available, or opportunities to accelerate payments.

Even paying a little more than the minimum mortgage repayment is useful, reducing the total interest and lifting home equity. Ideally home-owners should have seen an increase in the equity in their home through mortgage repayments during the year, despite the recent slowdown in the property market in most states.

Any such increase in equity could be sensibly used to make other investments.

2. Cash and savings

All Australians should be saving more than just their compulsory superannuation contributions. High interest earning cash accounts offer an excellent rate. However, sitting on very large sums of cash may not be a good strategy over the longer term. People with cash holdings should consider if this is a good time to make investments, or use cash to reduce debt.

3. Personal debt

Anyone carrying debt on a credit card should make a disciplined effort to pay it off through regular instalments. If managing card debt is a problem, consider taking out a personal loan to repay all credit cards – the interest rate should be lower.

4. Family trusts

A family trust can be a good vehicle for those intending to buy more investments, including a property. Trusts offer a variety of benefits, but it is usually best to set them up before assets accumulate.

5. Windfalls

Large lump sums such as an inheritance or lottery win are usually best invested – if not in total, at least a large proportion. Beneficiaries should check to see whether an inheritance they receive includes any deferred tax liabilities. For those who have their own super fund, there can be benefits in investing some through the fund.

6. Wills, enduring powers of attorney

Do you have an up-to-date will? Many Australians do not have a meaningful will. Consideration should also be given to the protection that an enduring power of attorney gives if you become incapable, due to accident or illness.

7. Superannuation

More changes to superannuation will come on July 1 so look for opportunities to get as many undeducted contributions as possible (up to $1 million) and deducted contributions through salary sacrifice into super before then.

8. Superannuation co-contribution

Those earning less than $58,000 per year should consider making personal contributions to superannuation as the Government may make an additional contribution at the rate of $1.50 for every $1 added, up to a maximum of $1500, if eligibility criteria are satisfied.

9. Eligible spouse contributions

A person is entitled to a rebate for superannuation contributions made to a complying fund for their spouse if the following conditions are satisfied:

• The person makes an eligible spouse contribution.

• The person and his/her spouse are residents of Australia at the time of the contribution.

• The spouse's assessable income, plus reportable fringe benefits, is less than $13,800.

• The recipient spouse is less than 65 or is gainfully employed if aged between 65 and 70.

The person making the contribution may also be entitled to a tax offset. The offset is payable in full if the spouse's assessable income plus reportable fringe benefits is less than $10,800 and is phased out at $13,800.

10. Self-managed super funds

People with a self-managed super fund should ensure they are complying with regulations, ensuring asset allocation reflects investment strategies. They should also consider investing any spare cash through the superannuation fund.

11. Capital gains tax

There are benefits for many long-term savers and pre-retirees in organising investments for capital gains rather than income.

People should be aware of the advantages of asset growth over income. Investments should be reviewed to ensure that they are still appropriate. Consider realising your losses before the financial year-end if you already have taxable capital gains this year.

12. Personal insurance

Insurance to cover unexpected costs and loss of income should be considered to ensure you and your family are adequately protected in the event of a serious illness or accident.

This type of insurance includes medical, income-protection and trauma insurance. Insurance such as term life cover to provide financial security for dependants in the event of the death of the main income-earner should also be considered.

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