

growing older gracefully

We often hear that our population is ageing but here's a simple statistic that shows just how quickly our hair is turning grey. Currently 2 million Australians are aged over 70; this number will double in the next 20 years.

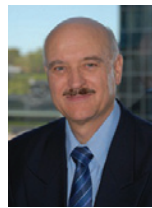
This has huge implications not only for services like health and aged care, but for our ability to fund a longer retirement. The Government continued to address these issues with some of its Federal Budget measures. Importantly, super is preserved as the major way to build long-term savings.

Speaking of grey hairs, recent events in the European economies and markets may have caused a few, after the big rises in markets last year. Governments borrowed heavily to get their economies out of a big hole, and now investors are worried about their ability to re-pay debt.

Reforms will be painful but governments will be forced into action and, ironically, these changes should improve the medium-term outlook. Markets will remain skittish but growth forecasts are better than last year – diversified exposure remains key to getting through rocky periods.

change and transition

Our winter newsletter delivers possibly the most significant message to clients in its history. As with all successful businesses, change and transition are inevitable and SWS is no exception.



After more than 22 years working with our clients, our founders, Carolyn and Tony Freckleton have decided to embark on a new stage of their lives and pass the helm onto their partners for many years, ipac securities limited.

Tony says "ipac securities limited is a leading financial advisory firm and will take over our remaining shareholding. ipac is already a part-owner so it is a natural progression."

You may know of ipac through one of the founders, Paul Clitheroe, who helped establish the firm in Sydney in 1983. We have been closely associated with ipac since 1997 and have known several of the founders personally for many years. It goes without saying that they are a firm of the highest integrity and their focus on clients and philosophy is very compatible with ours.

We are in the midst of the transition to the new ownership which is due to be completed by 30 June 2010. As these changes are predominantly administrative they will not affect our services to you.

Tony says "We were always conscious that one day this time would come, and we have prepared SWS so that our clients will continue to be well looked after without us. With the excellent team of advisers and administration staff on board, we leave clients and their ongoing financial needs in great hands".

Charles Blake is the new General Manager and is already working with the team. Tony and Carolyn have known Charles

for a number of years, and know he will manage SWS with great professionalism and a focus on maintaining exceptional client services.

Tony and Carolyn say "That above all though, we would like to say thank-you for inspiring us over the years and for the immense satisfaction we've gained in working with you. So many of our clients have invited us into their lives and we have always considered this an honour and a privilege. We have developed lifetime friendships and learned more from our clients than we could ever have hoped. You have enhanced our lives and we hope in some small way, we have been able to enhance yours, we will truly miss our clients and colleagues".

Tony and Carolyn's last day at SWS will be Wednesday 30 June 2010.

Danielle Atkinson has left SWS to pursue a career in Business Coaching and Mentoring. Danielle spent nine years with SWS contributing to the company's growth and success, starting as a Client Relationship Manager and studying to become a Senior Financial Adviser. Danielle's bright approachable personality will be missed just as much as her activities organising social events within the company. We wish her success and good fortune in her new career.



what is in the Federal Budget for you?

Budgeting is not the most exciting thing most of us ever do but it's one of the most important. So when the Federal Government hands down its Budget on the second Tuesday in May each year, it's worth understanding how its decisions may affect you. Here's our 'at a glance' summary.

change to tax-free income thresholds for pensioners

A single pensioner can earn up to an extra \$818, and for a pensioner couple up to an extra \$1,000 a year. The Medicare levy will only kick in once you reach annual incomes of \$30,685 for a single person and \$53,360 for a couple.

simpler tax returns

It is proposed that from the 2012 tax year so-called 'tick and flick' tax returns will be introduced. This would be an automated system where you can choose for a standard \$500 deduction in 2012 or \$1,000 deduction in 2013/14 even if you cannot substantiate the expenses. Note: if you can substantiate higher expenses you can continue to claim the higher amounts.

encouraging savings

Savers will be able to earn up to \$1,000 in interest and take advantage of a reduced tax rate on these earnings (50 per cent discount). For example, if you're on a 30 per cent tax rate and earn the full \$1,000 in interest you'll save about \$157 – and if you were on the top tax rate (45 per cent) you'd save \$232.

first property savers

First home buyers who open a first home savers account (FHSA) can benefit from paying only 15 per cent tax on interest

earned. The Government will also kick in \$850 per year for people who deposit \$5,000 or more into the savings account.

