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Financial Advisers

Superannuation contributions... for nothing!

If you are an employee making personal contributions to superannuation and will earn less than $61,920 this tax year, you could be eligible for a government funded superannuation contribution of up to $1,000, at no extra cost to you.

So contributing some of your income to superannuation now could have a significant impact on your super balance later.

How much would I receive?

If your income is less than $61,920 the government could contribute up to $1 for every $1 you contribute from your after-tax income to your super in the 2011 tax year, to a maximum of $1,000.

How much you receive from the government depends on your income[1] and the amount of personal (i.e. after-tax) superannuation contributions you will make between 1 July 2010 and 30 June 2011.

If you earn[1] less than $31,920, the government will match every dollar of your after-tax contribution to your super, to a maximum of $1,000. The amount the government will match decreases by 3.333 cents for every additional dollar you earn over $31,920, until no co-contribution is paid once your income reaches $61,920.

continued next page >

Kevin Moran and Australian Financial Planning Pty Ltd are Authorised Representatives of Consultum Financial Advisers Pty Ltd.

End of year tax tips!

The end of the tax year is edging closer. If you haven't yet planned how you will maximise your income and save some tax in the lead up to 30th June, take note!

The most effective strategies are often the simplest, and can be applied before 30 June this year whilst others should be considered for next year.

Here are some strategies to consider:

Pre 30 June

- Defer non-essential income earnings until the new tax year.
- Pay any outstanding expenses which may attract a tax deduction.
- Review your investment portfolio prior to 30 June to check whether any of your investments should be sold to offset any capital gains or losses created throughout the year.
- Ensure you get capital gains tax concessions by holding assets for more than 12 months.
- Maximise tax deductions through super contributions.
- Both self-employed and those with only small amounts of employment income may be eligible for tax deductions for personal contributions while employees should consider salary sacrificing to reduce tax.
- Alternatively, make a contribution into super for your spouse – this could provide you with a tax offset.
- If you have recently sold a small business asset, you may be eligible for an exemption from capital gains tax.
- Review income distributions from family trusts and find out whether you should make a family trust election.

Next year

- Make sure you hold assets in the most appropriate tax structure. Individuals, companies, trusts and super funds are each treated differently for tax purposes.
- Income split wherever possible to take advantage of the progressive tax system.

In an ever-changing and complex world, seeking professional advice can help you through the tax maze.

We invite you to contact your financial adviser to explore your individual tax planning opportunities further... but please don't leave it until the last minute.

Superannuation contributions... for nothing!

continued from previous page>

The table to the right shows what the government's co-contribution will be, based on personal contributions of $1,000, $800, $500 or $200 at a range of income levels.

How much difference can a co-contribution make?

Take Chris, for example. Chris earns[1] $30,000 per year and contributes $20 per week to super from after-tax pay.

Because Chris will earn less than $31,920 this tax year, he is eligible for the maximum co-contribution rate for $1 for every $1 he contributes up to $1,000.

This means that Chris's personal contributions of $1,040 for the tax year will attract an additional $1,000 non-concessional contribution from the Federal Government. See example to right.

If Chris's partner was also eligible for the maximum contribution, between them they would receive $2,000 in extra superannuation contributions for the year, and all at no extra cost.

Your super contribution	$1000	$800	$500	$200
If you earn	**The government will contribute**			
$31,920 or less	$1,000	$800	$500	$200
$35,000	$897	$800	$500	$200
$40,000	$731	$731	$500	$200
$45,000	$564	$564	$500	$200
$50,000	$398	$398	$398	$200
$55,000	$231	$231	$231	$200
$60,000	$65	$65	$65	$65
$61,920 or more	$0	$0	$0	$0

Example

Chris		Government		Total
Personal contribution	+	Co-contribution	=	Added to super each year
$1,040		$1,000		$2,040

Am I eligible for a co-contribution?

Simple steps to extra super.	Yes	No
Will you earn less than $61,920[2] in the 2010-11 financial year before tax (individual income, not household)?		
Do you earn more than 10% of your total income from being employed[3] or from carrying on a business?		
Are you under 71 years of age at the end of the 2010-11 financial year?		
Are you a permanent resident or citizen of Australia?[4]		

If you answered yes to all the questions in relation to a financial year, follow these simple steps to extra super:

- Request your employer to deduct regular amounts from your after-tax pay to be paid into your super fund.

OR

- Arrange for a direct debit from your bank account into your super fund. Lodge your tax return at the end of the financial year. If you're eligible, the government will then pay your co-contribution automatically into your super fund, and you don't need to fill out any extra paperwork.

If you think that you may be eligible for a superannuation co-contribuiton, contact your financial adviser before 30 June to make sure that you don't miss out.

[1] Assessable income and reportable fringe benefits and reportable employer super contributions less business deductions (except for super contributions or work-related expenses) for the 2010–11 financial year. The lower threshold is indexed annually to AWOTE. The upper threshold is $30,000 higher than the lower threshold.

[2] Eligible employment includes any arrangement where an employer is required to treat a person as an employee for the superannuation guarantee rules. Excludes fully retired people.

[3] You are not eligible if you hold a temporary resident visa; for more information visit www.ato.com.au .

[4] In today's dollars, assuming investment returns of 6.5% pa after fees and taxation of 15%, inflation of 3% pa. Any changes in the assumptions will change the result. This example is for illustrative purposes only and outcomes are not guaranteed in any way. Investment performance may go up and down.

