LIFE Strategies TODAY

June 2012

Life insurance companies DO pay claims!

There is a common misconception that insurers don't pay claims. A lot of this seems to come from the general insurance industry dealing with claims relating to flood and water damage to property which has been in the news on a number of occasions recently.

However our experience within the life insurance industry suggest otherwise. Life insurers pay the vast majority of all claims and the miniscule amount that don't get paid are typically illegitimate claims either due to fraud, non-disclosure or clients attempting to claim for events they have not been offered cover for.

We can't help you if your claim has been denied due to fraud or deceit, but we can make sure you are covered for as many events as possible by structuring your insurances correctly and selecting the best policies and levels of cover for your circumstances. Just remember that not all policies are the same!

In addition, as an insurance client, our role is to act as your advocate during claim time and to make this difficult period for you and your family as easy and smooth as possible.

The table below shows just how much the life insurance industry pays out each year. Claim figures are split into different insurance types but the key thing to note is that in 2011 the industry as a whole paid out almost $4 BILLION in claims.

An average $15.9 million was paid to 251 Australians every working day in 2011.

Think of this:

Not one of these claimants expected to claim on their insurance

If these claimants hadn't received $3.9 billion from insurance policies, where else would they have got that sort of money?

That's a lot of people who didn't ever want or expect to claim- but had to. How glad do you think they and their dependants were, to have been wise enough to take good advice and plan for the unexpected?

Contact us to ensure you and your family are properly protected against life's unexpected events.

Notes: The above are statistics compiled by The Risk Store at May 2012. The figures don't include the vast amounts that are paid from group superannuation policies so in reality the figures are much more than shown here.

These Statistics are aggregates from the following major companies: AIA, AMP, Asteron, AXA, BT Life, Comminsure, OnePath, Macquarie Life, MLC, TAL, Zurich.

Insurance Type	Death	Total & Permanent Disability	Trauma	Income Protection	Total
$ Paid	$1,806,688,603	$629,004,646	$538,720,039	$1,000,457,827	$3,974,871,115
Number of Claims	18,197	6,930	3,169	34,056	62,352

Mortgages and Lending

Provided by One10 Mortgage broking services

Life Strategies established an association with Boss Outsourcing Solutions ("BOSS"), soon to be renamed One10, in 2007. For more information on this service please talk to your adviser or refer to http:// lifestrategies.net.au/ ourservices/mortgagebroking

What's happening in the market?

Last month, major lenders announced the following reductions in their variable home loan rates following the RBA reduction of 0.50% in May:

CBA	0.40%
St. George	0.38%
ANZ	0.37%
Westpac	0.37%
NAB	0.32%

But why are the banks different? Each bank has a different standard variable rate. For example, even though NAB's reduction of 0.32% was less than the other lenders, they still have a lower base variable rate than ANZ, St. George and Westpac.

The banks have not yet all responded to how much of the 0.25% reduction in the RBA rate announced on the 5th June 2012 they will pass on as at the date of writing this update.

Other lender updates

- St. George and CBA are both offering a $700 rebate if you refinance to them

- Suncorp is offering a 1% discount off their variable rate for loans over $500,000 and a LVR below 80%. This equates to a variable interest rate of 6.08%. (Comparison Rate 6.23%)

- CBA is offering very low interest rates for vehicle finance over $100,000

- CBA is also offering an additional 0.15% on their interest in advance 1-year fixed rate investment home loans in mortgage advantage package

- CBA has a 2-year fixed rate special for new and existing clients (minimum lending $150,000) – now 5.79% under the MAV package

- NAB has reduced their fixed rates. See below table for the updated Homeside Homeplus standard fixed rates effective Friday, 11 May

Homeplus	Interest Rate	Comparison Rate	Change to Interest Rate
1 Year Standard Fixed Rate	5.79% pa	6.69%pa	-0.30% pa
2 Year Standard Fixed Rate	5.89% pa	6.64%pa	-0.30% pa
3 Year Standard Fixed Rate	5.99% pa	6.60%pa	-0.34% pa
4 Year Standard Fixed Rate	6.59% pa	6.77%pa	-
5 Year Standard Fixed Rate	6.74% pa	6.84%pa	-

Tax Time – 2012

By now you should have lodged all 2011 tax returns including personal, company, partnership, trust and superannuation fund returns. If you are on our tax agent list all your related returns for the FY 2011 have been lodged.

