

## CASH FLOW & NET WEALTH

No matter your stage of life, knowing how much money you are receiving and spending is vital. If you haven't already worked it out, the table below may help.

When your Cash Flow is positive, you have a powerful means by which to increase your Net Wealth. This could be achieved by using it to repay debt, invest more into superannuation to fund a more comfortable retirement, increase your other investment assets or take advantage of strategies to replace non deductible debt with tax deductible debt.

Personal goals, investment time-frame and tolerance to risk will help determine how you can best use your surplus Cash Flow. Your Fiducian Financial Adviser can help guide this decision.

Importantly, having a healthy Cash Flow can provide a "buffer" to insulate you

and your family from increasing living costs, interest costs and the impact an 'unexpected' event can have on your financial situation.

Where cash flow is not as "strong" as you would like, speak to your Fiducian Financial Adviser to review your situation. Increasing Cash Flow can be achieved through various strategies, for example implementing a Transition to Retirement Strategy, by simply putting together a monthly budget.

When did you last review your Cash Flow? If it has been some time or you are unsure whether you are maximising your Net Take Home Income contact your Fiducian Financial Adviser to find out how they can help.

### WAYS TO INCREASE WEALTH

$$\text{Net Wealth} = \text{Assets minus Liabilities}$$

$$\uparrow \text{Net Wealth} = \uparrow \text{Assets minus Liabilities}$$

OR

$$\uparrow \text{Net Wealth} = \text{Assets minus} \downarrow \text{Liabilities}$$

### Inside this issue...

- CASH FLOW & NET WEALTH
- FEDERAL BUDGET 2011 HIGHLIGHTS
- INDIA'S ECONOMIC GROWTH REMAINS ON TRACK
- HAVE YOU TOLD YOUR FAMILY AND FRIENDS ABOUT FIDUCIAN?
- CHARITY GOLF DAY
- WATCH FIDUCIAN ON SKY NEWS BUSINESS TV

	Annual (\$)	Monthly (\$)
<b>Net Take Home Income (Y)</b>		
<b>Expenses</b>		
- Loan Repayments\Rent\Board		
- Water\Gas\Electricity\Rates\Strata		
- Insurance (personal\general\medical)		
- Lifestyle and Other Expenses		
<b>Total Expenses (E)</b>		
<b>Subtract (Y) from (E) to get surplus Cash Flow</b>		

# FEDERAL BUDGET HIGHLIGHTS 2011

*On Tuesday 10 May 2011, Treasurer Wayne Swan handed down his fourth budget. Some of the announcements were confirming past announcements however some were new initiatives.*



## Superannuation Initiatives

Whilst the Government did not make any new announcement regarding the Superannuation Guarantee (SG), they did confirm their intention for SG to gradually rise from 9% to 12% from 1 July 2013, in addition to the following initiatives:

- Retaining the concessional contributions cap at \$50,000 from 1 July 2012, in cases where a member's combined superannuation balance is less than \$500,000.
- Refunding excess concessional contributions where the amount is under \$10,000 and it is a first time offence.
- Maintaining the threshold at which the maximum Government co-contribution is paid for an additional year (until 30 June 2012) at \$31,920.
- Reducing the 50% drawdown relief available for pensioners to 25% for the 2011/12 year and then removing any reduction from 1 July 2012.

## Income Tax Initiatives

For the first time in a number of years, this budget did not make any specific changes to the marginal tax rates for individuals, however there are a number of other previously announced initiatives, including:

- a) The Temporary Flood and Cyclone Reconstruction Levy for the 2011/12 financial year – 0.5% levy payable on taxable income between \$50,000 and \$100,000 and a 1% levy on income over \$100,000
- b) A 50 percent tax discount on the first \$1,000 of interest earned from 1 July 2011
- c) The introduction of a standard tax deduction for work and tax related expenses from 1 July 2012.

In addition, the Government announced the following initiatives:

- Increasing the amount of Low Income Tax Offset (LITO) paid as part of weekly income from 50% to 70%. As the amount of LITO has remained unchanged at \$1,500 the overall amount of tax payable will not change.
- Removing a Minor's eligibility to LITO (from 1 July 2011) where income received is from dividends, interest, rent, royalties, and other income from property (i.e. unearned income). The current rules will continue to apply to money received by a minor where it comes from an inheritance or a compensation payment or in cases where the minor is an orphan or disabled.
- Indexing the various Medicare Levy thresholds so that it is not payable where

income is under \$18,839 for an individual or \$31,789 for families plus \$2,919 for each dependant child. In addition, for pensioners below Age Pension age their Medicare Levy threshold will increase to \$30,439.

- Restricting the eligibility to the Dependant Spouse Tax Offset to low income spouses unless born before 1 July 1971, they are permanently disabled or a carer.
- Phasing in over a 4 year period a flat statutory rate of 20% where a person enters into a new salary package contract for a car from 7.30 pm on 10 May 2011.
- Halving of the Higher Education Contributions scheme\Higher Education Loan Program to 10% upfront and 5% on voluntary payments over \$500 from 1 January 2012.

