

Pusey Partners

Certified Practising Accountants

For client information only

FEBRUARY 2006

PUSEY

Partners

24 Augusta Street
Willetton WA 6155
Phone: (08) 9354 6500
Fax: (08) 9354 6565
Email: admin@puseypartners.com.au

Super Splitting

Pusey Partners welcomes recent changes made to the superannuation rules. At last the legislation allowing the splitting of superannuation contributions has been passed by parliament and the new rules have applied from 1 January 2006.

What the new rules mean is that couples can split their super contributions and this allows them to maximise superannuation benefits by:

- utilising two Reasonable Benefit Limits (RBL's).
- utilising two low tax thresholds for the post-June 1983 component.
- income splitting in retirement through superannuation held in both names.

In addition, the superannuation contributions can be used in conjunction with existing superannuation strategies, such as spouse contributions, salary sacrifice and government co-contributions.

The splitting of superannuation contributions is another strategy to boost the retirement savings of a spouse. If you would like to know more about superannuation splitting please go to our website at www.puseypartners.com.au and follow the prompts.

Are You Thinking of Going Into Business?

Before taking the plunge, access the Checklists for Small Business on the Pusey Partners web site at: www.puseypartners.com.au.

Log on as a client (registration information is available on the web site if you are not registered), click on Checklists under Client Access on the left of the screen and select **Business Checklists**. Click on **Going into Business Checklist** if you are intending to set up a new business.

For those thinking of going into business for the first time, the **Going into Business Checklist** has been created by CPA Australia and covers every aspect of setting up or acquiring a business from your reasons for doing so to company registration requirements and insurance.

We recommend that you talk to your Pusey Partners accountant about the ramifications of your decision.

Seminars

General Investment Seminars:

March 7
April 4
May 9
June 6

Self Managed Superannuation Funds

May 16

Retirement Planning

March 21
April 25
June 13

Personal Protection

March 14
May 23

Our Web Site

The Pusey Partners web site at www.puseypartners.com.au is under constant review and is frequently updated to provide unmatched information services to Pusey Partners clients.

When you enter the web site for the first time you will be asked to join up. Follow the simple instructions and you will become part of the Pusey Partners family with access to news, tax information and details of the wide range of services provided by Pusey Partners and its related entities.

Any feedback is welcomed and can be emailed to admin@puseypartners.com.au.

Email

Please note that email addresses for Pusey Partners staff are in the format:

[staff member's first name]@puseypartners.com.au

For general enquiries you can send an email to:

admin@puseypartners.com.au

information

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INCOME PROTECTION



Nobody knows when an accident or illness may strike. It is a little known fact that most insurance claims are for illnesses not accidents, and illness claims are not covered by Workers' Compensation or other social security payments.

A study reported in the AMP:NATSEM Income and Wealth Report of March 2003 found that around half of all Australians over the age of 30 would suffer a major illness that could lead to long-term disability, and consequently, a long-term loss of income.

What are the risks?

Consider these statistics:

- Over 2 million Australians have a long-term condition that was the result of an injury.
- Of the working population, 1 in 6 men and 1 in 4 women are expected to suffer a disability from the age of 35 to 65 that causes a loss of 6 months or more work.

Income protection insurance pays up to 75% of your average annual income, in monthly benefits, to cover your living expenses if you are unable to work.

Importantly the annual premium for income protection insurance may be tax deductible.

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Wealth protection is important

Reasons why you need income protection:

- Have debts, such as mortgage, credit cards or personal loans that you couldn't service if you were unable to work due to sickness or injury.
- How long would your savings last after your sick leave ran out?
- The need for a regular income stream to pay on going family expenses such as food, house bills, rates, school fees, running a car. Think of your weekly or monthly budget and how much these costs add up to.
- You run your own business, or with partners, and have ongoing business costs and expenses, whether you are there or not.
- It also gives you peace of mind, knowing that your family is financially protected should you be unable to work.

Want to find out more?

Taking out insurance is sound financial management. Wealth protection is as important as its creation, and much easier and quicker to achieve. For further information and an assessment of your own personal needs, talk to Fabian on 08 9354 6500.

Stamp Duty Savings

In December 2005, the Stamp Act 1921 was amended to remove stamp duty payable for vehicles loaned by a motor vehicle dealer for charitable or other specified purposes and to allow for an exemption from mortgage duty for some mortgage re-financing loans.

The information provided here is a brief explanation of the second part of the amendment. For more details and the latest tax information contact your Pusey Partners accountant on (08) 9354 6500.

Mortgage Refinancing Loans

The important part of the amendment for many Pusey Partners clients is that it provides an exemption from mortgage duty on refinancing of mortgages by owner-occupiers of homes and small business owners. The measure was announced in the 2005/06 Budget and will apply to mortgages executed from 1 January 2006.

In the case of a home mortgage, the refinancing exemption

applies to owner-occupiers when a home mortgage is refinanced by a new home mortgage. It also applies where the original mortgage was for the purchase of vacant land and the mortgagor's principal place of residence is to be constructed on the land.

An exemption is provided where the original mortgage is refinanced in circumstances where the mortgage was used to purchase an investment property which included a dwelling house, and the dwelling house has since been made the mortgagor's sole or principal place of residence.

In the case of a small business owner, the refinancing exemption applies where an original business mortgage is refinanced by a new business mortgage. A business mortgage is a mortgage used for the purposes of carrying on the business.

The small business exemption applies when the new mortgage and the amount to be refinanced on the previous mortgage is \$5 million or less.

Client Services News



Job Costing

In October 2005 Pusey Partners and CAD Partners ran a well-received seminar on “*JobsPlus*”, which is a MYOB job-costing programme.

