HEWISON
PRIVATE WEALTH

Wealth through health:

Future-focused financial management for medical professionals.

As an established medical practitioner, you will likely be earning more than the average Australian. But in the 25,000 odd hours of clinical training, did you cover the management of your personal and professional finances? Tailored strategies to help navigate the intricacies of a growing practice are imperative, alongside the management of your personal wealth. They're designed today, for healthy portfolios tomorrow.

Contents.

We know that in your line of work, time is crucial. We've answered a few common questions below to get stuck in.

Q. Should I invest in cash, shares, or property?

A. Your investment choices should be closely aligned with the timeframe of your goals. For shorter term objectives of less than five years, savings should not be invested in assets that may fluctuate in value over that timeframe.

Q. Should I consider a self-managed superannuation fund (SMSF)?

A. Generally, for super accounts less than $350,000, it's beneficial to select an industry superannuation fund. These funds have low ongoing management fees, provide access to several investment options, and offer affordable insurance plans. For balances in the higher bracket, a SMSF could be the better way to go. These funds provide greater control and flexibility and can be used to purchase a medical practice, too.

Q. When should I start planning for my financial future?

A. Now. A clear, executable plan designed by specialists will be what sets up your future for financial security and wealth management.

Q. Why do I need financial advice?

A. For the same reason that patients seek out a dermatologist for their skin concerns. Financial advisers are trained specialists to help you structure and strategise your personal and professional finances to manage your current and future wealth.

If you have been receiving business or taxation advice, it's worthwhile to get a second opinion from a financial adviser. Patients get second opinions before agreeing to surgery, medical professionals should be doing the same to manage their wealth.

Sustaining, growing, and protecting your wealth.

You know it better than most. From a decade of vigorous studying to job acquisition, and then establishing your own practice — it's easy to forget to effectively strategise your finances. But the busier life gets, the more important goal setting becomes.

Establishing a financial strategy and investment plan sets you up for deliberate success. As a starting point, determine what means the most to you in life and realistically what you need to do to make these things happen. Then, write them down.

Once you have clarified your goals and your current financial situation, it's imperative to speak to an expert to take this into reality with a clear and realistic strategy. Hewison Private Wealth has over 37 years of experience in future thinking. This means prioritising clients' goals and objectives to maintain, grow, and protect the wealth of high-income earners — especially those with their minds occupied on treating others.

Tax minimisation strategies for medical professionals.

We hear it a lot; “I make good money but lose a lot to tax. How can I minimise this?”. Because medical professionals are typically high net worth individuals, this often attracts the top marginal tax rate with a sizeable portion not making it to their bank account.

There are a few strategies you could implement to reduce your tax liability every year, let’s talk through them.

1. Salary sacrificing through your super.

You may be able to direct a portion of your earnings to superannuation as a salary sacrifice contribution — up to $27,500 each year, to be exact. This means that the amount you sacrifice is taxed at the concessional rate of 15% as opposed to your marginal tax rate. The highest marginal tax rate in Australia is 45% for annual taxable income over $180,000. This strategy also helps to set up your future retired self, with a sizeable amount allocated for golf, Australian winters in Positano, and the grandkids.

The catch: You’re unable to access your superannuation until retirement, so think of it as an untouchable savings account.

2. A Self-Managed Super Fund (SMSF), discretionary trust, or company.

We know from experience that the most common investment structures established by medical professionals are a SMSF, a discretionary trust, or company trust. Let’s take a closer look at them individually.

Superannuation.
You can accumulate assets within your superannuation for long-term tax benefits, which can come in the form of a SMSF or a public offer super fund.

The benefit of this, as we mentioned above, is the concessional rate for the payable tax amount of 15% as opposed to your marginal tax rate. The super tax rate can be reduced further by holding assets for longer.

You’ll need to consider that access to these funds is not possible until retirement, and there are restrictions to holding assets within superannuation that do not apply to other investment structures. For example, you are unable to gain personal use from an asset held in a SMSF (e.g. that beach house on the Mornington Peninsula).

Discretionary (family) trust.

A family trust is a discretionary legal entity that holds and manages assets on behalf of another individual, which is a secure way to hold a family's assets destined for future generations.

The benefits of a family trust mean that you're enabling the stream of income and capital gains to be accessed by other family members, which can be a particularly tax-effective strategy when one member pays a lower rate of tax than another.

You'll need to consider if there are some family members that receive government benefits, as additional care needs to be taken to ensure distributions from the family trust do not affect their entitlements.

Company trust.

Establishing a company trust means you can accumulate assets within a business structure, reaping the benefits of a flat tax rate.

The benefits are clear. A company pays tax at a flat rate of 30%. The flip side of this is that companies are not entitled to the 50% capital gains tax (CGT) discount. As a result, both income and capital gains are taxed at the flat rate of 30% annually.

3. Your future car through a novated lease.

A novated lease is a three-way agreement between you, your employer, and a finance company and can be used to purchase a new car. If you find yourself within a high tax bracket this is a great option as you can pay the lease costs and running costs of the car (like petrol or insurance) from your pre-tax salary. You can also save on the GST when purchasing.

If you're considering this strategy, please note that depending on the value of the car, you may be subject to a Fringe Benefits Tax (FBT). In short, FBT is levied in lieu of receiving wages and can reduce the effectiveness of this strategy, being an additional tax.

4. Deductible debt.

This is debt for which you can claim a tax deduction for interests or other costs incurred on the asset, meaning your taxable income is reduced overall. It's worth noting that this is an effective tax-saving strategy if you are using the debt to purchase quality assets for the longer term, and any other intentions should be avoided.

