CLIENT SOLUTIONS – Spring 2012

NASH SOLUTIONS – Practice News

Our office processing is proceeding to schedule in the lead up to the Christmas break. We aim to value add to normal tax compliance work and remind you to consider the personalised points raised in our management letter.

Our goal is to provide holistic solutions to client problems, to grow our client businesses and investments and to accumulate client wealth for their retirement. We seek to deliver this by providing accurate, timely and proactive advice.

We value our relationship and if you have any like-minded business associates who could benefit from Nash Solutions services then we would be most grateful for your referral.

CLIENT PROCESSING – 2012 Accounting and Taxation Compliance

We request that all business clients forward their 2012 records to us immediately so that we can schedule the processing of your returns for lodgement within the ATO lodgement guidelines. If you provide your records to us before Christmas we can commence the work early in the New Year.

TAX OFFICE SOLUTIONS- Taxable Payments Reporting – Building Industry

Contributed by Chris Slattery, Senior Accountant

What is Taxable Payments Reporting?

As part of the 2011/12 Federal Budget, the Government announced the introduction of taxable payments reporting for businesses in the building and construction industry. It is essentially a return to the "prescribed payments system".

The aim of the system is to improve compliance with tax obligations by those contractors who are currently not doing the right thing. The information reported about payments made to contractors will be used for data matching to detect contractors who have not lodged tax returns or included all of their income in the tax returns.

From 1 July 2012, businesses in the building and construction industry need to report the total payments they make to each contractor for building and construction services each year. You need to report these payments to the ATO on the Taxable payments annual report.

Who needs to report?

From 1 July 2012, you need to report if all of the following apply:

- You are a business that is primarily in the building and construction industry;
- You make payments to contractors for building and construction services;
- You have an Australian Business Number (ABN).

You are considered to be a business that is primarily in the building and construction industry if any of the following apply:

- In the current financial year, 50% or more of your business income is derived from providing building and construction services;
- In the current financial year, 50% or more of your business activity relates to building and construction services; or
- In the financial year immediately before the current financial year, 50% or more of your business income was derived from providing business and construction services.

Details you need to report

You need to report the following details each financial year for each contractor:

- ABN, if known;
- Name;
- Address;
- Gross amount you paid for the financial year (this is the total paid including GST);
- Total GST included in the gross amount you paid.

The details you need to report are contained in the invoices you receive from your contractors.

Banklink has developed software to capture this information and provide the relevant reports. We will be contacting relevant clients about this in the near future.

Clients using MYOB, Quickbooks etc should be able to track the details on their creditors cards. Software updates will specifically track the details.

The ATO has developed a Worksheet that can be printed to help record details of payments made to contractors for their building and construction services, particularly if manual records are kept. The details recorded in the worksheet can be used to assist in the completion of the Taxable Payments Annual Report.

We will require this detail to complete your tax obligations from the 30 June 2013 year.

TECHNICAL ISSUES – Superannuation Guarantee rate increase to 12 %

The Super Guarantee rate will be increased gradually with initial increments of 0.25% on 1 July 2013 and on 1 July 2014. Further increments of 0.5% will apply annually up to 2019-20, when the Super Guarantee rate will be set at 12 per cent.

Year	Rate (%)
2013-14	9.25
2014-15	9.5
2015-16	10
2016-17	10.5
2017-18	11
2018-19	11.5
2019-20	12

The phased increase will allow employers to take the increased SG contributions into account when negotiating future wage entitlements.

BUSINESS & COMMERCIAL NEWS – US Fiscal Cliff & Economic Slowdown

Fiscal Cliff

The Fiscal Cliff, a term coined by US Federal Reserve Chairman Ben Bernanke, is used to describe a raft of tax increases and spending cuts that will automatically come into effect at the beginning of 2013. If the Democrats and Republicans cannot negotiate a new set of budgetary and economic policies it is predicted the budget deficit will reach $US 1.1 trillion.

Scenarios

1. The US Congressional Budget Office (CBO) estimates the combination of all tax increases and spending cuts would result in the deficit falling to $US641 billion in the 2013 fiscal year (ends September 30), but the savings would result in a recession, with GDP shrinking by 0.5% and a rise in the unemployment rate to 9.1% by the end of 2013, from 7.9% in October.

However, the CBO projects GDP to return to growth after 2013 and the unemployment rate to gradually ease to 5.7% by the end of 2017.

2. If the US Government were to continue down its current road, with a deal being struck to keep all current measures in place, the country's deficit is forecast to hit $US8.8 trillion by 2022. This does little to help the US as its debt and servicing costs become too high and it defaults on its loans.

3. Finally policy makers could come to some sort of compromise on tax increases and spending cuts that would address the country's spiralling debt. This would likely result in a slowing growth and rise in unemployment, but not as severe as option 1.

