

# "In Brief" with



## Securing your financial future!

### Co-Contribution for self-employed people

The Super co-contribution helps eligible individuals save for their retirement. If you are eligible and you make a personal superannuation contribution to your fund or Retirement Savings Account (RSA) the Australian Government will also make a contribution.

If you are self employed, you may be eligible to receive the co-contribution from 1 July 2007.

You are eligible for a co-contribution if:

- You make a personal superannuation contribution by 30 June of that income year to a complying superannuation fund or RSA
- You don't claim a deduction in your income tax return for the contribution
- Your total income is below the income threshold (\$58,980 in 2007-08 financial year)
- 10% or more of your total income is from running a business, eligible employment or a combination of both
- you are less than 71 years old at the end of the income year, and

- you do not hold an eligible temporary resident visa at any time during the income year.

### A New World of Superannuation

Changes to superannuation mean there is a raft of new ways to make and save money.

With the new rules on superannuation you will probably know that you are better off tax-wise having investments in super rather than in your own name.

The government has made it attractive to pull your investments into super as you may be able to save tens of thousands of dollars over your working life just by investing through super.

Did you know that after the age of 55 you can salary sacrifice much of your income into super while drawing out a tax-free pension?

Knowing what to do and how to do it is the tricky part. Our financial planner, Christine Hallows, understands the rules and regulations and has the knowledge to come up with strategies that can ultimately earn you a lot of money.

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#### **New Staff**

We would like to introduce the newest staff members who have joined the team at Elite.

Anna Tat	- Accountant
Andrew Klajman	- Accountant
Claudia Dodds	- Financial Planning Assistant

#### **Important Dates**

<b>March 2008 Monthly IAS/BAS</b>	21 April 2008
<b>March 2008 Quarterly BAS/IAS</b>	
Self Prepared	28 April 2008
EFS Prepared	12 May 2008
<b>April 2008 Monthly BAS/IAS</b>	21 May 2008
<b>FBT 2008 Return</b>	21 May 2008

## Getting Started

Giving your children or grandchildren a sound financial start in life can be extremely satisfying. Early and regular savings made on behalf of a child can help greatly with the cost of education or could fund a first car, an overseas trip or even a deposit for their first home.

As with any investment strategy, some savings methods are better than others and there are special taxation and gifting rules that you'll need to consider.

The first rule is to start early and take advantage of the compound interest. For example, if you were to make an initial deposit in a high-yielding savings account (earning interest of 6.5%) on the day of your baby's birth, adding a further \$100 a month until he/she turns 18, you would have \$41,375! If you didn't start the account until the baby's second birthday, the total saved by 18 years of age would fall to \$34,064.

Managed funds are also an option. You can start with as little as \$1,000, then set up a savings plan to make regular contributions.

Seeking advice on what is best is recommended as there are many other ways to kick start your children's savings, and remember it is usually more tax-effective to hold managed funds in your own name as children can be liable for tax rates as high as 66% on earnings over an excepted amount.

### *Quote of the Quarter:*

*Be happy while you're living,  
for you're a long time dead..*

## Family Tax Benefit to be Means Tested

In an effort to curb inflation, all family tax benefit recipients may soon be means tested.

Part of the Federal Government's plan to put downward pressure on inflation involves cuts to government spending and producing budget surpluses of 1.5 per cent of gross domestic product.

Finance Minister Lindsay Tanner said that the Family Tax Benefit Part B, which currently costs taxpayers around \$3.5 billion each year, and is not means tested, will be one target for such expenditure cuts.

"We have undertaken to put a means test at a very generous level for Family Tax Benefit Part B that will provide some savings," said Mr Tanner.

The Family Tax Benefit is the first of many avenues for savings to be examined over the next few months.

## First Home Savers Accounts are Here!

The Government has formally approved the First Home Savers Accounts to help prospective first home buyers save for their house.

The savings accounts will help those who are struggling to get into the housing market.

The marked decline in housing affordability in recent years means that fewer young people than ever are buying their own home.

Early details of the accounts are as follows:

- accounts will be offered through banks, credit unions, building societies and life insurers.
- the Government will provide a minimum 15% contribution on after tax-contributions of up to \$5,000.
- there will be a post-tax contributions cap of \$10,000 each year.

The savings accounts are expected to cost the Government \$850 million over four years and the First Home Saver Accounts will commence in July 2008.



## SMSFs and the new borrowing rules

From 24 September 2007 the general prohibition on superannuation funds borrowing has been relaxed to allow super funds, including Self Managed Super Funds (SMSFs), to borrow, to purchase any asset they would otherwise be permitted to acquire (subject to certain strict instalment warrant-like conditions).

The new rules allow a super fund trustee to borrow money or to maintain a borrowing of money, under an arrangement where:

- the borrowing is applied for the acquisition of an asset other than one the super fund trustee would be prohibited from acquiring
- the asset is held on trust for the super fund so that the trustee acquires the beneficial interest in the asset (ie a trust is established over the asset)

SMSF arranges to borrow money on a limited recourse basis which it would then transfer to a separate trustee along with its contribution to the purchase price. The separate trustee would then arrange to purchase and hold the property on trust for the SMSF. In this case, the SMSF would receive the beneficial interest in the asset and would be able to instruct the trustee in relation to the asset. Once the SMSF repays the loan it can then arrange for the legal ownership to be transferred to the fund.

