LIFE Strategies TODAY

June, 2011

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Business Tax Planning Strategies

The end of the 2010/11 financial year is almost here, so now is the time to review what strategies you can use to minimise your tax.

1. Concessional Superannuation Caps

The concessional superannuation caps for 2011 are $25,000 for persons under age 50, and $50,000 for persons aged 50 and over. Do not go over these limits!

Note that employer super guarantee contributions are included in these caps. Where a contribution is made that exceeds these limits, the excess is taxed to the fund member's account at an effective rate of 46.5%.

In order to claim a tax deduction in the 2011 financial year, the contribution must be received by the super fund by 30 June 2011.

2. Tools of Trade/FBT Exempt Items

The purchase of Tools of Trade and other FBT exempt items for business owners and employees can be an effective way to acquire equipment with a tax benefit. Items that can be packaged include Handheld/Portable Tools of Trade, Notebook Computers, Personal Electronic Organisers, Mobile Phones, Digital Cameras, Briefcases, Protective Clothing, and Computer Software.

You should buy these items before 30 June 2011.

3. Employee Superannuation Payments

To claim a tax deduction in the 2011 financial year, you need to ensure that your employee superannuation payments have **CLEARED** your business bank account by 30 June 2011.

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For any last minute superannuation payments, we recommend that you arrange for a BANK CHEQUE made payable to your employee super fund prior to 30 June 2011. This ensures that your payment has actually cleared your bank account prior to 30 June 2011, and allows you to claim a full tax deduction in the 2011 financial year.

4. Defer Income

Where possible, defer issuing further invoices and/or receive cash until after 30 June 2011.

5. Bring Forward Expenses

Purchase consumable items BEFORE 30 June 2011. These include stationery, printing, office and computer supplies.

6. Repairs & Maintenance

Make payments for repairs and maintenance (business; rental property; employment) PRIOR to 30 June 2011.

7. Motor Vehicle Log Book

Ensure that you have kept an accurate and complete Motor Vehicle Log Book for at least a 12 week period. The start date for the 12 week period must be on or before 30 June 2011. You should make a record of your odometer reading as at 30 June 2011.

8. Investment Property Depreciation

If you own a rental property and haven't already done so, arrange for the preparation of a "Depreciator" Report to allow you to claim the maximum amount of depreciation and building write-off deductions on your rental property.

9. Private Company Loans

Business owners who have borrowed funds from their company must ensure that the appropriate principal and interest payments are made by 30 June 2011.

10. Year End Stock Take/Work in Progress

If applicable, you need to prepare a detailed Stock Take and/or Work in Progress listing as at 30 June 2011.

11. Write off Bad Debts

Review Trade Debtors listing to write off all Bad Debts BEFORE 30 June 2011. Prepare a minute of a Director's meeting listing each Bad Debt as evidence that these amounts were actually written off prior to year end.

12. Small Business Concessions – Prepayments

For Small Business Concession taxpayers you can make prepayments (up to 12 months) on expenses BEFORE 30 June 2011 (e.g. Rent, Interest on Loans) and obtain a full tax deduction in the 2011 financial year.

Talk to us today before the 30 June 2011 deadline for assistance to reduce your tax!

Insurance Myth Busters

In part 1 of this article we thought we would try and dispel some common misconceptions around the various forms of life insurances such as Death cover, Total and Permanent Disability (TPD), Trauma and Income Protection insurance and the financial options that many people believe will "take care" of them should disaster strike. Life insurance is intended to provide vital financial support and security to individuals and families in the unfortunate case of death, sickness or injury.

There are different insurance products available to help you cover your income, debts and lifestyle costs. They all do different things – but they generally work together to get you covered for life's unexpected.

How long would you or your family be able to sustain your lifestyle, pay your rent, mortgage and everyday bills if you didn't have your regular income or if the main family income earner died or was unable to work for an extended period?

Income protection insurance is exactly that – it replaces your income if you can't work due to sickness or injury. It's important because your income is what fuels your life today – and all of your plans for tomorrow- including your retirement!

Death cover can do exactly the same thing should the main family provider die.

Myth 1 – I'm covered by my private health insurance

Private health insurance provides valuable protection against the medical expenses associated with sickness and injury. But this is where it starts and stops. It's for medical expenses only. It won't cover your bills, debts or replace your lost income if you have to take an extended period off work due to illness or injury.

