

BORROWING - WHAT A SUPER IDEA!!

Hello again,

There has been a lot of excitement generated recently in relation to being able to borrow to acquire an asset within superannuation. Limited Recourse Borrowing, as it is now known, has captured the attention of many a self managed superannuation fund (SMSF) investor, ever since the borrowing rules were relaxed in 2008.

The main asset being acquired by self managed superannuation funds under the limited recourse borrowing rules appears to be direct property.

Most banks and financial institutions are now more than capable of providing loans to self managed superannuation funds and accordingly, this end of the market is proving to be quite competitive.

But then again why wouldn't it be? The SMSF sector is growing with momentum with statistical data showing that since July 2007, new SMSFs are being established at a rate of approximately 30,000 new funds a year.

So why is SMSF borrowing becoming so popular?

- *It maximises wealth within your superannuation fund, especially where additional contributions are made to allow the fund to repay the borrowing more quickly;*
- *Future income and capital gains on underlying assets are taxed concessionally within the superannuation environment and may even be tax free where the assets are held to pay a pension to members;*
- *Members and related businesses are able to act as the lender (i.e. be the bank) provided strict commercial principles are adhered to and legal documentation is compliant;*
- *As is the case outside superannuation, borrowing allows leverage to acquire assets that would otherwise be out of reach;*
- *Superannuation by its very nature is a long term investment and most people see an opportunity to use borrowing as a means to acquire an asset that will potentially grow in value over time.*



Where to from here?

There is no doubt that borrowing in superannuation can prove to be a very worthwhile and potentially tax effective strategy, but as in all situations of this kind, you must ensure you seek professional advice from advisers who are experts to ensure compliance with the provisions of the law.

If you would like to know and understand more about this opportunity, you are invited to attend our seminar as detailed below

HQB SUPERANNUATION SEMINAR—TUESDAY 14TH June 2011 at 6pm

⇒ Self Managed Superannuation Funds (SMSF)

⇒ SMSF Borrowing Strategies

Please contact our office on (02) 6652 2333 to secure your place

BUDGET 2011—WHAT DOES IT MEAN FOR YOU??

Superannuation Matters



Eligibility requirements apply

- **Minimum pension draw down relief phased out - effective from 1 July 2011**
In recent years, because of the Global Financial Crisis and its impact on superannuation balances, the minimum pension withdrawal had been reduced to half of the normal rate.
This relief will now be phased out, reducing to 75% of the normal rate for the 2011-2012 financial year and returning to the normal rate from 1 July 2013.
- **Extension of co-contribution freeze - effective from 1 July 2011**
Changes introduced in the previous Federal Budget to curb eligibility for the Government co-contribution scheme have been extended for another year.
Current income eligibility levels of \$31,929pa for a full contribution and \$61,920pa for a partial contribution will remain in place until 2012-2013.
- **Higher pre-tax contribution caps at age 50 - effective from 1 July 2012**
People over 50 can currently make pre-tax contributions of up to \$50,000 without being taxed at penalty rates until 30 June 2012.
However from 1 July 2012, the limit will be reduced to \$25,000 per year except for those aged over 50 with less than \$500,000 in super who will still be able to contribute \$50,000 in pre-tax contributions each year.
- **Reporting of employer contributions on payslips - effective from 1 July 2012**
Employers will be required to include the amount of superannuation contributions actually paid into employees' superannuation accounts on payslips. Superannuation Funds will also be required to advise employees and employers if regular payments cease.



Taxation Issues

Please contact our office for further advice relating to your specific situation

- **Removal of low income tax offset for under 18s - effective from 1 July 2011**
Children under the age of 18 will no longer be able to access the low income tax offset to reduce tax payable on unearned income such as dividends and interest.
This will not apply to income earned from work, compensation payments and inheritances.
This measure reduces the attractiveness of investing on behalf of minors or making trust distributions to minors.

Taxation Issues - continued

- **Lower income tax earners will be taxed less during the year - effective from 1 July 2011**

This is rather than being compensated after their tax return is filed. For example, someone with an income of \$30,000 will pay \$300 less tax during the financial year, rather than receiving an additional tax refund of \$300 at tax time.

