



STIRLING

ACCOUNTING & FINANCIAL SOLUTIONS

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ARE YOU AGED IN YOUR 50'S ?



What age do you plan to retire?

Many people will remain much longer in the workforce than they plan at this stage in their lives.

The Economist magazine recently published a special report on global pensions and superannuation which opened with the cautionary words: "Put aside the cruise brochures and let the garden retain that natural look for a few more years. Demography and declining investment returns are conspiring to keep you at your desk far longer than you ever expected."

The authors point out that life expectancy of an average 65-year-old in the "rich world" has improved by four to five years over the past 40 years and keeps improving while the proportion of the population in the workforce continues to markedly shrink.

But, according to The Economist's report, even the boldest attempts by governments to increase their official or most-common retirement ages "look inadequate".

There are, states the report, three main advantages of a population working longer:

- An employee or self-employed person receives a salary for more years.
- A government pays out less in age pensions.
- An economy grows faster than otherwise.

Of course, there are other crucial advantages arising from a later retirement including: as long as older people keep working, they draw down less of their retirement savings; they can, indeed, keep increasing their retirement savings; and work can provide a valuable mental stimulus.

If you have wondered how much you need to have to enjoy a comfortable retirement then call us & we can show you.

PRIZES TO BE WON !

If you run your own business go to our web site :-

www.stirlingfinancial.com.au

and complete the simple interactive "professional wellbeing game".

Choose an area from the diagram that you want to explore and follow the simple instructions.



All entries received by 4pm 31st October 2011 will go into the draw to **WIN an iPad 2**. The winner will be contacted immediately & publicised in our next newsletter.

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ATTENTION...

CHANGES TO PRESERVATION

AGES ... may affect your retirement plans.

If you are planning to access your superannuation savings from age 55, please remember the rules are changing:



				Preservation Age
Born before	1 July 1960			55
Born between	1 July 1960	to	30 June 1961	56
Born between	1 July 1961	to	30 June 1962	57
Born between	1 July 1962	to	30 June 1963	58
Born between	1 July 1963	to	30 June 1964	59
Born on or after	1 July 1964			60

If this changes your retirement plans call into the office to discuss your personal needs.

AFTER A SMSF MEMBER DIES



The fact that Australia's 450,000+ self managed super funds have an average of 2 members, truly underlines why it is critical for fund trustees to plan what will happen to the fund's affairs following the death of a member.

This might seem somewhat gloomy but the death of a member can have considerable implications for a SMSF's trusteeship, operation and distribution of benefits.

Unfortunately, SMSF trustees need to address the reality that one member is likely to die before another member. Unless there is proper planning, a 2 person fund can be particularly hit hard if the member who dies first is the most active member.

Under superannuation law, all members of SMSF's must be either individual trustees of their fund or directors of its corporate trustee. A sole member cannot be the only trustee of a SMSF.

The following are just a few of the items we will discuss with you when you engage our assistance to maintain your fund:-

- Making a decision whether to have a corporate trustee or individual trustees of a fund
- Understanding who will control a fund following a member's death
- Providing death benefit nominations.

SMSF

THERE ARE MANY GOOD REASONS FOR A SELF MANAGED SUPER FUND



There are many good reasons to set up a self-managed super fund. Greater control over investments and lower costs are two that top the list of most investor research reports.

Shouldering the compliance burden of a superannuation trustee or responding to an audit request from the tax office perhaps do not have quite the same popular appeal.

But they are just as real and self-managed super fund trustees should be aware that the tax office – in its role as SMSF regulator – is stepping up its efforts over the next 12 months to ensure that more funds comply with superannuation and tax law.

The ATO's Compliance program for the next financial year, released this week, indicates a clear willingness to strip wayward funds of their complying status for breaches ranging upwards from repeatedly failing to lodge annual returns.

