



# BALLAST BULLETIN

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## Your 2007/08 tax return

# A super contribution before June 30 can help minimise your liability

**If you make additional contributions to your superannuation fund before 30 June you can benefit from a 15% tax rate and potentially save on your 2007/8 tax bill. And you can benefit whether you are employed or self employed.**

However you must get the contribution into your fund by 3pm on Monday 30 June 2008. In order to make sure it gets deposited in time it is a good idea to allow 2-3 days for your financial institution to process the payment.

Since July 1, 2007, superannuation contributions have been categorised as either concessional or non-concessional contributions.

### Concessional contributions

In simple terms concessional contributions are subject to the 15 per cent contributions tax and may be compulsory employer superannuation guarantee contributions (9% of an employee's salary), part of a salary sacrifice package or contributions by the self-employed.

Concessional contributions are limited to \$50,000 per person per annum, up to the age of 75.

There is a transitional period running from 2007/08 to 2011/12 financial years during which people over the age of 50 will be allowed to make concessional contributions up to a special cap of \$100,000, enabling them to prepare for retirement in the coming years.

The concessional contributions cap applies to all concessional contributions made on behalf of an individual - including if



these contributions are made by different employers. Contributions above the concessional cap will count towards the individual's non-concessional (after-tax) cap.

### Non Concessional contributions

Non-concessional contributions include those that are not subject to contributions tax, for example when you contribute after-tax money to your superannuation. There is a cap of \$150,000 per year for non-concessional contributions.

People under the age of 65 are allowed to bring forward two years of non-concessional contributions, therefore meaning they could make up to \$450,000 of non-concessional contributions in one year.

However once a person reaches 65 they will only be able to make \$150,000 of non-concessional contributions each financial

year, provided they satisfy the existing work test. Once over 65 and not working, most people will no longer be able to make contributions.

Amounts above these limits (or caps) can be taxed at the top marginal tax rate, so exceeding these will not be beneficial for most.

The above are some of the main points of current super contribution rules. For information personalised and relevant to your individual circumstances, call us at Ballast.

## Inside

Some practical ways to relieve mortgage stress

Are there risks involved in investing?

# Some practical ways to relieve mortgage stress

**With no fewer than 12 interest rate rises heaped on Aussie home loan borrowers since the rising rate cycle began, it is reasonable to suspect that many are suffering a bit of stress.**

The Mortgage & Finance Association of Australia (MFAA) recently addressed this issue and in particular what to do if you are finding it difficult to meet your home loan repayments.

According to MFAA CEO, Phil Naylor there is almost always a solution to this problem. You just need to talk to the right people at the first sign of difficulty.

The MFAA recommends that borrowers take the following action to minimise the stress and maximise their options:

- **Talk to your lender.** Your lender doesn't want to foreclose your loan it's no fun for them either. So let them know what's happening.
- **Talk to your other creditors, including your credit card companies.** It's in their interest for you to find a solution, so keep them in the loop.
- **Talk to an MFAA member:** you need to talk to a mortgage specialist who could possibly help you refinance your mortgage to suit your current situation.
- **Talk to a financial consultant.** Before things get so desperate and you are starting to feel a bit sick about the impact of rising interest rates, let's see what you can do to reduce the pressure.

## **Make the cut**

Do a budget, see what you are spending and try to cut back your expenditures by 10%.

## **Show me the money**

Look for a better or second job. If your kids are in their mid to late teens they too could help make a contribution by getting a part-time job. Children who take a part time job while studying will relieve you of the burden of financing their increasingly costly lifestyle.

## **The super option**

If you are over 55 you could supplement your income by converting a part of your super to a transition to retirement pension.

## **Take in a boarder**

Think about renting out a room to a student. There is a shortage of student rental accommodation and rentals are high.

## **Meet the parents**

If feasible move in with the parents or in-laws for a while until rates fall. You can then rent out your own home and save on monthly outgoings while receiving hefty tax deductions as well.

Alternatively, it may be possible to rent your home out and move into a much cheaper rental property.

## **Act now**

Most importantly, don't put the problem on the back burner. For example, if school fees are becoming an overwhelming burden you may be able to get assistance. Some schools make provision for such situations.

