



## Professional Investment Services

Issue 2 2007

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## Avoid the Last Minute Rush

Much has been said about the superannuation reforms announced in last year's Federal Budget. Past issues of this publication have focussed on many of those changes in some detail and, no doubt, future issues will continue to address changes to the ever-changing superannuation landscape.

In this issue, with the end of the financial year rapidly approaching, we will add a couple of the things you can do before the end of June in order to maximise the opportunities available to you.



We are creatures of habit and inevitably we leave things until the last minute before acting.

Recently I became aware of a situation that occurred a couple of years ago where a person, wishing to claim a tax deduction for their personal superannuation contributions (they were self-employed), mailed the cheque to their superannuation fund during the last week of June. They believed that they had allowed plenty of time for the cheque to arrive at the super fund and be processed before the end of the financial year. As it happened, the cheque was delayed in the mail and didn't arrive at the super fund until early July. The contribution was treated as having been received in the following financial year and a tax deduction was not available to the client in the year they intended. The client had substantial income in the year in question and the personal superannuation contribution would have resulted in them

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## Economic Update

The US economy is making good progress towards absorbing a substantial downturn in housing. The risk of a prolonged weakness in housing could lead to the economy slowing more sharply. The run of economic data over the next few months will continue to be closely scrutinised.

Outside the US, global growth is expected to moderate, reflecting caution about the recent US slowdown. Europe has continued to impress in their strength despite the rise in the VAT in Germany and the stronger Euro. Economic surveys continue to surprise on the upside and are consistent with stronger growth ahead. However, the robust economy has pushed money supply higher and the inflationary implication is a concern for the European Central Bank.

In Australia, the recent release of economic data and commentary from Reserve Bank of Australia (RBA) saw the market price in a higher probability of a near-term rate hike. With the economy moving closer to full employment and inflation currently at the top of the RBA's 2%-3% target band, the balance of risks on inflation have moved to the upside which may require action. However, the anticipated rate rise in May did not eventuate with the RBA deciding to leave the cash rate target at 6.25%.

Source: Navigator

## Tip of the Month

### Supermarket savings and traps

Consumer research shows that we're vulnerable to subtle marketing techniques.

#### In Your Face

Sensory delights: It's very common to position attractive fresh produce or a bakery at the entry. Does the deli section with its medley of colours and tasty offerings then follow? The aim is that the sights and smells grab your interest and put you into a shopping mood as you're led through the labyrinth to the less interesting packaged dry goods and the strategically placed impulse-buy items.

Source: [www.seven.com.au/sunrise](http://www.seven.com.au/sunrise)

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saving many tens of thousands of dollars in tax. The opportunity was lost in this instance.

The moral of the story is.....when making superannuation contributions, ensure that they are received and banked by your super fund before the end of the financial year.

Some of the issues to be thinking about in the lead up to the end of this financial year include:

### **Maximising tax deductible contributions**

For those who are eligible to claim a tax deduction for personal superannuation contributions (self-employed, substantially self-employed, and unsupported people), look to maximising the contributions in order to claim a tax deduction in the current financial year. Remember, there are age based limits applying to the maximum tax deduction that can be claimed.

### **Making undeducted contributions**

Prior to the 1st July 2007, undeducted contributions of up to \$1,000,000 per person can be made. From 1st July, this will reduce to \$150,000 per person, per annum (those under 65 will be able to bring forward up to three years' contributions under an "averaging" arrangement). So, if you have a lazy \$1,000,000 burning a hole in your pocket and you would like to put it away for your retirement, talk to your adviser about the advantage of doing so before the end of the financial year.

### **Consolidating super**

If you have more than one superannuation account, and at least one of those commenced before 1st July 1983, there may be a benefit in combining the accounts before 30th June 2007.

This article was written when the 2007 Federal Budget was brought down. Any comments made in this article are current at the time of writing. It is vitally important that you check with your financial adviser before acting on any of the strategies outlined in this article.

Source: Peter Kelly PIS.

## A Green Light for Non-Forestry Managed Investment Schemes

Investors of non-forestry managed investment scheme (NFMIS) projects have welcomed the Tax Commissioner's announcement to offer a transitional period before taxation arrangements for NFMIS are potentially revised. This comes after the February announcement proposing to restructure NFMIS projects, whereby the tax advantages previously available under the Australian Taxation Office (ATO) Product Ruling System would be lost.

