



# “OUR SUPER ADVICE”

## Your Team Is Keeping Up To Date

We are constantly seeking the best seminars and conferences to attend to give you the best advice.

Leanne McGinty

- Super Concepts seminar on the new changes.
- Grant Abbott seminar in Melbourne for a full day on strategic advice.

John Keogh

- SPAA Superannuation Technical Day.
- 2nd Annual SMSF Conference. “Simpler Super, Retirement Income, Planning & Estate Planning” over two days.
- Grant Abbott seminar in Adelaide.
- Tax Institute SMSF Intensive Day.
- ICAA Financial Planning course.
- FINSIA full week course on Financial Planning Matters.

John Fumberger

- FINSIA full week course on Financial Planning Matters.

David Johnston

- ICAA - Auditing course.
- Super Concepts seminar on the new changes.

All staff

- TV Ed Superannuation training package on post 1 July 2007. Over 7 hours of DVD's..
- CCH Online Monthly Superannuation Alert



**Adelaide Advertiser**

**27 August 2007**

**“Big super losses mainly on paper” ...see article over page**

## Instalment Warrants—Unleash the Power

Recently the Australian Government announced it intends to legislate to reaffirm that super funds are allowed to invest in traditional instalment warrants. This is fantastic news for SMSF investors as it provides certainty as to the eligibility of gearing, via instalments within the SMSF. If passed the Bill will allow a SMSF Trustee to borrow money provided:

- the borrowed monies are used to acquire an asset, other than an asset which is SIS prohibited eg residential property from a member;
- the asset is held in trust and is bought by instalments;
- security and lenders recourse is limited to the acquired asset.

These changes will legitimise typical instalment warrants. In addition these changes would also allow SMSF's to invest in instalment warrants over property or indeed over any asset in which the SMSF was permitted to invest.

This will allow our clients to explore some exciting transactions:

- Instalments on shares to obtain the tax benefits of franking tax credits;
- Self funding instalment warrants to buy a parcel of blue chip shares;
- Obtain a commercial property by making a partial instalment.

We await further guidance from the ATO about these exciting changes. We have arranged for some explanatory booklets to be mailed to clients in the near future.

## Surviving Spouse

**If a spouse inherits their partner's account-based or allocated pension as a pension, must the same income be paid, or can he or she withdraw lump sums and a reduced pension?**

The spouse is entitled to all the usual flexibility of an account-based or allocated pension. So, the answer is yes: the beneficiary is entitled to withdraw a lump sum or a part-lump sum and reduce pension payments subject to the minimum payment requirement which is based on the beneficiary's age.

**I am 58 and retired, and about to start a pension from my \$2 million SMSF, which has significant amounts of undeducted, or non-concessional, contributions and unrealised capital gains. Is there any downside in nominating my 53-year-old wife as the person to whom the pension will revert when I die? Does it give her the option of leaving the money in super after my death rather than taking a lump sum and reinvesting outside super?**

Your pension can continue to be paid to your wife, without any need to sell fund investments to pay out a lump-sum death benefit in cash. When a super fund is paying a pension, earnings on investment assets such as dividend, interest and capital gains are tax free. But when the pension stops due to a member's death, the investments become taxable again. The major tax in this instance is capital gains tax on investments that are sold to pay the death benefit. The age difference between you and your wife is also a compelling reason to consider a reversionary arrangement. If you die after age 60, your wife continues to receive a tax-free income stream and tax-free lump sums, regardless of whether she is 60.

### YOUR CONTACTS:

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# Big super losses mainly on paper

KARINA BARRYMORE  
ANTHONY KEANE

**SUPERANNUATION** fund members have lost billions of dollars in the recent share market turmoil.

At its low point a week ago, the slump in Australian and overseas shares had wiped an estimated 3.5 per cent off the average super balance since early July.

Financial information company Rainmaker Group says the decline caused \$50 billion in losses, while research company SuperRatings put the fall at \$40 billion.

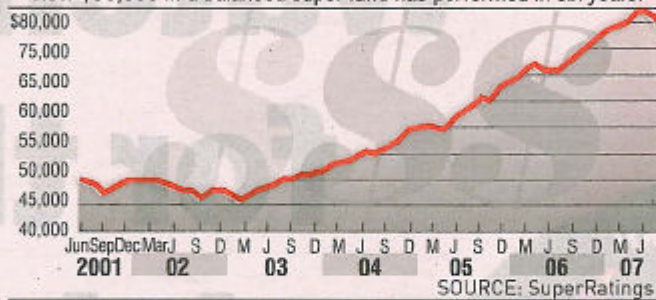
Rainmaker research director Alex Dunnin said most super funds had about 30 per cent of their portfolio invested in Aussie shares and another 25 per cent invested in overseas shares.

"Superannuation is a long-term investment and most of the falls will result in a paper loss only, not a real loss," Mr Dunnin said.

"It will probably hurt retirees the most but for the majority of people in super-

## LONG MARCH UPWARDS

How \$50,000 in a balanced super fund has performed in six years.



annuation there will be little impact," he said.

"The share market has been doing so well for many years now, it's a bit like anything really, every now and then your footy team is going to lose a few games."

SuperRatings managing director Jeff Bresnahan said the only people who should be concerned in a market downturn were those intending to cash out their super in one lump sum.

"Given the recent tax changes to superannuation in retirement, this is most

likely to be an ever-decreasing proportion of the population," he said.

"From a consumer's point of view, those in balanced-style investment options, which is close to four out of every five Australians, will continue to have to ride out market corrections from time to time."

Mr Bresnahan said the latest correction should not influence anyone's long-term strategy.

"Arguably the worse thing you can do is to suddenly become defensive and take

all your money out of shares - making a loss - and jumping into cash," he said.

"There was evidence of that happening in the 2002-2003 market correction when people jumped into cash and subsequently missed out on all the upside of the share market for the past four years - which was a combined 50 per cent.

"It's human nature for people to focus on the negatives but we've all got very short memories in that the last four years have been the strongest in Australian markets for a very long time."

Sharemarket broker and Wise-owl analyst Simon Guzowski said there was likely to be a few more months of difficult trading conditions. However, share and property assets usually were the best performers over time, he said.

"If you're a long-term investor you'd be mad not to want exposure to these assets because they are the ones that can grow your wealth the most," Mr Guzowski said.

Source: Adelaide Advertiser, 27 August 2007

## New Rules for Superannuation Contributions for Directors

In addition to its recent reforms for superannuation, effective 1 July 2007, the government took the opportunity to re-write all of the tax legislation governing superannuation within the 1997 Income Tax Assessment Act. Subtle changes were made.

In our next Super News we will examine the issues for our company clients who wish to claim the tax deductions for superannuation contributions made for Directors on or after 1 July 2007. More news on this to come.

## Quote of the Month

"The most powerful force in the universe is compound interest"

-PHYSICIST ALBERT EINSTEIN

If you would like Financial & Wealth Solutions Newsletters sent via email in the future, please direct your request to [leanne@tass.com.au](mailto:leanne@tass.com.au), and we will ensure that you receive your copy of "Our Super Advice" in the quickest time possible.

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