

Update

"Giving you the confidence, through a living financial plan, to achieve the life you want."

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May Budget

This year's budget has been described as upbeat, with better than expected economic forecasts and some small handouts to personal tax payers and small business. The government also confirmed the Henry Review tax recommendations announced earlier. Many investors will benefit from some or all of the taxation announcements.

TAXATION

Taxation changes announced include:

- ▲ The 15% personal income tax threshold will rise from \$35,000 to \$37,000 from 1 July 2010.
- ▲ 50% tax discount on up to \$1,000 earned from deposit products or managed funds, which benefits all taxpayers from 1 July 2011.
- ▲ Increases to \$1,500 for Low Income Earner Tax Offset amount and the shadeout threshold means individuals can earn \$16,000pa before paying tax from 1 July 2010.
- ▲ Increase to the Net Medical Tax Offset from \$1,500 to \$2,000 from 1 July 2010 with indexation now built in to start from 1 July 2011.
- ▲ Standard minimum deduction for expenses relating to work and managing tax affairs of \$500 from 1 July 2012 and increasing to \$1,000 the following year. This does not limit deductions above this limit for those taxpayers with higher costs.
- ▲ Small increases in thresholds for Medicare Levy Low Income and Senior Australian Tax Offset.



Australian Government

SUPERANUATION

Compared with past years, there were so few changes to super this year it's kind of spooky.

- ▲ The Government will permanently retain the matching rate for the superannuation co-contribution at 100% and the maximum co-contribution that is payable on an individual's eligible personal non-concessional superannuation contributions at \$1,000.

SOCIAL SECURITY

Social security pensions and means testing have not been touched. Surprisingly, the government has capped the Child Care Rebate at \$7,500 and frozen indexation for 4 years, which will affect childcare costs for working families. Although the reimbursement for out-of-pocket expenses will remain the same.

Some investors will benefit from the expansion of the eligibility criteria for Special Disability Trusts, to include people who can work up to 7 hours per week, and expanded allowable uses of Special Disability Trusts.

Source: TapIn, Hillross



100km Trek

In a test of endurance & sanity, Cameron took part in the Wilderness Society's annual Wild Endurance event held in the Blue Mountains over the weekend of the 1st and 2nd May. The event required teams of four to complete the 100km course, over mostly rough and rugged tracks, in less than 48 hours. After losing two team members through injury, Cam and remaining team member Emilio crossed the line in 31 hours and 52 mins; a great achievement & a trek described by all as the hardest thing they had ever done. The event raised over \$258,000, with Cameron raising \$720 personally and his team raising \$1,830. Now fully recovered we await Cam's next big challenge!

I.T. Call Centre...

Caller: Hi, our printer's not working.

Service: What's wrong with it?

Caller: Mouse is jammed.

Service: Mouse? Printers don't have a mouse you fool!

Caller: Mmmmm??.. Oh really? I'll send a picture. Refer over ...



Henry Review

The Budget also contained a number of measures in response to the Henry Review, including:

- ▲ A reduction in the corporate tax rate to 29% from 2013/14, and to 28% from 2014.
- ▲ The reduction in corporate tax rate for 'eligible small business companies' to 28% from 2012.
- ▲ Immediate write-off for assets of small businesses extended to assets valued at less than \$5,000 from 1 July 2012.
- ▲ Increasing the superannuation guarantee charge (SGC) by annual increments until it reaches 12% by 2019/20.
- ▲ Increasing the SGC maximum age threshold to 75 years of age from 1 July 2013.
- ▲ Provision of a new Government superannuation contribution which will pay up to \$500 for individuals with adjusted taxable incomes less than \$37,000, from 1 July 2012.
- ▲ Raising the concessional contributions cap to \$50,000 per year for individuals who are 50 and over and who have superannuation balances less than \$500,000, from 1 July 2012, and
- ▲ Introducing a Resource Super Profits tax on 1 July 2012 at a rate of 40% on profits made from the exploitation of Australia's non-renewable resources.

Printer mouse jam?



Fifty bucks is fifty bucks ...

Ken and his wife Edna went to the state fair every year and every year Ken would say, "Edna, I'd like to ride in that helicopter", Edna always replied, "I know Ken, but that helicopter ride is fifty bucks, and fifty bucks is fifty bucks". One year Ken and Edna went to the fair, and Ken said, "Edna, I'm 75 years old. If I don't ride that helicopter, I might never get another chance". To this, Edna replied, "Ken that helicopter ride is fifty bucks, and fifty bucks is fifty bucks". The pilot overheard the couple and said, "Folks I'll make you a deal. I'll take the both of you for a ride. If you can stay quiet for the entire ride and don't say a word I won't charge you a penny! But if you say one word it's fifty dollars." Ken and Edna agreed and up they went. The pilot did all kinds of fancy manoeuvres, but not a word was heard. He did his daredevil tricks over and over again, But still not a word...



