CLIENT SOLUTIONS – Spring 2015

NASH SOLUTIONS – Practice News

We would like to congratulate Jasmin on starting her Bachelor of Business (Accounting) through Swinburne University online.

ATO

We would like to remind clients that if you receive a letter from the ATO please read it carefully as it may include critical information. If you have any queries in regards to the letter please contact your tax agent.

Scams and Bogus Emails

We would like to remind clients that the ATO will never send you an email requesting you to claim your refund, confirm, update or disclose confidential details via an insecure channel such as email. You should always independently verify the source before taking any action. If you receive communication of this nature do not respond to it. The banks and PayPal have also been the subject of similar scams in recent times.

Our Nash Solutions Email Policy

We take this opportunity to remind clients that we check our emails at regular intervals during the day and seek to respond to all emails and telephone calls on a timely basis. This policy provides an adequate response to the vast majority of enquiries. However, if you have an urgent matter that must be dealt with on an immediate basis then please send us a detailed email brief of the situation and then also contact us by telephone to ensure your matter is escalated.

At Nash Solutions 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 –Taxation Compliance

"Never, ever, think outside the box."

Tax Lodgement	**Due Dates#**
December 2015 Bas	28/02/16
Monthly BAS/IAS	21st of next month
Taxable individuals, companies and superfunds with one or more prior year returns outstanding as at 30/06/2015	31/10/2015
Large and Medium Companies & Superfunds	15/01/2016
New Superfunds	28/02/2016
Large Individuals	31/03/2016
All other taxable Individuals, Companies and Superfunds	15/05/16
All other Individual, Company and Superfunds Providing payment is also made on lodgement	05/06/16

Further extension may be available, contact us if you have an exceptional circumstance which might delay your lodgement.

TAX OFFICE SOLUTIONS- $20,000 Immediate Asset Write off – Reminder

"If I flee the country to avoid paying taxes, can I write off the miles as business travel?"

Is the measure law yet?

Yes. The law commenced 7.30pm AEST 12 May 2015 and will cease on 30 June 2017.

Who is eligible?

Any business that meets the definition of a small business entity, that is one with an aggregated turnover less than $2 million, may be eligible to claim an immediate deduction for the cost of depreciating assets acquired for less than $20,000.

What has changed?

The threshold for immediate deductibility has increased to $20,000 from 7.30pm (AEST) 12 May 2015. The increased threshold will apply until 30 June 2017. The threshold for the low pool value rules will also be increased to $20,000 until the end of June 2017.
You will continue to claim the deduction in the year in which the asset is first used or installed ready for use.

What is a depreciating asset?

Let's be clear what type of assets we are talking about. A depreciating asset is an asset used in a business that has a limited effective life and is expected to decline in value over the period you use it. Vehicles, office furniture and equipment are depreciating assets. Land, items of trading stock and certain intangible assets (goodwill) are not depreciating assets.

What qualifies? What can I buy?

Here are a few ideas:

- IT hardware such as desktop computers, printers, scanners and photocopiers (does not include in-house software where the firm intends claim under the software development pool rules – see software)
- Office or shop furniture and fittings, such as new tables for a cafe
- Display screens, kitchen equipment, signage and air conditioners
- Work vehicles, such as a $19,999 Ute. Just wait for the EOFY Advertisements!
- Tradesmen's tools and machinery
- Plant and equipment
- Sheds or storage containers for storing equipment.

Are old/second hand assets eligible?

Yes, both new and old/second hand assets remain eligible for the simplified depreciation rules.

GST inclusive or exclusive?

If the entity is registered for GST, then the GST exclusive amount is taken to be the cost of the asset.
Where the entity is not registered for GST, then the GST inclusive amount is taken to be the cost of the asset.

Software

An eligible small business from 7.30pm (AEST) 12 May 2015 can claim an immediate deduction for any software purchased off the shelf, costing less than $20,000 that is used exclusively in the business. An eligible small business can also claim an immediate deduction for the cost of developing software for use exclusively in its business where the cost is less than $20,000. An exception applies if the entity has previously chosen to claim deductions for in-house software under the software development pool rules. In these cases the costs need to continue to be allocated to a software development pool.

