GFM Wealth Advisory

TRADE SECRETS

February 2016

SMSF Specialists | Investment Management | Financial Planning | Accounting

IN THIS ISSUE

ALL THE BEST FOR 2016!

By Paul Nicol

Welcome to our first edition of Trade Secrets for 2016. We trust everyone had a wonderful festive season.

January is typically a quiet period in investment markets. But that certainly has not been the case in 2016. The S&P/ASX All Ordinaries Accumulation Index completed its worst start to a calendar year since 2010 closing the month down –5.4%. In fact, according to Bloomberg, as at 31 January some 40 stock markets worldwide have now fallen 20% or more from their previous peak, including China, Hong Kong, Japan, Singapore and Taiwan.

The root cause of the current volatility is concern over the sustainability and trajectory of Chinese economic growth and its volatile financial markets. The transition from China being a heavy industry and infrastructure building economy to service and consumption based is likely to be a slow, steady and potentially painful process. At this point in time, we don't see any new risks that are likely to destabilise the Chinese economy. The recent moderation of growth in China is normal for an economy of its size – its nominal level of gross domestic product (GDP) is now five times the size of what it was ten years ago.

The market is also keeping a close eye on the US and concerns an increasing interest rate trajectory could possibly constrain its economic recovery which in turn would affect global economic growth.

Over the past few weeks there has also been no shortage of headlines detailing the woes of the large oil companies as the oil price has continued to fall. During January the price of oil hit a 12 year low. This has certainly had an impact on the performance of the Australian share market which is rich in its composition of energy and energy related stocks.

Despite a volatile start to 2016, we don't envisage a Chinese hard landing scenario. Our view is that accommodative monetary policy (low interest rates), improving global economic growth and subdued inflation should support equity markets. The gap between dividend yields and cash rates (as well as 10–year bond rates) should also provide support for growth assets like shares.

We wish you all the best for 2016.

TONY & JENNY WATSON: CLIENTS OF GFM SINCE 2002

By Paul Nicol

Tony and Jenny have kindly written the article below on their family, working life, retirement and the relationship they have had with our company since 2002. We greatly appreciate their contribution to Trade Secrets.

Tony & Jenny Watson in SAPA 2014

We have been GFM Wealth Advisory clients now for 13 years, since September 2002.

I am 65 and Jenny is 64 years of age.

I was a Graphic Artist for 32 years, a career that started in London and, for the most part, I was self–employed. Jenny worked part–time as a Laboratory Assistant for a Herb and Spice Company and spent much of her time bringing up our two children. I was working long hours and didn't spend a lot of time at home. My son wanted to be a stock broker (because they drove Porsche cars) so he did "work experience" while at high school with Potter Warburg. This got us started on the share investment trail. I even went to share investment classes at night at the Australian Stock Exchange (ASX). So instead of buying flash cars, we invested in the share market very early.

By 2004 our children had grown up and left the nest. The Graphic Industry Technology was racing past me, so we decided to do a big SEA–CHANGE and bought a 30 year old business in Seaford. This was definitely out of our comfort zone as we were dealing with "tradies". We put the business on the web to create a second store and we enjoyed the next six years working hard before selling the business at the end of 2010. The store/factory was extremely good business but there is only two times in life NOW and TOO LATE and we did not want to leave retirement too late. I would like to mention two fantastic GFM clients who helped us at this time: Frank Clark, who came in with his big picture accounting skills and Colin Falso for his website skills. Paul Nicol (my adviser at GFM) was there also during these years and saved us a lot of tax.

How did we become clients of GFM? I was fortunate during my Graphic Art days to have a large client in the field of Superannuation and Financial Advice who taught us to put money away in Superannuation. In 2002, this client sold to a larger National company based interstate. So Jenny and I went shopping for a replacement. Terry Buscombe, already a GFM client, referred us to have a meeting with Tony Gilham and Paul Nicol. This combination was the perfect replacement. Tony the wise older brain, Paul the energetic and dynamic younger brain. We could feel the ambience, that there was a "strong back bone" of staff. We had no hesitation in moving to GFM.

