



# Newsletter

## Welcome

Welcome to the Winter issue of our newsletter.

In this issue we discuss the basics of what happens when you are the beneficiary of a will and the implications of not seeking advice before you receive your inheritance.

With tax time upon us we have some great tax tips to ensure that you are fully prepared for June 30. There are some very simple things you can do that may maximise your income whilst minimising that amount of tax you pay.

Finally, with skyrocketing prices of fresh produce and more awareness of the healthiness of our food, more and more people are using their backyard to create their very own vegetable patch. We give you some tips on where to start.

We hope you enjoy our Winter Newsletter.

Kind regards,



The Financial Spectrum team

## Winter 2009

### Latest News

> After much speculation about the fate of the First Home Owners Boost (FHOB), the Government announced in the Budget the extension of Grant for six months until the 31st December 2009 with changes to the payment from 1 October 2009.

	Existing home	New home
Before 1 Oct 09	\$7,000	\$14,000
1 Oct 09 to 31 Dec 09	\$3,500	\$7,000

After the 31st December 2009, the FHOB ceases, however you may still be eligible for a State-funded First Home Owners Grant after this date.

> For more information on other important changes from the Budget 2009, be sure to check out our Budget Update 2009. Ask your financial adviser to receive your copy.

# Managing an inheritance



Most of us would rather not think about the death of a loved one. Unfortunately, like paying tax, it is inevitable. We often hear about the importance of having a will for ourselves, but what happens when you are the beneficiary of a deceased estate?

## A loved one has passed away. What happens now?

If the deceased had a will, it will appoint a person known as an Executor who is appointed to gather the assets of the deceased person, pay their debts, and distribute the balance amongst their beneficiaries in accordance with their wishes.

If they died without a will (known as "intestate"), the State laws dictate how an estate should be managed and distributed. Generally, where there are no children assets held jointly will automatically revert to the surviving spouse. If there are no surviving legal spouse or blood relatives of the deceased, the estate goes to the Government.

Superannuation and Retirement Income Stream Assets can escape the will and probate issues. Superannuation trustees can accept a binding death benefit nomination from a member stating to whom account balances should be paid to outside of a will.

## What are the tax implications of receiving an inheritance?

There are no death duties in Australia so death itself does not incur any extra tax. However, if you inherit an asset and then sell it, you may be up for Capital Gains Tax (CGT). One of your aims as a beneficiary will be to minimise or avoid this tax.

### > The family home

Normally the family home is exempt from Capital Gains Tax (CGT). The same applies if you inherit a family home provided you sell it within two years. Outside of this period, you would be assessed on the increase in value since the date of death at the time of sale.

### > Valuing assets

If you inherit assets such as property (other than the family home), shares and other investments, you may be liable for CGT when you sell them. Just how much depends on when they were bought. You can save money and hassle by finding out their purchase price or their value at the date of death. In fact, the saying "I bequeath you all my worldly goods and my Capital Gains Tax register" really has meaning in this situation.

### > Estate tax and your tax

In the year of the deceased's death, two tax returns are required—one for the deceased person up to the date of death and one for the estate for the rest of the year. Both tax returns qualify for the full tax-free threshold. Less tax may be payable if the estate sells an asset and gives you the cash rather than you getting the asset and selling it.

## What now?

Many people have mixed feelings about receiving an inheritance. On the one hand, it is extra money that you may not have expected to receive, but on the other hand there is the grief associated with losing a loved one.

Receiving an inheritance is an important life event which deserves careful planning and consideration. There are many issues that need to be considered such as the tax implications which may affect you. Be sure to contact your Financial Spectrum financial adviser for advice.

Your financial adviser can assist you in managing your inheritance to ensure that you maximise your investment potential whilst minimising the possible tax implications.

Call your adviser today on 02 8238 0888



## > End of year tax tips

30 June is looming.  
Strategies to consider to maximise  
your income and save tax

The end of the financial year is almost upon us. If you haven't planned how you will maximise your income and save some tax, take note!

