



Professional Investment Services

Issue 4 2005



INSIDE:

- 1 Government announces changes to make super more attractive.
- 2 Economic Update
- 3 Tip of the Month
- 4 Wealth Creation
- 5 Insurance
- 6 Taxation treatment of superannuation contributions
- 7 Trivia
- 8 Other Services

Government announces changes to make super more attractive.

In October 2005, the Assistant Treasurer and Minister for Finance, Mal Brough, released the long-awaited draft regulations that will allow people to split their superannuation contributions with a spouse.

The concept of people being able to split super contributions with a spouse was first proposed back in 2002 and was due to come into effect from 1 July 2004. As legislation had not been introduced at the time, Parliament was pro-rogued in the lead up to the 2004 Federal Election, the legislation lapsed.

The good news is that, subject to the passage of amending legislation, a superannuation fund member will be able to split up to 100% of contributions made on or after 1 January 2006.

The contribution splitting model that has been proposed is an "annual split model". After the end of each financial year, a superannuation fund member will be able to nominate the percentage (up to 100%) of contributions made in the previous financial year, and request the fund to transfer the nominated amount to a superannuation account in their spouses name (with the same fund, or another fund).



Continued P2.

Economic Update

Despite the massive wealth and human cost of hurricane Katrina in the US, the medium term economic impact could turn to a positive as the temporary downturn immediately after the storm is made up for by the burst of economic activity that takes place when the rebuilding gets into full swing.

The US economy has historically performed well following hurricane related disasters however, oil prices rising above US\$70 per barrel may make things different this time around.

Higher petrol prices are already being felt in many other countries including Australia. Longer term, the market expects economic growth to pick up into 2006 with household spending supported by income tax cuts, strong employment, rising wage incomes and expected stabilisation in house prices.

Source: Navigator and Mark Teale-
Professional Investment Services

Tip of the Month

Budget Saving Tips

- Reduce bought lunches at work
- save \$965 pa
- Eat one meat free meal a week
- save \$364 pa
- Watch those bank fees
- could save up to \$300 pa
- Buy generic brands
- save \$2496 each year
- Give up smoking
- save around \$4004 each year, and better for your health!

Potential savings - \$8120 for the year

See your PIS financial adviser to review your budget and ensure your savings are on track to meet your goals.

This new initiative will provide superannuation fund members with significant opportunities to build up superannuation assets for a spouse with little or no super which, in turn, will allow for improved tax planning opportunities in retirement. It will be particularly beneficial for fund members who are approaching their reasonable benefit limits.

Your financial adviser can provide you with additional information on how super contribution splitting can provide benefits to you.

Source: Peter Kelly - Professional Investment Services

Wealth Creation

Wealth creation - some people jump to the concept, yet for others the thought alone can start your head spinning, or worse, your stomach. Rest assured, no matter what your tolerance is for risk or your aptitude for financial matters, there is a solution for you.

The story of creating wealth

The earlier you start saving and investing the better. This is because of the impact that time and compounding have on your money. Interest accumulated over time through shares and managed funds will be earned on the original money you invested, plus additional investments, plus all the interest previously accumulated. Also, the sooner you begin to save, the more experienced and attuned you will become to the activity.

Start saving

Regular investing is a particularly effective and convenient way to help you reach your financial goals. Even a little money invested regularly can grow into a tidy sum over time.

The easiest way to save is through a regular investment plan. By investing an amount each month, you will be well on your way to developing substantial savings, and this introduces you to the world of investing.

A regular savings plan over the long-term will help smooth out your purchase price of those investments through the market's ups and downs, thereby reducing the risk of investing in volatile markets.

Maximise your savings and diversify your investments

Always maximise the return on the money you do have by opening a higher interest earning savings, cash management account, or a term deposit account or invest it wisely.

The wisest investment strategy follows the old adage, "don't put all of your eggs into one basket." Your investments should be made following a clear strategy that diversifies your risk through spreading your investments, though not too much. In addition, the best strategy for you takes into consideration your investment time frame, goals, current financial situation, and importantly your risk profile.



Protect what you have

Savings plans, superannuation, property, direct shares and managed funds are all tools that help create wealth and achieve financial goals, especially for retirement. But as you grow your savings and investments your replacement risk becomes greater if something troublesome were to happen to you or your ability to earn money. This is why you often hear it said, "a financial plan is not complete without wealth protection."

It is very important that you protect your wealth and your family both now and in the future. This is normally achieved through the use of various life insurance products. Your adviser will assist you with the most appropriate type and level of protection you require.