Private health insurance also may not cover the total cost of your treatment, or rehabilitation – potentially leaving you with a 'gap' that needs to be paid out of your own pocket.

To ensure you have no insurance gaps, a complete protection plan should encompass both private health insurance and various types of life insurance.

Myth 2 – The government will look after me if I get sick

The Government, through Centrelink, provides financial assistance for people who suffer a serious disability.

But the Disability Support Pension doesn't go far and there are rules around who is eligible for it.

From January 2011 the maximum Disability Support Pension for a single over age 21, or under 21 with children, is $716.10 per fortnight (Source: Centrelink, Jan 2011).

At $18,618 per annum, that's around a quarter of the average full-time income of $65,489 (Source: Australian Bureau of Statistics, Aug 2010). This could leave you with a funding gap when it comes to covering the bills, your rent or mortgage, medical expenses and your lifestyle.

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Myth 3 – Won't my sick leave cover me if I can't work?

This really depends on how much sick leave your company gives you each year. For most employed people this is probably about 10 days or 2 weeks a year. Or if you are self-employed then you know that you obviously don't get any except out of your own pocket!

Once your sick leave, and any other leave you may have saved up is gone, your employer has complied with their obligations and if you are to keep receiving an income that is solely your responsibility.

You may have personal savings, but how long would these last if suddenly you couldn't work for an extended period of time? Anyway, why would you want to deplete your life savings that you have worked so hard to build up when there may be a better alternative?

Myth 4 – I have workers compensation to fall back on if I'm sick or injured

Workers compensation will only provide cover if you are injured at work and then only if you are eligible to make a claim. The majority of claims made are for muscle sprains/strains, open cuts & wounds and chronic joint and muscle conditions, i.e., physical injuries.

That still leaves you wide open to all sorts of risks particularly relating to illnesses or sickness that are not directly caused by your occupation.

For the year ended June 2010, out of the 12 million Australian workers, 5.3% of people working received a workplace related injury or illness, with only 36% of these people receiving financial assistance through workers' compensation (source: Australian Bureau of Statistics, Dec 2010).

Under NSW workers compensation law you could find yourself, if you had a spouse and 2 dependent children, on $680 per week after the first 26 weeks of claim, which equates to an annual salary of less than $35,500. Will that be enough? So for longer-term claims you may find that you don't have enough to cover your daily living expenses if you are solely dependent on workers' compensation payments.

Contact us for an assessment of your needs

When it comes to life insurance, everyone has different financial needs. That's why it is vital to get the right advice for you. Should you want to discuss your individual circumstances and needs when it comes to protecting and securing your financial future, please contact our office.

Reminder regarding Government Co-Contribution

Eligible individuals need to make a personal superannuation contribution before 30th June in order to qualify for the FY 2011 Government Co contribution up to a maximum of $1,000.

Eligibility criteria include:

- You have made a personal superannuation contribution; by 30 June of the relevant year into a complying super fund or retirement savings account.
- At least 10% of your ***total income*** is from eligible employment, running a business or a combination of both. Note business income excludes distributions from Trusts.
- Your total income is less than $31,920 for the full co-contribution and scales down to cut out completely for income over $61,920. This amount used to be indexed annually, but has been frozen at this level for the 2010, 2011 & 2012 financial years.
- You are not a holder of an eligible temporary resident visa
- You are less than 71 years old at the end of the income year
- You lodge an income tax return for the relevant year.

Contributions made from 1 July 2009 to 30 June 2012:

	If your personal super contribution is:			
	$1,000	**$800**	**$500**	**$200**
And your income is:	**Your super co-contribution will be:**			
$31,920 or less	$1,000	$800	$500	$200
$34,921	$900	$800	$500	$200
$37,921	$800	$800	$500	$200
$40,921	$700	$700	$500	$200
$43,922	$600	$600	$500	$200
$46,922	$500	$500	$500	$200
$49,922	$400	$400	$400	$200
$52,922	$300	$300	$300	$200
$55,923	$200	$200	$200	$200
$58,923	$100	$100	$100	$100
$61,920	$0	$0	$0	$0

Please contact our office if you need further information. To find out how to make a personal non concessional contribution, it is best to call your super fund directly if you have not already received correspondence from them.

Would your family or friends benefit from reading our newsletter? Please feel free to forward our email to them if there are items you think would be relevant and could benefit them. For those without email, if you would like extra copies of the newsletter, please contact us and we'll send you some.