What does this mean for businesses from 7.30pm (AEST) 2015 that have opted-out of the simplified depreciation rules?

To ensure fairness and maximum eligibility for the increased simplified depreciation thresholds, as a once off, small business entities that have previously elected out of the simplified depreciation rules will no longer be subject to the 'lock-out' rule. These entities will be able to re-elect to use the simplified depreciation rules, now with the higher $20,000 threshold, if they choose to do so.

What does this mean in the real world?

Assets under $20,000: This means that a small business will be able to claim an immediate deduction for the cost of each and every depreciating asset that they purchase ***for less than*** $20,000.
For example, Pamela bought a second hand skid steer loader for $17,000 on 28 May 2015 which is used solely in her landscaping business. As the depreciating asset cost less than $20,000, Pamela will be able to claim an immediate deduction for this asset.
Assets over $20,000: For depreciating assets costing $20,000 or more, small businesses can elect to use the pooling arrangements and depreciate the cost of such assets at 15 per cent in the first year and a diminishing value rate of 30 per cent on the opening pool value each year thereafter.
For example, Owen bought a new hydraulic press for $40,000 on 28 May 2015 which is used solely in his manufacturing business. ***As the depreciating asset costs more than $20,000, Owen cannot claim an immediate deduction for this asset.*** Owen will add the asset to his general small business pool.

The low pool value threshold will also increase to $20,000. This means that an immediate deduction is applied if the pool balance is less than $20,000 at the end of an income year that ends on or after 12 May 2015 and on or before 30 June 2017.
These changes will apply to assets acquired between 7.30pm (AEST), 12 May 2015 and 30 June 2017.

Traps:

- This is not a grant or allowance, and you should not rush out to buy any asset before checking with your accountant. If your business is not making a profit, then a tax deduction is of no use to you.
- If your business is expected to make profit next year or the year after, then you may better off waiting to use the deduction in those tax years.
- Don’t take on unnecessary debt just chasing a tax deduction. Interest rates are at 40-year lows but will not stay here long term.
- Don’t be tempted to bend the rules in order to claim the deduction, as the Australian Taxation Office will be watching closely and will no doubt devote compliance resources to scrutinising these claims.

Beware of the definition of “small business,” especially if you are part of a group of companies. In order to qualify for these concessions, businesses must align with the Australian Taxation Office (ATO) definition of a small business, which is an individual, partnership, trust or company with an aggregated turnover of less than two million dollars. An aggregated turnover is the annual turnover of any business that an individual is connected or associated with.

If used wisely, the instant deduction can be a real benefit to profitable small businesses that were planning on purchasing assets anyway. Talk to your accountant to be sure.

TECHNICAL ISSUES – Aged Care*

Most of us want to remain independent throughout retirement and to stay in control of where and how we live. But our ability to do so may depend upon our health and physical wellbeing. As we age, some things may become harder to do on our own.

If our ability to live independently starts to decline and we need help with daily living activities such as cooking, cleaning and personal care, this where 'aged care' comes into play.

Aged care is the term for daily living and nursing care services provided to older Australians who either need some help at home or can no longer live independently. Services are generally divided into two categories:

- Home care services
- Residential care services

The first step to understanding your needs and what you should plan for is to understand the realities about accessing care as you get older. The best plan is always to understand your options and be prepared.

How likely is it that I will need care?

Approximately one million retiree's access aged care services. Of these people, around 200,000 live in residential aged care. Most people living in care are over age 80, but there are certainly also younger people living in care. So your chance of needing some help is high. In fact your chances are very high.

At age 65, the chance of needing aged care during your remaining lifetime is:

