



# FUTURE

Your Future, Our Business

## Maximise Savings

### Other Top Stories:

- Protection - It is your business
- Australian Residents and UK Pensions
- Prizes of all sizes

## Maximise Savings...

## Tax Effectively!

Saving money is one of the hardest regimes to maintain. It's also one of the most important... if we want to achieve our goals and lifestyle choices.

There are many theories about the best way to save, and just as many schemes which promise to make you instantly rich. Most of these schemes, though, only serve to enrich those promoting them.

There is only one way to save successfully – by making regular contributions into a savings fund or investment over a long period. This works for two reasons: regular contributions build steadily over time, and your savings benefit from the 'magic' of compound interest – that is, earning interest on your combined principal and interest.

This is all very well, but regular saving requires a lot of discipline... and progress can be frustratingly slow. One method of accelerating your savings is a strategy known as 'instalment gearing' – or the art of saving using someone else's money.

This strategy combines your own regular contributions with funds borrowed from another source, which you 'draw down' on a regular basis to add to your savings. The result is that you quickly amass greater savings than you would on your own. With more funds to put into your chosen investments, you have more chance to achieve a capital gain and, with more money working for you, greater access to the benefits of compound interest.

For example, you may have access to \$20,000 of borrowed capital. You may start your investment fund with a \$2,000 'draw down' from the loan and \$1,000 of your own funds. Then, each month, you'd contribute \$250 of your own funds and draw down \$500 from the loan – totalling \$750 to invest. After three years you would have drawn down the full \$20,000 and saved \$10,000 of your own (less the loan repayments), making for a potentially diversified investment portfolio.

The loan interest could lead to further benefits such as negative gearing. For instance, if the

interest payable is greater than the income earned from your investments, you may be able to claim the difference as a tax deduction. If you have a high disposable income, and you're on a high marginal tax rate, this could be an effective way of reducing your tax liability.

Instalment gearing is essentially 'dollar cost averaging'. By investing on a regular basis, say monthly, you spread your investment risk. If prices are high, your regular contribution won't buy as much, but the value of the rest of your fund will be rising. If you invest when prices are falling, you'll buy more for your money... and when prices rise again, those additional shares or units will increase in value.

David Page and Kevin Moore can help you determine whether this unusual but potentially effective savings strategy could enhance your financial position.



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**austbrokers**  
AN AUSBROKER MEMBER

# Principally Speaking.



Hello once again.

At the risk of sounding like the proverbial broken record, I do think it is important for me to reiterate how much of your insurance dollar is kidnapped by government charges. In Victoria you can be levied up to an additional 89% on top of fire insurance premiums. This continues to be a tax hidden from public debate and while the complexity of the tax system was considered by the 2020 conference in Canberra recently, I implore you to write to your local member and let them know the impact these charges are having on you and your business.

Phillips has always been at the forefront in offering the very best of professional service and advice. The addition of Austbrokers Compensation Services to our group will allow us to assist you in even more. Troy Mansell and his highly qualified professionals are fitting in nicely with our team and have already shown some of our clients significant savings while improving their WorkCover processes too.

May I add to Troy's article in this issue by saying that if you have a Workers Compensation policy, I would strongly recommend you speak with the team at Austbrokers Compensation Services.

Finally, the end of the financial year is here. Now is the time to review your financial situation against the new rules implemented by the Rudd federal government, and consider your strategies for the new year. Our financial planning team, headed by Kevin Moore, regularly offer informative events for clients and their friends to help you and your families plan for the future. I encourage you to consider your options.

I wish you well in the lead up to the new financial year and continued success.

**Gerry Phillips**  
Chief Executive Officer  
gerryp@phillipsfs.com.au

## Getting the right cover. Don't get caught with your assets down!



We spend much of our time with our clients making sure that the policy they buy is the very best for them. While it is fair to say that insurance is a grudge purchase, as we say "In a perfect world you would not need our product or service at all". But it is not a perfect world!

It is natural to try and save some money by making sure you only pay as much as needed to protect yourself, or your business, from unforeseen events. Some people under-declare their assets with a view to reducing their premium, but in our view this is bad policy from two perspectives.