As a result of the ATO announcements a transitional period for NFMIS projects will continue for the 07/08 financial year. Investment managers of NFMIS projects are anticipating stronger than usual demand for their non-forestry projects this financial year.



### **How do agribusiness MIS projects work?**

As an investor in agribusiness, you lease or license an area of land from the investment manager, on which a certain product is managed and sold. The sale of this commodity may provide you with future income.

Investments are generally 100% tax deductible for the full investment amount, over varying periods of time depending on the project structure. Investors should ensure that relevant ATO Product Rulings confirm this is the case.

### **What industries are the projects based in?**

Managed investment schemes cover a wide variety of investments and

focus on commodities that offer sound long-term growth and export opportunities.

MIS has historically been driven by plantation timber investments for woodchip. However, today the MIS agribusiness sector offers alternative products such as vineyards, olives, almonds, and beef cattle, and the opportunity to participate in numerous rapidly expanding agricultural industries.

Source: Great Southern

## End of Year Tax Tips

With the end of the financial year rapidly approaching, it is time to review opportunities to maximise tax deductions. Some of the things to consider include:

- Superannuation contributions – by making contributions to a super fund before the end of the financial year, the self-employed, substantially self-employed, and unsupported person may be eligible for a tax deduction for their contributions.
- Tax deductible expenses – expenses associated with generating assessable income for tax purposes are generally tax deductible. Look to bringing forward expenses in the current financial year. This may include pre-paying tax deductible interest and lease payments, and bringing forward other planned tax deductible expenses into the current financial year.
- Defer income – where it can be arranged, look at deferring income to the next financial year. This may include deferring the sale of assets that will generate a capital gain tax until after 30th June.
- Consider tax effective investing – consider looking at investments that offer tax benefits such as MIS agribusiness projects. Of course, each MIS scheme should be considered primarily for its investment potential rather than exclusively for the tax benefits it may deliver. Many schemes close before 30th June so delaying to invest should be avoided.

Source: Peter Kelly PIS.

# Life Insurance, Strife Insurance, There's Even Wife Insurance...

What's the most valuable thing in your life? Your family? Your business? Your super? Or is it your earning power?

"If you have a high earning power, it's even more important to protect it because you tend to have higher levels of debt and commitments..."

The earning power of you and your business

Insurance can protect your earning power and the earning power of your business. What this allows you to do is to transfer any losses to a company

that specialises in it. If you have a higher earning power, then choosing the right type of insurance is critical and challenging. While it can be confusing, a financial adviser can look at your earning power and the financial impact of death and disability on your business and recommend a policy that is most appropriate to you.

Here is a brief outline of the types of insurance.

**Life and total and permanent disability insurance**

This insurance pays you a lump sum amount if you lose your life or suffer a total and permanent disability and are unable to work again.

**Critical illness insurance**

Critical illness insurance pays a lump sum if you suffer or contract a specified critical condition that is covered by the policy (eg. heart

attack, stroke, cancer etc.). You then can use this lump sum to cover medical costs.

**Income protection insurance**

Income protection insurance pays a fixed monthly payment (usually up to 75% of your income) if you are temporarily unable to work due to a disability. These payments can be used to meet everyday living expenses such as the mortgage and other household costs.

**Business expenses insurance**

Business expenses insurance can reimburse certain regular business expenses while you are temporarily unable to work due to a disability (for example rent, utilities, lease costs, depreciation etc.). This can help to cover your fixed business costs and keep your business afloat while you are recuperating.

Source: Aviva

## Crossword



### Across

- 1 According to popular legend, lives at the North Pole and makes toys for Santa Claus (3)
- 4 \_\_\_ Kosh B'Gosh (3)
- 5 A mixture of gases required for breathing (3)
- 6 Antonym of before (5)
- 7 Hi-\_\_\_graphics (3)
- 8 Hit lightly (3)
- 10 Up to the present time; 'I have \_\_\_ to see the results.' (3)
- 12 Transport people in the air with these (9)
- 14 To have a certain rating (5)

### Down

- 2 National park employees (9)
- 3 Definitely or positively (9)
- 6 In the past (3)
- 9 West, South, \_\_\_ and East (5)
- 11 Short sleep (3)
- 13 To take in food; you do this if you are hungry (3)

## New Superannuation Terminology

With the current reforms being undertaken in superannuation, an entire new vocabulary has emerged. In this column we explain some of the new terms.

