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## SOMEONE OUT THERE IS WATCHING

### "HIGHLIGHTS FROM THE ATO'S 2013 COMPLIANCE PROGRAMME"

#### Data Matching

More than 640 million transactions are reported to the ATO annually from sources such as banks, share registries, employers, merchants, states and territories and other government departments, and the ATO uses this information to pre-fill returns and detect people trying to avoid their tax and superannuation obligations.

In the last financial year, the ATO used data and information matching to raise \$973 million in revenue adjustments from some 450,000 reviews and audits.

#### Wealthy Individuals

The ATO contacts people where their wealth seems at odds with what they are reporting on their income tax returns, and they plan to:

- Undertake 500 income tax reviews and audits of highly wealthy individuals (those controlling net wealth greater than \$30 million) and contact 750 to check claims or provide advice (last financial year, they completed 291 income tax reviews and audits on highly wealthy individuals, raising \$1.1 billion in liabilities); and
- Undertake 1,000 income tax re-

views and audits of wealthy Australians (those controlling net wealth between \$5 and \$30 million) and contact 8,000 to check claims or provide advice (last financial year, they completed 386 income tax reviews and audits of wealthy Australians, raising \$281m in liabilities).



#### Tax Havens

The ATO recently obtained data revealing extensive use of complex structures by wealthy individuals and companies and their advisers.

Using this data and other information, they will undertake 680 reviews and 115 audits of people who may be using secret jurisdictions to avoid paying tax.

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#### Reporting of PAYG Withholding

Using intelligence gathering and information-matching to detect employers not meeting their obligations, the ATO will review 17,700 businesses to ensure they are meeting employer obligations.

#### Contractor Arrangements

The ATO will investigate employers who intentionally try to avoid their tax and super obligations by improperly treating workers as contractors rather than employees, and will undertake 950 reviews of employers to ensure they are meeting their obligations.

#### Activity Statement Refunds

The ATO will review 41,000 activity statement refunds to ensure businesses are correctly reporting their GST transactions and to identify instances of fraud.

## APARTMENT LIVING APPEAL TO IMPACT PROPERTY INVESTMENT MARKET

An increase in the number of apartments in Australia, as revealed in the last national Census, will have a significant long-term impact on the property investment market, predicts Paul Bennion, Managing Director of DEPPRO.

According to Bennion, the recently published 2011 Census showed that the number of apartments in Australia has topped 1 million for the first time.

The Census revealed that there were 1,056,236 apartments in Australia compared to 932,862 recorded during the previous Census (2006). Census data showed that apartments accounted for 13.6% of all dwellings in Australia, up from 13.1% in the 2006 Census.

This increase in apartments is thought to be due to a larger proportion of the population now living alone, a social trend also supported by the Census results. According to the Census, some 24.3%, or one in four of all households, were comprised of people who lived alone. This equates to around 1.8 million single or lone person households throughout the country.

"This high number of lone person households is encouraging more investors to purchase higher density homes such as apartments to cater for the growing rental demand for these types of homes," he said.

"There are also the other benefits of apartments, which include low maintenance requirements and the possibility of higher rental returns than a standard home.

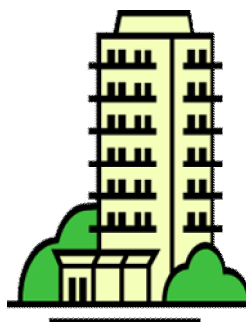
### Buying an Investment? It's Not Only about Location

The accepted rule that should always guide first time property investors in their buying decision is "location, location, location". But to ensure your property is in demand by renters, it is also important to consider a property's size relevant to its location and the local rental market.

The most recent study into social trends by the Australian Bureau of Statistics (ABS) showed that nearly half of all dwellings in Australia have surplus bedrooms.

The December 2012 Australian Social Trends report found that 44.7% of all Australian households had two or more bedrooms above their requirements in 2010, with **Western Australia** recording the highest proportion of excess bedrooms at 55.7%. More than half the households in the ACT also had surplus bedrooms (51.3%), while homes in the remaining states reported figures ranging between 47.5% (Queensland) and 32.3% in the Northern Territory.

These high rates of excess bedrooms are representative of the social trend of families becoming smaller, but people still believing that they need to live in larger homes.



The ABS study also found that on average there were just 2.5 persons per household in Australia

For investors, it is important to consider the number of bedrooms in a property you may want to buy to ensure you purchase a house or apartment that is relevant for the demographics of the local property market.

For example, in inner city areas, one-bedroom one-bathroom homes are now very popular because more people are choosing to live alone. It could be a costly financial mistake to purchase a more expensive three-bedroom two-bathroom apartment in the same area with the view that there will be the same level of demand from tenants.

The same principle applies to house and land packages in the suburbs. In this scenario, it may be more appropriate to build a three-bedroom two-bathroom rather than a four-bedroom two-bathroom property using the same floor space. This would increase the overall size of existing rooms and the potential appeal of the property to prospective tenants.

