Professional Investment Services

Issue 4 2006

INSIDE:

Superannuation Reforms

When the Government brought down the Federal Budget on 9th May 2006, some of the most significant changes to superannuation in more than 20 years were announced. As mentioned in the previous issue of "Successful Investing", the Government were seeking submissions from the public and corporate on the proposed changes.

The period for public comment ended on 9 August 2006 and on 5 September the Government released a further paper that outlined the final shape of the changes to come. These proposed changes are yet to be legislated and will, in the most part, apply from 1 July 2007.

The key elements of the proposed changes can be summarised as follows:

Tax free benefits

Superannuation benefits paid from a "taxed" superannuation source to a person aged 60 or older, whether paid as a lump sum or as a pension income, will be tax-free from 1 July 2007. A taxed superannuation source is a superannuation fund that has paid tax on contributions and investment earnings. Approximately 90% of super fund members belong to a taxed fund.

Benefits paid from an untaxed source (mainly public sector employees) will still be taxable however for people aged 60 and over, the rates of tax will generally be lower than currently apply. continued P2

Economic Update

"The Reserve Bank of Australia (RBA)'s delivered the widely expected 0.25 % interest rate increase in early November which marks the third increase in six months and the eighth such move over a lengthy four year period. There is now (finally) some evidence that the May and August rate hikes are starting to have an effect, with retail sales quite soft in September (rising by just 0.1%), and growth in both housing and personal credit starting to moderate. Similar to the previous two moves, the RBA should take time to watch for the impact of the November rate hike over the coming couple of months. With growth figures starting to slow and with the impact of the drought to contend with, the November rate hike may well be the last of the current cycle."

Source: Mark Teale – Professional Investment Services

Tip of the Month

Cars

For most families, the next biggest expense to their house is their car(s). Mistakes made here can often be as costly (on a monthly basis) as mortgage miscues. Take a look at the vehicle you presently own. Do you own too much vehicle for your needs?

Do you have equity in a car that you no longer use frequently? Could you downsize and save money, not only in monthly payments but also in maintenance, insurance and operating expenses? With the vehicles that you do own, are you getting the best deal on your repairs, maintenance and insurance?

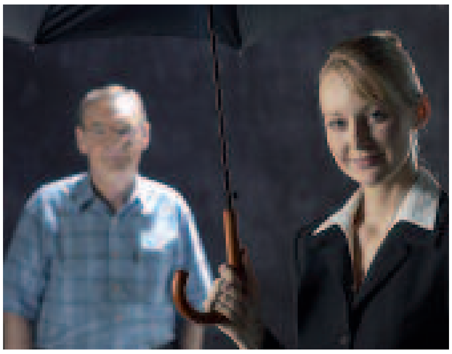
Management and Staff wish you a Merry Christmas, a safe and happy holiday and a prosperous New Year

Reasonable Benefits Limits

Reasonable Benefit Limits or RBLs represent the maximum amount of benefit that have been received from the superannuation system on a concessionally taxed basis. The current RBL system is a very complex one.

The good news is that from 1 July 2007, RBLs will be abolished.

However, anyone commencing a pension or taking a superannuation lump sum before 1 July 2007 will still have their benefit counted against their RBL. Because the level of tax that applies to benefits taken in excess of the RBL can be considerable, advice should be sought if planning to take a super benefit before 1 July 2007.



Pensions

For those who have already commenced a superannuation pension (e.g. an allocated pension, or a market linked income stream) – that pension will generally continue in its present form after 1 July 2007. However, if aged over 60 and the pension is paid from a taxed superannuation source, it will simply become tax free.

For people wishing to commence a pension after 1 July 2007, a new simplified form of pension structure will become available.

Taxable Contributions

The current "age-based" deduction limits will be abolished from 1 July 2007. Rather than limiting the amount of tax deduction that may be claimed, the Government proposes changing the way in which contributions are taxed by the receiving super fund. Contributions of up to $50,000 per person will be taxed inside their super fund at 15% (the current rate) but contributions over $50,000 will effectively be taxed at 46.5%. People aged 50 and over may have $100,000 taxed at the 15% rate for a 5 year period from 1 July 2007.

Undeducted Contributions

A limit of $1,000,000 per person applies to undeducted contributions made between 10 May 2006 and 30 June 2007. From 1 July 2007 this will reduce to $150,000 per annum although those aged under 65 will be able to bring 3 years contributions forward and make a contribution of up to $450,000, but will not be able to make undeducted contributions in the next two financial years.

