



# THE COUNT REPORT

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AUSTRALIA'S LARGEST INDEPENDENTLY OWNED NETWORK OF FINANCIAL PLANNING ACCOUNTANTS AND ADVISERS

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## A new lease on life

Are you considering leasing a car for personal or business use? Does your business need new equipment or machinery? Get help from your Count adviser with your next lease to save tax, money, and time...

### Business leasing:

Leasing and equipment finance can be an effective way for you to access what you need now, without paying everything upfront. For business purposes, the main benefits are that you free up working capital, gain access to new vehicles or equipment, and possibly claim a tax deduction in your next BAS.

### Tax benefits:

These will depend on your personal situation. Your Count adviser can help you choose a suitable leasing structure which is tax effective and can explain various tax rules and exceptions.

### Thinking about leasing a vehicle from a car dealership?

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### What you need to know about business leasing and equipment finance:

- Almost anything can be leased or purchased as long as the asset will be used more than 50% of the time to earn assessable income. This includes vehicles, computers, machinery and other types of equipment.
- Leasing can be a convenient way to minimise equipment expenses paid by the partners of a joint venture.
- Applicants for a lease can be Companies, Individuals, Trusts, Partnerships, or Sole Independent Traders.
- You must have home equity and produce tax returns for the last two years for your business to be eligible.

# Thinking about leasing a vehicle from a car dealership? Think again...



## Traps to avoid – dealing with car financiers

- Going through your car dealer for finance might seem convenient at the time, but you could end up with an expensive loan and/or more restrictive terms and conditions. The 'Rule of 78' is one common instance of hidden costs (see box). Extra costs could include establishment fees, annual fees, early exit fees and late payment fees. Watch out for these penalties being obscured or played down.
- Car dealers may try to avoid giving you a guaranteed interest or repayment rate until you have entered into a contract. This is because once you have the quote you can potentially go to bargain with another car dealer. Ultimately, this can lead to long negotiations, or entering into a contract when there are better options. With your adviser, you have access to a wide range of competitive quotes straight away.
- A car dealer's aim is usually to close the deal. But this could mean being rushed into a decision without considering other options. If you are not confident about repayments or how the deal will affect your tax and financial situation, being rushed into an agreement can have damaging effects on your personal or business capital.
- Always make sure you feel comfortable with your finance options. For example, avoid dealing with two sales people at once in a car yard, as this can put pressure on you to accept an agreement.

## Lease contract warning: 'Rule of 78'

The 'Rule of 78,' or 'Rebate of the Finance Charge' is often used in leasing contracts by car dealerships, and it is a condition that can lead to harmful tax consequences and hidden interest costs for the consumer.

As part of the deal, car financiers often arrange for the consumer to pay a large amount of the future interest should the lease be paid out early. At the start of the contract, the interest rate appears quite favourable, but in the long term, the consumer pays much more.

The practice has been in existence for over 100 years, although it was banned in the United States in 1998 and declared an unacceptable accounting method for leasing. It is still in operation within Australia – however **Count advisers do not recommend such leasing contracts.**

Make sure you understand the full consequences of any offer as the penalties can hurt!

## Thinking of leasing a luxury car?

A luxury car is defined as a car that has a value higher than \$57,009\* including GST.

See your adviser for information about Luxury Car Tax exemptions, for example, a luxury car is used for the purpose of transport for a disabled person.

\*For the 2006-2007 financial year. The limit is reviewed each financial year and may change.

## Stamp duty abolished on leases

As of 1 January 2007, Queensland, Victoria and Western Australia no longer have Stamp Duty on lease and hire purchases, and the same will apply to the ACT, NT, and NSW from 1 July 2007.

# Choosing a loan: Get by with a little help from your adviser



Choosing the right loan can be hard enough, but it can be an easier process with the right help. When you are next looking for a loan or asset finance, speak to your Count adviser. They can help you look at the bigger picture – for a better long-term solution that will save you time and money.

## 1. What are your financial goals?

Deciding on a loan or lease also means considering how repayments will affect your current and future finances. Depending on what type of loan you want, selecting the ‘best’ deal now may not be the best long-term solution. Your Count adviser understands your financial history and current situation, so he/she is in a good position to help you make an informed decision, and to keep your financial plan on track.

