

# passionate planning

volume three, edition one

## Counting down to the end of financial year

With the end of the financial year fast approaching, we're commencing a countdown to assist you in getting your financial affairs organised and ready for the 30 June deadline. Taking action now can open up more opportunities for you.

### Super contributions

Look at increasing your contributions to super, so you can save more for retirement and benefit from tax concessions. For instance, did you know that:

- If you are employed, you could make super contributions from your pre-tax salary
- If you are self-employed, you could get a tax deduction for the money you put into super
- If you contribute after-tax pay or savings into super, you may pay less tax on investment earnings, qualify for a super contribution from the Government or receive a tax offset.

Beware though of the contribution limits as you might be subject to additional tax and charges if you exceed them.

### Interest on investment loans

Prepaying interest on an investment loan before 30 June may give you a potential tax saving, due to the tax deduction being brought forward.

### Payment of insurance premiums

You may be eligible to claim a tax deduction this financial year if you take out an income protection policy outside of your super account before 30 June.

### Offsetting capital gains tax

You can reduce the amount of capital gains tax you have to pay by making tax deductible contributions to super (if you are eligible).

### Life after work

Speak to us about how to structure your financial assets in the most tax-effective way that allows you to maximise your income-generating capability in retirement.

### Right Level of Cover

To ensure you have the right cover in place, talk to us to find out more. We're ready to help you find out what options are available to best suit your current circumstances, and we will assist you to make the most of your end of financial year opportunities.

### In this issue

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- ♦ Portfolio position and the Australian dollar
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## What are the benefits of investing in property through my SMSF?

There could be several benefits of buying property through an SMSF.

### **Tax savings**

If you buy and hold property within your SMSF until you retire and then start drawing a pension from your fund, when the fund sells the property, the transaction will generally be exempt from capital gains tax. Also, any income your fund receives (i.e. rent) while you are drawing a pension will be completely tax free.

Before you start to draw a pension from your SMSF, any rental income generated will be taxed at a maximum of 15%. If the fund sells the property after holding it for at least one year, your fund will only pay capital gains tax on the sale of the property of up to 10%.

Comparatively, if you were to buy the same property in your own name, rental income would be taxed at your personal tax rate (which could be as high as 47%). This tax rate would also apply to any capital gains payable on the sale of the property (albeit after receiving a 50% reduction if the property was held for more than one year).

You may not be able to afford to buy property in your own name; however, you and other members of the fund might have a reasonable amount of combined super saved inside your fund. Buying property through your fund might be a good way for you to achieve your goal of owning an investment property or owning your own business premises.

### **Benefits for business owners**

If you own your business premises through your super fund and you lease it to your business, the rent you pay to your SMSF is generally tax deductible to your business. Given the relatively low concessional contribution limits that are currently available, paying rent to your super fund could be a great way to accelerate your retirement savings without exceeding the contribution limits.

### **Asset protection**

Assets held in a superannuation fund (including property) are generally protected from creditors in a bankruptcy. However, before you decide to invest in property through your SMSF, you should consider these points:

- Investment – any property investment must align with your SMSF's investment strategy.
- Diversification – property generally has a significant value and may reduce diversification in your portfolio, depending on the value of your fund's other investments and what asset classes they are in.
- Liquidity – the nature of property could make it difficult to dispose of quickly. You should check whether your fund is sufficiently liquid and able to pay expenses and benefits when the need arises without having to sell the property at short notice.

We recommend that you speak with a financial adviser to help you decide if buying property through your superannuation fund is right for you.

# Portfolio position and the Australian dollar

The sharp fall in the value of the Australian dollar (AUD) has been a major topic of discussion in financial markets. The AUD has predominately fallen due to the relative strength of the US dollar (USD) but also due to prolonged weakness in commodity prices and mounting concerns over the growth outlook for China.

In terms of the Australian economy, few would argue that a falling AUD isn't absolutely necessary to help offset the impact of falling commodity prices and to stimulate other key areas of the economy including education, domestic tourism and what remains of our manufacturing sector.

Despite the recent decline in the AUD from US\$0.93 to around US\$0.78, the Reserve Bank of Australia, in its commentary is still of the view that the currency "remains above most estimates of its fundamental value".

Last year's statement reiterated that the currency remains high and that "it is offering less assistance than would normally be expected in achieving balanced growth in the economy".

