

# Prosperitas

*Prosperitas: Latin for prosperity & good fortune*

ISSUE 1 • April 2006



## Welcome to Planning Partners Newsletter

Welcome to our very first edition of Prosperitas. There is an enormous amount of change occurring not only in the economy at present but also within legislation and we believe that by producing a quarterly communication for our clients we will place you in a position for more informed decision making.

*We would like to take this opportunity to thank all our clients for your ongoing support. In particular, we thank those clients who have referred colleagues and family members over the last 12 months.*

'Will I ever get a handle on the moving goal posts that is superannuation legislation' – is a frequently asked question of our advisers. Included within this first edition is a summary of the recent changes made to this sometimes confusing field, coupled with a guide to the efficiencies that might now be relevant to you when you are contributing – yes, the changes have been positive!

Further positive legislative changes are being phased in following 'year-on-year' budget surpluses. On page 3 the legislated cuts to income tax have been included in a table for your consideration and a couple of solutions proposed to ensure that you make an efficient transition from this tax year to the next.

Some valuable time management tips and a somewhat revealing interview with one of the latest additions to the Planning Partners team are included among the other highlights of our first publication.

Finally, your feedback by letter and email relating to any of these articles or indeed general comment made relating to Prosperitas will be gratefully received and considered for publication within upcoming editions. The best letter will be awarded with a pair of Gold Class movie tickets on a quarterly basis.

We hope that you enjoy reading this inaugural issue of Prosperitas and on behalf of Planning Partners, we look forward to working in partnership with you during a prosperous 2006.

**Martin R McIntosh**  
Managing Partner

# SUPERANNUATION CONTRIBUTIONS

Superannuation continues to be the cornerstone of our tax-effective wealth creation strategies. The attractiveness of superannuation contributions was enhanced by the abolition of the superannuation surcharge in last year's Federal Budget.

Tax Deductions are available for superannuation contributions in 2005/2006 subject to the following Age Based Limits

Age – at date of the last contribution on the Financial Year	Maximum Deduction Limit for 2005/2006 (\$)	Contribution required for 'Self –Employed' to claim Maximum Deduction
Under 35 years	\$14,603	\$17,804
35 years to 49 years	\$40,560	\$52,413
50 years and over	\$100,587	\$132,449

## SUPERANNUATION STRATEGIES FOR EMPLOYEES

- Instruct your employer to **salary sacrifice** a larger portion of your salary (or bonus payments) to superannuation for the remainder of the financial year.
- Make an **undeducted contribution** to superannuation. A \$1.50 contribution will be made for every \$1 personal contributions made by employees with assessable income plus reportable fringe benefits of \$28,000 pa or less. The maximum co-contribution (\$1,500) reduces by 5 cents per dollar over \$28,000. No co-contribution will be paid once assessable income is greater than \$58,000.
- For business owners who are employees of their own entity (eg. Company or Trust), the entity can claim a tax deduction for contributions made on your behalf subject to your Age Based Limit.

## SUPERANNUATION STRATEGIES FOR SELF-EMPLOYED OR UNSUPPORTED PERSONS

If you are not an employee (or receive less than 10% of your total income from employment services), you may be eligible to claim a **personal tax deduction** for contributions made to superannuation. The tax deduction available is based on the first \$5,000 + 75% of the excess contribution up to your Age Based Limit. (refer to the table above)

It is important to note that one does not need to be actively working to take advantage of this strategy. For example, a retiree under the age of 65 could claim a tax deduction for superannuation contributions to offset capital gains tax from the sale of investments.

## SPOUSE CONTRIBUTIONS

You may be able to claim a **tax rebate** of up to \$540 for spouse contributions to superannuation, if your spouse's assessable income is less than \$13,800 in 2005/2006

## SUPERANNUATION SPLITTING

The Federal Government has recently released final regulations which allow couples to split up to 85% of tax-deductible superannuation contributions made in a financial year. In 2005/2006, this will only apply to superannuation contributions made from 1 January 2006.

