

RISPIN FINANCIAL

THE BOTTOM LINE

APRIL 2009

WHEN ARE THE FINANCIAL MARKETS GOING TO RECOVER?



We all started 2009 with the expectation that the financial markets would begin to move forward. Many saw the induction of a new president into the White House as signalling the beginning of the turn-around.

Unfortunately it hasn't happened and the markets have continued to turn downwards without any indication that we have reached the bottom as yet.

The major stumbling block has been reform of the global banking systems where lending practices of the international banks continue to be restricted. The flow of credit, which is essential to drive growth and employment in the economy, has dried up and many developed nations are now in recession.

It is expected that reform of the banking systems and the impact of the collective effort of governments around the world (via stimulus packages and interest rate reductions) could take a number of months to be successful and it may be well into 2009 before we see some confidence return to the markets. Bear in mind that most bad news is already built into equity prices and we may see a recovery start in the stock markets well before growth is restored to the economy. Based on history it could take between one and five years from the turning point for markets to recover their previous levels.

Pessimists might argue that this is the end of the western world as we know it and markets will remain depressed forever with the best strategy being to withdraw all of your funds and put them under the mattress.

Realistically, however, we see that the developed world will overcome the current difficulties (as they have always been able to do in the past) and life will get back to normal at some point. Unfortunately nobody can tell us exactly when that will be.

Whilst we are waiting for return of the good times we thought it useful to spell out our strategies for coping financially in the current environment:

- Do not sell good quality investments into the current depressed markets;
- Wherever possible live from the income of your investments and do not sell income-producing assets to supplement cash flow;
- Review your expenses and, if at all possible, keep them below your income levels;
- Defer overseas travel and other discretionary spending;
- If you are receiving a superannuation pension see if you can reduce the monthly pension drawn down to conserve your capital;
- Explore opportunities to increase your income. You may now be able to get some Centrelink support or find some employment;
- Look at a reverse mortgage if you have property assets but insufficient cash flow and most of all
- Be patient and act only after receiving proper financial advice. Hasty, emotional decisions rarely work well in the financial world.

Do not hesitate to contact us if you would like some help in these areas. We are here to assist our clients cope with today's difficult financial world.

Best regards, Ted Robson

In this issue:

• Financial Markets	1
• Small Business and General Business Tax Break	2
• Household Stimulus Package	3
• Federal Government Announcement	4
• Staff Profile	4
• Business Profile	4

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SMALL BUSINESS AND GENERAL BUSINESS TAX BREAK



To support jobs and Australian businesses – especially small businesses - the Government will fund an investment tax break for all Australian businesses.

This temporary business tax break will help Australian businesses boost business investment, bolster economic activity and support Australian jobs.

Businesses in Australia – especially small businesses - are the engine of the Australian economy and deserve direct support during a global recession.

This \$2.7 billion Business Tax Break is a key element of the Government's \$42 billion Nation Building and Jobs Plan to support up to 90,000 Australian jobs.

The Small Business and General Business Tax Break will mean;

- A small business that buys and installs a \$2,000 computer before the end of June 2009 can claim an additional \$600 deduction in its 2008-09 tax return
- A business that buys and takes possession of a \$60,000 backhoe by the end of June 2009 can claim an additional \$18,000 deduction in its 2008-09 tax return.

Small businesses can claim an additional 30 per cent tax deduction for eligible assets costing \$1,000 or more that they acquire from 13 December 2008 to 30 June 2009, and install by 30 June 2010.

For eligible assets costing \$1,000 or more that they acquire from 1 July 2009 to 31 December 2009, they can claim an

additional 10 per cent deduction where they are installed by 31 December 2010.

To benefit from this tax break a small business must have a turnover of \$2 million a year or less. Other businesses can receive the same deductions for eligible assets greater than \$10,000.

This will further boost business investment and confidence in the Australian economy in the face of the global recession.

Assets eligible for the allowance are new tangible depreciating assets and new expenditure on existing assets used in carrying on a business for which a deduction is available under the core provisions of Division 40 (Capital Allowances) in the Income Tax Assessment Act 1997.

Small Business and General Business Tax Bonus – Detailed Information

Small businesses will be able to claim a bonus deduction of 30 per cent for eligible assets costing \$1,000 or more that they:

- acquire or start to hold under a contract entered into between 12:01am AEDT 13 December 2008 and the end of June 2009, or start to construct between these times; and
- have installed ready for use by the end of June 2010.

Small businesses will be able to claim a bonus deduction of 10 per cent for eligible assets costing \$1,000 or more that they:

- acquire or start to hold under the contract entered into between 1 July 2009 and the end of December 2009, or start to construct between these times; and
- have installed ready for use by the end of December 2010.
- Minimum expenditure threshold of \$10,000 will still apply to all other businesses.

Eligible assets

The tax bonus will apply to tangible assets used in carrying on a business, for which a deduction is available under the core provisions of Division 40 (Capital Allowances) of the Income Tax Assessment Act 1997 (ITAA 1997).

Specifically, the deduction will be available for depreciating assets under section 40-30 that qualify for capital allowances under Subdivision 40-B, except for intangibles and rights that would otherwise be included by subsections 40-30(2), (5) and (6).

However, cars will not be disqualified from the allowance merely because they use the 12 per cent method.

Land and trading stock are excluded from the definition of depreciating assets, and will not qualify for the deduction. Expenditures above the threshold which are capitalised into an existing asset as a second element of cost will also qualify for the deduction.

HOUSEHOLD STIMULUS PACKAGE

The Government will provide \$12.2 billion to assist households and support economic growth in 2008-09. The measures will strengthen the national economy and provide financial assistance to Australian households, given the risk of a deep and prolonged global economic slowdown.

