



## Non-controlled Unit Trusts

Property in super - the possibilities continue...

### Non-controlling Entity

This strategy provides a means to buy residential property while using the property you're investing in as security. At first glance that appears to violate several of the Superannuation Rules and it would if not done correctly.

The main criterion for this strategy is that your SMSF is not the controlling entity.

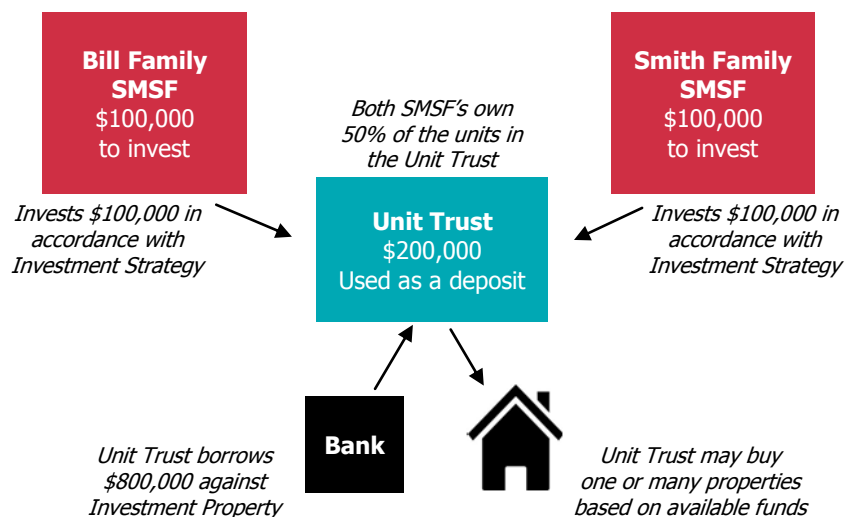
### Here's how it works:

At least two SMSF's invest in a Unit Trust, each owning 50%. The Unit Trust is then able to use the money invested by the SMSFs as a deposit on an investment property (residential, commercial or industrial). The Unit Trust is able to use the property as security and borrow the balance from a bank.

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## Borrowing Through a Non-controlled Entity



The reason this strategy is possible is that the fund falls into a similar category as that of a large master fund, in that ownership is spread across unrelated people and therefore it is allowed to borrow. By keeping ownership 50% or less it also becomes possible for a SMSF. It is important, however, that the two SMSFs are non-related parties. Remember that the definition of related includes business partners under a partnership arrangement, but if you are directors of a company, then you are not considered to be related partners under the definition.

If you would like to find out more about this structure and it's suitability to your situation, speak to Jason.

## The Future of Financial Advice (FOFA)

The reforms sweeping the Financial Planning Industry are welcomed by our team of Financial Advisers at Paris Financial Services. Some of the key changes that are affecting the industry are big positives for our advisors and will severely change the business models of lazier financial planning firms and firms that are biased towards certain products that affect their remuneration.

Firstly, a key change that the Government is implementing is a ban on volume discounts that Financial Planners receive from Fund Managers. For example, previously if your advisor could get enough client funds directed at "Acme Funds Management" they would be entitled to extra remuneration from "Acme Funds Management". This is termed a volume based payment in the industry and doesn't look after the fiduciary duty that Advisors have to make totally independent financial decisions on behalf of their clients. This fiduciary duty of the Financial Advisor has also been expressly included in the FOFA legislation. You want your money being managed based on the investments and your risk profile not the remuneration that your Financial Planner can extract.

Secondly the Government is putting in place a reform that requires clients to opt-in to Financial Advice. The 'opt-in' measure requires a Financial Adviser to send a renewal ('opt-in') notice every two years to clients, as well as an annual fee disclosure statement to all clients. The announcement states that there will be significant

flexibility in terms of how advisers are able to discharge the opt-in obligation and it applies to new clients from 1 July 2012.

So with these two key reforms there is no excuse to be working with a Financial Advisor that cannot demonstrate clear independence of any Fund Manager or Provider or be with a Financial Advisor who cannot provide their advice under a genuine "fee for service" model.

Paris Financial Services are licensed by Capstone Financial Planning Pty Ltd, an independently owned Licensor that is not controlled by a big bank or insurance company. In addition Darren Foster, our Senior Financial Advisor, is well trained and versed in offering clients genuine fee for service financial advice.

So make sure if you have a Financial Advisor they are fully independent and prepared to offer their services based on the time it takes to do their work and not the amount they can receive through Fund Managers.

If you have any further queries regarding FOFA please call Darren or Paul Wood, our Senior Para-planner, at Paris Financial Services on 9890-2316 or visit the website at [www.parisfs.com.au](http://www.parisfs.com.au)



*Darren Foster is an Authorised Representative of Capstone Financial Planning Pty Ltd – AFSL 223135.*

## Minimum Pensions Increase

The minimum pension drawdown relief for superannuation pensions for the 2011 -2012 year will be reduced by 25%. This was a 50% reduction in the previous year. It is expected that this drawdown relief be completely phased out by the 2012 -2013 year.

Several years ago the minimum pension was reduced to avoid super funds having to realise investments at a loss after the global financial crisis. The government has decided we must be better off now. Hence the minimum pension from 1st July 2011 is higher, and from 1st July 2012 will be back at 2009 levels.



**Essential – please ensure you draw the minimum pension every year from your SMSF, as the penalty for non-compliance can be massive!**

Paris Financial Services "like ourselves" specialise in Self Managed Super Funds and understand all the strategies, financial and tax consequences. However, for specific advice on pension amounts and investment strategies our financial advisors would be required.

