

Year end investment boosters

There are tax-effective strategies that could help you reduce your tax bill and give your investments a much needed boost. Are you making the most of them?

Salary sacrifice

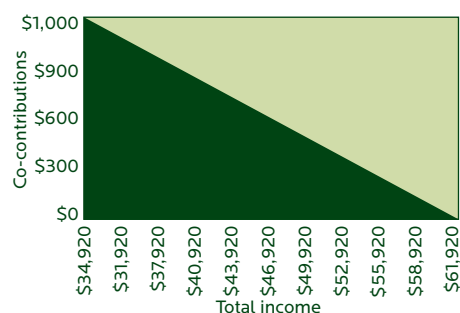
If you're paying tax at a rate higher than 15%, contributing to your super fund using a salary sacrifice arrangement can give your super a boost.

Caroline earns \$85,000 per year. If she salary sacrifices \$150 per fortnight, she'll be contributing a net amount of \$127.50 to her super after paying 15% concessional tax. If she were to take that \$150 in her fortnightly pay, she would only receive \$90.75 after paying tax at her marginal rate of 38%.

If you're likely to receive a bonus from your employer you could save on tax if you salary sacrifice it. But you must arrange the sacrifice with your employer before you receive the bonus. You can't salary sacrifice a bonus once it's been paid to you.

Government co-contribution

The government will match your after-tax super contribution dollar for dollar up to a maximum \$1,000 if you earn less than \$31,920 per year. This Government contribution reduces if you're earning more and cuts out when your earnings reach \$61,920 or more per year.



Helen's total assessable income at the end of this financial year is \$36,920.

During the year she's made after-tax super contributions totalling \$1,000. The maximum co-contribution reduces by five cents for every dollar of income over \$31,920. As Helen's income exceeds this amount by \$5,000, she'll receive a reduced co-contribution of \$834.

To qualify for the co-contribution, you must be an Australian resident and be under age 71 at the end of the financial year. At least 10% of your total income must be from running a business, or from employment, or a combination of both.

Beware the concessional contributions cap

If you're under 50, the maximum you can contribute to super per year that will be taxed at the concessional rate of 15% is \$25,000 (\$50,000 per year if you're aged 50 or older). The cap includes the 9% super guarantee contributions your employer makes. If you exceed your cap, your excess contributions will be taxed at 46.5% (the concessional 15% plus an additional 31.5%).

Spouse super contribution

You may qualify for a tax offset of up to \$540 if your spouse has less than \$13,800 in assessable income plus reportable fringe benefits and you contribute to their super.

You can receive an 18% tax rebate on the first \$3,000 of spouse contributions you make.



Joanne is a highly paid executive. Her husband, David, stays home and looks after their children. David receives less than \$10,000 income from investments, so Joanne contributes \$8,000 to boost his super fund. She will receive the maximum tax offset of \$540 – a direct saving on her personal income tax liability.

Deductible expenses

If you make interest payments on an investment loan or pay income protection insurance premiums, you could benefit from prepaying up to 12 months of your tax-deductible expenses before 30 June.

Max currently earns \$100,000 per year. In March, he took out a margin loan of \$30,000 to invest in shares. In July, he's going travelling overseas and he estimates his income will drop to \$20,000 for the next financial year. If Max pre-pays the interest (8.2% for the financial year 2010/2011) on his loan before the end of June, he can claim the \$2460 payment as a tax deduction. As Max's marginal rate this year is 39.5%, his tax saving will be \$971.70.



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