COMPLETE FINANCIAL CARE

Brindleys Chartered Accountants

NEWSLETTER
SEPTEMBER 2012

HIGHLIGHTS

Business Tax Changes from 1 July 2012

As the new financial year began on July 1, a swathe of tax reforms were also ushered in. Provided below is a snapshot of the key changes relating to small business.

LOSS CARRY BACK

If you have a company and make a loss in 2012/13 you will be able to offset the loss against profits from 2011/12 and get a refund of tax previously paid.

From 2013/14, tax losses can be carried back and offset against tax paid up to two years earlier.

The loss carry back is only available to companies and tax losses of up to $1m can be carried back each year. However, it only applies to revenue losses and is limited to a company's franking account balance.

BUSINESS ASSET DEPRECIATION

Other changes include the instant asset write-off threshold increasing from $1000 to $6500 on 1 July for businesses with less than $2 million in turnover a year, and they can also deduct the first $5000 of a new or used motor vehicle.

Small businesses will also be allowed to write off assets in a single pool, deducting 15 per cent in the first year and 30 per cent in each subsequent year.

So if your business has a turnover of less than $2 million there may be some significant tax benefits.

ENTREPRENUERS TAX OFFSET

2011/12 is the final year that eligible small businesses can claim the entrepreneurs' tax offset.

This was designed to help start up and micro-businesses and provided a tax offset equal to 25 per cent of the income tax payable on business income when turnover is $50,000 or less.

If you need advice or a quick check up to make sure you're maximising your tax position, contact us on
PH: 63721655
E: invest@brindleys.com.au

Personal Tax Changes from 1 July 2012

In addition to significant changes to personal income tax rates, there are many changes that affect individuals for the coming financial year. Some of those affecting our clients are discussed below

SUPER CONTRIBUTION LIMITS

The concessional contribution cap for people over 50 is decreasing from $50,000 to $25,000 from 1 July 2012 and the proposed higher contributions cap for people over 50 has been delayed until 1 July 2014.

If you have income over $300,000, the tax rate on your concessional superannuation contributions will effectively double from 15% to 30%.

If your income (including taxable income, superannuation guarantee contributions and salary sacrificed superannuation contributions, adjusted fringe benefits, total net investment loss, foreign income and tax-free government pensions and benefits; less child support) is in the vicinity of $300,000 please contact us to discuss how you might be affected.

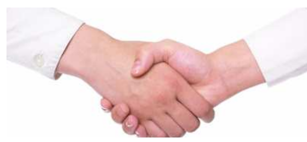
LIVING AWAY FROM HOME ALLOWANCE

The Living Away from Home Allowance will now be limited to domestic employees who maintain a home in Australia for their own use while they are living away from home for work.

In other words, you can't rent out your home and still get the allowance, which is payable for 12 months only.

ELIGIBLE TERMINATION PAYMENTS

From 1 July 2012, the ETP tax offset will be limited to the amount of the ETP that takes a



person's total annual taxable income (including the ETP) up to $180,000.

Amounts above this will be taxed at marginal rates. Existing arrangements will still apply for certain ETPs relating to genuine redundancy, invalidity, compensation due to an employment related dispute and death.

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Did you know Brindleys can offer you a complete financial solution?

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Brindleys Wealth Advisors Pty Ltd (ABN: 58 151 785 116) are an authorised representative of Lonsdale Financial Group Ltd (ABN 76 006 637 225) AFSL 246934

If you require any further information or advice in respect of the matters referred to in this newsletter or any other matters regarding your business and financial circumstances do not hesitate to contact us on
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Farming Families - Put your plans in writing

It's always a sad event when we hear of a client passing away. Its extremely sad when their family face the added trauma of financial difficulty because there wasn't an appropriate succession plan in place.

Farming is one of the few industries that have kept their 'familial roots' in tact. For some, the farm goes back multiple generations and the current and future generation are looking to a future where their kids have a vested interest in the property.

Sounds great. But without a formalised succession plan (including a current will) in the event of death of Mum or Dad, there can be significant repercussions for the surviving partner and the kids which can cripple their financial situation, and in some cases destroy the viability of the farm for all of them.

Succession planning is a process by which multiple contingencies are considered and the families collective financial situations are assessed to ensure that the 'plan' put in place ensures that hardship will not occur.

In addition to ensuring that your loved ones are looked after financially, it also provides for a sense of direction and clarity of your wishes for your family. Put in place a succession plan and leave the legacy you would like to leave.

