GGA
Gatherum-Goss & Assoc

A total financial solution.

- Tax Advice • Accounting • Consulting • SMSF Loans
- Mortgage Broking • Financial Services

Issue 73 –Summer 2011/2012

Welcome

Well it has been a busy few months for GGA. Just before Christmas we said goodbye to Oksana. After four years with GGA her family has moved to the outer suburbs and the travel combined with her four kids after school activities would have been too much. Around the same time we added Beau to our staff. Beau is a graduate accountant and is a great addition to our team – you may note that 12 months ago we had an all female office but now we have two men, certainly a change to the office dynamics!

You will probably have noticed we are undergoing a "facelift". We have a fantastic (we think) new logo and colours. Over the coming months we will be introducing it on all of our stationary and the website. We hope you like it as much as we do!

GGA in conjunction with Paris Financial Services is offering a complimentary seminar on the Economy and Investment. Once again we have been lucky enough to secure Chris Caton, BT Financial Group and David McMillan, Domain Property Advocates as speakers. This will be a great seminar and an excellent opportunity to hear what the experts think, it was a tremendous success last year with many of you attending. We hope to see you there, and of course you are most welcome to bring a friend along. Bookings are essential so please give Karen or Adriana a call at the office to reserve your seats.

Another piece of exciting (or scary!) news is that I will be shaving my head to raise money for the Leukaemia Foundation on March 17th. This one of those things that I say every year I will do and I never do, well the last 12 months have seen a number of people very close to me with cancer or being very sick and that has prompted me to do this. Check out my page here: http://my.leukaemiafoundation.org.au/BeckMackie. We will be having a sausage sizzle beforehand at the Arboretum in Boronia, if you want to check it out then click on the link for details. Remember that all donations above $2 are tax deductible!

And lastly, this financial year is flying by so if you want to get your returns completed by the due date of May 15 you need to get your information into us as soon as possible. Due to turn-around times, if we receive your information after March 31 we cannot guarantee you won't be fined.

Bec Mackie
Managing Partner

Economy & Investment Seminar

Paris Financial Services in conjunction with Gatherum-Goss & Assoc invite you to this exciting complimentary seminar.

Two leading experts will present to you:

Dr Chris Caton
Chief Economist,
BT Financial Group

Mr David McMillan
Property Advisor,
Domain Property Advocates

Register NOW for this complimentary Seminar

Bookings are Essential

Tuesday 13 March 2012
6.00pm for Canapés & Beverages
6.30pm Seminar Commences
7.45pm Seminar Concludes

Follow this link for further information or call the office on 8813 0162.

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SMSF's - Taking control of your Retirement

A vital part of most people's long term wealth is Superannuation. The governments of Australia over the last fifteen years have made positive law changes in Superannuation to make things easier. "Simplified Super" was introduced a few years ago and this has made a previously complex area for members and administrators, easier to maintain.

We believe that Superannuation will continue to receive bi-partisan support to be an attractive and concessionally taxed area of the Australian economy. The social and demographic commentators in Australia are often reporting on the ageing Australian population and that in the next 10-20 years there is a large amount of "baby boomer" Australians looming who will be accessing a huge amount of retirement funds from the National Savings. It's in all political parties interests to encourage our citizens to self fund for this rather than them accessing public money via Centrelink pensions.

In such a concessionally taxed environment there are many people wanting to take control of their own investments and so a Self-Managed Superannuation Fund is the answer they are looking for. Industry Funds and Retail Funds dominated the Superannuation Funds managed in Australia for many years and in fact Self-Managed Superannuation Funds (SMSF's) had less than 10% of the market. Over the last 5 years SMSF's have grown to now be more than 30% of the market and are the clear market leader.

SMSF's do not receive any more tax advantages than their competitors but it is in the area of control of money where people have decided that they would rather manage their own retirement savings than entrust others. In addition, the volatility of markets all over the world has contributed to people wanting to be in charge of their own destiny.

SMSF's also have another form of investment available to them that is proving attractive to members, and that is the ability to buy a geared residential or commercial property. The laws in relation to this changed in 2007 and it has become very popular.

In order to establish and run a SMSF effectively it is vital that you involve your trusted tax advisor. Once all the setting up and tax advice is established Paris Financial Services will be engaged by our firm to establish the operating bank account and go over any other requirements that you may need.

