STIRLING ACCOUNTING & FINANCIAL SOLUTIONS

IN THIS ISSUE

SUPER REMINDERS

By taking a few simple steps, super fund members can both boost their retirement savings and legally minimise tax on their super – for themselves and their beneficiaries.

This is underlined in a recent feature article – 2012 Checklist: 10 Super Tips for a Financially Healthy Retirement – written by superannuation journalist and author Trish Power and published in her online newsletter SuperGuide.

"Use this list as a kick-start for your 2012 super resolutions," Power writes. "You may not keep all of your resolutions but if you do just a handful of the tasks listed in the checklist, you can strengthen the chances of a financially secure retirement."

Her latest checklist includes:

- Provide your TFN to your super fund: If your fund hasn't got your tax file number (TFN), your concessional contributions – mainly salary-sacrificed, superannuation guarantee and tax-deductible contributions by the self-employed – may be taxed at the highest marginal rate – instead of the standard 15 per cent. Further, your fund must return your non-concessional (after-tax) contributions if it hasn't got a record of your TFN.
- Understand how your super death benefits are taxed: Following your death, these benefits paid as lump sums are tax free if received by a spouse (including a de facto), children 18 or less, financial dependants, and a person who had an "independency "relationship with you. But certain super death benefits paid to, say, your financially independent adult children among others, are taxable.
- Combine multiple super accounts: This will save fees and may provide you with more control over your superannuation investments.
- Think about making extra contributions: By making additional contributions, you can at least try to maintain your account balance at a time when returns are subdued or negative. And, of course, fund earnings are taxed at a maximum of only 15 per cent.
- Give your retirement savings a health check-up: Power suggests that fund members calculate the amount of annual income needed to finance their desired lifestyle in retirement – and then calculate whether larger contributions are necessary to meet their targets.
- These are just some of the fundamental steps that a smart fund member should consider. Other issues to think about, for instance, include whether the asset allocation of your portfolio is appropriate for your circumstances – including your personal tolerance to risk.

** Written by Robin Bowerman, Principal, Corporate Affairs & Market*

SAVING MONEY ON YOUR WEEKLY GROCERY SHOPPING

1. Write a shopping list and stick to it

If you write a list you won't forget the items you went shopping for and come home with a whole trolley full of other items. Get disciplined, if it isn't on the list and you don't need it, don't buy it

2. Buy in bulk

This is particularly useful for items like soap powder, toilet paper and batteries. You can save heaps of money on the unit price of each item. You can always go halves with a friend so you don't need to outlay as much money but still benefit from the savings.

3. Don't buy meat from the supermarket unless it is reduced

Meat at the supermarket is generally very expensive unless it has been reduced in price. Go to a butcher or wholesaler who sell meat at lower prices. Freeze your meat and then you will have it when you need it.

4. Check out the supermarket specials

This is a great way to save money on the items you buy all the time, they often have ½ price items on sale each week, look at the supermarket junk mail before you put it in the recycle bin.

5. Buy fruit and vegetables from the green grocer

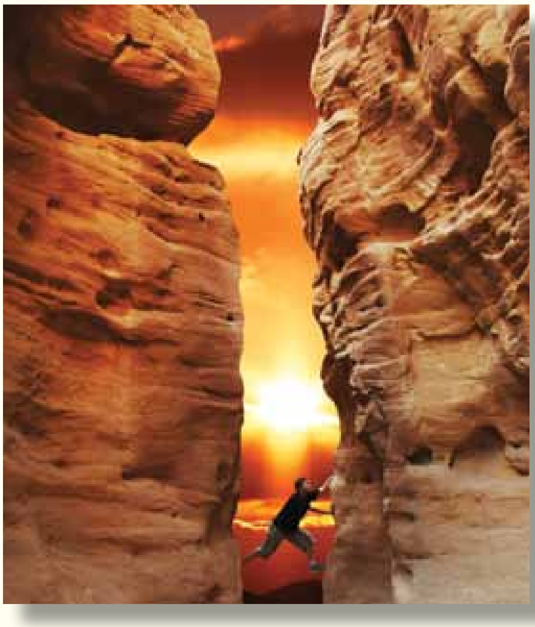
The price per kilo is often less at the local green grocer. Look for the produce that is in season to save even more.