The most likely outcome is option 3 with the US to slow in the second half of 2013. Internationally, Greece and Spain are likely to drag down Germany and France as the Eurozone is already officially in a recession.

The main impact of a global recession on Australia would be a further sharp fall in commodity prices, a decline in real national income and an increase in unemployment.

The global difficulties would most likely affect Australia in the second half of 2013.

We remind clients it is essential to recession proof your business by:

- Protecting sales;
- Controlling debtors, fixed and variable costs
- Maintaining cash reserves - "Cash is king" in 2013/14.

2012 Tax Lodgement Due Dates

Dec BAS lodged through us	28/02/13
Taxable Individual, Coy and Super	15/05/13#
Fringe Benefits Tax Returns	28/05/13
Non-Tax/ Refund Individual, Coy Super	05/06/13
Monthly BAS / IAS	21st next month

Further extension may be available to 05/06/13 where tax payment is made by that date

FINANCIAL PLANNING – Economic Updates

We remind clients that we provide a full range of financial planning services including investments, savings and retirement plans, life and income protection insurance, superannuation, super pension and Centrelink age pension analysis using our **'Wealthvue goal based planning system'.**

Economic Update Summary

Australia – The ABS released CPI and GDP figures for Q2 2012. Australian GDP slowed at a pace less than half the upwardly revised 1.4% growth for Q1 2012 increasing 0.6% over Q2 2012.

The domestic inflation rate remained at the lower band of the RBA's 2-3% target hitting its lowest figure since June 1999. Underlying CPI rose 0.6% over the quarter bringing the annualised figure to 2.0% while headline CPI was up 0.5% equivalent to 1.2% year on year.

September unemployment figures rose 0.2% to 5.4% as more people entered the labour market. Despite participation rate remaining at 65.2%, the job market saw 45,500 full- time jobs filled with part-time jobs falling by 14,100.

The Reserve Bank of Australia kept the official cash rate on hold at 3.50% over the September quarter as key economic measures were expected to trend close to target bands despite global headwinds and weaker domestic conditions.

Europe – European Central Bank President Mario Draghi followed through his firm commitment to preserve the euro unveiling a new bond purchasing strategy designed to lower borrowing costs of indebted Eurozone countries. Spain plunged into a double-dip recession during the quarter replacing Greece as the main threat to the survival of the euro.

United States - The US Federal Reserve announced an open-ended third round of easing (QE3). The US Q2 2012 real GDP expanded at an annualised rate of 1.3%, a much slower pace than last quarter's 2.0%. US annual housing prices experienced positive growth for the first time in two years growing at 1.2% over the year to June signalling a potential recovery in the housing market. The US jobless rate in September surprised the market on the upside as it slid to its lowest level in more than four and a half years to 7.8%.

China – China's real GDP over Q2 2012 grew at its slowest pace since 2009 posting 7.6% growth down from 8.1% during Q1 2012. Chinese manufacturing activity continued to dip below 50 continuing an eleven consecutive month of contraction. China's People's Bank of China reduced interest rates and made its largest ever weekly capital injection.

Investment Outlook by asset class

Australian Equities – Australian equity markets rallied 8.7% over the quarter as central bank action boosted global sentiment. Over the quarter Large Cap and Small Cap stocks significantly outperformed Mid Cap stock. All sectors finished the September quarter higher with IT, Healthcare, Consumer Staples, Financials and Telecom services producing the largest returns over the period.

International Equities – Favourable central bank actions in Europe and the US lifted equity markets with the broad MSCI World ex Australia Index up 5.0% for unhedged investors and 6.3% in fully hedged terms. The US market recovered from last quarter as QE3 lifted market confidence. European markets rose over the quarter as concerns over the European debt woes are more subdued on the back of the European Central Bank's new bond purchasing initiative.

Property – Global REITs returned 5.2% over the quarter while Domestic REITs produced 6.7%. The unlisted property sector rose 1.7% driven by relatively strong returns from Office and Diversified funds.

Fixed Income and Cash – Sovereign bond yields fell over the quarter as bond investors lacked conviction in the central bank's response to the European crisis earlier in the quarter where August and September recovered some of the losses. September was a solid quarter for domestic bonds, with the UBS Australian Credit Index increasing 2.7% and the UBS Composite Bond Index rising 2.0%. Cash investments returned 0.9% for the quarter.

Currency – The Australian dollar appreciated 1.4% against the US dollar over the September quarter finishing at $1.04. Against all other currencies, the A$ fell 1.1% against the Japanese Yen, dropped 1.5% relative to the Pound Sterling and rose marginally against the Euro by 0.1%. On a trade weighted basis, the Australian dollar increased 0.5% over the quarter.

FINANCE

Thinking of buying a new vehicle?

We remind clients that car dealers play many tricks with new car prices, trade values and in-house finance in order to spruik up their 'deal'. We are in a position to advise you on how to get the best actual deal when trading.