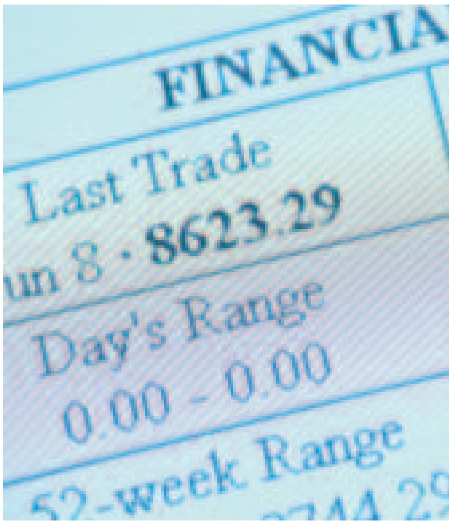
The proposed changes to super offer some wonderful opportunities for people to build a significant retirement nest-egg. For those already retired, the ability to receive tax-free benefits will be very attractive. However, the rules are complex so ensure you take appropriate advice before acting.

Source: Peter Kelly
Professional Investment Services

Investing with Instalment Warrants

One of the new forms of investment to emerge in recent years is the instalment warrant.

Instalment warrants provide investors with the opportunity to invest in selected Australian shares without having to pay the full purchase price at the time the initial investment is made. The issuer of the instalment warrant provides financing to enable the purchase to be completed.



Characteristics of instalment warrants include:

- Investors are entitled to ordinary dividends from the underlying shares during the time they hold the instalment warrants;
- The shares are paid for in two payments – one upfront payment which includes interest costs, and one at the end of the loan period;
- The upfront or first payment is made up of a portion of the share price plus interest and borrowing fees;
- The completion payment is not compulsory at the end of the loan;
- If you make the completion payment, you receive the underlying asset (the shares);
- Instalment warrants usually have a life of between 12 months and five years;
- Instalment warrants are listed on the Australian Stock Exchange.

There are two ways to buy instalment warrants:

1. In the primary market – an investor completes an application form in an offer document and it is sent to the issuer of the warrants together with the first payment. This enables investors to buy instalments by:
   - Making a cash payment to the issuer;
   - Converting existing share-holdings to instalments; or
   - Rolling your existing instalment holdings into a new instalment series at the final completion date.
2. Trading on the Australian Stock Exchange – investors buy and sell warrants through an ASX Derivatives Accredited Broker or online.

Whilst instalment warrants can offer an effective way to leverage into the sharemarket, they do carry some risks and may take some time to fully understand.

Investors wishing to explore the possibilities of using instalment warrants as a part of their investment portfolio are encouraged to speak to a financial planner to ensure the suitability of this type of investment for their own circumstances.

Source: Macquarie Bank Limited and Peter Kelly - Professional Investment Services.

Estate Protection an Important Part of Successful Financial Planning

Insurance can be described as 'financial protection against a possible future event.' While we can not predict future events, we can identify items that need protection.

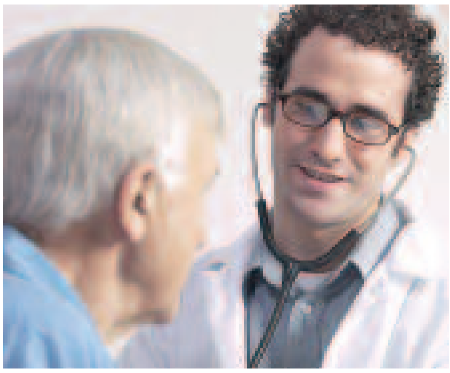
What things are most important to you?

- Car
- House
- Income
- Home contents
- Personal possessions
- Own financial security
- Your family's financial security

Now ask yourself – do you have insurance to protect those things that are most important to you? If not, here's where a life company can help.

Life companies offer a range of insurance products to provide you and your family with financial protection should certain events happen, like sickness, injury or death.

It could happen to you.

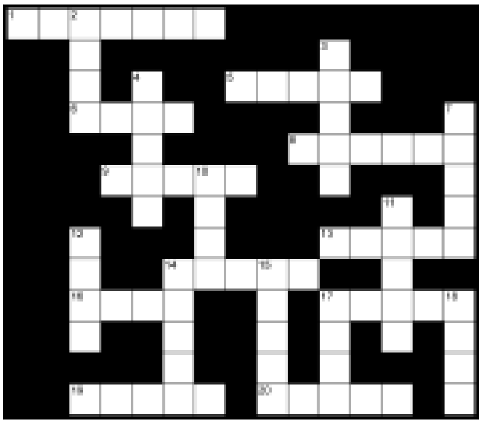


Of the working population, one in six men and one in four women are expected to suffer a disability from the age of 35 to 65 that causes a loss of six months from work. Even the most common disabilities can keep people away from work for extended periods. Income Protection is one insurance product that can pay an income replacement benefit for an ongoing basis in the event of accident, illness or injury.

Other forms of estate protection provide insurance to protect against critical illness, total disablement or death. These insurances can provide you with some extra financial peace of mind in the form of a lump sum payment should the unexpected happen.