Everybody knows how professional the GFM staff are and we really appreciate their independent advice. Not only are the GFM ladies all good looking (sorry girls!!!), they are all incredibly smart and very good at what they do. We are extremely pleased with the pro–active advice and service that GFM provide. Proof of this, is that we have referred eight couples, who are now happy clients of GFM. We would not have done this if we were not comfortable with the performance of GFM.

We are now in the self–funded pension phase and enjoying being grandparents to 3 lovely granddaughters. We like to travel a lot, play golf, spend time with friends – we are living the retirement dream.

UPCOMING SEMINAR:
SHANE OLIVER – 2016 AN INSIGHT INTO THE YEAR AHEAD

By Mai Davies

We are fortunate to have high profile economist Shane Oliver as the special guest presenter at our upcoming lunch seminar on Wednesday the 16th March at 12 noon at Leonda by the Yarra. Shane is the Head of Investment Strategy and the Chief Economist at AMP Capital. You may have seen or heard of Shane previously as he is a regular media commentator.

Shane will provide a market and economic update and his key topics will include:

- Regional insights: The US, Europe, China and Australian Economies
- Where to from here? Interest rates and the Australian dollar?
- Oil price lows. Good bad or indifferent?

This will be an excellent session and we expect it to be popular amongst our clients.

If you would like to attend and have not already reserved your place, please call Mai on 9809 1221

AUSTRALIAN SHARES:
LONG TERM RETURNS

By Tony Gilham

Virtually every Australian over the age of 18 is a sharemarket investor, either directly owning some shares in their own name, or indirectly by their superannuation fund or a managed investment fund.

Investing in Australian shares is really just investing in the businesses of Australian companies that provide goods and services to our ever – growing population, with a very large number of our major companies now also selling their goods or services offshore.

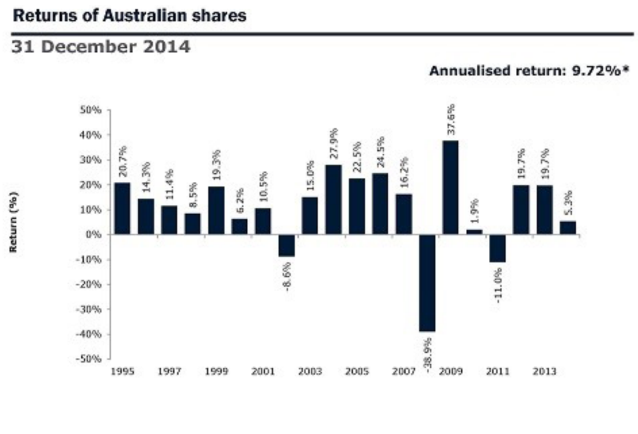
Yes, it certainly can be "scary" when you first invest in Australian shares, because for the novice investor, it can be very hard to get appreciation of what price represents reasonable value, shares are certainly a much more volatile asset class and you would know of numerous stories of people that "lost their shirt", probably from investing too much in speculative type companies.

But history has proven that the Australian Sharemarket has been the best performed sharemarket in the world since 1900, 115 years ago.

The graph below shows the "real" average annual return on global equity markets over the last 115 years and Australia comes out on top, with a return above inflation of 7.28% pa. Incidentally, inflation over that period has averaged around 4.6% pa, so total gross return has been close to 11.88% pa.

Yes, you might be thinking that long term returns over 115 years have been excellent, but surely sharemarkets have been much more volatile over the last 20 years, especially with the impact of the Global Financial Crisis in 2008?

The graph below shows the returns on Australian shares for the 20 year period from 1995 through to the end of 2014 and as you can see, over that 20 year period, Australian shares have produced an annualised return of 9.72% pa, even factoring in the very nasty year in 2008. Needless to say, this 20 year average is well in excess of that, which would have been achieved when investing in cash and fixed interest securities.



