Your Wealth Bulletin

May 2009

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Hi,

Welcome to the May issue of your wealth bulletin.

There are many things in life that catch your eye, but only a few things will catch your heart. Pursue those with all your passion (Keith Abraham)

The information is general in nature and may not be relevant to your individual circumstances.

You should refrain from doing anything in reliance on this information without first obtaining suitable professional advice.

End Of Financial Year Draws Near

Tax Planning Time

June 30th is the end of the financial year and while we prefer to have 'year-round' tax planning, some last minute reviews can assist with your tax strategies and superannuation contributions.

A host of ideas and strategies are listed below courtesy of MLC. If you would like to talk to us to discuss them further, please feel welcome to contact me on 1300 78 55 77.

- Tax Planning

1. If you have received capital gains from your investments. You may to trigger capital losses by selling a poorly performing investment elsewhere that no longer suits your circumstances.

2. If you are thinking of selling a profitable asset in this financial year. You may want to defer the sale until a future financial year.

3. If you have, or are considering the establishment of a geared investment. Pre-pay 12 months interest on your investment loan.

4. If you are employed or self employed. You may want to pre-pay 12 months income protection insurance premiums.

- Super Strategies

1. If you have an investment in your own name. You may want to cash out the investment and use the money to make a personal after-tax contribution.

2. If you earn less than $60,342 p.a of which at least 10% is from employment or a business. Make a personal after-tax super contribution to potentially qualify for a government co-contribution and boost your retirement savings.

3. If you have a spouse who earns less than $13,800 per annum. You may want to make an after-tax contribution on their behalf.

4. If you are likely to receive a bonus or lump sum payment from your employer. You may want to salary sacrifice your payment into super rather than receiving it as cash.

5. If you earn less than 10% of your income from eligible employment (eg. you are self employed or not employed). You may want to invest in super and claim your contribution as a tax deduction.

6. If you make a capital gain on the sale of an asset this financial year and earn less than 10% of your income from eligible employment. You may want to invest the sale proceeds in super and claim a portion of the contribution as a tax deduction.

7. If you are under age 60 and want to cash out some of your super. You may want to delay the withdrawal until you reach an older age bracket, ie. 60 or over so as to save lump sum tax.

Again, if you would like to discuss your situation further prior to the 30th June deadline, please contact me on 1300 78 55 77.

May Federal Budget

Your Budget Snapshot

Last week saw the Federal Budget announced and as always it receives plenty of media coverage. So we'll keep it brief and with the assistance of CommSec Economics, outline who the actual 'winners' and 'losers' were from the Budget:-

- · Low-income earners: This is no 'horror budget'. The average person will be better off from July 1, courtesy of another round of tax cuts.
- · Middle-income earners: Generally winners. They will receive the tax cut but some will be affected by the increase in the Medicare levy, phase out of Private Health Insurance rebate and changes to concessional superannuation contributions.
- · High-income earners: Losers. While they will receive a tax cut, the Medicare Levy is increased, and the Private Health Insurance rebate is phased out for those on high incomes. And like middle-income earners, changes to concessional superannuation contributions will hurt some.
- · Pensioners: Winners. An increase of $32.49 a week for singles and $10.14 per week for couples on the full rate.
- · Investors: Generally winners, but some will be affected by changes to concessional superannuation contributions. The boost to infrastructure spending will lift activity by listed industrial companies. The budget is pro-growth.
- · Companies: Winners - especially small business. Small businesses will be able to claim a 50 per cent tax deduction on eligible equipment. The infrastructure program is positive for industrial and transport companies.
- · Housing: Winners. First Home Owners Boost extended by six months.

A key detail of the budget that will effect all workers are the changes to the private health insurance rebate. Economists have referred this change as 'reducing the carrot, and increasing the stick'.

The Medicare Levy Surcharge (ie. if you do not have private health insurance at all) will be increased incrementally from 1 per cent to 1.5 per cent for singles earning above $90,000 (couples $180,000). Those earning above $120,000 will pay the full surcharge of 1.5 per cent.

The private health rebate will be reduced (from 30 to 20 per cent) for singles earning above $75,000 (couples $180,000) and phased out completely for singles earning above $120,000 (couples $240,000).

Superannuation was largely unaffected (even though there were plenty of rumours and concerns beforehand). The primary change was a reduction of the concessional contributions (eg. employer contribution or salary sacrifice) cap by 50%.

The Government will reduce the superannuation contributions cap on the amount that attracts the lower tax rate from $100,000 to $50,000 in 2009 and then to $25,000 in 2012.

For those eligible for the government co-contribution towards your super fund. There is a temporary reduction from 150% (eg. $1500 maximum) down to 100% (eg. $1000 maximum) for 2009-2012. It will then lift to 125% for 2012-2014.

In summary, while many economists and taxation experts predicted a horror budget, the reality was comparatively quite tame.

However, the Henry Tax Review is still being undertaken and will be handed to government in December this year. Dr Ken Henry has publicly commented that he is expecting ambitious recommendations to our taxation system. A link to his comments are below if you'd like to read more.

Importantly, please note the majority of measures discussed are proposals that will need to pass through the parliamentary process and may therefore be subject to change.

circumstances before making any specific decisions.

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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 1300 78 55 77. If you would like to forward this email to a friend, click on the forward email link below.

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