## **Make the switch**

If you are particularly worried about what will happen if there are further interest rate rises then it is worth going to your lender or mortgage broker to see if there are some options for switching loans.

## **Weighing up the cost**

You often have to pay exit fees when you break a loan. Make sure to ask how long it will be before the gain from the cheaper new loan outweighs the cost of exiting the old.

## **Out of interest**

You could possibly also look at the implications on your monthly payments of interest only loans. This can bring down your monthly slug but you won't be paying off the principal. You could switch back when rates come down, but make sure you know the costs.

## **Some counselling could help**

Also think about typing 'debt counsellors' into your search engine and look to see what is on offer. Remember all of us sometimes view surmountable problems as being insurmountable.



## Saving on those credit cards

### **Fees and interest rates on credit cards vary markedly.**

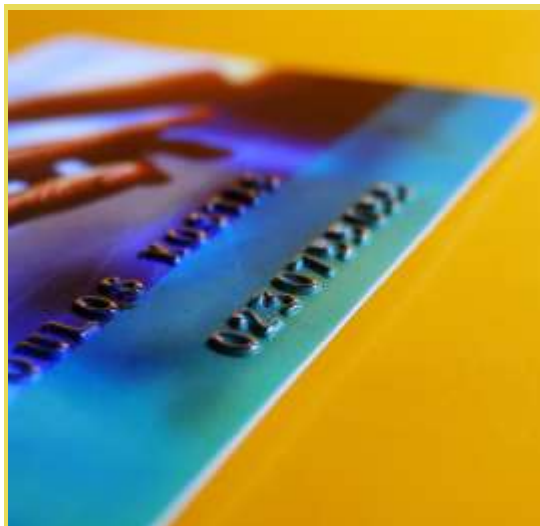
Interest charged on cards with reward or frequent flyer programs will often be the highest. This rate could range from 15% to 20% or more.

Importantly too, keep in mind that these cards will often also levy a hefty annual fee which could be as much as \$200.

In contrast, credit cards without rewards will normally bear a lower interest rate and no annual fee or a relatively small yearly charge.

It can be seen that though such cards give you no rewards they can save you quite a bit.

To find out more access [creditcardoffers.com.au](http://creditcardoffers.com.au) for comparisons of various credit cards offered in Australia.



# Tax time

## A depreciation expert could save you a packet

Everybody knows all about the taxation benefits of negative gearing. However, there are many investors who fail to take full advantage of other substantial tax credits due to owners of investment properties?

One of the areas where many investors are missing out is depreciation.

So when should you take steps to ensure you are claiming the maximum allowable depreciation on your property? The short answer? When you buy the property. However, it's never too late to make sure you are getting it right.

To get the maximum tax benefit you should talk to people with particular expertise in this complex field, such as a recognised property tax depreciation expert.

Depreciation specialists use their intimate, up-to-date understanding of tax laws and their construction costing skills to precisely determine what credits you are entitled to.

They will ensure that the maximum number of depreciable items is identified - anything from the dwelling itself to capital works such as fencing, paving and even the garden shed.

They understand the difference between depreciating assets and what the ATO regards as capital works which are subject to a lower annual depreciation rate.

For example, a new stove and range hood could be regarded as a depreciating asset, with a depreciation rate based on a life of 12 years. Kitchen cupboards, on the other hand,



could be classified as capital works and be subject to the low depreciation rate of 2.5%.

What's more they can determine what qualifies as a repair, which is treated as a full deduction, and what is classed as a depreciable asset or capital works.

Importantly, they will come up with a schedule which will clearly set out what you are entitled to claim for each depreciable item.

In all likelihood, you will be able to increase your depreciation tax deduction. It may surprise you but in many cases the tax benefits from depreciation could be as substantial as the rental income, particularly with a recently constructed home.

What's more, you will save yourself a great deal of time and will avoid having to answer persistent queries from the taxation office.

## Move now to benefit from Government's super co-contribution

If you don't want to miss out on the Federal Government's superannuation co-contribution scheme in the 2007/8 financial year then you had better move quickly and make sure to get your personal contribution into your super fund before June 30.

