

In this Issue

-  **MFAccounting Launch**
Dr. Dennis J. Maddern
-  **MFA Investor Briefings**
Alida Chase
-  **Super Protection Just Got Better**
Lisa Morgan
-  **Make Living Less of a Risky Business**
Zach J. Maddern

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FINANCIAL ADVISERS

Advice to suit
your style



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MFAccounting Launch... two-way benefits for clients

by Dr. Dennis J. Maddern



Welcome to our second edition of 'Investor Insight'. We have had a wonderful response to our first MFA newsletter, and I would like to thank you for some great feedback.

Headline news for this winter edition, is the launch of our new Chartered Accounting firm, Maddern Financial Accounting.

For those clients who have frequently sought the convenience of accounting services, provided under the same roof as MFA, this is welcome news.

Maddern Financial Accounting offers a distinctly different choice for its clients - the flexibility and personal characteristics of a local firm, along with a high level of specific expertise and international experience.

Director of the new firm, Lisa Morgan, is known to many of you, and you would already be aware of Lisa's skills as a taxation specialist, and Chartered Accountant.

Just like MFA, MFAccounting takes pride in its extra level of personal service to individuals, large corporates and small-to-medium sized growth-focused organisations. Our accounting clients already represent a broad range of industry sectors, as well as government departments and the public sector.

Benefit of Hindsight

In the past, I have believed that financial planning and accounting do not mix. This is because financial planning is future-orientated, and concerns itself with what you would like your future to be; where you would like to live, what type of lifestyle you desire, or how you would like to spend your retirement.

Accounting traditionally deals with the past - how much you have earned, and how much tax you need to pay.

Our new Maddern Financial Accounting division, will enable us to bring these two perspectives together - the past and the future - to ensure our clients' financial well-being is maximised throughout the year.

MFAccounting has a strong tax-planning focus, and rather than just 'looking back' at the financial year, we will provide clients with an important 'Interim Review,' in April or May each year.

Re-setting your Sights MFA Interim Review

Whether you are an incorporated company or pay personal PAYG, your Interim Review is an opportunity to come in and have a look at what sort of tax liabilities you are exposed to with Lisa and her accounting team.

We then bring in the MFA Financial Planning division, to look at what could be more tax-effective for you. This may mean putting in place, salary sacrifice strategies, or pre-paying income protection, to perhaps soak up tax exposure.

We look forward to providing an even more effective service for our clients, and growing this important arm of our business.

Keep warm and well, and I look forward to speaking with you again, at your Interim Review.

If you would like to contact Maddern Financial Accounting by email to discuss your needs, the address is:
accounting@maddernfinancial.com.au.

Investor Briefings

by Alida Chase - Manager, Client Care

Hello again, and I hope you are keeping out the winter cold.

Many of you have had the chance to visit us in our newly extended Malvern office, where you will always find a warm reception, and a good cup of coffee or tea. Our boardroom, with its 'big screen' facilities, has been very busy, with client meetings, presentations and our popular client seminar series.

If you have attended one of our Investor Briefings in the past, you may want to consider joining us once again, for these informal, yet highly informative and enjoyable evening sessions.

During the briefings, Dr. Dennis J. Maddern explains various investment, tax-minimisation and wealth-creation strategies, and our clients tell us that they have found the evenings to be enjoyable and extremely beneficial.

On Tuesday, 7 August, Dennis discusses two popular forms of investment, and how they compare, in a seminar entitled, 'Property versus Shares.' Please give me a call as soon as you can, if you would like to attend.

Estate planning specialists, Rosendorff Lawyers, will present 'Retirement Planning & Beyond' jointly with Dr. Maddern, on Tuesday, 28 August.

This seminar proved to be a most popular Investor Briefing during our Autumn program, and anyone approaching retirement is strongly advised to attend.

'Tax Effective Investments,' held on 18 September, will no doubt be another very popular briefing, with tax time still fresh in our minds.

Remember, that these evenings are always catered with substantial amounts of very delicious finger food, so if you join us straight from work, you won't go hungry. Wines and soft drinks are also available.



Our Investor Briefings are friendly and fun, and some valuable friendships and contacts have been made amongst our clients.

If you would like to come along, please contact me on 03 9832 0913, or send me an email: achase@maddernfinancial.com.au.