- 68 per cent for a woman

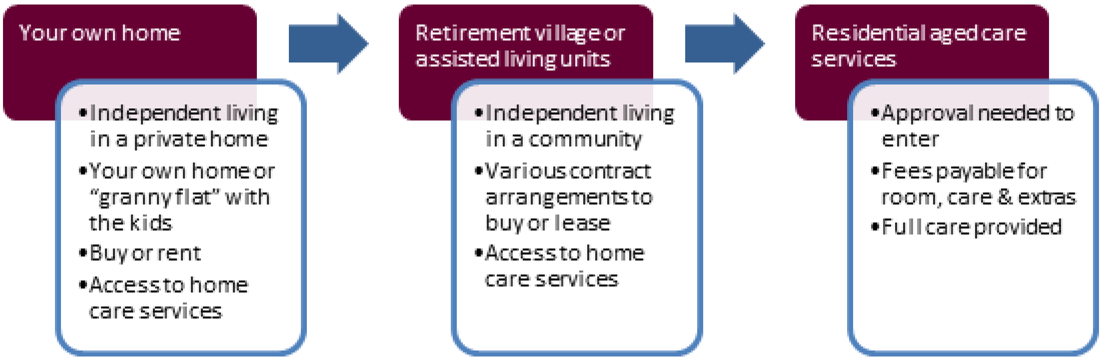
- 48 per cent for a male

Women have longer life expectancies and on average live longer than their husbands – this increases the chance of needing care. Source: Australian Government Productivity Commission Inquiry Report: *Caring for Older Australians*, 28 June 2011.

With these sorts of odds, it is never too early to start thinking about your options and putting plans in place, either for yourself or for a family member.

What options do I have for where to live?

Where you choose to live in retirement may depend on your financial situation as well as your personal preferences, desired lifestyle and physical needs. As your needs change, you might decide to move to a different type of accommodation.



Residential aged care services are run by charitable organisations, church groups, state or local government, private businesses and other community-based groups. These services are heavily regulated by government and regardless of who operates the service, they must all provide full care including:

- on-call staff for assistance
- meals
- basic accommodation-related services such as furnishings
- cleaning services and general laundry
- bedding
- maintenance of buildings and grounds
- nursing care.

The move into aged care can be unsettling. But since 1 July 2014 there is no longer a distinction between low and high care so this means that once you make the move, you may be able to stay in the same place even if your health declines.

How should my family be involved?

Working out what care option is most appropriate as we get older may be best solved by a family decision. Decide in advance to have a family meeting and talk to your children, their partners and other close family members.

Having open discussions with your family can help your children to know what you want and help to minimise disputes among your family.

The list below might get you started with things you should talk about as a family:

What is important to you when making a decision where to live? Who should be responsible for making decisions – about your finances and/or medical / lifestyle requirements? How your estate will be distributed? Where you keep copies of all your important paperwork – including your will, bank account details and copies of insurance policies? What should happen with your home if you can no longer live there?

Remember that by the time you need to move into aged care, it is probably your children who will need to make the arrangements and the decisions.

Most aged care is provided by friends, family and volunteers (informal carers).

- In 2012 there were around 2.7 million informal carers helping disabled and older people. Approximately 1.4 million older people needed assistance with at least one activity (represented 42 per cent of people over age 65). Informal carers are most likely to be:

- 34 per cent spouse or partner

- 22 per cent daughter

More than 40 per cent of carers spent more than 40 hours a week providing care.

Source: Australian Bureau of Statistics, *Survey of Disability, Ageing and Carers, 2012*.

How do I pay for my aged care?

How much you could be asked to pay towards your accommodation costs will depend on your financial situation. You may be asked to pay only part of or no accommodation costs.

The Australian Government will conduct an assessment of your income and assets. They will then advise you and the aged care home if you can be asked to pay towards your accommodation costs, and if so how much.

If you are required to pay for your accommodation, you will now have greater choice in how you pay. You can use a:

- lump-sum payment, called a 'refundable accommodation deposit'

- regular rental-type payment called a 'daily accommodation payment', or

- a combination of both.

If you are required to pay an accommodation payment, you will have 28 days from the day you entered care to decide on your payment method. Aged care homes cannot refuse you a place based on how you want to pay for your accommodation.

You will also be required to pay the daily care fee and depending on your income and assets a means tested fee.

Until you decide on your ongoing payment method, you will need to pay your accommodation costs by rental-type 'daily accommodation payment'.

Refundable accommodation deposit (RAD)

If you choose to make your payment as a lump sum, this is called a ‘refundable accommodation deposit’. A refundable accommodation deposit works like an interest-free loan to an aged care home. The balance of the deposit is refunded when you leave the aged care home less any amounts you have agreed to have deducted.