## Centrelink initiatives

From a Centrelink perspective, the Government announced the following changes:

- Requiring the very long-term unemployed to undertake 11 months of work experience from 1 July 2012 where they begin a second year in the Work Experience Phase.
- Freezing of the upper Family Tax Benefit thresholds for various government benefits.
- Reducing the Family Tax Benefit eligibility age for students so that children over age 21 are no longer eligible.
- Improving the work bonus scheme by introducing an Income Bank to help smooth out employment income variations. In addition, the first \$250 per fortnight of employment income will be exempt from the Centrelink Income test.

To find out more about the impact of these proposals or to find out more about the other announcements and how they may affect your personal situation please contact your Fiducian Financial Adviser.

## HAVE YOU TOLD YOUR FAMILY AND FRIENDS ABOUT FIDUCIAN?



Consider those who are important to you. Do they have a sound financial plan? Do they even have a financial plan?

A core area of each Fiducian Financial Adviser's business revolves around referrals from their existing clients. Your Financial Adviser would highly value any referrals and you can rest assured

knowing anyone you refer will receive the same high quality of service all Fiducian clients are accustomed to.

Have a chat with your friends and family about their financial plans and consider recommending your Fiducian Financial Adviser to help control their financial destiny.

# INDIA'S ECONOMIC GROWTH REMAINS ON TRACK

The Indian elephant in the past has quite often been analogous with the Indian economy, due to India's historically slow, plodding rate of economic growth. This is no longer the case. For the last decade, economic growth in India has averaged in excess of 7% per annum. In fact, while the rest of the world languished through the global financial crisis, India recorded growth in Gross Domestic Product (GDP) of 6.2% in 2008 and 6.8% in 2009, rates of growth that were the envy of much of the rest of the world.

Unlike other Asian economies, a significant portion of India's GDP (close to 70%) is derived from domestic consumption, which means the economy is somewhat insulated from problems that may occur in other major economies such as those of the USA or in Europe. This, combined with a healthy increase in government expenditure and a robust financial system, is what allowed India to escape relatively unscathed from the GFC.

The high level of consumption is one factor driving Indian economic growth. Another is the high savings rate (in excess of 32% of GDP) which means there is plenty of capital available for investment. Thirdly, government and private expenditure on infrastructure is increasing the availability and improving the quality of infrastructure in India. Finally, India is rapidly growing its exports.



So, what does this mean for Australian investors?

Fiducian investors are able to gain exposure to the Indian growth story directly via the Fiducian India Fund. To date, investors in the Fiducian India Fund may have experienced somewhat of a rocky ride. Recent volatility can be explained largely by the strengthening of the Australian dollar relative to the Rupee and jittery investors concerned about rising food and commodity prices causing high inflation in India.

Despite short term headwinds, few countries have the same potential as India. If the International Monetary Fund estimates are anything to go by (see table below), the Indian elephant analogy could truly be a thing of the past.



*“...while the rest of the world languished through the global financial crisis, India recorded growth in Gross Domestic Product (GDP) of 6.2%...”*

Comparative GDP Growth Rates (%)

	Actual				Projected		
	2007	2008	2009	2010	2011	2012	2016
World	5.4	2.9	-0.5	5.0	4.4	4.5	4.7
US	1.9	0.0	-2.6	2.8	2.8	2.9	2.7
Euro Area	2.9	0.4	-4.1	1.7	1.6	1.8	1.7
<b>India</b>	<b>9.9</b>	<b>6.2</b>	<b>6.8</b>	<b>10.4</b>	<b>8.2</b>	<b>7.8</b>	<b>8.1</b>
Australia	4.6	2.6	1.3	2.7	3.0	3.5	3.0

Source: IMF World Economic Outlook, April 2011

# FIDUCIAN IN THE COMMUNITY

## FIDUCIAN ANNUAL CHARITY GOLF DAY RAISES OVER \$55,000 FOR CHARITY



From left - Matthew Bushby, Grant Jackson, John Mitchell and Chad Hohnen.

The Vision Beyond AUS project will send a team of Australian eye surgeons, anaesthetists, orthoptists and a specialised ophthalmic nurses to Rishikesh in India to perform eye surgery. Rishikesh is a small remote town in the foothills of the Himalayas. It is anticipated that this year approximately 100 visually impaired people will receive surgery to restore their eyesight, and over 700 patients could receive a free consultation.

Golfers were out in force on Thursday 24 March 2011 to help raise money at the Fiducian Annual Charity Golf Day. They enjoyed beautiful sunny weather at Killara Golf Club, NSW as the 112 participants played 18 holes. The golf was followed by a fundraising dinner with over 130 guests, which included a silent auction of fantastic prizes and memorabilia as well as a major auction taking place.

Thanks to the generosity of all who attended, we raised over \$55,000 for Vision Beyond AUS, an international Rotary project. The project provides free eye surgery to disadvantaged people in India.



Marnie Westgarth and Indy Singh, Managing Director.



## WATCH FIDUCIAN ON SKY NEWS BUSINESS TV

Did you know, Fiducian appears regularly on Sky News Business Television Channel (Foxtel Channel 602)? We are often interviewed where we provide market commentary and answer viewer questions during live on-air interviews. These interviews provide up to date financial commentary and make interesting viewing. All these interviews are available on our website.



Alan Hinde, Head of Financial Planning.

Simply visit [www.fiducianfs.com.au](http://www.fiducianfs.com.au) and follow the link from the front page.



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