This is a useful strategy for couples who may have uneven superannuation benefits. It will also allow couples to access two Post June 1983 tax – free thresholds and split income more effectively in retirement.

The actual superannuation split will be effected by instructing your Superannuation Fund after the conclusion of the financial year. It is not compulsory for all Funds to offer superannuation splitting. However, Planning Partners can confirm that all the Funds with which we deal on behalf of clients have indicated that they will allow superannuation splitting.

**Please note that all superannuation contributions which are to be made via our offices, should be received by 5pm on Wednesday 28th June to ensure that they are lodged by 30 June.**

# BUDGET SURPLUSES AND TAX CUTS

At last count, the Federal Government had amassed a budget surplus of more than \$17 billion over the last five years! This has been largely due to strong company profits and therefore, company tax growing at a much faster rate than was expected. For example, BHP recorded a profit of \$8.6 billion in August last year. Assuming a tax rate of 30%, this would have added around \$2.6 billion to the Government coffers!

The good news about budget surpluses is that it gives the Government scope to make personal tax cuts. Strangely enough, these often happen to be announced around election time!

You may recall that the Government announced personal tax cuts in last year's budget which are being phased in two stages. The second stage will be implemented on 1 July 2006 and will see income tax rate changes as follows:

Current Tax Thresholds (2005/2006)	New Tax Thresholds (2006/2007)	Tax Rate
Income Range	Income Range	(excluding Medicare)
Up to \$6,000	Up to \$6,000	0%
\$6,001 to \$21,600	\$6,001 to \$21,600	15%
\$21,600 to \$63,000	\$21,600 to \$70,000	30%
\$63,001 to \$95,000	\$70,000 to \$125,000	42%
\$95,001 +	\$125,000 +	47%

The change in tax rates raises some interesting planning opportunities for those clients who may be on a lower tax rate in the 2006/2007 year as compared to 2005/2006. In these cases, there could be particular benefit in bringing forward tax deductions to the current financial year

Example of some expenses which may be prepaid are:

- **Interest on Investment loans.** This is the most common type of prepayment and may include investment property loans, margin loans and capital protected loans. Planning Partners offer a number of sharemarket based lending strategies for clients in the lead-up to June.
- **Income Protection Insurance.** These premiums are tax deductible when paid. As such, the period between April and June is a common time for individuals to review their Income Protection insurance arrangements and potentially prepay the following year's premiums.
- **Agricultural Based Investments.** Tax effective investments in agricultural schemes such as timber, grapes, almonds and olives often offer an upfront tax deduction for the initial investment. These investments are particularly useful for clients who may have crystallized a significant capital gain during the financial year.

Whilst the tax deductions are attractive, the selection of the underlying investment is critical, as there is no point in paying out to get a tax deduction if there is no profit in the future. Our view is that these investments should only be considered for high income earners who have already maximized their superannuation contributions and considered negative gearing strategies

*'Bringing forward tax deductions to the current financial year, may be of substantial benefit to many clients.'*

## What is a Platform?

Investors today have the opportunity to hold a portfolio containing a wide range of products, through what is termed an investment platform.

Platforms give individuals access to a choice of investment options, such as personal super, retirement income, and financial protection from a single service point. A platform also acts as a management system, performing day-to-day administration and communicating with investment managers and financial advisers on your behalf.

The distinctions of a platform lie in three key areas:

- Ease of use
- Cost
- Investment choice

### Ease of use

Most platforms are internet-based, allowing advisers to implement investment decisions directly, and clients to gain real-time access to their portfolio from home, the office or wherever they happen to be. Clients also receive consolidated reporting to review platform performance.

### Costs

Costs vary from platform to platform. In the end, it is your individual circumstances and the convenience to you of this kind of service, which should be considered.

### Investment Choice

Platforms can give investors access to a wider choice of investments from a single service point. Investments can be spread across a range of different fund managers, products and asset classes. Some platforms may limit the types of investments to which they deal.

Planning Partners believe that there are substantial benefits in using platforms for managing clients' portfolios. Should you wish to discuss your recommended platform in further detail, please contact your Adviser.





