Your Mortgage MATTERS

Spring Edition 2007

The biggest reform to Australian **superannuation** ever

The Australian Government has introduced the biggest reform to superannuation ever. From 1 July 2007, the Better Super changes will give Australians the opportunity to improve their lifestyle in retirement.

The reforms will ensure:

- If you are over 60 you will pay no tax on your super payout if you are in a taxed super fund (that's most workers).
- Most self-employed people will be able to claim all their super contributions as a tax deduction.
- If you are over 60 and want to work part-time you will be able to take part of your super as regular income – tax-free – and use it to top up your take-home pay.
- It will be easier to combine multiple super accounts into one fund.

The Better Super changes will increase retirement incomes, simplify the taxation of super, give more flexibility and choice in how super can be accessed and improve incentives to work and save.

You may be starting work or you may have been working for some time. You may work for someone else or your may be self-employed. Your retirement may be just around the corner or thirty years away. Whatever your circumstances, the new changes make super an even better investment for your future.

To ensure you get maximum benefit from the Better Super changes, you need to check that your employer has provided your tax file number to your super fund. It helps you keep track of your money and makes sure you pay the lowest rate of tax on contributions.

If you would like to find out more about how we can help your particular situation, call the office today.

The information presented here is a guide only. Personal circumstances and superannuation fund returns will vary, so we recommend that you seek appropriate professional advice before making decisions about your superannuation.

www.australia.gov.au/bettersupper NAT 71046-6.2007

Competition **Winner** Announcement

The **WINNER** of our Winter Edition Newsletter **'Win a Holiday'** competition is:

MARIA LAWRIE of Lindfield, NSW

Congratulations! You have won a holiday for two to your choice of destination; Daydream Island, Barossa Valley or Tasmania.

Spring Newsletter 'Win a Holiday' Competition
WIN a trip to your choice of:

- Couran Cove Island Resort
- Mornington Peninsula
- Blue Mountains

See back page for details on **HOW TO ENTER**

Also in this issue:

- Get **Tax** Smart
- Is it time to **fix** your interest rate?

Get **tax** smart

by Peter Switzer

As the financial year ends, all taxpayers should be on the look out for ways to legally reduce the tax they pay. This is an unchallengeable proposition.

Do yourself a favour and ask yourself these taxing questions:

- Are you happy with the tax you currently pay?
- Have you read the Tax Act?
- Have you sought out a great tax adviser who has looked at your position with an eye to legally reducing your tax bill?
- And finally, if you answered "no" to all these questions, then it's time you got a whole lot smarter, tax-wise.

Look ahead
Let's face it, there's not much time left to reduce your tax, so the plan should be to start now to ensure that next year's tax bill shrinks.

Individuals need to do some homework on all of the legitimate expenses they are able to claim. Keeping all receipts relevant to you earning income is essential and I recommend keeping a diary for some small expenses. For example, cash put into a parking meter when going to a course for professional development.

Get the knowledge
If you don't want to visit a tax expert (and I think you should), at least go to www.ato.gov.au to see what expenses are deductible for various careers. This website is worth spending some time on.

Also talk to work colleagues to see what they have learnt about tax-deductible expenses.

Consider an investment property
If your tax bill is big, it might be time to look at buying an investment property, or else some shares using a loan. Negative gearing is not just a way for people to buy an investment property or shares, it is a method to own assets that grow in value.

In case you don't understand how it works, have a look at the following simple explanation.

Negative gearing explained
Assume you buy a one-bedroom flat in Sydney for $400,000. You borrow the lot using interest only at 7%. The interest bill is $28,000 and you get rent of $300 a week, which means you get slightly more than $15,000. Throw in costs of say $3000 for other expenses of being a landlord and you have $31,000 going out and $15,000 coming in. Call it a loss of $16,000. This can be deducted off your annual income and effectively brings down your tax bill.

A smart move
By the way, you can inform your paymaster that you're expecting a loss from your investment property and he/she can adjust your weekly tax bill, so you don't have to wait an entire year for a tax refund.

The same process works for shares and can be a great way to hold a bigger load of shares while reducing your tax bill.

By the way, if share prices fall or there's a property slump, this can make you feel a bit sick, but provided you keep your job and can make your payments, then the market should eventually move in your favour.

Expert know-how
Tax experts and financial advisers can come up with other strategies to lower your taxes and increase the chances of building your wealth.

Starting a business - even a part-time one - can not only give you income, but also give you legitimate tax deductions. You can even borrow for a business, and once again, the interest is deductible and can help you own an asset that increases in value.

Enter the simplified tax system
People in business should look at the benefits of enrolling in the Simplified Tax System (STS). As of 1 July, the turnover test increases to $2m GST exclusive.
The STS option is also good for the treatment of deductions. For example, a non-STS small business can claim an immediate deduction for assets costing less than $100 GST inclusive.

However, an STS small business can claim an immediate deduction for assets costing less than $1000 GST exclusive, which is a good reason to buy up before 30 June.

There are advantages of being in an STS business and if you don't want to get an accountant to explain it, then try the ATO's website or a good small business tax book.

