

ECONOMIC OUTLOOK FOR 2011

2010 was a disappointing year for investors and it was hoped that 2011 would see a turnaround. While it is not all doom and gloom, the economic outlook for the 2011/12 financial year isn't as rosy as many of us would like.

One of the contributors to recent poor performance has been the impact natural disasters have had on the broader economy, slowing GDP. Tourism has been subdued in the last few months and the prices of many consumer staples such as food and energy have risen. This puts pressure on inflation and household budgets.

Global commodity prices rose in response to the reduced production of key resources such as coal. Despite setbacks earlier in the year, Australian mining is set to boom again which will have a positive impact on employment.

OUTLOOK FOR INTEREST RATES

It is looking likely that the Reserve Bank is going to hold off on further interest rates rises in the short term. While this is good news for borrowers, it is less heartening for investors who rely on income from interest based investments and shareholders in banks and other financial institutions.

REBUILDING THE NATION

Estimates put the cost of the recent natural disasters in excess of \$30 billion, with 75% of this cost being borne by the Australian Government. In order to fund this, legislation was introduced to impose a flood levy on all taxpayers earning \$50,000 or more during the 2011/12 financial year.

OUTLOOK FOR SHARES

The Australian share market has been trading in a side-ways band since late 2009, with the ASX200 index struggling between 4,200 and 5,000. There are many headwinds for investors, especially from overseas. The risk of Greece defaulting on its sovereign debt is becoming increasingly likely and the the state of the American economy is a constant source of news.

However, Australia's \$1,300 billion economy is fundamentally sound, and while there may be some short term issues, recovery is expected in the longer term.

SUPER CALCULATION FOR CONTRACTORS

Employing contractors in your business can sometimes mean you are still responsible for their superannuation contributions.

As a business owner, it is important to understand the legal requirements around paying superannuation for your employees, including contractors who are treated as employees.

The ATO has developed a 'Superannuation Guarantee eligibility decision tool' designed to guide businesses in identifying those individuals who are considered employees. It is then a requirement to provide super for all those who are deemed to be employees.

The tool enables employers to answer a series of questions anonymously that will help you decide if an individual is entitled to superannuation payments based on the conditions of their employment. It also provides a summary report from the information entered and a summary of the superannuation obligations for the individual.

In order to access the tool you can visit the ATO website, www.ato.gov.au and search for SG eligibility decision tool. Taking approximately 5 minutes to complete, this is a worthwhile exercise to ensure that you meet your superannuation obligations.

For more information about this or if you require any advice regarding superannuation eligibility feel free to contact us.

END OF FINANCIAL YEAR LAST MINUTE TAX TIPS FOR BUSINESSES

With the end of the financial year fast approaching, now is the time to get a handle on your tax planning. Here are a couple of last minute tips:

- Make sure your bad debts are written off before the year end in order to avoid paying tax on income not received
- Ensure all superannuation payments are made prior to June 30 to receive a tax deduction in the year ended 30 June 2011
- Address any unpaid trust distributions to corporate beneficiaries to avoid penalties under Division 7A of the *Income Tax Assessment Act 1936*
- Undertake a stock take to write down all obsolete stock, review your depreciation schedule and scrap obsolete products
- Consider if dividends are going to be paid and ensure sufficient company franking credits are available
- Be aware of changes to individual income tax rates that are changing as a result of the introduction of the flood tax commencing 1 July 2011
- Consider the small business capital gains tax concessions and if they might be applicable to you
- If receiving a distribution from a family or discretionary trust ensure your TFN is disclosed to avoid tax being withheld from the distribution at 46.5%. This includes individuals, companies, partnerships and other trusts, but excludes minors.

Lastly, feel free to contact us if you are unsure about any of your obligations.

NB: This is by no means an exhaustive list so please contact us with any specific questions.



FORTUNITY TRENDPLUS™

An innovative new approach to managing your investments

WHAT IS TRENDPLUS™?

TrendPlus™ is an investment strategy based on buying and selling Australian shares. As an alternative to the traditional 'buy and hold' approach, TrendPlus™ aims to achieve higher than average returns when the market is moving upward, while protecting your capital during market declines.

The strategy is based on a 'trend following' model where trading rules are followed to identify when to buy and sell different shares. It does not try to predict the future, but rather takes signals from current market activity.

WHAT ARE THE KEY OBJECTIVES OF TRENDPLUS™?

The main objectives are to:

- Participate in long term upward trends
- Reduce volatility
- Revert to cash during sustained down-trends to protect your investment
- Simplify the stock selection process
- Remove emotion from the decision making process

WHAT SHARES WOULD BE INCLUDED IN MY PORTFOLIO?

TrendPlus™ works across the entire share market, however you can decide which signals to take according to your risk tolerance and investment needs. Market segment choices include shares within the ASX200, ASX300 or the Small Ordinaries Index.

WHAT IS THE MINIMUM AMOUNT I CAN INVEST?

The minimum amount for investment is \$250,000.

HOW CAN I GET INVOLVED?

If you are interested in finding out more about how TrendPlus™ can work for you, contact the Financial Planning team at Fortunity on **02 4304 8888** or email **info@fortunity.com.au**.



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