

Your Not So Super Return For 2011

Herald Sun 17/12/11

The average superannuation fund went nowhere during 2011.

While this might not seem like good news, at least it's not bad news, like two years ago when balanced funds plunged some 20 per cent on average.

All up, however, it's still a poor result for having your money locked away in the hands of professional fund managers, only to have zero return and the balance to be devalued by inflation.

According to not-for-profit super lobby group the Australian Institute of Superannuation Trustees, returns were hit in the second half of the year as financial markets deteriorated.

"Looking ahead, 2012 is likely to be an intensely competitive year for the super industry."

"We can expect to see more lower-cost investment options and more services to members as each fund tries to distinguish themselves from the pack."

"Recognising that share market volatility might be around for some years to come, funds are also likely to put more emphasis on helping their members understand the risk-return proposition."

If this is of concern to you, please contact Peter Locandro of our office to arrange a free no-obligation meeting regarding the safeguarding of your superannuation monies & more importantly, your lifestyle in retirement.

Quote of the Month

"Many of life's failures are people who did not realise how close they were to success when they gave up"

– Thomas Edison

Have you prepared your business for a record breaking 2012?

As we commence the beginning of another year, the natural tendency is to just continue doing what you did last year. That makes no sense to us.

Your business must evolve over time & now is the perfect opportunity to make any changes required.

Why not take a proactive stance?

If you are genuinely interested in helping your clients – and I trust you are, otherwise why be in this business? – then take this opportunity to show them that you mean what you say. I am also hearing from accountants that they expect to run out of work two or three months before the financial year end. If you believe that to be the case, you can bet it will happen. So there is another reason to get on the front foot. In this article I outline a suggested process that will make a real difference, for you and your clients.

Recommended approach

1. Write down what you would like to achieve in 2012. In terms of the business (revenue, profitability, new products or services, markets served, number of team members, etc) and personal (weeks holiday, overseas trips, savings, new car, other toys and anything else that is important).
2. There are two major keys to achieving these goals. Firstly, writing the goals down. Very few people do this and those that do have a higher propensity to achieve them. And secondly, accountability – which is where we come in.
3. Book a meeting with us to have a one hour meeting - with no charge. What you'd like to cover at that meeting is to discuss WHY you are in business – both personally (which may include independence, financial freedom, being your own boss, challenge of building a business) and professionally (which gets to the why behind the why – why this business and this industry?) You'll then revisit your goals and ensure that they are aligned with your why.
4. Importantly, during the meeting you need to ask yourself if you can achieve all of this on your own or if you would like some accountability from us. For

those of you that would like more help, maybe some monthly or quarterly accountability meetings would suit or a full planning session to get some real focus may be preferred.

One of the keys to successfully improving your business is to quickly and effectively put strategies in place before your competitors do. We have a long advocated nurturing program for clients. Will it be for everyone? Of course not – but people respond to different approaches. Speak to us immediately to make 2012 the best year yet.

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Reminders

- >> 21 Feb 2012 - All monthly activity statements to be lodged and paid.
- >> 28 Feb 2012 – Lodgement of income tax returns due for non-taxable large/medium businesses, companies and superannuation funds.
- >> 28 Feb 2012 – Quarterly activity statement quarter 2, 2011-12, to be lodged and paid.

Education Tax Refund

With all our children now returning to school, the associated costs can add up quite quickly.

The Australian Government is helping you with the costs of educating your kids.

The Education Tax Refund provides up to 50% back on a range of children's education expenses.

Refunds may be as much as \$397 for every child at primary school, and up to \$794 for every child at secondary school.

Who is eligible?

- >> A person who is entitled to receive Family Tax Benefit (FTB) Part A for a child undertaking primary or secondary school studies.
- >> Independent students in primary or secondary school.

People on other allowances may be eligible too. So check your eligibility and the full list of what can be claimed on the website www.australia.gov.au/educationtaxrefund

Remember to keep your receipts for tax time.

