Genesys
WEALTH ADVISERS

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Time is running out…

They say that time is money. With the end of the financial year fast approaching, taking the time to revise your financial strategy could help you invest for wealth creation and save you money. June is usually too late to put end of financial year strategies in place so it's important to be organised early.

There are a number of strategies that could be implemented between now and 30 June 2007 to invest for wealth creation and improve your taxation position – we've taken a look at some of these below.

Salary sacrificing to super – if you're employed you may be able to sacrifice part of your regular salary and bonuses to superannuation. Salary sacrificing reduces your taxable income and generates investment income within the concessionally taxed super environment. Depending on your individual circumstances, there are a number of benefits to salary sacrificing. Contributions are taxed at 15% upon entry, and taxed at a maximum rate of 15% on investment income and capital gain within super. Contributions to super are also preserved to at least age 55.

If you have a **self managed super fund** then putting death cover in place via super can be tax effective. We can help you plan

the most effective way to protect your estate.

Personal deductible contributions can be made by eligible persons who meet the 10% rule i.e. their 'eligible employment income plus assessable fringe benefits' are less than 10% of their gross assessable income. If you're under 65 or aged 65 to 74 and meet the 'work test', you may be eligible to make a personal deductible contribution to super this year. Conditions apply, so contact us.

Consider pre-paying any **margin loan interest** prior to 30 June – it is generally tax-deductible, and your taxation adviser can guide you.

Spouse contributions – if your spouse earns less than $10,800 p.a. you can make a $3,000 contribution from post-tax dollars to their super fund, which may qualify you for a $540 tax offset (a tax offset is an entitlement which reduces the amount of income tax to be paid). The tax offset reduces for every dollar your spouse earns above $10,800 to nil at $13,800.

Insurance – did you know that most income protection premiums are tax-deductible? If you haven't considered or reviewed your income protection needs, now is a good time to talk to us.

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1956

The year 1956 is probably best known as the year that both the Olympic Games and television came to Australia for the first time.

The Games of the XVI Olympiad was held in Melbourne from 22 November 1956, with the opening ceremony at the Melbourne Cricket Ground attended by 107,700 people. Australia was well represented in competition with legendary athletes Betty Cuthbert, Shirley Strickland, Murray Rose, Dawn Fraser and John Landy all doing Australia proud. Due to Australian quarantine laws, the equestrian events were actually held five months earlier in Stockholm, Sweden.

In September, TCN-9 Sydney was the first Australian TV station to begin regular transmission, and November saw the first TV broadcast from the ABC, just in time for the Olympics. At the end of the year it was estimated that 5% of Melbourne households and 1% of Sydney households owned a TV set.

On the sporting front, Australia thrashed the Americans in the Davis Cup, winning 5-0, Evening Peel won the Melbourne Cup and Kurrewa IV took line honours in the Sydney to Hobart Yacht Race.

It was also a big year for music in 1956, with Elvis Presley entering the US music charts for the first time with 'Heartbreak Hotel', Aretha Franklin beginning her music career and the first Eurovision Song Contest being held in Lugano, Switzerland.

Around the world, tensions were high as a result of the Suez crisis, after the Egyptian president nationalised the company operating the canal. At the time, two thirds of Europe's oil supply was being shipped via the canal, and the United Kingdom, France and Israel, who all relied heavily on the canal to access the Middle East, Africa and India, were particularly unhappy about this. A war was waged throughout 1956, at which point the United Nations and US got involved, and pressured the UK, France and Israel to withdraw from Egypt.

Morocco declared its independence from France, Pakistan became the first Islamic republic and Japan became a member of the United Nations.

Time is running out... *Continued*

Maximum deductible contributions – if you're a director of two or more non-associated companies then you may have an opportunity to salary sacrifice and access the MDC limit for **each** company's contribution to your super. For example if you're 36 this year, then a maximum of $42,385 could be contributed by each non-associated employer. From 1 July 2007 no more than $50,000 p.a. could be contributed across all employers. Contributions to super are preserved to at least age 55.

Wealth creation – agribusiness investment can be a tax-effective investment for those with high taxable incomes. Investing in agribusiness is not for everyone, so make sure you speak to us about whether this investment suits your circumstances.

