OCTOBER, 2021

NEWSLETTER

accountplan

ATO Coy on Work-From-Home Deduction Shortcut

The ATO says it will make a decision soon on a possible extension of the home office expenses shortcut method as large swathes of the country remain homebound under public health orders.

The temporary shortcut method, which expired on 30 June this year, allows taxpayers to claim a fixed rate of 80 cents an hour for all running expenses incurred as a result of working from home, as opposed to calculating costs for specific expenses.

It was introduced in April 2020 at the start of the pandemic and was extended on three separate occasions as lockdowns became a regular feature of Australia's response to the health crisis.

The ATO said the shortcut method was always intended to be a temporary measure and was originally brought in to help taxpayers "who found themselves unexpectedly working from home for the first time during the pandemic and so would unlikely have been prepared for the normal record keeping requirements".

However, with rolling lockdowns ongoing in Sydney, Melbourne, and Canberra, the Tax Office said it would now contemplate reintroducing the shortcut method.

"We are mindful that many Australians continue to find themselves working from home," said an ATO spokesperson.

"As a result, we are assessing the working from home methods for the 2021-22 financial year and expect to be able to provide information about this shortly."

Chartered Accountants ANZ tax leader Michael Croker has urged the ATO to expedite its review, noting that clarity on the issue would allow tax agents to confidently advise clients at tax time.

"At a time when many tax agents are helping their individual clients to prepare their tax return for 30 June 2021, the 80-cent deduction is often discussed and the obvious question clients ask is whether they can calculate the same deduction for FY 2022," said Mr Croker.

"Logic would suggest it should continue on the grounds of simplicity. After all, many in NSW and Victoria remain in lockdown and must work from home."

Accountants also believe the shortcut method should be reinstated in light of ongoing lockdowns, with BDO tax partner Mark Molesworth going one further and urging the ATO to make it a permanent feature of the tax system.

In the meantime, the ATO has reminded taxpayers to continue to keep good records now to be afforded the flexibility of choice between home office expense methods next tax time.

Source: Accountants Daily

How Much Money do you Need to Retire? The Answer Depends on One Thing…

Six out of 10 of us consider being able to retire comfortably a personal problem**,** while about nine out of 10 of us consider it a national problem, this is according to the ABC's Australia Talks National Survey 2021.

And if you're a woman, you're more likely to be worried about having a comfortable retirement than a man would.

That's not surprising, considering that on average, women retire with about half the amount of super that men do. After all, women are more likely to take on caring responsibilities and work part-time.

Many women will have to rely on their husband's superannuation when they retire. It's a prospect many are not entirely comfortable with.

But despite the super inequality faced by women, research from Federal Treasury's Retirement Income Review (and backed up by the Grattan Institute) has found that when all forms of support are taken into account, most of us will actually be able to look forward to a comfortable retirement.

In fact, most of us die with the bulk of the wealth we had at retirement intact

So why are we all so worried about not having enough?

Well, it could have something to do with the super companies' messaging, but it also might have something to do with whether or not you're a homeowner.

Let's dive into that a little deeper.

The Australian Super Fund Association (ASFA), which is the peak body in this country on all things super, says a modest lifestyle will mostly be met by the Age Pension.

It estimates the amount of money you need (in savings or super) for a single or a couple living on the basics is $70,000.

And if you want to live comfortably in retirement, as a couple you would need $640,000. If you're a single person, it would be $545,000. But that's if you're getting a partial Age Pension.

Basically, Treasury says if you can maintain 65-75 per cent of your pre-retirement income (after tax) you'll be ok.

But there's a big catch

The retirement income estimates used by Treasury and super funds are based on a retiree owning their own home and retiring at the average age of 65.

In other words, if you're renting in the private market or retire involuntarily before the age of 65, you're more likely to end up in poverty.

You read that correctly.

With home ownership declining, it's probably no surprise, then, that we're more worried about being skint in our twilight years. Industry experts suggest that the boomers may be the last people to retire comfortably. And after that, really, it's going to be highly dependent on what sort of inheritance you get from your parents, or whether you're in a high-paying job for long enough.

We've got a retirement system which has evolved so that it's based on how much money you earn, and how long you earn it. And as well, whether or not you've been able to pay your house off.

Want to know more ? To discuss how you are positioned heading toward retirement speak to Accountplan's own Dion Richardson to find out more by calling 07 3883 8999.

Source: ABC

Can You Make Extra Home Loan Repayments?

Making extra repayments on your home loan can be a clever financial strategy. Investing your extra cash into your home can speed up your loan's life cycle, with the added benefit of saving money in the long run. However, care must be taken to ensure that extra repayments are planned and the right type of loan taken out to allow for them.

Every reduction in a loan's principal balance reduces the interest paid for the life of the loan, meaning that extra repayments aren't just a 'pat yourself on the back' moment. They are a way to save serious amounts of cash. Extra repayments can cut a 30-year loan term in half and save hundreds of thousands of dollars.

Most borrowers will, over the course of their careers, find themselves with higher earning potential as the years roll by. Having the option to pay more off your home loan as your cash flow increases, offers a firmer grip on financial freedom, so it is important to consider what type of loan will suit you best if you intend to make extra repayments in the future, as not all loans offer this facility.

Generally speaking, almost every basic variable or variable rate product will allow extra repayments.
You may be able to make extra repayments on a fixed term loan, but there will usually be other restrictions involved.

There are some fixed rate loans that allow additional repayment, but the limitation there is that most fixed rate loans don't allow any redraw.

It is advisable to ensure that extra repayments are built into your home loan structure if you plan on paying more than your monthly minimum, to ensure that you don't get tripped up on break fees.

It's important to go through your future plans with your finance broker to make sure that all of your future goals regarding your loan are achievable under the product you end up taking.

Choosing a home loan that will allow you to make extra repayments should be a decision made with your other liabilities in mind too.

For instance, if one of your other debts is incurring higher interest, it makes more financial sense to pay that off sooner. You may also want to wipe off a separate debt completely to improve your cash flow.

These are important considerations, as choosing a variable rate home loan may end up costing you more if you don't follow through with making extra repayments due to more pressing financial liabilities.

At the end of the day, it's the structure of the loan that is important to consider. You need to be able to facilitate your financial goals.

Speak to a Mortgage and Finance Association of Australia (MFAA) accredited finance broker, such as Accountplan's own Mick Doyle, to find a loan that matches your current needs and future plans.

Source: MFAA

07 3883 8999
reception@accountplan.com.au
58 Klingner Rd Redclffe Qld 4020 www.accountplan.com.au