

# Your money Your future

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## Do you need advice to secure the future you want?

At Advice & Answers Financial Services, we believe in the difference that working with a financial adviser can make to your financial future.

Australians who actively review their financial plan with a professional adviser can:

- be better protected from financial difficulty
- feel they have more control over their finances
- have greater confidence in achieving their goals
- make better-informed decisions
- feel better prepared for retirement.

We can help you with a range of needs, including:

- growing your investments
- protecting your wealth
- developing tax-effective strategies
- superannuation and retirement planning
- estate planning.

Contact our office on (03) 9803 1414 to arrange an appointment.

## Avoiding the Christmas credit max-out

As the credit crisis tightens its grip on global financial markets, it's probably not the best time to be 'maxing-out' our credit cards.

But with Christmas coming up, the temptation to splurge is greater than at any other time of the year. So how can you keep credit card debt under control during the festive season?

One of the best ways is to set and stick to an affordable budget, in conjunction with some specific cost-cutting measures, such as a Kris Kringle-style Christmas with only one gift purchased for each family member.

You could also consider alternative gift giving. A registered charity like karma

currency allows you to purchase tax deductible gift vouchers, which the recipient can use to make a donation to their favourite charities.

When it comes to food and beverages, you can help reduce the cost by planning ahead and buying general-use items in bulk, and asking family and friends to bring along a 'plate' or a bottle of wine.

Nevertheless, it may not be possible to avoid running up extra credit card debt this festive season. Plan wisely and start saving early in the year if you can, so you don't have to use debt to have a good time at Christmas. Call us now, for more tips on managing debt.



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Financial Planning

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## New tax-effective home saver accounts hit the market

If you're about to start saving for your first home, or already putting money aside for a deposit, you'll be pleased to know the Federal Government's First Home Saver Accounts (FHSAs) initiative commenced on 1 October 2008.

### What are FHSAs?

FHSAs are intended to offer a simple, tax-effective way for people to save for their first home through a combination of personal contributions, government contributions and tax concessions.

### Which financial institutions can offer FHSAs?

The accounts can be offered by banks, building societies and credit unions, public offer super funds, life insurance companies and friendly societies. At this stage, it is mainly credit unions and some major banks who are offering FHSAs.

### Who is eligible to open an account?

You are eligible to open an FHSA if you:

- are aged over 18 and under 65
- haven't previously bought or built a first home to live in

- haven't previously had an FHSA, and
- provide your tax file number.

### How do FHSAs work?

You can contribute to your account with after-tax money. There is a cap of \$75,000 (indexed) on the total contributions you may make to the account.

Before funds can be withdrawn, you must have contributed a minimum of \$1,000 per year in at least four financial years.

No minimum annual deposit is needed to keep the account open. It can remain open for as long as necessary or until you turn 65, at which time it must be closed.

### What are the benefits?

The Government will contribute 17 per cent on the first \$5,000 of your contributions made each year. This will be paid directly into your account after you've lodged your tax return and your account provider has sent the relevant information to the Australian Taxation Office.

Investment earnings are taxed at a concessional rate of 15 per cent,

withdrawals are tax free and FHSA balances are exempt from the Centrelink income and assets test.

### What happens when I'm ready to buy or build my first home?

Provided you've met the withdrawal requirements, you can use your FHSA funds for various first-home related expenses including your deposit, legal expenses and stamp duty.

Also you may wish to check with the State Revenue Office in your state or territory regarding the concessions available including the recently enhanced grants for first home owners.

### What happens if I no longer need my FHSA?

Chances are that you will eventually want to purchase a home, but if you don't your FHSA funds can be used to boost your super account.

### More information?

For more information call us now or visit [www.homesaver.treasury.gov.au](http://www.homesaver.treasury.gov.au).

## Turn sacrifice into super success

Most people automatically balk at the idea of sacrifice because it usually means they'll have to give something up. But there's one kind of sacrifice that can result in you receiving more – salary sacrifice.

Salary sacrifice is a popular strategy for boosting retirement savings. Its big incentive is the tax savings that result from putting pre-tax salary into superannuation.

And what makes salary sacrifice even more attractive right now is the tax breaks that take effect from 1 July 2008. Because of these, many Australians may be in a position to boost their superannuation savings without affecting their everyday financial budget.

### Case study – Melissa sacrifices take-home pay to take more later

Working as a vet in country NSW, Melissa has taxable income of \$80,000.

As a result of the new tax cuts coming into effect on 1 July 2008, she can expect to pocket an extra \$500 each year. However, if Melissa asked her employer to salary sacrifice this tax saving on her behalf, an

additional employer contribution of \$730 per year would be made (equivalent to \$500 after tax (31.5 per cent) = \$730).

The \$730 salary sacrificed into superannuation will be taxed at the concessional rate of 15 per cent, resulting in her superannuation fund receiving a boost of \$620.

Melissa has been able to convert a \$500 'take-home' saving into a \$620 'take-later' superannuation increase.

### How to salary sacrifice

The first step to starting a salary sacrifice strategy is to ask your employer to make pre-tax contributions from your salary into your superannuation fund. Note that salary sacrifice may not be available to some employees. Ultimately, your employer needs to endorse your salary sacrifice activity.

Salary sacrificing will mean you receive less take-home income, and it will be considered a preserved benefit within your superannuation fund. However, the pay-off is two-fold:

- Firstly, provided that your marginal tax rate is more than 15 per cent, you will effectively reduce the total amount of tax you pay, because superannuation contributions are generally taxed at 15 per cent.
- Secondly, the tax saving means you're able to inject more funds into your superannuation fund. Over the coming years, it will benefit even more as the money it invests compounds.

For more information on how to salary sacrifice, speak with your financial adviser today.

