



Surrey Hills

May/June 2011

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Attached is our budget report providing clients with some key details announced by Federal Treasurer Wayne Swan on 10 May 2011. Please contact your Adviser if you wish to clarify anything from this report.

Steve's Malta Visit



Steve Scerri (Financial Adviser) has shared a wonderful part of his European trip with us, enjoy.

Back in August 2010 I had my first overseas trip where my wife Ivy and I spent 4 weeks in Europe. The highlight for me was the time we spent in Malta, the birthplace of my beautiful parents who have both now passed away. I miss them very much. Over the years they had told me many stories of growing up during World War 2 when Malta struggled for survival and the people went through a great deal of suffering.

Malta was subjected to some of the most severe bombardments of the entire war. The Maltese people ended the war with the distinction of being the only entire population to be awarded the George Cross, Britain's highest civilian honour for bravery, Malta also holds the record for the heaviest sustained bombing attack: some 154 days and nights and 6,700 ton of bombs.

I knew that this was going to be a very special trip for us.

As we flew into Malta, Ivy made sure I had a window seat so I could take in the view of the island but unfortunately, you could only see Malta from one side of the plane and it wasn't my side. Eventually we got to see Malta for the first time and landed safely to the cheers of the passengers. It must be something of a Maltese tradition as we had only endured a flight of 1 hour which departed from Rome.

We were met at the airport by my cousin and her husband Joe, who in Malta is the equivalent to Peter Brock in Australia. Joe has won many races over the years in his home made racing car. As we got into his car, my expectation was for us to start with a huge burnout and speed off in a puff of smoke, only to reverse out of the parking spot and move 5 metres before he stalled the car. I turned to Ivy with a big grin and tried not to laugh.

On our first night we decided to go for a walk down the street. A marching band came along so we followed it. We came upon a church Festa with people cheering and clapping in the decorated street. As we looked on, a large cheer erupted as a very large statue carried by eight men was taken out into the street then back into the church.



Each church has a Festa for the saint for which the church is named. The Festa lasts a week and on the last day there is a big parade along the main street.

The statue is carried around the streets for about 5 kms. I am glad I was watching and not carrying the statue as it looked very heavy. It was a special moment as my mum had told us about the Festas for so long. For my Maltese clients, it was the statue of San Gioro in Sliema.

I had a number of special places that I was keen to visit during our trip to Malta. The first was the church where my mum and dad were married in 1948. Our Lady of Grace in Zabbar is a magnificent church and it was a moment I will always hold in my heart.



The second was to find the house where my mum grew up. My uncle had given us pictures of my grandmother, one of my auntie with a friend and one of the front door of the house. He had also given me some very sketchy directions. We set off with Joe driving us and trying to decipher the directions, we thought we were close so Joe stopped to ask two elderly ladies in the street. As he showed them the pictures, we saw the look of amazement on their faces. I quickly joined them to find that one of the ladies recognized my grandmother

and was in fact their next door neighbour. The friend in the picture was this ladies sister, and still lives in the same house today. It was an amazing moment for me.

My final mission was to visit the Mosta Dome, another story that I had heard from my mum so many times. It is a very beautiful church that has the 3rd largest dome in Europe. During one of the many air raids in WW2, 300 Maltese people took refuge in the church but a bomb came crashing through the dome and smashed onto the floor without exploding. Incredibly no one was injured. They have a replica of the bomb in the church and you can still see where the dome has been repaired. Incredible but true.



Overall, we spent 7 nights in Malta and absolutely fell in love with the people and the country. We will definitely go back again, so stay tuned for our next travel tales.



Act before 30 June to Maximise Your Potential Benefits

Even though 30 June may seem some time away, now is the time for you to start preparing in order to maximise benefits you may be entitled to. Additionally, starting to plan now will ensure there is sufficient time to meet with your Adviser and make any necessary changes that could be to your advantage.

Some things you may want to consider include:

1. A Salary Sacrifice or Personal Tax Deductible Contribution Strategy

An effective way to maximise your retirement benefits is to make a salary sacrifice or personal tax deductible superannuation contribution up to the concessional contribution limit each year. This has the added benefit of helping reduce the tax you pay where your personal income tax rate exceeds 15%. Speak to your Adviser to see if you are eligible to use these strategies.

2. Make a Non Concessional Superannuation Contribution to Receive the Government Co-contribution or Spouse rebate

Eligible people who make a non-concessional contribution to superannuation could receive a matching Government co-contribution of up to \$1,000, they may be entitled to a tax rebate of up to \$540 if they make a spouse contribution. This provides a great return on your investment!

3. Investment Portfolio Review

The lead up to the end of the financial year is an ideal time to review your current investment portfolio. This can help you identify and consider :

- 1) Investments which are riskier than what you are prepared to accept.
- 2) Any potential Capital Gains Tax and ways to reduce or offset that tax.
- 3) The ongoing appropriateness of any gearing arrangements and the benefit of pre-paying interest on investment related debt.