It's interesting that the compliance program notes that 70 SMSFs were declared non-complying in 2010-11. At first glance, 70 funds may not seem many considering that 445,000-plus funds are in existence.

However, a non-complying fund can lose almost half of its assets in penalty tax. If a fund is made non-complying, the market value of its assets – less any non-concessional or undeducted contributions – is taxed at the highest marginal rate. In wealth creation terms that is the nuclear strike option and, to be fair, one the ATO does not exercise lightly.

In other words, the penalty for being declared non-complying is typically devastating for all members of a SMSF, including those

who do not take an active role in their fund's affairs.

So being declared a non-complying fund is the one thing you really want to avoid as an SMSF trustee.

The latest Compliance program warns that the ATO's SMSF focus in 2011-12 includes:

- New funds to check whether their trustees are participating in illegal schemes to gain early access to super savings.
- Related-party transactions, in part to ensure compliance with the 5 per cent limit on in-house assets.
- Unrectified contraventions of superannuation law which had been brought to the attention of fund trustees by a fund's approved auditor.
- The performance of approved auditors of SMSFs. The regulator threatens to disqualify auditors that "pose an on-going risk". The tax office is right to focus on trustees participating in scams to get early access to super – that is a blatant abuse of the system. Last year the ATO audited more than 920 individuals and 31 scheme promoters and as a result almost \$14 million raised.

However, the other area of focus for the ATO in regards to superannuation in the year ahead is likely to have a much broader impact on ordinary employees. The tax office also has a role to play in protecting super fund member rights by checking that companies are paying the correct amount as super contributions.

A number of businesses will struggle with cashflow or other financial pressures at various times and withholding super contributions can some times result. Employees will typically notice if salary doesn't turn up in their bank account but it may take a lot longer for someone to notice that money has not been paid into a super fund - the long-term nature of super and the fact it is locked away do not encourage close monitoring.

Yet in the past five years the ATO says it's compliance activities have resulted in about \$1.3 billion in extra super contributions being collected on behalf of employees.

That is a significant amount of money but it also points to the need to be vigilant with super contributions. Check the pay slip by all means but also take the time to check with your super fund that funds have actually been paid in.

MONEY SAVER TIPS

10 Tips to Save Money on Petrol

With the astronomical prices of fuel these days, many people have had to tighten their budgets to make room for more spending on petrol. However, with the application of some petrol-saving tips, you can keep your spending to within a reasonable range, and help save the environment at the same time.

- 1. Maintain your vehicle.** A vehicle that runs smoothly uses less petrol than one that is poorly maintained. Regular oil changes, air filter and other recommended maintenance will all help to give you a fuel-efficient vehicle.
- 2. Keep your tyres inflated.** Actually, studies have shown that the savings on petrol isn't huge, but it does make a small difference to keep your tyres inflated to the recommended pressure. And more importantly, this is also safer and makes your tyres last longer.
- 3. Don't drive during rush hour.** Go to work, and come home from work, either earlier or later if possible, to avoid the rush hour. Getting stuck in a traffic jam, and stop-and-go driving, is one of the worst ways to waste petrol.
- 4. Telecommute.** Working from home can save tons in petrol, not to mention giving you more time, productivity, and happiness. If you can telecommute even one or two days a week, this can be a substantial savings.
- 5. Remove weight.** Driving with more people, and more stuff in your car, drags the car and requires more fuel. Lighten your load by removing excess cargo.
- 6. Minimize idling.** One of the worst offenders in lowering your petrol mileage, idling gets you zero kilometres per litre. If you are going to idle for a minute or less, leave your car on, but if it's going to be much longer than a minute, you should turn off your car.
- 7. Drive slower.** Driving the speed limit is more fuel efficient than speeding.
- 8. Accelerate and brake easier.** Driving too aggressively, especially starting fast and braking fast, is bad for fuel economy. Accelerate gently, and try to minimise use of your brakes, if possible.
- 9. Use higher gears.** Driving fast in low gears is bad for fuel economy as well. Drive in as high a gear as possible, unless you're down-shifting in order to slow down or control speed.
- 10. Buy a fuel-efficient car.** A heavier car wastes petrol. Get a lighter car, especially one with a fuel-efficient engine and design.