Investor Briefings - Winter

Tuesday 7 August	Wealth Creation (Property vs. Shares)
Tuesday 28 August	Retirement Planning & Beyond*
Tuesday 18 September	Tax Effective Investments

* This Seminar will be jointly run with Rosendorff Lawyers, a specialised estate planning firm.

Alan Rosendorff is one of Australia's leading estate planning specialists, and will be special guest presenter, with Dr. Dennis Maddern, at our important Investor Briefing on Tuesday, 28 August.

'Retirement Planning and Beyond' should not be missed by any of our Maddern Financial Advisers clients, who are considering their retirement.

Clients will discover from Alan's presentation, that the decisions and planning they undertake now, can make a dramatic difference to what should be one of the most enjoyable times of their lives.

The briefing will include valuable information about trust structures, including Testamentary Trusts, and the benefits that the right structure may offer clients.

Business succession planning is also a most important consideration, so that you can retire without your business suffering financial difficulties or conflicts arising from your absence.

Places are limited, so if you are interested in attending, please call Alida Chase, as soon as possible, to make a booking, on 9832 0913.



Super Protection Just Got Better

by Lisa Morgan - Director, Maddern Financial Accounting

Welcome to the new financial year, and let's get started with some good news - the timely launch of Maddern Financial Accounting.

Our service will include interim reviews that will see you in a better position, when next 'tax time' comes around.

The other good news, is that insuring for all-important death and disability insurance cover, through your superannuation fund has become an even more attractive proposition.

As you are probably aware, Life Insurance through your Superannuation Fund is tax deductible, and is a very sensible and affordable option for most of our clients. We would advise you to salary sacrifice your premiums into superannuation.

Death benefit Eligible Termination Payments, or ETPs, are tax-free if paid to a tax dependant. This means your spouse, de facto spouse, child under the age of 18, or other person who is financially dependent on you.

Even better news is that the Federal Government's changes to super rules, brought in two very beneficial and tax-effective changes.

Firstly, the abolition of Reasonable Benefit Limits (RBLs) will mean that:

- Premiums paid can be tax deductible as employer or deductible personal contributions,

- No contributions tax applies to the premiums, and
- Death benefits are no longer limited by RBLs and can be paid tax-free to your death benefit dependants.

No Medicare levy applies, and any tax is paid by the estate.

The tax treatment of death benefits paid as a pension has some special rules, and if this might apply in your case, then I suggest we talk about the implications.

Other Changes from July 1, 2007

Although there will be no substantial changes to the tax treatment of premiums paid through superannuation, there are some minor considerations.

- Tax dependants will now be called 'death benefits dependants',
- If the death benefit is taxable, it will have a tax-free component and a taxable component:

Otherwise, the same tax rates remain in place:

- The tax-free component will be calculated on the same basis as a superannuation lump sum benefit paid to a person aged 55-59, even if the deceased is over 60 at the time of death.



- The taxable component will be taxed in the same way as the post 30 June 1983 component of a death benefits ETP, which is 16.5%,
- If there is an insurance element, part of the post 30 June 2007 amount is taxed at 31.5%.

Roll-Over Changes

With the changes, employer ETPs can no longer be rolled over into super. Transitional arrangements will be put in place for individuals with employer ETPs specified in existing employment contracts at 9 May 2006. These arrangements will only apply, if payment is made prior to 1 July 2012. These employer ETPs can also be rolled over into superannuation until 1 July 2012.

If you would like to contact Maddern Financial Accounting by email to discuss your needs, the address is: accounting@maddernfinancial.com.au.

Quick Tips



Think back to when you last needed to quickly find an important document, like your passport, or a loan agreement. If you went to a desk drawer or shoe box, then you probably need to think about better security.

If it took you two hours round-trip to access your bank safe deposit box, then you probably need a better system.

For those who have to (or like to) travel on a moment's notice, then documents like passports, a living will, or powers of attorney, should be safely stored where you can gain access quickly and regularly. A locked filing system, or household safe is ideal. Remember they are not always burglar or fire-proof. According to the experts, many varieties are at best just fire-resistant, and will only slow a burglar down.

A safe that is bolted to the floor, or built into a wall, is a better option because it is more secure (but also more expensive).

