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Your finances may not be the most important things in your life...

... but are you confident you can plan for the things that are?

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## Stay Calm & On Course

by Dr. Dennis J. Maddern



Hello again, and welcome to the Spring edition of our *Investor Insight* newsletter.

With summer not far away, there's always a little more optimism in the air, and many of you will no doubt be pleased to see the back of some of the negative financial market headlines over Winter.

It is sometimes hard not to get caught up in the drama of turbulence in financial markets, especially when business and financial commentators are doing what they do so well - making the most of reporting daily falls on world exchanges, downward trends, or speculating on what effect events like the sub-prime lending crisis in the United States may have on Australia.

Yes, we have had some dips in the market, but also, there have been some steady gains, and if we allowed these fluctuations to affect our good investment strategies, we would end up losing a great deal of value from our portfolios.

### Market Fluctuation

Over the past century, we have learned a lot about fluctuations in the market. Every year, there has been a 10% decline event, but overall, steady gains. Over the past ten years, the Australian All Ordinaries has performed, on average, at 13.44%.

Let's look at some of the key characteristics of market declines:

- They begin and end unexpectedly.
- They are normal, frequent, and not a reason to sell good investments.
- They are the long-term investor's friend, because they provide the opportunity to buy good investments at a lower price.

### Principles Beat Predictions

Those who have allowed an attack of stock market jitters affect their strategy, have frequently regretted letting their emotions get away from them.

The maths clearly shows us that those who try to 'pick the market,' lose out in the end. If, for example, an investor had jumped out of the market, missing the ten best days, they would have experienced a one-third drop in the performance of their portfolio.

If they had been out of the market for 40 days, they would have lost nearly half the value.

Investment *principles* are more important than *predictions*, and the principle of long-term investing in a diversified, quality portfolio, should always guide your decisions.

### Three Golden Rules of Investment

There will always be turbulence, but wise investment is about 'time in market.'

We always advise our clients to invest for at least a five year term - one of the three 'golden rules' of investment:

1. Stay in the market
2. Have a quality portfolio
3. Diversify your investments, with property and both domestic and international shares.

So don't let the financial market headlines distract you from the business of getting the most out of life and planning for the future.

## Investor Briefings

by Alida Chase - Manager, Client Care

Spring is in full bloom now, and the new season has seen a great deal of positive activity in our Malvern office.

There's the arrival of our new Manager - Accounting, Michael Portelli. Michael brings additional specialist accounting and economics expertise into the team, and it is great to have him on board.

We also have seen terrific interest in our specialist Maddern Financial Accounting business, which is keeping Lisa Morgan and her team very busy.

Our Investor Briefings seminar series has been very popular all year, and if you haven't yet attended, there are some important opportunities over the coming months.

At the seminars, you will hear Dr. Dennis Maddern provide expert insights into various aspects of investment, wealth creation and tax minimisation. Dennis offers invaluable up-to-date information, delivered in a succinct and interesting style.

The seminars are relaxed, informal and enjoyable - as well as providing information that is vital to improving your overall financial situation.

Substantial and delicious gourmet finger-food, and a selection of wines and other refreshments are provided at the sessions, which generally run from 7 until 8 p.m., although there is the opportunity to stay on and discuss your investment needs with Dennis and our MFA team.

You are invited to bring a friend, if you wish, but as the seminars are very popular, we do need you to RSVP to reserve a place or two.

October 30's Wealth Creation and Tax Minimisation is an important presentation, and as this is a popular topic, please call me as soon as possible to book.

Self-funded super funds have become increasingly relevant for our clients, and so we have two special November



seminars on, 'Self-Managed Super Funds - Asia Pacific Market Exposure & Self-Funding Instalments.'

Please take a look at our schedule of Investor Briefings on this page, and don't hesitate to call me on 9832 0913 or send me an email: [achase@maddernfinancial.com.au](mailto:achase@maddernfinancial.com.au) for more information, or to make a booking.

### Investor Briefings - Spring

Tuesday 30 October	Wealth Creation/Tax Minimisation
Wednesday 14 November	Self-Managed Super Funds – <i>Asia Pacific Market Exposure &amp; Self-Funding Instalments</i>
Tuesday 20 November	Self-Managed Super Funds – <i>Asia Pacific Market Exposure &amp; Self-Funding Instalments</i>
Tuesday 4 December	Tax Effective Investments – <i>Margin Lending &amp; 'Protected' Equities</i>

## Meet the Team

### Michael Portelli

Manager – Accounting

Those of you who have visited our Malvern office recently, would have noticed a new face amongst the team. Michael Portelli is our Manager - Accounting, and he brings a great deal of expertise to MFA.

Michael has a Bachelor of Accounting with a major in Accounting and a sub-major in Economics. His Monash University Scholarship degree was sponsored by KPMG, Price Waterhouse, Deloitte Touche and Ernst & Young.

Michael gained experience in Australian and overseas chartered accounting firms, where he specialised in audit and corporate insolvency. Insolvency is an area that is generally

the consequence of bad financial planning, and it was this experience that led Michael to MFA - where accounting services are offered in the context of financial planning.

Michael has lived in Europe for 10 years and has a particular interest in working with the Maltese and Italian communities, utilising his understanding of their country, culture and language.

He has spent three years as a member of the Jesuits, a Religious Order in the Catholic Church. For Michael, ethics and integrity are central to everything he does, including his relationship with financial planning and accounting clients.