As we near the end of one lodgement year, a new one begins. If you are expecting a refund for FY 2012 we suggest you either send in or make an appointment to see Barbara early in the new FY so that we can lodge your tax returns as soon as practical so you can receive your refund early. We have various checklists that advise what is needed to prepare your returns so please feel free to either call or email Barbara on smsf@lifestratgies.net.au and she can arrange to send this out to you.

You are most probably aware that as a general rule one can claim as deductions in your tax return expenses incurred in earning assessable income. We trust the list below shows some of the deductions that you may not be aware of.

- Clothing expenses:

- Payment for work-related clothes such as compulsory, non-compulsory (and registered) occupation specific clothing;

- Protective clothing;

- Associated expenses such as dry cleaning, laundry and repair of above;

- Self education expenses:

- Course fees (not HECS-HELP fees), student union and tutorial fees;

- Interest on borrowings used to pay any deductible self education expenses;

- Other work related expenses:

- Union fees;

- Subscriptions to trade, professional or business associations;

- Magazine and newspaper subscriptions;

- Seminars and conferences;

- Income protection insurance (excluding death & disability);

- Business travelling expenses such as bridge and road tolls, car parking and other motor vehicle expenses;

- Overtime meal allowances;

- Sun protection items;

Tools of trade;

If you are running a home office, a range of deductions may be available depending on whether the area of the home set aside as an "office" is considered to be a "private study" or a "place of business" - Tax Ruling 93/30. The decision as to which description applies and hence, which expenses may be deductible, is a question of fact depending on the circumstances of the case.

The key point to recognize is that where the area is classified as a place of business, a portion of the expenses relating to ownership (such as rent, mortgage interest, rates and house insurance premiums) and use of facilities may be deductible. However, you should also be aware that where the home is a "place of business", there may be capital gains tax implications when the home is eventually sold.

Where the area is classified as a "private study", a more limited range of running expenses (but not the ownership expenses) relating to the use of facilities within the home may be deductible. These may include expenses such as:

- Cleaning
- Heating and Cooling
- Depreciation of office furniture;
- Lighting;
- Telephone

This can be a complex area with implications that reach well beyond the immediate tax deduction claimed and the repercussions may not surface until the home is sold potentially some years into the future. It is strongly recommended that clients seek professional tax advice when considering issues regarding running a home office.

As well as deductions, you may be able to make use of a number of rebates and refunds. Some of the more common ones available include:

- Medical expenses rebate:

- For the year ending 30 June 2012, clients may be able to claim a rebate calculated as 20% of Net medical expenses above the $2,000 dollar threshold.

- It should be noted that the Government announced changes in the 2012/13 Budget which will **reduce the rebate payable to 10% and raise the threshold to $5000 for higher income earners**. The current $2000 threshold and 20% offset will continue to apply for people with annual incomes under $84,000 for singles and $168,000 for couples.

- Education Tax Refund:

– helps with the cost of educating primary and secondary school children. Eligible parents, carers, legal guardians and independent students could get 50% back (subject to maximum limits) on some education expenses like computers, educational software, textbooks and stationery. The Government has changed the Education Tax Refund to include school-approved uniforms, purchased from 1 July 2011.

Items of clothing including hats, footwear and sports uniforms approved by a school as its uniform may be claimed from 1 July 2012.

Remember you do need to keep receipts to prove your claim for these and other expenses.

- For primary school students, the maximum refund for the year ending 30 June 2012 is 50% of $818 (or a refund of $409) and for a secondary school student it is 50% of $1,636 (or a refund of $818).

- This is the last year you can claim for this refund as it was announced in the 2012-2013 budget that it will be replaced from 1 July 2012 with a school bonus:

The School Bonus- Eligible families - those entitled to Family Tax Benefit A - will receive $410 for each child in primary school and $820 for each child in high school.

Provided parliament approves the measure, the first payment will be made in mid-June 2012. Thereafter, payments will be made biannually in January and July.

2013 Changes to Small business Depreciation Rules

From 1 July 2012 there will be significant changes to the small business depreciation rules. The amendments will apply to small business entities as defined in Section 328-110 of the Income Tax Assessment Act 1997 (Cwlth) that have an aggregated turnover of less than $2m for an income year. They are:

- Instant Write Off Threshold

The instant asset write off for small businesses will increase from $1,000 to $6,500. Allowable items may include photocopiers, laptops, fridges and desks.