The right advice

Just as you take a considered approach to your financial needs, situation, risk profile and goals when designing an appropriate financial plan, many people often achieve superior results for themselves when

they take a holistic approach to their entire financial picture. For example, linking your accountant, who specialises in helping you with your finances and reducing your tax liabilities, with a financial adviser may give you a superior result. Because this is so often the case, many financial planners offer a holistic financial approach that, depending on your circumstances and wishes, may incorporate an accountant, financial adviser, risk specialist and even a lawyer for estate and business needs.

Tips for everyone:

- Define your goals and your financial needs on a regular basis – things change and so can your priorities;
- Know and understand your own risk tolerance;
- Set a time frame for each of your goals;
- Seek advice from a qualified financial adviser;
- Be realistic;
- Balance your savings and investment strategy with your goals, time frame, and risk tolerance; and
- Your financial plan should include a plan for your retirement, and it should be a high priority.

Source: Professional Investment Services

Tip

For people who run their own business through a company structure, they are generally employees of that entity. If this is the case, their company (the employer) will generally be required to make superannuation guarantee contributions for the owner of the business.

In the next issue, we will address the taxation of superannuation contributions for self-employed and substantially self-employed people.

Source: Peter Kelly – Professional Investment Services

Trivia

India is now 10th biggest economy in the world

The World Bank has released figures for 2004 which show that India has joined ranks of the top ten economies in the World (measured by GDP, Gross Domestic Product in billions of US dollars).

Rankings 1 to 7 are unchanged, but Spain has now overtaken Canada for the 8th spot and India has come charging into the top ten, having previously been placed 12th.

2004 World Economic Ranking in US\$ billions (2003 ranking in brackets)

Rankings 1 to 20

1. United States (1) \$11,668 billion
2. Japan (2) \$4,623 billion
3. Germany (3) \$2,714 billion
4. United Kingdom (4) \$2,141 billion
5. France (5) \$2,003 billion
6. Italy (6) \$1,672 billion
7. China (7) \$1,649 billion
8. Spain (9) \$991 billion
9. Canada (8) \$980 billion
10. India (12) \$692 billion
11. South Korea (11) \$680 billion
12. Mexico (10) \$676 billion
13. Australia (13) \$631 billion
14. Brazil (15) \$605 billion
15. Russia (16) \$582 billion
16. Netherlands (14) \$577 billion
17. Switzerland (17) \$359 billion
18. Belgium (18) \$350 billion
19. Sweden (19) \$346 billion
20. Taiwan \$320* billion

Note: Taiwan is not included in the World Bank statistics and the 20th ranking belongs to Turkey. However, Taiwan's statistics agency says GDP in 2004 was T\$10.206 trillion (approx \$320 billion) so it would rank ahead of Turkey.

Source: The World Bank and CNN.com

Crossword Answers



Your Privacy

Your privacy is important to us. If you do not wish to receive information of this kind in the future, please contact your local office located at the back of this document.

DISCLAIMER

The information contained in this document is of a general nature only and does not take into account your particular objectives, financial situation or needs. Accordingly the information should not be used, relied upon or treated as a substitute for specific financial advice. Whilst all care has been taken in the preparation of this material, no warranty is given in respect of the information provided and accordingly neither Professional Investment Services nor its employees or agents shall be liable on any ground whatsoever with respect to decisions or actions taken as a result of you acting upon such information.

Other Services

Australian Loan Company

- Lending made personal

At the Australian Loan Company we offer a range of lending solutions to cater for your ever-changing needs and objectives. We offer over 250 products from 30+ lenders, from both the traditional banks and the non conforming lenders.

Our services include:

- * Home Lending
- * Investment Lending
- * Commercial Lending
- * Personal Loans
- * Asset Equipment Finance
- * Leasing (Novated and Operating)
- * Chattel Mortgages
- * Hire Purchase/Term Purchase
- * Fee funding/ Factoring/ Cash Flow Finance
- * Small Business lending
- * Rural lending

We offer a professional service, enabling clients to access the best funding packages available, easily and hassle free. We'll do all the hard work for you, simplifying the loan application process and freeing up your time so you can better spend it.

About us

Australian Loan Company (ALCo) is owned by Professional Investment Holdings Pty Ltd and MTS Finance Pty Ltd. ALCo operates as a provider of personal and business financial services. We operate in all capital cities and have an extensive regional network throughout Australia.

Contact your local office for further information:

Professional Investment Services Pty Ltd. ABN 11 074 608 558.
Australian Financial Services Licence No. 234951
Head Office: Level 14, Corporate Centre,
Cnr Bundall Rd & Slatyer Ave, Bundall 4217 Qld
Ph: (07) 5574 0244 Fax: (07) 5574 0180
email: info@profinvest.com.au web: www.profinvest.com.au