Daily accommodation payment (DAP)

Instead of paying for your accommodation as a lump sum you can choose to pay as periodic payments. The amount you pay is based on a daily rate which is why this type of payment is called a daily accommodation payment. However, you will pay in instalments up to a month in advance, as agreed with your service provider. Daily accommodation payments, unless you have paid in advance, are not refundable if you leave the aged care home.

Using a combination

You can choose to pay for your accommodation as a part lump-sum refundable accommodation deposit and part rental-type payment known as ‘daily accommodation payments’.

Financial advice

The payment method which is most suitable for you will depend on your personal and financial situation. You may want to consult with a financial adviser before you make a decision.

For example, choosing a particular payment method may affect your pension, if you receive one.

Age Care Fees – Daily Care Fees

Daily care fees comprise a basic daily care fee and an income tested daily care fee (ITF).

These fees are a contribution to the cost of your care. You may be asked to pay the income-tested fee if you are not in receipt of a full means-tested pension. This fee will be paid directly to the aged care home as part of your care fee.

The basic daily care fee is set by government and is currently $46.50 or $16,972.50 pa (from 1 July 2014), and all aged care facility residents pay this fee.

Means-tested care fee

The Australian Government pays for the bulk of aged care in Australia, but as with all aged care services, you may be asked by your service provider to contribute to the cost of your care. Depending on your income and assets you may be asked to pay a means-tested care fee.

This information is of general nature only and is not intended as a personal advice. It does not take into account your particular investment objectives, financial situation and needs. Before making a financial decision you should assess whether the advice is appropriate to your individual investment objectives, financial situation and particular needs. If you wish to seek further advice you can contact us on (02) 6553 4000 and we can assist you.

BUSINESS & COMMERCIAL NEWS – XERO

Nash Solutions is pleased to announce we are now a Xero Certified Partner.

This means we can assist you, or anyone you know, in any Xero related issue!

Are you thinking of swapping your accounting software to Xero?

Xero is the latest in cloud-based accounting and is a simpler alternative to MYOB. It aims to make day-to-day bookkeeping simpler for you through intuitive menus and an easy bank reconciliation process. Xero includes payroll, free online support, bank feeds & bank rules (both ensure quicker monthly reconciliations), invoicing, inventory, multi-currency and regular website updates.

Here are some of the benefits of using Xero:

1. Collaborate in the Cloud – Bringing more heads to your books is easy with Xero. Just give us access and we'll log in, look at your numbers and give you advice. This is perfect for spotting opportunities and nipping problems in the bud
2. Mobile Access - On the move? Access accounts, check balances, upload receipts and invoice customers from your smartphone or tablet with Xero's iPhone or Android app.
3. Reconcile from anywhere – Xero receives your bank statements automatically via a secure connection, making it a breeze to reconcile and gain a complete and up-to-date snapshot of your business from the breakfast table to your favourite coffee shop.
4. Painless Payroll – Being an accounting and payroll solution in one, Xero turns the old days of manual entry on its head. Super payments and tax updates are automatic, plus a special portal gives you a complete snapshot of your payroll and leave
5. Invoicing Helps You Get Paid Faster – Login and send an invoice the minute a job is done. You get notified when your customer opens the invoice and he or she can pay you online right away. And we know that staying on top of your old invoices is hard work, so Xero allows you to set up automatic email reminders for people who owe you money.

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 'DomaCom Guided Planning System'.

Recent History: The event dominating global markets has been the violent pullback in the Chinese share market and subsequent falls in other equity markets. The Shanghai Composite Index rose over 60% in the 4 months to mid - June when it peaked at 5,122. It subsequently fell to under 3,000 in late August, a fall of over 40%. The loss of market value in Chinese shares in the past 3 months was roughly the value of the entire Australian stock market. The result of this was that the Australian equity market (S&P/ ASX200) fell about 15% from the April peak to briefly trade around the 5,000 level. This was the first correction in Australia since June 2013 when the market fell almost 11%. Most global markets were down by more than 10% from their highs to also be in correction territory with the US market having its first correction in 4 years. The Australian dollar was also hit hard and traded under 72 cents versus the US dollar.

