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FINANCIAL ADVISERS

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FINANCIAL PLANNING QUARTERLY

Wealth Strategies for Young Guns

BUDGET SPECIAL 2009

What's in this Issue?

- ⇒ The 2009 Federal Budget – how will it affect you?
- ⇒ Tax tips for year end

The 2009 Federal Budget – How Will It Affect You?

If anything has become clear from the 2009 budget - you really need to address your strategies for Wealth Creation and protection because the Reserve Bank could move very quickly to increase interest rates if the economy starts to show signs of increases in the rate of inflation.

So how will the 2009 budget affect you?

General Budget Announcements;

- Nation building through infrastructure and job creation
- Roads, rail, ports clean energy and university projects

In one word – DEBT!

Pension Reforms- AGE Pension age increases

From 2017, the age pension qualifying age will start to rise to 67. This will be phased in from 2017 until 2023 with 6 months of age added every 2 years.

The Government has not yet acted on recommendations to **increase the preservation age to 67.**

Stay tuned!

Super contributions

From 1st July 2009 the amounts an individual can either invest directly or salary sacrifice into Superannuation has halved. This change

relates to concessional (i.e. tax deductible) contributions.

The concessional cap for under 50's;

FINANCIAL YEAR	PRE-BUDGET	POST BUDGET
2009/10	\$55,000	\$25,000
2010/11	\$55,000	\$25,000
2011/12	\$60,000	\$25,000

The transitional concessional cap for over 50's;

FINANCIAL YEAR	PRE-BUDGET	POST BUDGET
2009/10	\$100,000	\$50,000
2010/11	\$100,000	\$50,000
2011/12	\$100,000	\$50,000

Co-contributions

The co-contribution will also be adjusted temporarily. The 150% matching amount will be reduced to a 100% co-contribution for 2010, 2011 and 2012.

2008/09 - \$1,500 max co-contribution;

Your Contribution Income Level	\$1,000 Govt Contribution
<\$30,342	\$1,500
\$40,000	\$1,017
\$50,000	\$517
\$60,342	NIL

2009/10 - \$1,000 max co-contribution;

Your Contribution Income Level	\$1,000 Govt Contribution
<\$30,342	\$1,000
\$40,000	\$678
\$50,000	\$345
\$60,342	NIL

First Home Owners Grant The first home owner's scheme boost payments will be extended for a six month period.

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From 1 July 2009 to 30 September 2009 the full boost payment of \$7,000 for existing homes and \$14,000 for new homes will continue.

From 1 October 2009 - 31 December 2009 the boost payment will be halved to \$3,500 for existing homes and \$7,000 for new homes.

This means first home owners will be entitled to:

	EXISTING HOMES	NEWLY BUILT
Until 30 th Sep 2009	\$14,000	\$21,000
Until 31 st Dec 2009	\$10,500	\$14,000

NB: This isn't including the individual state grants and bonuses.

Private Health Insurance

From 1 July 2010, the Government will introduce three new "Private Health Insurance Tiers".

	Current surcharge thresholds (projected 2010/11)	Tier 1	Tier 2	Tier 3
Singles	\$0-\$75,000	\$75,000-\$90,000	\$90,001-\$120,000	\$120,001+
Families	\$0-\$150,000	\$150,001-\$180,000	\$180,001-\$240,000	\$240,001+
Medicare Levy surcharge	Nil	1%	1.25%	1.50%
Private health insurance rebate				
Less than 65	30%	20%	10%	Nil
65-69	35%	25%	15%	Nil
70 and over	40%	30%	20%	Nil

Effectively the tax rebate you receive on your private health insurance will depend on your taxable income and is tiered between single and family income.

In essence, if you're single and your income is greater than \$120k you receive no rebate (\$240k for family).

And if your income is less than \$75k (\$150k family) you should get the full 30% rebate.

Investment Allowance increased to 50% and period extended to 31st December 2009.

Small business entities (< \$2m turnover) will be eligible for a tax break of **50%** for the acquisition of new tangible depreciating assets acquired between 13 December 2008 and 31 December 2009.

Quarantining of losses for hobby farmers

Once adjusted taxable income is over \$250k you won't necessarily be able to deduct that loss against other income. This won't affect many **BUT** is it the start of something else?

Employee Share Schemes (ESAS)

From 7.30pm on 12 May 2009, there will be dramatic changes to the ESAS rules.

The discount under an ESAS will be assessed to the employee in the year of income in which the share or right is acquired. For a qualifying scheme, there will no longer be an assessing point at cessation time.

In addition, the \$1,000 concession for qualifying schemes will not apply to taxpayers who adjusted taxable income exceeds \$60,000.

Personal Tax Rates - NO change to last year's legislated changes

Tax tips for year end

Whilst I am a chartered Accountant and am qualified to discuss these topics, you should seek your own specific tax and financial advice, to ensure that these strategies are appropriate for your personal circumstances.



[Flick through these tips and give me a buzz if you have any queries!](#)

Super co-contribution

Although the co-contribution has been reduced – your income may not be under the \$60,342 forever (assessable income plus reportable fringe benefits), you may be entitled to the government's super co-contribution.

Protect your privates!

Private health insurance - Remember that once you earn over \$75,000 for singles or \$150,000 for couples, if you don't hold private health insurance, you will be hit with the 1% Medicare Surcharge which is levied on the sum of your taxable income & reportable fringe benefits. All you need is hospital cover to avoid it.

Can you get back more on medical expenses?

A lot of people are not aware that they can get some money back on out of pocket medical expenses.

For the 2008 financial year, you can claim a tax offset of 20% of your net medical expenses over \$1,500. There is no upper limit on the amount you can claim. \$1,500 may sound like a lot but the birth of a child or a serious illness can escalate medical bills and have you over that threshold quite quickly.

Net medical expenses are the medical expenses you have paid less any refunds you got, or could get, from Medicare or a private health fund.

Income protection insurance – don't forget the premiums you pay on income protection are tax deductible!

Maintain records

It is crucial to maintain good records when you are thinking about tax deductions. If you are a

share/ property investor you will have more options for claiming – for example;

1. *Interest expenses* on loans associated with borrowed money to fund an income producing asset.
2. *Depreciation of capital goods* in an investment property
3. *Genuine repairs* as long as they are not an improvement could be an instant deduction. If they are improvements they could be capital which needs to be depreciated
4. *Other expenses* on investment properties could be rates and taxes, home and contents, gardening costs etc.

Best to check with your accountant!

Franking credits

From a tax perspective a fully franked dividend wins out over the equivalent cash or rental return. And it's refundable if it surpasses your tax rate.

Delay income, bring forward deductions

An oldie but a goodie – if you haven't experienced a reduction in income already – consider bringing forward any deductions i.e. by prepaying deductible expenses (interest on deductible loans/ income protection premiums etc) or consider delaying any assessable income – i.e. payment of bonuses. Note that personal tax rates are marginally lower in some brackets in 09/10 year.

Delay tax payment – use a tax agent!

Firstly it pays to get good advice from an accountant. If you think you'll have to pay tax, the extra benefit of using a tax agent is that they can lodge your 2009 tax return as late as 15 May 2010!

If you are not using a tax agent you would have to lodge your income tax return by 31 Oct 2009 and pay by 1 December 2009!

If you need to be pointed in the direction of a good accountant please contact me on (03) 9863 3306.