

100<sup>th</sup>  
edition



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Count

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

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## Tax strategies to create wealth

With the end of the financial year soon upon us, now is a great time to look at the different measures you can take in the lead up to 30 June to improve your financial situation.

Below we discuss some of the ways that you can take action and reap the rewards into the future.

### 1. Salary sacrifice or make personal concessional contributions to superannuation

Making concessional contributions into superannuation remains one of the most effective ways for many Australians to increase their retirement wealth while saving tax. The key to this strategy is that it provides dual benefits.

Firstly, instead of being taxed at your marginal tax rate, concessional contributions are taxed at 15% or less when received by your super fund. This can provide an up front tax saving for anyone whose marginal tax rate exceeds 15%.

Secondly, any contributions made into super will be housed in a concessional tax environment at least until retirement. Earnings within your super fund are also taxed at 15% or less, which means your

contribution could spend many years earning you money at very low tax rates. In addition, if you use your super balance to start a pension in retirement, earnings then become tax free.

If you are an employee, you may wish to look at salary sacrifice contributions. This involves making a written agreement with your employer to swap some of your future salary in return for increased employer super contributions.

On the other hand, if you are self-employed or not working, you can instead make personal concessional contributions into super. Once you make a contribution, you simply notify your super fund that you wish for part or all of it to be considered a concessional contribution. You are then entitled to claim a tax deduction for the contribution amount in your tax return.



(Continued from page 1)

If you are thinking of salary sacrificing or making a personal concessional contribution into super, strict limits and timeframes apply, so speak with your Count Adviser to work out your best course of action.

## **2. Use the Government to increase your super balance**

The Government Co-contribution is a scheme where the Government will match your after tax 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 as an employee, or from running a business. You must also earn less than \$61,920.

Currently you will receive the maximum \$1,000 Co-contribution if you make an after tax 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.

## **3. 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 of this change was to allow a potential retiree to reduce their working hours instead of retiring, and supplement 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.

If you have reached age 55 and are continuing to work, speak with your Count Adviser as soon as possible about whether a transition to retirement pension can benefit your financial situation.

#### 4. Prepay deductible interest for the next 12 months

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.

#### 5. 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.

#### 6. Take out income protection insurance and prepay premiums

Taking out income protection insurance is amongst the most important wealth protection measures you can take because 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 for your income protection policy, which would allow you to take out a policy in this financial year, and claim a tax deduction in this financial year by prepaying the next 12 month's worth of premiums.

#### 7. Personal tax offsets

With tax time approaching, now is a good time to review your eligibility for various personal tax offsets that are available. They include:

- Mature Age Workers Tax Offset: Up to \$500 available to those who have reached age 55 and have income from working or running a business within certain limits.

- Medical Expenses Tax Offset: Up to 20% of any net medical expenses over \$1,500 during the financial year incurred for you, your spouse and most children.
- Education Expenses Tax Offset: Up to \$375 (per primary school student) or \$750 (per secondary school student) per financial year to cover half of the cost of eligible education expenses during the financial year.
- Entrepreneurs' Tax Offset: Up to 25% of income tax payable in the financial year for if your business has aggregated annual turnover of \$50,000 or less. A partial offset applies for turnover above this level, which is phased out when turnover exceeds \$75,000.

Your adviser can assist you to determine your eligibility for these offsets, which can help to significantly lower your tax liability.

#### Next steps

With so many strategies and incentives operating on a financial year basis, now is the time to take action to ensure that you are best placed to benefit.

Whether your goal is to secure your retirement by maximising your superannuation balance, build wealth outside superannuation, protect your wealth or minimise your tax liability, before you implement any strategies outlined here, speak to your Count Adviser who is well placed to assist you in meeting all of your financial goals.

### Pre 30 June checklist

- Consider salary sacrificing
- Consider concessional contributions
- Can you take advantage of the Government Co-contribution?
- Consider a Transition to Retirement strategy
- Pre-pay deductible interest
- Consider income protection
- Check if you qualify for Personal Tax Offsets

# Partnering for success

Small business owners Darren and Sandra run a deli and bakery in Mt. Gambier, SA. Darren and Sandra purchased the business in 2000, and bought another three shops in 2004 using a vendor finance arrangement. Darren and Sandra have worked hard building these businesses up to the point where now they have 16 full time and part time staff.

As Darren and Sandra have been long standing clients of Kirby Financial Solutions, they were familiar with the wide range of services John Kirby\* and his team could provide, so it was only natural the couple went to see John when looking to purchase their family home.