All things considered; it pays to have financial experts in your corner to help establish robust, long-term strategies so that you can focus on what you do best. Hewison Private Wealth can help you weigh up these options to make sure you're always in the green when it comes to tax time.

Insurance.

In your field of work, you deal with the unpredictability of life on a daily basis. Diagnosing, treating, and assisting the community is important work, which is why you should have a specialist making sure your future is just as covered.

What is life and wealth protection?

Put simply, it is thinking about possible events of your future, today. Did you know that the majority of young and middle-aged Australians are underinsured? Life and wealth protection assures you are not one of them should illness, injury, disability, or death occur.

Why do you need this?

There will always be points in your life where financial responsibilities increase. And that's why it is important to make sure that your most valued assets, and people, are protected. Hewison achieves this by providing you with appropriate insurance tailored to your individual circumstance.

How do we make it easy for you?

The Hewison team is on yours. We take the time to listen and understand your personal circumstances and modify your coverage based on any fluctuations. The result of this is a partnership built on financial advice that is tailored to your individual life. Delivered in your best interest. Always.

What makes us different?

At Hewison, we operate on a service-based fee, and we are not driven by commissions or conflicted remuneration. It's a clean track record that's followed us for 37 years — and ensures we are truly independent. In times of triumph, or tribulation, Hewison is thinking about your future; processing and managing claims on your behalf. Our team is on yours.

Let's meet:
A retiring anaesthetist.

Ray, a medical professional in the latter stage of his career, with his wife Wendy, appointed Hewison Private Wealth to develop a financial plan. The objective was to provide sufficient income to meet their lifestyle in retirement and preserve enough capital to financially assist the futures of their children and grandchildren.

Ray had worked hard over the years to accumulate a significant portfolio and did not want to see it decline over time. Hewison developed a financial plan that included investment across a diverse range of assets, like Australian and international shares, property, fixed interest, and cash.

Hewison Private Wealth worked alongside Ray's accountant to ensure tax efficiency. This involved establishing a self-managed super fund (SMSF), to which the couple's asset base would be transferred to over time. This provided Ray and Wendy with tax-free income and withdrawals, too.

Lastly, to ensure preservation of the portfolio for the next generation, Hewison directed a portion of Ray and Wendy's investments to growth assets like shares and property. This meant growth in value while providing a steady income stream to assist with day-to-day living and significant purchases.

Hewison Private Wealth continues to manage the portfolio to ensure the strategies put in place are catering to the fluctuations of the market. Diversification means that the couple's investments are largely protected from sharp falls while allowing for the purchase of quality, blue-chip investments at a great price.

As a result, Ray and Wendy are now receiving the following benefits:

- Their portfolio generates tax-free income of $120,000 per annum to meet their lifestyle.
- The value of their portfolio rides the inflation wave.
- During the GFC, income generated by the assets remained predominantly unchanged.
- They were consistently kept in the loop from Hewison advisers on new investment opportunities and ongoing wins.

Checklist.

Make a budget, and track your expenses.

It seems simple, but it's the best habit to solidify as early as possible. Understand your incomings, track your outgoings, and report on the data to see where you can critically analyse where you can be more future conscious.

Minimise debt as a priority.

If you have credit card debt, concentrate on reducing this as a top priority. Often the interest rate on credit cards is up to five times higher than other types of loans. If you have a significant credit card debt, you may want to consolidate the amount onto one low-rate option with an interest-free period or low-rate personal loan.

Pay off a mortgage.

While purchasing and paying off your home is certainly an important objective, it is equally important to plan and prepare for your future retirement by building wealth outside this asset.

Update your super fund.

You may still be using the 'default' fund that you joined when you began employment, but it's critical to align yourself with a fund that provides the most tailored benefits to your individual situation.

Start super contributions early.

Thanks to the wonders of compound earnings, the earlier you start contributing to your retirement, the more you will accumulate over time.

Your employer is required to direct 10.5% of your wage to superannuation each year, but we recommend reviewing your budget to prioritise making additional contributions — your future self with thank you.

Appoint a beneficiary.

For many, their superannuation is their largest asset — especially if an insurance pay-out is made to the account. However, your super does not form part of your will, so get in contact with your fund directly to make a binding death benefit nomination to ensure it is paid in accordance with your wishes.

Insure, insure, insure.

You don't need it, until you do. Generally speaking, the cost of cover is heavily dependent on your age and health — so the earlier you obtain cover, the cheaper it is.

Opening a practice.

An exciting milestone in any career, if set up right. Start it on the right foot by engaging with advisers to establish the best tax structures, borrowed funds strategies, and cash flow planning.

A plan for the future.

A Will can be a little grim to put together, but it is vital to the protection and allocation of your life's work. We also recommend that you speak with a Solicitor about Power of Attorney nominations. They'll grant the authority to act on your behalf should you become incapacitated.

A financial adviser for your future.

There is no better time than now, and you don't have to do it on your own. Working together with qualified financial advisers means your wealth is handled by specialists who have been trained in accumulating and protecting it, for today and the future.

To learn more about how Hewison Private Wealth can help you as a medical professional, contact one of our independent financial advisers.

(03) 8548 4800
info@hewison.com.au
hewison.com.au

Level 8, 417 St Kilda Rd
Melbourne, Victoria
3004 Australia

Hewison & Associates Pty Ltd
(trading as Hewison Private Wealth)
ABN 51 006 082 257
AFSL 227185