## 2. Are there any tax considerations?

With some types of loans and leases, you may be able to claim a tax deduction. Without tax advice, you may choose an unsuitable loan or perhaps miss out on a deduction. Your adviser is in an ideal position to keep you informed on tax issues and to help you choose the right finance.

## 3. Are you aware of any hidden costs or alternatives?

An interest rate may appear to be a good deal up front, but what about later down the track? Your adviser can go through different loan scenarios to help you avoid the pitfalls of these types of loans. If you want to purchase business vehicles or equipment this may be especially important. Lease structures can sometimes appear very favourable upfront, but end up costing a lot more in the later stage of the lease. Your adviser can help you and will provide quotes from a range of finance providers.

## 4. Have you chosen a suitable repayment structure?

Deciding on a repayment structure will mean making adjustments to your overall budget. Your adviser can discuss the financial effects of different repayment structures and loan rates, and take into account your overall financial plan.

## 5. We are not tied to a particular bank or finance institution

Your adviser has access to a selection of different loans and asset finance from a range of providers. This means that they are not tied to one particular bank or institution and are not going to push you towards a particular loan. They can help you choose finance suitable to your situation.

## 6. Competitive rates

A wide range of options means you can be confident that you will get a better deal – which is in *your* best interests.

## 7. Do you need fast approval?

While it is not always good to rush a decision, if you know what you want, your adviser can provide fast quotes, work to complete your finance application, and deal directly with lenders.

Speak to your Count adviser about the lending and asset finance solutions they can provide for personal or business purposes. By discussing your needs with your adviser, you can rest assured that they will have your overall financial position and best interests in mind.

Count advisers can assist with residential loans, investment loans, business loans, commercial loans as well as vehicle and equipment finance\*.

\* See back for State based Finance Broking requirements.

# Count's 12 monitored investments –

Almost 12 years ago, Count made 12 separate investments of \$10,000 into a range of investments to demonstrate the principles of successful investing.

We invested across Australian and International shares, property, fixed interest and cash, but how have we fared? And, what does it tell us about investing wisely?

## Overall portfolio performance

In almost 12 years, our initial investment of \$120,000 has increased by around 240% to \$409,431. This is an average yearly return of approximately 11%.

In 1995 when the portfolio was established, we predicted that the share funds would be the top performers, with diversified funds following. We also predicted that listed property would be a solid performer, with cash and interest based investments at the lower end of the scale. Our predictions have generally been on the mark!

## The rise of the Australian sharemarket

2006 saw the Australian sharemarket rise to an all time high. At the same time, it saw a lot of volatility within the market. For example, the telecommunications and energy sectors underperformed compared to the overall market, while the utilities and property trust sectors performed well – with the latter outperforming the overall market. This is indeed exemplified by our portfolio's Property Securities Fund, which grew by 36.5% over the year.

## Asian sharemarket finally gains momentum

Over 2006, the Asian sharemarket outperformed the US and European markets. Our Asian share fund also performed well with a 19.75% return over the past year.

## Where should investors look in 2007 and beyond?

While the Australian and International sharemarkets have produced positive returns over the past year, it is important to remember that markets can change quickly. What performs well over one year can be quite different over five or ten. Our Asian fund is a prime example. Whilst last

year's returns were good, over the 12 years, it has been up and down.

On the flip side, our cash investments have been slow but steady performers over the 12 years. Our own portfolio demonstrates to investors two key principals of successful long term investing:

### ■ Minimising risk through diversification

By investing across sectors, assets and markets, we have diversified our portfolio and ensured that our risk is minimised.

Over the years, the positive returns from the strong performers of the group have smoothed out negative returns from the poorer performers. If we had invested solely in one area, such as Asian shares, our overall portfolio return would have been much lower, and overall, a very high-risk strategy – despite the positive returns this sector produced in 2006. By diversifying our portfolio we have come out on top – and minimised our risk over the investment period.

