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End of year superannuation & investment strategies

Your Boutique Financial Adviser would have discussed end of year superannuation and investment strategies with you throughout the year. As the end of the financial year is fast approaching we thought we would confirm some of these strategies. If you are at all unsure of whether these strategies apply to you, please contact us as soon as possible for clarity.

A few good reasons to act now:

- Reduce your tax
- Accumulate wealth for the future
- Realise immediate gains in the new tax year
- Utilise tax-effective income streams
- Take advantage of the free money from the government

End of Year strategies which you may consider:

1. Government Co-contributions

What's the strategy?

If you make a personal contribution to your super account any time before the end of the financial year, the government will match your contributions on a three-for-two basis by up to \$1,500. Using this strategy you can generate a 150 per cent, tax-free return on your investment within one year. As the money is invested in super it's concessional taxed at a low rate as well.

Who can use it?

Anyone earning less than \$58,980 per year, including self-employed people.

2. Salary Sacrificing

What's the strategy?

If you're due for a pay rise or an end-of year bonus, you can salary-sacrifice this into your super. Salary sacrificing involves sacrificing part of the cash salary from your employer for the provision of a range of benefits, one of which is making extra contributions to your super.

Better still, why not review your current salary packaging arrangements before the financial year ends? Use that pay rise and start contributing a bit more into your super in 2008/2009. You won't really notice the difference now, but it can make a big difference by the time your ready to retire.

Who can use it?

Anyone in paid employment and able to organize salary sacrificing with their employer.

3. Pre-pay your interest

What's the strategy?

If you've borrowed funds to make an investment that will generate assessable income, you're entitled to claim a tax deduction for the interest payable on your loan. By pre-paying the interest on any gearing before 30th June 2008, you may be able to claim a full tax deduction for that interest in your 2007/2008 tax return.

Who can use it?

Anyone who has borrowed money for an investment, or is contemplating doing so before 30 June 2008. It's especially tax effective if your assessable income currently puts you in the top marginal tax rate.

4. Make personal super contributions

What's the strategy?

By making a deductible contribution to superannuation you can reduce your

taxable income and therefore your personal income tax liability. You may also offset any personal income tax that would have been payable on any capital gains you made during the year.

Who can use it?

People who are self-employed, substantially self-employed or under 65 and recently retired.

5. Contribute Super on behalf of your spouse

What's the strategy?

You can receive a tax rebate for making a contribution to your spouse's super fund if their assessable income (including reportable fringe benefits) is less than \$13,800. As it's a tax offset, you'll make a direct saving against your income tax liability.

Who can use it?

People with spouses on low incomes who want to boost their partners' super savings while saving some tax.

READY TO REFINANCE?

Recent interest rate hikes have driven many borrowers to re-think their home loan. Should you be refinancing too?

If you aren't happy with your home loan or are having difficulty servicing it, you might be interested in refinancing. This can mean switching products, consolidating debts or even changing your lender entirely.

Even if you're comfortable with your current mortgage it's advisable to also assess it regularly, particularly if you've experienced any major lifestyle changes recently – such as a new job or you've recently shifted to a one income household.

Here are some issues worth considering as you re-evaluate the opportunity offered through refinancing with your mortgage broker:

Potential refinancing benefits

- Better affordability: A more competitive interest rate could reduce your monthly repayments.
- Lifestyle improvement: Your broker might be able to find features that would compliment your lifestyle – such as an offset account or a holiday period.
- Simplicity: Consolidating all of your debts could make repayments more manageable and as well as cut down repayments on higher interest debt such as on credit cards.
- Pay off your loan faster: Changing your repayment options may enable you to pay your mortgage off earlier, potentially saving you thousands of dollars in interest repayments.
- Flexibility: Your current lender may be slamming you with fees should you step outside your loan's parameters. A new mortgage may give you better flexibility without the excessive costs.

Potential refinancing pitfalls

- Refinancing can incur costs so it's important to make sure that you end up better off should you switch mortgages.
- If you decide to refinance you may be hit with exit, entry or early termination fees. If you're unsure, ask your mortgage broker to review your current mortgage to determine if any fees or charges will apply.