Past performance is no indication of future performance.

But you might be thinking that the last 20 years was just a "lucky period", but in fact it's quite indicative of all 10 and 20 year periods since 1900 and the 20 year return at 9.72% is actually a bit below the 115 year average.

When you invest in Australian shares, you're actually investing in a part of the Australian economy (which continues to grow) and it's simplest to focus your attention on big Australian companies that are well managed, profitable and provide goods and services that are in demand. The 10 largest companies listed on our Stock Exchange are: BHP Billiton, CBA, Westpac, ANZ Bank, NAB, Telstra, Wesfarmers, CSL, Woolworths and Woodside.

There's a very good chance that you are a customer (direct or indirect) of at least 5 or 6 of those companies.

TESTAMENTARY TRUSTS

By Phil Gruchy

I was recently talking to a friend about how she had organised her estate to be handled after her death. My friend and her late husband had amassed a significant potential estate and wanted to try to ensure that following her death, her children and their families had as much protection as possible in respect of any distribution to them by the estate. Of her three children, one was in a stable relationship, another had personal issues and the third child was a professional, who was potentially open to being sued.

My friend asked how she could she protect her kids and grand-children through sensible estate planning from creditors and other external influences?

I suggested she seek legal advice. In these discussions, the concept of updating her Will to allow for the children to take their entitlement of the estate in the form of a Testamentary Trust was brought up.

What is a Testamentary Trust?

A Testamentary Trust is a flexible option where under current law you can provide a degree of protection to beneficiaries from external creditors and from themselves without reducing the scope of investments available.

The will can allow for a Testamentary Trust to be established after death. It can only be set up as a result of death and the terms of the Trust are contained within the will itself. This can be as strict or flexible as you desire. In the case of a child with difficulties, the Trust can be a strict one where the Trustees (another issue to be decided) can release income to the beneficiary and purchase investments (for example, a house in the name of the trust). The beneficiaries are not eligible for any distribution of capital until a future event, such as reaching a pre–defined age or on their death, where it can then be distributed. It is also possible to give the Trustees the ability to distribute capital if they deem it appropriate.

In terms of the other beneficiaries, it can be an optional Testamentary Trust where they can choose to utilise a Testamentary Trust going forward or alternatively take their inheritance in their own name and not utilise the trust. The more flexible alternative allows them to set up a Testamentary Trust from the outset and terminate it at any point in time. There is, therefore, no real downside.

Generally speaking, under current laws, the assets contained within the Testamentary Trust are secure from external creditors. It should be noted that debts can arise from a multitude of sources and events not just from business events. The Trust can invest in any assets in which the individual could have invested. Hence the main benefit of a Testamentary Trust is asset protection. However it does not totally protect from the family court, but may have some degree of protection, depending on the other assets in the family group.

The other benefit of a Testamentary Trust is from an income tax point of view. Distributions to minor beneficiaries (i.e. under 18) are taxed at adult rates. Hence the first $18,200 is tax free. You do not get this same benefit from other trusts (e.g. Family Trusts).

The point of this article is to prompt you to see whether this may be appropriate to your circumstances, always subject to appropriate legal advice.

IS AN SMSF RIGHT FOR YOU?

By Tony Gilham

Self–Managed Super Funds (SMSFs) are the largest and fastest–growing superannuation sector in Australia and for many good reasons. But before you start an SMSF, it's important to weigh up both the advantages and disadvantages and talk your adviser to determine whether an SMSF is right for you.

The advantages

<u>**More investment control**</u>

You can directly control where and how your super is invested.

<u>**More investment choice**</u>

Investment options are basically unlimited, shares, property trusts, residential and business property, cash and fixed interest securities.

<u>**Pooling your superannuation assets**</u>

An SMSF can have up to four members, yourself and up to three other members. Pooling your super fund assets allows you to invest larger amounts. There can be reduced fund costs and some of the estate planning advantages.