John recommended they consider setting up a part home and business loan. The benefit of this facility is the ability to redraw on the loan if ongoing payments have been made. This arrangement was perfect for the couple allowing them to purchase their family home whilst having the funds to conduct extensive renovations on their business properties, which included adding new equipment such as ovens, flooring, walk-in fridges, cool room and re-wiring of the building along with other enhancements.

In 2008, Darren and Sandra utilised Kirby Financial Solutions' full suite of financial planning, lending and leasing services to organise a loan to purchase a holiday house. The loan facility, which John arranged, also gave the couple the flexibility to grow their business by purchasing a delivery van and two personal vehicles.



John's expertise, along with research provided by Count, minimised the administration work required when Darren and Sandra needed to organise personal superannuation accounts for themselves plus superannuation funds for their 16 staff.

John also made sure he implemented a complete wealth protection portfolio, comprising of death and total & permanent disability, both inside and outside their superannuation, trauma and income protection for Darren to ensure he, Sandra and their three children, would be financially secure in the event of any traumatic event occurring.

Darren and Sandra also use Kirby Financial Solutions, for their business accounting and taxation needs. Darren and Sandra have been able to focus on running their profitable business and not have to worry about their financial future or tax obligations as these matters are taken care of by the team at Kirby Financial Solutions. Both Darren and Sandra agree they are experienced in their business but it is the team at Kirby Financial Solutions who are experienced at ensuring theirs and their children's futures are being looked after.

*\*John Kirby 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.*

# Do you know what cover you have?

Wealth protection is an essential part of every financial plan. What would happen if you were injured, fell ill or died? Without income protection, trauma, life and TPD insurance, any wealth you've built up can rapidly erode as a result of an accident or illness.

One of the reasons many Australian's do not take out adequate insurance is due to the cost of the premium. One option you may not have considered is to take out insurance via superannuation. By doing so you can obtain a tax deduction for the contributions (premiums) paid to superannuation.

There are implications for taking out insurance via superannuation so before taking out any cover, you should speak with your Count Adviser to discuss whether insurance via super is the best option for you.

Once you have made the decision to take out insurance, it is just as important to ensure you fully understand your policy and review it annually to ensure both the level of cover and policy features continue to meet your needs.

Below is a story which illustrates how important it is to ensure you fully understand your insurance policy – it might just change your life!

In March 2009, Gordon\*, was still a reasonably new client to MoonCunningham in Beverly Hills, NSW. Gordon was a successful business owner who had in recent years closed down his businesses and retired. This was unfortunately due to his ongoing battle with a debilitating illness. Gordon had initially come to MoonCunningham to seek advice on his pension, investments and self managed super fund.

However, when reviewing Gordon's financial situation, Count Adviser Colin Goldsmith\*\*, came across a current personal superannuation fund. This fund had a \$250,000 life and disability insurance policy attached and Gordon was unaware that he could be entitled to these benefits. On Gordon's behalf, Colin initiated the claim process.

Claiming the benefit was not an easy process as Gordon's business structure had been complex. Using his experience and knowledge, Colin, organised the necessary documentation. After the required assessment process, the life insurance company determined that Gordon had in fact been totally and permanently disabled since February of 2007.

Colin's investigations, experience and quick actions helped Gordon gain a benefit. With a refund of premiums and a lump sum payout of the remaining superannuation

balance, Gordon was paid an amount in excess of \$500,000. By seeking professional advice Gordon found himself in a position from not realising he had access to a benefit to receiving a payment of \$500,000 all because of the involvement of his adviser.

*\*name changed for privacy purposes*

*\*\* Colin Goldsmith 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.*





## Ensure you get the most out of your retirement

You work hard during your career, accumulating wealth, so when the time comes, you can spend your retirement enjoying the important things in life, so it makes sense you ensure you maximise your entitlements. The Government provides a range of assistance to those approaching and in retirement, but understanding what you can receive can be complicated. It is important to seek the right advice to ensure you can get the most out of your retirement.

Patricia and Dermott are aged in their 70s, still working, and have healthy superannuation funds. They were looking to maximise Centrelink and Pension Bonus scheme payments. When applying directly to Centrelink their whole super fund was assessed and it was determined that neither Patricia nor Dermott were entitled to any payments.

They then approached their Count Adviser, Gavin Latz\* of CBC Financial Advisers in Campsie, NSW who withdrew their Centrelink applications and provided advice to the couple. Gavin advised their superannuation accounts were actually account based pensions, and therefore needed

to be assessed differently for Government assistance. As a result they are now entitled to the bonuses. Gavin's professional advice qualified Patricia and Dermott to \$18,000 in payments.