To be eligible to benefit from the Government's super co-contribution you will have to meet certain eligibility conditions.

Those individuals on an income of \$28,980 or less will receive the maximum co-contribution payment of \$1.50 for every \$1 of after tax contributions. The maximum co-contribution payment is \$1,500.

Those with an income greater than \$28,980 but less than \$58,980 will qualify for a progressively reduced government co-contribution, if they meet eligibility conditions.

Co-contribution payments have also been extended to the self employed. Eligibility now extends to those who earn 10% or more of their income from eligible employment, running a business or a combination of both.

Self employed business owners can now receive a co-contribution payment of up to \$1,500 if they make an after tax contribution this financial year of up to \$1,000. Previously employees were only eligible.

Conditions do apply so talk to a superannuation specialist at Ballast if you fall into this category.

## Fixed interest loans only seem like a good idea

**Whenever interest rates are on the rise, changing to a fixed interest rate mortgage seems like a good idea.**

But if you're thinking of doing it you should definitely look before you leap.

Because by fixing you are effectively betting variable interest rates will be higher on average over the time you lock the rate in.

You're betting against the bank. They decide what fixed rate to offer you based on which way they think interest rates are heading while factoring in a profit.

Of course there are advantages to fixing such as knowing your repayments will not change during the period of the fixed rate agreement.

However, you should also take a careful look at the cons. If the official interest rate falls you could end up making repayments that are higher than they would have been under a variable rate mortgage.

Then there are numerous penalties to consider with fixed rate loans. Most lenders will penalise borrowers who wish to make repayments that exceed limits set by the bank.

You will not have a redraw facility and if you sell your home during the course of the agreement you will face penalties.

So you should be sure to know all the implications before switching to a fixed rate loan. And while you are about it talk to your broker about alternatives to your

current loan. The answer could be as simple as accessing the best possible variable rate on offer.



# Are there risks involved in investing?

**There is no such thing as a 'risk free' investment. Whether it's shares, property or bonds, there will always be a level of uncertainty about how each investment will perform.**

As a general rule, the greater the risk you're prepared to take, the greater the potential return on your investment.

Let's say, for example, you've got \$2,000 to invest.

If you're uncomfortable with the possibility that your investment won't perform as expected, you may be better off looking at lower risk investments such as a term deposit.

This investment locks your money in for a fixed period of time and safeguards the return you'll get on your money. The risk is minimal but, as a result, the return on your investment is also generally low.

Alternatively, if you're comfortable with higher risk, you may, for example, invest in the share market where the potential for a higher return on your money is greater over the longer term.

Everyone's tolerance to risk is different. When selecting your investment, you need



to strike a balance between the level of risk you're comfortable with and the return you want on your money.

A commonly used yardstick to help you determine the level of risk you're happy to accept is the 'sleep test'.

If you toss and turn at night worrying about the security of your money, chances are you're not comfortable with the level of

risk associated with your investment decisions.

With the right advice, you can understand the factors that potentially affect the performance of your investment and be more comfortable with an element of risk in your investment decisions. In reality, this may mean increasing your opportunities for wealth creation.

Of course, risk won't be the only consideration when you make an investment decision.

You'll also need to consider issues such as diversification, accessibility of your money, the tax you pay on your investment, and whether your money will grow at a rate faster than inflation.

Investing can be a complex process. If you'd like more information on investing to increase your financial security, call Ballast head office for your free initial consultation.

## Footy Tipping - Andrew knows best!

**Congratulations to Andrew Evans who recently won the Ballast Footy Tipping prize round.**

Andrew won two dozen cupcakes delivered to his office, from Sweet on Cupcakes.

Luckily for us his office is our office and he shared!



## Staff moves at Ballast

**Sharron Wharton-Street, our para planner/compliance officer finished with Ballast on Friday 30 May to take up a new role with an accounting practice in West Perth.**

We would like to thank Sharron for all her fantastic work over the years and wish her all the best in her new venture.

Andrew Evans has replaced Sharron and commenced work with us early June. Andrew has been with Ballast Financial Management since it's inception and was the original para planner/compliance officer as well as our responsible officer.

Welcome back Andrew.



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