

Case In Point: Making the best in the worst of times

Shares have been at their lowest level in six years, losing on average around 50 per cent whilst Super funds have had their worst year on record, with the average balanced fund losing 17.61 per cent in the 12 months to October 31 2008, according to the researcher SuperRatings. Despite the current economic doom and gloom, there are still ways in which you can make your money work for you and boost your retirement savings.

'Regardless of media reports to the contrary, super is still highly tax effective,' comments Tony Simmons, Director.

Super vs non-super assets

'If you're nearing retirement, then moving non-super assets (such as shares or property which are currently held in your personal name), into a super fund is something to consider' he advises. 'Although capital gains may be triggered, in today's climate it will be relatively less than previous years as share values in particular are so low at the moment.'

Many people overlook the impact of tax on their investments so tax payers in the higher tax bracket, who don't rely on shares as part of their income, should also consider moving money from shares into super.

'Once again, there will be less to pay on any capital gains, and although earnings on assets within super funds are taxed up to 15 per cent, you'll still benefit from not paying the 46.5 per cent on any income earned from shares,' says Tony.

The self-employed should also look at transferring shares to a super fund as they can offset any gain by a superannuation deduction.

It should be remembered, once you start a pension, earnings within the fund become tax-free. And when you meet a condition of release, you can withdraw your money as a pension or lump sum tax effectively.

Manage your fund

Tony also recommends reviewing how your super fund is managed.

'Changing your investment strategy in your super fund may contribute to further growth - it may be worth putting more money into the growth allocation of your super fund rather than the defensive part,' he suggests.

Gearing to invest

Super funds can also be used to borrow on a limited recourse basis. For the more adventurous investor, you may consider taking advantage of the low market level by gearing to buy shares or property, with a view to the market increasing in the future.

'Gearing carries more risk, so there is the potential for greater return – but don't forget, gearing will also magnify your losses in a falling market,' warns Tony.

'Super is the ultimate long-term investment,' concludes Tony. 'Look beyond the current uncertainty, and by managing your funds correctly at this time, you will set yourself up to pay less tax on future investment profits.'

For more information about investments and super, please contact PKF adviser Tony Simmons.



The Bottom Line

Nothing great was ever achieved without enthusiasm.
Ralph Waldo Emerson

On the horizon



The Announcement of Henry Veronese as Director

Bringing with him over 20 years of experience Henry Veronese has been appointed as Director of the Enterprise Advisory team. Before joining PKF, Henry worked in commerce and public practice, including holding a Directorship in a 'Big Four' Chartered Accounting Firm. In addition he's held executive management and board positions with Manufacturing, Forestry, Automotive, Franchising and Financial Planning businesses.

Henry's main focus will be the provision of sound business management, development, growth and profit enhancement to individuals, families and businesses, with primary and secondary investments. His vast experience across the sectors makes him well positioned to offer a range of specialist services such as accounting, taxation, business consulting, succession planning, wealth creation, superannuation, business purchase, sale and corporate finance advice.

Past work undertaken by Henry includes:

- Automotive parts manufacture and vehicle retailing
- Franchising
- Management of financial compliance, accounting, audit and taxation services
- Preparation of business plans and cash flow models
- Strategic development and budgeting
- Financial reporting, benchmarking and KPI analysis
- Business acquisition, sale and valuation
- Succession planning, superannuation, wealth creation for corporate and family clients and management buy-outs
- Business Consulting to clients on a diverse range of services from start ups to retirement

For further information about PKF Enterprise Advisers please contact Henry Veronese at henry.veronese@pkf.com.au

On the Agenda

New

PKF Adelaide have introduced 2 new Service Lines

- **Audit Insurance** – Cover yourself from high fees in the event of a random audit or investigation by the ATO
- **PKF Assist** – Aims to reduce the difficulties and unnecessary costs often imposed by a lack of back office support leading up to reporting deadlines

Please contact your PKF Adviser for more details.

PKF Publications:

- **Federal Budget Bulletin**
- **SuperShot** – Superannuation Updates
- **Technical Update** – Changes in financial reporting requirements
- **Tax Flash** – Urgent update of a particular change in tax legislation

If you would like to subscribe to any of the above publications please email: marketing.adelaide@pkf.com.au

At Your Fingertips

A temporary investment allowance incentive was announced by the Government as part of its stimulus package. A "bonus" taxation deduction of either 10%; 30% or 50% of the cost of new depreciable assets purchased primarily for business use. Expenditure on computer software; buildings and most improvements to existing buildings are not eligible for the concession. The concession is on top of existing depreciation deductions and the allowance can create or increase a tax loss.

The minimum spend on a new asset or set of similar assets is \$1,000 for a "small business entity" (i.e. businesses with aggregate annual turnover less than \$2,000,000; grouping provisions can apply for this test); and \$10,000 for other businesses. The 50% concession is available only to small business entities.

The 10% incentive applies to assets acquired between 1 July 2009 and 31 December 2009; the 30% and 50% concessions apply to assets acquired between 13 December 2008 and 31 December 2009. In each case, the asset must be first used or ready for use by 31 December 2010.

Please contact your PKF adviser, if you need further assistance.

Have your say: Your feedback on the PKF SA newsletter 'The Bottom Line' is appreciated. Please email your thoughts and suggestions to marketing.adelaide@pkf.com.au

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