



# Prosper News

NEWS FROM YOUR FINANCIAL PLANNER

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## Welcome to Prosper News

"Prosper News" is sent to you to highlight current issues we think will be of interest to clients. Our aim is to make financial matters readable and interesting. Of course, we would welcome your feedback and most of all, to have the opportunity to discuss any topics in more detail with you that are of direct relevance.

### Meet the team

This issue, we continue profiling our team.

**John Pollock** is principal of the firm. He started the firm back in 1977 after qualifying as a Chartered Accountant. John has built a practice based on long term client relationships. His counterparts are continuously astounded by the fact that his firm has so many long standing loyal clients, the team is so young and they stay with the firm in a time that is difficult to retain qualified staff. A big differentiator of the firm is their commitment and dependence on the use of technology. This continual investment in capital and training demonstrates

that the firm is constantly on the look out for improved efficiencies. A direct client benefit is that fees can be kept below average market rates because of the productivity gains made. John also serves on the Victorian division of the Institute of Chartered Accountants Public Practice Panel. The panel provides advice and debates matters affecting small and medium size Chartered Accounting firms and their clients.

**Andrew Pollock** heads up our Information Technology and Communication division. Andrew is a Microsoft® Certified System Engineer. This means he is qualified to design, implement and maintain Microsoft® networks for small, medium and large size businesses. Andrew is a specialist in network security—an area that has become highly critical in an age where hacking has become a criminal daily pastime. In response to this demand, Andrew is studying at Monash Uni for his Masters in Information Management. All clients (small and large) will be

able to benefit from this additional skill set that Andrew will gain. If you don't have anyone looking after your IT needs at present, give Andrew a call to make an obligation free appointment. What have you got to lose? Only frustration and loss of productivity.



### Quote of the day...

Minds are like parachutes. They only function when they are open.

*Sir James Dewar, Scientist (1877-1925)*

## Tax Free Seminar —Update



In March, we ran a client information seminar on "How to live tax free for the rest of your life". The aim was to help clients understand the new super rules and how they can best leverage off them to minimise or even eliminate tax. The response from those that attended was very positive. Comments included "Excellent presentation", "Clearly explained", "Entertaining and interesting". If

you missed out and would like to know more, please speak to us to arrange an appointment. It will be well worthwhile to do so.

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### Event Calendar

Due to heavy tax lodgement and study deadlines over the next few months, seminars will be postponed until later in the year.

In their place we will be offering free 45 minute staff information sessions run at your premises on a range of topics suitable for your employees.

Call Janette for full details on  
03 9886 4822.

[www.pollock.net.au](http://www.pollock.net.au)



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## Bridging the Gender Gap

### Women Need More Money to Bridge Gender Gap



Most Australian women are financially vulnerable and risk spending their retirement in virtual poverty. Many women worry that they are not financially secure, and unfortunately many aren't. Most women do not realise they need to accumulate more wealth than men to establish this security and fail to recognise the main threats they need to overcome to achieve financial security. Although women are working for longer than their mothers did, they still tend to leave the workforce to act as primary care givers to their children or their aged parents, allowing them less time to work and accumulate wealth. Plus, they have longer life expectancies than men, and face the real threat of outliving their money. Consequently, Australian women earn an average 76c in the dollar compared to men. This is in part due to the fact that more women are in part-time work than men, so it might seem that in exchange for flexibility, women are less financially secure. These factors highlight the importance of women taking control of their financial future today, as they have less time to accumulate wealth for a longer lifetime. It may seem daunting to start looking after finances, but it can be a very positive step for women to provide for their own futures. On average, women outlive their partners by 15 years and statistics show that 80% of women who live in poverty are widows who weren't poor before their partner's death. That's why women need to spend time educating themselves about financial issues and implementing strategies to ensure their money lasts their lifetime, because statistically, at some point, they will be forced to manage their own finances. Learning the skills to manage money only becomes more difficult as you get older. Unfortunately however, women often leave the management of the family's finances to their partner, often because of a lack of financial know-how. Leaving your financial security 100% in the hands of your partner is not a safe strategy, given that 43% of Australian marriages end in divorce. When you look at the statistics surrounding women, it is apparent that they need to start learning how to manage their finances effectively. By taking a few simple steps and seeing a financial adviser they can then get on-track to financial independence.

Plus, by taking control of their financial future, women will acquire the necessary skill set to teach their children sound money-management skills too.

## Entering a nursing home:

### Will your Age Pension entitlements be secure?

Moving into a nursing home can be a big transition, but understanding the different fees involved, and how any Centrelink entitlements are affected, is the first step towards ensuring the changeover is trouble-free. People usually worry about the different fees and charges associated with aged care facilities, but many may not know that they can use their home to maximise their Age Pension entitlements and minimise the fees they incur. High-level aged care facilities, such as nursing homes generally apply two types of fees for residents, a 'Daily Care' fee (including both a basic and income tested amount) and the 'Accommodation Charge'. If you are in receipt of the full Age Pension, the maximum 'Daily Care' fee is \$29.25, whereas for non-pensioners it can be as high as \$87.75 depending on your income level. While Daily Care

fees are dependent on your pension status and income level, the Accommodation Charge is dependent on the level of assets you hold. The maximum Accommodation Charge is \$16.63 per day but is calculated on an individual basis. If the value of your assets is more than \$61,850, you may be liable for the maximum charge. Thereafter, it decreases on a sliding scale and is not applicable if you own less than \$31,500 worth of assets. For couples, half of the combined assets are taken into account when one person enters a facility. When people move into a nursing home, they often consider selling their home, which is not always the best option. "Depending on where the funds from the sale are placed, your assessable assets and deemed income may rise; therefore increasing the fees you are required to pay and possibly

reducing your Age Pension. For many, keeping the family home, but renting it out may be a better option. As long as you are liable to pay the Accommodation Charge and you rent out your home, then the home will be considered an exempt asset for Centrelink purposes. This means that if your home is retained, it will not be taken into account when calculating assets for the Accommodation Charge or for the Age Pension. Even though rent is a type of income, this income is exempt when calculating the Daily Care fees as long as the Accommodation Charge is being paid. It is also exempt when calculating your assessable income for the calculation of the Age Pension. Consequently, keeping the home but renting it out has added benefits for those wanting to maintain their current Age Pension income and minimise their fees in a nursing

home, although we caution readers that this will not be the right decision for all. As each person's circumstances are different, the fees and charges and their decisions about their home will also be different. The system is complex, so seek professional advice well in advance, so that you can get the best result – secure your Age Pension and reduce your nursing home fees.

