



Issue 3, December 2009

Year 2000 — 10 Years On...

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It is not that long ago that many of us were awaiting the turn of the century and the expectation of doubt that surrounded the coming of year 2000. Doomsayers thought our computer systems would melt, and many Australians stocked up on food, water, baked beans and the bare essentials for survival, should disaster occur.

It is amazing that to think we are now approaching year 2010, and 10 years have almost past.

In January 2000 unleaded petrol prices at the pump were 70 cents, the Australian dollar was 63 cents and falling, a loaf of bread was \$2.20,

house prices were heading up, and gold was \$300 per oz. The question will be what the next ten years holds for us?

In this newsletter we discuss the need for the baby boomers to accumulate more capital, the turnaround in Equity Markets both local and globally and a few ideas such as how to use your salary for packaging a vehicle.

We hope you enjoy the content of the newsletter, and if there is any area discussed you want to look at please call us.

We do know time flies, when you don't keep an eye on it.

SHARE	Jan 2000	Nov 2009
Commonwealth Bank	\$24.50	\$51.47
BHP	\$9.75	\$37.06
RIO	\$25.20	\$63.97
Centro Properties	\$6.50	\$0.33
Silver (oz)	\$5.20	\$17.16
Gold (oz)	\$300	\$1070
Petrol	\$0.70	\$1.20

* Did you know if you had of purchased \$1,000 of Westfield shares in 1960, reinvested the dividends, the shares would be worth over \$50 million today!



Reminder - 50% Investment Allowance on capital items for small businesses closes Dec 31st 2009. To take advantage of this please contact the office before Dec 18th 2009.

Consolidating Loans



For some time now we have been discussing our view that Interest rates are more likely to go up than down in the medium term. Last month we saw the first of the Interest rate rises followed by another .25% increase on Melbourne Cup Day.

Interest rates on home loans are still at historic lows and consideration to consolidate Credit Cards,

Personal Loans, all in to the one loan could offer significant savings. We have seen many of the non top 4 banks begin to re enter the market increasing competition again. This saw the top 4 banks increase their rates by only the .25% of the reserve banks charter.

With car and equipment loans around 9%, credit cards in some cases

close to 20%.

Refinancing into one loan around 6% seems prudent. If you would like to do an interest rate comparison on what the best banks are offering, or go through an approval process we can recommend a Broker to assist. All banks are different, all have products that are

Global Sharemarket Recovery

The strong 62% rally in the global share market, albeit from a very distressed low point in March, has been well documented along with the rising concerns about the sustainability of the rally.

The argument what goes down must rebound, and vice versa what goes up must come down, is a very floored argument when looking at the investment markets.

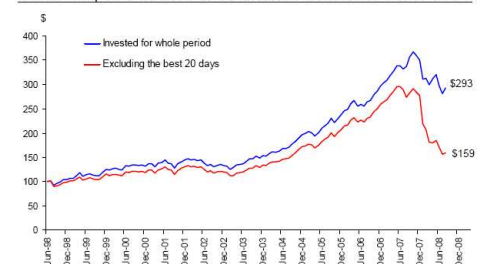
The indicators remain mixed despite the rebound and clients should look at personal circumstance and avoid the herd mentality with investments.

In this regard, we still need much more visibility about the global economic and corporate earnings outlook beyond the initial rebound.

Putting it all together, investors selection of assets now needs to be more evenly balanced with careful attention to each individual asset class.

If you have an SMSF, or an investment portfolio that you would like to review, do not hesitate to contact our offices for a referral to a qualified Financial Planner.

Value of \$100 in the All Ordinaries Index on 31/6/1998



Source: IRESS and Macquarie Private Wealth

Baby Boomers – Accumulation Time

The last 6 months has seen a dramatic rise in the price of shares and residential property, particularly in Eastern states. It has appreciated at a time it appears interest rates are on the way up again. All of this is going to have a dramatic impact on the "baby boomer" and how the government is going to address such large numbers post retirement age.

The baby boomers are those born between 1946

and 1964 and statistics from the Australian Bureau of Statistics state that the life expectancy of baby boomers is 40% greater than in 1950. As a result a great number of baby boomers are going to need over 30 years of income post retirement due to a higher Life Expectancy.

According to Citibank the government is anticipating 56% of baby boomers will be reliant on some form of government Pension as a

result of not having sufficient nest eggs to self fund more than 5 years in retirement.

Can the government afford this?