Source: Colonial First State

Did you know: *Your most sensitive finger is your index finger.*

Source: www.didyouknow.net.au

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Things for investors to consider in the 21st century

It is virtual guesswork to say at what level the S&P/ASX 200 Index or the Dow Jones Industrial Average will be in five years time. However, when it comes to the big, secular themes that are influencing economies and global financial markets, there is more scope to be forthright and more reason for investors to take action.

Most of the themes that appear set to be prominent in the 21st century – the rise of Asia, growing consumption and urbanisation in emerging markets, the changing demographics and ageing of the world population, the challenge of feeding and powering the world, technological and climate change, the rise of Africa – are visible and investable, or will be soon enough.

Here then are some things long-term investors might want to consider if they want to tap into the rewards on offer from the 21st century investment themes:

Invest more in emerging markets, beware of home bias. Investors need to consider whether they have enough exposure to emerging markets, which appear to have more favourable long-term growth outlooks than developed countries.

Invest in frontier markets. Incredible as the growth of China is, don't just bet on one emerging country. An allocation to emerging markets best includes a range of economies at various stages of development.

Consider, for instance, Indonesia, Nigeria, Mexico, and Turkey. These countries have large populations and fast-growing economies and are expected to be the next regions of economic interest.

Invest in real assets. The rise of emerging countries and an increase in the world's population could spur inflationary pressures. So it seems sensible for investors to include inflation-protection in their portfolios, such as inflation-linked bonds or companies that have pricing power such as miners of industrial and precious metals. Given constraints on supply, these companies tend to benefit disproportionately from higher global growth.

Remember to add food and water. Fertiliser and agricultural companies stand to benefit from the growing demand for food and changing diets in developing countries.

Similarly, companies that build desalination and water-management infrastructure and can provide access to clean water should have full order books as demand for water intensifies across the world.

Consider consumption. As emerging economies grow and become wealthier, the global middle class will expand rapidly and consumption will soar, particularly in the discretionary segment where branding is key.

Do not ignore pharmaceuticals. Pharmaceuticals have been overlooked even though their industry outlook looks bright. A massive expansion in middle-class consumer populations in emerging markets, combined with people living longer, particularly in developed economies, paints a rosy picture for global healthcare spending.

Source: Fidelity Australia

Step out to keep your brain moving

Want to preserve the size of your brain and avoid dementia later in life? Research suggests you should go for a walk. Actually, make that walk regularly.

A study involving 299 people has revealed that those who walked at least 10 kilometres a week had less age-related brain shrinkage than people less inclined to go for a stroll.

People who walked 10 to 14 kilometres per week also slashed their risk of experiencing memory problems by 50%.

The study saw 299 adults with a mean age of 78 years record the distances they walked each week. Nine years later the volunteers had scans to measure brain mass.

A further four years on the research subjects were tested for memory impairment or dementia.

Analysis of this information revealed that higher levels of physical activity were associated with greater brain volumes – but walking at least 10 kilometres was necessary to achieve an increase in brain mass.

The research could be useful in determining exercise programs suitable for helping older people avoid illnesses such as Alzheimer's disease, which kills off brain cells.

Previous studies have linked physical activity with brain volume in older adults but this latest research is the first to suggest a walking threshold beyond which there are clear health benefits.

Lead author of the study, Dr Kirk Erickson, said: "If regular exercise in midlife could improve brain health and improve thinking and memory in later life, it would be one more reason to make regular exercise in people of all ages a public health imperative".

References:
Erickson KI, Raji CA, Lopez OL, Becker JT, Rosano C, Newman AB, Gach HM, Thompson PM, Ho AJ, Kuller LH (2010) Physical activity predicts gray matter volume in late adulthood: The Cardiovascular Health Study. Neurology. [Epub ahead of print]

Source: Asteron Life

Connect | June 2011 **Issue 19**

Consultum
Financial Advisers

No income protection insurance? Why take the risk?

On average, only 25% of debilitating injuries occur at work are work related.

However, over 65% of all workers can expect to be off work for more than three months during their working life due to illness or injury.

It is a common misconception that Worker's Compensation provides protection against loss of salary due to accidents or illness.

Worker's Compensation only covers accidents that occur at or during work or an illness which is attributed to work.

What is income protection insurance?

Income protection insurance is valuable for employees or self-employed persons who rely on regular salary or business income to support both their current and future lifestyle needs.

This type of insurance policy is designed to replace your salary in the event that you are unable to work for an extended period due to injury or illness, whatever the cause.

These regular income payments are usually designed to pay you up to 75% of your pre-disablement income after you have completed a 'waiting period'.

The length of your waiting period can be tailored to meet your individual needs.

Income will continue to be paid to you on a regular basis until you have recovered and return to work, or for a set benefit period, whichever is the shorter.

The set benefit period can be as short at one year, or can continue until you reach your normal retirement age (e.g. age 65).

The cost of the policy will vary, depending upon your current age and state of health, your gender and occupation, and your previous medical conditions.

The waiting period and benefit period you select will also influence the cost.

If you select a longer waiting period because, for example, you have accumulated a large amount of unused sick leave or holiday leave, you may be able to reduce the cost of the premiums.

Tax deductible premiums

June is a great time of year to meet with your financial adviser to review your income protection needs.

As the cost of income protection premiums are fully tax deductible, if you purchase income protection before 1 July 2011 you will generally be able to receive a refund of the cost of the insurance when you submit your 2011 tax return.

If you're not sure of your specific needs, talk to your financial adviser who can recommend a solution to suit you. Why take the risk?

Sources:
www.ratedetective.com.au "Income Protection Versus Workers Compensation"
www.aihw.gov.au "Australia's Health 2010"
Safe Work Australia

Did you know: *Perth is Australia's windiest city.*
Source: www.didyouknow.net.au

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