Source: Aviva

Crossword



Across

1 Study carefully (7)
5 Tired (5)
6 Opera solo (4)
8 Jog one's memory (6)
9 Athlete; ... Freeman (5)
13 Broadcasting (2,3)
14 Foolish action (5)
16 Largest continent (4)
17 Oil fruit (5)
19 Unoccupied (4)
20 Kingdom (5)

Down

2 Water plant (4)
3 Concise, short (5)
4 Turn in to gold; ... touch (5)
7 Cow's mammary gland (5)
10 Hermit (4)
11 Pig like mammal (5)
12 Wound mark (4)
14 Gut gemstone surface (5)
15 Horse race; St. ... (5)
17 Killer whale (4)
18 Central Australian lake (4)

Is a Self-managed Super Fund right for me?

The past five years has seen an explosion in the number of self-managed super funds (SMSFs) being established. From all accounts, the popularity of this type of superannuation structure is set to continue with around 320,000 SMSFs now in existence. With the average SMSF having a balance of around $650,000, SMSFs are clearly the preferred choice of superannuation fund for those people with significant superannuation savings.

Just to recap, a SMSF is a superannuation fund that has no more than four members. Each member must be a trustee of the fund and each trustee must be a member.

Where a company is nominated to be the trustee, each member must be a director of the trustee company, and each director must be a member of the SMSF. SMSFs are generally established to cater for the superannuation needs of a couple, and, in some cases, families. Hence the reason they are often referred to as "family super funds".

SMSFs are established for a number of reasons but generally these revolve around issues of control and cost savings.

Just because it is "your fund", doesn't preclude trustees from significant responsibilities. As a trustee, you need to ensure that your fund is being run in a manner that fully complies with all relevant legislation. This includes the Superannuation Industry (Supervision) legislation, taxation laws, family law and, the Corporations law. Many trustees engage professionals (accountants, lawyers, financial planners, risk advisers, stockbrokers, specialist administration services etc) to assist them in managing their obligations.

Last year the regulator of SMSFs, the ATO published a guide for trustees of SMSFs under the title of "is a self-managed super fund right for you?". In this guide they posed four important questions for people with an existing SMSF or who were considering establishing one. The questions included:

1. "Is the self-managed super fund strictly for retirement purposes?"
2. "Do you have the time and skills?"
3. "Will the benefits be worth the costs?"
4. "How will switching to a self-managed super fund affect your current super?"

Running a SMSF is not for everybody, but for those with the necessary time and skills, running your own super fund can be a rewarding experience.

But most importantly, make sure you understand what you are getting into if thinking of establishing your own fund.

Source: Peter Kelly
Professional Investment Services

Trivia - Fabulous Facts

Q.1 In rhyming slang, if someone said they were going to have a "bo-peep", what would they be doing?

Q.2 Australians hold the world record for which amazing feat?
A) Fastest beer bottle opening
B) Largest Christmas cracker
C) Most sheep sheared in 24 hours
D) Largest chicken dance.

Q.3 What is Kylie Minogue's lingerie called?

Q.4 Where is the Big Prawn?

Q.5 Approximately how many rabbits are there in Australia today?
A) 3 million
B) 30 million
C) 300 million
D) 3,000 million.

Q.6 What was the name of Olivia Newton-John's chain of clothing stores?

Q.7 What outback town's population swells from 120 to crowds of over 5000 for racing carnival?

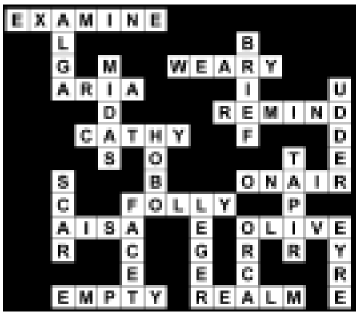
Q.8 Which of the following is not an Australian innovation?
A) Chiko Roll
B) Lawn Sprinkler
C) Plastic bank notes
D) Dual flush toilet
E) Wine cask

Q.9 What creature does Jana Pittman have tattooed on her body?

Q.10 The Idiot Fruit and Darling Peas are poisonous, True or False?

Answers:
1) Having a sleep
2) B – Largest Christmas cracker
3) Love Kylie
4) Ballina
5) C – 300 million
6) Koala Blue
7) Birdsville
8) B – Lawn sprinkler
9) Bee
10) True

Crossword solution



VENTURA INVESTMENT PROGRAM

Ventura Investment Management Limited

Ventura Investment Management Limited (VIML) is a special purpose funds management company established to offer a range of professionally managed investments to suit each investor's risk profile.

The VENTURA INVESTMENT PROGRAM focuses on controlling risk while providing consistent investment performance. The Ventura Wholesale Funds and Ventura Retail Funds achieve these objectives by using a select number of the world's leading investment managers to manage your investments. Using a multiple style of managers across multiple asset classes means you won't be relying on one style of manager or market to be right at any one time.

The Ventura range of funds are available as Retail or Wholesale Funds and Russell Investment Management Limited is the manager for both.

Source: www.venturainvestemts.com.au

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