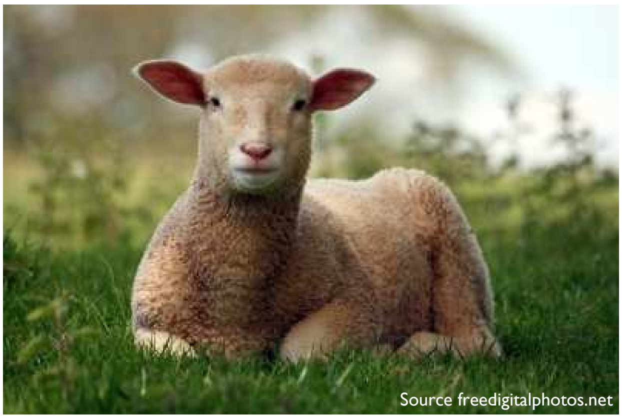
Farm Management Deposits

Farm Managements Deposits can be an excellent financial tool for some primary producers.

As at December 2011, over 11,000 farm management deposits were in use across NSW & 42,000 across Australia with just under $3billion on deposit showing the popularity of the product.

In essence the deposit program allows farmers to tuck away pre-tax income from good years that can be drawn upon on in tough years which lends itself to considerable benefits including:

- Smoothed income
- Possible tax minimisation


Source freedigitalphotos.net

Perhaps the most important benefit however is the capacity to build better financial strength in your primary production business.

The FMD scheme is administered by the Aust. Federal Government's Department of Agriculture, Fisheries and Farming. See their website at www.daff.gov.au

Qualification criteria do apply to FMD's. If you have any queries give us a call on 02 6372 1655 or talk to your local agribusiness banker.

SUCCESSION PLANNING INFORMATION NIGHT

Give your family the direction & security they deserve.

Monday October 8th - 6pm
Horatio Motor Inn
RSVP 3rd October
invest@brindleys.com.au

COMPLETE FINANCIAL CARE

Carbon Tax Introduction - Caution

Whilst the Carbon Tax has been introduced, it is fair to say that there has not been extensive evidence to show it's immediate impact on business supply costs - yet. Should you be looking to increase prices, it's imperative that you don't attribute that price increase on the carbon tax unless you have documentary evidence.

Anecdotally, business are still waiting to see the costs of the carbon tax flow through from various suppliers - which leaves all of us in a 'wait and see' scenario. It's unlikely that we'll see the true net effect of the cost impact until Christmas in any case, as the vast majority of Australian businesses are likely to need till then to truly understand what impact it has had.

The ACCC went on the front foot very early on from the introduction of the Carbon tax and made it clear that any business attempting to inflate their prices due to rises in costs directly attributed to the Carbon tax without due evidence. Indeed they've been swift to act, already prosecuting a gym for misleading advertising. According to the Australian Financial Review, Genesis Fitness Club was prosecuted and has paid the $6600 fine after promoting a time limited price freeze as memberships were going to rise 15% due to the carbon tax.

The cost that is very hard to estimate however is the lack of confidence on the part of consumers and uncertainty that is apparent in the retail segment.

Employee vs Owner Difference? Profit

Businesses operating continually without a profit for the owner, means one thing. The owner doesn't have a business, they have a job.

Small business is tough. You have to wear multiple hats from administration, sales & marketing, finance, human resource manager and more. Sometimes this level of busyness takes away the focus on what is the end game - profit.

If you're in a mature business and you work a 50 or 60 hour week (and some do many more) and are not generating a solid profit in your business - its time to make some changes. WHY? Well consider this. Your business has become needy - to the point where your time is being sucked dry and the business is unable to function without you. Some key questions:

- *Have you had a holiday in the last 12 months*
- *If you weren't working in the business would it be breaking even or be profitable.*

This becomes extremely important when you look to exit your business as people who might buy into the business often don't have the skills & experience that you have to be able to keep the business ticking along from day one.

If you can demonstrate that the business is profitable AND can run without your direct involvement (at least for a limited time) then the ability to sell that business at a good valuation improves markedly.

So how to improve profit? Most simplisticly stated there are 3 things you can do:

- *Sell more items/services*
- *Increase your prices*
- *Decrease your costs*

If you can implement strategies that address these points. You will see more on your bottom line.

