

RodneyGibson

FINANCIAL SERVICES PTY LTD

Timely Tips

- **Features**
- **Youth Allowance**
- **Did You Know?**
- **Personal Injury Settlements**

Youth Allowance



With recent changes to many Government income support benefits and much media attention being given to the 'big ticket' items such as the age pension, in this issue we will be looking at one of the lesser understood benefits - the Youth Allowance.

Youth Allowance is currently available to young people who meet the following eligibility rules, however changes have been proposed for some of these requirements:

- Aged between 16 and 20 – if looking for work. If the applicant does not have a Year 12 Certificate or equivalent (Certificate II or above), they will generally be required to be undertaking study or training to meet an activity test
- Aged between 16 and 24 – if studying or undertaking a full-time apprenticeship

Once turning 25, the Youth Allowance may continue to be paid until the study or apprenticeship is completed

Where an activity test applies, an applicant may continue to receive Youth Allowance benefits provided they undertake approved activities. Approved activities include:

- Training, vocational or personal development
- Voluntary work
- Vocational rehabilitation
- Other activities, if living in a remote area

The activity must be approved by Centrelink or Job Services Australia before the activity is commenced. The activity is generally undertaken for a maximum period of 12 months.

Applicants for Youth Allowance are assessed as being dependant or independent.

To be considered independent, the applicant must meet one of a number of tests. Criteria may include:

- Having been engaged in full-time work (at least 30 hours per week) for at least 18 months in the last two years, or
- Been working on a part-time basis (at least 15 hours per week) for at least two years since leaving school, or
- Been out of school for at least 18 months and have earned at least a minimum prescribed level of income during that period (currently \$19,532)

Additional criteria may apply particularly for young people who are refugees without parents living in Australia, have been in State care, are in marriage like relationships, or have dependants etc.



Youth Allowance is subject to income testing and if the applicant is 'independent', an assets test. Applicants who are 'dependant' are also subject to parental means testing.

Students and Australian apprentices can earn up to \$236 per fortnight before their Youth Allowance payment starts to reduce. There are three parental means tests that apply: a Family Assets Test,

Parental Income Test, and Family Actual Means Test.

The Parental Means Tests are designed to determine if parents can provide financial assistance to their children. In general terms, if a Families assets exceed \$571,500, a Youth Allowance will not be payable.

An applicant for Youth Allowance, who is regarded as being 'independent' is not subject to Family Means Testing.

The Youth Allowance can provide young people with access to much needed Government Income Support. Information is available from Centrelink offices, or from their website www.centrelink.gov.au

Source | Professional Investment Services

Personal Injury Settlements



Personal injury is not a topic we like to talk about but unfortunately for many, the risk of personal injury seems to be increasing. We often see stories in the printed media, radio and television reporting of someone suffering serious injury, often as a result of the deliberate or unintended conduct of another person.

Did you know?

The median superannuation growth fund added 9.9 per cent in the September quarter, propelled by a rally in global stocks.

Source | Investor Daily – October 2009

The legal system provides for financial compensation to be awarded in cases where an injury has been caused by the negligence or breach of a statutory duty of another person or entity. Depending in the circumstances of an individual case, substantial damages may be awarded by way of compensation. In some cases this may amount to millions of dollars.



So, what happens to this money when an award has been made as compensation resulting from an injury?

The compensation may be given directly to the injured person, or to their legal personal representative if they are no longer able to manage their financial affairs, or the injured person's affairs may be managed by the Public Trustee.

As compensation will generally include an amount to replace future earnings, it is essentially the pre-payment of a wage or salary a person might otherwise have reasonably expected to have earned had they not been injured. That being the case, the prudent management of the damages payment is paramount as it will be expected to last for many years to come.

In certain circumstances, the contribution of personal injury compensation to a superannuation fund was seen as an appropriate strategy for managing the payment of an ongoing income stream in a tax effective manner.

With the recent introduction of limits on the amount that can be contributed to superannuation as a non-concessional contribution (i.e. an "undeducted" contribution), the benefits of contributing compensation payments to a superannuation fund may have been overlooked.

The taxation laws make special provision for people who receive a damages settlement and seek to contribute it to a superannuation fund. Provided certain conditions are met, a person may be able to contribute many millions of dollars to superannuation, and then immediately commence drawing a tax-free pension from that superannuation fund.

In general terms, an "eligible personal injury payment" may be either of the following:

- A payment made under a written settlement agreement or claim for damages for personal injury or a court order for such a claim, or
- A workers compensation payment taken as a lump sum.

For a compensation payment to be excluded from the non-concessional contribution "cap", at least two legally qualified medical practitioners must have certified that because of the personal injury, it is unlikely the injured person can ever be gainfully employed in a capacity for which they are reasonably qualified because of education, experience or training.

To qualify for the compensation payment to be excluded from the non-concessional contribution cap, the contribution must be made within a prescribed time frame.

Furthermore, an election notice must also be provided to the superannuation fund to which the contribution is being made. It is also generally unlikely that a person aged 65 or older will be able to contribute under this provision.



Once a contribution is made to a superannuation fund, it is preserved, meaning that it can't be accessed until a condition of release has been met. There are a number of conditions of release including reaching age 65, retirement on or after reaching preservation age (currently 55), and in the event of permanent incapacity. The definition of permanent incapacity is virtually identical to that mentioned previously.

In general terms, a person could receive a compensation payment, make a contribution to a superannuation fund, and then commence to draw a very tax effective pension from that superannuation fund.

The rules around making contributions under the personal injury election, and the commencement of a pension or income stream are subject to both taxation and superannuation laws, and the specific rules of the superannuation fund to which the contribution is intended to be made. With this in mind, professional financial planning advice should be sought before acting.

Source | Associated Advisory Practices

Contact your adviser:

Level 2, 54 Amelia Street
FORTITUDE VALLEY QLD 4006

PO Box 1223
FORTITUDE VALLEY QLD 4006

Tel: 07 3252 9990

Fax: 07 3257 7366

Email: admin@rodneygibson.com.au

Rodney Gibson Financial Services Pty Ltd

(ABN: 45 119 229 980) is a corporate authorised representative of Plan 2 Pty Ltd. (ABN: 60 010 875 073) Australian Financial Services Licensee. Licence No. 237874

Disclaimer

The information contained in Timely Tips is of a general nature only, does not take into account your particular objectives, financial situation or needs. Accordingly the information should not be used, relied upon or treated as a substitute for specific financial advice. Whilst all care has been taken in the preparation of this material, no warranty is given in respect of the information provided and accordingly neither Rodney Gibson Financial Services Pty Ltd. Is a corporate representative of Plan 2 Pty Ltd, nor its employees or agents shall be liable on any ground whatsoever with respect to decisions or actions taken as a result of you acting upon such information.

Privacy

Your privacy is important to us. If you do not wish to receive information of this kind in the future, please contact our office.