

## A summary of the Henry Tax Review

The Federal Government released the long awaited Henry Review which has the overall objective to strengthen growth to maximise Australia's wealth creation potential. The review was charged with providing a "blue print" for the Australian tax system to respond to the current deficiencies, take into consideration our ageing population, environmental pressures and address our lack of national savings over the next 10 to 15 years.

Even though Australia survived the Global Financial Crisis without descending into a recession we are faced with the challenges of:

- Shifting world economic activity;
- A changing labour market;
- The rise of Asia; and
- Ever increasing standard of living expectations.

### Initial changes to the tax system:

- A reduction in company tax from 30 to 28 per cent by 2015.
- Small business to benefit from company tax cut to 28 per cent from 2012.
- Introduction of a 40 per cent Resources Tax.

### Superannuation changes:

- Super contributions to rise to 12% by 2019.
- Workers earning up to \$37,000 will get a concession of up to \$500, cancelling out tax paid on super contributions.
- Concessional superannuation contribution caps for those nearing retirement – from 1 July 2012. Workers aged 50 and over with superannuation balances below \$500,000 will be able to make up to \$50,000 in annual, concessional superannuation contributions.
- Raising the Super Guarantee age limit from 70 to 75 – from 1 July 2013.

### Conclusion

With the Henry Review into Australia's tax system and the recent release of the Federal Budget, the current times continue to be uncertain. Speak to your Financial Adviser to ensure you understand how these changes may affect your retirement.



**Did you know:** Lemons contain more sugar than strawberries.

Source: <http://www.fruitcorp.com>

## Tax Tips checklist

No one wants to pay more tax than they have to, but in many cases they do. Below are some tips on how to manage your affairs to maximise your income.

### Investments:

- Put any new share or managed fund purchases in the name of the lowest income earner, or joint names.
- Have an investment property valued by a quantity surveyor to claim the maximum depreciation.

### Deductions:

- The premiums for Income Protection policies held outside super are tax deductible before June 30.
- Pre-pay 12 months interest on investment loans.

Make the most of tax deductions by bringing forward a tax-deductible expense, thus decreasing income tax payable in the current financial year.

### Small business owners:

- Review your use of private company assets; from this year benefits will be taxed at market value.



# The Greek debt debacle

## The blowout in public borrowing

It seems the Greek debt saga won't go away. No sooner than it looks like it's resolved it keeps degenerating into high drama once again. The latest iteration has been triggered by another upwards revision to the Greek budget deficit, ratings downgrades, more worries that assistance won't be forthcoming from Germany and intensifying worries that Greece can't deliver on its promises to cut its deficit or may default. Of course, there is a degree of self fulfilling insanity to all this because the more investors panic and push up Greek borrowing rates, the greater the likelihood that Greece won't be able to deliver, and so the more investors panic!

The bottom line is that the resultant panic has pushed Greek ten-year bond yields up to nearly 10%, which is more than three times above German levels. Bond yields in other 'at risk' countries such as Portugal and Spain have also been pushed up and share markets have fallen in the last few days on worries the debacle will threaten the global recovery. Many fear this is just another iteration of the global financial crisis (GFC) in the making, with another financial meltdown just waiting around the corner. So what are the risks?

## Risks better known with Greece than sub-prime

Despite Greece's dodgy public finance stats, the risks are far better known than was the situation during the GFC when financial institutions baulked at counterparty risk because they didn't know what sort of sub-prime Collateralised Debt Obligation-related risks they might be getting exposed to. In the case of Greece's public debt, the exposures and risks are far more transparent. Interestingly, 25% of Greek public debt is held by Greek residents while the rest is held largely by European financial institutions, notably in France and Germany. US banks have little exposure.

## Greece is unlikely to derail the global recovery

Greece is only 2.6% of euro-zone GDP and Portugal is just 1.8%. What's more, the Greek tragedy has been hitting the headlines since late last year and, despite this, both consumer confidence and business conditions in the euro-zone have been rising solidly. In fact, business conditions readings in the euro-zone are quite close to US levels and both are at or around normal cyclical highs. It looks like the weaker euro is having a positive impact, outweighing the bad news from Greece.