6. Go shopping on a designated day & avoid extra trips to the supermarket

Choose a day to go to the supermarket and make the groceries last until that day, this can make your menu planning more creative closer to the end of the week. Avoid dropping into the supermarket to buy a couple of items, especially when you are hungry as you come out with many more items in your hand-basket and this can add up especially if you do it frequently.

7. Don't shop when you are hungry (i.e. on the way home from work) – this can lead to impulse buying and making poor dietary choices.

LIFE INSURANCE **PAYOUT**



Apart from the premiums for Death and Total & Permanent Disability insurance premiums the main opposition clients have to taking out insurance, is the concern that claims will not be paid.

As long as you answer all questions on the insurance proposal truthfully, a claim for death is generally pretty clear cut, once a death certificate is issued, a claim can be lodged with the insurance company and the claim will soon be paid. Making a claim when you are injured and having the insurance company accept that you will never work again, is not quite as clear cut, especially when it comes to a back injury.

We recently had one of our clients accepted for a Total & Permanent Disability claim due to a back injury. The client had to retire from work earlier than planned so the lump sum payment has made a huge difference to their retirement and has provided choices they no longer thought they had.

Imagine if you were forced to stop working much earlier than you planned due to an injury, this could have a significant effect on your finances so please rethink your insurance cover if you do not already hold enough to ensure you and your family are financially OK if you were never able to work again.

We can help you work out what is the right amount and right type of cover for you and how the premiums can be paid to best suit your personal situtation. Talk to us today.

OPINION NEW SMSF CREATION AT LOWEST EVER LEVEL

When you go back and look at the history, while December is usually quiet, there was a sizeable drop-off in 2011 in the establishment of new SMSF's. A lack of confidence in retirement incomes policy may be one of the underlying factors in a drop to the lowest level on record in the creation of self-managed superannuation funds (SMSFs) in the December quarter of last year.

When governments tinker with superannuation rules or create uncertainty surrounding policy, it has potentially serious implications in the real world. The creation of new SMSFs in the December quarter was the lowest since June 2008, when the Australian Taxation Office first started publishing such statistics.

While December tends to be a quieter quarter for new fund creation anyway, the 2011 period was significantly lower than usual. It is unlikely that the SMSF market has reached "saturation point", so the apparent slowdown is likely due to other factors – including "a current lack of direction on the part of Government and an accompanying loss of consumer confidence in retirement savings policy".

The statistics were down significantly, to the lowest, literally, since they started being recorded. There were a net 5900 new SMSFs established in the December quarter of 2011, compared to 7500 in the same period of 2010 and 7300 in 2008.

So this makes you start to think why is that the case. Is it or was it just the month of December? But when you go back and look at the history, while December is usually quiet, there's a sizeable drop-off in 2011.

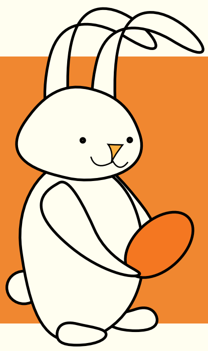
Recent Self-Managed Super Fund Professionals' Association of Australia (SPAA) and Russell Investment research, Intimate with Super, suggests one of the reasons for a slowdown in SMSF creation may also be a poor investment market. But more broadly there's a loss of confidence in the marketplace with superannuation and the fact that we are still waiting on policy in relation to contribution caps. (Please email admin@stirlingfs.com.au for your free copy of the research)

This trend flows on to the SMSF market. People are getting frustrated and confused with super and that's having a flow-on effect on SMSFs as one of the main issues is that we need some certainty and confidence from the government on retirement policy.