Household financial assistance is being provided through immediate tax relief and transfer payments to ensure timely assistance to households to stimulate consumption and support private demand. It is necessary to provide households immediate assistance to kick start stimulatory activity until direct Government investment measures take effect.

The package is designed to provide widespread support to low- and middle-income earners and households that are most affected by the slowdown. The package is a significant economic measure to deal with extraordinary times and is in addition to the Economic Security Strategy delivered in December 2008 to support as many households as possible.

The package of measures includes:

A Tax Bonus for Working Australians of up to \$900 for eligible taxpayers, depending on income thresholds.

Taxable Income	Bonus Payable
Up to and including \$80,000	\$900.00
\$80,001 - \$90,000	\$600.00
\$90,001 - \$100,000	\$250.00
Above \$100,000	Nil

- A Single-Income Family Bonus of \$900 to provide additional assistance for families that have one main income earner and may otherwise receive less assistance from the package than dual income families with similar household income. Recipients of Family Tax Benefit Part B.
- A Farmer's Hardship Bonus of \$950 which will be paid to farmers and others receiving Exceptional Circumstances related income support.
- A Training and Learning Bonus of \$950 to assist students, those returning to study or training, and some income support recipients. Youth allowance, Austudy, Abstudy Living Allowance, Sickness Allowance, Special Benefit, or FTB Part A for a full time student aged 21 – 24,
- A Back to School Bonus of \$950 per child to assist low- and middle-income families eligible for Family Tax Benefit A with School-age children 4-18 years old or Recipients of Carer Payment or Disability Support Pension who on the 3 February 2009 were aged less than 19 years old.

When will people benefit from this Assistance?

- The Tax Bonus for Working Australians will be paid as a lump sum of up to \$900 and will be paid to eligible taxpayers from April 2009. Taxpayers will not need to apply for the payment. The Australian Taxation Office will automatically make the payment after determining eligibility.
- For the majority of recipients, for the payments for the Single-Income Family Bonus and the Back to School Bonus will be made automatically by Centrelink in the fortnight commencing 11 March 2009.
- The payment of the Farmer's Hardship Bonus will be made automatically by Centrelink in the fortnight commencing 24 March 2009.
- For the majority of recipients, the one-off \$950 component of the Training and Learning Bonus will be made automatically by Centrelink in the fortnight commencing 24 March 2009.
- The temporary increase in the Education Entry Payment will be made by Centrelink as claims are made. (For eligible Education Entry Payments made prior to 24 March 2009 the payment of the temporary increase will be made automatically by Centrelink from 24 March 2009.)



FEDERAL GOVERNMENT ANNOUNCES TEMPORARY PENSION DRAWDOWN RELIEF

On 18 February 2009 the Federal Government announced relief for individuals receiving payments from account based income streams. With the global downturn hitting investment markets, the Federal Government has decided to halve the minimum drawdown rate payable on income streams for 2008/09. So for example, an individual age 62 has a 4% minimum drawdown for the financial year. Under the proposed measure, the new minimum payment for the 2008/09 financial year is only 2%. If they have already received the minimum (e.g. 2% in this example), then no further pension payments are required. It is expected the standard minimum drawdowns will apply from 1 July 2009, but the Federal Government has indicated it will continue to assess other options in this area.

STAFF PROFILE: INTRODUCING CHRISTINE HANSON



Christine has had a diverse career within the financial industry in the past twenty years. Having worked in different areas of the industry, including banking, wholesale lending and financial planning, has enabled Christine to bring a wide range of skills to Rispin Financial as our Administration and Human Resources Manager.

Christine enjoys a busy family life with husband Alan and their sons Matt and Jedd. In her spare time she loves a personal challenge having competed in two mini triathlons in 2008, a mountain bike race and looking forward to a hike to Wilson's prom during March. The start of 2009 was spent snow skiing in Japan, a sport the whole family enjoys.

Christine commenced working with Rispin Financial in July last year looking after a range of administration tasks in the business.

Please Note -
Our current Financial Services Guide is available to all clients on our website: www.rispinfinancial.com.au

BUSINESS PROFILE: INTRODUCING INTEGRITY FINANCE (AUST) PTY LTD

Debt is an integral part of the finance structure, and as part of increasing our services to clients, Rispin Financial is pleased to announce it has formed a new partnership arrangement with finance broker business Integrity Finance (Aust) Pty Ltd.

Integrity Finance (Aust) Pty Ltd is a mortgage broker specialising in working with accounting groups to ensure their clients receive the best mortgage advice. A consultant can work with you to ensure you receive the best mortgage advice relating to debt structure and lending products, whilst the Rispin/Integrity Finance relationship allows co-operation with your financial advisor to ensure best possible outcomes are achieved.

Importantly there is no charge for this service; a commission is paid to Integrity from the lending institution.

Integrity Finance (Aust) Pty Ltd consultants' have the advantage of dealing with financial institutions every day, understand all the issues, and keep up to date with changes in available products, to assist you with selecting a loan product suitable for your needs. They also assist you throughout the life of your loan: from helping you choose the appropriate loan, doing the paperwork, helping through the refinance/purchase process, to continuing to work with you through life's constantly changing circumstances.

Integrity Finance (Aust) are not affiliated with any one bank, having access to over 40 financial institutions and their products, including all the major banks, to provide an independent and cost free assessment of your financial options. Often a consultation may mean a better mortgage arrangement can be set at your current bank!

Whether you are purchasing property, investing or simply looking at your re-financing options we recommend you speak to Integrity Finance. Contact can be made either through our office (we can arrange for a consultant to call you), or on 9511 8883. Or call the Director Daryl Borden directly on 0417 593 893