A multitude of tricks
Without doubt there are many tax tricks worth knowing that can mean you can save yourself from the impost of a very big tax bill. Generally, if you have lost money on your share investments, it's a good idea to sell those shares to take the losses and set them against any shares you have sold that have made a capital gain.

Some advisers tell their clients to hold off selling their shares until after 30 June to give a year's breather before having to pay the capital gains tax. Some people might sell their shares in a year when they are not working to minimise the tax slug.

Others might build a share portfolio in the name of a non-working partner to once again reduce the potential tax bill. In fact, income-splitting, done legally, can reduce overall family tax bills. This works well, say if a husband and wife were both teachers, IT consultants, accountants, etc. Also in the area of super, there are so many tax tricks that the novice might ignore while the expert would always have a good look at.

Savings can outweigh the cost
And this is the point, an expert costs you money, but in so many cases they will find you savings in one year equal to or more than their bill. Then for every year after, this could be contributing to your bottom line.

Undoubtedly you could teach yourself with homework, but if you weren't a great homework-type at school, then it might pay to consult an expert.

Peter Switzer, Switzer Accounting & Business Coaching
www.switzer.com.au

Is it time to **fix** your interest rate?

Falling interest rates are not a problem if you have a variable rate loan. If however you have a fixed loan then you will obviously be paying more in interest than is necessary and you will normally have to pay a penalty to change from fixed to variable.

Rising interest rates become a problem if you have a variable loan, and particularly so if you are on a fixed income. It is very difficult to predict the level of future interest rate rises. If you have any doubts about your ability to make repayments should rates move higher then you need to take immediate action. It is better to be safe and secure and paying too much if rates drop than being forced to sell in a falling market when you can't meet your commitments.

The preferred method of protection for most borrowers in Australia when rates are rising is the fixed interest loan. With this type of loan your interest rate and repayment is fixed for a set period, usually 1 to 5 years. At the end of this period it may change to a variable loan or you may be able to roll it over into a new fixed loan at the then current rate.

Another option to consider is a split rate loan. You have the security of knowing that the fixed portion provides partial protection against rising rates while the variable portion means savings if rates fall. This is a compromise solution that helps provide a safety net for those who have a bit of leeway with repayments.

Remember that whether you go split or fixed you are locking yourself into a contract that is expensive to break. Peace of mind comes at a cost, but if rates continue to rise you will very quickly come out ahead compared to a variable loan. Banks try to predict the direction of interest rates and this is reflected in their current fixed rate. Use it as a rough guide to future directions in your decision making. You may want to consider income protection insurance as additional security.

If you are thinking about refinancing, or need help and advice about whether to change your loan, please contact our office today.

Thank You.....

A note to say thank you for your business and some helpful hints to help you explain how we as finance brokers can help your friends, relatives etc, get their finances in order and find the best deal to match their current financial arrangements.

If they are serious about finding a professional to help them with their finances, particularly if they are looking to borrow money, then finding a broker that is reputable, experienced and well connected is the key.

One thing when comparing other brokers to us, is that we do not charge. We are paid on a commission basis by lenders and providers on a per transaction basis, so as a result both you and your referrals do not need to pay any brokerage fees.

But why use a broker in the first place? Well you know the answer to that - Because we can save time and money - and we all want to do that don't we! As finance brokers we know a lot about the products that are available in the marketplace.

This means that we can save them the time and hassle of having to do the research - after all we have it all at our fingertips.

If your friends & relatives are prepared to take the time to share the details of their current financial situation with us, we will be able to not only find them a product, but find one that meets their financial and lifestyle needs.

Call us today or visit our web site to see how we may be able help them as we have helped you, for which we say, thank you again for your valued business.

Regards

Bryce Blaker

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How to Enter:

Refer a friend, family member or acquaintance to:

Receive a copy of this Newsletter and receive one entry per referral. Make an appointment with someone from our office and receive one entry. Refer a friend, family member or acquaintance for a consultation with someone from our office and receive one entry per referral. Note; For full details of the terms & conditions of this competition, please go to www.nationalbrokersgroup.com.au

Authorised under NSW TPL 06/15084 ACT TP 06/05532 SA T07/398

Conditions:

1. All travel is subject to availability at all times and maybe dependent on select seat class with airlines or specific room category availability with accommodation partner. Travel must be completed by the 31st July 2008. Blocked out for travel from 15th December 2007 until 25th January 2008 and during special event periods. All bookings and documentation regarding the prize must be made via Free-2-Travel Holidays Pty Ltd or their agents. Redeeming the prize is conditional on acceptance of the terms and conditions of travel as detailed by Free-2-Travel Holidays Pty Ltd and the airline carriers in accordance with normal travel practices. No portion of the prize is redeemable for cash. The prize is no refundable or transferable. In the event the winner is under the age of 18 years, they must be accompanied by a parent/guardian. Winner is responsible for any amendments fees issued by airlines or suppliers once booking is confirmed and ticketed. Additional spending money, meals (other than those included), transfers and any other ancillary costs, including but not limited to insurance and any applicable insurance excesses, not listed in the travel prize package descriptions above are the responsibility of the travel prize winner and his/her nominated.
2. Staff & Members of National Brokers Group Pty Ltd are not permitted to enter this competition.

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