



March 2015 Newsletter

Given that we are already into the rhythm of the school year, it seems fitting that we recommence our commitment to ongoing education for our clients. Late last year we presented our new seminar topic on Aged Care and although the one scheduled shortly for Wednesday 18 March is fully booked, we have put on an additional presentation for Tuesday 21 April at 7pm. Please do not assume that we have a large number of elderly clients, however, our experience highlights that it is the next generations down that are making time pressured and often uninformed decisions on behalf of their older relatives. There are a number of planning factors to consider which have implications on aged pension payments regarding the sale of assets and the amount of aged care fees payable. Correct interpretation is important given the changes to the Aged Care Rules that commenced in July 2014. Ideally you should be prepared for these issues as they arise and have some understanding about how to resolve them. Regardless of your own age and whether you are going to be making an imminent decision for yourself or a family member, it is worthwhile having some background knowledge of this area. Many people assume that they will be able to remain in their own home but we have discovered in Julie-Anne's grandmothers' case, she was only a fall away from requiring care.

How to stay friends with the Tax Man

More than 450,000 businesses are audited every financial year so the odds are that you will be approached at least once in your working life, sometimes more frequently if you have had a black mark against your name or are working in an industry notorious for using cash such as cafes, tradesmen & retail. This year's targets include the construction industry and those with large travel claims. Each year, the ATO publishes benchmark information on its website. If your income and expenses fall significantly outside these parameters, the ATO will be alerted that you are a possible fraudster. Results can be distorted by claiming personal expenses as part of your business by inflating deductions or under reporting income. Habits that are frowned upon include topping up the fuel of a family members car and claiming it as business car usage, claiming mobile phones that are private, personal trips as business related, expensing capital items purchased, over-claiming on GST (donations, bank fees, drawings) and the common one of not reporting cash income. The ATO can request records going back many years and you will be expected to present supporting documents and evidence of any claims that you have made. Should we (as your accountant) be called upon to liaise with the ATO and provide documents that you are unable to source, the extra input can be an added financial burden to the preparation of your annual accounts. In order to make a possible Tax Audit as stress free as possible, maintaining tidy and compliant books, lodging all your BAS, IAS & tax returns on time is vital to ensure that you are not raising a red flag. We recommend BankLink to our business clients to provide the required information. Regular monitoring of cash flow, management of debtors, creditors, stock control, budgeting can assist in this routine. Fortunately as one of our clients, all year end files are scanned and kept on our system; however you should preserve any dockets as part of the record keeping.

Aged Care Seminar

Places are available for the next Aged Care Seminar scheduled for Tuesday 21st April 2015 at 7pm. Topics that will be addressed include when to start looking (& what to look for), Aged Care & Assessment Team, Centrelink & Aged Pension, Income, Fees & Refundable Accommodation Deposits, legal, Taxation & Planning Considerations, Gifting implications amongst other items for discussion. A flyer is attached. As always David's easy to read notes will be available in the take home package and he does a follow up call to answer any queries. Supper will be provided and you will be able to ask questions within the small, interactive forum.

Have you paid sufficient Land Tax on your investment property?

With the rise in land values in the last 10 years and no indexation of thresholds, a growing number of people are liable to pay land tax and do not know it. The SRO (State Revenue Office) is actively auditing people and issuing assessments going back 5 years. If the land value of your properties is over \$250,000 and the land is not your home or used for primary production, you can expect to pay land tax.

Land Tax is especially pertinent in the situation where you have moved to a new location while retaining the former home or in the case of an inheritance, especially where the land value has increased. Land Tax is based on the same amount assessed in the council rates valuation. To comply with your ongoing obligations under these laws, if you realize that there is an undeclared land tax liability, you should make a voluntary disclosure as you will receive a reduced penalty, rather than if the SRO investigate and then apply the full penalty in addition to the outstanding land tax owing. Contact our office if you are concerned that you may fall into this category.