When they landed, the pilot turned to Ken and said, "By golly, I did everything I could to get you to yell out, but you didn't. I'm impressed!". Ken replied, "Well, to tell you the truth, I almost said something when Edna fell out, but you know, fifty bucks is fifty bucks!"

May market movements

What an eventful month May was! A Euro-debt crisis, a Wall Street trading error triggering a 1000 point crash, the Euro currency in crisis, an Australian Dollar (AUD) tumble, Chinese tightening, volcanic eruptions, a major oil spill, North Korea talking war (again), a change of government in the UK, the re-release of the Henry Tax review, the announcement of the Resources Super Profits Tax as well as the riots in Greece and Thailand were just a some of the news items that affected markets. Let's look at the major causes of the gyrations in markets during May:

Cause 1: Fear and lack of trust. Global investors are still nervous after the GFC and any event that could lead to possible contagion effects is viewed with enhanced suspicion.

Cause 2: The US share market had a good run through to mid-April and was due for a breather. The Greek debt crisis was a trigger to lock in profits.

Cause 3: China announced measures to slow the rate of expansion. This interacted with Cause 2 and triggered a sell-off.

Cause 4: Repaying the stimulus. The massive global stimulus program (estimated by the Bank of International Settlements to be 5% of Global GDP) that saved the world from the brink of collapse has to be paid back and has created massive indebtedness in many developed nations. When you tighten fiscal policy, lost stimulus is a drag on growth. The IMF had forecast a two speed global recovery, with advanced economy growth slower; a reflection of fiscal tightening amongst other things. It appears as though markets had their thoughts confirmed when Spain, Portugal and Greece announced fiscal austerity steps.

Cause 5: Greece and the PIGS (Portugal, Ireland, Greece and Spain). The response

to the Greek Government debt crisis was not decisive enough to keep investors satisfied, despite a massive €750 billion rescue package announced on 10 May 2010.



Cause 6: Currencies and the carry trade. When the above factors came into play, the Euro and AUD fell sharply, as investors sought the perceived safe haven of the USD. A falling currency is not favourable for international investors holding Australian assets and this factor, plus the unwinding of the

so-called carry trade caused overseas investors to sell Australian shares and the AUD.

Cause 7: Australia shot itself in the foot with the announcement of the Resources Super-Profits Tax which, while fine in theory, lacks consultation and transitional detail. This policy mis-step has reintroduced political risk into offshore consideration of Australia. It is not sovereign risk per se, with public sector net debt set to fall back to zero before the end of 2010. Markets will continue to be volatile until the uncertainty surrounding the risks in China and Europe are resolved. In the meantime, Australian shares are now trading at 10-11 times earnings representing compelling value.

Source: Perennial Perspective, 6/10

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It's important to know the source of our income, but it's just as important to know the source of our expenses. Call now for your free Budget Planner — both paper and Excel versions.

Empathetic Listening

Have you noticed, most people do not listen with the intent to understand; they listen with the intent to reply. To really listen we need to get inside another persons frame of reference — to see the world the way they see the world, to understand how they feel. In other words, to practise empathetic listening.

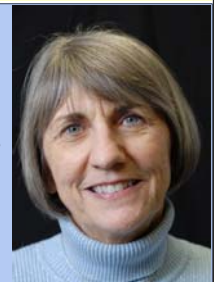
In empathetic listening, we listen with our ears, but also, and more importantly, we listen with our eyes and with our heart. We listen for feelings and for meaning.

ABS's PBLCI & CPI ... OK?

The Pensioner and Beneficiary Living Cost Index (PBLCI) has been developed by the Australian Bureau of Statistics (ABS). This will be used to index pensions instead of the Consumer Price Index (CPI) as it aims to better reflect the parcel of goods bought by pensioners.

Over the three months to 31 March 2010 the PBLCI rose by 1.2% while the CPI rose by 0.9%. The most significant rises were in food and housing.

Pensions and allowances will be indexed by the higher of the PBLCI or CPI over the previous six months. Pensions will also continue to be benchmarked at 27.7% (up from 25%) of the Male Total Average Weekly Earnings (MTAWE). The transitional pension rates will be indexed by CPI.



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