



# THE COUNT REPORT



SPECIAL REPORT

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## Top 10 Tax Tips... for the end of financial year



With the end of the financial year almost upon us, now is the right time to talk to your Count Adviser about ways to save tax. Kim Guest, Count's Technical Services Manager provides her Top 10 Tax Tips for the end of the financial year.



### TIP ONE

#### **Make the most of your concessional contribution cap**

Making concessional contributions to superannuation remains one of the most effective ways for many Australians to increase their retirement wealth while saving tax, as concessional contributions are taxed at a maximum of 15% instead of your marginal tax rate.

If you are an employee then on-going salary sacrifice is the answer, whereas if you are not working or self-employed, then you need to make a deductible contribution before the end of the financial year.

However, a concessional contribution cap of \$25,000 applies if you are under 50 and \$50,000 if you are 50 or over.

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AUSTRALIA'S LARGEST INDEPENDENTLY  
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# Top 10 Tax Tips... for the end of financial year

It's important to make the most of your concessional contribution cap as any amount not utilised in a financial year cannot be carried forward. In addition, the higher cap of \$50,000 is only available until 30 June 2012. Proposed legislation may extend the \$50,000 cap from 1 July 2012, however it may only be available to those with an account balance under \$500,000, the details are yet to be finalised.

Careful planning is needed to maximise contributions up to the cap, without exceeding the cap as substantial penalties apply. Timing is important to ensure the contribution falls into the right financial year. If making contributions by cheque it's the date the cheque is received by the superannuation fund rather than the date the cheque is drawn that's important.



## TIP TWO

### Non-concessional contributions

A non-concessional contribution to superannuation can save you tax in the long-term, as earnings on your investments are taxed at a maximum of 15% and with deductions and franking credits, the superannuation fund tax rate is often much lower.

Non-concessional contributions are also subject to a cap. If you are over age 65 for the whole financial year then your non-concessional cap is \$150,000. If you are under age 65 at any time in the financial year, you can use the 'bring forward' provisions to contribute a higher amount. The bring forward provisions allow you to contribute up to \$450,000. However, care needs to be taken as there are a number of traps that can cause you to inadvertently exceed the caps and substantial penalties apply.

This would include a thorough understanding of any contributions made by the client in the three years leading up to the advice.

Another advantage of non-concessional contributions is that you may receive a tax offset, where you make a non-concessional contribution to your spouse's account. If your spouse earns under \$13,800, a tax offset of up to \$540 is available.



## TIP THREE

### Co-contributions

The Government Co-contribution is a scheme where the Government will match your non-concessional super contributions up to \$1,000 per financial year depending on your situation. A 100% return on your investment is certainly hard to beat.



To be eligible for the scheme, you must receive at least 10% of your income from employment or from running a business. In addition, you must earn less than \$61,920.

You will receive the maximum \$1,000 Co-contribution if you make a non-concessional contribution of at least \$1,000 and your total income is less than \$31,920. A partial Co-contribution may still be payable if you earn above \$31,920 or you contribute less than \$1,000.

While \$1,000 may not sound like much, those who take advantage of the Co-contribution scheme over many years can expect to benefit by many thousands of dollars at retirement because of the benefits of compounding.



## TIP FOUR

### Commence a transition to retirement pension

A number of years ago, the Government introduced rules allowing those who were aged 55 and above to commence a 'transition to retirement' pension from their superannuation balance without retiring fully from the workforce. The intention was to allow people to transition to retirement by reducing their working hours and supplementing their reduced salary with pension payments from their super fund.

Surprisingly though, there is no requirement to reduce working hours upon commencing a transition to retirement pension. This allows you to undertake a potentially powerful strategy which involves continuing to work full time, increasing your salary sacrifice contributions to super (or personal concessional contributions if you are self-employed) and using payments from a transition to retirement pension to help meet your income needs.

This strategy can provide a significantly higher superannuation balance upon your eventual retirement, while at the same time, ensuring that your net income is not reduced while you continue to work.