Government co-contribution – make a post-tax (undeducted) contribution and you could be eligible for a government co-contribution. The government's co-contribution scheme is a great pre-30 June strategy. For every $1 of post-tax dollars you contribute to super, the government will contribute $1.50, up to a maximum of $1,500. If you earn between $28,000 and $58,000, the government will contribute an adjusted amount, until it cuts out at $58,000.

Don't forget that not all these strategies suit all circumstances, so it's important you speak to us to determine if these are appropriate for you.

One million reasons to invest

Following the sweeping changes to super announced in the 2006/07 Federal Budget, anyone saving for retirement can take advantage of the opportunity to contribute up to $1 million in post-tax contributions to their super. However, you only have until 30 June 2007 to take advantage of this fantastic opportunity.

To control the potential abuse of this generous superannuation system, after 1 July 2007 the government will impose limits on the amount of post-tax contributions you can make. During the transition period from 10 May 2006 to 30 June 2007, individuals can make post-tax contributions up to $1 million. If you have a partner, that means up to $2 million between you – imagine the retirement lifestyle you could have! The advantage of post-tax contributions is that the maximum tax rate on superannuation fund income is 15%, which can translate into significant tax savings.

This is an important time to reassess your retirement strategy through the transition period up to 30 June 2007 and beyond. If you are already in an allocated pension or term allocated pension we can help you transition smoothly into the new pension environment – speak to us to make sure this strategy is appropriate for your circumstances.

Don't put off to tomorrow what you can do today…

With the start of a new year comes the making of resolutions and goals for the year ahead.

The most common New Years resolutions include losing weight, quitting smoking, spending more time with family, and saving money. While we can't help with the first three, putting into place a savings and budgeting plan is one thing we can help with!

The New Year is the perfect time to get your finances under control, and set goals for what you want to achieve – and with our handy hints below, the sky's the limit!

The most important thing is to **get started now!** The sooner you start, the sooner you will achieve your **desired goal**, whether it is saving for a house deposit, paying off the credit card or going on that overseas holiday. However it's important to be **realistic**. Saving $1,000 per month might leave you scraping the bottom of the barrel, so why not start off with $500 per month? You can always increase the amount if you are meeting your expenses and still have money left over.

It is also important to **select a timeframe** – i.e. booking your overseas holiday six months in advance, or paying off the credit card bill within three months etc.

Pay off that credit card debt – as the credit card bills start rolling in after Christmas, review what you owe, and pay off the debts with the highest interest rate first.

Consider using a **budget template** – there are plenty online, which can help you track your income, necessary expenses and where your money goes. A budget planner makes it very easy to identify if you are spending more than you earn, wasting money that could be saved or have a surplus of funds that you can invest.

Save little and save often – most people, no matter what their income, can put money aside. Saving a small amount regularly, such as weekly or each pay day, can soon become a large savings nest egg to pay off debt or invest further.

Save your pay increases, and one-off payments such as bonuses. You haven't had this money previously to meet expenses, so saving even half of it can go a long way to achieving your goals, or boosting that 'rainy day' nest egg.

The Understanding Money website (www.understandingmoney.gov.au) has some great tips for creating, and sticking to a budget as well as a handy budget planner. The Financial Planning Association (www.fpa.asn.au) has some handy hints, and the Money website (http://money.ninemsn.com.au) has some great budget tools. Of course, nothing beats proper financial advice, so speak to us if you have any questions.

Cheers…

It's no secret that Australians love a good drop, and with so many great wineries

Now worth $5.5 billion to the Australian economy, the wine sector has experienced significant growth in recent years, going from $200 million in 1991, to $1 billion by 1999, and reaching $2.4 billion by 2004.

In 2005, Australia produced 1.5 billion litres of wine (enough to fill 1500 Olympic-sized swimming pools!); an astounding figure given that as recently as 1986, imports of wine into Australia actually exceeded exports. Most of this was exported to over 100 countries around the world, with just 417 million litres sold domestically. Wine imports are now relatively low, at just over 18 million litres, or 0.4% of the global market. Our top export markets are the United Kingdom (261 million litres), the US (208 million litres), Canada (49 million litres), Germany (37 million litres) and New Zealand (35 million litres).

Where there's a will, there's a way

Estate planning is an important part of any financial plan, particularly if you own a business or have dependent children. Deciding 'who gets what', in a way that will protect assets and be tax efficient, can be complex.

Testamentary trusts are a commonly used and valuable estate planning tool which can offer a number of advantages for beneficiaries of an estate.