Firstly, saving a few dollars won't help if you do have a major loss. If a major fire occurs at your place of business or your home, the cost of the premium is no longer relevant. There are two things people are concerned about once

everyone is safe and sound: (1) What items of sentimental value have been destroyed? and (2) Do we have enough insurance cover to replace everything?

There is a real sense of relief knowing that you have sufficient cover, not only so you can afford the best trades people possible to rebuild your factory, office, workshop or home, and that you can search the world over to source replacement plant but you can also afford to move into a temporary accommodation while it all happens. Your insurance policy can't replace the sentimental value of personal belongings, however knowing you can afford to have all of those necessary items around the house replaced with new ones means that from a practical point of view you and your family can resume living life as you did before the fire occurred.

There are a number of ways you can minimise the cost of your insurance protection and still be properly protected in the event of a catastrophe.

Some of the ways we can help you are:

**1.** Different excess options – this means that you take the first part of the risk. There are significant discounts for business, home and car insurance should you be prepared to take this on. It is important that you be aware of the total cost of the accumulation of these over the policy year. Some businesses are attracted to aggregate excesses over a year so that they can reduce premiums across a wide range of risks.

**2.** Modifying cover so that it suits. Sometimes, it is not including additional cover, but removing unnecessary or expensive cover options – these may be replaced by a less-expensive choice or not taken at all because the cover is not required and/or internal risk management systems are relied upon.

**3.** Improving risk management systems to the extent that they are recognised by insurers who are prepared to apply discounts for lower risk.

These can be substantial, even at home with the installation of an alarm system for example. The important thing is to ensure that the improvements are cost-effective and are to your direct benefit from an insurance perspective.

The other reason under-insuring is bad policy is because sums insured are the basis for calculation of premiums. Insurers therefore usually include a clause in business policies to make the client their own insurer for the amount of underinsurance.

In simple terms, this means that if your building is actually worth \$1,000,000 to rebuild and you only insure it for \$750,000, you will always be required to pay up to 25% of each an every claim. Let me also tell you that much of our time in negotiations in respect of major claims is spent on this issue. And the longer it takes to resolve a claim, the longer you are out of pocket and out of control.

If you would like some assistance in assessing the correct values for your assets, contact your account executive and we will arrange an introduction to one of the professional valuers who specialise in this field.

And if you own a high valued home, you might be able to access this service free-of-charge from your insurer. Ask us if you would like to consider this service too!



**Rosemary Dee**  
Manager - Consumer Department

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# Australian Residents and UK Pensions



There may be significant advantages for Australian residents who have UK Pension funds to transfer those funds to an Australian Superannuation Fund.

## These advantages include:

- Pay **NO TAX** in retirement
- Access to lump sums anytime in retirement
- Control the investment of your funds now and in retirement
- Protect your estate by leaving your funds to your family – not your UK pension provider

You can withdraw your benefits tax free on retirement from age 60. Generally speaking, benefits paid from an Australian superannuation fund, either as a lump sum or as income, will be tax free for retirees aged 60 and over. The tax free amount will include any UK pension benefits transferred to your Australian Superannuation fund. This represents a significant incentive to transfer given the benefits would be treated as taxable income on withdrawal if retained in the UK.

Any benefits remaining on death can be passed to your nominated beneficiaries. This represents a significant advantage over the UK, where the rules dictate that the benefits are lost once any surviving spouse has passed away.

Your retirement income will not be subject to exchange rate risks. If you were to draw your benefits from the UK, the amount received each payment would vary according to the value of the British Pound to the Australian dollar. This would make budgeting extremely difficult and place unnecessary risk on funding your retirement. By transferring to Australia, you will eliminate the currency risk associated with your benefits.



## Which funds can be transferred

The vast majority of UK pension funds can be transferred to Australian superannuation as a lump sum, so long as they haven't commenced a pension payment from the fund.

The UK state/age pension cannot be transferred to Australia as a lump sum. The benefits can only be received as a regular income at retirement age.

