



# Prosper News

NEWS FROM YOUR FINANCIAL PLANNER

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## Welcome to Prosper News

This is the very first edition of the "Prosper News" client bulletin. The aim of this publication is to highlight current issues that are relevant to financial planning in a readable and interesting format. Of course, we would welcome your feedback and most of all, to have the opportunity to discuss any topics in more detail with you that are of direct relevance.

## Meet the team

**Jenny Hughes** heads up the firm's Financial Planning service. Jenny has worked in the firm since 1995. Jenny is a high achiever and has progressed from being our receptionist and PA to John Pollock (principal), to holding the ASC recognized qualifications. Jenny is also an Authorised Representative of Count Wealth Accountants. Whilst Jenny exclusively attends to the needs of our financial planning clients, she has ready access to the Tax & Accounting team of Rob, James, Eloisa and John (principal). This is the key strength of our firm over other

financial planners as there are frequently situations that arise that have an impact on a client's tax position. Jenny is able to draw on these resources any time you require to ensure you always receive the best possible service and advice.

**Melissa Boughy** or 'Mel' as we call her, is the person you are most likely to talk to when you call or visit our office. Mel's role is wide and varied and is a great resource for you to start with if you have a query. To add more skills to her bag, Mel is studying for "Certificate IV in Business Administration" at Chisholm TAFE and hopes to have this completed by mid-year. When Mel does have a spare moment, she is a keen netballer even lending a hand to umpiring at times. Their team is always looking for recruits so, watch out.



## Don't let the taxman eat away your estate

Although most people have good intentions about leaving their estate to loved ones when they die, few realise the tax burdens their relatives face if assets are not left or divided up appropriately. Having a will in place is a good start but it is also worthwhile seeking professional advice to work out how your estate is best broken up to ensure your beneficiaries have the optimum outcome while paying minimum tax. Continued on page 2.

## Quote of the day...

A successful man is one who can lay a firm foundation with the bricks others have thrown at him. - David Brinkley

## Industry Super Funds. How good are they?

If you are in any type of industry super fund, you have probably seen the ads on TV suggesting that no adviser fees are the greatest advantage. You know you get what you pay for! We now have the ability to give you comparative research on a range of super funds including industry, corporate and retail funds. You should consider the following issues to decide if you are getting what you need:

- Relevant costs
  - Range of investment options
  - Asset allocation
  - Insurance cover
  - Investment performance
  - Independent research
  - Other factors
- If you are interested in taking control of your super and your future, contact us quickly.



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### Event Calendar

- March 13 "Live Tax Free for the rest of your life"
- May 1 Tax Planning "Minimising Tax within the rules"
- September 4 "Business Improvement: Finding your key drivers"

See our website for full details or call Mel on 03 9886 4822.

[www.pollock.net.au](http://www.pollock.net.au)



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## Don't let the tax man eat away at your estate.



Capital Gains Tax is probably the biggest issue for beneficiaries inheriting, but the tax paid can depend on the type of asset, when it was originally acquired or how quickly it is sold. For example, a family home is CGT exempt if sold within two years after the owners' death but after this time, CGT is applied at the full rate for the whole period. On the other hand, the tax rate on super is subject to dependency rules. But each individual situation really is unique. The complexities don't end there. Certain beneficiaries may also attract penalty tax rates. For example, children aged under 18 are taxed at up to 66% on any unearned income. However, certain strategies - such as using Testamentary Trusts, can alleviate this burden and provide substantial tax advantages.

An adviser can assist in setting up a Testamentary Trust, whereby the Trustee can distribute funds as they wish. A young child who receives funds from the Trustee will only be subject to normal adult tax rates plus the first \$6,000 will be tax-free, as it has been legally set up through a will. This is a tax effective way to distribute your estate and gives freedom to the Trustee to provide for other beneficiaries, no matter how young. When compared to receiving the funds outright, a Testamentary Trust allows the child to receive a maximum payout with minimum tax.

It also pays to ensure that assets you leave to your loved ones will not cause undue hardship. Leaving assets to relatives receiving Centrelink benefits can do just this, as it can jeopardise their entitlements. If your spouse receives a pension, after you die they will no longer be assessed as part of a couple for Centrelink purposes. Instead, they will be assessed as a single person with a lower asset test threshold. Any assets you leave them may take them over the threshold - their benefits may be reduced or lost all together. This can even affect remaining spouses who are living in Government funded aged care facilities. "As well as affecting their pension, it can also increase their residential fees, which are primarily based on Centrelink income and asset tests. If their income or asset level rises, so can their fees, which they may not be able to afford. In some cases it would be preferable to leave certain assets such as the family home to beneficiaries other than your spouse, but this would depend on your individual circumstances.

## Opportunities in 2007

### Massive Changes to Super.

If you are aged 55 or older, these changes mean you may never pay tax again. Sound too good to be true? This most important opportunity is available to nearly all clients irrespective of wealth, and forms part of the massive changes to superannuation (from 1 July) and the age pension system (from 1 September). There are transitional opportunities that can be taken advantage of prior to 30 June. If you want to know more, we will be running an information seminar covering this exciting opportunity for our clients on March 13. Contact our office for more details.

### Australian Equities and Property

The Australian Share Market continues with slow steady growth not only in the resources sector but in other industrial and

service areas. Property continues to increase despite interest rate rises. There are many **wealth creation and growth opportunities** that we can advise on in the lead up to the tax year end. We will be arranging topical information seminars to better explain these opportunities and improve your tax position as well as your wealth through these sessions. Check out the Events section for topics and dates.

### Are you thinking of buying a property?

If you're buying a home or investment property, your choice of home loan can have an enormous impact on your long-term net wealth. By choosing the right loan, you can pay off your home more quickly and redirect your mortgage repayments to invest in wealth creating assets.

However, with so many home

loans available on the market it can be difficult to know which one is best for your particular needs.

As a Member of Count Wealth Accountants®, Pollock Accountants Pty Ltd is ideally positioned to help. We have access to some of the best lending opportunities in Australia. Count recently reviewed the home loan market and selected the best residential mortgages from a range of lenders to recommend to clients. This service is provided at no additional cost to the borrower!

### Is it worth refinancing your existing property loans?

With the facilities we have access to we can help you determine the best home loan for your needs. You may think you have a good loan but you may be paying for features that you don't want or need, your interest rate could be too high or you

may need to consider taking out another mortgage to fund your lifestyle and business needs into the future.

In the current market we have access to competitive resources that can help you reach your goals sooner.

Using the same calculators as the major mortgage brokers we can help you calculate how much you need to borrow and your ability to service the loan based on your current situation.

If you are interested in comparing your existing loan with the services we can provide please contact us on 03 9886 4822.