SHARES - IS THE BEAR MARKET OVER?

The following comments are excerpts from 'Oliver Insights' presented by Dr Shane Oliver, Head of Investment Strategy and Chief Economist with AMP Capital Investors, on 20 May 2008.

Shares up since March panic

Since the panic lows in mid-March global shares are up 15%, Australian shares are up 17% and Asian shares are up 19%. The rebound begs the question: have we seen the low or is it just a bear market rally?

The current state of play

In mid-March share markets were down 20% or more from last year's highs and investors feared the worst. But the world has turned out quite differently than feared. The sky hasn't fallen in after all, well at least not so far. Specifically the rebound in share markets reflects a range of factors:

- First, **credit markets have improved from the dark days in mid-March**. It would appear that the actions by the US Federal Reserve to put a firewall around troubled investment bank Bear Stearns and make sure that other investment banks don't run into the same trouble (they can now borrow cheaply from the Fed) marked a watershed in the credit crisis. This along with other actions by central banks to inject liquidity into their money markets looks to be working.

- Second, **whilst the US economy has slowed sharply, it has not plunged into recession as generally feared**. March quarter GDP growth was positive and looks like it will be revised up. Consumer spending hasn't collapsed and should benefit from tax rebates, the trade sector is providing a strong boost and monthly employment data is above recessionary levels.

- Third, **profit results beyond US banks and home builders have held up very well**. Non-financial US companies saw profits rise 9% over the year to March.

- Fourth, **while leading indicators in Europe and Japan have softened, so far economic growth in both has been better than expected**.

- Fifth, **the world is split between what some have called "fire and ice", ie weaker conditions in rich countries but strong growth in the emerging world**. For example, growth in

China this year is on track to be around 9.5% with rebuilding following the devastating Sichuan earthquake another reason to expect its growth to hold up. This is all evident in commodity prices continuing to rise despite the US slowdown.

- Finally, **strong commodity prices and merger and acquisition activity have provided an additional boost to Australian shares**, even though rising local interest rates are a drag on domestic conditions.

There are a number of reasons for short term caution:

- Firstly, **we have yet to see the full economic fall out from the credit crunch and US housing slump and the rise in interest rates locally**. High oil and petrol prices are only adding to consumer stress. As a result more bad economic news is likely along with further profit downgrades over the next few months.

- Secondly, **the May to October period is often difficult for shares**. The typical pattern is for stocks to strengthen from around October/November until around May (or July in Australia's case) of the next year and then weaken into September/October on the back of US tax loss selling and other influences. US presidential election uncertainty will likely add to volatility around October/November.

- Thirdly, **from a technical perspective both global and Australian shares are looking overbought after their strong rally from mid March**. The narrow focus of the rally on bank and resources shares is a concern.

Whether the rally since March has been a bear market rally or not, it's likely that shares will go through some consolidation or correction over the next few months.

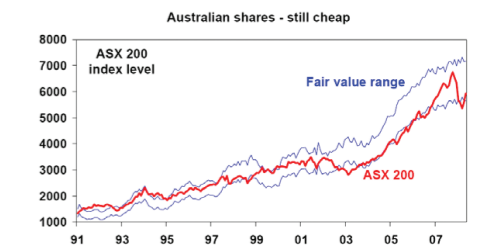
Reasons to expect the trend in shares to be up

However, our assessment is that what we have seen is not a bear market rally, and that whilst there may be a pullback in the months ahead, shares should hold above their March lows and be higher by year end.

Firstly, **the low in shares in March had many of the hallmarks of a classic bear market low**: extreme investor bearishness, "blood on the streets" (with the collapse of Bear Stearns,

Northern Rock, several brokers in Australia, etc) and extreme share market undervaluation.

Secondly, **despite the recent rally shares remain cheap**.



Source: Thomson Financial, AMP Capital Investors

Global shares are trading on a forward price to earnings multiple of 13.7 times compared to a ten year average of 17.5 times. Australian shares are trading on 14 times versus a ten year average of 15.2 times. As the previous chart shows, **despite the recent rally, the Australian share market is still trading towards the lower end of its fair value range** suggesting there is still plenty of upside before the market becomes overvalued again.