ATO UPDATE



Income Tax Withholding Variations

A PAYG income tax withholding variation (ITWV) is used for people on the PAYG (Pay As You Go) system, i.e. pretty much everybody who is on a salary. Basically, it advises your employer to reduce the amount of tax that they withhold from your pay.

You might be thinking, what's the point of all this and how is this going to benefit you? Well, if you have tax deductible expenses such as interest on an investment property, margin loan, land rates, water charges, property management expenses etc. then this will be useful for you. What usually happens is that you get a tax refund at the end of the financial year because your employer has withheld too much tax from your salary (simply because your employer doesn't know that you have investment properties or other tax deductible expenses).

By completing a PAYG income tax withholding variation (ITWV) application, you are applying for all those investment deductions to be refunded during the year via a reduction in the tax withheld from your pay. This way it means that you will receive more cash in your weekly pays due to the reduction in the tax withheld.

This money can be used for anything. Hopefully you will use it to pay for those expenses when they happen or simply set it aside to offset interest or even earn interest in a high interest bearing account.

If you would like to know more about this or would like to lodge a PAYG income tax withholding variation, contact one of our accountants today.



BUSINESSWISE

SUPERANNUATION GUARANTEE

(9% compulsory employer contributions)



20th August 2011 marked the 20 year anniversary of the introduction of compulsory employer contributions. On a whole Superannuation is considered to be one of the most important assets of individual Australians.

The Superannuation Guarantee Charge Act 1992 and Superannuation Guarantee (Administration) Act 1992 (SGAA) came into effect from 1 July 1992, mandating a minimum level of employer contributions, with a charge imposed for failures to meet that minimum, which is then distributed to employees' super funds.

Compulsory employer contributions must be made at least on a quarterly basis. Superannuation Contributions for each quarter are due as per the below table:

Quarter	Due Date that SGC must be paid by
July – September	October 28th
October – December	January 28th
January – March	April 28th
April – June	July 28th

Administration of the Super Guarantee Act was entrusted to the ATO. The compulsory minimum level of employer contributions began at 3% and had risen to the current 9%.

Superannuation Guarantee at the rate of 9% must be paid for ALL employees (this includes working directors of a company) who are over 18 and earn more than \$450.00 per calender month

There is a proposed increase to move the rate from 9% to 12% by 1 July 2019. Also from 1 July 2012, employers will be required to report on employee pay slips the amount of superannuation that has actually been paid into their superannuation account.

All that being said, too often we see small business facing serious cash flow issues due to unpaid employer Superannuation contributions. It is vital to a small business to ensure that compulsory superannuation contributions are included in the business's cash flow budget. Planning for and making superannuation contributions on time will result in a significant reduction in the cost of providing superannuation for your employees.

Come in and speak to one of our accountants to discuss ways in which we can improve your cash flow and ensure you are meeting all of your legal requirements.

INSURANCE

SMALL BUSINESS BIG RISKS



When you run your own business, a lot rests on your shoulders.

The right type of cover only gets you half way to where you need to be. Ensuring that you have enough cover is essential in protecting your business, your family and yourself.

You're invited to an obligation free check up of your strategies for:

YOUR BUSINESS

- Debt repayment
- Fixed business expenses
- Loss of key employee

YOUR FAMILY

- Your income
- Increased medical expenses
- Debt protection

YOUR WALLET

- You can often claim income protection and business expenses premiums as a tax deduction

Let us know if you would prefer an email or hard copy of this Newsletter?

OUR TEAM



Brett Strong – Director



Bronwen Groves – Client Service Manager



Vanessa Huisman – Accountant



Kevin Price – Director



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