



"Luck is what happens when preparation meets opportunity"
Darrell Royal, NFL Coach

60 second guide to... Budget 2010

On 11 May 2010, the Federal Government handed down its Budget for 2010/11. The sound, well-formed (slightly boring) budget has few surprises. Leading up to the budget we were hearing from government that we should expect a 'conservative, no frills affair'. It's fair to say the government has finally delivered on a promise!



From a financial advice perspective, key reforms include:

- Discounted tax treatment for first \$1,000 of interest earned on deposits
- Changes to deductible rate for capital protected borrowings
- Standard deduction for work-related expenses to simplify tax return process
- Restatement of measures announced in the response to the Henry Tax review

There was little in the way of pre-election sweeteners, other than some concessional tax treatment for certain non-super investments and proposed simplification of the tax return process through standard deductions being available for most working Australians. These changes however will not come into effect until after the next election, indicating that they would form part of the Government's election plans.

The sweetener may actually be in the lack of 'benefits'. With a greater emphasis on saving and by not continuing with the fiscal stimulus levels of previous years, there may be a reduced need for future interest rate rises – something that would actually benefit many Australians.

Certainly, there were no major surprises, with many of the major changes being announced in the Government's response on 2 May 2010 to Australia's Future Tax System (commonly referred to as the Henry Tax Review). It must also be noted that most measures will still need legislation to be introduced, so the final version of the changes may differ to the announcements made in the Budget.

Sources: Asgard, CFS, Challenger, IOOF, MLC (2010)

Henry Tax Review 2010

The Government has released its response to the Henry review into taxation. Largely funded by the new Resource Super Profits Tax (which is currently a source of heated debate!), reforms include some key changes to super and company tax.



Major changes to super include a phased increase in the rate of super guarantee from 9 per cent to 12 per cent, the extension of the super guarantee for workers aged between 70 and 75, a Government contribution of \$500 for low income earners and the doubling of allowable concessional contributions from 1 July 2012 for workers aged 50 and over with less than \$500,000 in super.

Key changes to taxation include the gradual reduction in the company tax rate to 28% and simplified rules for small business depreciation.

As with all changes, it is important that you speak with us to determine how these announcements will impact your personal situation.

Contact us on 08 9325 2299 or clientsupport@just-invest.net

June 30 Checklist – Time to Act!



Top up your super

Maximise contributions up to your contribution caps

Save tax through spouse contributions

Does your spouse earn under \$13,800? You may be eligible for a tax rebate of up to \$540 for contributions you make for them

Offset Capital Gains Tax (CGT)

If you realise a capital gain on the sale of an asset this financial year and are eligible to make personal deductible super contributions, you can contribute to super and offset the CGT

Benefit from the government's co-contribution scheme

Income under \$61,920? Eligible employees and self-employed clients can make personal non-concessional contributions to qualify for up to \$1,000 payment

Review your insurance arrangements

Ensure you are getting a tax deduction for Income Protection premiums. Also, check your level of cover as well as its ownership structure (e.g. inside or outside super)

Prepay interest on a fixed margin loan

By prepaying interest now, you can bring forward the tax deduction for this financial year (interest can be prepaid for up to 12 months in advance)

Review your annual pension income requirements

The government's draw-down relief won't be extended to the 2010/11 financial year for minimum pension payments

Time to Review the Mortgage?

It's important to check your existing mortgage with the current market offering, and ensure you are getting the best deal. Contact us to talk to our specialist Mortgage Brokers:

clientsupport@just-invest.net



Making sense of market behavior



In recent weeks we have seen some extraordinary market movement for asset classes across the board. Violent riots in Greece, combined with continued concerns over their debts, put pressure on the

Euro, which has fallen to levels last seen at the start of 2009.

Investors had potentially been looking for some additional information in relation to the debt default risks in Greece and the possible contagion in to other European countries from the scheduled meeting of the European Central Bank, but this didn't eventuate, and uncertainty weighed upon the market.

The more negative tone flowed into US markets last week, even though no new fundamental news came to light. The negative sentiment was vastly exacerbated after the market fell abruptly in Friday afternoon trading. A trading error saw a sudden drop in the market triggered a barrage of program stop-loss selling, which saw the S&P 500 index down 8.5% at one stage. Buying quickly returned but the market didn't have enough time pull back all the losses, eventually ending down 3.2% for the day and down 6.5% for the week. The sell-off also spurred safe haven buying in gold, US treasuries and the US dollar.

The reaction did spark panic and uncertainty, and with the memories from two years ago still fresh in investors' minds, many people may be asking whether we're going to have another massive sell-off. But economies are healing from the aftermath of the economic crisis. They're in a much better position than they were, and markets have reflected this to a large extent. Although, there's still much healing to be done and there will be bumps along the way, economies are well traversed on that recovery road.

Markets, however, remain highly sensitive to both good and bad news, which will cause significant short term volatility, such as we're seeing at the moment. Investors like to have a degree of certainty around issues and when that's not provided, fear can dominate investment decisions.

But an investment strategy should always focus on the longer term goals rather than reacting to short term market noise, which has been exacerbated by panic and the events over the last few days and needs to be put in context of the improving bigger picture. **Source: Farrell, P. Advance (2010)**

Ban on Commissions Welcomed

JustInvest welcomes the recent announcements on reforms to the provision of financial advice, in particular with respect to the banning of commissions. For some time, JustInvest has been offering advice on a **Fee for Service** basis – a user pays system, which places the emphasis on strategic advice, rather than product.

Ideally the changes, set to apply from 1 July 2012, will improve the quality of advice in the industry, as well as strengthen investor protection, trust and confidence in the financial planning industry.

The key measures to be introduced include:

- a prospective ban on conflicted remuneration structures, including commissions and any volume based payments
- a statutory fiduciary duty for financial advisers requiring them to act in the best interests of their clients and to place the interests of their clients ahead of their own when providing advice
- the introduction of an adviser charging regime, with a range of options for which clients can pay for advice

This outcome should be that all clients can ask their bank, super fund or financial planner what fees they pay and why certain products are recommended, and be entitled to a clear answer.

We Want You!



If you're happy with our service, JustInvest asks you to mention us to friends, family or colleagues who may need some advice. We don't do big advertising campaigns – we rely on our valued clients to refer like-minded individuals. Thanks for your support.

Upcoming Events Calendar

May 14 th	JustInvest Movie Night
May 25 th	JustInvest 'Professionals Series': Q&A session with Peter Morgan
July 28 th	JustInvest 'Professionals Series': Successful Investing with Michael Bailey

Who We Are

James Baird B.Com, Fdn DFP, MBA **Julianna Baird** BA, Adv.Dip.F.S.(FP)

Questions or Comments? Contact JustInvest Financial Planning:

clientsupport@just-invest.net

2 Brook Street East Perth WA 6004

PO Box 6874 East Perth WA 6892

Phone: 08 9325 2299 Fax: 08 9325 4499



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