



Your Wealth Bulletin



Dear David,

Hi and welcome to the May edition of Your Wealth Bulletin.

"Our favourite holding period is forever " - Warren Buffett

What are your kids strengths?

Many people, particularly in the Human Resources field, will be familiar with the popular Kolbe Index.

They have recently released a Kolbe Y index which is a questionnaire for children.

Kolbe highlights that it will identify the child's striving instincts that drive their distinctive way of taking action.

If it's something of interest for your kids, you can read more here:-

[Kolbe Y Index](#)

Money Links

[Fridge Buyback](#)

[Free NRMA roadside\(For 16-20 year olds\)](#)

[Child Care Estimator Education Rebates](#)

[Environment Rebates](#)

[NSW Hot Water & Toilet Rebates](#)

How expensive can a Will be?

A recent article by Terry Purcell from RetireLaw was quite interesting as to how a low-cost Will can eventually be very expensive in the long term.

Terry explained how he recently attended a seminar on inheritance disputes and family provision claims. The barrister who works extensively in that field detailed the enormous cost that accompanies such disputes and claims.

The scary thing to remember is that the majority of these are claims against small estates (i.e. <\$500,000)!

According to the presenter, "the cost normally seen in a **one day** (Supreme Court) case **without complexity** is between **\$40,000** and **\$50,000** for **either** party"

This is another powerful reminder, even those with simple circumstances and small estates, to **never** rely on a simple 2-3 page Will.

The only way to minimise the prospect of such costly disputes is to undertake the modern estate planning process which involves strategies that can minimise risks against disputes or future claims.

The Federal Budget & You

Private Health Comparator

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Comparative to years gone by, this year's Federal Budget doesn't seem to have the same profound effects upon taxation strategies.

There are some important considerations that are worth reviewing, and we'll briefly

summarise the more common issues in the Budget and what they could mean for you below:-

Economy

- Economic growth is likely to slow by 0.25% however inflation likely to rise to 3% by 2012/2013.
- Unemployment to fall from 4.75 to 4.5% by mid 2013

Superannuation (Key Points)

- Refund of money contributed if you exceed the concessional limit (up to \$10,000 over).
- The minimum pension reductions (drawdowns) due to the GFC will not revert back fully to old % but will be phased upwards over time.
- If you are over 50 with less than \$500,000 in super, your concessional limit stays at \$50,000 per year
- Government co-contribution salary thresholds will be frozen at current level rather than indexed.
- Funding will be provided to make it easier for people to locate their super, eg. tax file numbers.

Taxation (Key Points)

- No change to personal income tax
- Temporary Flood & Cyclone Levy introduced (0.5% > \$50,000 income, 1% > \$100,000 income + \$250)
- Changes to Low Income Tax Offset. This is likely to impact distribution of unearned income from family trusts to children.
- Fringe Benefits Tax change (cars) - regardless of distance travelled, a single rate of 20% will be phased in.
- Small business instant - Small business companies to pay tax at 29% from 1 July 2012 (down from 30%)
- From 1 July 2012, taxpayers will get an optional standard

tax deduction of \$500 in lieu of claiming work-related expenses, increasing to \$1000 in 2013/14.

Social Security (Key Points)

- Disability support pension will allow recipients to work up to 30 hours per week.
- Family tax benefit A will provide more assistance to families with teenagers
- Paid paternity leave for fathers delayed til 2013

My Summary

From an economic viewpoint, the combination of the RBA sentiment with a forecast rising of inflation is likely to continue placing pressure on interest rates.

In a softening residential property market, this is not good news.

Overall, the tone appears to be a first instalment of the Henry Tax Review recommendations. There is a definite focus upon encouraging employment for many social security recipients, while tax minimisation strategies such as family trusts have been targetted.

Other family tax strategies for high income earners are likely to undergo support next year as a result, such as investment bonds where the maximum rate of tax is 30%.

If you would like to discuss any of these issues further with us, please feel welcome to ring me on 9525 0777 or email enquiries@reedfinancial.com.au

Warm Regards!

David Reed



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