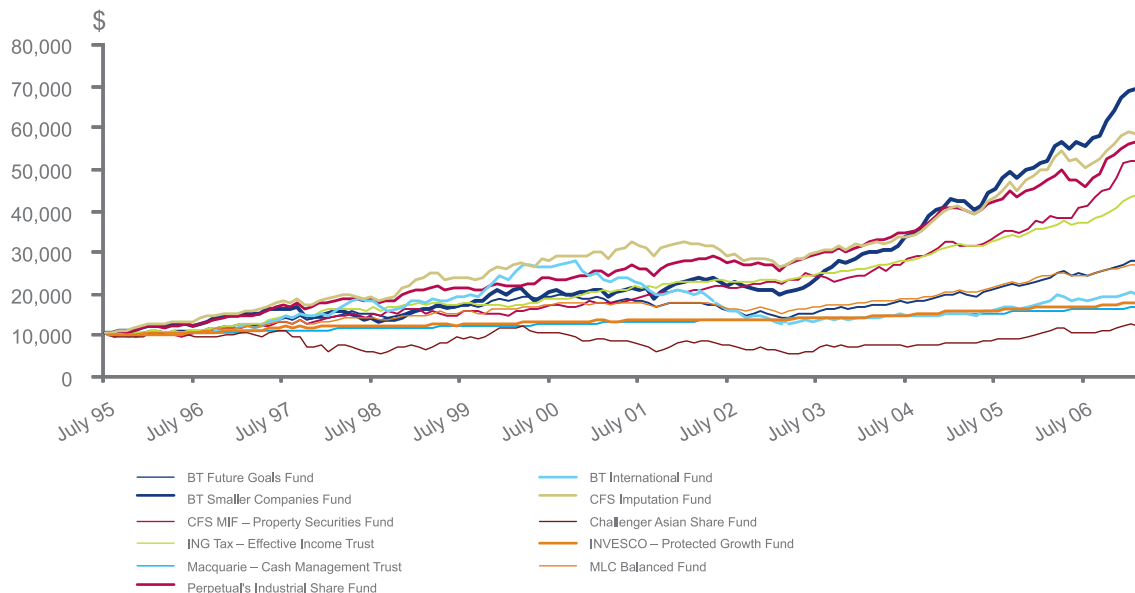
### ■ Ride out volatile markets and stick to your long-term plan

The graph shows that the performance of our investments has varied. What performs well one year, can falter the next – showing that it is very difficult to be able to predict when and where to invest. For example, the BT International Fund peaked in 2000, but has struggled to regain footing ever since. Even the top performer, the BT Smaller Companies Fund, has had its fair share of ups and downs over the years, but by sticking it out over the long term, the investment has paid off. Rather than trying to pick the best investments from year to year, the smarter strategy is to ride out the bad times and adhere to your long-term investment plan.

# How have they performed over 12 years?

**GRAPH 1: COUNT'S MONITORED INVESTMENTS 1995-2007**

Note: the graph below only shows a selection of our monitored investments.



**TABLE 1: COUNT'S 12 MONITORED INVESTMENTS – MADE 24 JULY 1995 AND VALUED AT 31 DECEMBER 2006**

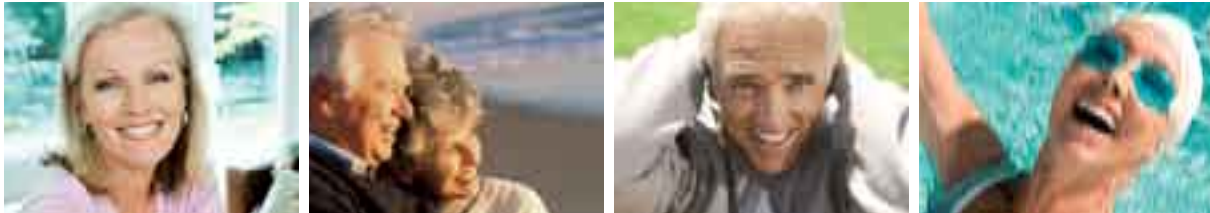
Ranking		Investment	Present value at 31/12/2006*	Value at 31/12/2005*	Invests in:
2006	2005				
1	1	BT Smaller Companies Fund	\$66,890.78	\$50,431.33	Australian shares (smaller public co's)
2	2	Colonial First State Imputation Fund	\$57,706.12	\$48,135.78	Australian shares
3	3	Perpetual Industrial Share Fund	\$55,081.51	\$45,405.72	Australian shares
4	4	Colonial First State Property Securities Fund	\$50,821.95	\$37,381.81	Listed property trusts
5	5	ING Tax-effective Income Trust	\$41,807.20	\$34,873.66	Balanced diversified
6	6	BT Future Goals Fund	\$27,263.21	\$23,373.24	Growth diversified
7	7	MLC Balanced Fund	\$25,358.38	\$22,644.98	Balanced diversified
8	9	BT International Fund	\$20,018.43	\$17,752.66	International shares
9	8	CBA Term Deposit	\$18,098.49	\$17,395.70	Bank term deposits
10	10	Invesco Protected Growth Fund	\$17,602.99	\$16,501.67	Conservative diversified
11	11	Macquarie CMT	\$16,366.97	\$15,622.46	Cash
12	12	Challenger Asian Share Fund	\$12,259.87	\$10,326.32	Asian shares (excluding Japan)
<b>TOTAL PORTFOLIO VALUE</b>			<b>\$409,275.90</b>	<b>\$339,845.33</b>	