The only downside to date is that the accounts must be open for 4 years and must be used for the purchase of the home. If for some reason the savings can't be used for buying property it must be put into super – locked away until retirement. If you buy your home before the four years is up the Government is now looking at allowing the FHSA to be paid off the home loan.

medical expenses

The threshold for the medical expenses tax offset is raised from \$1,500 to \$2,000, meaning that you have to reach \$2,000 of out of pocket medical expenses before you're eligible to receive a 20 per cent discount (or tax offset) on amounts over this.

greater accessibility to Special Disability Trusts (SDT)

Eligibility criteria and definitions of eligible beneficiaries for a SDT will be amended to make these trusts more suitable for more people. The SDT enables parents and immediate family members to invest up to \$500,000 to provide for the future care needs and accommodation for a family member with a severe disability.

aged care accommodation bonds

Even more stringent requirements will be introduced to protect the savings of residents in low level care facilities (hostels) and high level care extra services (extra service nursing homes).

child care rebate reduced

From 1 July 2010 there will be a reduction in the child care rebate cap to \$7,500. This reduces the maximum rebate by \$278 per year.

more money in pockets

New tax rates and thresholds come into effect from 1 July 2010.

| income | tax rate (residents) |
|----------------------|----------------------|
| \$0 – \$6,000 | 0% |
| \$6,001 – \$37,000 | 15% |
| \$37,001 – \$80,000 | \$4,650 + 30% |
| \$80,001 – \$180,000 | \$17,550 + 37% |
| > \$180,000 | \$54,550 + 45% |

If you earn...

\$35,000 – you get an extra \$150
\$55,000 – you get an extra \$450
\$80,000 – you get an extra \$300
\$100,000 – you get an extra \$500
\$150,000 – you get an extra \$1,000
\$200,000 – you get an extra \$1,300



Tax savings come from a combination of an increase in the Low Income Tax Offset and changes to income thresholds and marginal tax rates.

company tax changes affecting small business

- ~ reduction in the company tax rate from 30 per cent to 28 per cent by the 2014/15 tax year
- ~ lower rate applies to small businesses from 2012/13 financial year
- ~ from 1 July 2012, eligible small businesses will be able to write off assets that are worth less than \$5,000 (currently \$1,000)
- ~ enabling small businesses to calculate all other depreciation deductions by allocating all depreciating assets to a single 'pool'. The pool will be subject to a 30 per cent pa write off.

resource super profits tax

- ~ a change to the way resource companies are taxed from 1 July 2012. The Government is introducing a controversial 'Resource Super Profits Tax' (RSPT) which means that large resource companies will pay 40 per cent tax on profits
- ~ the RSPT will replace the crude oil excise and operate in parallel with existing State and Territory royalty regimes.

super changes

~ increased retirement savings

By 2019/20 compulsory super contributions by employers (Superannuation Guarantee) will rise from 9 per cent to 12 per cent through staggered increases starting in the 2013/14 financial year.

~ compulsory payments for longer

The Superannuation Guarantee age limit has been extended from age 70 to 75. This means that people aged 70 to 74 will be eligible to have compulsory Superannuation Guarantee contributions made on their behalf.

~ Government to match contributions

Low income earners (under \$37,000 pa) will receive a Government contribution up to \$500 each year on top of the contributions you make into super. This in effect cancels out the contributions tax paid on the contributions (effective from July 2012).

~ play catch-up with super

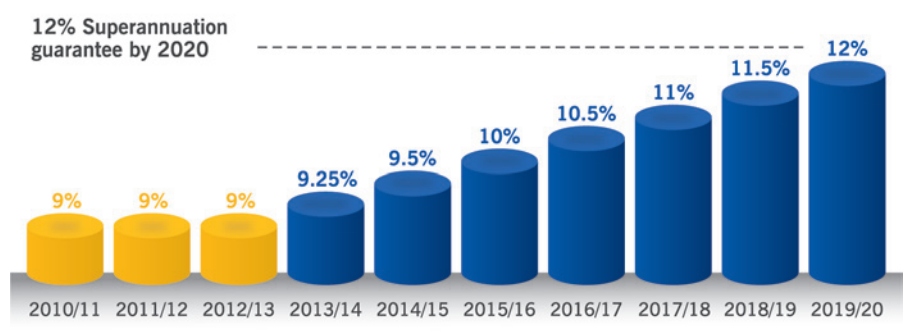
If you are 50 or over and have less than \$500,000 in superannuation you can contribute up to \$50,000 per year. This is an extension of the contribution cap that expires 30 June 2012.