JobsPlus is a useful tool for manufacturing or services based businesses. Among other benefits it provides the following:

- Tracking fixed and variable costs incurred in producing items of stock, including materials, labour and overhead costs. This information may be used as an analytical tool in working out profitability of individual product lines or service centres.
- Identifying areas of inefficiency and cost overruns.
- Working out budgets and cash flow requirements.
- Making decisions on production and pricing based on fixed and variable cost components.

It is important to remember that, while market forces often dictate pricing strategies, businesses that do not have a proper cost analysis methodology will often make incorrect decisions on production and pricing.

CAD Partners provides training and support on this programme on an ongoing basis. For more information about *JobsPlus* software please contact this office.

Banklink

More and more Pusey Partners clients are taking up *Banklink* as a means of maintaining an electronic cashbook. The benefits of this software include:

- Increase in the accuracy of information provided to the accountant.
- Instant access to profit and loss reports on a monthly, quarterly or six monthly basis.
- Relatively simple and easy to install and operate compared to some of the more complex accounting software packages on the market.
- Generates the necessary information to produce monthly or quarterly Business Activity Statements at the touch of a button.

- Cost effective in terms of collating and providing information necessary to prepare year-end accounts and tax returns.

The concept of *Banklink* is very simple. Each month we download an electronic version of your bank statements and email or fax them to you. You then code the bank statements either manually or electronically and email or fax them back to us for processing.

Recently *Banklink* has introduced a “B Notes” package, which enables the above process to be completed electronically. This increases the speed of processing and reduces the costs of printing, stationery and faxing. You can then request a set of interim accounts, preparation of Business Activity Statements, preparation of budgets and forecast, comparison of budgets to actual figures etc.

We encourage all our *Banklink* customers to take up the B Notes option. It is quicker and more economical than faxing coding reports on a monthly or quarterly basis.

Set up cost is around \$20 and “on going” bank fees are about 6 cents per transaction. A client with say, 30 transactions per month, would incur ongoing costs of approximately \$1.80 in monthly fees and charges plus the one-off set up cost.

Fringe Benefits Tax (FBT)

During the 2005 financial year Pusey Partners adopted a standardised procedure for dealing with fringe benefits tax issues. This procedure will be implemented three to four weeks prior to the end of each FBT year. The FBT year runs from 1 April to 31 March.

A comprehensive questionnaire is posted out to those clients who we believe may be providing fringe benefits to their employees. The most common fringe benefit relates to the provision of motor vehicles that are used for both business and private purposes.

In light of the increased audit activity undertaken by the Australian Taxation Office we advise you to maintain a logbook for a period of 12 consecutive weeks. We shall contact you with more information on this topic closer to the end of the FBT year.

New Face in Loan Force

Pusey Partners welcomes Michael Tranter to Loan Force, its loan and finance broking arm.

Michael specialises in home mortgages and domestic finance, leaving Loan Force stalwart Phil Perkins to concentrate on commercial and business finance.

Michael comes from National Australia Bank, where he was most recently involved in the leadership and coaching of Mobile Bank Managers.

Call Phil or Michael on 08 9354 6580 to arrange an appointment to discuss your finance requirements.

Financial Records – keep or toss out

Maintaining organised records will help you monitor your financial progress, prepare your financial statements, identify source of receipts, keep track of deductible expenses, prepare your tax returns, and support deductions claimed on tax returns.

However, you don't need to hold on to all your financial records forever. Nor do you have to necessarily keep mountains of paper-based records. Here is a quick guide to what you can toss and what you can keep and still be prepared should the Australian Tax Office decide to audit you.

As a general rule, all financial statements and receipts that you have claimed need to be kept for five years. So if you have completed your 2004/05 tax return you can now safely dispose of papers prior to 1 July 2000.

However, if you or your business has Fringe Benefits Tax (FBT) liabilities then the records must be kept for seven years.

If you have paperwork relating to any asset that has, or potentially could have, a Capital Gains Tax (CGT) liability, you need to keep these records for the period of holding the asset plus five years after its disposal.

It is probably wise to retain copies of your annual tax return indefinitely. They generally take up little space and are always helpful as guides for future returns or amending previously filed returns.

With identity theft becoming an issue in Australia, any papers particularly bank and credit records need to be disposed of carefully, not merely thrown in the normal household

garbage. A paper shredder is a small investment for the peace of mind to know that your details can't accidentally fall into the wrong hands. Businesses routinely shred their sensitive documents prior to disposal or employ the services of a secure disposal company, you should do the same.

If you are reluctant to dispose of your records after five years, an inexpensive scanner – attached to your computer – can digitise your paperwork so that you can still access your old information but dispose of the mountain of paper.

You don't have to wait five years before you scan your papers. Converting your paper records to digital records will mean you can dispose of your pesky paperwork sooner; digital records are considered to be the equivalent of paper records.

Of course, many financial records can now be received electronically rather than through the mail. Bank statements, credit cards and investment statements can, in most cases be received electronically, helping to keep your home office uncluttered and saving a few forests along the way. Electing to receive these items electronically means that literally thousands of pages of information can be saved on to one blank CD just make sure the CD is labelled and stored carefully.

Finally, these guidelines shouldn't override advice from your accountant or other financial adviser. If you have any doubt about whether you should keep or toss an item, then keep it and ask your Pusey Partners accountant; he or she can help determine what records you should keep, for how long and in what form.

Important: This is not advice. Clients should not act solely on the basis of the material contained in this bulletin. Items herein are general comments only and do not constitute or convey advice per sé. Also changes to legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. This bulletin is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential.

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24 Augusta Street
Willetton WA 6155

PRINT POST 644113/00002

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MAIL**

**POSTAGE
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