More broadly, the news on the global recovery has continued to improve over the last few months despite the Greek news.

This is most noticeable in the US and Asia where the economic recovery seems to be getting stronger.

## Public debt not really an issue in emerging world and Australia

Whereas the International Monetary Fund is projecting gross public debt in advanced countries to rise above 100% of GDP this year, in the emerging world it is likely to have peaked below 40% of GDP. In Australia, the budget deficit is less than half the average OECD levels and gross public debt of around 16% of GDP is trivial compared to an OECD average of 90%. Upgrades to Australia's growth outlook suggest budget deficit projections will be revised down.

## Concluding comments

The correction in shares that has been triggered by Goldmans and Greece may have a bit further to go yet. However, it's hard to see Greece bringing down the global recovery. As a result the implications for Asia and Australia are likely to remain minimal.

Source: AMP Capital Investors

# Get healthy and save

In Australia, we're lucky enough to have one of the best lifestyles in the world. Plenty of sunshine and an abundance of good and healthy food. There's no reason for Australians to be unhealthy.

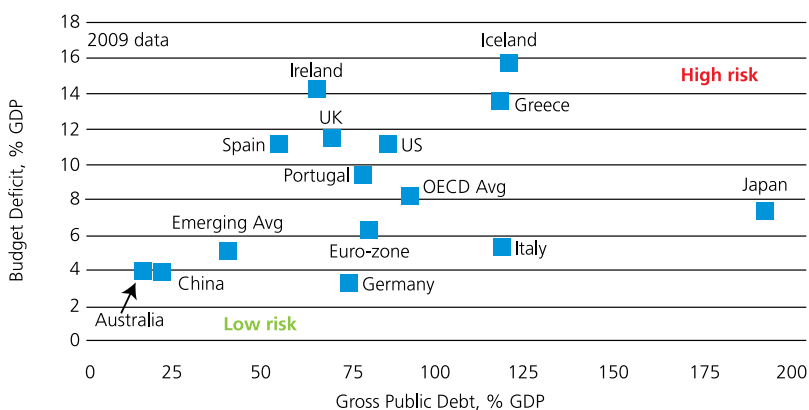
Unfortunately, despite our blessings, the general state of the Australian population does not seem to be improving.

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**Did you know:** M&M's chocolate stands for the initials for its inventors Mars and Murrie.

Source: [www.didyouknow.net.au](http://www.didyouknow.net.au)

Public debt blowout - Greece is an extreme



Source: OECD, IMF, Eurostat, AMP Capital Investors

## Tips to protect your identity

It is estimated that Australians lose over \$2.2 billion a year through identity theft. This is where your personal details are stolen and the criminal uses them to borrow money or incur debts in your name. By the time you discover the problem the thief is gone with the goods bought in your name. You are left with the debts to repay, a damaged reputation and the inconvenience of having to restore your credit rating.

Avoiding identity theft is partly a matter of common sense. For instance,

- Signing your credit or debit cards immediately and never letting anyone know your Personal Identification Number (PIN).
- Keeping credit card slips and checking them against your statements.
- Changing your PIN and internet password often.
- Reporting lost or stolen credit cards immediately.
- Keeping your personal details and bank account details secure.

However, here are some other ideas to consider:

- Take out all the contents of your wallet or purse and copy it all – back and front. Keep the copy in a safe place (not in your wallet) together with the phone numbers of your banks and credit card issuers. Now you are prepared to report a loss quickly.
- Sign your credit card and print in bold letters next to your signature "Requires photo ID". This will prevent the thief using your card in shops (but obviously not online or over the phone).
- Put a lock on your mailbox to prevent mail being stolen.
- Report stolen property to the police. This shows credit providers you were diligent and it enables an investigation to start.

- Ensure your bank and credit providers have your up to date contact information. Computer systems are becoming more sophisticated and banks can often detect unusual buying patterns. If they can contact you promptly, they will be able to put a stop on the card.
- If you buy over the internet, have a credit card with a low credit limit just for that purpose. This will put a cap on how much can be stolen.
- If you are asked for your driver's licence as ID show it but don't let anyone write the details down. Your licence is a de-facto national ID card.