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2011-2012 Federal Budget Report

Federal Treasurer Wayne Swan handed down his fourth Budget on the 10th May 2011 promising to return the Budget to surplus in 2012-13. The Budget focuses on building Australia's workforce and limiting spending in a number of key areas.

Some of the key proposals which may affect clients are detailed below and please contact your planner if you have any queries.

Before any of these announcements can be implemented, legislation will need to be passed through Parliament.

SUPERANNUATION

Superannuation Concessional Contributions for over 50s

- From 1 July 2012, the Concessional Contributions cap for those aged 50 or above will continue to be \$50,000 (indexed) where the member has a combined superannuation balance of less than \$500,000.

Superannuation Co-contribution

- The lower threshold of \$31,920 will be frozen for an extra year (until 30 June 2013.)

Refund of Excess Concessional Contributions

- The Government will provide eligible individuals with the option to have excess Concessional Contributions of less than \$10,000 returned to them and assessed as personal income. This is one-time chance.

Pension Drawdown Relief

- From 1 July 2011, the minimum pension drawdown will be reduced by 25 per cent rather than the 50 per cent which has applied over the last three years, returning to standard minimum rate from 2012/13.

Age	Minimum % of account balance to be drawn		
	FY 2010/2011	FY 2011/2012	FY 2012/2013
55 - 64	2.00%	3.00%	4.00%
65 - 74	2.50%	3.75%	5.00%
75 - 79	3.00%	4.50%	6.00%
80 - 84	3.50%	5.25%	7.00%

Previously superannuation initiatives (but no draft legislation yet):

- Gradually increasing of the Superannuation Guarantee to 12 per cent from 1 July 2013.
- From 1 July 2012, a Government contribution of up to \$500 for workers with incomes below \$37,000.

TAXATION

No income tax cuts in this budget (but remember the flood levy runs for 2011/12 financial year).

Dependent Tax Offset from 1st July 2011

- The dependent spouse tax offset ceases for a dependent spouse born on or after 1 July 1971 (aged 40 or under). The offset will remain for those whose spouse is permanently disabled or a carer.

Low Income Tax Offset (LITO)

- From 1 July 2011, unearned income (dividends, interest, rent, royalties and other income from property) received by minors will no longer be eligible for LITO. In cases where the unearned income is compensation, an inheritance or where the minor is an orphan or disabled, they will continue to be eligible.
- For eligible persons the low income tax offset of \$1,500 has remained unchanged, providing an effective tax-free threshold of \$16,000. From 1 July 2011 taxpayers will receive up to 70% of the offset in their regular pay with the remaining 30% being paid at the end of the year on submission of their tax return.

Medicare Levy Thresholds

- Effective 1 July 2010, the Medicare levy low income threshold will increase to \$18,839 for individuals and \$31,789 for families. The additional threshold amount for each dependant child or student will increase to \$2,919. For pensioners below Age Pension age the Medicare levy threshold will increase to \$30,439.

Fringe Benefits Tax – Car

- The 'statutory formula' method for determining the taxable value of car fringe benefits will be streamlined so that a single rate of 20 per cent will be phased in regardless of the distance travelled. This will impact any new contracts entered into after the start of the budget speech at 7:30 pm on 10 May 2011.

Previously announced initiatives (but no draft legislation as yet):

- From 1 July 2011, a 50 per cent tax discount will apply on the first \$1,000 of interest earned on deposits, bonds, debentures and annuity products.
- From 1 July 2012, taxpayers will have the option of a \$500 standard deduction for work-related expenses and the cost of managing tax affairs to simplify their tax returns. The standard deduction will increase to \$1,000 from 1 July 2013.

CENTRELINK

- From 1 July 2012, very long-term unemployed job seekers who begin a second year in the Work Experience Phase will be required to undertake work experience for 11 months of the year.
- From 1 July 2011, families will be eligible for an advance of up to 7.5 per cent, up to a maximum of \$1,000, of their annual Family Tax Benefit Part A entitlement. Effective from 1 January 2012, the maximum rate of Family Tax Benefit Part A for 16 – 19 year olds will be aligned with the 13 – 15 year old rate.
- The Government will freeze the upper thresholds for Family Tax Benefits until 1 July 2014.
- From 1 July 2011, the Government will provide families with an additional option of receiving the Child Care Rebate (CCR) payments on a fortnightly basis. This is in addition to options currently available.
- Disability support pensioners (DSP) will be allowed to work up to 30 hours a week and remain eligible for a part pension for up to 2 years (subject to income test). New work tests to apply for new DSP applications.
- Delay in start of paid paternity leave to 1st January 2013.