Usually a SMSF starts with two members who typically have between 3 and 6 smaller super funds that they have been gathering over the years. In most instances those smaller amounts have a portion of Life Insurance attached to them and so it's vitally important that the whole Risk Insurance area is addressed and established before monies are rolled over into the SMSF. The reason for this is that you may roll monies out of a Retail fund that has a form of Risk Insurance attached, while getting paperwork setup for the new insurance in the SMSF. If something bad or the worst happens to the member in this period they will be uninsured, a disaster in more ways than one.

While establishing what Risk Protection is appropriate for members we can also address Estate Planning. Superannuation Funds sit outside any Will established by an individual in Australia. As a result this is the perfect time to re-assess your Estate needs.

The key here is that you can craft a strategy to accomplish exactly what you are after, with exceptional tax efficiency. This includes being able to leave tax advantaged (sometimes tax free) income streams to dependant beneficiaries with control around when they receive a lump sum, and to effectively look after child beneficiaries in a way that no other structure can match. Further to this, SMSF's can make binding nominations that do not lapse, unlike commercial super funds which have to be continually updated. When you start to understand some of the powerful strategies that can be employed in a SMSF, especially from an estate planning perspective, it is easy to see why a SMSF starts to become viewed as a tax advantaged intergenerational wealth vehicle.

In conclusion, if you have the level of funds required to start a SMSF then you can take control of your retirement savings and with the correct setup and advice you can enjoy the fruits of your own efforts in your career and your own investing.

Calm Thinking in a Volatile Market

In times of market volatility emotion can overrule logic when it comes to investment decisions.

Constant media coverage about falling share prices and declining fund performance can help to create enough panic among investors to cause them to sell up and invest in cash, a move that may come at a cost in the longer term.

The problem is that while cash doesn't suffer from the same ups and downs as shares and other investments, there's a price for that peace of mind. You lose the advantage of already being in the market when confidence and prices recover. It means that you may have sold when prices were low and, to get back into the market, you may be buying at levels higher than you'd like – far removed from the adage 'buy low, sell high'.

Going against trend

The trend is that private investors flee the markets in droves when prices are at their lowest. It's partly fear, as they watch the value of their portfolios drop, and partly the strong desire to follow the crowd, a sort of reverse gold fever.

When markets are rising the term, 'irrational exuberance' is often applied to the frenzy of buying, after the former US Federal Reserve chairman, Alan Greenspan used it in a speech in 1996 causing a strong reaction in global share markets.

'Irrational Pessimism' perhaps describes the recent severe market reversals on European Sovereign Debt issues and the Sluggish US recovery, but history shows that those who are able to withstand short–term fluctuations in their portfolios can look forward to improved growth over the long–term.

Taking out the emotion

It's not always easy to find the courage to go against the crowd or to hold out while markets are falling, even if it might be the rational thing to do.

A relationship with a trusted investment adviser can help take some emotion out of the situation and restore some control.

Your adviser can help you:

1. Set your investment goals and record a plan for your portfolio that will provide a long-term view and reduce the risk of you getting absorbed by day-by-day or hour-by-hour market watching.
2. Work-out your attitude to investment risk and match investments accordingly so that there is a high probability of never leaving your own personal comfort zone.
3. Ensure that your investments are diverse; covering a range of markets, products and sectors. In that way, when some investments are down, others may be up.
4. As certain assets will perform differently, regularly review the balance of the portfolio to ensure that you have not unwittingly become over-exposed to a collapse in one asset value.

All investor's have their own tolerance to volatility and it can sometimes be the right decision to walk-away if further losses are simply too hard to bear, but developing a plan with your adviser should increase your chances of making the right investment decisions in turbulent times.

Darren Foster is an Authorised Representative of Capstone Financial Planning Pty Ltd – AFSL 223135.

Xero - Cloud based Small Business Software

If you are in small business and are considering changing or implementing a new software system, you should consider a cloud-based alternative such as Xero. The benefits of using Xero are:

Real-time view

You'll always be on top of your cashflow. At a glance the Xero dashboard gives you a summary of all your bank account details and balances with the ability to drill down to see transactions.