Superannuation is too often treated as a political pawn and there needs to be "some real certainty in the area of what can be contributed, where we can invest, what the rules are, etc. to allow people to embrace it as people are losing trust and confidence in it from announcements not finalised from five years ago.

Without question, according to opinion, governments have to understand that fiddling with the rules leads to real-world consequences.

Let us know your opinion by emailing it to **admin@stirlingfs.com.au**



NEWSFLASH!

During the coming weeks we will be welcoming some new additions to our team.

We have an additional financial planner and senior accountant coming on board as well as our two new trainee admin assistants.

Keep an eye out for an introduction in our next newsletter or on our website **www.stirlingfinancial.com.au**

FIVE BENEFITS FOR **BORROWING IN YOUR SMSF**

There are a number of important advantages for a SMSF trustee that successfully carries out a borrowing arrangement to acquire shares, managed funds, residential property or commercial property:

1. It maximises the wealth effect in the SMSF in times when assets of the fund are rising. However care should be had in falling markets – although there is the benefit that there are no margin calls due to the non-recourse nature of the loan.

2. The borrowing can be for a short period or for a period of up to 20+ years (if related party financing is used) allowing it to be structured to the underlying circumstances of the fund members.

3. Members and related businesses can act as lenders provided that all lending is at arm's length.

4. It increases the flow of non-contribution style funds into the SMSF particularly where the members of the fund have used up their contributions capacity. Care must be had to ensure that there is a genuine borrowing and not a contribution arrangement otherwise the commissioner may deem the borrowing to be a non-concessional contribution.

5. Future income and capital gains on underlying assets are taxed concessionally in a SMSF and may even be tax free where the assets are held for pension purposes.

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TAX TIPS ON **SUPER** CONTRIBUTIONS

1. Contribute to your super

Whether you make pre-tax (concessional) or post-tax (non-concessional) contributions, putting money into super can be very tax effective. This is because earnings on super assets are taxed at a concessional rate (up to 15 per cent), compared with earnings on your personal investments, which are taxed at your marginal tax rate.

- Pre-tax (concessional) contributions – If you are under 50, you can make contributions of up to $25,000 in the financial year. If you are over 50, you have until 30 June 2012 to use a higher annual limit of $50,000 each year.

- Post-tax (non-concessional) contributions – A limit of $150,000 each financial year applies to these contributions. This amount can be averaged over a three-year period to allow for a larger one-off contribution of up to $450,000 if you are under 65.

2. Contribute to your spouse's super

You can claim a maximum tax offset of $540 on super contributions up to $3,000 made on behalf of a low-income or non-working spouse. To be eligible for the maximum tax offset, your spouse's income must not be more than $10,800, while a reduced offset is available if your spouse earns less than $13,800.

3. Apply for government co-contributions

If your total income is less than $61,920, you may be eligible for a super co-contribution from the Federal Government. The Government will match each dollar up to a maximum of $1,000, depending on how much you earn.

Did you know that Super Funds only pay tax at 15% on earnings?
And only 10% on any capital gains?
And 0% tax if the fund is in pension mode?

Self Managed Super Funds are one of the best tax effective ways to create & accumulate your wealth.

Join us to learn the benefits of how you can use a SMSF as a wealth creation tool.

You will obtain an understanding of eligible contributions, the applicable tax rules and how to get your money out tax free on retirement.

PAY LESS TAX...CREATE AND MANAGE YOUR WEALTH

LIVING AWAY FROM HOME ALLOWANCE (LAFHA) REFORMS

What is Living Away From Home Allowance (LAFHA)?

LAFHA is paid to employees to compensate for additional accommodation and food expenses incurred while temporarily living away from their usual place of residence for work. Currently these amounts paid for LAFHA are tax free to employees.