Secondly, **right now a profit slump sufficient to justify the current level of share prices is unlikely**. Thanks to economic stimulus, low inventory levels, a lack of corporate overinvestment and a strong contribution to growth from exports the US downturn is unlikely to be deep and should be over by year end. In Australia, industrial shares are certainly vulnerable to downgrades but resources earnings are being upgraded consistent with the huge rise in iron ore, coal and other commodity prices. Resources sector profits are likely to rise by 60-70% in 2008-09.

Thirdly, **monetary easing in the US is providing significant boost to global liquidity and some of this will find its way into shares**.

Finally, if credit markets gradually continue to improve that should also be positive for shares.

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BOUTIQUE WELCOMES ELLA WINDEBANK

Ella joined Boutique in March 2008 as a Client Manager for Neil Cocker.

Ella has been employed in the financial services industry since 2004. She was previously employed by AXIS Financial Group in the role of Senior Administrator. This role primarily focused on Corporate Superannuation and Group Insurance.

Ella provides Administrative assistance to Neil, by way of assisting clients with any queries, liaising with clients and fund managers and preparing Statements of Advice.

Some Timely Reminders

- The average fall in the sharemarket since 1978 is 21%
- Sharemarket falls last 8.6 months on average, and;
- The sharemarket has always recovered beyond the previous peak

The Australian sharemarket is a long term investment. An investment of \$10,000 in the S&P/ASX All Ordinaries Index in 1978 would have grown to \$589,794 in 2008. The same investment in Cash would have grown to \$159,270.

FEDERAL BUDGET 2008

The 2008 Federal Budget contained no major surprises, with many of the measures re-iterating previous announcements (including personal tax cuts). While there were no substantial changes to superannuation, there were still some items of interest.

Personal Taxation Changes

Previously announced changes to the personal income tax rates and thresholds have been confirmed. These changes are highlighted in bold below.

Current tax thresholds (2007/08)	Taxrate	New tax thresholds (2008/09)	Taxrate	New tax thresholds (2009/10)	Taxrate	New tax thresholds (2010/11)	Taxrate
\$0 - \$6,000	0%	\$0 - \$6,000	0%	\$0 - \$6,000	0%	\$0 - \$6,000	0%
\$6,001 - \$30,000	15%	\$6,001 - \$34,000	15%	\$6,001 - \$35,000	15%	\$6,001 - \$37,000	15%
\$30,001 - \$75,000	30%	\$34,001 - \$80,000	30%	\$35,001 - \$80,000	30%	\$37,001 - \$80,000	30%
\$75,001 - \$150,000	40%	\$80,001 - \$180,000	40%	\$80,001 - \$180,000	38%	\$80,001 - \$180,000	37%
\$150,001 +	45%	\$180,001 +	45%	\$180,001 +	45%	\$180,001 +	45%

Low income tax offset enhancements

Between 1 July 2007 and 1 July 2010, the maximum low income tax offset will increase gradually from \$750 to \$1,500 per year.

Tax payable and potential tax savings

The following table shows the amount of tax payable and tax saved in future financial years for a range of taxable incomes, when compared to the current (2007/08) financial year.

Taxable income	2007/08 Tax Payable	2008/09		2009/10		2010/11	
		Tax Payable	Tax saved	Tax Payable	Tax saved	Tax Payable	Tax saved
\$20,000	\$1,350	\$900	\$450	\$750	\$600	\$600	\$750
\$40,000	\$6,250	\$5,200	\$1,050	\$4,900	\$1,350	\$4,450	\$1,800
\$60,000	\$12,600	\$12,000	\$600	\$11,700	\$900	\$11,250	\$1,350
\$80,000	\$19,100	\$18,000	\$1,100	\$17,850	\$1,250	\$17,550	\$1,550
\$100,000	\$27,100	\$26,000	\$1,100	\$25,450	\$1,650	\$24,950	\$2,150
\$120,000	\$35,100	\$34,000	\$1,100	\$33,050	\$2,050	\$32,350	\$2,750
\$140,000	\$43,100	\$42,000	\$1,100	\$40,650	\$2,450	\$39,750	\$3,350
\$160,000	\$51,600	\$50,000	\$1,600	\$48,250	\$3,350	\$47,150	\$4,450
\$180,000	\$60,600	\$58,000	\$2,600	\$55,850	\$4,750	\$54,550	\$6,050
\$200,000	\$69,600	\$67,000	\$2,600	\$64,850	\$4,750	\$63,550	\$6,050

