

tax time again?

Most people think about tax twice a year, leading up to 30 June and for their income tax return. As financial advisers we're thinking about tax every day. That's because for many, tax is the single biggest household expense so any tax reduction goes straight to the bottom line.

While most see the need to pay tax to develop services for the community, there are many strategies to make sure you don't pay more than your fair share. Most of these strategies are as relevant now as at any other time of the year, because they need to be planned in advance.

We consider a wide range of strategies for any time of the year. While we understandably spend a lot of time focusing on investments, our spending (including tax) is something over which we have more control.

We'll provide more information on investments in the coming weeks and months. It's worth remembering, just as positive media headlines are often too positive, the negative news is usually the most pessimistic view. As the debate continues, markets remain volatile so it is important to shut out the noise and focus on your goals and no-one else's.

Enjoy reading this edition!

growth on a strong foundation



Spring represents growth and development in the natural world and it does at SWS.

With the departure of Tony and Carolyn Freckleton, SWS now

is growing and developing from the solid foundation they provided. SWS are committed to providing consistently great service to our clients and with this in mind we welcome Charles Blake to the Team as General Manager.

Over the last 10 years Charles has worked with many advice firms in the field of Practice Management to partner their pursuit of building a better advice and service offer. Critical to this endeavour is building an excellent team and business - he brings this experience to help SWS continue to evolve and maintain a leadership position in financial advice.

Charles says, "We want our clients to both enjoy and be rewarded by the services we offer. Their experience dealing with us at every level should be one that they would want to repeat."

With an understanding of the importance of quality service and long-term business relationships Charles says, "I am looking forward to gaining an in-depth knowledge of our clients through meeting them both in the office and at our special events."

Charles not only dives into new projects with enthusiasm but also into the sea. He is an avid scuba diver and he happily travels to obscure places to discover another reef or wreck. His favourite dive location is Truk Lagoon located in Micronesia.



greater knowledge, better services



In line with the continual improvement philosophy of SWS, Senior Adviser David Garrick recently completed his CFP qualification. The Financial Planning Association is committed

to ensuring that graduates of the CFP Certification Program have the skills and technical knowledge necessary to provide the highest level of strategic financial planning advice to their clients. This

designation is internationally recognised and represents the highest professional qualification available to financial advisers in the Australian marketplace.

David continues to impress his colleagues both within SWS and the wider industry. He has been nominated for the 2010 Association of Financial Advisers Rising Star of the Year Award. This nomination is a true reflection of David's principles of valuing his client relationships and commitment to making a difference in their lives.

don't leave your tax planning until the last minute

Although the new financial year is only a few months old, now is the best time to start planning for tax time next year.

You shouldn't wait until 30 June rolls around to think about your tax. By putting some key strategies into place now and for the remainder of the financial year, assisted by your financial adviser, you can reduce your tax bill and reap the rewards of a planned approach to taxes.

It's all about your assessable income. Assessable income is your gross income, take off any expenses (deductions) you have connected with that income and you get to your taxable income which is the actual amount you're taxed on. Assessable income comprises your salary/wages and investment returns including interest, share dividends, managed funds distributions, property rental income as well as net realised capital gains.

The key point here is that by minimising your assessable income, you automatically minimise the tax you pay.

A great way for many people to reduce their tax is by making additional contributions to their superannuation through salary sacrifice. This has more than one benefit. You not only reduce the amount of income on which you are taxed at your marginal tax rate (the highest rate of tax you pay), your super contributions are taxed at the low rate of 15 per cent in the super fund, which is very likely to be lower than your marginal rate. Self-employed or retirees can also achieve a similar result by contributing to their super. And naturally, the more you have in super, the more comfortable your retirement is likely to be.

How you allocate investment and asset ownership can also reduce the taxman's bite. By placing your investments in the name of a lower-earning spouse or adult child, you can take advantage of their lower assessable income and hence, potentially lower marginal tax rate than yours. Indeed, if their taxable income is below \$16,000, in 2010-11 no tax is payable.