## Transfer Tax

When you transfer UK pension funds to Australia as a lump sum, tax is only payable on the earnings of your UK pension funds whilst you are a resident of Australia. It is essential that you get advice before moving your funds. A number of people have initiated large tax debts in the UK by inadvertently breaking fundamental regulations set by Her Majesty's Revenue and Customs (HMRC) such as paying tax or fees from the fund.

Since April 2006, all transfers of UK pension funds to Australia must be approved by HMRC and be transferred to a Qualifying Recognised Overseas Pension Scheme (QROPS) in Australia. Failure to comply will result in a severe tax penalty of up to 55% deducted by the UK pension fund prior to the benefits being transferred to Australia.

So with the right advice and the right planning your UK pension funds can provide a growing and tax free income to you in retirement.

If you would like more information on transferring your UK pension funds to Australia please contact Kevin Moore or David Page on 8586 9333.



**Kevin Moore**  
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# Does your WorkCover Agent owe you a refund ?



## We'll let you know...

Our experience with numerous organizations has shown us that you may be entitled to recover funds overpaid to your WorkCover insurance agent.

Industry data shows that over 90% of Australian employers pay an incorrect premium amount due to incorrect categorization or remuneration declarations.

Austbrokers Compensation Services (ACS),

the new Workers Compensation organization within our group; are well versed with national WorkCover legislation, and our 10 specialist staff have successfully obtained reimbursements for our clients totaling more than \$1,000,000 per annum. A recent review for one Phillips client resulted in a savings of over \$90,000 on WorkCover premiums.

Based in Victoria with a presence in New South Wales and other states to come shortly, our team covers all aspects of WorkCover - including Industrial Relations, Human Resources and Payroll legislation to ensure we can comprehensively assist your business on a national basis.

ACS focuses on minimizing Workers Compensation costs to our clients in two ways:

1. Retrospective Reviews – Claim back monies owed to you through:

- Premium Analysis
- Claims Reimbursement

The ACS Review Services are a retrospective analysis of your Workers Compensation premium and claims reimbursements to uncover possible overpayments in premium or missed claims reimbursements from your Workers Compensation Agent

ACS' proven capacity to identify genuine savings allows us to offer a No Result – No Fee service for clients. We will only charge a percentage of refunded amounts actually received. This risk-free formula means that there is no reason not to commence a review today!

2. Forward Planning – Ongoing minimization of claims impact to facilitate future savings:

- Claims Management
- Policy Management
- WorkCover Premium & Payroll Tax Support

As a source of support and information focused on the employer, we are uniquely placed to advise and assist in all facets of the Workers Compensation field, no matter where your business is located.

The simple summary is that our services can save your real money and provide you with long term control over a vital, yet often confusing part of your business.

Feel free to contact us on 03 8586 8350 or 1800 819 394 for interstate callers to find out more.

Troy Mansell  
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## SELF MANAGED SUPERANNUATION FUND

Is it really for you? Have your questions answered at this exclusive briefing.



Self Managed Superannuation Funds (SMSF) are fantastic retirement planning vehicles for people in the right circumstances, but they are not for everyone. We are conducting an informative briefing for people contemplating establishing a fund and those wanting to maximize the benefits of having a SMSF.

### IS A SMSF RIGHT FOR ME?

### ADVANCED SMSF STRATEGIES



**DAVID PAGE**  
CFP® Senior Financial Advisor

- Introduction to benefits of Superannuation
- Why use an SMSF?
- Advantages, Disadvantages and costs of SMSF
- Strategies to reduce tax – now



**KEVIN MOORE**  
CFP® MFP General Manager

- How to access your super while still working
- Trustee requirements – dotting the i's and crossing the t's
- Risk and investment strategies
- New changes to Superannuation – Opportunity or Minefield?
- Estate Planning

*"Thorough and covered all areas"*

*"The presentation was very professional with loads of information"*

*"The examples were relevant to us, which made it easier to relate to"*

**DATE** 18th June 2008  
**TIME** 6.15pm for 6.30pm  
**VENUE** Kingston City Hall,  
Moorabbin

**BOOK NOW (03) 8586 9301**  
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