<u>**Borrow to make larger investments**</u>

Your SMSF can make a larger investment in assets such as shares and property through the use of borrowings which is not possible through a public offer super fund.

Tax savings

With an SMSF, you can take greater control over the timing of tax events, such as capital gains tax, franking credits on Australian shares and moving in to the pension phase. Over the medium to long term, there are potentially significant opportunities to save tax through an SMSF.

Greater estate planning certainty and flexibility

You can nominate who you would like to receive your super fund when you pass away without having to meet some of the constraints that apply to other super funds.

The disadvantages

Higher costs for lower balances

SMSFs generally only become cost–effective if the fund has $200,000 or more invested.

Greater responsibility

When you start an SMSF, you and the other fund members will act as trustees (or directors of the corporate trustee) and will be responsible for meeting a range of legal and other obligations. There are harsh penalties for breaches of tax and superannuation rules and individual trustees can be fined amounts up to $10,200 per breach.

It's a big commitment

Running your own SMSF and complying with all of the rules and regulations can be very time consuming.

We at GFM Wealth Advisory are SMSF Specialists, administering and advising on hundreds of SMSFs, which we've been doing now for nearly 20 years.

We run a complete "end to end" SMSF service, from establishment, ongoing administration and compliance (which includes the tax return), investment management and reporting.

CONSIDERATIONS FOR THE GEN-Y INVESTOR

By Bree Hallett

Economic and share market news can be daunting for the younger investor, however it is not necessarily safer to hold all of your savings in cash accounts. While it is important to keep some assets in an easy–to–access savings account, the interest earned is low compared to the potential earnings which can be generated over time if some of the money is invested over the same period. It is important to ensure that the value of your assets exceed inflation and continue increasing in value. Investing wisely can grow your potential nest egg beyond the rate it will grow if you rely on savings accounts only.

The following are important considerations to ensure you are financially ready to start investing.

Before You Start Investing

It is important to pay off any high interest debt (such as credit cards) and make certain that you are still able to make payments on any low interest debt (e.g. HECS/HELP loans) before investing. You should also set aside a few months' worth of income in an emergency fund.

The next step is to create a plan for investments. When you start investing, you should look at the money you want to contribute as funds you are comfortable with not using for at least five years. It's important to invest for the long term because your investment needs time to grow. An investment portfolio will experience years with positive returns and years with negative returns, so stretching out the investing time horizon enhances the opportunity for smoother returns over the longer term.

Waiting Too Long to Begin

When you're in your 20s or 30s you have time on your side. The beauty of compound interest is that time is exactly what you need for your investments to grow.

The next article talks about the power of compound interest.

Developing Good Habits

Good saving habits, not income, are the key determinants of wealth. Good habits to develop are:

- Don't spend everything you earn – this may seem obvious, but it's a key lesson for young adults
- Set goals. Decide on an amount you want to invest and review your position at least once a year.
- Don't go into debt for lifestyle – a big problem with many people is they use their credit cards or home loan as a personal ATM.

Putting All Your Eggs in One Basket

One of the best ways to manage risk and enhance your returns is to ensure you diversify by spreading your investments across a range of assets and securities. If you buy shares in only one company and their share price drops, the impact on your savings can be dramatic. If you own shares in a variety of companies, one stock performing poorly will affect a small percentage of your overall portfolio.

THE POWER OF COMPOUND INTEREST

By Bree Hallett

Albert Einstein once said that "compound interest was the 8th wonder of the world."

Here's an example to show you why.

Ben and Amanda are twins, 18 years old and just finishing high school. Both are planning to go to university.

The following year, before they both start their university degrees, both also get part time jobs and Amanda sets a goal to save $2,000 a year. Ben thinks he needs the extra money to run his car and decides he won't start saving any money until he gets fully into the workforce.

