

June 2010

End of Financial Year — What to consider?

30 June—Running out of Time?

30 June is fast approaching so it is important to stop and assess whether you are taking full advantage of all the opportunities for the end of this financial year.

It needs to be said — Don't let tax drive a decision, make the decision and then tax test the merits of it, don't make a tax decision first.



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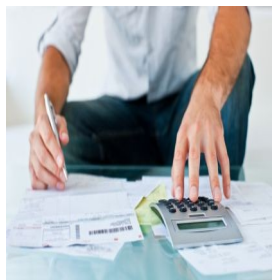
The New Tax Scales—Individual Marginal Tax Rates

Current Tax Threshold 1 July 2009	Tax Rate (%)	New Tax Threshold 1 July 2010	Tax Rate (%)
\$0—\$6,000	0	\$0—\$6,000	0
\$6,001—\$35,000	15	\$6,001—\$37,000	15
\$35,001—\$80,000	30	\$37,001—\$80,000	30
\$80,001—\$180,000	38	\$80,001—\$180,000	37
\$180,000 +	45	\$180,000 +	45

New Tax Threshold 1 July 2009	Tax Rate (%)	Tax Payable (Resident)
\$0—\$6,000	0	Nil
\$6,001—\$37,000	15	Nil + 15% of excess over \$6,000
\$37,001—\$80,000	30	\$4,650 + 30% of excess over \$37,000
\$80,001—\$180,000	37	\$17,550 + 38% of excess over \$80,000
\$180,000 +	45	\$54,550 + excess over \$180,000

Prepay your Interest

If you borrowed funds to make an investment that will generate assessable income, you are entitled to claim a tax deduction for the interest payable on your loan. By pre-paying the interest for 2010/2011 on your investment loan now you may be able to claim a deduction for that interest in your 2009/10 tax return.



Defer your income

The majority of taxpayers will be receiving a tax cut in 2010/2011 financial year, if possible delay any income payments until after 1 July 2010 to take advantage of the lower rates.

Tax File Number

Provide your Tax File Number to your superannuation fund and any organization that pay you interest, distributions or dividends. If you haven't done this, you can reclaim any withholding tax paid during the year when you file your tax return.

Transition to Retirement

If you are over 55 and still working, you could consider a transition to retirement strategy. This strategy has a number of benefits. There are tax incentives associated with moving benefits from accumulation phase to the tax-free pension phase plus the ability to combine a salary sacrifice arrangement with a transition to retirement income stream. In addition to this, you have the flexibility to reduce the hours you work and supplement your income by drawing a pension.

You may benefit from this strategy if you are 55 or older and have retired or are 55 and still working.

This is particularly beneficial to those who are aged 60 and over as any income received via a pension is tax free.



Total and Permanent Disability insurance offers financial security by providing you with a lump sum if you suffer a disability and couldn't work again. A lump sum payment is ideal if you need to pay off debts or medical costs, or make alterations to your home that may have become necessary due to your disability.

You may save on your premiums if you take our life and TPD insurance through a super fund, rather than via a separate policy outside super.

The same tax concessions that apply when investing in super also apply to insurance purchased through a super fund.

Also remember premiums paid for an income protection policy are tax deductible in the year it is paid.

Protect yourself and be tax – effective

The reason so many Australians don't have adequate insurance protection is because of concerns about its affordability. However, insurance doesn't have to be costly.

Life cover is critical in securing the financial future of those you would have left behind if you died. It works by insuring yourself for a particular amount, and in the unfortunate event that you die, the insurer pays that amount to your beneficiaries.

Trustees of self– managed super funds

All trustees must keep records up to date. Fund paperwork and assets must be kept separate from personal assets and financial records. Common mistakes include forgetting to make pension payments to members and using a super fund cheque book to pay a personal bill. All SMSF contributions and pension payments must be made and recorded before June 30. Accounting records must be kept for five years but minutes of all meetings, a hard copy of tax returns lodged electronically and some other records must be kept for 10.

Use the ATO website

To learn more about the deductions you can claim for work-related expenses, study and donations to charitable organisations visit the website, it has myriad of information. The comprehensive site also contains information about the deductions available to owners of rental property and investors who borrow to invest in managed funds or shares. The website is a vital source of information whether you prepare your own tax return or just want to be sure you provide all necessary information to your accountant or tax agent.

Visit www.ato.gov.au

Receiving a Bonus

If you're likely to receive a bonus before 30 June, you should consider asking your employer to salary sacrifice your payment into superannuation.

By using this strategy, you may pay less income tax this financial year and make a larger after-tax investment. When you sacrifice a bonus into superannuation, the contribution is taxed at a maximum rate of 15%. If taken as cash, your bonus will be taxed at your marginal tax rate (which could be as high as 45.6%).

Depending on your circumstances, a salary sacrifice strategy could reduce the tax payable on your bonus by up to 31.5%.



Made a gain

If you have received capital gains from your investments you may want to trigger a capital loss by selling a poorly performing investment that no longer suits your circumstances. You can use the capital loss to offset your taxable capital gain and save tax or free up money for more suitable investment opportunities.

Declare your Interest

Declare interest from all your bank accounts and term deposits. Stock market volatility and the government guarantee on bank deposits prompted many investors to open new online accounts and term deposits. The ATO will match up this information with information that is lodged by your financial institution. The interest earned may be small however it still needs to be declared.

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Superannuation Strategies

- a winning combination

Government Co-Contribution

Anyone who earns less than \$61,920 for the 2009/10 financial year (including self employed) and makes a personal contribution into their super account before 30 June will receive an additional super contribution from the Government of up to \$1,000. This strategy can generate an immediate 100% tax free return .

Making spouse contributions

Each financial year, if you have a spouse on a low income (assessable income including reportable fringe benefits is less than \$13,800) you can receive a tax rebate for making a contribution into your spouse's super fund while also making a direct saving against your tax liability. All this for just boosting your partner's super .

Personal Super Contributions

If you are self employed or under 65 and not working, you may be able to reduce your taxable income and personal income tax liability by making personal super contributions. If you have sold an asset in the last year that realized significant gains, you could also offset any personal income tax that would have been payable on capital gains.



Salary Sacrifice

Perhaps you will be getting a pay rise or an end-of-year bonus. Salary sacrificing is the perfect opportunity to take advantage of the tax break, with the maximum tax rate being 15%. You may also wish to review your super contribution levels to help boost your retirement income.

Maximising Superannuation Contributions

The tax free status of super post age 60 now makes it the most tax effective form of savings. This is why it makes sense to achieve a longer term savings through maximizing concessional and non-concessional contributions.

You should make the most of thresholds for a concessional contribution to super, especially this financial year as the threshold has been halved effective 1 July 2009.

Regular additional super contributions are also better from an asset protection perspective. Generally, super is protected from bankruptcy, the more regular the pattern, the more protection.

“We can't predict the future but we can help you plan for it”

Keep Good Records

Having the most iron-clad and effective tax planning will count for nought if you cannot prove it when the ATO comes knocking.

Under Australian tax law you are required to keep the records that evidence the income and expenditure you claim , generally the records are to be kept for a period of 5 years from the relevant date. For most records the

5 years will commence from the date of the notice of income tax assessment, however, for some issues such as capital gains taxable asset, the 5 years may commence following the disposal of the asset.

If you are worried about chopping down more trees, electronic records are acceptable.

Good record keeping also assists in the forward planning process. For example, reviewing your allowable deductions will help you to avoid overlooking potential deductions.