\*Including distribution. All income has been reinvested. Past performance is not indicative of future performance. Asset classes will perform differently throughout the economic cycle. History shows that quality businesses (shares) outperform cash in the long term. Note: The investments chosen were not intended to be the best, but a selection of a broad range of investments from different fund managers.

■ Tax advantaged

Our investments show that diversified and long term investing has paid off. Speak to your Count adviser if you are interested in setting up an investment plan that can help achieve your goals and build your wealth.

# The changing face of 'retirement'



**Retire** *verb* – leave one's job and cease to work, especially because one has reached a particular age.  
Oxford Dictionary

Gone are the days of compulsory retirement at age 65, when we wind down to a more sedentary lifestyle. More likely, the retirees of today are only 'semi retired' – working well past 65, and maintaining an active lifestyle. The era of the new retirement is now.

The way in which we live and save for 'retirement' has become much more flexible.

## Our income is tax-free

This aspect of the Government's changes is one of the most significant to be introduced from 1 July 2007. If you are over age 60 and receiving income from a taxed superannuation fund, then this income will be tax-free. This is a major benefit for retirees, but also makes investing in super very attractive.

## We can work and access super simultaneously – or not!

These days, if you are over 55 you may be able to access your super (as a pension) even if you are still working.

We can also continue to work indefinitely with Australians no longer forced to retire at age 65. ABS statistics<sup>#</sup> show that one in every four 60-64 year old males work part time, indicating that people are continuing to work for economic or lifestyle reasons.

Also, since 10 May 2006, we can leave our money in super indefinitely because we don't have to draw down an income or take out a lump sum – it's our choice what to do with it.

## Why saving for retirement is still as important as ever

**We are living longer:** The retirees of today have a longer life expectancy than they did 20 years ago. According to the latest ABS data, those

aged 65 can expect to live for another 17-21 years on average. That's a long time to fund your lifestyle if you are not working, so it's essential to save during your working life.

**We are more comfortable with debt:** Around 33% of Baby Boomers are still paying off their home mortgage, and this increases to 44% for Boomer couples with children. Also, 53% of those aged 60-64 have credit card debt<sup>^</sup>.

If we are spending more and have more personal debt, then it's essential to prepare for the time when we may not have the funding to make such repayments.

## We are maintaining an active lifestyle in retirement (ie spending more!):

ABS statistics<sup>#</sup> show that those approaching retirement (aged 45-64) spend more on recreation, food and alcohol than their younger counterparts. If you want to maintain this lifestyle's associated expenditure in retirement, then save as much as possible while you are still earning an income.

## We have not always had compulsory superannuation

Baby Boomers have not always had the luxury of 9% employer superannuation contributions during their lifetime, so may have less saved within super. The latest AMP-NATSEM research suggests that the average super balance for those aged 60-64 is only \$74,000!

For these reasons, it is essential that anyone approaching retirement save as much as possible. Despite the fact that we have more choices and flexibility in relation to our super and lifestyle, we also need to plan ahead to make the most of these choices. Speak to your Count adviser for help.

