

# Your Wealth Bulletin

July 2008

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**The Reed Financial Library  
Maximising Super Contributions For Over 50's**

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Hi,

This month we open a new offering to all of our clients with a library of investment books.

We also explore a strategy for maximising concessional contributions into superannuation for over 50 year olds.

Before we move on, a quick word of caution. In the past 7 days, we've met two seperate clients that have had major home electrical appliances stop working. Perhaps the cold winter is an influence on the timing?

Each of them contacted their respective general insurance companies to make a claim on their home contents insurance. Unfortunately, as they were electrical appliances, they were informed their policies did not have 'fusion' cover.

We're told that typically fusion cover is relatively inexpensive, one client was informed it was \$25 per year.

This '\$25 optional extra' would have been suffice to cover this person's air conditioning problem. Instead, the cost for a replacement motor will be close to \$5,000.

It may pay to check with your general insurer whether you existing home contents policy has fusion cover included.

## The Reed Financial Library

### Books to borrow

As a free offer for all of our clients, we would like to introduce the Reed Financial library.

We have a variety of financial and wealth creation books on hand that make interesting reading. This includes subjects such as the stockmarket, self managed super funds, investor psychology, tax planning and more.

If you would like to borrow a book:

- We will mail your selected book to you
- For fairness to everyone, the borrowing period is for 1 month
- Mail the book back to our office at the end of the month
- This is available to Reed Financial clients only

We do have scores of books available, so rather than typing them out ad nauseum, we'll list a variety on offer each month.

We will also discuss particular books with summaries for you to review. If any of them are of interest to you, then feel welcome to email a request to borrow the book.

Our range for July include:

- Index Funds - M. Hebner
- Outside The Flags - J.Parker
- The Richest Man In Babylon - G.Clason
- A Random Walk Down Wall Street - B.Malkiel
- Think and Grow Rich - N.Hill
- Seven Stages of Money Maturity - G.Kinder
- Moneyball - M.Lewis
- Your Money Guide - K.Bailey
- The Four Pillars of Investing - W.Bernstein
- The Intelligent Investor - B.Graham

### **Maximising Super Contributions For Over 50's Dynamic Debt Strategy**

For those over 50, there is an interesting strategy available whereby you can save tax and boost your retirement savings via use of your home loan line of credit.

We'll discuss the strategy in a little more detail.

For people over 50 years of age, the annual limit for

concessional contributions into super is \$100,000. However, this transitional period expires in 2012. Thereafter, the annual limit for all ages applies, ie. \$50,000.

Many people aged 50 years and over are not utilising the full \$100,000 contribution limit due to cashflow. Therefore there is the opportunity to consider the use of personal drawings to fund living expenses while salary can potentially be salary sacrificed into super.

Increasing the amount that is salary sacrificed into super can also have other benefits (up to June 30th 2009). These may include increased co- contribution entitlements, greater access to the mature-age worker's tax offset and the low income tax offset.

Salary sacrificing to super is generally the best way to save tax and build wealth, as the tax rate is limited to 15 per cent instead of personal tax rates, which can be as high as 46.5 per cent.

Although the interest expense on the personal drawings isn't going to tax deductible, the tax saved on the money that is salary-sacrificed has the potential to more than offset the interest expense.

The net position for the investor is that a boost to superannuation is made each year until 2012.

This strategy will not suit everybody's circumstances nor tolerance to risk. Feel welcome to contact us if you'd like to know more about this strategy.

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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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