CRITIQUE
Private Clients

Newsletter May 2009

An update on the investment climate and historical market performance

Since November 2007 the ASX 200 Index started its decline, firstly, as a reaction to the United States Subprime Mortgage Crisis and then secondly, due to consequent crippling of the global financial system which saw major financial institutions fail or be bailed out. From the highs of 6828 November 2007 the ASX 200 had fallen to a low of 3145.50 on the 6th of March 2009 which was a percentage drop of 53.9%.

In the weeks since the Australian market has rallied on the back of positive news replacing the predominately negative data coming from all the major advanced sharemarkets and economies. The ASX 200 has risen up to 3700 mark which is a significant step in the right direction however this mark still represents a 45.8% fall from the high point of the market back in November 2007.

The devaluation of the Australian Sharemarket does create an opportunity for investors looking to commence a long-term investment plan as stocks are significantly undervalued. For those with a 5 year plus timeframe the time is ripe to begin investing.

Legislative Changes // Budget 2009

The government has now reduced the concessional super contribution cap for next financial year from $100,000pa to $50,000pa for persons aged 50 and over for this coming financial year. Similarly, the limit has been reduced to $25,000 per annum from $50,000 for persons less than 50. This does provide an opportunity for additional salary sacrificing up to the end of this financial year to take advantage of the concessional tax treatment of these contributions and boost super balances.

For further advice on how to take advantage of these opportunities please contact Jason Abrahams or Robert Wolski.

Strategy

Running Insurances through Superannuation- Legislation has made it possible to have your insurance policies paid for from your superannuation accounts. The advantages of this are three-fold; you can now use funds taxed at 15% to pay for your insurance premiums rather than monies from your bank account which the tax man has already taken 30%, 40% or 45%.

Secondly, you can afford to have your family protected even when things are tight and you don't have the spare cashflow as your super will be footing the bill.

Thirdly, you can ensure the insurance payout reaches its intended recipients such as your partner or children. Upon a claim the payout is paid to your superfund which is then legally bound to transfer the proceeds to the beneficiaries you have nominated. If this is financial dependent they will receive the funds tax-free.