Many believe it will be difficult and as a result there has been some excellent incentives by government to make superannuation and other investments more attractive.

A few points to consider:

- Eligible superannuation

contributions are a tax deduction up to \$50,000 per year

- Interest paid to hold an investment is generally tax deductible
- The Age Pension pays a single person \$672 a fortnight
- The asset test limit for a single person threshold who owns their own home with no pension is \$626,000.

How much will you need to have a comfortable retirement?

Changes to the Definition of Income for Centrelink Family Tax Benefits

From July 1 2009, the government introduced new legislation that affects the way income is defined for certain government obligations and benefits. From July 1 income for Centrelink and Family Assistance Office will include:

- Reportable Super Contributions
- Total Net losses from a rental property or investment income

Novated Leases – Salary Packaging

We find a lot of clients interested in wanting to reduce their taxable income, but not all are aware of some of the opportunities made available via salary sacrificing. Additional employer superannuation contributions is the most common form of salary sacrifice, but there are also a lot of benefits for salary packaging a motor vehicle and its running costs within your salary.

Having to budget for fuel, running costs, maintenance, new tyres and loan repayments when they fall due from your take home pay can be a burden with the large expense often coming at the most inopportune time. A novated lease

reduces your salary by a set amount, and you get a card to pay for fuel, tyres, maintenance and the like with core tax effective benefits in a very convenient structure.

It is very important to ensure the salary packaging company you utilise is very competitive in regards to their lease rates, the card you use for your payment is readily accepted in service stations, and service outlets and the reporting of the facility is sound.

If you want to discuss the potential savings of running a private motor vehicle through your salary give us a call.



Estate Planning

Do you have a plan in place?

Estate planning is far more than setting up a will or having a life insurance policy to buy shares in a business. The aim of Estate planning is to ensure that the right assets are transferred to the appropriate people at the appropriate time. The process involves a thorough consideration of ones assets and liabilities, who owns them, what disputes could occur and how easy it is to ensure the transfer or control of assets is managed to maximise the benefits of the deceased estate.

When discussing an estate plan key considerations from an accounting point of view is to recognise the following steps:

- Have a Will with a testamentary trust;
- Have a power of attorney; and
- Understand insurance and superannuation nominations.

Importantly for our business clients to have a business succession agreement in place. Too many business partners die, and leave the business to a spouse who has no understanding or interest in continuing the business. The remaining partners don't have the capital to buy the shares, or have an interest in working with the spouse — then the disputes arise!

Estate Assets

A Will only deals with assets that are owned by the testator in their own right. The testator is the name given to the creator of the Will. Only in the case where the asset is owned by the testator, and it is

part of the testator's 'estate', can a Will be used to pass it to the intended party.

Estate assets include all assets that are owned personally, such as:

- Personal assets;
- Any share of any asset owned as tenants-in-common with anyone else;
- Shares personally owned in any company;
- Personally owned interests in a business (which will be an estate asset, but may also be subject to a pre-existing contract relating to those business interests);
- Any superannuation death benefits paid by a trustee to an estate;
- The proceeds of a self-owned life insurance policy (i.e. where the policy owner is also the person insured);
- Any right to recover loans that have been made;
- Any right to an asset held under a legally enforceable contract; and
- Any other contractual or legislative rights owned personally.

Non-estate Assets

The term 'non-estate assets' is generally used to describe assets that people control but don't actually own. The arrangement is generally used to protect assets against legal claims such as bankruptcy. As such, the incidence of non-estate assets is particularly high for people in occupations carrying a relatively high degree of financial risk, such as a medical

practitioners, directors of trading companies, financial advisers, accountants and lawyers, as they often seek specialist advice about the best way to structure ownership of their assets.

Non-estate assets may include:

- Assets which are held by the testator as a joint tenant;
- Assets held in a trust;
- Assets owned by a company;
- Superannuation death benefit proceeds paid directly to the dependants or non-dependent beneficiaries;
- Life insurance policy proceeds paid to someone other than the life insurance; and
- Life interests.

For more information on estate planning, see www.seniors.gov.au

>select 'Your lifestyle'

>select 'Practical living'

>select 'Estate planning'

Did you know?

A Will only deals with assets that are owned by the creator of the Will (the testator) in their own right. Only in the case where the asset is owned by the testator, and if it is part of the testator's 'estate', can a Will be used to pass it to the intended party. Assets that are controlled, but not owned, by the testator cannot pass through the Will