Another good way to reduce the tax office's take, while improving your financial wellbeing, is by placing your cash into a re-draw home loan or offset account. Here, you effectively get a return on your cash that's equivalent to the interest rate you're paying on your home loan, free of tax. The reason there's no tax payable on this cash is that you're not actually receiving any interest in your hand. Here, by placing your cash into your home loan, or by having a cash deposit offset against your home loan, you reduce the principal of the loan which simply means you pay less interest on it – with no leakage to tax in the process.

Making sure you claim all the tax deductions you're legally entitled to is also very important, as these help you reduce your assessable income. Keep track of all work-related expenses, including further education and vocational courses, mobile phone charges, membership of professional associations, and tax agent services.

When you're travelling for work, remember that deductions can be claimed for business travel. These include meals, accommodation expenses and incidentals you might have while you are on the road. Also, don't forget to maintain a diary of kilometres travelled in the car you use to attend work meetings and functions (but not travel from home to your usual place of work) – these expenses are claimable as well.

If you are unsure if an expense is an allowable tax deduction, check with the tax office or your financial adviser before completing your tax return, and remember, keep all your receipts in the event the tax office queries your claims.

If you have a home office and carry out income-producing work from there, the expenses you incur in using your home for that purpose can be claimed on your tax. A proportion of your phone, internet, electricity and even maintenance costs can be tax deductible. You may also be able to claim depreciation on your office furnishings and IT gear such as computers and printers. Be aware though that depreciation can be a tricky area and getting professional advice on this can be very helpful.

Capital gains are another key area for tax, and it's important to take them into account when doing your tax planning.

A capital gain occurs when you sell an investment asset for more than you paid for it and make a profit. These realised capital gains become part of your assessable income and are taxed at your marginal tax rate. By realising a capital gain in a financial year when your other income is higher may lead to you paying more tax on these gains. It can make good financial sense to try to realise capital gains, if you have the choice, in a year where your other income is lower, meaning the rate of tax you'll pay on your capital gains will also be lower.



Be aware with capital gains that if you hold an asset for more than 12 months, you automatically get a 50 per cent discount on your capital gain. This again shows how relevant timing is to the taxing of capital gains.

Capital gains tax can be a very confusing area, and once again, getting professional assistance with it can really be a good idea.

When doing your tax return, look for offsets and rebates to decrease your tax bill – some rebates can even give you a cash refund.

With family medical expenses, in 2010-11, you can claim an offset of 20 per cent on certain amounts you pay over \$2,000. This includes some out-of-pocket expenses for your immediate family members – but as ever, keep your receipts as proof.

Under the Education Tax Refund scheme, a refund of \$390 (or 50 per cent of expenses up to \$780) is payable for a primary school child, or \$779 (or 50 per cent of expenses up to \$1,558) for a secondary school student, if you receive Family Tax Benefit A. Only certain expenses are eligible and conditions apply, so check with your adviser or tax agent.

Finally, in addition to increasing the size of your combined superannuation nest egg, making a super contribution on behalf of your spouse can give you a worthwhile tax rebate. For example, a \$3,000 after-tax super contribution on behalf of your spouse will amount to a rebate of up to \$540 off your tax bill.

Tax time can be stressful, and no one likes paying tax. But there are sensible and worthwhile ways of reducing it, which you should take advantage of. Please talk to

your financial adviser about the ways they might be able to help you manage your tax affairs better, including assisting you to stay on top of it all year round.

top tip!

If you think you will owe money to the tax office come tax time, a simple way to defer the financial pain of it at the end of October when your return is ordinarily due is to use a registered tax agent. By doing this, you have until May the following year to submit your tax return. This will allow you to delay that tax bill for a bit longer, and give you more time to get everything in order financially.

reducing tax

reduce assessable income

- ~ Make additional contributions to your superannuation through salary sacrifice or if self-employed or retired, claim a tax deduction for personal super contributions.
- ~ Place your cash into a re-draw home loan or offset account - you can effectively get a return on your cash that's equivalent to the interest rate you're paying on your home loan, free of tax.
- ~ Hold investments in the name of a low income spouse or child and take

advantage of their lower assessable income, and hence potentially lower marginal tax rate, than yours.