Within the small cap universe, a falling AUD is typically a positive for:

- miners, as commodities are typically priced in USD
- those companies which have material offshore earnings (translational impact)
- domestic tourism and education providers, and
- for those companies which compete with imports.

On the flipside, it is negative for net importers, such as JB Hi-Fi or The Reject Shop, which source much of their product offshore in US dollars.

One of the investments in the small cap universe with the largest leverage to a falling AUD is Select Harvests (SHV). SHV grow, package and sell almonds to both domestic and international buyers,

with all sales (including domestic sales) based on international reference pricing.

The benchmark Californian pricing for almonds has been increasing in USD terms, which compounds with the weakening AUD to result in a greater increase in the AUD pricing. On the other side of the equation, SHV has almost all its expenses denominated in AUD which will result in increased margins. For example, a one per cent increase in the AUD almond price could result in as much as a two per cent uplift in profit before tax (before accounting for increased costs of fuel/chemicals etc, the price of which may escalate in a weaker AUD environment).

We expect the currency to stabilise around its current level in the near term as a number of competing factors offset each other. However it needs to be noted that lowering interest rates could also affect the AUD.

Ordinarily the currency could be expected to remain under pressure relative to the USD as the terms of trade continue to decline and as key commodities, notably iron ore, remain weak.

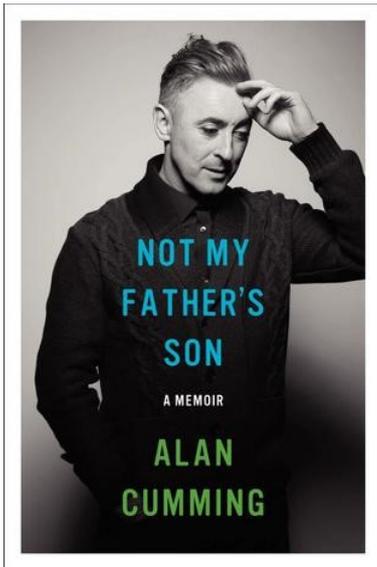
However, recent strength in the USD and weak overseas growth has Federal Reserve officials concerned that the US economy could slow and inflation drop below the Fed's two per cent objective. As a result, US interest rates are now not expected to rise until late 2015.

This development ought to help the AUD hold around its current levels in the near-term.

[Speak to your financial adviser today to discuss your investment options.](#)



## Book review: Not my father's son



In his unique and engaging voice, the acclaimed actor of stage and screen shares the emotional story of his complicated relationship with his father and the deeply buried family secrets that shaped his life and career.

A beloved star of stage, television, and film, Alan Cumming is a successful artist whose diversity and fearlessness is unparalleled. His success masks a painful childhood growing up under the heavy rule of an emotionally and physically abusive father—a relationship that tormented him long into adulthood.

When television producers in the UK approached him to appear on a popular celebrity genealogy show in 2010, Alan enthusiastically agreed. He hoped the show would solve a family mystery involving his maternal grandfather, a celebrated WWII hero who disappeared in the Far East. But as the truth of his family ancestors revealed itself, Alan learned far more than he bargained for about himself, his past and his own father.

With ribald humour, wit and incredible insight, Alan seamlessly moves back and forth in time, integrating stories from his childhood in Scotland and his experiences today as a film, television and theatre star. At times suspenseful, deeply moving and wickedly funny, “Not My Father’s Son” will make readers laugh even as it breaks their hearts.

## Application review: Evernote

If you are on the path to something big — Evernote is where you do the work to achieve it. Write notes of all types, from short lists to lengthy research and access them on any device. Collect web articles, handwritten notes and photos to keep all the details in one place. Find your work quickly with Evernote’s powerful search.

Move projects forward with Evernote:

- Take notes: write in a clean, distraction-free workspace
- Get organized: create notebooks and add tags to wrangle projects
- Access anywhere: keep your work in sync across devices
- Find anything fast: text in notes, photos, and PDFs is searchable
- Share ideas and resources: create a workspace for collaboration with shared notebooks
- Keep up with to-do’s: make to-do lists and check items off as you go
- Harness creativity: capture ideas while they’re fresh, wherever you are
- Prepare for meetings: draft agendas and to-do’s for next time
- Manage expenses: organise receipts, bills, and invoices to keep expense reports in check
- Plan business travel: save reservations and tickets for simple trip planning



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