



Professional Investment Services

Issue 1 2007

INSIDE:

- 1 2007 - A "Super" Year
- 2 Economic Update
- 3 Tip of the Month
- 4 Funeral Bonds and Their Place in an Investment Portfolio
- 5 Estate Protection – Don't Increase the Risk of Retrenchment
- 6 Crossword
- 7 Transferring Superannuation from Overseas
- 8 Trivia
- 9 Australian Loan Company

2007 - A "Super" Year

It goes without saying that the superannuation reforms announced by the Government in May 2006 have become a very topical subject for discussion with articles appearing in the popular press on an almost daily basis. At Professional Investment Services, we have been actively involved with many of our financial planners, risk advisers and associated accounting practices in providing information sessions and seminars around the country.

While most of the reforms announced last year will not come into effect until 1st July 2007, one significant change is already in effect. This involves the capping or restricting of undeducted contributions made to a superannuation fund. An undeducted contribution is a personal superannuation contribution that is not being claimed as a tax deduction.

Prior to 10th May 2006, there was no limit on the amount of undeducted contributions a person could make to a superannuation fund. One of the surprise elements of the superannuation reforms was the introduction of a cap on the amount of undeducted contributions that can be made in any one financial year. The original proposal was to limit undeducted contributions to a maximum of \$150,000 per person per year.

Continued on P2



Economic Update

In Australia, latest inflation figures have taken some pressure off the possibility of another interest rate hike early in the year. Recent economic data suggested the economy should remain steady throughout the first half of 2007, helped by the retrenchment in petrol prices, an inventory rebuild and ongoing fiscal stimulus. However, inflation risk remains, with capacity constraints and the upstream price pressures elevated.



The Reserve Bank of Australia (RBA) is expected to remain hawkish, but all that said, a further decline in CPI and busy political scenes ahead (budget in May, APEC meeting in September and potential Federal election later this year), could keep the RBA on pause for a considerably long period.

Source: Navigator

Tip of the Month

Cut Your Bank Fees

By using a transaction account, savings account and credit card that fit your needs, you can save hundreds of dollars. For example we showed how Sue, a Bank customer, could save \$60 per year in fees by switching to another transaction account with her bank.

By switching to one of the two best accounts for her transaction pattern with other banks, she could save \$150 per year.

- Compare transaction accounts and check for detailed information about fees; and
- If your credit card is in the red consider switching to a card without an annual fee.

Source: Choice Magazine www.choice.com.au

Continued from P1

However, following submissions from the public, the Government agreed to allow undeducted contributions of up to \$1,000,000 per person between 10th May 2006 and 30th June 2007. From 1st July 2007, the limit will be \$150,000 per year, however, anyone under the age of 65 will be able to bring up to three years contributions forward and make a single contribution of up to \$450,000, with nothing being contributed in the following two years.

The superannuation environment can be a very tax effective structure to hold investments in. With this in mind, a “not to be repeated” opportunity is available that allows people to move significant sums into superannuation before 30th June 2007.

Where a person has a self-managed superannuation fund they may be able to transfer certain assets they hold in their own name into their superannuation fund without having to dispose of the asset first. These are referred to as in-specie contributions.

While legislation restricts a self-managed fund acquiring assets from a member of the fund, business real property and listed securities (that is shares listed on a stock exchange) are notable exceptions. However, the transfer of assets from one’s own name to their super fund may involve transaction costs, stamp duty, and may trigger a capital gains tax liability.

Apart from making an in-specie contribution to a self-managed super fund, we have seen many examples of people selling down assets (properties, shares etc) in order to make a large, one-off, undeducted contribution to a super fund before 30th June 2007. In fact, a recent press article predicted that \$36 billion of additional funds would flow into superannuation as a result of the opportunities that are available up until 30th June 2007.

If you consider making an undeducted contribution, speak to your financial planner first to ensure that this is the right strategy for you after taking your personal circumstances into account.

Source: Peter Kelly
Professional Investment Services.

Funeral Bonds and Their Place in an Investment Portfolio

For many years Australians have been able to enter into an arrangement whereby they pre-pay their funeral expenses. Generally this has been done with a selected funeral company, but a number of friendly societies and life insurance companies also offer “funeral bonds”.

These days, funeral expenses can run into many thousands of dollars and can leave loved ones with the distress of not only having lost a family member, but also having to find the funds to pay for the funeral. The idea of being able to set aside money for a funeral makes a lot of sense.

Investing in a funeral bond can be a simple process. While you may wish to invest a lump sum to cover the expected costs of your funeral, many funeral bonds allow you to make a small initial investment (usually around \$500) followed by a number of additional investments at regular intervals (e.g. \$100 per month).



The money held within your funeral bond is invested by the issuer of the funeral bond and the investment earnings, after deducting any fees and taxes, are added to your account. In this way, your funeral bond will hopefully grow in value allowing you to keep pace with inflation.

