Smart year-end strategies 2012

Westmount Securities | Financial Consulting

With the end of the financial year fast approaching, it's a great time to build and protect your wealth in a tax-effective manner. You'll have to take action before 30 June to benefit from some of the opportunities available this year. But there are a number of things you can do after 30 June as well. This summary outlines 13 strategies with tax advantages for this financial year and beyond.

Super strategies:

		If you…	You may want to…	So you can…
1	**Get more from your salary or bonus**	Are an employee	Sacrifice your pre-tax salary or bonus into super rather than receive it as cash	• Reduce tax on your salary or bonus by up to 31.5% • Take advantage of the contribution cap that applies in this financial year
2	**Make tax deductible super contributions**	Earn less than 10% of your income[1] from eligible employment (e.g. you are self-employed or not employed)	Invest in super and claim your contribution as a tax deduction	• Use the deduction to offset taxable income and save on tax • Take advantage of the contribution cap that applies in this financial year
3	**Make the most of an Employment Termination Payment (ETP)**	Are eligible for a redundancy or other termination payment on leaving your employer that qualifies for certain tax rules expiring on 30 June	Negotiate with your employer to receive your payment before 30 June	• Direct the payment into your super fund • Pay less tax on a lump sum ETP over $165,000
4	**Get a super top up from the Government**	Earn less than $61,920[1] pa, of which at least 10% is from employment or a business	Make a personal after-tax super contribution	• Qualify for a Government co-contribution of up to $1,000 • Increase your spouse's retirement savings
5	**Boost partner's super and reduce your tax**	Have a spouse who earns less than $13,800[1] pa	Make an after-tax super contribution on their behalf	• Receive a tax offset of up to $540 • Increase your spouse's retirement savings
6	**Pay less tax on investment earnings**	Have an investment in your own name	Cash out the investment and use the money to make a personal after-tax super contribution	• Reduce tax on investment earnings by up to 31.5% • Increase your retirement savings
7	**Use super to manage CGT**	Make a capital gain on the sale of an asset this financial year and earn less than 10% of your income[1] from eligible employment	Invest the sale proceeds in super and claim a portion of the contribution as a tax deduction	• Use the deduction to offset your taxable capital gain and save on tax • Increase your retirement savings
8	**Make insurance more affordable**	• Are eligible to make salary sacrifice super contributions • Are eligible to receive Government co-contributions • Have a spouse who earns less than $13,800[1] pa • Earn less than 10% of your income[1] from eligible employment	Purchase life and total and permanent disability insurance in a super fund	• Benefit from tax concessions • Make premiums more affordable

Note: To use strategies 1 to 8, you generally need to be eligible to make super contributions. Furthermore, you won't be able to access your super until you satisfy a condition of release. Contact Westmount for more information.

1 Includes assessable income, reportable fringe benefits and reportable employer super contributions. Other eligibility conditions apply.

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It pays to be tax smart. No matter what your situation, age or income, just a little bit of year-end planning can help:

- boost your retirement savings
- maximise your Government entitlements, and
- minimise your tax liabilities.

We can sit down with you and look at the different strategies to see what suits you best.

Tax strategies:

		If you…	You may want to…	So you can…
9	**Gain from a capital loss**	Have received capital gains from your investments	Trigger a capital loss by selling a poorly performing investment that no longer suits your circumstances	• Use the capital loss to offset your taxable capital gain and save tax • Free up money for more suitable investment opportunities
10	**Defer asset sales to save tax**	Are thinking of selling a profitable asset this financial year	Defer the sale until a future financial year	• Defer paying Capital Gains Tax (CGT) • Reduce your CGT liability
11	**Pre-pay investment loan interest and reduce this year's tax**	Have (or are considering establishing) a geared investment portfolio	Pre-pay 12 months' interest on your investment loan	• Bring forward your tax deduction • Pay less income tax this financial year
12	**Pre-pay income-protection premiums and reduce this year's tax**	Are employed or self-employed	Pre-pay 12 months' income protection insurance premiums	• Bring forward your tax deduction • Pay less income tax this financial year
13	**Make better use of your tax return**	Receive a tax return	Use your return to: • Pay off non-deductable debts first • Pay off your home loan and then borrow to invest • Fund your daily living expenses and contribute your pre-tax salary into super	• Save on interest • Invest your return outside of super • Boost your super tax effectively

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