

Wealth Creation Newsletter

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HM
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STRATEGIC WEALTH SOLUTIONS

FEDERAL BUDGET OVERVIEW

Prior to the budget, there was much speculation that it would deliver personal income tax changes for most working Australians.

The budget has delivered on those expectations and then some! Not only were taxation changes announced that benefit most working Australians but the Government delivered a blueprint to radically change the taxation of retired Australians who use superannuation.

From a financial planning perspective, there were four main areas of reform.

1. Personal income tax reform

The Government has announced significant movements in the thresholds at which individual taxpayers move from one tax bracket to another. But in addition, the highest marginal tax rate of 47% has been cut to 45% and the 42% rate reduced to 40%. These changes, together with an increase in the low income tax offset from \$235 to \$600, are to be effective from 1 July 2006.

As a result of these changes, an individual will need to have taxable income in excess of \$121,500 before they have an average tax rate equal to the company tax rate of 30%.

2. Other taxation reforms

The changes in personal income tax rates have also resulted in changes to other taxation rates which are generally based on the historical 47% marginal tax rate.

The Fringe Benefits Tax rate will be reduced to 46.5% (effective 1 April 2006), and a 45% rate will apply to the special income of superannuation funds, unearned income of minors, and the net income of a trust to which no-one is presently entitled.

Changes have also been announced in relation to small business taxpayers and the various tax concessions available to them. In particular, the Government announced changes to the small business capital gains tax concessions.

3. Social security reforms

For the second year in a row, the Government has announced a oneoff bonus payment for persons receiving a Carers Payment or Carers Allowance of \$1,000 or \$600 respectively.

The Government also announced an increase to the lower threshold at which Family Tax Benefit Part A begins to phase out. And the treatment of complying income streams and gifting rules for aged care purposes will be brought into line with their Centrelink assets test treatment.

4. Superannuation reforms

No changes to superannuation and retirement income were actually announced. However the Government did release its plan for a significant reform and simplification of the existing superannuation and retirement income regime.

The blueprint (which, if implemented, will commence from 1 July 2007) canvasses significant changes, including: the abolition of Reasonable Benefit Limits; the abolition of tax on superannuation retirement benefits taken from age 60; the abolition of compulsory cashing requirements; the abolition of the existing, age-based deduction limit, but the introduction of an annual \$50,000 deducted contribution limit (available to age 75), and an annual \$150,000 undeducted contribution limit; a reduced taper rate for the Centrelink assets test; and the removal of asset test exemptions for complying income streams acquired from 20 September 2007.

Extract Asgard 2006 Budget Update

Current for 2005/06

Tax Rate	Income Ranges
0%	\$0 to \$6,000
15%	\$6,001 to \$21,600
30%	\$21,601 to \$63,000
42%	\$63,001 to \$95,000
47%	\$95,001+

Proposed for 2006/07

Tax Rate	Income Ranges
0%	\$0 to \$6,000
15%	\$6,001 to \$25,000
30%	\$25,000 to \$75,000
40%	\$75,001 to \$150,000
45%	\$150,001+

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STOP FEEDING THE SHARKS

If you think fraud victims are only little old ladies, or the very naïve, you could be in for a shock. A survey conducted in Australia by KPMG last year found that 45% of the 27,000 respondents had been victims of fraud in the past 12 months.

As techniques become more sophisticated, technology is often employed to defraud, and you could be the next victim – so be aware, and stop feeding the sharks.

Phishing

You receive a fake email from your bank or credit card company saying there have been problems with your account and asking you to click on a link and confirm details. When you enter this information it is sent to the criminal, and then you are rerouted back to the legitimate bank website, unaware that you have just sent your details to an unauthorised user.

Your bank will never ask for your passwords or PIN, even if it looks legitimate.

Trojans

As the name implies this refers to a type of Trojan horse, but this one is of the technical kind. It is let into your computer when you click on a hyperlink or attachment in a suspect email, where the Trojan sits waiting until you access a secure site, like your bank. Once on these sites the Trojan records keystrokes of all the details you enter and forwards these to the fraudster.

Virus protection and firewalls are essential. To be safe don't open emails and attachments from unknown sources.

Ransomware

This malicious software embeds itself in your computer when you click on a hyperlink or attachment locking your computer, and leaving a message telling you an address to send money so you can unlock your computer.

Prevention is the best defence. Ensure your computer has up to date virus protection, and employ a computer technician before you hand over any cash.

Skimming

This is a scam where your card is put through a device, usually at a bar, restaurant or shop, which copies the magnetic strip on the card. Once the strip has been copied it is then put onto a new card with a different name and the fraudster's signature.

Don't let your card out of your sight if you can avoid it – many retailers now ask you to swipe your own card, so you can be confident that your card has only been used for the authorised transaction.

Nigerian Letter

You receive a letter from someone in Nigeria, for example, but it could be any developing world country, appealing to you to help by transferring money out of the country. In fact, the scam operator could be in the US, Australia or anywhere.

Only support legitimate charities within Australia, it feels good, it's tax deductible and you can be sure it's going to those who really need it.

Lottery Scams

You receive an email or phone call saying you've won a prize in an international lottery. You don't remember entering, but are excited and keen to claim the prize money. When you contact the people who emailed you they request fees to process your winnings.

Similarly, you may be required to call a phone number that takes you through a long automated process, charging exorbitant fees related to the time spent on the call. You haven't really won anything at all, but it's dangled in front of you as a

means to scam as much money as possible in fees and charges.

If you don't remember entering a competition, as tempting as it sounds, you probably haven't.

Ponzi Schemes

The promotor promises you a too-good-to-be-true investment return, and promises security. Part of the money deposited by investors is used to pay their first dividend cheques and interest. After a couple of months the investor becomes more comfortable, invests more funds and encourages friends and relatives to invest.

Soon there is a steady flow of cash coming into the scheme, but the funds never grow, and eventually there's nothing at all.

Always ensure investments are made through an ASIC authorised Adviser and reputable firm. If it's too good to be true, it probably is.

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CHANGE OF DETAILS

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