~ more time for people who exceed super contributions

It is proposed that if you have exceeded the contributions cap on super you can raise it with the ATO before an Excess Assessment Notice is issued. This means that members will be able to more confidently target contributions caps for the current year.

~ minimum pension drawdown

Reverts to previous levels from 1 July 2010. For example someone aged up to 65 years old can currently take a minimum of 2 per cent pa of their account balance as an income payment. From 1 July this reverts to 4 per cent of the account balance as a minimum income payment.





global forces, local impacts

Coming out of the Global Financial Crisis, the Australian economy has emerged in a stronger position than any other developed economy, sparking global economists to name it the 'wonder down under'. But can growth continue? And what factors will impact Australia going forward?

Here ipac talks to Dr Keith Suter, internationally-renowned futurist, about forces shaping the Australian economy now and in the future.

Australia's reputation as the 'wonder down under' is partly due to continued economic growth in China. Will this continue?

China is growing faster than some of us had predicted. In fact in 2009 it overtook the US as the world's largest car market – something we weren't predicting until 2018. When you look at 1.5 billion people the impact is huge. It's the greatest economic revolution in world history – 300 million people lifted out of poverty in 30 years. There are so many still living in poverty but they have made a great start.

what does this mean for Australia?

We are geographically in the right place and we are highly regarded by China. Obviously this is good news for the mums and dads who are investing in resources that China needs to buy, such as coal.

One of the possibilities I have been looking at is whether Australia may become the breadbasket of China. As China gets richer and moves up the food chain, people's food tastes will become more elaborate. But they are losing a lot of their top soil because they are building roads and factories and apartments. So if we made a greater connection with China we could therefore sell them more food. We might even have a rural recovery.

what are the risks involved with relying on China?

There is no guarantee the China boom will always last so you shouldn't put all your eggs in one basket. The problem for China is that as people get richer they will want to have a say in how they are governed. Can a centralised communist society make that transition? None of them have. India doesn't have that problem. India is already a democracy. So we shouldn't overlook the investment opportunities that will open up in India.

what about the US?

Even if the statistical recession (in the US) is over, the human recession remains. They are no longer top dog – they now have to share responsibility increasingly with China. But what the current crisis has shown is that Australia is no longer so dependent on a healthy American economy. Remember the old expression when America sneezes Australia catches a cold? Well America has had pneumonia and we're fine.

what opportunities should we look out for?

We're seeing huge change in the area of economic growth through technology. The main growth areas are IT, genetic engineering, converging technology and nanotechnology. So it would really pay for the mums and dads to try to keep their heads around what is going on in the area of technology because there will be incredible investment opportunities.

Rocks and crops are still important for Australia but they can be enhanced by greater technology.

The other interesting area of growth will be in the green economy. The environment as an issue is not going to go away. So in the coming decades there will be more and more growth opportunities in terms of what's happening with the environment. Look for alternative energy sources, rapid transport systems, ubiquitous broadband, congestion pricing, more public/private partnerships.

I remain fairly optimistic about the Australian economy because in the foreseeable future we have what the world wants – which is raw materials and we are a stable supplier.

what does this mean for investments?

Remember, if you have shares in your portfolio, resource companies like BHP Billiton and Rio Tinto, and tech companies such as Apple, Google, IBM and Cisco Systems among others are often represented. Well diversified portfolios often have direct exposure to developing economies, including Brazil, Russia, India and China.



ABN 83 108 131 871
AFS Licence No. 273368
Principal Member of the FPA
Member of the AIOFP

Parramatta
Level 5, 69 Phillip Street
Parramatta NSW 2150

Neutral Bay
Level 1, 40 Yeo Street
Neutral Bay NSW 2089
(By appointment only)

Phone 02 9633 5255
Fax 02 9633 5299
Correspondence to: PO Box 3275
Parramatta NSW 2124

www.strategicwealthsolutions.com

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