Markets and Outlook China: The wildest ride has been in mainland Chinese shares with the Shanghai Composite Index down 37% in the last 3 months. Some of the reasons for this are as follows: Firstly, Chinese authorities encouraged the bull market in Shanghai since their plan was to raise equity prices and to float and then deleverage state-owned enterprises. There is a lot of debt in China as a result of the massive stimulus following the GFC. That market was up by about 150% at one stage, fuelled by inexperienced retail investors and high levels of margin loan debt. Roughly 10% of the free float of the market was on margin and about a third of that was put on with the Shanghai Composite Index above the 4,000 level. While the market was trading on a PE in the low to mid 20 times earnings, roughly 40% of shares were trading at a PE of over 80 times. Given how quickly the market rose and the levels of margin debt, it was no surprise that it came crashing down. The fall was exacerbated by the ineptitude of the local authorities. For example, freezing certain shares led to increased selling pressure on those securities that were still liquid. On the plus side the negative wealth effects from falling share prices are mitigated by the speed of the run up and fall. Also share investors are only about 9% of households in China versus close to 50% in the USA. So while growth is slowing in China (Chart 1), we believe that the fall in the local stock market is mainly about excessive valuations and high margin debt rather than the real economy. We should point out that the Shanghai market is now on a PE of around 13x which is around long term average levels. Also Chinese H - shares (which most global fund managers invest in rather than Shanghai A- Shares) are probably less than 9x now and look reasonably cheap.

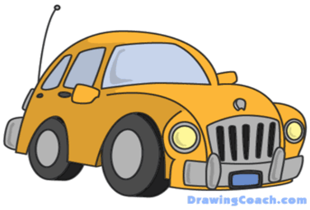
Australia and Global Equities: To be honest, share prices probably needed to come back here since Australian shares were trading well above their long term average PE and estimates were for slightly negative earnings per share growth in 2015 and flat earnings in 2016. This was mostly on the back of lower commodity prices. Similarly, US shares were forecast to have no earnings growth this year due to the lower oil price and the rising US dollar. In Australia we had an almost perfect storm with falling commodity prices and the banks were in the process of raising capital to meet higher capital requirements. This will result in the banks having less leverage and will lower the return on equity. On the face of it, this should lead to lower share prices but it does not take into account any potential re rating given the lower risk going forward.

We have gone from a PE of roughly 16x in April to about 14.4x (ASX200 at 5,200) which is about the long term average for our market. Unless you were looking closely you may not have seen the market very briefly trade under the 4,900 level. The futures market was indicating a fall of about 3.5% that day but the market actually finished up which is somewhat encouraging. The main point is that we expect that interest rates will stay low providing valuation support to equities when the panic is over. Helping to keep rates low is the fact that there is currently over one trillion $USD in ongoing QE in Europe and Japan. After the fall, the market here is looking much better value trading at the long term average PE with a dividend yield of about 5% (before franking) versus the Australian 10 year bond yielding about 2.7%. While we expect the US to raise their short term interest rates at some stage, this date keeps getting pushed out. Janet Yellen (Fed Chair) is considered a Dove and has been reluctant to raise rates. Inflation is very low and growth is sub trend in the US so there is no compelling reason to raise rates especially with the collapsing oil price lowering inflation. As we go to press, US 2nd quarter GDP growth has been revised up to a rate of 3.7% from the previous 2.3%. However this translates to an annualised growth rate of about 2.2% for the 6 months to June 30. For the reasons above we continue to prefer equities to fixed interest especially after the recent pullback. Within equities we would maintain our tilt towards global equities as we see higher potential growth there as well as some downside risk in the Australian dollar from falling commodity prices. We do not believe the major risk to markets is higher interest rates but rather the scarcity of growth. The bottom line is that while we were not big fans of equities on a PE of 16 times, we think major pullbacks should be viewed as an opportunity

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’ and at the same time extract maximum profit. We are in a position to advise you on how to get the best actual deal when trading.



Planning points:

- Find your new vehicle / plant
- Negotiate a cash price
- Call us for effective financing of the deal

SPECIAL TOPIC – Healthy Finance

"It's from the bank. It says 'to help us go green, we've taken all of your money'"

Most of us have tried health kicks and have seen the results. We start to exercise and make smarter decisions on what we eat and over time it works. It doesn't happen after the first jog, or the first time we say no to fast food and eat something healthy. It comes slowly at first, after weeks of smart decisions, then months, then years, If we stick to it long enough we become "healthy". Once we get to that stage we can keep up with our children without getting tired, we can go to the beach and be comfortable with how we look, we start to enjoy things we didn't before. It's a great feeling.