Find your new car and then contact Suzanne for advice <u>before</u> you commence negotiations with the dealer.

SPECIAL TOPIC – Aussies increasingly less prepared for retirement

Contributed by Suzanne McCarthy, Financial Planning Client Services Manager

A steadily increasing number of retirees say they are financially unprepared for retirement, according to Investment Trends research.

Of approximately 750 over-40s in the sample, the proportion who said they were "pretty much" or "definitely" on track to reach their retirement goals dropped from 38% in the previous year to 27%, while those who said they were "way behind" climbed from around 20% to 26%.

"Proportionally there is an increase across the Australian population from about 62% to 72% saying year-on-year they are not sure or behind on retirement objectives," Investment Trends chief operating officer Eric Blewitt said when presenting the data at the Financial Services Council conference this month.

"Those proportions are magnified as people get closer to retirement and that last three years before retirement seems to be the rabbit-in-the-headlight moment, with only 40% - which is down from 60% the previous year – of people saying they are going to meet their retirement objectives," he said.

That large increase close to retirement was due to both market impact as well as a "harsh glimpse of reality", Blewitt said.

Despite so many being behind in their objectives, only around 40% of over-40s are actively taking action or are about to, while around 35% would like to do something but can't afford to, Blewitt said.

For those close to retirement, despite saying they are less prepared, there was actually a drop from 55% last year to 35% this year in those saying they were actually going to do something about it.

"The harsh reality is that less action is being taken to meet an increasing gap," Blewitt said.

Given the low median retirement superannuation balance of around $109,000 and the market conditions we've had, an increasing proportion of both retirees and accumulators expect to be reliant in whole or in part on the age pension, he said.

Around 54% of accumulators expect to be mostly or totally reliant on the age pension, but once they reach retirement this rises to 69%.

More than one third of retirees are spending more than they had planned in retirement, largely due to price increases. Those who are spending less are doing so not because life is cheaper than they expected it to be but because they've had a reduction in their assets and have had to cut their spending accordingly, Blewitt said.

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In our opinion, you can protect your retirement investments by holding a more conservative portfolio for 2012 and early 2013 and buy into growth assets on weaknesses in the market in 2013. We can help by reviewing your retirement investments and assessing your preparedness for retirement.

Please contact us to provide an independent review of your investments and superannuation and your retirement plans. If you are saving for retirement then we can advise you on your optimal plan.

Similarly, if you feel we can assist your friends and children to start addressing their savings plans then we would appreciate your referral.

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 # Acknowledgement: We wish to acknowledge Mercer Investments (Australia) Limited as the source of the information used in the preparation of this newsletter. The economic and investment analysis content of this newsletter is based on their latest published Market Valuation & Economic Review for July 2012.

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We wish all our clients a Merry Christmas and a Happy New Year and advise our office will be closed from 1pm Friday 21st December 2012 and re-open Monday 7th January 2013.

Visit us on Facebook

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“Cashflow is critical for business growth and survival. Is your business generating the returns you require and is it maximising your wealth?”

Nash Solutions Business Services can assist you with:

Accounting, book-keeping and day to day business administration services
Taxation advice, including:
- Year-end tax planning
- CGT and business rollovers
- GST
- Negative Gearing

Small Business advice, including:
- Structuring
- Incorporation and company secretarial services
- New business start up
- Business acquisitions and valuations
- Business Sale

Tax return and BAS preparation
Superannuation, including:
- Self Managed
- Employer Superannuation Funds
- CGT rollovers on sale of business

Business analysis, including:
- Financial Analysis
- Management accounting

Business planning, including:
- Financial Analysis
- Management accounting

Financing, including:
- Review of current finance arrangements
- Equipment and motor vehicle finance

Computerised Records, including:
- Accounting related assistance generally
- MYOB software and computer support
- Banklink

Audits
- Self Managed Super Funds
- Clubs and Associations
- Companies

“Savings plans are necessary to ensure sufficient funds are available for your retirement. Will you live the comfortable retirement you dream of?”

Nash Solutions Financial Planning Services can assist you with:

Children’s education plans, including
- Imputation Bonds

Direct Share Investment
Superannuation, including:
- Individuals
- Employer group policies
- Self Managed Superannuation Funds

Personal Insurance, including:
- Life
- Total & Permanent Disablement
- Income Protection

Finance, including:
- Debt consolidation
- Housing & Commercial Loans
- Investment Loans
- Vehicle, Plant & Equipment

Wealthvue retirement and lifestyle planning analysis
- Income streams and capital drawdowns
- Centrelink benefit planning and analysis for age pension retirees

Estate succession planning
Aged Care Planning

“3 in every 4 Australians will be diagnosed with a serious illness during their working life and will spend many months off work. Will your family live in poverty?”