How Much Super do you need to Retire Comfortably?

Last year REST Industry Super released some research showing that 74% of baby boomers have no idea how much money they will need in retirement, anticipating a greater reliance on the aged pension. Unlike the current generation of new job seekers who have the benefit of an established superannuation savings scheme in place, baby boomers will need to find alternative income sources. Investing in property has become a preferred option as the share market fluctuations have scared many away, despite the market rallying and resuming pre Global Financial Crisis stability. Based on current average annual returns, a couple would require close to \$1,000,000 to live modestly in retirement and even a single person would require \$800,000. Unfortunately only 10% of Australians have over \$100,000 in super accounts with women and those in small business being particularly vulnerable to this low figure. Assuming you were a male currently aged 44 with average income and existing super balance, retiring at 60 years could provide you with as little as \$183,000 and for a female \$93,000. If you are concerned about the state of your superannuation balance and are interested in finding out how a Self Managed Superannuation Fund may assist you to grow your personal wealth, contact the office and speak with David. Alternatively we have a seminar coming up on Rental Property on Tuesday 16th June and this will assist in understanding how to grow your investment portfolio using property.

Tips to Future Proof Your Business

The biggest step towards future proofing a business is making sure your business is in a healthy position now which will increase its ability to absorb any future shocks or change.

Future proofing is an ongoing process; part of the process is assessing where you are now and where you want to go. Strategic tools such as a SWOT analysis are highly effective as they look at the Strengths, Weaknesses, Opportunities and Threats of a business and assists building strategies to exploit opportunities or overcome threats. You need to think about how the industry you are in is changing from social trends or technology changes where failing to adapt and relying on out-dated strategies may prove detrimental to your business. The key part of a strategy is an action plan with timelines and responsibilities allocated to specific people stating who does what and by when. Strategy without action is merely a daydream.

It is important to set periodic meeting dates (e.g. monthly or quarterly) to track the implementation of an action plan. Using an external party to the business to facilitate the meetings can assist with adding pressure when hard decisions need to be made or providing an external view point of the business. We can assist with this.

Murray to Moyne Charity Ride

In earlier newsletters it has been mentioned that David had participated in the Murray to Moyne charity ride locally known as the M2M. He is on the committee and would appreciate sponsorship support for this local community fundraiser. The event is held over the weekend of 28th and 29th March and ably supported by a volunteer crew. 18 cyclists from the Kyneton team will ride 520km over two days to raise funds for local charities of Windarring (Disability Support), Ray M Begg (Aged Care) and the Kyneton Ambulance Auxiliary. The 2015 target is \$20,000. Should you be able to support this community event, please contact the office or send a cheque written out to "Kyneton M2M" and a tax deductible receipt will be provided through the committee. If depositing directly please let us know so we can ensure you obtain the correct tax deductible receipt. Funds can be deposited directly to the ANZ Bank:

M2M Kyneton BSB 013-706 A/C 4386-95089

Superannuation Contributions Update

There have been changes to the contributions caps for Superannuation for the 2014/15 Financial Year. For Concessional Contributions (contributions for which a tax deduction has been claimed) the cap has been increased to \$30,000, however for people aged 49 or over on 30 June 2014 the cap has been increased to \$35,000.

For Non Concessional Contributions (contributions for which no deduction has been claimed) the cap has been increased to \$180,000 with the three year bring forward rule allowing up to \$540,000 in one year. The bad news is that for those who triggered a three year period in either the 2013 or 2014 Financial Years the cap will not increase until the end of the three year period.

The Government Co-Contribution has dropped in the last two years to a maximum of \$500 for after tax contributions. Your adjusted taxable income needs to be below \$34,488 to get the full Co-Contribution of \$500 from \$1,000 contributions and drops to nil when your income is over \$49,488.

Our energetic, knowledgeable and caring approach gives peace of mind.

If you need further information or to discuss your specific circumstances, please call David or Sean at our office.

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