Not only were the clients pleasantly surprised but continue on their way for affording their dreams.

Determining whether you are eligible for Centrelink benefits can be a difficult and time consuming process. Claiming any benefits which you and your family may be eligible for can be made easy with the help of your Count Adviser.

\* Gavin Latz is an Authorised Representative of Count Financial Limited  
Before you implement any strategies speak with your Count Adviser about advice that suits your personal needs

# Chairmans report:



BARRY MARTIN LAMBERT

## Henry Tax Review

The Henry Tax Review (Henry) is a 1,000+ page blue print for our tax system. With an election just around the corner, it is not surprising that the Government would put politics above good policy. One would have thought good policy = good politics, but sadly, recent Governments have become more concerned about being re-elected than good policy.

Henry contained 138 recommendations, the Government ruled out 25 as politically unacceptable and adopted only a few, and often only in part. With an election coming up we were only ever going to get popular measures.

It is good politics (but not necessarily good policy) to tax those big resource companies making a fortune selling our resources to China and India, and pass on some benefits to the voters by way of increased compulsory super from 9% - 12% by 2020 and increasing the contributions age from 70 – 75 years. The Government has also delivered increased benefits to small businesses (lots of voters) as well as reduced company tax rates in 2012 for small business.

Whilst Henry recommended a general reduction in company tax rate to 25%, because the Government has not adopted other Henry recommendations, they can only reduce it from 30% to 28% by 2015.

The handling of the Henry review is a classic case of politics before policy – both sides of Government do it.

## Changes to the Financial Planning Industry

The Government recently announced changes to the Financial Planning Industry from 1 July 2012. These changes will have little impact on Count advisers who are accounting based, working in a fee based environment. These changes are largely the result of the collapse of Westpoint, Storm and more recently, agri business investments.

The cause of the losses was poor advice from advisers licensed by the Government in structures approved by the Government and in the case of agri investments, a tax structure that encouraged such investments.

I have no issue with the commission changes (good politics). It would have been good policy for the Government to have a good look at its involvement, rather than simply blaming everything on commissions, advisers and margin loans.

Some of the announcements will seriously impact small licensees in our industry and will result in the Banks and Bank owned financial services companies getting bigger and stronger at the expense of smaller companies. This is a total contrast to the generous tax concession to small businesses in the Henry Review.

Yet another case of politics over policy!

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

# Henry Report review



The Henry Review of Australia's tax system recently released its final report, which made 138 wide-ranging recommendations. At the same time, the Government released its response, which incorporates a small but important selection of these recommendations. Superannuation features heavily in the Government's response, with the following proposed changes announced:

## Increase of Super Guarantee from 9% to 12%

The Super Guarantee will gradually increase from 9% to 12% between 2013 and 2019. This is a major benefit for the retirement savings of Australian workers. As an example, if you are a worker aged 30 with a salary of \$50,000, you could expect around \$282,000 more upon retirement at age 65 with an extra 3% Super Guarantee during these years (assuming 3% salary increase and 8% earnings each year).

## Extension of Super Guarantee to age 75

Currently, if you are aged over 70, your employer is generally not required to pay super contributions on your behalf. From 1 July 2013, Super Guarantee will be payable until you reach age 75.

## Government super contribution for lower income earners

Lower income earners who have Super Guarantee made on their behalf may see these contributions taxed at a higher rate than if they had been received as salary. Employer super contributions are subject to contributions tax of 15% when received by your super fund.

From 1 July 2012, if your income is below \$37,000, the Government will contribute up to \$500 to your super fund to match the contributions tax paid by your super fund. This effectively means that your Super Guarantee contributions are paid into your super fund tax free.

## Permanently higher concessional cap for many who have reached age 50

Currently, if you are over 50 a temporary rule allows you to contribute up to \$50,000 per financial year in concessional contributions (which include Super Guarantee, salary sacrifice contributions and personal contributions for which you claim a tax deduction). However, this rule is due to come to an end on 1 July 2012, when your contribution limit will return to \$25,000.

The Government has proposed giving those over 50 a permanently higher concessional contribution limit of \$50,000 from 1 July 2012. This would apply provided your overall superannuation balance is less than \$500,000.

## How will this affect you?

If put into law, these proposals will mean that you can expect more compulsory superannuation to be paid by your employer on your behalf, as well as a greater ability to make tax advantaged contributions as you approach retirement. Speak with your Count Adviser about how these proposed changes can benefit you.

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Yes I'd like to arrange a FREE initial discussion on: *(tick all that apply)*

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