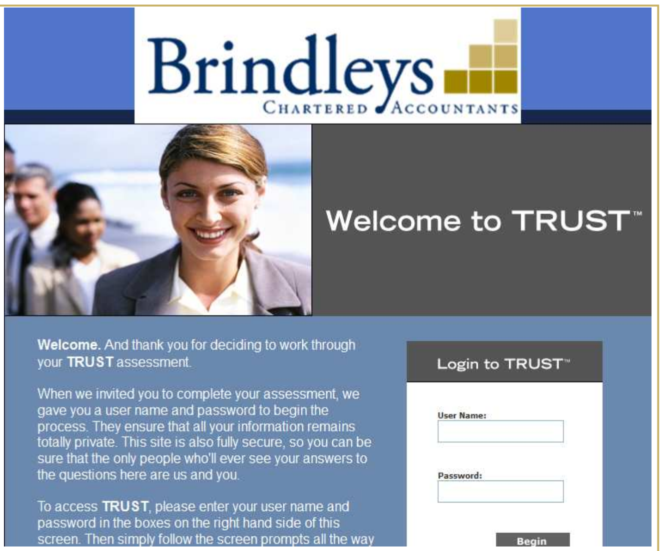
TRUST Expert Business Analysis - *FREE*

Brindleys have invested in an online tool that helps you analyse your business - in your own time - Free of change. Sound good?

Its Fantastic!

Simply go to the Brindleys home page, & click on the TRUST button at the top right and you can setup login details and get started - all online. Give honest answers and the tool will provide you with great insight into your business.

Try it today!



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Looking for assistance in improving your business? We help our clients with 8 steps every day.

THE AWESOME 8

1. Grow your business
2. Grow profitability
3. Improve cash flow
4. Succession Planning
5. Asset Protection
6. Minimising Tax
7. Financially Retiring
8. Creating a Legacy

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Won't happen to me… will it?

Australia has a chronic underinsurance problem - especially with respect to risk insurance. Risk Insurance covers a wide range of areas including loss of income, critical illness, death & disability and is surprisingly affordable. Can you afford not to explore it?

It used to be thought that only the wealthy would invest in risk insurance, but todays insurance products being more affordable and with increasing risk profiles, it makes extremely good sense to discuss risk insurance with your financial planner.

Why consider risk insurance?

- **Income continuity** - if you can't work, you can continue to pay your mortgage, car & living expenses
- **Lifestyle preservation** for your family - your loves ones can continue to live without unnecessary hardship
- **1 in 4 people** will experience a critical illness.
- ***100% of us will die.***

FREE
RISK ASSESSMENT

During September we're giving a FREE 1 hour consult to discuss you personal risk profile

Email us on invest@brindleys.com.au or call 6372 1655

Self Managed Super - Is it a Good Strategy?

SMSF's have gained a lot of popularity over the past 10 years. With careful planning, implementation & compliance, SMSF's can give you greater control on your Super investments.

Post the Global Financial Crisis, superannuation in Australia has taken a lot of negative comment from the media surrounding negative returns. Commentary around ongoing volatility in the sharemarket has also created some fear and anxiety around super and has spurred some to consider a Self Managed Fund.

SMSF' s allow you to invest in assets that you feel are best suited to giving you a strong portfolio and give you the decision making power to invest.

You can even borrow in your super fund to invest in some assets like property meaning you may be able to leverage off your existing balance. Some small business owners have taken great advantage of this in purchasing their business property - meaning they now pay rent to themselves!

SMSF's do require strong controls, and ongoing external compliance including annual audits which we can advise on.

Before setting up an SMSF, it is important to have a clear vision as to your financial goals and a plan for your financial future - simply jumping into an SMSF because you're not happy with your existing super may be a case of from the frying pan into the fire.

One aspect that can get overlooked when exploring SMSF's is that there will be ongoing 'work' required by you to keep your SMSF compliant, continuing to invest appropriately and routinely monitoring its progress against your investment strategy.

For some, this does create stress that may conflict with your lifestyle goals.

Every SMSF needs to be established with due regard to your individual circumstances & married with quality advice to ensure your needs are met.

From now to 31 December, we're offering clients a FREE session (up to 1 hour) with our Financial Planners to review your existing superannuation.

SUPER DO'S

1. **Get advice** - going it alone is fraught with risk & unexpected tax consequences.
2. **Be wary** - if it looks too good to be true, probably is.
3. **Take a long term view** - short term gain exposes you to risks that may not be apparent.
4. **Have a written strategy** - not mandated but will help you keep your eye on the prize.
5. **Play by the rules** - stepping outside the rules usually ends up in trouble. A matter of when not if.

SUPER DO NOT'S

1. **Get advice from mates**– keep mates mates & get your advice from qualified sources
2. **Last minute flurries** - make a plan for the year and get on with it. June 28 is not a good time to plan contributions.
3. **Lend money to members or relatives** - The ATO monitors this closely.
4. **Try to run a business with the fund** - again, ATO do not like this.
5. **Panic** - markets move up and down. Logic, method and patience are an SMSF's friend.