**Concessional contributions** – contributions made to a superannuation fund where a tax deduction is being claimed.

**Non-concessional contributions** – personal contributions for which a tax deduction is not being claimed. Previously known as undeducted contributions.

**Excess contributions tax** – Tax levied on concessional and non-concessional contributions that exceed the relevant cap or maximum annual limit.

**No-TFN contribution**

Contributions made to a superannuation fund where the member has not provided their tax file number and the contributions in a given year exceed \$1,000.

**CGT Cap amount** – the lifetime limit of proceeds from the sale of a small business qualifying for the small business capital gains tax concessions, that can be contributed to super and is exempt from the cap on non-concessional contributions. The limit is \$1,000,000.

**Tax free component** – The portion of a superannuation benefit that can be paid out tax-free. This will comprise of a crystallised component and a contributions component.

**Crystallised component** – Part of the tax-free component of a superannuation benefit. The crystallised component is calculated as at 30th June 2007. It will include

components such as undeducted contributions, pre July 1983 component, any pre 1st July 1994 invalidity component, CGT exempt component, and any concessional component. The crystallised component will only apply to superannuation benefits in place as at 30th June 2007.

**Contribution component** – Part of the tax-free component. It comprises of contributions made on or after 1st July 2007 where a tax deduction has not been claimed. It will generally be made up of non-concessional components made from 1st July 2007.

**Taxable component** – The residual of a superannuation benefit after deducting any tax-free component.

**Low rate cap amount** – that portion of the taxable component that can be withdrawn tax-free once a person reaches preservation age (currently 55).

Source: Peter Kelly PIS

## Trivia

- "Go" is the shortest complete sentence in the English language.
- New York City, named by Americans as the most dangerous, least attractive, and rudest city in a recent poll, is also, strangely enough, Americans' top choice as the city where they would most like to live or visit on vacation.
- The sound of a snore (up to 69 decibels) can be almost as loud as the noise of a pneumatic drill (70–90 decibels).
- Pears are a member of the rose family.
- The Japanese gave us the term "honcho," meaning big shot. Hancho means "squad commander" in Japanese.
- Throughout history, more ships have been sunk by hurricanes than by war.
- The spine of the average human male measures 28 inches and the average female's is 24 inches.
- More than 63 million Star Trek books, in more than 15 languages, are in print; 13 were sold every minute in the United States in 1995.
- The robbery phrase "Hands Up" originated in British Columbia. Bill Miner, an American known as the Gentleman Bandit, is said to have first used the phrase while robbing a Canadian Pacific Railways train in Mission Junction, British Columbia in 1904.
- The average adult stands 0.4 inch (1 cm) taller in the morning than in the evening, because the cartilage in the spine compresses during the day.
- The population of Colombia doubles every 22 years.
- The hairless area of roughened skin at the tip of a bear's snout is called the rhinarium.

Source: coolquiz.com

## Crossword solution



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## Other Services

### Welcome to the Investment Exchange – Australia's premier online investment platform

Ideal for high net-worth investors, self managed super funds (SMSFs), wealth accumulators and retirees, the Investment Exchange is the result of technology simplifying and expanding the range of available investment options and their management.

It integrates the whole process of moving money across different investment platforms and creates one simple statement for use at tax time.

Known as a "fully integrated on line wrap service and external investments database", it enables your adviser to transact, record and report on a huge diversity of investments within SMSFs, traditional public offer super/pension services and non-super investment portfolios.

The Investment Exchange allows online trading of 400 wholesale managed funds, all ASX listed securities and property syndicates. Your adviser receives automatic updates of investment corporate actions into reports and Capital Gains Tax optimisation tools. The structure allows price flexibility for advisers to meet your specific requirements.

In layman's terms, Investment Exchange allows your adviser to integrate all your investment strategies so they can be managed very easily whether they are online transactions involving cash, shares, managed funds and property syndicates or manual transactions completed for other investments.

These are all brought together in one online, consolidated report of investments and income for easy delivery to investors, accountants and trustees. One underlying platform, Avanteos, was recently ranked number one in the market by Investment Trends. If you would like to investigate how Investment Exchange can assist you in achieving a more efficient investment portfolio, simply ask your adviser.

Source: Investment Exchange

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