## TIP FIVE

### Bring forward income due to flood levy

Following the devastating floods throughout Australia earlier this year, a flood levy will apply from 1 July 2011 of 0.5% on taxable income above \$50,000 and 1% on taxable income above \$100,000.

In some cases, bringing forward income to the current financial year can reduce tax payable as it will not be subject to the flood levy and may prevent taxable income from exceeding the \$50,000 threshold in the 2011/12 financial year.



## TIP SIX

### Prepay interest

If you have borrowed to invest using a margin loan or home equity loan, you are likely to be able to claim a tax deduction for the interest payments that you make.

Importantly, in most cases this tax deduction applies during the financial year that you make the interest payment, even if you are paying now for interest that is due next financial year.

The rules allow you to claim an immediate tax deduction where up to 12 months of future interest is paid in advance.

This prepayment strategy can work particularly well if you have an unusually high taxable income in this financial year – for example, if you have sold investments and have an assessable capital gain.

However it's important to note that by pre-paying interest you are locking in the interest rate – this is good if you expect rates to rise but not so good if you expect rates to fall.

## TIP SEVEN

### Review investment portfolio and realise capital losses

If you have realised capital gains in this financial year, now can be a great time to consider selling investments that have capital losses. Capital losses realised in this financial year can generally be offset against capital gains, lowering your tax liability.

Regular review of your investment portfolio is always important to ensure that your investments remain high quality and adequately diversified.

## TIP EIGHT

### Take out income protection insurance and prepay premiums

Taking out income protection insurance is amongst the most important wealth protection measures as it protects the one thing that no effective financial plan can survive without – your regular income.

The premiums that you pay personally for income protection insurance are generally tax deductible. In addition, you may have the ability to prepay up to 12 months' worth of premiums, which allows you to claim a tax deduction in this financial year for future premiums paid in advance.

## TIP NINE

### Repay non-tax deductible debt

If you have the choice of repaying non-tax deductible debt such as your home mortgage, or deductible debt such as a loan for investment purposes, you are generally better off repaying the non-tax deductible debt first.

Restructuring your debt can be very tax effective; however care needs to be taken to avoid the ATO anti-avoidance legislation.

## TIP TEN

### Re-contribution strategy

A re-contribution strategy is where you withdraw a lump sum from superannuation and re-contribute it to superannuation. The result is that the taxable component can be changed to tax free component, which can result in tax savings.

If you are under age 60 and receiving account based pension payments, the re-contribution strategy can increase the tax free proportion of your pension payments which reduces your taxable income. Another advantage is that if you were to pass away, the re-contribution strategy can result in less tax being paid where the benefit is paid to adult children.

The re-contribution strategy can be very tax effective, however there are a number of considerations including whether you have met a condition of release to access lump sums from your super. See your adviser before implementing this strategy.

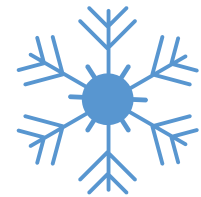
“Regular review of your investment portfolio is important”



**Name: Terry Heidemann.**

**Business owner: Crisp Power and Control.**

**Client of Cooper Reeves, QLD.**



## The right financial advice has helped Terry Heidemann's business go from strength to strength.

Terry Heidemann has been involved in the electrical industry his whole working life, starting in residential products and progressing into the industrial sector.

Based just outside Brisbane CBD, Terry Heidemann started his business, Crisp Power and Control, in 1985 and now provides 'total electrical solutions' to industrial clients, including those operating in the food and meat processing sectors.

The Crisp Power and Control team has grown to 28 employees and consists of electrical tradesman and engineers. They also design and manufacture custom switchboards.

The business now also has a partnership in another business, Snowkey Australia, which imports industrial ice machines and related equipment from China.

Terry attributes much of the success of his business to his strong and trusted relationship with his financial advisers at Cooper Reeves.\*

### How long has Cooper Reeves been looking after your financial planning?

We have been an accounting client of Cooper Reeves for over 10 years and were introduced to the firm's financial planning services six years ago. Together, David Reeves, Peter Malanos and their team provide us with a complete holistic professional service – a one stop shop!