Tax-free incomes for older Australians

The table below shows the amount of taxable income that can be received tax-free by older Australians.

Note: Clients aged 60 or over will still be able to receive unlimited tax-free income from pension investments commenced from a taxed super fund.

Taxpayer categories	Tax-free income*			
	2007/08	2008/09	2009/10	2010/11
People aged 55 to 59 using pension investments #	\$38,684	\$44,211	\$45,789	\$48,158
• Singles	\$38,684	\$44,211	\$45,789	\$48,158
• Per member of a couple				
People entitled for SATO and not using pension investments:	\$25,867	\$28,867	\$29,867	\$30,685
• Singles	\$21,680	\$24,680	\$25,680	\$26,680
• Per member of a couple				

* Does not include the Medicare Levy, but includes the low income tax offset and SATO, where applicable. # Assumes no income from other sources is received. (Continued Page 3)

BOUTIQUE

WEALTH MANAGEMENT GROUP

FEDERAL BUDGET 2008 (Continued from page 2)

Increases in Medicare levy thresholds

The Medicare levy low-income threshold will increase to \$17,309 for individuals and \$29,207 for individuals with families from 1 July 2007. The threshold will also increase by \$2,682 for each dependant child.

Senior Australians

The Medicare levy low-income thresholds and phase-in limits for those people eligible for the Senior Australians Tax Offset will increase as follows:

Low-income thresholds	2007/08	2008/09	2009/10	2010/11
Individuals	\$25,867	\$28,867	\$29,867	\$30,685
Families	\$37,950	\$42,000	\$43,500	\$44,500

Phase-in limits	2007/08	2008/09	2009/10	2010/11
Individuals	\$30,431	\$33,961	\$35,137	\$36,100
Families	\$44,647	\$49,412	\$51,177	\$52,353

Medicare Levy Surcharge changes

The Medicare Levy Surcharge income thresholds will increase from \$50,000 to \$100,000 a year for single people and from \$100,000 to \$150,000 for couples. Singles without private health insurance will save up to \$1,000 and couples will save up to \$1,500 from these changes. All Australians who choose appropriate health insurance will continue to benefit from the private health insurance rebate.

Child care tax rebate enhancements

The Government confirmed that, from 1 July 2008, they will:

- Increase the child care tax rebate from 30% to 50% of eligible expenses.
- Lift the rebate limit from \$4,354 to \$7,500 per child.
- Pay the rebate quarterly, rather than annually.

Note: Changes have been announced that impact the Child Care Benefit



WEBSITE ONLINE...

Our Company website has adopted a new look! Visit us at:



www.boutiquewealth.com.au

CLIENT MANAGER ROTATION

If you have made contact with our office in the past month, you may have noticed that our Client Managers have rotated around our office and are now assisting different Advisers.

Our Client Managers provide administrative support to our Advisers and assist our Clients with general and administrative queries. Our Client Managers are available throughout the day to attend to telephone calls, faxes or emails. If your Adviser is unavailable our receptionist will forward your call to the appropriate Client Manager who will attempt to assist you directly or they will ensure that your Adviser attends to your query as quickly as possible.

This rotation forms part of the continuous training of our Client Managers.

Your Adviser remains unchanged.

Current Adviser and Client Manager Relationships



Monica Matteucci
Client Manager to Gary Hasler & Andrew Bolingbroke



Rebecca Tibben
Client Manager to Brad Scally



Ella Windebank
Client Manager to Neil Cocker



Connie Ng
Client Manager to Julie Jones



Lisa Turner
Client Manager to Brenda Soon