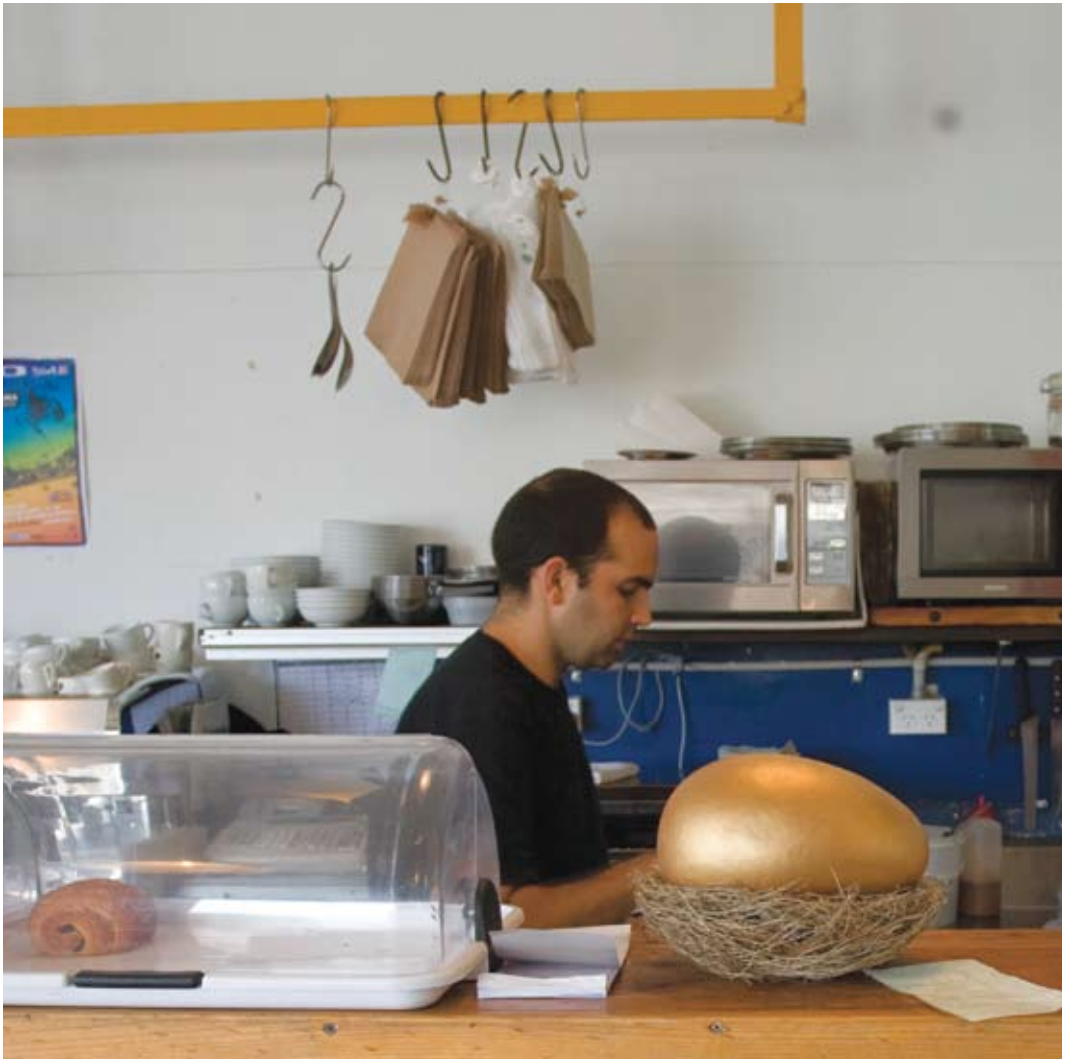


Smart super and tax strategies for business owners



Get more from your money this financial year



Important information

The information contained in this booklet applies to taxed super funds, not untaxed funds such as certain Government or public sector schemes and does not apply to defined benefit interests.

You want to make money and have a good lifestyle. So you're putting as much as possible into your business so it can look after you down the track.