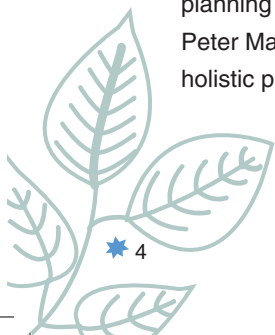
### How has Cooper Reeves been able to help you?

Over the years Cooper Reeves has helped us with both our business and personal needs. Increasingly we now understand how important it is to accumulate and protect wealth outside the business, and the impact this can have inside the business. On a personal front Peter has established our self-managed superannuation fund (SMSF), which has been a goal for a number of years.

Peter conducted a thorough review of our personal insurances to make sure that we have the right levels of cover in place. We also had frank and open discussions about our estate planning needs and shortcomings with our previous wills.

On a business front, Cooper Reeves has done a lot more than just accounting and tax returns. David has established a management reporting system and attends our management meetings on a quarterly basis. The reporting system covers financial and non-financial KPIs, where business performance is measured and sensitivity analysis performed.

The system has been setup in a way that we can now produce the reports in-house. Our management meetings are very much strategic based and have a real focus on business outcomes.



“Our management meetings are very much strategic based and have a real focus on business outcomes”



### What benefits have you experienced from working with a financial adviser?

Because we are so focused on business operations, having advisers who can put forward suggestions and balance our personal and business needs is vital.

When we reviewed our personal insurances, Peter also suggested a keyperson life and TPD policy for our Operations Manager. Up to this point we didn't fully understand the financial and personal consequences of not having our key people insured.

On a personal level, Peter has been managing mine and my wife Carol's superannuation for a number of years. Now with a SMSF, we are more focused on our investment strategy and planning for the future.

We now understand the importance of having a proper estate plan. We had a detailed meeting with Peter together with the estate planning lawyer who prepared our wills and powers of attorney. We now know where our assets will go, how they are protected and have taken the necessary steps to minimise taxation on our passing. Prior to this, we thought estate planning was just too hard to address, however Peter was able to simplify the entire process.

### What's been the best piece of advice you have received and why?

Back in 2006, we significantly re-structured the business. Cooper Reeves was there to guide me at all times during this challenging process. They acted with integrity which has helped achieve our strong position we find ourselves today.

We have also benefited from the network of good service providers referred by Cooper Reeves. Whether it is legal for commercial matters or estate planning, we know the referral is going to be trusted.

### What does the future hold for you and your business?

We have recently moved into a new 1000 square metre premises as a result of controlled strategic growth. Our focus will soon turn to formalising a succession plan, while Peter will also address our retirement goals. All the right structures are in place so that gives me confidence!



#### A word from the adviser...

### Peter Malanos, Principal, Cooper Reeves\*

During our 10 year relationship with Terry and Carol Heidemann, our offering has evolved to a suite of services packaged to meet their ongoing needs, including:

- Superannuation management
- SMSF setup, tailored investment strategy and SUPERCentral deed service.
- Estate planning
- Review of personal insurances
- Key Person insurance
- Establish internal management reporting systems, with KPI reporting and staff training
- Business planning and strategic planning

We have packaged the majority of these services into a fixed price agreement, which promotes continuous open communication with Terry and Carol.

The reporting packs developed allow Terry and Carol to focus on more high level functions of the business, freeing up time to concentrate on business direction and ultimate business value. Essentially, this has allowed them to spend time working on the business, as well as in the business.

On a personal level, they are both more focused on retirement goals and see the SMSF as their personal savings and tax effective retirement vehicle.

Before coming on board, any financial advice provided was more reactive and there was little focus spent on personal wealth accumulation.

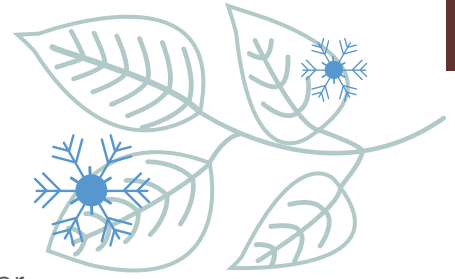
**Your Count Adviser can assist you with both personal and business financial strategies which work together to help you reach your goals.**

\*Cooper Reeves is an Authorised Representative of Count Financial Limited. Before you implement any strategies, speak to your Count Adviser about advice that suits your personal needs.