Banking and billing with ease

Xero lets you enter your invoices quickly and efficiently, whether you are creating an invoice for one or many items. You can create a schedule to automatically generate invoices on a regular basis, saving you the time and hassle of entering the invoice manually every month. You can also email formatted invoices directly to customers from within Xero. Simple.

Automated bank feeds make bank reconciliations a thing of the past

Xero has made bank reconciliation easy and fun. You can automatically import your bank statements into Xero daily, so you don't waste time downloading and uploading bank files manually.

Secure and private

Xero stores all your accounting information on servers with corporate graded security which are automatically backed up. Because it is online, Xero lets you collaborate with your accountant, sharing the same data at the same time – eliminating the need to email or send vital data insecurely by disc or thumb drives.

Don't just take our word for it. Try Xero for free or come in for a free demonstration. Call your accountant today for further details or to arrange a suitable time to have the benefits explained in more detail.

Property Investment Structures

Many investors tend to take a simplified approach when determining ownership of property investment assets. This quite often leads to investors signing the contract for a new property in their own name for mere convenience. Once you sign on the dotted line though, you are quite often stuck with this ownership selection as the cost to rectify afterwards can be prohibitive. This means significant emphasis should be placed on planning ownership **BEFORE** any contracts are signed. At worst, an "and/or nominee" clause should be utilised when signing the contract initially to buy yourself limited time to go away and think about who the nominated owner of the property will be. At GGA, we take pride in making sure that our clients are advised on the correct structure for their property investment.

To illustrate using an example, Jill runs the family's successful business via a family discretionary trust and is able to distribute profits to others within the family. Jill is looking to purchase a investment property and is considering whether the title should go in her own name, into a Trustee's name, or to Harold, Jill's non-working partner. Having Jill on the title is likely to expose the property to potential litigants in the future as Jill is the Director of the trustee company which is running the business. In addition, the choice of Jill as the sole owner of the property may potentially cost the family a lot of money in unnecessary tax. Using a second trust or Harold to hold title to the property can help to reduce these risks and provide greater flexibility in the future.

Where a number of properties are involved or your individual circumstances include numerous variables, the complexity of the structuring decision increases and strategic advice becomes even more important. A growing portfolio of investment properties will require ongoing advice on issues such as Land Tax, Asset Protection, Income Tax, Stamp Duty and Capital Gains Tax. In addition, the use of superannuation in property investing is increasingly being utilised by investors to further enhance their wealth and asset protection position where their circumstances warrant it.

The overriding message here is "Make sure you plan appropriately for your circumstances and get the right advice each time". Don't miss your "Sliding Doors" moment… making the right decisions today can create your ideal tomorrow.

If you have any questions or wish to discuss your individual structuring, call the office today.

GGA Client Q & A

Over the course of the year we get asked hundreds of questions by you, our clients. So, we thought it would be a great idea to have a regular GGA Client Q&A section in our newsletter. In every edition we will list some of the most common and/or interesting questions and answers that you are asking us.

Q. I have a son in secondary school and a daughter in primary school, can I claim the Educational Tax Refund? How do I do it?

A. To be eligible to claim the Education Tax Refund you do need to be entitled to receive Family Tax Benefit Part A. A full list of the items you can claim can be found here: http://www.educationtaxrefund.gov.au/what-can-i-claim.html

Q. I was on holidays when my ASIC annual fee was due and I didn't pay it by the due date. Can I get the fine remitted?

A. ASIC typically show no leniency when payments are late, they do give you two months to pay. The only time they may consider a penalty waiver is due to unforseen medical or exception circumstances. The fines are quite high, starting at $69 for the first month you are late then skyrocketing to $227 for the following month. Note that the payment must be **received** by ASIC on or before the due date, not transferred from your account on that date.

Q. I worked out that the calls to my Real Estate agent added up to $58 last month, but my phone is on a $49 cap so I only actually paid $49 for the month. How much can I claim?

A. Obviously it is not possible to claim more than you actually spent. What we would generally advise is that you work out the percentage of property (or work) related calls over a couple of months and then use that percentage to claim for the whole year. So, if I work out that 20% of my calls were investment related in March and 40% in April then I will claim 30% of my total phone bills for the year.

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