Make saving for the future less taxing

You want to make money and have a good lifestyle. This means putting as much as you can into your business so it can look after you down the track.

But you don't just want to rely on your business. It's important to build a diversified investment portfolio that will provide for your future.

Super can play an important part in this. It's an attractive place to invest because earnings in a super fund are taxed at a maximum rate of 15%, and no tax is payable on super benefits received at age 60 or over.

What's more, by investing in super you could enjoy upfront advantages of less tax on your income and more affordable insurance cover, while building your retirement savings.

Read on for strategies that show you how you can make the most of your super and tax position this financial year-end¹.

To find out more, speak to a financial adviser who can help you make the right choices for your personal circumstances.

To make the most of your super, here are six clever strategies to discuss with a financial adviser:

If you don't have a financial adviser, call us on **132 652** and we can put you in touch with one.

Strategy 1 Invest personal assets in super

Because of the tax-effectiveness of investing in super, if you currently hold an investment in your own name you may want to cash it out and use the money to make a personal after-tax super contribution². This could be up to \$450,000 per person (or \$900,000 per couple) this financial year.

This strategy can be particularly powerful if your money is currently invested in a term deposit or other asset where you don't have to pay Capital Gains Tax (CGT) on withdrawal.

But even if you have to pay CGT when selling assets like shares, investment properties and unit trusts, the benefits of putting the money into super could more than compensate for your CGT liability.

You may also be able to use other strategies to reduce or eliminate your CGT bill (see page 8 to find out more).

Note: Speak to your financial adviser about the CGT implications.

Strategy 2 Grow your super without reducing your income

If you're an employee aged 55 or over, there is a way to save more for your retirement without reducing your current income. This involves:

- arranging with your employer to put part of your pre-tax salary into a super fund³,
- investing some of your existing super in a Transition to Retirement Pension (TRP⁴), and
- using the regular payments from the TRP to replace the income you sacrifice into super.

If you're self-employed⁵, this strategy still works if you make personal deductible contributions³ instead of salary sacrifice contributions.

Earnings in a super fund are taxed at a maximum rate of 15% and no tax is payable on benefits received at age 60 or over.

Continued

Make saving for the future less taxing

Strategy 3 Invest money in your company into super

If your private company has surplus capital invested, you may want to withdraw the money, pay yourself a dividend, and use the proceeds to make a personal after-tax super contribution².

When using this strategy, you should take into account any tax payable when getting the money out of your company. But over time, you could come out ahead because of the tax concessions available in super.

Strategy 4 Invest the sale of your business tax-effectively

If you're selling your business to retire, you may want to use the money to make a personal after-tax super contribution² and start an income stream investment, such as an account based pension.

Compared to investing outside super, this strategy could enable you to:

- receive a more tax-effective income to meet your living expenses, and
- preserve more of your investment capital.

Strategy 5 Protect yourself and your family tax-effectively

In addition to building up your super, it's important you have enough insurance to safeguard your financial plans and protect your family.

So it's worth considering taking out total and permanent disability (TPD) and life insurance, and you can do this through super or via a personal policy in your own name.

When purchasing these insurances through a super fund, there are a range of upfront tax concessions generally not available outside super.

For example:

- If you're **self-employed**⁵, you can generally claim your super contributions as a tax deduction³ – regardless of whether they are used by the super fund to purchase investments or insurance.
- If you're an **employee** and are eligible to make salary sacrifice contributions³, you may be able to buy insurance through a super fund with pre-tax dollars.

These concessions can make it cheaper⁶ to purchase life and TPD insurance in a super fund, or enable you to purchase a higher level of cover than you could otherwise afford.

Another type of insurance you could purchase within a super fund is income protection. If you suffer an illness or injury and are unable to work, income protection can pay you a monthly benefit (typically up to 75% of your pre-tax income) to replace lost earnings.

Note: To find out more about the tax and other implications of purchasing income protection insurance within or outside of super, speak to your financial adviser.