A testamentary trust is:

- established by a will;
- funded by assets from the deceased estate or as a result of payments to the estate as a result of death (e.g. superannuation proceeds); and
- administered by the trustee nominated by the will maker.

Upon the will-maker's death, the assets of the trust are owned by one person (the trustee), and the benefit of the income passes to other persons – the beneficiaries. The Trust Deed sets out the rights, powers and obligations under the Trust.

This provides a number of advantages to setting up a testamentary trust in your will:

- It can provide asset protection for 'at risk' professionals such as doctors, lawyers and company directors who do not want to own assets personally.
- A testamentary trust can protect assets in the event of a family breakdown, as any assets are legally owned by the trustee of the fund and cannot be included by the courts in any court-ordered property division.
- Generally it can provide protection in the event of bankruptcy.
- Trusts can also be designed to split income and/or capital distributions among two or more beneficiaries. The Trustee has discretion as to which beneficiaries receive distributions each year.

One of the most significant advantages of setting up a testamentary trust, particularly if you have young children or grandchildren, is that children under 18 who inherit via a trust are not subject to the penalty tax rates that normally face minors – rather, they are taxed at the normal adult tax rates.

For example:
Helga's son David is married with three young children. David earns $100,000, and his wife and children earn no income, therefore are dependent on David. Helga passes away, and leaves him a portfolio of assets with a value of $400,000. These assets generate an annual income stream of $25,000.

If these assets were left to David personally, he would be subject to tax on the income stream at his marginal tax rate – that is 41.5% (tax rate of 40% plus Medicare levy of 1.5%).

However, if Helga set up a discretionary testamentary trust as part of her will, then the tax position would be quite different. The income could be split among David's wife and three children, who each have a tax-free threshold of $10,000 (including the low income rebate).

As a result, the tax on the $25,000 is reduced from $10,375 to nil – a tax saving of up to $10,375 each year.

Setting up a testamentary trust requires your will to be properly set up, so it's important you speak to us to work out whether this strategy is appropriate for you.

s across the country, it's no wonder Australian wine is making its mark on the world stage.

Through research, innovation and collaboration, Australia has redefined the wine industry, changing the way grapes are grown, packaged and marketed. The result has been worldwide recognition of Australian wine – it's quality, consistency, reliability and of course price.

There are almost 2,000 wineries across Australia, with 49% of production coming from South Australia. The Barossa Valley, one of the best known wine-making regions, is home to more than 50 wineries, ranging from family-run enterprises to multi-million dollar organisations. The Hunter Valley in New South Wales is Australia's oldest wine region, with the first vines planted in 1825. On the other side of the continent, winemakers in the Margaret River region in Western Australia have quietly built a reputation as purveyors of quality wines. Other famous wine regions worth noting include the Yarra Valley, Clare Valley, Coonawarra, Heathcote, McLaren Vale, Mudgee and Tasmania.

The top five grape varieties crushed for wine in Australia are Shiraz, Chardonnay, Cabernet Sauvignon, Merlot and Semillon.

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Platforms – a smart solution to managing your investments

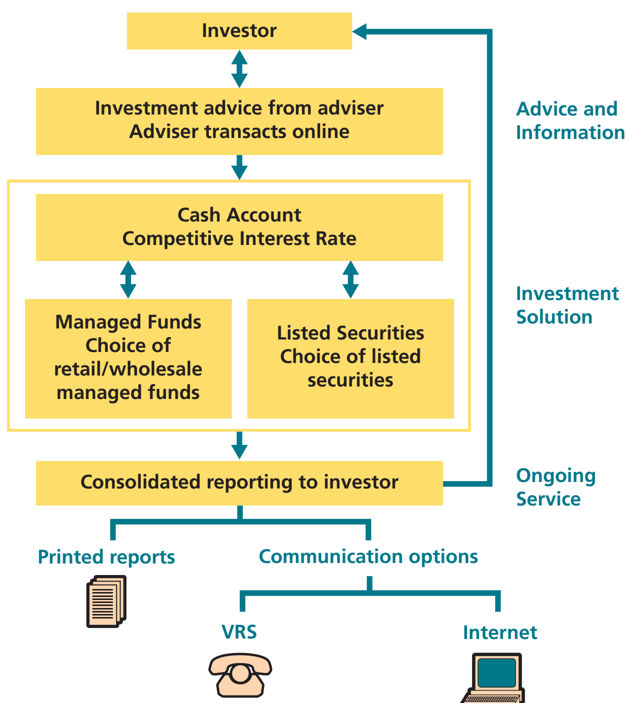
With the increasing demands we face in our lives on a daily basis, we are always looking for ways to work 'smarter' not 'harder'. Why not have our investments do the same? Investing through a platform could be the solution.