Amanda puts aside $2,000 a year, for the seven years aged between 19 and 25, into a long term investment fund, where it works out that the average rate of return is 10% p.a. She invests a total of $14,000 and then stops after the first $14,000 is invested.

Ben starts putting aside $2,000 a year from age 26, into the same investment fund as Amanda and continues contributing every year for 15 years through to age 40.

At the same time, Amanda lets her $14,000 "ride" all the way through to age 40 as well.

So here we have a situation where Amanda invests $2000 for seven years (an outlay of $14,000) and Ben invests $2000 for 15 years (an outlay of $30,000), so how do you think they both end up at age 40?

The balances at age 40 are:

- $87,187 – Investment Profit for Amanda is $76,187 (That's a return of 5.23 times her outlay of $14,000)
- $69,899 – Investment Profit for Ben is $39,899 (That's a return of 1.33 times his $30,000 outlay)

They were both in the same investment, earning the same rate of return through to age 40, but Amanda got a profit of 5.23 times her outlay where Ben got a return of only 1.33 times his outlay. This is hard to believe but true.

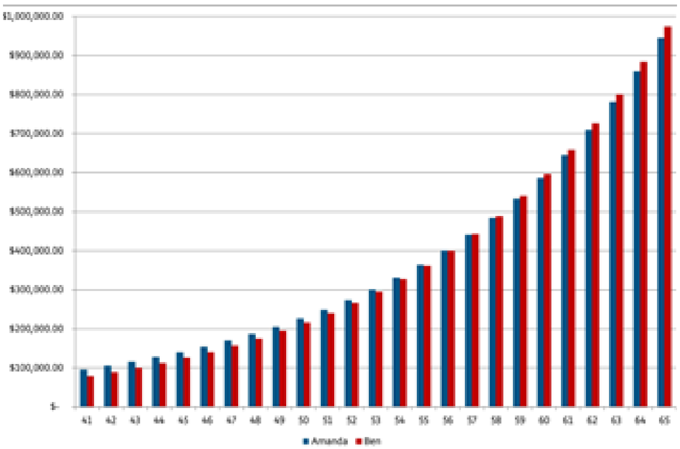
Let's expand this further, to examine their return if they were to leave these investments untouched through until age 65, assuming Ben continues to make a $2,000 contribution each year (an outlay of $80,000 over 40 years).

The balances at age 65 are:

- $944,641 – Investment Profit for Amanda is $930,641 (That's a return of 66.5 times her outlay of $14,000)
- $973,704 – Investment Profit for Ben is $893,704 (That's a return of 11.17 times his $80,000 outlay)

Amanda ends up with a profit of 66.5 times her total outlay, and Ben with a profit of 11.17 times his outlay. Amazing!

The graph below sets out the results from age 41 to 65 for both of them.



Look at the growth in Amanda's account between ages 64 and 65. The growth in her account value in that one year was $85,876, more than six times her total investment in the fund.

It is the "magic of compound interest".

The simple message to be learnt in all of this is to start investing as you can as soon as possible.

OVERVIEW OF MOVING INTO AGED CARE

By Patrick Malcolm

All too often we procrastinate over financial decisions and panic when the event occurs. This is an all too common scenario for aged care. A move into aged care usually happens in a hurry and with emotional turmoil but planning ahead can help to improve the situation.

The article below provides an overview of the steps a person needs to follow to access Government subsidised aged care. Planning ahead is important as some steps may take time to complete.

ACAT approval

To be eligible for the government subsidies for home–care or residential care (including respite) the person must receive approval from an ACAT team. In Victoria, these teams are called an Aged Care Assessment Service (ACAS).

An ACAT team comprises doctors, social workers and other health professionals who assess the person's care needs and their ability to continue to live in their own home. Assessments can be organised through the local doctor/hospital or by contacting ACAT directly.

There may be a waiting list for the assessment to be conducted. In some areas the waiting time can be lengthy unless the case is urgent.

