Your Wealth Bulletin

Dear David,

Welcome to the June edition of Your Wealth Bulletin.

Learn to be calm and you will always be happy
(Paramhansa Yogananda)

Last Minute Tax Planning

With only a matter of days away until the end of the financial year, a quick revision of tax planning items may assist in minimising tax this year.

Superannuation has retained its appeal as a key strategy while gearing, effective tax structuring and maximising timing opportunities should also be considered.

TIMING

* Deferring income until July 1 (eg. delay any year end bonus when tax rates are lower.)
* Bringing forward tax-deductible expenditure.
* If you're retiring and may receive an unused leave payment or ETP, then delaying until next year may also be beneficial.
* Delay maturing fixed interest deposits to 1 July
* Defer capital gains where possible
* Forego salary pre-payment if taking annual leave now
* Pre-pay interest on tax deductible investment loans
* Pre-pay income protection premiums in advance

Video of the Month

Return On Life Planning

Talk by Mitch Anthony

Government Links

Education Rebates

Environment Rebates

NSW Hot Water & Toilet Rebates

Fridge Buyback

Child Care Estimator

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Social Site links:

* Bring forward deductible expenses such as equipment, subscriptions, financial planning fees, school fees covered by the tax rebate, donations and medical expenses

INVESTMENTS

* If you've sold an asset and realised a capital gain, perhaps assets with capital losses can be sold to offset some gains.
* Can income producing assets be transferred into the name of a lower earning spouse, a trust or super fund (eg. self managed super fund).

SUPERANNUATION

* Government co-contributions are a priority if you are eligible. To be eligible for the full benefit, you need an income of less than $31,920, although taxpayers earning up to $61,920 can receive a partial payment of up to $1,000 (full benefit amount).

* Up to $25,000 can be contributed as concessional superannuation contributions (eg. salary sacrifice) and up to $50,000 if over the age of 50.

* Consider salary sacrificing bonuses into superannuation if expected pre June 30.

* High income earners with a part time working spouse may consider the spouse contribution rebate. Contribute up to $3000 on behalf of a spouse earning less than $10,800 and claim an 18 per cent rebate - or $540.
* If you have turned 65 during the financial year, you should consider whether to use the $450,000 "bring forward" limit for non-concessional contributions. While there is a $150,000-a-year cap on after-tax super contributions, the rules allow up to $450,000 to be contributed for the next three years for those under 65. So if you have turned 65 this year and don't use that provision, you will be limited to $150,000 a year from now on.
* If you are eligible to start a transition to retirement pension, this should also be considered as it's a tax-effective way to build your retirement savings.

GEARING

* You may consider setting up facilities such as margin loans before June 30 (with pre-paid interest to generate a tax deduction now),
* Pre-pay next year's income protection insurance, the costs

of which can also be claimed as a tax deduction up to a year in advance.
* Consider the use of a capital-protected loan for equities, which also received a tax boost in last month's budget, with the benchmark interest rate (the interest you can deduct each year) being lifted from the Reserve Bank's standard variable home loan indicator rate to that rate plus 1 per cent.

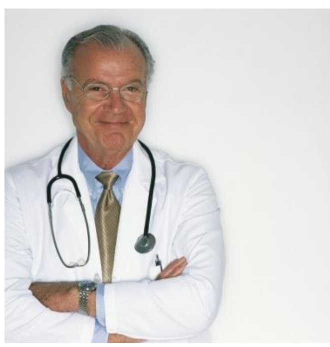
OTHER TIPS AND TRAPS

* For pre and post retirees, another consideration is gifting rules: retirees receiving the age pension can give away up to $10,000 a year ($30,000 over five years) without the money being included in means tests.

GOOD NEWS - Less Tax From Next Month

From July 1, the last round of election tax cuts will deliver further savings to the average taxpayer. You will have to earn more than $37,000 to pay the most common tax rate of 31.5 per cent (including the Medicare levy) while those earning between $80,001 and $180,000 will have their marginal rate cut from 39.5 per cent to 38.5 per cent. Only those earning more than $180,000 will have to pay the top marginal rate of 46.5 per cent.

Medic!



If you have been putting off that expensive medical or dental procedure, schedule it before June 30 if you want to maximise the amount you can claim back through the tax system.

At present, if your medical expenses (after deduction of private health insurance and Medicare), amount to more than $1,500 in any one financial year, then you can claim 20% of the amount above the $1,500 benchmark.

Unfortunately, as announced in the recent Federal Budget, this $1,500 benchmark is increasing to $2,000 from 1 July, 2010.

There is no upper limit to what you can claim, and it's always difficult to know if you're going to claiming so much with unexpected medical visits during the year, so the tip is to 'save everything' in a box and then revisit the receipts prior to seeing the accountant at the end of the year. If the expenses are over $1,500 (for this year) then submit the receipts for your tax return.

Note that these receipts include you, your spouse and dependants.

For example, if you spent $5000 on family medical expenses (net of Medicare and private health rebates), subtract the $1500 threshold from your net expenses and you are left with $3500 out-of-pocket expenses. This would mean that you are eligible for a rebate of $700 (20 per cent of $3500).

You can claim for expenses relating to an illness or operation paid to a doctor, nurse, chemist or hospital.

If you haven't kept receipts, all is not lost. You can go to your pharmacist at the end of the tax year and ask for a printout of all the medications you purchased that year.

You can also ask for an itemised statement from Medicare or your private health insurer.

It may be beneficial for couples to combine medical expenses and make a claim in the name of the person on the higher marginal tax rate.

For what you can and can't claim go to the Tax Office website: ato.gov.au. Search "medical expenses".

If you would like to discuss any of these issues further with us, please feel welcome to ring me on 9525 0777 or email enquiries@reedfinancial.com.au

Warm Regards!

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