### > Top tax tips

The most effective strategies are often the simplest. Below are some strategies which you may like to consider:

- ✓ Defer non-essential income until the new financial year (e.g. this could mean rolling a term deposit so that the interest is paid next financial year).
- ✓ Review your investment portfolio to determine whether investments should be sold to offset any capital gains or losses made throughout the year
- ✓ Ensure you get capital gains tax concessions by holding assets for more than 12 months
- ✓ Maximise tax deductions through super contributions. Alternatively, make a contribution into super for your spouse—this could provide you with a tax offset
- ✓ Borrow to invest through home equity loans, margin lending or protected equity loans and pre-pay the interest
- ✓ Ensure you review income distributions through family trusts. You can lose franking credits in some circumstances if a family trust election is not made
- ✓ Sort through your receipts and make sure your records are up to date

- ✓ If you are a low income earner, consider making a non-deductible contribution to super to receive the Government Superannuation Co-contribution

### > Take care with "tax effective" investments

At this time of year, tax is on a lot of people's minds. To take advantage of this, there is often an increase in product marketing for tax effective investments.

The golden rule when considering any investment is to focus on the quality and prospects of the assets and to treat any possible tax advantage as an added bonus. Tax deductions aren't everything. Remember that over time a good investment will be much more valuable than a tax break.

For more great tax saving tips, download our free Tax Strategies Ebook available on our website:

[www.financialspectrum.com.au](http://www.financialspectrum.com.au)

In an ever-changing and complex world, seeking professional advice can help guide you through the maze. We invite you to contact us to explore your individual tax planning opportunities.

Call your adviser today on 02 8238 0888



## Backyard bliss

Tips for starting your very  
own veggie garden

It's a growing trend around the country with more and more people deciding to start their own home vegetable garden. For gardening enthusiasts, growing your own vegetables is a fun and rewarding hobby. For others, it's a way to ensure you are eating produce free from chemical fertilizers, herbicides and pesticides. For this reason, home vegetable gardening is the organic food lover's dream.

With your own veggie patch, gone are the days of bringing "fresh" produce home from our local grocer only to find that it's mouldy and soggy. Growing your own means that you can eat the freshest possible fruit and vegetables.

But in addition to these benefits, did you also know that having a home veggie patch can save you money? For as little as a \$50 investment at your local garden centre, you can grow over \$600 worth of fruits and vegetables in your own yard.

So how do you start? Here are some of the more commonly home grown items. Here are the basics of how to get started growing them yourself:

### > Tomatoes

Tomatoes are by far the most popular home grown item. They are extremely versatile and easy to grow. They don't require a lot of care, and will produce well, even in less than desirable soil and weather conditions. Tomatoes can be grown in almost any soil type as long as they receive 4—5 hours of sunlight per day. Regular watering is preferable, though they will produce fruit even in dry conditions.

### > Peas and Beans

Peas and beans are a cool season crop that should be started as early as possible in Spring. Most types of peas are climbing vines which means you'll have to provide some sort of support for them to grow on. Beans are available in both the climbing and bush varieties. Depending on which variety of peas and beans you choose, some will require shelling, meaning that the outer hull must be removed and discarded before eating.

### > Capsicum

Capsicums are another popular choice for home gardening, especially because they tend to be very expensive to buy. The most important thing about growing capsicum is that they require plenty of warm weather. They require at least 6 to 8 weeks of very hot temperatures in order to produce reliably. Good fertilization is also important for the best production. Once the plant is established, be sure to choose a fertilizer rich in phosphorus and potassium rather than one with too much nitrogen.

With a little patience, you too can be well on your way to growing your own vegetables at home. It's also great for kids to see where their food comes from and to help look after them. Home grown vegetables cost less, usually taste better, and you'll have the satisfaction of knowing you bought them yourself.

So what are you waiting for? Buy some seeds and get your garden started today!



**Important Information:** This document has been prepared by Financial Spectrum Pty Ltd (ABN: 57 134 661 706) as is current as of May 2009 but may change without notice.

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