Finding an aged care service

The individual seeking care needs to choose an aged care service and can apply for admission. In many cases, the service may have a waiting list as a vacancy needs to arise before a new resident can be admitted.

An application can be made before the ACAT approval is received but the service is unlikely to offer a place until approval has been granted.

Most facilities have a waiting list as there are only limited places available in aged care facilities. New residents need to wait until an existing resident moves out or dies or new places are opened. If an individual receives a call offering a place in care they may be required to make a quick decision.

When submitting an application for residency, the individual will need to complete the service's own application form.

When looking for a facility it is wise to ask about the waiting list length and expected timeframes as this may help to decide which facility to choose.

An individual can add their name to the waiting list of more than one aged care service. The service is not able to charge a waiting list fee.

Move into residential care

Once a place in an aged care service has been offered and accepted, the entrant has seven days to move into the facility.

There are several administrative tasks involved with moving into residential care including:

- Arrange for the payment of fees. These are payable from the date that the place is accepted.
- Notify Centrelink/Veterans' Affairs of the change in circumstances and finances (if receiving benefits)
- In preparing to move, consider what personal furnishings, if any and personal effects can be taken to the service
- Notify a change of address to all relevant organisations and service providers
- If desired, complete an Appointment of a Nominee form to nominate someone to deal on the resident's behalf with the Department of Social Services
- If the aged care entrant still has mental capacity and does

not already have an Enduring Power of Attorney in place they should consider appointing someone as an attorney to manage personal and financial affairs.

- In addition, advice should be sought on how to restructure finances to cover the fees.

Resident agreement

Before moving into care, the residential aged care service will provide a Resident Agreement for the aged care entrant to sign. This sets out the care and services that can be expected and terms and conditions of accepting a place.

The agreement should be read carefully before signing. This agreement cannot include conditions that are not allowed under the Aged Care Act as the Act will override conflicting terms.

In Summary:

Individuals are often faced with making decisions for a parent or other elderly relative. To assist you if you are faced with finding an aged care facility for a parent or other elderly relative, we have summarised the above issues into a checklist which we can provide to you.

Aged care is a growing issue for many Australians and the correct financial advice is of critical importance. It is also important that financial advice is sought early as costly mistakes can be made.

In the next edition of Trade Secrets, we'll provide an overview of the fees and charges that relate to being in an aged care facility.

STAFF PROFILE: TING ZHU

By Paul Nicol

Ting Zhu joined GFM Wealth Advisory in May 2015 as our Financial Controller and worked closely, under a transition handover, with our Financial Controller of 23 years, Jenny Chin for the remainder of 2015.

In her role as a Financial Controller, Ting is primarily responsible for the full financial function of the business which involves managing daily finance operations, payroll, monthly management reporting, financial budgeting and analysis, cash flow forecasting, statutory accounts, tax and business compliance, year–end reporting, income tax return and auditing, accounting policies and procedures.

Here's a quick Q and A with Ting to get to know her a little better

Q. Your family

A. I am married to Jing Wang and have a daughter Emily who is turning 16 this year. My parents and family are in China and we visit them every couple of years.

Q. Favourite holiday destination?

A. Fiji, New Zealand and Tasmania. I love the outdoors and experiencing nature and the beautiful scenery. I believe Tibet would be my next favourite destination.

Q. Hobbies?

A. Movies, travelling, reading, music, walking and badminton.

Q. Favourite food/drink?

A. Traditional Sichuan Food and Champagne.

Q. Your proudest moment?

A. Moving to Melbourne 14 years ago and changing career paths from High School Teacher to Certified Practicing Accountant. I am proud of achieving my goals personally and professionally.

Q. What do you like to do for fun?

A. Trying something new or different is always fun for me, such as going to a craft course or learning a new language.

Q. Best part of working at GFM

A. It is a wonderful working environment. Everyone is friendly and helpful.

YOUR OWN BUSINESS: WHICH STRUCTURE IS RIGHT FOR YOU? (PART 2)

By Andrew Goldman

A lot of people start their own business venture without considering the long term advantages and disadvantages of the way in which the ownership of the business is set up.

