

# RISPIN FINANCIAL

# THE BOTTOM LINE

## MARCH 2007



## IT'S TIME TO ACT NOW!

“Do not put off until tomorrow what you can achieve today”

This age old saying is just as relevant today as ever.

The November 2006 issue of The Bottom Line contained a summary of the changes to Superannuation announced by the Government in the May 2006 Budget. This issue contains further information on the changes, the legislation for which has now been introduced to Parliament. Provided the legislation is passed, the changes will present some significant once-off opportunities, most of which need to be acted upon before 30 June 2007.

As usual, the changes (which have been brought in under the banner of “Simplifying Superannuation”) contain a great deal of complexity. While the deadline for implementing many of the strategies is 30 June 2007, considerable work needs to be completed to ensure each strategy meets with your individual requirements. It is critical, therefore, that you address these issues sooner rather than later.

Ted and Neil are already experiencing an increased number of queries regarding the implementation of these Superannuation Strategies.

It is also time to check your current credit arrangements to ensure there is no sting in the tail of any “Interest Free” contracts or credit cards which you have in place. CPA Australia has issued a warning that these types of contracts may not be as “Interest Free” as they seem!

Is your business capitalising fully on your investment in information technology? If not – you are not alone. Once again it is time to act now to avoid wasting the potential gains you can achieve from your investment. Research and training are often the keys to success in driving technology changes.

Best Regards, Joe Brick

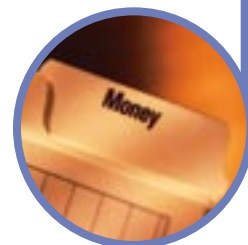
## CLIENT SEMINAR

Tuesday 1st May, 2007

Changes to Super and Centrelink rules.

Tax effective investing.

See enclosed flyer for further details.



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## ACT NOW ON SUPERANNUATION

With the introduction of the superannuation simplification legislation into Federal parliament today, CPA Australia says it's time for Australians to consider their superannuation future.

With only six months until the changes become law, Australians should be considering their superannuation future now to get full benefit from upcoming changes as well as the transitional arrangements.

CPA Australia Superannuation Policy Adviser, Michael Davison, said the removal of the tax on superannuation benefits and the abolition of the reasonable benefit limits from 1 July 2007 will improve the retirement savings for many Australians and make superannuation easier to understand.

'The Treasurer has previously announced transitional arrangements and those approaching retirement should consider their options based on these announcements. When considering your retirement options, it is important to seek the assistance of a licensed financial adviser,' Mr Davison said.

Between 10 May 2006 and 30 June 2007 up to \$1 million of after-tax income can be contributed to superannuation. After 30 June 2007, these contributions will be limited to \$150,000 each year. Similarly, the age-based limits for taxable contributions will be replaced by a flat annual limit of \$50,000 from 1 July 2007, with a transitional limit of \$100,000 for five years for over 50s.

'With the overall limits on superannuation contributions being reduced for older workers, it's important to consider your retirement savings needs and, if necessary, look to maximise your superannuation contributions sooner rather than later. Once the transitional period is over, there will be no ability to catch up,' Mr Davison said.

Australians contemplating postponing retirement to take advantage of the changes should also look at the benefits carefully.

'While the removal of the tax on superannuation benefits is a considerable improvement, there are already significant benefits available. The first \$135,590 of a lump sum benefit is already paid tax free and there

are significant concessions for income streams. If the upcoming superannuation changes are influencing your retirement decision, you should seek financial advice to consider what's best for your circumstances,' Mr Davison said.

Mr Davison added that all working Australians need to consider making greater contributions to superannuation at an earlier age and not waiting until the last minute.

Recent research conducted by CPA Australia confirms that four out of 10 Australians do not think they will have enough savings to fund their retirement.

'Australians also need to ensure their superannuation fund has their tax file number. After 30 June 2008, if your fund doesn't have your tax file number your contributions will be taxed at the top marginal tax rate and your fund won't be able to accept personal contributions.'

*[CPA Australia, Jan 2007]*



## INTEREST-FREE CREDIT? IT CAN BE EXPENSIVE

Just like there's no such thing as a free lunch, there can be a sting in the tail of so-called interest-free credit. Don't get caught with unexpected interest costs and charges.

### Interest-free terms

Interest-free does not mean payment-free.

Many retailers advertise special interest-free credit so that you can buy fancy new electronic gadgetry. Sometimes there is a monthly 'administration fee' charged, which might even cost more than the bank loan interest - and you still have to pay off the loan.

The biggest danger is missing a small part of the conditions and having to pay interest on your purchase/s. You might miss the last payment by a few days and be charged interest on the whole period of the loan.

A real trap can be when retailers give you a coupon book to 'help' you with monthly payments but send it to you late. You pay carefully each month, but at the end of the loan period haven't paid off the whole amount. Then you are charged interest on the whole amount because you didn't satisfy the condition to pay off the loan by the due date.

Ask for the item's cash price – even if you have no intention of paying cash for the item – to compare the potential savings. If there is no lower price available for an outright cash purchase, then an interest-free financing method is generally a good deal so long as you read the fine print and comply with the conditions.