- **Dependant spouse tax offset to be phased out - effective from 1 July 2011**

This offset, which was generally available for dependant spouses with no dependant children, will no longer be available for spouses born after 30 June 1971. Exceptions will apply to the general rule.

- **Reduced HECS discounts - effective from 1 January 2012**

The discount available to students electing to pay their HECS contribution upfront will be reduced from 20% to 10%.

The bonus on voluntary payments of \$500 or more will be reduced from 10% to 5%

- **Motor vehicles and other tax write offs - effective from 1 July 2012**

Small businesses will be eligible to write - off the first \$5,000 of any motor vehicle purchased after 1 July 2012. The remainder of the purchase price will be depreciated.



Estate Planning



At HQB we do more than fill in tax returns. As well as a wide range of professional services we can now, in collaboration with your solicitor, provide you with asset protection and estate planning advice. Over the past two years we have invested considerable resources to acquire the necessary skills in this important area.

As baby boomers reach retirement age and generation X and Y emerge as a threat to the “boomers” wealth and retirement plans, there are many things you need to consider. For example, how you will transfer your assets to the next generation, your business succession strategy and how it will be funded, the role of a testamentary trust in your estate plan, enduring business structures, whether a family trust is right for you, and whether a self managed superannuation fund (SMSF) is a suitable vehicle to hold your wealth.

A SMSF remains an attractive option despite contribution caps. Decisions such as death benefit nominations, the type of trustee (corporate or individual), the benefits of an alternate director, anti detriment provisions, recontribution strategies (an absolute must for those over sixty), distributions and control after death, and most importantly, compliance with various legislation must all be addressed. Remember, superannuation monies are not automatically dealt with by the provisions of your will.

For assets not held within the superannuation environment, you may wish to consider the use of a “blood line” testamentary trust as part of your estate plan. These relatively inexpensive sophisticated testamentary trusts ensure that assets track down through a testator’s bloodline (children, grandchildren, great grandchildren...) and remain safe from dominant children-in-law and /or avaricious future partners /spouses.

The Australian Taxation Office and Office of State Revenue love people who don’t plan – income tax, capital gains tax and stamp duty can all be the result of inattention to this important part of your affairs. But it can get worse – your assets may end up dispersed in ways completely unintended.

Please phone our office on (02) 6652 2333 to arrange an obligation free assessment of your affairs

Is it time to upgrade your accounting software ?

With the end of the financial year fast approaching, it is time to consider upgrading your accounting software.

As someone operating a business, it is important that your accounting software is kept up-to-date to ensure you meet the ever changing requirements.

For those businesses using payroll, you should have an annual maintenance contract with your accounting software supplier to ensure you have current tax and deduction tables.

If your accounting software is more than 3 years old, it is time to upgrade.

If you are using E-record, you must find an alternative from 1 July 2011 as this software is no longer supported by the ATO.

Modern accounting systems provide more information than just the basics, they also provide insight as to how a business is performing, an important tool in helping you to make business decisions.

If you require further assistance please contact HQB on (02) 6652 2333.



Staff News and Activities



We all admired this stunning cake creation by Paul Chakos

Congratulations to Sharon Binning on the arrival of Manisha Binning, born 6 May 2011. Mother and baby are doing well.

Congratulations also to Brian Singh, who recently got married in a lavish ceremony in Woolgoolga. Best wishes to Brian and his new bride Keiren for their future together!

HQB also welcomes two new staff members to the fold - Cathy Bourke, personal assistant to Greg Hardy and Vicki Totzl, personal assistant to Ian Hogbin.

We also sadly farewell Mia Shorter, our receptionist and Fiona Baker, personal assistant. Mia is off to The University of Newcastle and Fiona to start a family. Good Luck Girls!!

On 26th May, HQB held a "Biggest Morning Tea" in support of the Cancer Council. It was a great success with all staff getting involved.



This newsletter is compiled as a helpful guide for your private information and is subject to copyright.

We suggest that you do not act solely on the basis of material contained in this newsletter because items are general comments only and may be liable to misinterpretation in particular circumstances.

We recommend that our advice be sought before acting on any of these crucial areas.