The best place to store irreplaceable 'treasures' that you are unlikely to need in a hurry, like family heirlooms, jewellery, birth certificates and deeds, is in a bank safe-deposit box. These affordable rented boxes have two keys - one kept by the customer, and the other by the bank. Your safe-deposit box is usually kept in the bank vault, protected by a series of security measures.

Making Living Less of a Risky Business

by Zach J. Maddern - Manager, Risk

Human beings are capable of making the most extraordinarily bizarre choices in life - particularly when it comes to our priorities.

Urban legend has it that Merv Hughes insured his moustache for £200,000, and Keith Richard's hand is covered by a £1m policy. The Cutty Sark Whisky company is insured for £1 million, should someone capture the Loch Ness Monster alive.

We insure our cars, our houses, our possessions and sometimes our pets, yet more than 3 quarters of Australian Families do not have enough insurance to replace their income for longer than 3 years. Two thirds of families don't have enough life insurance cover to replace their income for longer than one year.

If you run your own business, it is important to consider how your business would fare if you became ill, or suffered an injury. You need a Succession Plan, and your MFA adviser can help you with ensuring your business can continue.

You also need to think about the impact of illness or injury on your regular payments. Apart from the costs of medical care, how would other regular payments, like mortgages or childrens' educational costs be made?

Only 2 per cent of Australians are currently insured against critical illness, even though 50 thousand people suffer heart attacks each year, and 350 thousand Australians, are diagnosed with cancer.

There's no safety net, except that which you provide yourself, through things like Income Protection, Critical Illness and Life Insurance.

Risk is a reality that we cannot afford to ignore. As part of your financial and investment strategy, it is important to consider doing something intelligent about protecting yourself and your loved ones from it.

Turning Tax into Insurance

A simple strategy, which reduces the cost of your insurance cover, is to increase the amount of life cover under a superannuation plan.

In some cases, having your Life, and Total & Permanent Disability (TPD) insurance as part of your super package, can reduce the effective cost of premiums by up to 46.5%. The extra contributions used to buy insurance through super, are treated like other super contributions, and can attract tax deductions and offsets.

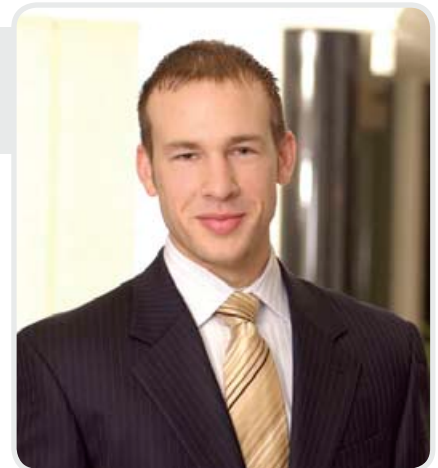
How the Super Advantage Works

Let's look at an example of how insurance-through-super can improve your overall financial situation, as well as giving you peace of mind.

The Andrews family is fairly typical. Mike and Gillian have two children, and a comfortable home.

Mike pays tax at a marginal rate of 46.5% , and Gillian's part-time work brings in under \$10,800 in a year. The couple have death and TPD insurance cover outside super.

Their current outlay for death and TPD insurance looks like this:



Without Insurance in Super

Mike's premiums\$1,337 p.a.
Gillian's premiums.....\$815 p.a.
Total outlay.....\$2,152 p.a.

Taking out the insurance through a super fund gives us a very different set of figures:

With Insurance in Super

With their insurances in super, Mike's premiums reduce by \$621 (i.e. by a tax saving of 46.5% of \$1,337), one of the many benefits of salary sacrificing.

By contributing \$815 into super on behalf of Susan, David can also earn a tax saving of \$147 (i.e. 18% of \$815) in his annual tax return.

Total outlay.....\$2,152 p.a.
Total Saving\$768 p.a.

Mike and Gillian have made a considerable saving of 36% off the cost of life insurance premiums by placing their insurance inside superannuation.

You may also be able to make an effective saving, or improve the adequacy of your insurance protection, by giving us a call on 9832 0913.

Each person's circumstances are unique and it is critical to make sure you get the best insurance solution to meet your personal and financial needs.

Contact

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