The new rules may mean more people start setting up SMSFs to invest into asset classes, such as residential property, that they were previously locked out of due to having insufficient funds.

Alternatively, clients with an existing SMSF could use these new rules to allow their fund to purchase a commercial property (or a larger or better located commercial property) which could then be used in their business.

It is important to note that the new rules only allow a fund to borrow where the money is applied for the purchase of an asset that the trustee is otherwise allowed to acquire under the SMSF investment rules.

The trustees of the SMSF must ensure the asset would not breach any of the superannuation investment rules and requirements, such as the:

- sole purpose test
- fund's governing rules (ie the funds trust deed and investment strategy)
- arms' length dealings
- acquisition of asset from related party rules
- in-house asset rules, and
- the trustee general covenants such as the duty to exercise care, skill and diligence.

A requirement of the borrowing exemption is that asset must be held on trust for the SMSF so that the SMSF acquires the beneficial interest in the asset.

A trust relationship must be established to satisfy the borrowing rules. This could be achieved by the SMSF entering into a trust relationship with another entity, such as a member of the fund, to separate the legal and beneficial ownership of an asset.

If a SMSF borrowed money to purchase an asset the rights of the lender against the SMSF must be limited to the rights relating to that particular asset.

An essential component of the rules is that a super fund must have the right to acquire the legal ownership of the asset after making one or more payments. Right to acquire the asset is a right – not an obligation. If an asset's value fell to below the outstanding loan amount, a trustee could walk away from the



instalment warrant arrangement and would not be forced to pay out the loan and take possession of the asset.

In general, where a taxpayer, including a SMSF, is absolutely entitled to a CGT asset held on trust for it, there will be no CGT event on transfer of the legal ownership of the asset from the trustee to the SMSF. Instead the SMSF will inherit the original cost base and would only trigger a capital gain or loss on a subsequent CGT event

Stamp duty must also be considered as it could potentially apply to the transfer of the legal ownership of the asset from the trust to the SMSF on repayment of the loan as well as to the original purchase of the asset.

However, certain stamp duty exemptions may apply on the transfer of dutiable property where the property was held on trust by a nominee or apparent purchaser.

## Taxation Planning

As we head into the last 3 months of the financial year, now is the time to do some tax planning.

Towards the end of each financial year it is very important that action is taken to ensure you and your related entities have been reviewed and the appropriate action is assessed and implemented before 30 June.

This is a service we provide to individuals and businesses and it is one of the most important tax services we offer during the year. The service is provided throughout the last quarter of the financial year and preparation is more comprehensive if it is attended to early and not left until closer to 30 June.

While this service concentrates on ensuring that you are well-prepared for the end of the financial year, we believe that the best approach starts with a year-long tax planning strategy. Reviews made at year end should provide the basis for the following year's approach.

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The important decisions we provide to you as part of this service will be based on the figures you provide us, so the accuracy of the actual figures year to date and the budgeted figures to the end of the financial year should not be underestimated.

Below is a small snapshot of the broad areas we cover in the tax planning:

- Work-in-progress
- Review of business structure
- Superannuation
- Deferral of income
- Timing of expenses
- Investment decisions
- Dividend payments
- Simplified Tax System
- Directors Fees
- Prepayments

## Generation Y – Living for today

You have all heard of Generation Y (age 18 to 32) and their increasing financial issues with low savings and high levels of debt, including credit card debt, HECS debt, car/personal loans and not to mention home loans.

Many of Gen Y are now staying home longer due to the high costs of living however their high disposable incomes are not being saved wisely, if at all.

Gen Y are exceptionally educated but not about what financial services can be offered. They have expectations to travel, enjoy a comfortable work/life balance and own the latest technology, which eats into their savings leaving them nothing for the long term. Gen Y are aware of the importance to build capital for their future however prefer to live for today. They aren't aware that **they can do BOTH!**

Elite Financial Solutions is offering a **free financial consultation and discounted fee plan** to those Generation Y clients who make an appointment to meet our financial planner before 15 May 2008. Our plan fee normally costs \$550, however we understand the importance in assisting Gen Y in obtaining financial freedom and will review their whole financial situation at a discount.

Please contact our office to arrange an appointment on **02 9868 3900** and ask for Christine or Katrina. Feel free to give our number to your children or friends who fall into Gen Y age bracket who would like to take advantage of this offer.

## Elite Financial Solutions

With access to over 20 lenders, with tailored loan options to choose from, we guarantee to find the right loan for you

# \$250 Cash Rebate

\$250 Cash Rebate on Settlement when your loan is written with Elite Financial Solutions

Home Loans  
Investment Loans  
Commercial Finance  
Development Finance  
Credit Impaired Finance  
Motor Vehicle & Equipment Finance  
Insurance & Superannuation Advice

**SPECIAL  
OFFER**

Conditions apply – for all new business commenced on or after 15 April 2008 and settled by 30 June 2008.