Before making any decisions, first time property investors should speak with reputable leasing agents in the local area to determine what size of home is most in demand for renters **and talk to Optima to ensure that you are correctly structured.**

## TO DIE OR NOT TO DIE—EITHER WAY IT IS GETTING MORE EXPENSIVE

**PORTFOLIO POINT: Funeral insurance policies generally have “stepped” premiums, so the longer you live the more costly they become. Often, setting money aside in the bank will give better peace of mind.**

One of the more heavily advertised financial products at the moment is funeral insurance. Daytime TV, particularly, seems to be filled with ads for various companies promoting funeral insurance. This is an insurance that is marketed at older Australians, as a way of paying for their funeral. Much like any insurance a regular premium is paid, and a lump sum is paid at death to cover the costs of the funeral.

Funerals are an important item to think about. The website [moneysmart.gov.au](http://moneysmart.gov.au) a federal government site with a range of financial information, suggests that the cost of a funeral is between \$5,000 and \$20,000. This is a significant amount of money, and the ads focus on the need to have this money available to pay for a funeral, alongside the emotional message that people should not put their families under financial pressure at the time of their death.

### ASIC Concerns

ASIC has stepped into the debate with a report looking at how funerals are paid for, entitled “How Will You Pay for Your Funeral?”. The report was based on a study of a small number of people who actually had funeral insurance, and suggests a number of concerns for consumers of funeral insurance including:

- Many people got their information from TV advertising (which is not a great source of unbiased information)
- Many people do not understand how the premiums rise over time
- They often buy the first insurance they see, rather than compare
- They don't understand the difference between stepped premiums (that rise every year) and level premiums (that start at a higher rate but don't rise)
- They don't understand the total cost they will pay in premiums over the life of a policy.

### The Structure of Funeral Insurance

Funeral insurance is similar to most insurance policies in that it has a premium and a benefit. The premium is the regular payment to keep the insurance in force. The benefit is a lump sum, promised to be paid quickly in the event of your death to pay for your funeral, and usually amounts to from \$5,000 to \$20,000.



### The Big Problem

The big problem for consumers is that the premiums for most

funeral insurance rise over time. These are known as “stepped premiums, and each year increase as the risk of death increases. The alternative to “stepped” premiums is “level” premiums. These don't increase over time, so the person with the insurance policy has some certainty about how much they are paying.

The use of “stepped” and “level” premiums also exists with general life insurance policies, and they are something consumers should be made aware of. The “stepped” premiums will always start cheaper (whether life insurance or funeral insurance), however you should always check how much they will cost over the life of an insurance policy.

### The Trap – Stop Paying and Lose it All

However, it is the more common “stepped premiums” that provide the greatest trap. Because it is an insurance policy, once you stop paying you are left with nothing. So, as the policy increases over time the person with the policy starts to feel increasingly trapped. They have paid thousands into the policy, the premiums keep increasing until they become increasingly unaffordable, but if they stop paying the premiums they end up with absolutely nothing.

### The Verdict:

**Setting money aside in the bank could give better peace of mind**



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## RELEASING SUPER ON COMPASSIONATE GROUNDS

### What are Compassionate Grounds?

- Medical treatment for the member or their dependents
- A loan repayment to prevent foreclosure on the member's home
- Modifications required to a member's home to accommodate special needs arising from severe disability
- The member's palliative care, in the case of impending death
- Expenses associated with a dependant's palliative care, death, funeral or burial
- Other similar circumstances as determined and approved by the regulator.

### Are there Other Grounds? Yes!!

- Terminal medical condition
- Permanent or temporary incapacity
- Severe financial hardship.

### Where are Applications Made?

The Department of Human Services (DS) has now been tasked with processing applications and making determinations for the early release of superannuation on compassionate grounds.

### Likelihood of Success?

DHS receives approximately 16,000 applications per year for early release of superannuation on compassionate grounds. Approximately two-thirds of these are successful. Those that are not successful are generally applications in circumstances outside the scope of the legislation, for example, withdrawal of super to satisfy gambling debts. Although legislation has some scope to consider different cases, SISR requires that these cases be consistent with the other grounds described for release of super on compassionate grounds.

## FROM FAILURE TO SUCCESS (IT'S A COMMON RECIPE)

Colonel Harland D Sanders passed through several professions in his lifetime, with mixed success. He first served his fried chicken in 1930 at a gas station he owned in Kentucky.

At the age of 65, Sanders suffered the failure of his restaurant due to the new Interstate 75 reducing his restaurant's customer traffic. Sanders got a social security cheque for only \$105 and was incensed by the amount. Instead of complaining, he drove around the country visiting potential franchisees, knocking on doors, sleeping in his car, wearing his white suit. Do you know how many times people said no till he got one yes to take up a franchise? 1,009 times. With flair for promotion and dedication to providing quality fast food, Sanders oversaw his franchise. His likeness appears on KFC boxes to this day, and a stylized graphic of his face is a trademark of the corporation.