

GNS Profit Builder

principa|alliance
MEMBER

Inside this issue:

- Superannuation—the Million Dollar Opportunity** 1
- GNS Group 2007 AFL Footy Tipping** 2
- Congratulations** 2
- Did you know?** 2
- Superannuation—continue from page 1** 3
- Profit vs Cash Flow** 4
- Dates for your Diary** 4

Superannuation— The Million Dollar Opportunity

As of 1 July 2007, the way superannuation is taxed will change and much of the complexity of the existing system will be simplified. If you are within 10 years of retirement, these changes are likely to impact on the way you manage your super and the investment decisions you make.

The key components of the reforms from the Federal Budget announcement remain unchanged. However, recently the Government introduced a series of transitional measures to assist the movement from one system to the other. Outlined below is a summary of the key components of the reforms, the transitional measures, and what it all means:

- From 1 July 2007, the tax currently imposed when you cash out your superannuation as a lump sum or pension will be removed for people aged 60 and over (where the superannuation benefit is from a taxed source).

As a result of this change there is an incentive to leave your money in superannuation and take it as a pension as you can continue to build your super in a tax free environment. If you take your superannuation out as a lump sum and invest it, you pay tax on any investment income earned. However, if your money is not taken out of super, any money remaining when you die is paid as a death benefit. The rules on death benefits have not changed. If the benefit is paid to a spouse or dependant, the money is tax free. If the benefit is paid to a non-dependant, the money may be taxable. If you intend your superannuation to be paid to a non-dependant, this is something you will need to keep in mind. Please seek our advice on this.

- The reasonable benefits limits and age based contribution limits will be removed from 1 July 2007. RBL's currently are the limits individuals can accumulate within superannuation over their life. The age based contribution limit determines the maximum tax deduction each year.

Act before June 30 2007

Transitional measures relating to changes in superannuation legislation mean that you have a limited opportunity before June 30 2007 to contribute up to \$1 million in post tax contributions—locking in future tax benefits.

If you are under 65 yrs contributions can be made to superannuation at anytime. For those 65 yrs or older you must meet a work test (40 hours within 30 consecutive days). The \$1million opportunity is not available to anyone 75 and over unless they were 74 between 10 May 2006 and 5 September 2006.

Continued on page 3.....

Last Chance To Join The GNS 2007 Footy Tipping

The AFL season kicks off on Friday the 30th of March at 7.40pm at the MCG with the Demons v Saints clash. Who will Kaz Lee tip and will she walk away with the money again this year?

For a number of years now GNS Group has run a small footy tipping competition amongst its team members which has created a lot of interest and fun amongst ourselves. And we've had a small number of clients also take part in this – who have more often than not walked away with a fair share of the prize pool!

If you would like to be a part of the fun, then read on.

The competition costs \$35 to enter and is entirely web (internet) based. This means that all you need to do each week to enter tips is get on the internet and go to www.gnsgroup.com.au and enter your tips on the footy tipping link. You need to have your tips in by 4.30pm latest prior to the start of each round.

The footy tipping link on the menu bar allows you to enter tips, review game history, look at the tipping table etc.

The total value of the prize pool is dependent of the number of entrants but will be roughly split 50% for 1st place, 30% for 2nd place, 15% for 3rd place with last place getting their money back.

If you would like to join please call Jenny at reception who will add you to the list and issue you with a password to access the full system.

Good luck!



Congratulations.....

Anthony & Kym

Congratulations to Anthony Sinclair and Kym Tresidder who recently announced their engagement. The big date has been set for February 2008.

Graham, Karin & Mark Harrop

Congratulations are also in order for the guys at Bakka Design located on High Street Armadale. After many years in business, the guys have just had their best month ever. If you haven't been to their showroom to experience their superb range of Stressless furniture then do drop in next time you pass their way and take the comfort test.



Anthony contemplating married life in a Bakka Design Stressless chair?

Did You Know? ...

In addition to GNS Group offering a financial audit service, did you know that we also offer technical and operating audit services? For the past 5 years we have worked closely with Enersol Pty Ltd of Sydney to provide technical inspection services to the United Nations as an integral part of their Reproductive Health global procurement program.

Over the past 5 years Gavin Shaw has inspected manufacturing facilities in countries such as India, South Korea, China, Thailand, Malaysia, Germany, The Czech Republic, Poland, Russia, Brazil, Argentina, Spain, Vietnam and Bangladesh. His latest inspection was in Iran which from all reports was a fascinating country.

If you are seeking an independent assessment of your operations (or some travel tips), give Gavin a call.

Superannuation— Continued from page 1

As the new rules remove the tax when you cash out your super, they limit the amount you can put into super. From 1 July 2007, you can make concessional taxed super contributions (taxed at 15%) of up to \$50,000 per year. Transitional rules apply to those aged 50 and over planning for retirement enabling them to make concessional contributions of up to \$100,000 until the year 2012. If you receive contributions beyond these threshold levels (including employer and personal deductible contributions), the portion of the contribution above the threshold is taxed at the top marginal rate.

Where contributions are not deductible, you can make contributions of up to a total \$450,000 across any 3 year period (equating to an average of \$150,000 per year) and indexed at \$5,000 per year to Average Weekly Ordinary Times Earnings (cpi). For those under the age of 65, from 1 July 2007 you will be able to bring forward two years of contributions, enabling \$450,000 to be contributed in one year, with no further contributions in the next two years.