Strategy 6 Establish a Buy Sell agreement tax-effectively

If you're in business with other people, you should consider establishing a Buy Sell agreement as part of your broader succession planning.

This can help ensure business ownership is transferred in an orderly manner in the event of death or disability.

Also, if you fund the Buy Sell agreement by purchasing life and TPD insurances through a super fund, the after-tax premium costs can be lower⁶ than insuring outside super when you take into account the upfront tax concessions available.

Make the financial year-end less taxing

Here are some other year-end strategies to discuss with a financial adviser or tax professional⁷:

Strategy 1 **Manage Capital Gains Tax**

If you make a capital gain on the sale of an asset this financial year, you could consider selling a poorly performing investment before 30 June. This can enable you to use the capital loss to offset your capital gain.

Alternatively, you may wish to delay any sale of profitable assets until after 30 June. This way you can defer paying tax on the capital gain for up to 12 months. And, if you expect to earn a lower taxable income next financial year, the capital gain may be taxed at a lower marginal rate.

If you're self-employed⁵ another option is to make a personal deductible super contribution³ with some or all of the sale proceeds. The tax deduction you claim could reduce, or even eliminate, your Capital Gains Tax liability.

Note: To be eligible to claim a personal super contribution as a tax deduction, other conditions apply.

Strategy 2 **Bring forward** **deductible expenses**

To reduce your taxable income this financial year, you could bring forward expenses that are otherwise tax deductible in the following financial year.

For example, you could consider pre-paying 12 months' interest on a fixed rate investment loan, or pre-paying 12 months' income protection insurance premiums outside super before 30 June to pay less tax this financial year.



**Seek
financial
advice**

**Speak to a financial
adviser to find out
how these strategies
can work for you.
But make sure
you **get in quick**
to make the most
of the financial
year-end on 30 June.**

Notes

- 1** You should seek the advice of a financial adviser and/or taxation professional before acting on these strategies.
- 2** Personal after-tax super contributions and certain other amounts will count towards a non-concessional contribution (NCC) cap. In 2008/09, this cap is \$150,000. However, if you are under age 65, it is possible to contribute up to \$450,000 in 2008/09, provided your total non-concessional contributions in that financial year and the following two financial years do not exceed \$450,000. In addition to this cap, it's also possible to make personal after-tax super contributions of up to \$1.045 million over your lifetime using certain proceeds from the sale of small business assets. If you have a spouse, you could potentially take advantage of two NCC caps and two \$1.045 million lifetime limits.
- 3** Personal deductible super contributions, employer contributions (including salary sacrifice) and certain other amounts will count towards a concessional contribution cap. In 2008/09 this cap is \$50,000, or if you're aged 50 or over, \$100,000 pa until 30 June 2012.
- 4** A TRP is a type of income stream investment that allows you to access your preserved and restricted non-preserved super benefits when you've reached your preservation age (currently 55). Limits apply to the amount of income you can receive each year and lump sum withdrawals can only be made in certain circumstances.
- 5** To qualify as self-employed, you must earn less than 10% of your assessable income (plus reportable fringe benefits) from eligible employment.
- 6** Lump sum tax may be payable when a death benefit is received by a non-dependant (eg an adult child) or a fund member receives a Total and Permanent Disability benefit. To make a provision for lump sum tax, you could increase the sum insured. While this will generally increase the premiums, the after-tax cost may still be lower than insuring outside super, when you take into account the upfront tax concessions available.
- 7** These strategies are used in general practice and are presented here for information purposes only. MLC is not a tax adviser or promoter of any sort.

Important information

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It is intended to provide general information only and does not take into account any particular person's objectives, financial situation or needs. Because of this you should, before acting on any advice in this booklet, consider whether it is appropriate to your objectives, financial situation and needs.

You should obtain a Product Disclosure Statement (PDS) relating to any financial products mentioned in this booklet and consider it before making any decision about whether to acquire or hold the product.

The information in this booklet is based on our interpretation of relevant super and taxation laws as at 1 April 2009.

As these laws are subject to change, you should seek financial advice before taking any action based on the information contained in this booklet.



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