

## Investment Market Turmoil



**With the turmoil in investment markets over the course of 2008, many investors are asking “when will it all end?” or “when will we see a return to more stable investment markets?”**

Back in November 2007, the Australian All Ordinaries Index peaked at 6873 points. At the time of writing this article (26th September 2008) it had fallen to approximately 4900 points, almost the lowest point in the current cycle. Many newspaper headlines have been screaming out that the sharemarket has “crashed” or “plummeted” by 30% since last November! Very emotive sentiments.

If you invested in the All Ordinaries Index back in November 2007 and sold your investment now, you would certainly have lost money. You would receive back around 70% of what you had invested (before taking into account any fees and charges), however that loss will only occur if you actually sold your investment. If you are still holding the investment you made back in November 2007, then you haven't lost anything in real terms. You may have a “paper loss”, but an actual loss does not arise until such time as you actually sell your investment.

As investors what are we to do? Perhaps it is now time to be “counter cyclical.” That is, to go against the trend and do what everyone else is not doing. With the sharemarket being at a relatively low point, perhaps now is the time to consider going back into the market. The sharemarket is

having a “sale”. Shares are cheaper than they have been for a very long time. We don't know how long the “sale” will last, or if prices will fall further, but perhaps this is time for the astute investor with some cash available to start re-entering the market. Perhaps it is time to start an orderly approach to investing by “dollar-cost averaging”, making smaller investments at regular intervals (say each month).

Remember, investing in the sharemarket is a long-term investment. Know your investment time horizon and invest accordingly. The key now is in staying the course and not being tempted to change investment strategies to a more conservative option. Executive Wealth Solutions is well equipped to ensure that you have the information at your disposal to make well informed decisions. In the words of Warren Buffet, “it is important to have a sound intellectual framework for making decisions and the ability to keep emotions from corroding that framework”.

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## Changes to Income Test for Seniors Health Card from 1 July 2009



### **One of the announcements that attracted some client interest in the most recent Federal Budget was the change to the income test for eligibility to the Commonwealth Seniors Health Card (CSHC).**

As to the actual details of how the change would apply, it has been a matter of 'wait for the legislation'. Well, that is still the case, however, the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) has produced a fact sheet to explain how changes to the adjusted taxable income might work from 1 July 2009.

Please note that the following summary only relates to 'proposed' changes, with legislation expected to enter Parliament in late 2008.

#### **Qualification for the CSHC**

Qualification to the CSHC means satisfying the following:

- > Not receiving income support from Centrelink or Department of Veteran Affairs
- > Be at least age pension age
- > Have an annual adjusted taxable income of less than \$50,000 (single) and \$80,000 (couple combined)
- > Be an Australian resident or special category visa holder

#### **Proposed income test from 1 July 2009**

From 1 July 2009, the CSHC adjusted taxable income will be:

- > Taxable income
- > Employer provided fringe benefits
- > Target foreign income
- > Net rental property loss
- > Income from a taxed superannuation income stream, including lump sum withdrawals (new)
- > Income that is voluntarily salary sacrificed to superannuation (new)
- > Net financial investment loss (new)

#### **Income from a taxed superannuation income stream, including lump sum withdrawals**

The proposed change means all benefits (taxable and tax-free components) paid from a normal superannuation fund to a person who has reached age 60, whether as an income stream or lump sum, will be treated as income for determining eligibility to the CSHC.

The change is to equitably assess the actual disposable incomes of CSHC applicants. Any taxation implications are entirely separate to the CSHC adjusted taxable income test.

#### **Income that is voluntarily salary sacrificed to superannuation**

Any amounts voluntarily salary sacrificed to superannuation will be assessed as income for the purposes of the CSHC test. The 9% employer superannuation contributions, which are mandated (not voluntary) will still be excluded from income.

## 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.

### **Net financial investment loss**

There is currently a requirement to add back net rental property losses. This proposed change to add back net losses from financial investments will supposedly introduce parity between potential CSHC customers with financial investments, as compared to those with rental properties.

As this is only a summary of how the “proposed” changes may look, we will need to wait to see the actual legislation before we can advise clients.

## Getting Money Into Super in 2008 – 09



### **The new super rules encourage you to make regular contributions to super over your working life.**

The rules for making contributions vary depending on whether you receive contributions from your employer, make contributions yourself or receive them from your spouse. There are annual limits on how much can be paid and heavy tax penalties if you exceed the limits.

#### **Employer contributions**

Your employer can put money into super for you until you are age 75 although they don't need to pay the 9% superannuation guarantee contributions for you once you reach age 70.

If you are self employed and claim a tax deduction for your contributions you can put money into super until you are age 75.

These contributions are called 'concessional contributions' because they are only taxed at 15% in the super fund rather than being taxed at up to 46.5% outside of super.

#### **Personal and spouse contributions**

You can put money into super until you are age 65 and up to age 75 if you are working. To be able to contribute after age 65, you must be 'gainfully employed' for 40 hours over any 30 day period during the year in which you make the contribution.

Your spouse can make a contribution for you and they can claim a tax offset of up to \$540. Spouse contributions can be made up to age 65 and up to age 70 if you are working.

These contributions are called 'non-concessional contributions' because they are made with after-tax money and are not taxed in the super fund.

### **What are the limits?**

Concessional contributions include those made by your employer including salary sacrifice contributions and any personal contributions for which you claimed a tax deduction. If you are less than age 50 the limit on concessional contributions is \$50,000 per year (indexed over time).

Any contributions over that limit will be taxed at an extra 31.5%. If you turn age 50 by the end of the financial year there is a special limit of \$100,000 per year. The special limit will only apply for five years and then everyone will be on the lower limit.

Non-concessional contributions include personal and spouse contributions. The annual limit will be three times

the concessional limit so in 2007-08 it will be \$150,000. To cater for large one-off contributions you can make a single contribution of \$450,000 by bringing forward the limit for the next two years (providing you will be eligible to contribute in those years). Any contributions over the limit will be taxed at 46.5%.

### **Is this Simpler Super?**

In general, yes it is. But the rules are more complicated than the Government expected as they tried to accommodate the needs of different people in the community. For instance, special rules apply to small business people who sell their business, to people who receive disability compensation payments and for people transferring overseas pension funds to Australia.

## **EWS Website**

### **After many months of planning and design, I am pleased to announce that the EWS Website is now available.**

A lot of effort and care has been put into building the content of the EWS website to ensure that it effectively communicates our core business values, which are;

- > Independent Advice & Recommendations
- > Expert Advice That Provides Benefits Beyond the Cost
- > Comprehensive & Proactive Ongoing Service
- > Professionalism & Ethics

Please visit and review the EWS website as I would appreciate and value your feedback. The website address is – [www.executivewealthsolutions.com.au](http://www.executivewealthsolutions.com.au)

As EWS generates almost all new clients by way of referrals from existing clients, I hope that our website will provide you with an informal tool through which you may introduce my business to friends, family and work colleague's. I hope that you will continue to assist me in growing my business and I appreciate your support very much.

### **On The Lighter Side**

*"Income tax returns are the most imaginative fiction being written today"*  
- Herman Wouk

*"Economics is extremely useful as a form of employment for economists"*  
- John Kenneth Galbraith

*"Its easy to make a buck. It's a lot harder to make a difference"*  
- Tom Brokaw

*"I find it rather easy to portray a businessman. Being bland, rather cruel and incompetent comes naturally to me"*  
- John Cleese