

## Welcome To The First Executive Wealth Solutions Newsletter

I am delighted to welcome you to the first edition of our newsletter. This regular newsletter will be just one way in which EWS maintains its communications with clients, bringing you items of interest and importance.

We intend for all EWS newsletters to support our business values of independence, quality advice and professionalism, so that clients may continue to see that "peace of mind" is one of our deliverables to you.

Once again, welcome to the Executive Wealth Solutions newsletter.

*David Lenarduzzi*  
Director



## Federal Budget Summary – 2008 / 2009

The first Budget as announced by Wayne Swan has provided a huge \$21.7 billion surplus. This Budget is a balancing act for the Government, trying to keep inflation at bay and also meet its election commitments for tax cuts. There are also conflicting international messages, with the possibility of recession coming from the USA and continued boom times in China and India.

While there were no substantial changes to superannuation, there were still some items of interest.

### in this issue

> 2008 budget update

	Proposed Budget Measure	Comments, Tips, Traps & Strategy
<b>Superannuation</b>		
Co-contributions and salary sacrifice	The Government will expand the definition of income that is used to determine eligibility for the government co-contribution, to include certain 'salary sacrificed' contributions to superannuation, with effect from 1 July 2009.	<p>Tip - Salary packaging during the 2008/09 year to access, or increase, the Government co-contribution paid remains unaffected.</p> <p>Trap - This measure not only affects the co-contribution scheme from 1 July 2009, but also government support programs such as income support payments for people below Age Pension age, family assistance, child support, and assistance delivered through the tax system.</p>
<b>Taxation</b>		
Income Tax Scales	From 1 July 2008, the 30% threshold will increase from \$30,001 to \$34,001, the 40% threshold will increase from \$75,001 to \$80,001 and the 45% threshold will increase from \$150,001 to \$180,001.	Tip - Review salary sacrifice and transition to retirement strategies for low to medium income earners for tax effectiveness across lower income tax thresholds.
Low income tax offset (LITO)	<p>From 1 July 2008, the LITO will increase from \$750 to \$1,200. It will reduce once taxable income exceeds \$30,000 and cuts out once taxable income reaches \$60,000.</p> <p>Those eligible for the full LITO will not pay tax after assessment until their annual income exceeds at least \$14,000 (up from the current level of \$11,000).</p>	<p>Strategy - This measure provides tax planning incentives to distribute income to a low income earning spouse via joint ownership, tenants in common or family trust structures.</p> <p>Trap - The Government proposes to limit the use of the family trust as a tax planning tool by changing the definition of family to limit lineal descendants to children or grandchildren of the test individual or of the test individual's spouse. This measure will have effect from 1 July 2008.</p>
Senior Australians tax offset (SATO)	<p>Senior Australians eligible for SATO and LITO currently do not pay tax until they reach an annual income of at least \$25,867 for singles and \$21,680 for each member of a couple.</p> <p>From 1 July 2008, these income levels will be lifted to \$28,867 for singles and \$24,680 for each member of a couple.</p>	Trap - The Government will expand the definitions of income used to determine eligibility for certain tax offsets to include reportable fringe benefits, with effect from 1 July 2009. This measure will expand the income definitions used for the dependency tax offsets, senior Australians tax offset and pensioner tax offset to include reportable fringe benefits.
Medicare levy - low income thresholds	The Government will increase the Medicare levy low-income thresholds to \$17,309 for individuals and \$29,207 for individuals who are in families, with effect from 1 July 2008.	The amount of income a senior Australian eligible for Senior Australians Tax Offset (SATO) can earn before they incur an income tax liability will increase to \$28,867 for singles and \$24,680 for each member of a couple.
Medicare levy surcharge (MLS)	The Government will increase the MLS thresholds for singles from \$50,000 to \$100,000 and for those who are members of a family from \$100,000 to \$150,000, with effect from 1 July 2008.	Trap - Taxpayers within the higher MLS threshold who do not have qualifying private health insurance may inadvertently be subject to the additional 1% MLS upon receipt of a taxable element of a lump sum

## THE IMPORTANCE OF REGULARLY REVIEWING YOUR INVESTMENT PORTFOLIO

We cannot stress enough the importance of regularly reviewing your investment portfolio and your personal circumstances to ensure that your investments remain appropriate and are performing strongly. All investment portfolios need to be adjusted over time, not only in response to changing investment markets and economies, but also in response to changing personal circumstances.

If you are currently not an existing EWS client, we encourage you to contact our office to arrange an obligation and cost free appointment to review your current investments and personal circumstances.

## EWS APPRECIATES REFERRALS

We are proud to say that over 90% of new clients are referred to EWS by existing clients and other professionals. Do you know of a friend, work colleague or relative that would be interested in having an initial meeting with us? We would be very grateful for your referral. A referral by you is the highest compliment we could receive.