- ~ Decrease your taxable income by deductions – keep receipts for work-related expenses and charitable donations.

manage capital gains

- ~ You receive a 50 per cent discount on your capital gains for an asset held for more than 12 months.
- ~ Try to realise capital gains, if you have the choice, in a low income year where your marginal tax rate is lower.
- ~ Assets with capital losses may be used to offset realised gains.

offsets and rebates

- ~ Making a super contribution on behalf of your spouse can give you a worthwhile tax rebate.
- ~ Family medical expenses - you can claim an offset of 20 per cent on certain expenses you pay over \$2,000.
- ~ Education Tax Refund scheme - a refund of \$390 (or 50 per cent of eligible expenses up to \$780) is payable for a primary school child, or \$779 (or 50 per cent of eligible expenses up to \$1,558) for a secondary school student, if you receive Family Tax Benefit A.

the retiring type

Most of us spend years looking forward to retirement – attracted by the notion of endless free time and the freedom to do what we want, when we want. But it is exactly these aspects of retirement that can allow boredom to set in once the buzz of leaving work has worn off.

So it's important not to simply retire from something, but to have something to retire to. That way retirement can be a time of great fulfilment – discovering new passions and rekindling old ones.

Here are some steps you can take to make the most of your retirement and prevent boredom from creeping in:

he who fails to plan, plans to fail

Make a plan. Sit down with a pen and paper and figure out what would constitute an ideal retirement for you. This could include people you want to spend more time with, what you'd like to do on a daily basis and new interests. This is a great way of focusing your mind, and can help you identify your achievements as you go along.

there's no place like home

Chances are you'll be spending a lot more time at home once you've retired, so it's best to make it as comfortable as possible.

Now could be a good time to de-clutter, redecorate or even renovate. And perhaps you may want to create a space to pursue special interests such as a workshop, craft or yoga room. Another good idea is to talk to your spouse or partner about redistributing the household chores now you've got more time on your hands.

do unto others

Volunteering can be a great way to find fulfilment – engaging in meaningful activity while helping others. There is a great variety of opportunities, ranging from helping out at your local library or museum to campaigning for a non-government organisation or raising a puppy to become a guide or assistance dog. For ideas visit www.govolunteer.com.au

rekindle old flames

Think about all the interests you've flirted with throughout your life but never really had the time to pursue. Do you want to learn to play an instrument, take a course

at university or TAFE, or learn how to cook? Now is the perfect time to finally tackle things you've always wanted to. If you're not sure what you'd like to do, most city councils put on a range of activities for people over 50, so that could be a good place to start.

zenemployment

Zenemployment is a term that describes a fun or fulfilling career, which provides additional income once you've retired. Some popular options for retirees include becoming a home or pet sitter, helping others out in their gardens, working on a cruise ship or at a ski or fishing lodge, or becoming a wedding planner.

With a little planning, retirement can be the time of your life. So why not sit down and spend some time thinking about exactly what it is you want out of it.



SWS client briefing

We are please to announce we are holding our next client briefing, the evening of Wednesday 24 November. You will get to hear acclaimed 'futurist' Dr Keith Suter who will share his insights into the global forces impacting Australia's economy as well as his predictions for the year ahead.

Please make a note of the date in your diary and keep an eye out for your invitation in October! The SWS team are looking forward to seeing you and your family and friends there.



ABN 83 108 131 871
AFS Licence No. 273368
Principal Member of the FPA
Member of the AIOFP

Parramatta
Level 5, 69 Phillip Street
Parramatta NSW 2150

Neutral Bay
Level 1, 40 Yeo Street
Neutral Bay NSW 2089
(By appointment only)

Phone 02 9633 5255
Fax 02 9633 5299
Correspondence to: PO Box 3275
Parramatta NSW 2124

www.strategicwealthsolutions.com

Disclaimer: The information presented in this newsletter is of a general nature only and is not to be relied upon as a substitute for professional advice. Strategic Wealth Solutions Pty Limited has not taken individual circumstances, objectives or needs into consideration. Before acting on any advice, you should consider whether the advice is appropriate to your individual circumstances. You are advised to seek independent professional advice. While Strategic Wealth Solutions Pty Limited believes the information contained in this publication is correct, no warranty, reliability or completeness is given, and except for liability under statute which cannot be excluded, no liability for error and omissions is accepted.

Strategic Wealth Solutions Pty Limited ABN 83 108 131 871 AFSL 273368.