- Other Depreciation Assets

Small businesses will be able to write off all other depreciation assets in a single depreciation pool at the rate of 30 per cent. This means they can consolidate the long life small business pool and the general small business pool into a single depreciation pool to be written off at one rate.

- Motor Vehicle Write Off

Small businesses will be able to claim an accelerated initial deduction up to $5,000 for vehicles costing $6,500 or more acquired during the 2012/2013 income tax year.

These changes will provide significant opportunities to small businesses in terms of initial depreciation write offs.

2013 Superannuation measures to be aware of

Contribution Limits for FY 2013 (for all ages where eligibility is met) are as follows:

Concessional Contributions - $25,000

Non Concessional Contributions - $150,000

Contributions should be banked as cleared funds by 30 June 2013 to be counted toward the contribution caps of that year.

Minimum Pension Payments will continue to be drawn at 75% of the regulated amount due to a concession that the Government put in place in 2009 due to the GFC.

From 1/7/2012 Superannuation Co- contributions matching rate to be reduced from $1 to 50c per $1 Non concessional contribution and maximum co- contribution paid is to be reduce from $1,000 to $500.

The 2012/2013 budget announcements will include a doubling of the contributions tax on concessional contributions to 30% for individuals who earn at least $300,000 in income from the 1 July 2012.

The definition of income will be broad and includes taxable income, concessional superannuation contributions (both superannuation guarantee charge contributions and salary sacrifice contributions), adjusted fringe benefits, total net investment losses, some foreign income, tax-free pensions and benefits less child support.

Where the $300,000 limit has been breached because of the level of concessional contributions the 30% contribution tax rate will only be applied to the amount of the contribution which caused the breach. On this basis an individual with $280,000 in taxable income who has made a $25,000 concessional contribution would pay the 30% contribution tax on $5,000.

From 1/7/2012 off market transfers of shares are no longer allowed between SMSFs and related parties. All transfers of shares between an SMSF and a related party must be facilitated via the stock market i.e. by a sale and then re purchase of the share at market value. Where there is no market for the asset (eg. commercial real property)– the acquisition or disposal must be supported by a valuation obtained by a properly qualified independent valuer.

(We have just had news that the Off Market Transfer ban may be deferred for a year however if it is something you are considering we would encourage you to discuss further with your Adviser or Accountant rather than delay due to possible legislative delays that may or may not occur).

Clean Energy Advance Payment

The Clean Energy Future Household Assistance Package was announced in the 2011/2012 Federal Budget. The package consists of seven measures. The Clean Energy Advance payment (CEA) is the first measure and payments commence from mid-May 2012.

Pensioners eligible for a one-off Clean Energy Advance will receive up to $250 for singles and up to $190 for each eligible member of a couple between 28 May and 8 June 2012.

Eligible self-funded retirees who hold a Commonwealth Seniors Health Card and receive the Seniors Supplement will receive a Clean Energy Advance of up to $250 for singles and up to $190 for each eligible member of a couple on 25 June 2012.

Pensioners and self funded retirees who are taxpayers and have taxable income of less than $80 000 a year, may also be eligible for a tax cut from 1 July 2013.

For more details of the Clean Energy Future Household Assistance Package administered by the Department of Human Services, go to http://www.humanservices.gov.au/customer/subjects/clean-energy-future

Checklist for Financial Year end — 30 June 2012

Private Health Insurance

The means testing of the Private Health Insurance Rebate (PHIR) will begin from 1/7/12 . The rebate will be reduced for singles earning over $84,000 and families earning over $168,000. If you are affected, you may wish to consider prepaying your premiums before 30 June.

Non Concessional Contribution to super

If you make a Non Concessional Contribution to superannuation before 30 June, you may be eligible to receive a Co-contribution from the Government of up to $1,000.

First Home Saver Accounts

If you have a First Home Saver Account, consider depositing funds before 30 June. If you deposit between $1,000 & $5,500 in any financial year you are eligible for the Government Co-contribution of 17% (up to a maximum of $935) for that year.

Please contact our office for further information.

Download the QR code application on your smartphone then scan this code and it will take you directly to our website!

Contact:

Life Strategies

P: 02 9487 8200

F: 02 9487 8201

E: yourfinancialcoach@lifestrategies.net.au

W: www.lifestrategies.net.au