Caroline Pieris

### Thirty seconds with...

**Success is a...** *journey towards one's personal goals*

**Great service is...** *the foundation of business success.*

**The person whose career I admire most is...** *Richard Branson, he is an inspiring person who has had great success.*

**I'm reading...** *The Lovely Bones by Alice Seabold*

**Last movie I saw was...** *Coach Carter, an inspiring true story.*

**My Favorite TV show is...** *I'm actually watching it now. I am hooked on the new TV series Prison Break.*

**My favourite gadget...** *is my mobile phone, I feel lost without it*

**My favourite way to pass a day is...** *Wake up at my own leisure, spend the day at the beach, and catch up with friends for dinner & drinks.*

**My three ideal dinner party guests would be...**

*Gwen Stefani – for her outgoing personality*

*David Beckham – for his looks*

*Jamie Oliver – for some cooking tips*

**If I could travel anywhere in the world...** *it would be the Maldives!!*

**The sports team I mostly follow is...** *I was born a Collingwood supporter.*

**One thing I have always wanted to do is...** *Skydive although I haven't built up enough courage to do it yet!!*

**My favourite quote is...** *An eye for an eye leaves the whole world blind.*  
– Mahatma Gandhi



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## Time to be first on the grid

Do you have a huge number of demands in your day? Not sure where to begin? It's often said that effective time management rests on one principle – concentrate on results, not on being busy.

So how can you get results? To begin with, you need to identify your priorities and determine which tasks take precedent over others. Time management doesn't have to be a complex or long-winded process. Five to ten minutes planning at the beginning of each day is all that's required to help get you on track.

### The Priority Grid

So how do you do it? The priority grid is a good way of making you manage the daily tasks you need to complete, as opposed to working on the first thing that comes to your desk or inbox. The priority grid teaches you to be less reactive to others demands and consider what is important to you. To use the priority grid, think of all the tasks you need to complete for the day. Place each individual task in one of the four quadrants that you feel best fits its priority.

#### Quadrant One – Prioritise

These are tasks which are both important and urgent and should be completed as a priority. For example, making an urgent phone call or preparing an urgent report. It is possible to get stuck in this quadrant all day and go from one crisis to another, – but effective people are able to move into Quadrant 2.

#### Quadrant Two – do some every day

These tasks are important but not urgent. They contribute to important goals but don't have a looming deadline. They may also relate to your overall effectiveness. For example, delegating work to a staff (or family) member who may be better qualified to complete the job.

Establishing processes to deal with urgent tasks will help keep you out of Quadrant 1 and move you into Quadrant 2.

#### Quadrant Three – get it out of the way

These are urgent but minor tasks such as returning emails. Do some of these tasks first thing in the morning; you'll develop a positive feeling from seeing results and provide the momentum to tackle the larger tasks at hand. Quadrant 3 tasks pop up unexpectedly during the day and can pose a distraction. If they only take 5 minutes to complete then get them out of the way and don't let them interfere with important priorities.

#### Quadrant Four – resist or leave until last

Ask yourself – am I doing this to avoid working on what's really important? If the answer is yes, then it's probably a fun but time wasting activity that has little or no relationship with your priority tasks. It's common to fall back on these activities when you're procrastinating or bored. Consider the consequences of ignoring them. Come back to these activities at the end of the day. Treat them as a reward for completing everything else.

The Priority Grid can be used and updated everyday. A good Priority Grid works like a well planned 'to-do' list. By assigning specific tasks to each quadrant, you can determine what goals you can fit into your day, as well as easily identify the tasks that will stop you getting there.

	URGENT	NOT URGENT
IMPORTANT	<b>1</b> <b>'Do it now'</b> <i>Do early in the day, as these tasks are deadline driven</i>	<b>2</b> <b>'Do some every day'</b> <i>Do when you have quality time</i>
NOT IMPORTANT	<b>3</b> <b>'Get it out of the way'</b> <i>Do throughout the day, – or delegate</i>	<b>4</b> <b>'Resist or leave it until last!'</b> <i>Do last in the day</i>