### Nothing to pay for six, 12 or 24 months

The advantage with 'Nothing to pay for six, 12, or 24 months' deals is that you can take the purchased item home today but not have to pay for it until later. This is, potentially, a dangerous form of credit as your financial circumstances may change by the time repayments begin. Once the balance is payable, it will often be with a very high interest rate on the outstanding amount after the non-payment period expires. Interest charges of between 20 and 30 per cent per annum usually apply. If you pay off the entire amount owing before you have to start paying interest, this

can be a great financing option. However, be sure to ask the retailer and check the fine print on the contract; there may be a fee charged if you pay out the total amount during the interest-free period. Again, check the fine print — don't leave it to the salesperson's version.

Make sure you know how you will be able to pay before the interest kicks in; better still, bank part of the cost each month to get ready for the payment.

### 44 or 55 days free credit – don't get stung

Credit cards offering interest-free days can work well to simplify paying bills, but they can be a disaster as a form of credit. With almost all cards, the free credit only applies if you pay off the whole amount every month.

Many cards charge interest on the 'free days' if you don't pay off the total by the due date. Some charge back to the purchase date, while others charge from the statement date. Most cards with interest-free periods also charge higher interest rates, sometimes more than 19 per cent. If you can't afford to pay off the total, consider a low-interest card.

There are many varieties of credit cards so check exactly how yours works. You may prefer a debit card that limits withdrawals to your savings. For further information, compare credit cards at the Infochoice website.

*[CPA Australia, 5<sup>th</sup> January 2007]*



## ONE IN THREE SMALL BUSINESSES FAIL TO MAXIMISE I.T. INVESTMENT

One in three small businesses in Australia are not getting the full value from their information technology (IT) systems due to under utilisation (35 per cent) or lack of computer skills (24 per cent). And only 10 per cent of CPA Australia public practitioners believe that their small business clients are getting the maximum benefit from their IT investments.

These findings are from CPA Australia's latest small business survey Information Technology – Its Impact on Small Business conducted on 600 small business (independent and employing fewer than 20 staff) and 105 CPAs in public practice across Australia in November 2006.

CPA Australia's Business Policy Adviser Judy Hartcher said, 'There has been a lot of energy expended by governments and business over the last decade on assisting small business to embrace e-commerce and go online. While this is an excellent strategy for many small businesses, the majority are using IT as a tool for reducing costs, not as a gateway to new business.'

According to the survey results, the majority of small business used IT to increase their efficiency (92 per cent), achieve business goals (82 per cent) and reduce costs (73 per cent). Two thirds of respondents said that IT helped their business to increase revenue (64 per cent), add value to existing products or services (64 per cent) or extend their geographic reach (62 per cent). Fewer business (51 per cent) said IT helped them open up new markets.

CPAs interviewed supported these findings, with 78 per cent saying that the main reason their small business clients invest in IT was to increase efficiency and 31 per cent answered to 'cut costs'.

Ms Hartcher said, 'Small business is forced to increase their efficiency in order to maintain a competitive edge in a global economy. Investing IT systems in order to computerise business functions such as inventory and payroll processing is one tactic small business has employed to remain competitive.'

Ninety-one per cent of small businesses surveyed said they have now computerised their bookkeeping. Eighty-three per cent are managing their debtors and creditors on computer and almost half have computerised stock and customer relationship management.

Small business is also likely to under invest rather than over invest in their IT systems, with the average investment in IT as a proportion of business capital to be around 12 per cent. When asked if they would increase their investment, three quarters of owners surveyed said they would if it leads to increased efficiency and cost cutting.

The CPA Australia's Information Technology – Its Impact on Small Business is available from the Surveys and Research section of the website.

*[CPA Australia, Dec 2006]*

## STAFF PROFILES: MANDY SMITH

Mandy moved from country Victoria in 2000 after completing her VCE at Korumburra Secondary College. As part of her studies at Swinburne University she worked for nine months with the Management Accountant at the Royal Children's Hospital.

Mandy has worked for several years with another small Accountancy firm and during this time she undertook her Chartered Accounting program. Mandy qualified with a Graduate Diploma (ICAA) last year. Well done Mandy! Mandy is a Cricket fan and has enjoyed the summer of non stop action.

Having worked and studied hard for many years Mandy is looking forward to some travel and relaxation later in the year. She will meet her partner in Paris and from there travel through Europe. The main areas for exploration will be France and Italy. We look forward to hearing of her adventures.

Mandy commenced working with Rispin Financial in July 2006. She adds her expertise to the Accounting, Personal and Business, areas of the business. Mandy is looking forward to meeting the clients and assisting them with their Tax and Accounting concerns.



*[Marion Rispin]*

*Disclaimer: The contents of this publication are general in nature and we accept no responsibility for persons acting on information contained herein without consulting your Accountant or Financial Planner.*

It is our intention to improve the financial well being of our clients. We will work hard to make sure that your association with us is a positive interactive experience.