While there are many different investment options available, most funeral bonds are structured to invest in a balanced portfolio of assets which include cash, fixed interest securities, mortgages and shares. Funeral bonds offered by some institutions may carry a capital guarantee, meaning that the value of your investment cannot fall. But a word of caution; always check the “fine print” to ensure that you understand the extent of any guarantees offered.

Funeral bonds can also be tax effective. One of the advantages of a funeral bond is that investment earnings accruing within the funeral bond are not taxable in the hands of the investor. The tax is paid by the issuer of the bond. While you hopefully see the value of your bond increase with investment earnings, you can have a degree of comfort in knowing that you are not required to include this growth in your tax return and pay tax on it on an annual basis. However, if you were to withdraw your bond earlier (i.e. before death), there may be some tax consequences. While some funeral bonds may allow withdrawal prior to death, others may not.

Often overlooked are the social security benefits that can arise from having an investment in a funeral bond. For those receiving a social security benefit (e.g. age pension, disability pension etc), a funeral bond may be exempt from assessment under the assets and the income tests. For assets and income test exemption the maximum that can be invested in a funeral bond is currently \$5,000 (for a single person or for a couple).

On the death of the person who held the bond, the trustees of their estate will generally make a claim on the bond and the proceeds that have accrued up to the time of payment will be paid to the estate. If a funeral bond is withdrawn following the death of the bond holder, there will generally not be taxation consequences for the estate.

Like any investment, a funeral bond requires appropriate advice prior to investing. Your financial planner is equipped to provide you with all the relevant information.

Source: Peter Kelly
Professional Investment Services.

Estate Protection – Don't Increase the Risk of Retrenchment

Retrenchment can happen when people least expect it, causing considerable stress.

The most recent Australian Bureau of Statistics Retrenchment and Redundancy survey showed that 77% of people retrenched in the prior three years were given less than the five weeks notice of retrenchment, and 25% were given less than one day.

Many people who receive a substantial retrenchment payout recognise the value of professional financial advice.

Whether to roll-over a bona fide redundancy payment, what to do with your superannuation and, more generally, how to invest your redundancy sum, are decisions that need to be taken fairly quickly.

Just as important, but often overlooked, is the importance of life insurance at this time.

Many company superannuation schemes include a life insurance component that provides for a lump



sum payment (in addition to the accumulated amount in the fund) to dependents in the event of the death of the worker.

On leaving work, this cover could lapse.

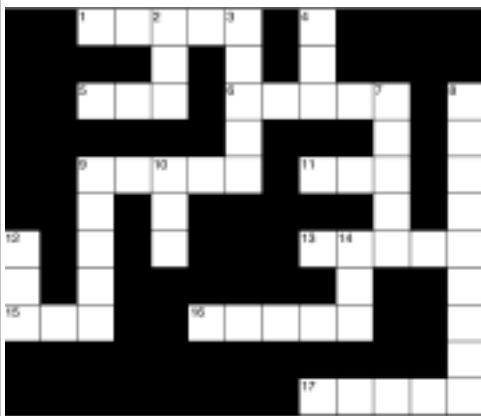
In some cases, the life insurance cover may be carried on with the same insurer, usually without the need to undertake any further medical assessment.

The death or disability of a spouse or parent is traumatic whatever the circumstances. But the economic impact can be reduced if life insurance is in place.

Reading this article gives only a small insight into how you can protect your wealth. You should seek advice on how to stay on track to meet your specific financial and lifestyle goals.

Source: Aviva

Crossword



Across

- 1 Toothbrush brand.
- 5 Definite article; Used before singular or plural nouns and noun phrases that denote particular, specified persons or things.
- 6 Asian restaurant promise.
- 9 A place to go on a hot day.
- 11 Slot machine leaver.
- 13 'Ghosts' playwright.
- 15 Pass from physical life and lose all bodily functions necessary to sustain life.
- 16 To have ownership or possession of something.
- 17 Safe places to keep your money.

Down

- 2 A period of time associated with a particular person or thing.
- 3 In the park, take a rest on this.
- 4 To add or the result of addition.
- 7 A contest with rules played for amusement.
- 8 The time at which something begins.
- 9 An emblem that signifies your status.
- 10 Play a role or part.
- 12 Join with others.
- 14 Antonym of good.

Transferring Superannuation from Overseas

Over the years many people have emigrated to Australia and have made this their new home. In many cases the new residents may have contributed to, or have entitlements to, superannuation or pension benefits in their former homeland.

As a result of taking up residency in Australia the idea of transferring the overseas superannuation or pension entitlements to their Australian superannuation fund may make good sense.