# Back to business...

Any business owner will agree that running a successful and profitable business requires a lot of time and dedication. However, owners often find they are so busy working in the business that they don't make time to work on the business, including developing a back-up plan in case of unforeseen events.



Many business principals have a significant portion of their family's wealth tied up in their own business.

What would happen to your family and your business in the event of an illness, injury or untimely death to one of the principals or a key person within the business?

Small to medium enterprises (SMEs) that have an up-to-date business protection plan know that in case of such an event, the right amount of money will go to the right people at the right time. Otherwise, what are the alternatives?

## Ask yourself:

- Are there business loans secured against personal assets?
- Will creditors seek repayment? Have you agreed to joint and several liability?
- Will the business' credit rating be affected?
- To what extent will revenue be affected and for how long?
- What will it cost to seek a replacement in the business?
- If the business principal were to pass away unexpectedly, would their spouse want to become a partner in the business or would they prefer to be paid out?
- What about your business partners? What do they think?

**If you can't provide answers to these questions, or aren't satisfied with your answers then it's time to talk to your Count Adviser about a back-up plan for your business.**

Your Count Adviser can assist you in identifying solutions to some of the following protection needs that could apply to your business. Implementing a back-up plan can ensure that if a key person or principal within your business were to experience premature death, disability, or even a critical illness (such as cancer, heart attack or stroke), your business would be able to:

- Repay or reduce debts, to ensure the business' credit rating and personal guarantees are not at risk;
- Have a sufficient buffer to absorb a drop in revenue that would occur, and fund for an appropriate replacement in the business;
- Experience an orderly transfer of equity between the outgoing and continuing business owners, where one of the owners will be exiting the business.

## Did you know...?

- Only 25% of people in small business could maintain their lifestyle or business for more than 6 months if they suffered serious illness or disablement. <sup>1</sup>
- 33% of small business owners are aged 50 or over, posing a real issue of succession planning. <sup>2</sup>
- 69% of people in small business didn't have income protection insurance. <sup>1</sup>
- Cancer is Australia's leading cause of burden of disease. In 2006, there were over 39,000 deaths from cancer and there were over 100,000 new cases of cancer diagnosed in Australia. <sup>3</sup>
- Based on 2006 data, the risk for a male being diagnosed with cancer before age 75 was 1 in 3, and before age 85 was 1 in 2. The risk for a female being diagnosed with cancer before age 75 was 1 in 4, and before age 85 was 1 in 3. <sup>3</sup>

1. IFSA Small Business; Missing out on valuable tax breaks, 2006.

2. Australian Bureau of Statistics, Characteristics of Small Business Cat no. 8127.0, 2004.

3. Australian Institute of Health and Welfare 2009 ACIM (Australian Cancer Incidence and Mortality) Books. AIHW: Canberra.





# Your Investment Journey

Think investing could help give you your dream lifestyle...debt-free and travelling the world? If so, it's important to recap on some of the basic investment principles that could help you reach your goals.

## Start Small

We all have to start somewhere – even with a small initial investment amount, you can begin generating more wealth. Remember, few millionaires are born millionaires.

## The early bird gets the worm

Take advantage of the long term and compounding and watch your investment grow – this is true, even of small amounts. The more time you have, the more you can take advantage of long term returns, which can produce higher returns than the short term.

The biggest thing is making a start – you can't create savings by doing nothing at all.

## Don't obsess

Good quality investments tend to perform better over the long term, so short term market movements might just become a cause for concern or incentive to react recklessly. For many people it can be inefficient and ineffective to check on the price of each investment every day.

It's not unusual for the market to go up and down. If you place too much focus on these fluctuations and then jump in and out of the market to 'fix' your investment, you could end up paying a series of fees and taxes that will erode your savings and returns. This means you could miss out on long term gains that other investors would receive with less effort.