Issues including defining ownership interests, minimising tax, estate planning and risk minimisation are factors which will have an influence over the type of structure you choose when you either commence your business or investment operations.

There are four commonly used business structures:

- Sole Trader
- Partnership
- Company
- Trust

In part two of a four part series for Trade Secrets, we look at the second of these structures in more detail.

Partnership

A partnership involves two or more persons (or entities) undertaking an enterprise with a view to making a profit.

The partnership is not a legal entity separate from its members. If the enterprise should fail then each partner is liable for any debt shortfall if the other partner or partners cannot afford to pay their share.

The partners will normally sign a partnership agreement which will outline partner roles and authority, financial contributions, dispute resolution and a procedure for ending or exiting the partnership.

The partnership will have its own TFN and ABN and will lodge an Income Tax Return in its own right but does not pay income tax itself. Taxable Income or Losses are allocated to the partners based on the partnership agreement and tax paid by the partners.

Advantages

- Simple set up and operation
- Share duties associated with the control of your assets and business decisions
- Fewer reporting requirements
- A partner's share of losses incurred by the partnership enterprise can be offset against other income earned
- Relatively easy to dissolve the partnership or resign
- Partners are not employees of the partnership and therefore superannuation and other employee related on–costs are not payable for partners.

Disadvantages

- Each partner is fully responsible for debts and liabilities incurred by other partners – either with or without their knowledge.
- Potential for disputes over profit sharing, duties, business direction.
- Adding members will usually require the formation of a new partnership and the drafting of a new partnership agreement

Getting your new business up and running and at least making a living from it is usually the most important issue. But soon thereafter, you need to consider ownership arrangements and the business structure employed, which hopefully will stand the test of time and minimise taxation leakage.

If you are planning to start a new business venture, or are in the early years of your business, then it is a really good idea to have a discussion with a suitable qualified accountant.

CAN I TRANSFER ASSETS HELD IN MY NAME INTO MY SELF MANAGED SUPER FUND?

By Witi Suma

One of the key attractions to Self Managed Super Funds (SMSFs) is the ability to transfer assets from your personal name into the fund. Commonly, contributions made into super are done using cash; however, unlike other super funds, SMSFs are unique in that they provide the ability for members to also make contributions using assets. Most public–offer and retail funds do not allow non–cash contributions from members.

Although SMSF trustees are generally prohibited from buying assets from members or related parties, an exception exists whereby trustees may acquire listed securities – these include shares, options, warrants, bonds, debentures or any other security listed on an approved stock exchange such as the ASX.

Listed securities may be transferred into the super fund in one of two ways:

1. By way of a contribution by the member (e.g. concessional or non–concessional). This type of contribution is known as an "in–specie" contribution. Before doing this however, it is important that the member meets the contribution rules, i.e.:
    - Ensuring the work test is met if the member is aged 65 or over;
    - That the annual contribution caps are not breached.
2. As an alternative to transferring the shares by way of contribution, the super fund can simply purchase the shares from the member with cash from the fund's bank account.

Whichever strategy is used, the shares must be transferred at current market value. This is easily obtainable given that share prices are listed daily.

What other assets can a member transfer into the fund?

There is a limited range of assets that an SMSF may acquire from a member or related party. Apart from listed securities, an SMSF may acquire the following:

- Business real property – i.e. commercial real estate used wholly and exclusively for running one or more businesses;
- Units in a widely held unit trust, e.g. a managed fund;
- In–house assets, e.g. an investment in a related trust. The total value of in–house assets must not exceed 5% of the total value of the fund.