The growth of electronic banking has provided thieves with new avenues to separate you from your cash and credit. Common sense and vigilance can reduce the risk of it happening to you.



**Did you know:** Honey enters your blood stream within 20 minutes of being eaten.

Source: [www.didyounow.net.au](http://www.didyounow.net.au)

## The Government's done their Budget, have you done yours?

As you are no doubt aware, the Federal Government released the 2010/11 Federal Budget on 11 May 2010 and changes were announced to superannuation that may affect your financial situation, for example:

- Superannuation guarantee to increase from 9 per cent to 12 per cent by 2019.
- Matching government co-contributions capped at \$1000 indefinitely for low income earners.
- Superannuation guarantee age limit to rise from 70 to 75 from 1 July 2013.
- Concessional contributions cap increase.

In addition, changes were also announced in relation to:

- Income tax cuts;
- Personal Income tax thresholds;
- Capital protected borrowings;
- Child Care Rebate; and
- Discount for interest income.

All of which can have an impact of your financial plan.

With the end of the financial year rapidly approaching, it may be a perfect time to think about your own personal budget and financial situation.

## How tax effective is Super?

For most people, saving through super can be much more tax effective than saving the same amount outside super. Firstly, any contributions your employer makes (up to a certain limit) and any

returns on your super are taxed at a maximum of 15%, rather than your marginal tax rate which could be as high as 45%.

### What tax-effective incentives is the government offering?

Salary sacrifice	If you arrange for contributions to be made to superannuation from pre-taxed earnings above the 9% contributed by your employer, you will pay a maximum 15% tax on the extra contributions rather than your marginal tax rate (up to a certain limit or cap).
Additional spouse contributions	If your spouse earns less than \$10,800 and you add to their super you could receive a tax rebate of up to \$540. You can do this each year or when taking a lump sum.
Super splitting with your spouse	If you even out the super contributions between yourself and your spouse you may save in tax when you convert your super into a pension.
Co-contributions	If you earn less than \$61,920 and make additional contributions to your super, the government could match your contribution (up to \$1,000).
Access your super while still working	If you're over 55 and working part time you can now access your super in the form of a pre-retirement pension and still contribute to super.
Small business capital gains tax (CGT) concessions	If you own a small business, the proceeds of the sale of certain assets may be contributed to super so you can minimise CGT as well as maximise your retirement savings. A lifetime \$1.1 million limit applies to these amounts.
Roll your super over into an allocated pension when you retire	If you use your super to buy an 'allocated pension' (also known as an 'account based' pension) rather than cash it in, you can save tax on the lump sum. Another benefit is that the returns on your allocated pension are not taxed.
Pension payments and withdrawals over 60	If you are 60 or over, your pension payments and lump sum withdrawals are not subject to tax.

Source: Colonial First State

## Get healthy and save

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The most common killers in Australia have been heart disease and cancer.

- Cardiovascular disease affects 1 in every 6 Australians. By 2051, that's expected to increase to 1 in 4 Australians<sup>1</sup>.
- Diabetes is Australia's fastest-growing chronic disease, with 275 Australians developing the disease every day<sup>2</sup>.

This is largely due to the fact that many Australians live with a combination of poor diet and a lack of physical activity.

### Lifestyle changes could save your life... and your wallet

When a life insurance company calculates your premiums, they take into account a number of risk factors – including your age, gender, blood pressure, smoking status, cholesterol and blood glucose levels.

If you fall into a high-risk category for some of these risk factors, it can be reflected in how much you pay for your insurance each year.

By making changes to improve your lifestyle, you could reduce your high risk factors for serious illness, give yourself a better quality of life and save money.

<sup>1</sup> 'The shifting burden of cardiovascular disease' – Report by Access Economics to the Australian Heart Foundation, 2005

<sup>2</sup> 'Diabetes in Australia' – Diabetes Australia website, [www.diabetesaustralia.com.au](http://www.diabetesaustralia.com.au)

Source: Asteron

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