<sup>#</sup>ABS, 2006b, Labour Force Australia

<sup>^</sup>ABS 2003-04 Survey of Income and Housing



# Chairman's Report: The value of advice

The recent collapse of Fincorp in March 2007, and the 2005 collapse of Westpoint have resulted in ordinary Australians reportedly losing almost \$500 million worth of hard earned savings. The demise of these schemes demonstrate yet again, three important facts of investing:

## ■ Don't put all your eggs in one basket

In the media, we continually hear stories of Australians losing everything – whether it be to Fincorp, Westpoint, or another investment. If you put everything into one investment, you also expose yourself to the potential that you can lose everything if the investment sours.

## ■ Know what risk you are taking

Highly geared investments can be very dangerous – and property is no exception. This is especially so when the promoters are more concerned about the quantity of sales and fees earned, rather than the quality of the underlying investments. In the case of Fincorp, investors' money (together with bank loans) was used to invest in property developments that ultimately did not provide the sought after returns. After a collapse such as this, secured creditors like banks are the first to get their money back, while investors are the last, if they get any back at all.

In many cases, investors are not aware of, or don't have sufficient knowledge of, the investment they are putting money into. Before investing, you should try to gain an understanding of the underlying investments and the risk you are taking. If you are not comfortable with that risk, don't take it, and seek a professional's opinion.

## ■ Don't rely on advertisements or hearsay – seek professional advice

Many Fincorp investors responded directly to advertisements, which promoted the potential to earn high interest returns. On the other hand, Westpoint was promoted via financial planners, who would then go on to receive high commissions from selling this scheme to their clients. Whilst this is unfortunate, it only highlights the fact that you need to do your own research on planners too! You should only rely on someone holding an Australian Financial Services Licence and who is backed by a reputable organisation.

In the case of Count Financial Limited, we hold such a licence, are listed on the Australian Stock Exchange and have an unblemished 26 year track record. A Count adviser will be qualified and licensed to:

- Provide investment recommendations based on your own needs and risk profile;
- Provide upfront information about any fees and commissions they receive;
- Provide detailed information about the investments they recommend, in Product Disclosure Statements; and
- In addition, they will only recommend investments that are of good quality and thoroughly researched.

Unfortunately, Fincorp and Westpoint were never low risk investments. Whilst there is always a risk to investing, you don't have to, and should not be cajoled into, putting money into something you are not fully aware of, or not comfortable with. Many Australians have lost their life savings because they did not seek advice from an experienced professional. Unfortunately, Fincorp will not be the last loss for many Australians, so before your next investment, don't doubt the value of advice – talk to your Count adviser.

**Barry Lambert, Founder and Chairman, Count Financial Limited**

# Time is running out to reduce your tax liability this financial year...

The end of the financial year is approaching – have you made the most of your opportunities to invest wisely and reduce tax?

## Invest in super and save tax

- Salary sacrificing into super – contributing pre-tax earnings – could mean pushing your salary into a lower Marginal Tax Rate (MTR) and consequently reducing overall tax.

**Income sacrificed into super is taxed at a maximum rate of 15% – significantly less than outside of super, which could be taxed as high as 46.5%!**

- If you're self-employed, your super contributions are generally tax deductible. Age based limits apply, with the maximum deduction allowed being \$105,113 for those over 50. From 1 July 2007, contributions will be 100% deductible but with new limits.
- Up until 30 June 2007, you may be eligible to make an after tax super contribution of up to \$1million. If you have surplus money, seek advice as soon as possible!

## Can you reduce your Capital Gains Tax (CGT)?

Your capital gain is the profit made on an asset or the difference between what you paid and the selling price. Assets that may attract CGT can include real estate, business sales, shares in a company, units in a managed investment fund, and possibly even an inheritance.

- Is now the best time to sell an asset? If you have held the asset for at least 12 months, your CGT could be cut by 50%.
- There are small business concessions for businesses owned for more than 15 years, which could eliminate your tax completely!
- Can you offset any capital gains with losses? For example, a loss from a previous financial year. Alternatively, you can try to reduce your taxable income to move into a lower income bracket to reduce your tax. Salary sacrifice is one way to do this, which could reduce, or even eliminate, CGT.

Your individual situation will be unique, so seek advice before 30 June to make the most of your opportunities to reduce your tax this financial year.

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**CONTACT YOUR COUNT ADVISER AT:**

Looking after your financial life