For many people it might be better to only check your investment progress every now and then with your Count Adviser, with more or fewer reviews depending on your goals and timeframe.

## Like Clockwork

If you invest regularly you may decrease your exposure to market risk. For instance, by automatically investing a fixed amount each month, you will buy more assets when prices are low and less assets when prices are high. Therefore, while you would otherwise have to try to 'time' the market, dollar cost averaging aims to reduce overall cost as well as the risk of market guess work. Speak to your Count Adviser about whether this is a good strategy for you.

## Not just for a rainy day...

Money is part of everyday life. The steps you take now and in the short term do make a difference to your long term savings and future goals such as a comfortable retirement. Short term savings can also be ideal for emergencies and unplanned expenses, with around six months' salary a good amount to have available.

It's important to think about 'medium term' goals too. These are goals over the next five to 15 years, for example a holiday, a new car, renovations or school expenses. Speak to your Count Adviser about preparing for these goals with investments like managed funds or shares.

## Gain an understanding

If you don't know why, how or what you're investing in then the best thing you can do for your savings is to get a professional opinion first. Your Count Adviser's training and industry knowledge can help put you in the know and give you the opportunity to invest more successfully in line with your personal goals and budget.

Contact your Count Adviser to review or discuss your goals, and to understand the timeframe you'll need to reach your goals successfully.





# Federal Budget 2011

The Federal Budget, delivered by Treasurer Wayne Swan on 10 May, contained a number of relatively minor amendments, with the main focus on restricting spending to bring the Budget back into surplus by 2012-13. There were several announcements relating to superannuation, tax and pensions that could have an effect on your financial situation:

## Changes to minimum payment amounts for account based pensions

Due to the GFC, the Government halved the minimum annual pension that must be received from account based pensions. The reasoning was that they did not want to force retirees to sell investments when account balances were down to fund minimum pension payments.

For 2011-12, the Government has decided to reduce minimum annual pensions by 25% and then return to normal levels in 2012-13.

The table below illustrates the minimum pension percentage income factors for 2010-11, 2011-12 and 2012-13:

Age	Minimum payment 2010-11 (%)	Minimum payment 2011-12 (%)	Minimum payment 2012-13 (%)
Under age 65	2	3	4
65-74	2.5	3.75	5
75-79	3	4.5	6
80-84	3.5	5.25	7
85-89	4.5	6.75	9
90-94	5.5	8.25	11
95 and older	7	10.5	14

## Limited relief for excess concessional contributions

The introduction of caps on superannuation contributions since 1 July 2007 has seen a large number of people inadvertently breach the caps and incur excess contributions tax of up to 93%.

The Government announced limited relief from 1 July 2011 where individuals exceed the concessional contributions cap.

Individuals will have the option of taking excess concessional contributions out of their superannuation fund and including them in assessable income taxed at their marginal tax rate, rather than incurring excess contributions tax.

This measure will only apply where an individual has made excess concessional contributions up to \$10,000 in a particular year and does not apply to non-concessional contributions.

## Super contribution disclosure on employee payslips from 1 July 2012

From 1 July 2012, the Government will ensure that employees receive information on their payslips about the amount of

superannuation actually paid into their account; and employees and employers will receive quarterly notification from their superannuation fund if regular payments cease.

## Introduction of a new Flood Levy

The Government has introduced a Flood Levy applicable only for the 2011-12 income year.

If you have taxable income in 2011-12 of \$50,000 or less you will not pay the levy. If you have taxable income between \$50,001 and \$100,000 you will pay 0.5 per cent of taxable income above \$50,000. If you have taxable income over \$100,000 you will pay 0.5 per cent of their taxable income between \$50,001 and \$100,000 and 1.0 per cent of their taxable income over \$100,000.

As the levy is based on taxable income, strategies such as salary sacrificing can potentially reduce your flood levy liability.

If you think you may be affected and have questions, your Count Adviser can provide more information about what action you need to take.

### CONTACT YOUR COUNT ADVISER AT:

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