Tax advantages of holding assets within super:

The incentive for transferring assets such as listed securities to an SMSF is the low tax rate applicable to income and capital gains made within a super fund. A comparison of tax rates is shown in the table below:

Ownership	Income Tax	Capital Gains Tax for assets held less than 12 months	Capital Gains Tax for assets held more than 12 months
Personally*	Can be up to 45%	Can be up to 45%	Can be up to 22.5%
Super Fund	15%	15%	10%
Super Fund in pension phase	Nil	Nil	Nil

**These rates do not include the Medicare Levy of 2% or the Temporary Budget Repair Levy of 2% for taxable incomes over $180,000*

Clearly the above table shows that there are significant tax savings for investors on both income and capital gains when assets are held within super. Furthermore, when a fund starts paying pensions, the income is tax–free; and any franking credits attached to dividends on Australian shares can be used to minimise tax on the fund's income, or even be refunded at tax time.

One other benefit of transferring an asset into super – as opposed to selling the asset on–market – is that during times of share market volatility, the SMSF remains invested throughout the transfer, so there is no risk of being affected by market movements.

Some important considerations before transferring assets into the fund:

- The transfer of an asset into an SMSF constitutes a CGT event – i.e. it will create a capital gain or loss for the transferor given that the ownership has changed. There are however, a few strategies that can be used to reduce or even eliminate CGT, including:
    - Making a deductible (i.e. concessional) superannuation contribution to offset the CGT, subject to the member being eligible to do so – that is, they must not have employment income of greater than 10% of their total assessable income;

- Transferring the shares into super in a Financial Year when your taxable income is low;
- If transferring business real property into super, making use of the small business capital gains tax concessions where the asset is, or has been used, within your business.

- Once the assets are transferred into the fund, they are preserved in the superannuation system until one or more members of the fund have met a condition of release.
- The trustees of the SMSF must also ensure that the assets being transferred into the fund are consistent with the fund's investment strategy.

In summary:

As you can see, there are benefits in transferring assets from your personal names into the superannuation environment and certainly having an SMSF gives you the ability to do this with relative ease. There can be tax advantages in holding the asset within super rather than in your personal name and transferring the asset from your name to the super fund allows you to remain invested in the market throughout the transfer.

However, there are certain considerations you need to be mindful of before undertaking the transfer and you need to ascertain whether it is right for you personally. If you're unsure and need advice, contact your adviser at GFM who will determine whether the assets you are proposing to transfer into your SMSF are suitable, that the transfer is conducted tax effectively and that it fully complies with superannuation legislation.

In our next edition of Trade Secrets, we'll go through a Case Study that illustrates the advantages of transferring assets into the superannuation environment.

10 YEAR TEAM DINNER

By Mai Davies

Annie An & Denise Slattery - New 10 year inductees

We recently celebrated at Arc One Gallery at Cumulus – to acknowledge those team members that have been with the company for more than ten years. We congratulated Denise Slattery and Annie An on reaching ten years at GFM and we welcomed them to the club.

It's quite amazing to think that with 27 staff members, 13 have now been with the company for more than ten years. We are looking forward to other staff members joining the Ten Year Club in the next couple of years.

This is our sixth celebration and is an annual event. Unfortunately, Shimla was unable to join us on the night. In ascending order, the team members are:

Denise Slattery	10 Years
Annie An	10 Years
Bryan Meehan	11 Years
James Malliaros	14 years
Patrick Malcolm	14 years
Shimla Prasad	14 years
Lorraine Miller	15 years
Paul Nicol	16 years
Maree Meehan	18 years
Witi Suma	19 years
Mai Davies	26 years
Phil Gruchy	38 years
Tony Gilham	42 years

GFM 10 Year Club

CHRISTMAS CARDS & CHARITABLE DONATIONS

By Mai Davies

For 17 years, instead of sending Christmas cards, we have donated an amount to charities. This initiative is well supported by our clients.

This year we had six nominated charities and have made a donation to each of them.

The 2015 money has been donated to the following charities as nominated by our clients:

- Luke Batty Foundation
- Riding for the Disabled
- Australian Red Cross
- Wheelchairs for Kids
- RSPCA
- Greendale Wildlife Shelter