Put simply, a platform is an administrative and reporting service for your investments.

Many people invest in a diverse range of managed funds to reduce their investment risks. This usually results in an abundance of paperwork and time-consuming administrative tasks for you and us.

By investing through a platform you still have the choice of a diverse range of investments without the excess paperwork – giving you and us more time to focus on building your wealth through the provision of quality advice.

How does a platform work?
When investing through a platform you are provided with a single point of administration, so you, and we, only have to deal with one company – your platform provider.



You are able to analyse how your investments are performing through consolidated reports, regular updates and often 24-hour online access to your portfolio.

With one point of contact, consolidated reporting, and switching at any time, hassle-free investing is a reality.

Why invest through a platform?
Investing through a platform simplifies how you manage your investments and offers you flexibility and choices, while ensuring you remain in control of how your investments are managed.

Simplicity – a simplified administration service for your investments that provides you and your adviser with the tools to quickly and easily manage an extensive, diversified portfolio.

Choice – a platform offers you access to a diversified range of asset classes that allows you to spread your investment risk.

Flexibility – while your portfolio of investments is tailored to your individual needs, a platform provides you with the flexibility to change the focus of your investment mix quickly and easily, should you need to.

Choosing the right platform
If you are thinking about investing through a platform it is important that you speak to us to ensure that your unique needs are considered. We can also advise you of the fees associated with your chosen platform provider.

News bites

Say goodbye to the 80s!

One of the changes in the attempt to simplify and streamline superannuation is the elimination of the pre-1983 component of a superannuation payment. From 1 July 2007, the pre-1983 component of superannuation will be included in the newly defined tax-exempt component. Super funds will be required to calculate the pre-July 1983 component, if any, of an individual's superannuation interest as at 30 June 2007. For those receiving pensions at 30 June 2007, the pre-July 1983 component will be included in the tax-exempt component of a commutation or, when an individual turns 60, whichever occurs earlier.

This tax-exempt component will be paid tax free to the individual when paid out of the fund in the future. Currently the pre-83 component is taxable to the extent that 5% of the component is included in an individual's assessable income in the year of payment.

If you have more than one super fund you should consider consolidating all the funds before 30 June 2007 to ensure that any pre-83 components can be applied on all your balances, resulting in a higher tax-exempt component. Not only is now a good time to consolidate your super to form a bigger tax-free benefit, but having fewer super accounts also minimises administration fees, and makes it easier to keep track of how much super you have. Consult us to ensure that all the circumstances relevant to consolidation can be factored into your decision.

A penny for your thoughts…

Did you know that the grooves around the edge of a coin are called reeding or milling?

Time flies…

A jiffy is an actual unit of time for 1/100th of a second. Thus the saying, "I'll be there in a jiffy".

Investing a tax saving

Income tax rates have reduced over the past four years and the tax rate thresholds have increased. This should result in people being better off and taking home a higher after-tax income. However, many people fail to notice any benefit from being taxed at a lower rate, with any 'savings' simply consumed by regular living expenses. What if you made a concerted effort to invest your tax savings? Take a look at the following example to see the difference that actively investing a tax saving would make.

John, aged 45, had an annual salary of $67,000 in the 2003/2004 tax year, and his tax position was as follows:

	Salary	Tax Paid*	Tax saving
2003/2004	$67,000	$18,297	–
2004/2005	$69,000	$18,192	$1,045
2005/2006	$73,000	$18,960	$ 612
2006/2007	$77,000	$18,650	$1,990

*Excludes Medicare Levy

John has saved $3,647 in tax over the last three years. If John invested the tax he had saved at the end of each year, then after 10 years he will have $22,400**

If John salary sacrificed the tax saving from the 2006/2007 tax year into super each year then by age 65 he would have accumulated $110,000 additional in superannuation, assuming a balanced diversified portfolio with a total return of 8.3% p.a.

**assumes total return of 6% p.a. net of tax and investment expenses, and that each year from 2006/2007 John invests the $1990 tax saving.

IMPORTANT INFORMATION

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