Transitional rules exist allowing those that pass the work test to make up to \$1 million of post-tax contributions between 10 May 2006 and 30 June 2007. The work test applies to those 65 and over who want to make a superannuation contribution. The work test requires that you work a minimum of 40 hours in a 30 day continuous period. Once you have passed the test, you can make contributions for the rest of the financial year.

In addition to this annual cap, you can contribute:

- a lifetime limit of \$1 million from the sale of small business assets which have been held by you for 15 years; and
- settlements for injuries resulting in permanent disablement.

- There will be greater flexibility as to when and how you take your superannuation.

Currently, subject to the work test, you are forced to take your super at age 65 if you are not working and age 75 if you are working. From 10 May 2006, once you reach your preservation age or age 65, you decide when to take your super; giving you the option of leaving your super in place if you choose to. From 1 July 2007, your employer can keep making deductible contributions to your fund until age 75 (although you are only eligible for the super guarantee until age 70). From 1 July 2007, once you turn 65, you will be able to make \$150,000 of post tax contributions each financial year as long as you still meet the work test. Once you reach 75 however, you cannot make any further contributions.

From 1 July 2007, the rules determining how you take your superannuation will be streamlined. At present, lump sum payments and pensions are taxed differently. The new rules streamline the treatment of lump sum payments and pensions to remove this distinction.

- From 1 July 2007, the self-employed will be able to claim a full tax deduction for their super contributions. Currently, the self employed receive a full deduction for the first \$5,000 of super contributions and then 75 percent after this.
- In mid September 07, the centrelink rules on pension entitlements & assessable assets change for the better, but again, strategies need to be implemented now to reap these benefits

Additional information is available on how the new rules work and how they can benefit you.

Issues that need to be considered include Transition to Retirement Pensions, recontribution strategies, member deducted contributions, capital gains tax, non-concessional contributions, concessional components, allocated pensions, double deductions and in specie contributions.

There are many opportunities in the new Super environment but time is ticking. It is important that you evaluate your situation and enact strategies prior to the June 30 deadline..

We strongly recommend that you make an appointment with Anthony Sinclair, our Financial Planning and Tax Partner, to evaluate your specific situation and determine whether an opportunity exists for you.

Profit vs Cash Flow

A large 20 year study found that nearly two thirds of small business owner/managers did not understand the essential difference between profit and cash flow. In fact, more than 75% of those owner/managers believed they were the same. They were profitable but wanted to know 'Where has all our cash gone?'

The following points highlight the basic difference between profit and cash flow, the serious consequences of not achieving a healthy balance between them, and how you can keep your business solvent.

- 1 A persistent over-emphasis on sales and profit growth and neglecting cash flow and liquidity will usually result in a serious shortage of cash, an increasing inability to pay your debts as they fall due, and eventually, insolvency. This may also adversely affect credit ratings with banks and suppliers who, respectively, may withhold borrowings and supplies.
- 2 Conversely holding more cash than is needed can detract from profitability if a shortage of other assets (such as inventories) may prevent you making sales.
- 3 Many more small business failures are due to insolvency than to lack of profits. Unless you have cash available to pay your operating expenses, failure is not far away.

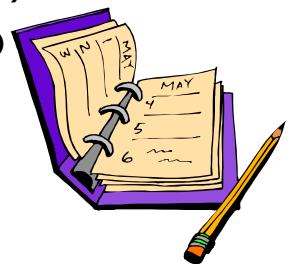
To have good cash flows and adequate liquidity you must be strategic with your management of cash by doing the following:

- keep up-to-date and accurate cash records (know your cash situation at least weekly),
- use a cash budget (to plan your future cash needs),
- pay attention to keeping sales moving (slow sales lead to less cash received),
- watch the aging of your stock & do not hesitate to sell off slow moving and dead stock at discounted prices
- take special care when approving credit to customers,
- put in place (and stick to) procedures for collecting from your debtors,
- control your inventories (buying, receipt, storage and issue of stock),
- control the buying of fixed assets (can you lease instead of buy?), and
- bank all cash receipts and pay debts by cheque.

If you haven't prepared a cash flow forecast and have a tactical plan for managing your cash then you are at risk—no matter how profitable you think you are. If you need help then give us a call.

Some important dates for your diary....

- 28/04/07 - ATO lodgement & payment of the Jan-March quarter PAYG instalment
- 28/04/07 - ATO lodgement & payment date for Jan-March quarter BAS/IAS (if client prepared)
- 28/04/07—Last day for Jan-March super guarantee contributions to be made without penalty
- 12/05/07 - ATO lodgement & payment date for Jan-March quarter BAS/IAS (if GNS prepared)
- 15/05/07—Final date for lodgement of 2006 Year Income Tax Returns
- 21/05/07 - Due date for lodgement and payment of 2007 FBT returns
- 21/05/07 - Final date for lodgement and payment of April Activity statement
- 21/06/07 - Final date for lodgement and payment of May Activity statement
- 30/06/07 - Last chance to take advantage of superannuation concessions
- 30/06/07—End of Financial Year



Note: FBT returns are due by 25 May. Give us a call if you are unsure as to the danger areas in preparing FBT returns

GNS Group

principa|alliance
MEMBER

GNS Group
235a Lower Heidelberg Road
Ivanhoe, Vic 3079

Phone: 1 800 996 322
(03) 9499 7444
Fax: (03) 9499 1005
Email: info@gnsgroup.com.au
Internet: www.gnsgroup.com.au