

Newsletter

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HM
Henderson Matusch
STRATEGIC WEALTH SOLUTIONS

NEW ADVISERS

We're pleased to welcome aboard two new advisers – Tony Young in our Brisbane office and Amanda Bickerstaff in our Southport office.

Tony holds a Diploma of Financial Services (Financial Planning) and has completed the ASIC key competencies.



Amanda Bickerstaff has been working in the Financial Services Industry since 2002. She has completed the Diploma of Financial Services (DFP).

THE FEDERAL BUDGET. WHAT DOES IT MEAN FOR YOU?

Even though low to middle income earners may not have been the big winners in the budget's proposed tax cuts, there are still plenty of tax strategies you can follow to ensure you are in super shape for the next financial year.

If you're on \$40,000, you will save \$312 in tax under the proposed budget. For those on \$60,000, it's \$552 (see table over). Though hardly a windfall, you could consider investing this tax saving into superannuation as an undeducted contribution.

Take the example of John, who earns \$40,000 a year. He invests his \$312 into super as an undeducted contribution, entitling him to the government co-contribution of \$468. That's a return of 150% tax free that is invested in superannuation for John's retirement.

If you are self employed, consider putting a lump sum into super up to your maximum deductible limits. Depending on your age, there can be good incentives for lump sum contributions, with the first \$5,000 being 100% tax deductible.

TAXABLE INCOME	SAVING
\$25,000 – \$55,000	\$312
\$60,000	\$552
\$65,000 – \$70,000	\$912
\$75,000	\$1162
\$80,000	\$1412
\$85,000	\$1662
\$90,000	\$1912
\$95,000	\$2162

HOW TO MAKE THE MOST OF YOUR MONEY

Perhaps more important than the Federal Budget, in real terms, for many Australians is the family budget.

According to a study released last year, a staggering 40% of Australians across all incomes worry they will not be able to afford to pay their bills.

This doesn't surprise many financial planners. Many people simply don't know how to budget. A budget is one

of the most simple tools in managing money, and without one most of us muddle through, staying one step ahead of the bills.

There are two types of budgets. The basic type, which has broad expenditure categories, and the complex version, which lists everything down to dog food.

Complex budgets tend to work better, because when you are preparing your budget to that degree of detail, you can see where you are over spending and find ways to fix it. For others, the simple budget works well too.

Plenty of example budgets can be found on the internet, or ask your financial adviser.

The first step is to know how much you are spending. This means collecting all your bills – credit cards, utilities, mortgage or rent, groceries etc and working out a monthly average for each expense.

A successful budget will include categories that reflect the way you actually spend money. For example if you regularly buy lunches at work, you'll want a sub category under "food" called "work lunches."

Think about your hobbies (golfing, bowling, gardening) and your habits (smoking, drinking, buying coffee every day) to identify other spending categories.

The idea is to establish where your money goes so you can make conscious decisions to spend less and save more.

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On the income side if you have investments, check with your financial adviser to ensure your investments get the best tax treatment.

Subtract your expenses from your income and this is your saving capacity. If the number is negative, this means you are spending more than you are earning. Don't be discouraged; identifying this is the first step in turning things around.

It is important to be realistic, and set a budget that is achievable. You still need to be able to enjoy life, or you will feel frustrated and give up as a result.

It is also important to build in flexibility for things like interest rate rises, because these things can change. If they don't, then you will have more money in your budget for contingencies.

If, on the other hand, you have a positive balance, then keep this in an investment account. The easiest way to save is to have all your income go into one account and transfer your monthly budget into a "spending account". Money left in an account with easy access has a habit of disappearing.

Once you have your budget, it is a good idea to monitor it closely for a period of time – say, three months – to ensure you are sticking to it and that you have factored in all your expenses. This will allow you to identify problem areas and areas where you can make additional savings.

It is also a good idea to review your existing expenses. Is your health, car or home contents insurance competitive? Can you switch to a lower mobile phone plan? If you're not using your gym membership, try running in the park during the cooler weather.

You may be able to save hundreds of dollars a month without making any sacrifices.

Once your budget is working for you, cutting costs becomes a rewarding process, especially when you can see your savings grow or debt reduced.

You are in control of your finances, and as any financial adviser worth their salt will tell you, a budget is the most important tool to help you achieve your financial goals.



TOP TEN TAX REDUCING TIPS

1 Always review your tax circumstances before the end of the financial year as there will almost certainly be something to consider. If you have a salary package, including salary sacrifice to super, see if you need to make adjustments in the new financial year. If so, do it as early as possible.

2 Don't retire before June 30, if you can avoid it, especially if you earn more than \$100,000. As well as the superannuation surcharge being eliminated, the termination payments surcharge is being abolished from July 1.

3 Combine investments with a tax deduction through prepayment arrangements. There are a host of investments offering pre-payment tax deductions, but be aware of the limitations of the 12-month pre-payment rules (a deduction applies if it relates to a service that took place over 12 months or less, and was completed in this tax year).

4 Make sure investments that rely heavily on tax deductions have a tax office product ruling that outlines the terms under which a tax deduction is allowed. Do your research, and don't make a last-minute decision as some schemes are clearly better than others.

5 Offset realised capital gains with capital losses where possible. Also the 50% discount on capital gains tax that applies to shares or units once they've been held for 12 months is a major concession.

6 Claim all your expenses. Consider making pre-payments of expenses due next year, but be aware that to steer clear of tax avoidance provisions you will need a commercial reason to justify it, ie you will receive a discount for early payment. If you are planning donations or gifts, consider doing this before June 30.

7 Defer income such as a bonus until next year to take advantage of the more attractive tax scales.

8 Review your existing tax strategies in the light of new tax scales that apply from July 1. The lower tax scales may make certain strategies less efficient.

9 If you have lent money to a family company ensure there is a formal loan agreement in place before June 30 recognising this debt. This will avoid hassles under new tax rules where loans without an agreement are treated as capital investments, interest payments must be treated as dividends and, above all, not tax deductible to the company.

10 If you have a family trust, use it properly and implement a family trust election. The election is a simple tick in a box in a tax return. Structured properly, family trusts allow dividends and imputation tax credits from share investments to flow through at their personal tax rates and are also entitled to the CGT discount.

Weekend Australian Financial Review

Your financial adviser can answer any questions you may have related to preparing your annual tax return, or amend your investment strategy, if necessary, for the new tax year.

Henderson Matusch have preferred accounting practices in Brisbane, Southport or Coolangatta to assist you in preparing your tax return, and making 2004/05 as stress free as possible. Please call us if you would like further information.

E-MAIL NEWSLETTERS

If you would prefer to receive newsletters via e-mail, please contact your adviser's office on the e-mail addresses below and we will add your details to our e-mail list.