

“Get ahead of yourself this financial year”



The end of another financial year is already on the horizon. If you're like a lot of people, you probably won't start reviewing your finances until after 30 June, potentially missing opportunities to reduce your tax while building wealth.



As an Organisational Development Consultant in our Strategic People Management team, Tony is one of our many support staff working to ensure that we give you the very best of service.

The best time to prepare for the end-of-year is **now**. Here are six tax effective strategies that are suitable for a wide range of people and incomes. Talk to your financial adviser today about getting ahead of yourself in 2007!

## **1** Government co-contributions

### **What's the strategy?**

If you make a personal contribution to your super account any time before the end of the financial year, the government will match your contributions on a three-for-two basis by up to \$1,500. Using this strategy you can generate a 150 per cent, tax-free return on your investment within one year. And because the money is being invested in super it's concessional tax at a low rate as well.

### **Who can use it?**

Anyone earning less than \$58,000 per year, including (from 1 July 2007), self-employed people.

## **2** Sacrifice salary into super

### **What's the strategy?**

If you're due for a pay rise or an end-of-year bonus, you can salary sacrifice this into your super. Salary sacrificing involves sacrificing part of the cash salary from your employer for the provision of a range of benefits, one of which is making extra contributions to your super.

Better still, why not review your current salary packaging arrangement before the financial year ends? Use that pay rise and start contributing a bit more into your super in 2007/08. You won't really notice the difference now, but it can make a big difference by the time you're ready to retire.

### **Who can use it?**

Anyone in paid employment and able to organise salary sacrificing with their employer.

### **3** Pre-pay your interest

#### **What's the strategy?**

If you've borrowed funds to make an investment that will generate assessable income, you're entitled to claim a tax deduction for the interest payable on your loan. If you pre-pay the interest on your investment loan NOW – covering the next 12 months – you may be able to claim a deduction for that interest in your 2006/07 tax return.

#### **Who can use it?**

Anyone who has borrowed money for an investment, or is contemplating doing so before 30 June 2007. It's especially tax-effective if your assessable income currently puts you in the top marginal tax rate.

Note: If you're interested in borrowing to create wealth, ask your financial adviser for information about 'gearing' your investments.

### **4** Make personal super contributions

#### **What's the strategy?**

By making a deductible contribution to superannuation, you can reduce your taxable income and therefore decrease your personal income tax liability. If you've sold an asset during the year and realised a significant capital gain, you may also be able to offset any personal income tax that would have been payable on the capital gains.

#### **Who can use it?**

People who are self-employed, substantially self-employed\* or under 65 and recently retired\*\*.

### **5** Contribute super on behalf of your spouse

#### **What's the strategy?**

You can receive a tax rebate for making a contribution to your spouse's super fund if their assessable income (including reportable fringe benefits) is less than \$13,800. Because it's a tax offset, you'll make a direct saving against your income tax liability.

#### **Who can use it?**

People with spouses on low incomes who want to boost their partner's super savings while saving some tax.

\* Your total assessable and exempt income from employment and reportable fringe benefits is less than 10% of your total assessable income and reportable fringe benefits.

\*\* A tax deduction can only be claimed if the super contribution is made in a year that you don't receive any employer superannuation support.

Remember, for strategies where you're eligible to put money into super, all your contributions and the income you earn on your super investments are taxed at a concessional (meaning 'low') rate. And, once you reach 60, you can withdraw this money from your super free of tax. Whichever way you look at it, superannuation is a great way to save for your retirement.

## 6 \$1million super window – your last chance!

### What's the strategy?

Last year the government announced that you had until 30 June 2007 to make after-tax contributions of up to \$1million into your super fund. From 1 July, a new limit of \$150,000 per year applies to super top-ups – or \$450,000 averaged over 3 years. Because time is running out, especially if you need to sell an asset to access the cash, this strategy involves borrowing the money to make the contribution, so you have more time to sell the asset.

### Who can use it?

People who are contemplating retirement and were planning to sell an asset like an investment property or a business to top-up their super. You'll also need to be prepared to borrow money and have the ability to pay the interest on the loan in the short-term. This strategy definitely needs to be discussed with your financial adviser.

## Next steps

The end of the 2006/07 year will be here before you know it. Don't wait until 30 June to get the financial ball rolling. Get ahead of yourself and make an appointment to discuss end-of-year strategies with your financial adviser today.

### Important information

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