Example: An employee agrees to go to Perth for 6 months in order to help set up a new office. His employer has agreed to pay LAFHA of $2,400 p/m for rent and $800 p/m for food. These amounts are above the employee's normal take home wage. The total amount of $3,200 p/m would currently not be included in the employee's taxable income.

Under the proposed reforms any LAFHA paid to employees will now be included in the assessable income of the employee.

What are the changes? When will they come into effect?

1. The changes are to come into effect from 1 July 2012
2. Individuals will now be required to prove (ie keep receipts) all accommodation and food expenditure while away for work purposes.
3. This means that now the LAFHA will be part of the employee's taxable income and they will need to be able to verify all deductions that can be applied against the LAFHA.
4. Permanent residents will not be affected by these changes, unless their LAFHA deductions are less than their LAFHA in which case they will have to pay tax on this amount.
5. Only those temporary residents who have a residence in Australia in which they are living away from for work purposes will be able to get LAFHA

The reforms will not affect other tax concessions, such as those that apply to travel and meal allowance.

Government Budget Changes Delayed

To return the Budget to surplus in 2012/2013, the government has announced the following measures.

1. Standard deductions of $500 for work related expenses available for all tax payers will be deferred to 1 July 2013.
2. The 50% tax discount for interest income will be deferred to 1 July 2013. The 50% tax discount on interest allows a taxpayer to only pay tax on 50% of the interest income that he /she receives.
3. Pause the indexation of the superannuation concessional contributions cap until 2013/2014. This means that the concessional contributions cap will remain at $25,000.
4. Further restrict the Dependent Spouse Tax Offset to those with spouses born before 1 July 1952.
5. Reduce the Baby Bonus from $5,400 to $5,000 from 1st September 2012.

WHAT INFORMATION MUST BE ON THE PAY SLIP?

The employee's pay slip must include:

- the name of the employer (for example, XYZ Pty Ltd trading as XYZ Pie Shop)
- from 1 January 2010 - the Australian Business Number (ABN) (if any) of the employer
- the employee's name
- the date of payment
- the pay period (e.g. 24/3/09 to 30/3/09)
- the gross and net amount of pay
- any loadings, monetary allowances, bonuses, incentive-based payments, penalty rates or other entitlements paid that can be singled out
- if the employee is paid an hourly rate - the ordinary hourly pay rate and number of hours worked at that rate and the amount of pay at that rate
- if the employee is paid an annual rate (salary), the rate as at the last day in the pay period
- any deductions made from your employee's pay, including the amount and details of each deduction (including superannuation) including the name, or the name and number, of the fund or account the deductions are paid into
- if you are required to pay superannuation contributions for your employee's benefit, you should include:
- the amount of each superannuation contribution made during the period to which the pay slip relates, or the amounts of contributions that you are liable to make; and
- the name or the name and number of the superannuation fund you put or will put superannuation contributions into.

Brett Strong – Director

Bronwen Groves – Client Service Manager

Vanessa Huisman – Accountant

Kevin Price – Director

Robyn Fuge – Senior Accountant

Debbie Short – Financial Planner

Carolynne Wintle – Bookkeeper

Dominic Magill - Accountant

WE WELCOME...

RACHEL BUCHMANN

Rachel is one of our new trainees in administration. She is undertaking Business Admin Cert IV while learning both reception and back office administration for the Financial Planning side of our business. She is young and enthusiastic and we welcome her as part of our growing team.

ELISE WHITAKER

Elise is our other new trainee also completing her Cert IV in Business Administration. Her role will be focusing on the Accounting side of the business as well as also helping out in reception. She and Rachel will be working alongside each other to learn new skills to contribute towards providing our clients with a positive and rewarding experience along with the rest of the Stirling team.

FROM THE TEAM AT STIRLING!

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17A – 19 BONG BONG ROAD, DAPTO NSW 2530. PO BOX 50, DAPTO NSW 2530
T 1300 133 316 or 4261 5506 F 02 4261 4558 E admin@stirlingfs.com.au

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