## Taking Control - Self-Managed Super

by Dr. Dennis J. Maddern

Running your own super fund is becoming increasingly popular and there are distinct advantages if you have the time and interest to take on the management of such important investments.

One of the main advantages of a self-managed fund (SMSF), is that you have direct control over your investment decisions; you have access to a wider range of investments, and can make decisions regarding the timing of buying and selling a particular investment.

Many of our MFA clients have taken the SMSF option - particularly with the 'simpler super' reforms giving greater incentive to transfer personal investments to superannuation, with some tax reduction benefits.

Super may be simpler, but SMSFs are still regulated by the Australian Tax Office, and it is important that any transfer of investment assets to a SMSF, is conducted tax effectively and within the limitations imposed by the superannuation legislation.

## Strategy is Fundamental

If you establish a SMSF, you will be required to prepare and implement an investment strategy, which will cover:

- Plans to maximise member returns while having regard to the risk,
- A long term strategy with diversified investments, and
- The ability of the fund to pay retirement benefits to members, as well as the costs of running the fund. These costs include audit and regular reporting requirements.

Advising on self-managed superannuation is one of our specialities at MFA and the Maddern Financial Accounting team can establish the fund on your behalf. You may also be interested in one of our Investor Briefing evening seminars, *'Self-Managed Super Funds - Asia Pacific Market Exposure & Self-Funding Instalments,'* on Nov. 14 and Nov 20. Call or email Alida for details.



### A Self-Managed Super Fund...

- Enables you to make your own investment decisions
- Is registered with, and reports to the Australian Taxation Office
- Has no more than 4 members
- Each member of the fund is a trustee
- The trustee can be a corporate entity
- No trustee of the fund receives remuneration for their services
- With the exception of family, no member of the fund is an employee of another member of the fund.

## Quick Tips

### The Right Stuff

How many times have you said to yourself, *'This financial year, I am going to be better organised'?*

Well here's how you can save unnecessary delays and frustration.

Your accounting team can work faster, and you will have to deal with fewer follow-up queries, when income, expenses and loans are clearly identified on cheque butts and bank statements.

A good MYOB general ledger is going to ensure that those BAS, IAS and end-of-year tax returns are completed with less fuss.

The basic advice from MFA's Lisa Morgan, is ...

### Think Ahead!

- A good general ledger and bank statements are all that your Maddern Financial Accounting team really needs.
- If you haven't already, invest in a MYOB accounting package. MFA handles all MYOB versions.
- Keep your receipts at home or in the office. There is no need to bring them in, as long as you have given us a thorough ledger and bank statements. You are required to keep all receipts for at least five years, in case the tax office decides to audit you or your business.

### Writing 'transfer' is not enough

- If you use online banking, remember that many months from the transaction, you and your accounting team will need to identify, who the money is going to, and what it is for. Is it business or personal expenditure?

- If you cannot remember, or make sense of the few characters you wrote in your online banking description, then we are not going to know whether the amount is deductible or not.
- If you have a loan - either bank finance, or some financial help from friends or family, then these incoming funds need to be identified clearly. Loans should not be included in your overall taxable income.

Of course, our accounting and book-keeping team becomes familiar with your business very quickly. We learn to recognise who your clients and suppliers are, and become accustomed to how your business is run, and the expenses you regularly incur.

Still, if you want fewer queries and quicker reporting, a few simple 'signposts' will make tax time far less stressful - for all concerned.

## Spring - Time to Check Your Activities

by Lisa Morgan - Director, Maddern Financial Accounting

*This financial year's first quarter has just finished, and now is the time to determine how you are going to be tackling your BAS, or Business Activity Statements, from now on.*

If your number of employees, or your business volumes have grown, you may need to review and perhaps change the way you pay and report.

Essentially the decisions to be made by businesses and individuals, are simple:

- **When to Pay** - whether to pay your GST quarterly or annually.
- **When to Report** - whether to lodge your business activity reports quarterly, or just estimate your quarterly GST liability, and report only annually.

It is important that you make the right decision now as to how you will report and pay, as you will not be able to change these arrangements before the next financial year. Your decision as to how frequently you want to provide a detailed report of your business activity to the tax office, is best determined by the size of your business.

## Annual Reporting Simpler for Small Business

For small businesses, with up to four employees, it will generally be better for you to opt for quarterly estimated payments, with actual reporting just once a year. Book work can often be overwhelming for small business, and this quarterly payment / annual reporting system minimises the burden.

## Pay & Lodge Quarterly - A Matter of Size

If your business has more than four full-time employees, or a high volume of business activity, then you are a clear candidate for quarterly payment and quarterly actual reporting on your business activities.

Another important consideration, is whether your GST (Goods and Services Tax) exposure is going to change significantly over the year. For some businesses, small and large, revenue and expenses can vary dramatically from one quarter to the next.

It is important that we discuss your BAS options now, so that we ensure you have the right system in place for the rest of the year, so please don't hesitate to call for an appointment.



## Instalment Activity Statements

As well as working out how to approach your BAS statements, now is the time to review your IAS or Instalment Activity Statements from now until the end of 2008.

The IAS is for those who are not registered for GST (and do not have an ABN), but who earn income from employment or from their investments. If your income is below the tax threshold, then you would fall into this category.

Remember, that with the PAYG, or Pay As You Go, system, your income is being assessed for tax, and the IAS becomes an important part of your accounting.

Once again, make a time to come and chat with me, and we can work out the best arrangement for your financial circumstances.

## Contact

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