If you want further advice on pensions and pension strategies talk to us or contact Darren direct.

## Tax Tips for Self-employed Tradies

Stay one step ahead of the tax man with this check list of self-employed tax tips.

**ABN:** You need an ABN. Without it, you will potentially pay 46.5% tax on anything you earn. If you earn more than \$75,000p.a. you need to register for GST.

**GST:** You can claim a deduction on essential goods and services whether you are registered for GST or not. You need a tax invoice for all taxable purposes (items that are less \$82.50 GST inclusive are exempt). Make sure you keep and record the amounts of your tax invoices. If you are GST registered then you can also claim a GST input tax credit when you prepare your BAS. You need to separate out the GST component of each tax invoice in order to do this.

**Tools for self-employed:** Self-employed tradies who are in SBE (Small Business Entity) can "write off" tools up to the value of \$1,000 in the year you purchase them. Remember to keep your tax records year to year so your accountant knows what tools and equipment are on your continuing list of depreciable items.

**Tools for employees:** Tools that cost less than \$300 can be claimed as an outright deduction. Tools that cost more than \$300 have to be depreciated. This means you claim them over a number of years as they reduce in value. Once they wear out completely you can claim the balance that has not yet been depreciated.



**Protective clothing:** The ATO considers boots, hard hats and other protective clothing to be essential for your work, so they can be claimed as tax deductions.

**Sun protection:** Sunglasses and sunscreen can both be claimed as deductions, provided you are using them for work purposes.

**Mobile phones:** Whether you own your own business, or work for someone else, mobile phones are a tax deduction for the business. So as a business owner, your business mobile phone is tax deductible. So are any phones you provide to your employees. You can claim them all as deductions and they won't put your employees out of pocket. Don't forget you will need to apportion your deductions for private use.

**Health insurance:** If your income is great than \$80,000 for singles and \$160,000 as a family/couple and you do not have private health insurance (or the appropriate level), you could be faced with a 1% Medicare Surcharge at tax time.

**Recording income and expenditure:** Always keep the originals of tax invoices and receipts, as well as recording amounts in your cash book. If you are audited you will be required to show these. You are obliged to keep tax records for 7 years. It is a good idea to get specific book keeping software such as MYOB or QuickBooks. But if you are organised and diligent, a carefully laid out Excel spreadsheet will do just as well.



Remember to file outgoing invoices in date, invoice or cheque number order so you can always locate them easily.

The good news! If there are some receipts you simply cannot locate, The ATO now accepts your credit card statement as proof of payment, provided you can identify what was purchased.

**Tax advice:** It is worth getting an accountant to do your annual tax return. We will save you a lot of time and (hopefully) money. And best of all, our fee is tax deductible.

**Transport:** If you have to transport heavy or bulky tools to and from work, you can claim transport costs.



**Travel:** Any travel you do that relates to your business, self-education or learning can be claimed. Make sure you keep journal notes of travel that relates to work (e.g. visiting work sites interstate or in another country to share information or work practices). If you travel less than 5,000 km per year you can claim a rebate based on a cents-per-kilometre amount. If you travel more than 5,000km you need to keep a log.

**"maximise your deductions, especially your work vehicle"**

## Home Loan Health Check

**Your car gets serviced at the mechanics, your teeth checked at the dentist, but when is the last time you booked your home loan in for a health check?**

A regular home loan health check ensures you're still getting the best deal and the maximum benefit out of your biggest investment. As your personal circumstances change over time, it's important to make sure your home loan meets your needs and evolves with your lifestyle.

### Here's what a health check might uncover about your loan - how to:

- *save on interest and pay off your loan sooner by changing the frequency of your repayments*
- *achieve a lower interest rate*
- *negotiate better terms with your current lender*
- *reduce your loan balance and build your equity by using an offset account or paying income directly into your home loan.*
- *unlock the equity in your home to use for investment or renovation*
- *reduce debt by consolidating it into your home loan*
- *access product innovations that were not available when you first took out your loan*
- *transfer your loan to another lender.*

### How does it work?

A health check doesn't mean you will have to refinance your loan; it can be as simple as restructuring with the same lender. Banks and lenders are constantly enhancing and fine-tuning their product range, which means there is often a cheaper or more efficient product provided by the same lender.

In situations where refinancing is the better option, a mortgage broker can help minimise the effort, time and expense that is often involved in moving from one lender to another. As part of this process a mortgage broker will help you weigh up any fees and other costs associated with switching your loan, with the expected savings and benefits of the new loan product.

Mortgage health checks are free of charge and involve minimal time on your behalf. If you do not already have a mortgage broker, contact our office and we can give you the details of our recommended Mortgage Broker.

## Avoid the Holiday Rush...get your tax information in now!

The year seems to be flying by - can you believe that it is already October? Keeping in mind that the end of the year is fast approaching, if you would like to have your work completed before Christmas, it would be a good idea to get your information in to us as soon as possible to ensure there are no delays. Currently the ATO turnaround time is approximately 2 weeks for most returns.

Speaking of holidays, the team here at MBA Business Solutions are all looking forward to some well earned R&R and the office will be **closed from midday Friday 23 December 2011 and reopen on Monday 9 January 2012.**



Important: This is not advice. Clients should not act solely on the basis of the material contained in this newsletter. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. This document is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and not be made available to any person without our prior approval.

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