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Financial Planning News Welcome John Spooner

Steve Ham, our financial planner, has been provided an opportunity to realise a life long goal by being offered a management position with an international non-profit organisation based in the United States. While this represents a fantastic opportunity for Steve and his family, it was a decision that was made after some very serious consideration, as obviously it would mean a change of advisor for clients of Hoffman Kelly Financial Planning.

At the outset, Steve, Tony Hoffman and Troy Kelly were determined that any replacement would need to have an outstanding reputation, proven track record and the appropriate technical and relational skills to work with both the staff and clients attached to the Hoffman Kelly firm. We are extremely pleased to announce that this replacement has been located and a process of transition is now occurring.

John Spooner is the top performing (ranked No.1 nationally) planner within the Suncorp financial planning group. Suitably, John has a long standing relationship with the directors of Hoffman Kelly, he has full credentials in financial planning along with an accounting degree and CPA designation.

As part of this transition we have taken the opportunity to change our services license provider from our current provider, 'Professional Investment Services', to 'Cameron Walshe' (part of the Suncorp Promina Group). This decision will allow John to bring strong established systems and an increased support network that will further enhance our advice delivery.

We look forward to working closely in partnership with John to continue providing optimal synergies between financial planning, accounting and tax structuring to ensure the best possible wealth creation outcomes to HK clients.

Finally, we would like to sincerely thank Steve for the exceptional level of professionalism, integrity and sincerity with which he has built the HK financial Planning Business. Steve you will certainly be missed by all and we wish you, Trish and the family all the best for the adventure ahead!!



HK Hervey Bay – New Commercial Premises

We announced, in our last newsletter, the opening of the Hoffman Kelly Hervey Bay office headed up by Beshara Smith (previously a Senior Manger in our Brisbane office). Beshara has quickly established a reputation in the local business community including presenting at local industry forums.

To accommodate future growth, we decided to relocate to larger premises. Accordingly we have secured a unit in the new 'lakeside' business precinct. This new office is currently being fitted out to enable us to move in by mid August.

Beshara has also employed a new accountant, Alice Pearce. Alice is a 'true' Hervey Bay local and apart from having previous tax experience and a great knowledge of the area, has also divulged a few choice fishing spots!

New address details are:

Unit 7, Lakeside 6 Liuzzi Street, Pialba Q 4655
PO Box 1204, Hervey Bay Q 4655
P: 4124 5656

As is the case with the Brisbane office, Beshara is happy to have an obligation free one hour meeting for anybody referred by existing HK clients to provide professional advice on optimal structuring/tax effective business solutions.

New Education Rebate

In our summer newsletter (Jan 2009) we outlined the general eligibility criteria, and listed classes of 'eligible expenses' that qualify for the new 50% education rebate. As this rebate applies to the 2009 financial year, parents are reminded to keep receipts and provide us a summary of these eligible educational expenses when submitting 2009 tax documentation.

Note: previous newsletters can be accessed from our website.

50% Small Business Investment – Example

The 50% Investment Allowance announced in the May budget has been receiving a huge amount of press.

This incentive is available to small businesses (<\$2M turnover) for purchases of new depreciable assets >\$1000 acquired between 31 December 2008 and 31 December 2009.

The following example highlights the potential first year (positive) cash flow...

A private company purchases a tax deductible vehicle before 31 December for \$55k (inc GST). This vehicle is financed using a chattel mortgage (7%) repayable over 5 years with a 50% residual. This annual repayments are approx \$8400.

- Firstly, the business will get an upfront \$5k GST refund.
- The depreciation in the current (2009/10) financial year will be 65% = \$32,500 (ie. 50% investment allowance + 15% first year "normal" depreciation) so in the first year the company will save \$9750 in tax.

Cashflow advantage in the first year is:

\$5,000 gst + \$9,750 tax - \$8400 finance repayments = \$6,350 approx.

Of course only 15% has been written off and the car will continue to depreciate (at 30%p.a in in subsequent years). Assuming held until fully written off the business will ultimately get 150% depreciation (ie. \$75,000 tax deduction) on the vehicle.

NON SMALL BUSINESS (>\$2M turnover)

The additional tax break still applies but is 30% for purchases made up to 30 June 2009 and reduces to 10% until 31 December 2009. Also, applicable to new plant and equipment over \$10,000.

Other Budget Measures

While not intended to be comprehensive, the following are some of the other relevant budget measures:

- **Age pension gradually increased to age 67** (effectively applies to people that are 57 or younger at July 09).
- **PHI Rebate from 1 July 2010**
 - No change if income < 150K couples (singles < 75K)
 - 20% rebate if couple income > \$150K (singles > 75K)
 - 10% rebate if couple income > \$180K (singles > 90K)
 - No rebate if couple income > 240K (singles > 120K)
 - AND Medicare surcharge increased to 1.5% where above these thresholds.
- **Tax deductible superannuation contributions reduced from 1 July 2009.** The tax deductible superannuation cap is reduced to \$25,000 a year from its current limit of \$50,000. The transitional concessional cap (for those over 50yrs) will be reduced from its current annual level of \$100,000 to \$50,000 per year. The transitional concessional cap of \$50,000 will continue to apply until the 2012 year.
- **S23AG Gone from 1 July 2009** the tax exempt status of foreign employment income earned by Australian residents working continuous for greater than 90 days overseas has been lost (except if charity/aid worker or particular govt employee eg. defence/police). Instead will be assessed again in Australia but with a tax credit for foreign tax paid.
- **Super Co Contributions** reduced from 1 July 2009 (for five years). The superannuation co-contribution scheme will be reduced to 100% of eligible contributions for 2009/10, 2010/11 and 2011/12 income years, with the rate increasing to 125% of contributions for the 2012/13 and 2013/14 years and returning to its former level of 150% for the 2014/15 year.
- **FHOG** – The first home owners grant will remain at full levels (ie new home \$21,000 and existing home \$14,000) until 30 September 2009. From 1 October 2009 – 31 December 2009 it will reduce to \$14000 for a new home, \$10,500 for an existing home.

Business in Financial Stress? See us early!

Due to the current economic crisis the ATO has announced deferred repayment (interest free!) terms may be available in relation to 2009/10 Business Activity Statements liabilities for small business suffering financial stress. For those wanting to apply for an arrangement, see the online ATO calculator to assist you to calculate different payment scenarios based on your individual circumstances so as to propose an affordable and sustainable payment arrangement when calling the ATO.

<http://www.ato.gov.au/individuals/content.asp?doc=/content/00196933.htm>

Given the current economic circumstances, it is prudent to remind clients of the reason our first priority whenever we provide advice on business structuring is to ensure "Asset Protection" is achieved.

Asset protection is essentially the process of separating the trading risk associated with operating a family business from the private and investment equity accumulated by the family (eg. equity in the family home).

While the best structure to achieve asset protection (and optimal tax effectiveness) will vary from client to client, the use of a Pty Ltd company in the trading structure (ie. either trades directly or "As Trustee" for a family trust) provides "Asset Protection" in the event the business becomes insolvent (ie. can't pay its debts)

Essentially if the 'corporate' entity becomes insolvent, the directors can appoint an administrator / liquidator who takes effective control and winds the company up. Assuming no directors loan from the company, the owners may "walk away" from all unsecured debts (including the ATO) with their private and investment equity unscathed!!

**subject to Asset Protection Tip following*

Tip – Asset Protection

Pure Asset Protection, in the context of insolvency, is only achieved where directors cannot be held personally liable for company debts. There are two scenarios where a company director will be personally liable for unsecured company debts.

1. Where company incurs debt when already insolvent (ie. when directors should have reasonably expected the company could not pay existing debts when due)
2. Directors will be personally liable for ATO "PAYG withholding" (ie. tax on employees wages)...**but only if** they receive a 'Directors Penalty Notice' from the ATO for unpaid PAYG withholding and they fail to either pay the liability OR appoint an administrator / liquidator **within 14 days**.

Therefore it is imperative that if you believe your business may be 'insolvent' OR you receive a 'Directors Penalty Notice' from the ATO, you call us as soon as possible to explore your options.

Again, assuming you act early enough, directors can potentially walk away from the business trading structure with their personal equity completely protected.

Last Economic Update from Steve Ham

While there will continue to be short term volatility and a certain level of short term economic uncertainty, it is increasingly clear that our lows in March have indicated a corner turned in our markets. It is also clear that a continued long term outlook is essential for regaining value in growth portfolios with a view to eventual gain. The fundamentals always remain: quality, diversification and a long term timeframe investment outlook. We have experienced one of the worst financial crisis' we may ever expect to experience in our lifetime and while light is starting to appear at the end of the tunnel, it remains relatively volatile in the short term. However with interest rates at current lows and prices of strong Australian companies appearing cheap, income from the Australian share sector is looking increasingly attractive for the longer term.

It is certainly with some sadness that this will be my final economic update with Hoffman Kelly. In saying this, I am certainly confident that a continued focus on the key fundamentals and the superb experience and quality of our new adviser, John Spooner, will help all clients to continue on the road to recovery from the financial crisis and great success in the future. I wish to thank all clients for your patience and grace during this period of transition and wish you all the very best for the years to come.

Meet the Team

Business Services – Brisbane

Partner	Anthony Hoffman
Partner	Troy Kelly
Manager	Greg Roberts
Manager	Thomas Aitkenhead
Senior Accountant	Craig Mitchell
Senior Accountant	Michael Kerwin
Senior Accountant	Claire Waterhouse
Accountant	Lauren Sarolis
Accountant	Michelle Condon
Accountant	Emma Roberts
Accountant	Shelly Nakamura
Accountant	Alexandra Doney
Accountant	Jasmine Sue
Office Manager	Lisa Cronin
Admin Manager	Megan Cowan
Receptionist	Camryn Stevens

Business Services – Hervey Bay

Manager	Beshara Smith (<i>nee Anstis</i>)
Accountant	Alice Pearce

Financial Planning

Financial Planner	Steve Ham
Financial Planner	John Spooner
Financial Planner	John Rose
Financial Planner	Kurt Grainger



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