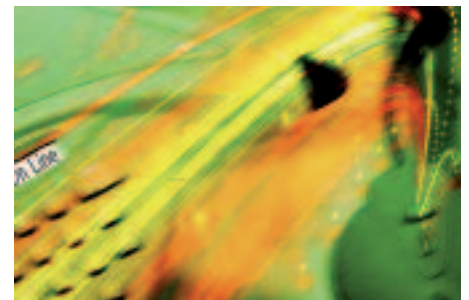
However, there are a number of issues to consider before requesting the transfer of the funds from the current fund:

1. Firstly, it must be determined whether the current overseas fund

is willing and/or able to transfer benefits to an Australian fund. Release of the benefits may be constrained by local legislation or contractual conditions;

2. Is it in your best interests to transfer the fund? The overseas fund may pay a pension benefit that simply can't be replicated in Australia. This would generally relate to defined benefit schemes;
3. On transferring benefits from an overseas fund, are there taxes or fees that may unnecessarily reduce the net amount of benefit being transferred? and
4. If the funds can be transferred, are there any Australian taxes to be paid on the amount transferred?

Where an overseas benefit is transferred on behalf of an Australian resident, tax may be payable on the amount transferred if that person has been an Australian resident for more than six months.



A portion of the amount transferred will be treated as assessable income and be taxed at the taxpayer's marginal tax rate. Alternatively, they may elect to have it taxed in the hands of the superannuation fund to which the benefit is transferred. In such cases, it will be taxed at the superannuation fund tax rate of 15%.

Transferring benefits from overseas pension schemes can be complex and time consuming. Expert advice is recommended before commencing the process.

Source: Peter Kelly
Professional Investment Services

Trivia

- Rehearsing a stage act in 1988, Alice Cooper nearly hung himself when a safety rope broke and the noose around his neck tightened. He would have died if a roadie hadn't cut him free.
- Scientists have discovered the oldest playable musical instrument in the world. It's a flute carved from a bird's wing bone more than 9,000 years ago. The flute was discovered with other flutes at an ancient burial site in China.
- Scott Joplin was a schooled musician. Many jazz critics are not aware that he composed a symphony and two operas, in addition to the countless popular rags he wrote. One opera, Treemonisha, is still performed today.
- Originally a DJ, Luther Campbell of 2 Live Crew nicknamed himself Luke Skywalker after the Star Wars character. When the group got publicity for their explicit lyrics, Star Wars creator George Lucas took legal action to keep Campbell from using the character's name. Luther pouted, "George Lucas showed me his dark side."
- Record label after record label signed the Sex Pistols then paid them to leave the label. In four months time the recording industry paid the band 350,000 pounds to go away.
- Mick Jagger had an emerald chip put in the middle of his upper right incisor, but people thought it was spinach. He changed it to a ruby until he got tired of people discussing the drop of blood on his tooth. Jagger finally settled on a diamond.

Source: coolquiz.com

Crossword solution



Your Privacy

Your privacy is important to us. If you do not wish to receive information of this kind in the future, please contact your local office located at the back of this document.

DISCLAIMER

The information contained in this document is of a general nature only and does not take into account your particular objectives, financial situation or needs. Accordingly the information should not be used, relied upon or treated as a substitute for specific financial advice. Whilst all care has been taken in the preparation of this material, no warranty is given in respect of the information provided and accordingly neither Professional Investment Services nor its employees or agents shall be liable on any ground whatsoever with respect to decisions or actions taken as a result of you acting upon such information.

Australian Loan Company

Creating the Freedom to Spend Wisely

The Australian Loan Company (ALCo) takes the 'mental grunt' out of choosing and applying for a loan so clients can focus on more pressing issues.

A stable of almost 400 products from more than 50 lenders, including traditional banks and non conforming lenders, allows clients to exercise enormous flexibility when planning their strategies.

Best of all, the highly professional service is totally personalised to allow access to the best funding packages available, easily and without hassle.

Services include:

- Home Lending
- Investment Lending
- Commercial Lending
- Personal Loans
- Asset Equipment Finance
 - Leasing (Novated and Operating)
 - Chattel Mortgages
 - Hire Purchase/Term Purchase
- Fee Funding/Factoring/Cash Flow Finance
- Small Business Lending
- Rural Lending

ALCo is proudly part of the Professional Investment Services Group of companies, owned by Professional Investment Holdings and MTS Finance Pty Ltd. ALCo operates as a provider of personal and business financial services throughout all capital cities in Australia, also providing an extensive regional network.

Ask for details of other services to protect your ability to service your loan such as income protection insurance to take advantage of Professional Investment Services' successful 'one-stop-shop' model and ensure your entire financial portfolio is on track.

For full details visit the ALCo website on www.ausloanco.com.au

Contact your local office for further information:

Professional Investment Services Pty Ltd. ABN 11 074 608 558.
Australian Financial Services Licence No. 234951
Head Office: Level 14, Corporate Centre,
Cnr Bundall Rd & Slatyer Ave, Bundall 4217 Qld
Ph: (07) 5574 0244 Fax: (07) 5574 0180
email: info@profinvest.com.au web: www.profinvest.com.au