

Your Wealth Bulletin

December 2007

In This Issue

What does the new government mean for you?
2008 Wealth Hazard Article

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Hi,

In the final bulletin for 2007, we'd like to sincerely wish you a great Christmas break and an enjoyable New Year.

This year has seen some of the most significant changes for the financial planning industry ever. To name a few of the significant changes, they have included:

- Tax free income for retirees over the age of 60
- Reduced personal marginal income tax rates
- In effect, allowance of borrowing for superannuation funds
- Removal of 'Reasonable Benefit Limit' caps on superannuation
- Increased asset test limits for aged pensioners to access Centrelink

While far from an exhaustive list, these changes all provide investors with the potential to accumulate greater wealth for retirement in a highly tax efficient manner.

So with the new Federal Government now taking the reigns, it would be an opportune time to review their proposals to see what impact it may have on us all.

What does the new government mean for you?

After the election

On 24th November, the Labor party took over Federal Government.

To gain an understanding of Labor's outlook, the Asgard Technical section have reviewed the key reforms by Labor and it's well worth a look. Of course, we must await the passing of legislation, however, a glimpse of Labor's policies will provide food for thought

for future financial plans.

Tax Over a 6 year period, the Labor party intends to make the following adjustments:

- only have 3 marginal tax rates, ie. 15%, 30% and 40%
- Boosting of the effective tax-free threshold from \$11,000 to \$20,000 by 2013/14
- From 1/7/08, \$80k to \$180k is to be the 40% marginal tax rate, \$180k+ is taxed at 45%
- With gradual changes, the top rate will eventually be 40% in 6 years time for income over \$180k

Education Kevin Rudd pushed his 'education tax refund' heavily during the campaign. Eligible parents will be able to claim:

- 50% refund each year for up to \$750 of education expenses at primary school (a max benefit of \$375 per child)
- 50% refund for up to \$1,500 of expenses for high school kids (a max benefit of \$750 per child per year)
- Families with Family Tax Benefit (Part A) will qualify for this refund
- Eligible expenditure to include laptops, home pc's, internet, printers, education software, student texts

Child Care The child care tax rebate will be lifted to 50%, covering a maximum of \$7,500 per child, per year of child care costs.

Housing The introduction of a First Home Saver Account for first home buyers over 18 years of age. Similarly structured to superannuation, up to \$10,000 can be contributed to the account. Up to \$5,000 of that contribution limit may be concessionally taxed at only 15% (pre-tax). The balance may be after-tax monies contributed by the saver or third party.

Superannuation Asgard have indicated that they do not expect any major changes to July's Simpler Super Reform.

A superannuation clearing house Labor have indicated proposals for one clearing house, which would mean employers could send cheques to 'one central location'

for all employee payments to be distributed, rather than employees mailing out cheques to the myriad of super funds across the country. This would benefit the 'choice of fund' legislation as contributions go to the one clearing house rather than possibly changing each time someone changes jobs.

Superannuation Guarantee Level Labor has indicated in the past that it would look to increase the SG to a level of about 15%. This may be explored via a 12% employer contribution (rising from the 9% level currently) and introduction of a 3% compulsory personal component. Due to the significant change, Asgard's opinion is that this may not occur in the short to medium term, perhaps not even in the first term of office.

Social Security Labor has announced intentions to:

- a quarterly Utilities allowance of \$125 to Aged Pension & Veterans Service Pensioners. A \$500 per year benefit
- a similar payment for people receiving Carer Payment or Disability Support Pension
- a quarterly Seniors Concession Allowance of \$125 per person to eligible self-funded retirees. A \$500 per year benefit.

It is important to remember that none of the above mentioned issues have been legislated and isn't expected to be considered until early 2008.

For first home buyers, pensioners and families with young children, there are potential short term benefits to be considered within the next 6 months.

For income earners, particularly those on higher tax rates of 40% and 45%, the next 5 years may potentially see reduced levels of taxation, however it also is likely to mean a reduction for 'tax effective' strategies particularly with the capped limits upon superannuation.

Only time will tell as to what changes are legislated, but at least we have a preliminary indication of the Federal Government's intent for financial policy.

2008 Wealth Hazard Article

Caution - The following may decrease your wealth

When was the last time you went to the race track?

Like me (or most of us lately due to the horse flu), it's probably been awhile. So it'd be a fair guess that if you went to the track, you'd pick up the formguide and rely upon the tips from their self-proclaimed 'expert'.

He attends the races, even barrier trials regularly, so he 'must' know more than you....surely!.....well, you hope anyway as you probably spent \$5 buying the guide.

The stockmarket's media outlets are quite similar. You pay for 'expert knowledge' in the hope that they have spent more time, resources and expertise in locating ways for you to pick winners over the coming year.

But just like the horseracing formguide, very few people actually take notice on the success or otherwise of these 'experts'.

So as a bit of fun, it'd be an opportune time to list what the experts in the media are 'crystal balling' for 2008. Please do not act or consider any of the following as financial advice. It is not. The information below does not represent our views at all.

At the end of the 2008, we can then go back and see who, if any, got it remotely close.

So for 2008.....CBA's Chief Economist indicates that it's likely to be subdued compared to recent times, but they are targetting 15% as above average growth for the local market.

AMP's Shane Oliver is always quite fearless with his predictions. For 2008, Shane has published the following performance expectations:

- 12% for Australian shares
- 9% for International shares
- 8% for Global listed property
- 8% for Australian listed property
- 7% for Cash

In the USA, finance commentator, Jeremy Siegel Ph.D predicts market growth in excess of 8% for the US market next year.

And to offer some variety, we'll have a portfolio check for direct shares in the marketplace in 12 months time. On the 15th December, the nominated selections provided to the Money website for the 'Hot Stocks of 2008' included:

Fat Prophets Newsletter Subscription

- CXC - current price \$4.91
- IMA - current price \$1.88
- MUN - current price \$0.79
- COK - current price \$0.635

Credit Suisse

- TWR - current price \$2.03
- RRT - current price \$0.685
- ZFX - current price \$14.05
- PEM - current price \$3.26

Merrill Lynch

- NWS - current price \$24.28
- BSL - current price \$9.48
- AWC - current price \$6.21
- MQG - current price \$80.08
- BBP - current price \$2.75

If you'd like to send in other '2008' predictions to us to lock away until the same time next year, please feel welcome to do so. We can then compare them all next year and see whether crystal balling or stock picking outperforms the overall market return.

If you have any queries about this month's newsletter or would like to discuss your financial situation in more detail, please feel free to email or call our office on (02) 9525-0777. If you would like to forward this email to a friend, click on the forward email link below.

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