SME's And Super: ATO's Latest Warning Shots

A few stats on super might surprise people:

For the 2009-10 year, \$72 billion in employer contributions were received by super funds. If compulsory super goes to 12%, that amount can only grow. Total estimated superannuation assets are around \$1.28 trillion (and growing). Self-managed super funds (SMSFs) have over \$400 billion in assets. As at the end of September 2010, there were about 435,000 such funds.

No wonder the Government and regulatory bodies like the Tax Office are keen to ensure the industry (especially those who set up their own self-managed or DIY super fund) complies with the laws that govern it – there's a lot of money at stake here.

Making a super fund non-compliant (meaning it loses its concessional tax status), or disqualifying a trustee, are serious sanctions, and the ATO says it does not impose them lightly. The time for the ATO to take a tough line on super fund compliance is already here.

SMSF target areas for the ATO

The ATO has flagged a number of major areas it will be reviewing closely:

1. Loans

The superannuation laws contain restrictions on borrowings by super funds and also restrict super funds from lending money to members of the fund or their relatives. The ATO says it has 300 audits planned together with 200 reviews for self-managed funds with loans below the risk thresholds for audit/review.

The ATO asks trustees to consider whether their reported loan is in line with the superannuation laws and whether they have implemented reasonable safeguards to protect the fund's assets. Where trustees are in breach, the letter will encourage them to take appropriate steps to rectify the contravention – this may involve a voluntary disclosure.

2. Breaches of the in-house asset rules

The ATO says it has found in most instances that trustees have effectively been using their retirement benefits to support their related businesses (this is danger territory for SMEs who may be in financial difficulty) and are clearly exceeding the 5% limit that the law specifies.

Where the breaches are significant, the ATO has been imposing serious sanctions, such as making the fund non-complying. In fact, the ATO said a significant number of the 185 funds it made non-complying in the 2009-10 financial year had breached the in-house asset rules.

The ATO said the significance and length of the breaches (often multiple), the level of carelessness or recklessness shown by the super fund trustees towards their obligations, and their attitudes towards addressing their compliance problems, led it to conclude that making the fund non-complying was "the most appropriate course of action to take". SMEs should take note of this.

3. New super funds

The growth of superannuation has meant that the rate at which people are setting up their own SMSFs is high. In fact, SMSFs are growing at about 5%-10% per annum. That's impressive, but the ATO is well aware that not everyone fully understands the rules when setting up a fund.

The ATO has a specific early intervention strategy to focus on what it regards as 'at-risk' new funds, particularly in the context of addressing risks of illegal early release of superannuation. The ATO considers that schemes for the illegal early release of super benefits are a 'serious risk' to the health of the superannuation system

and has allocated significant resources to addressing it. When funds lodge their first returns, the ATO assesses whether there are any apparent compliance issues of concern.

Excess super contributions tax

This issue is proving to be a major headache for many people. Breaching the superannuation contribution limits can bring a tax rate as high as 93%. People are making inadvertent innocent mistakes and breaching the limits, but still have to pay the penalty.

Lodgement

The last 'warning shot' we want to mention concerns the lodgement of super fund returns. It should be a simple matter really, but it isn't necessarily so! While lodgement rates remain solid, the Tax Commissioner says that 9.1% of SMSF returns are yet to be lodged for the 2008-09 income year. He said 13 default assessments had been issued to funds that failed to respond to ATO warning letters issued in October 2010. Further default assessments are expected to be issued in the coming months.

And as if that's not enough warning, the Tax Office will be prosecuting fund trustees who fail to meet their fund's lodgement obligations – with penalties up to \$5,500 for an individual, \$27,500 for a company, and/or up to 12 months jail. This is serious stuff!

Because of these issues, along with a few others, we will be holding a seminar on Tuesday 28th February 2012 to highlight many of the issues & concerns all superfund trustees & members should be concerned with. Further information will follow shortly.



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