What if we used this same method for our finances. What if we started to make smarter money decisions daily, weekly, monthly. Thinking of the things we will receive later instead of what we can't have right now.

Do we really need to spend $30,000 on a new car? Could we have an equally reliable one for $20,000? Or $10,000? What if we bought a $20,000 car and invested the $10,000 instead? In Five years how much better off would we be?

	Person A	Person B
Purchase	Buys $30,000 car	Buys $20,000 car and invests $10,000.
Car's value in 5 year times	$10,000	$5,000
Growth of Investments in 5 years time (7% pa)	0	$14,176
Assets	**$10,000**	**$17,834**
Income on Investments (3%pa)	**0**	**$425**

I know its not much but what could you do with $425 in your pocket every year? Buy a new coffee machine? Help pay off a particularly nasty power bill? Most people think, but yes, that's 5 years of investing that's totally not worth it. You have to remember that this is the result of one good decision in your life. This doesn't even require you to invest any extra money and after 5 years you will get $425 each and every year (on average).

What if you start to make those decisions each time you make a purhcase? Do I really need the $3,000 tv? Or would I still be able to watch my shows on a $1,500 tv? Do I need a $10,000 boat to go fishing? Could I still catch the same fish in a $5,000 boat? If we invest the difference each time how much further do we get ahead. It will get to the point where your investments can buy the things you want outright!

Remember this is not about saying no to everything and never enjoying yourself. It's about controlled spending which leads to controlled investing. Below are another few examples of how you can work on your spending:

	Person A	Person B
Purchase	Buys $3,000 TV	Buys $1,500 TV and invests $1,500.
TV's value in 5 year times	$50	$50
Growth of Investments in 5 years time (7% pa)	0	$2,126
Assets	**$50**	**$2,176**
Income on Investments (3%pa)	**0**	**$64**
Purchase	Buys $10,000 boat	Buys $5,000 boat and invests $5,000.
Boat's value in 5 year times	$7,000	$3,000
Growth of Investments in 5 years time (7% pa)	0	$7,088
Assets	**$7,000**	**$10,088**
Income on Investments (3%pa)	**0**	**$213**

Don't forget with these choices you are not forgoing the luxury items, you are simply being smart about it, you still have a car, you stil have a tv, you even still have a boat. Its about forgoing the flashy items now to improve your future later, Just like you would forgo the cheeseburger to be healthier.

Get in contact with us here at nash solutions and we can help you make the right decision about your finances and organise a savings plan.

Contributed by Brendon Colville, Financial Planning Client Services Manager

BACK TO TOP

 # Acknowledgement: We wish to acknowledge Lifespan Financial Planning 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 Personal Wealth Spring Newsletter for 2014.

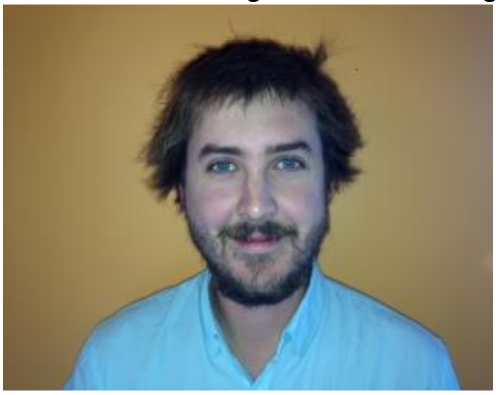
***Information from the ATO website and Aged Care website.**

CONTACT

Grahame Nash
Director. Chartered Accountant. Financial Planner

E: grahame@nashsolutions.com.au

Brendon Colville
Client Services Manager. Financial Planning



E: brendon@nashsolutions.com.au

Visit us on Facebook

Lifespan FINANCIAL PLANNING

Nash Solutions Pty Ltd

PO Box 118, 26 Bent Street, Wingham 2429

T: (02) 6553 4000 F: (02) 6557 0213

W: www.nashsolutions.com.au

Nash Solutions
Tax + Business + Wealth

View past Nash Solutions newsletters

“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?”