	Proposed Budget Measure	Comments, Tips, Traps & Strategy
<b>Taxation cont.</b>		
		superannuation payment, employment termination payment or super death benefit if they are a non-dependent beneficiary. These amounts are added to assessable income prior to any tax offset that limits tax payable.
Capital gains tax for small business	The Government will increase access to the small business capital gains tax (CGT) concessions for taxpayers owning a CGT asset used in a business by a related entity and for partners owning a CGT asset used in the partnership business, with effect from the 2007/08 income year.	Currently, the small business entity (ie. \$2 million annual turnover) test does not cover business structures where the CGT asset is owned by an entity but is used in a related entity which carries on the business.  Tip - Check eligibility to the concessions for prior CGT events and active assets in the 2007/08 year.
Fringe benefits tax (FBT)	The Government will tighten the current FBT exemption for certain work-related items (including laptop computers, personal digital assistants and tools of trade) by ensuring the exemption only applies where these items are used primarily for work purposes. The FBT exemption will generally be limited to one item of each type per employee per year.	Trap - The Government will also deny employees depreciation deductions for FBT exempt items (that is, items purchased primarily for work purposes) purchased from 7.30 pm (AEST) on 13 May 2008. For items purchased before that time, employees will be denied depreciation deductions for the 2008-09 and later income years. This measure will ensure that employees are no longer able to gain a double benefit by obtaining an FBT exempt item (such as a laptop computer) from their pre-tax income, and then claim a deduction for depreciation.
<b>Family Benefits</b>		
Baby Bonus	The Baby Bonus will increase to \$5,000 from 1 July 2008 and from 1 January 2009 it will be means tested. Family income must not be greater than \$150,000 per year (assessed as not more than \$75,000 in the six months after the birth of a child).  The bonus will be paid in instalments over six months for all recipients.	Adjusted Taxable Income is used for the purpose of assessing benefits under the Family Assistance Act such as Baby Bonus, Family Tax Benefit and Child Care Benefit.  From 1 July 2009 changes will be made to the definitions of adjusted taxable income to include net financial investment losses and certain salary sacrifice superannuation contributions.
Family Tax Benefit - Part B	An additional income test on Family Tax Benefit Part B will apply from 1 July 2008 so that it will only be available to families in which the principal earner has an annual income up to and including \$150,000 per year.	From 1 July 2009, the Family Tax Benefit will only be paid and claimed through Centrelink and Medicare, and not through the tax system.
Child care tax offset	From 1 July 2008 the tax offset will be increased from 30% to 50%. In addition, the cap on the amount that can be paid will be lifted from \$4,354 to \$7,500 per child and the offset will be paid quarterly.	The Government will provide \$114.5 million over four years to establish 38 new child care centres across Australia to increase the availability of child care for families in areas of child care shortages.

	Proposed Budget Measure	Comments, Tips, Traps & Strategy
<b>Family Benefits cont.</b>		
Education Tax Refund	<p>From 1 July 2008, the Government will provide eligible parents with an Education Tax Refund. Parents who receive Family Tax Benefit Part A and have children undertaking either primary or secondary school studies or whose school children receive Youth Allowance or a related payment will be able to claim a 50 per cent refund every year on eligible educational expenses. The amount that can be claimed is up to:</p> <ul style="list-style-type: none"> <li>• \$750 for each child undertaking primary school studies, giving a refund of up to \$375 per child, per year; and</li> <li>• \$1,500 for each child undertaking secondary school studies, giving a refund of up to \$750 per child, per year.</li> </ul>	<p>The Education Tax Refund will help working families meet the cost of educating their children through primary and secondary school.</p> <p>The Education Tax Refund will be claimed upon assessment of a 2008/09 income tax return. Those eligible will receive the full value of the Education Tax Refund, regardless of their income tax liability.</p>
<b>Other</b>		
First Home Saver Accounts (FHSAs)	<p>The first \$5,000 of individual contributions to FHSAs each will attract a flat Government contribution of 17%. Earnings will be taxed at a low rate of 15 per cent, and withdrawals will be tax-free if used to purchase or build a first home in which to live.</p> <p>First Home Saver Accounts will commence from 1 October 2008.</p>	<p>Personal contributions will be able to be made to the account until the balance reaches \$75,000 (indexed) - an increase from \$50,000.</p> <p>Tax free withdrawals from the account to purchase or build a first home in which to live can only be made after contributions of at least \$1,000 have been made in at least four separate financial years.</p>
Commonwealth Seniors Health Card (CSHC)	<p>The government has proposed to change the CSHC income test to include gross income from superannuation income streams and income that is salary sacrificed to superannuation in the income assessment.</p> <p>This measure is proposed to be implemented from 1 July 2009.</p>	<p>The Commonwealth Seniors Health Card provides a range of benefits to self funded retirees who do not qualify for the Aged Pension but have an adjusted taxable income of less than \$50,000 (for singles) or \$80,000 (for couples combined).</p> <p>Currently, income from superannuation income streams from a taxed source is disregarded when assessing entitlement to the CSHC.</p>

### On The Lighter Side

"The best way to keep money in perspective is to have some"  
- Louis Rukeyser

"Money can't buy friends, but you get a better class of enemy"  
- Spike Milligan

"My problem lies in reconciling my gross habits with my net income"  
- Errol Flynn

In 1949 Albert Einstein was asked what he thought was the century's greatest invention. His answer was...

"The magic of compound interest"