

Fixed Fees

The introduction of Fixed Fees from 1 July 2010 has been well received by our clients. We have received very positive feedback concerning the fact that the fee is **fully inclusive** and covers all meetings, phone calls and correspondence processing throughout the financial year. A number of new clients have also approached our Practice to take over their taxation and accounting work due to the fact that we now offer a fully inclusive fixed fee service.

It is acknowledged however, that most clients have experienced an increase in their taxation & accountancy fees for the 2009/2010 financial year due to the increase in our overhead costs over the last three and a half years. Our last fee review was effective from 1 January 2007, so it was expected that our fees would need to be increased this year to cover our increased operating costs.

Please note that our new fixed fees have been benchmarked against the minimum fees and typical/average fees charged by suburban accountancy practices in Queensland as advised by Rob Knights & Co – a professional informationalist & consultant to the accountancy profession.

We have intentionally kept our fixed fees **below** the minimum and typical/average benchmark rates charged by other suburban accountancy practices to ensure that our clients continue to receive **value** for the fees that they pay for our services.

Tax File Numbers for Beneficiaries of Trusts

We encourage all clients who have appointed their children as a beneficiary of their Family Trust to arrange for them to be issued with a Tax File Number (TFN). This can be arranged by contacting the Australian Taxation Office.

Current Workload Delays

Due to the large volume of work received in the August/September period, we have experienced some delays in the completion of accounting and taxation work for clients.

It is our aim to complete such work in a 4-6 week period from time of receipt, however this has been extended in recent weeks to 7-9 weeks due to the volume of work currently awaiting processing.

Please accept our apologies for any delay that you might have experienced at this busy time of year.

Income Protection Insurance

If you rely heavily on your income to meet your regular expenses then you should have some form of income protection insurance.

According to industry research, during their lifetime 50% of all Australians over 30 will suffer a major medical condition that prevents them from working. However, only 1 in 20 has personal insurance cover.

Income protection insurance involves the transferring of risk from you to an insurer. In the event of a serious illness or injury, the insurer will pay a proportion of your salary or wage until you have recovered sufficiently to work again, or until the maximum benefit period as stated in the policy has been reached.

Your biggest asset is probably not your home or superannuation balance, but rather your own income producing capacity. If you multiply your annual salary by the number of years to your retirement, you may be surprised by the result. For example, for someone aged 25, forty years of employment earning \$50,000 per annum is \$2million. Now that is something worth protecting!

Unlike most other personal insurance premiums, Income Protection Insurance premiums are also fully tax deductible.

So if you haven't reviewed your insurance needs lately, please contact David Rosenberg, CFP, FFPA, Authorised Representative of Futuro Financial Services Pty Ltd No. 238912, on 3826-6111. He can help you work out the right level of cover that you need to protect your financial security.

The Case for Debt and Cash Flow Management

The family home and "good debt" are generally the cornerstone of a complete and effective financial plan.

Good debt allows you to utilize someone else's money to leverage your wealth creation. For most Australians, equity in their home is the number one priority, the question is – should this be the case?

Often people wait until the mortgage on their family home is paid off before looking to invest. Unfortunately, this approach fails to take advantage of time. When you eventually find yourself debt free, the length of time available to be exposed to growth assets is so short that you are unable to take the best advantage of the power of compounding.

By investing earlier whilst still paying off the home mortgage, you have the ability to generate further wealth.

Investors can expect two different types of return on an investment – Income (eg interest, dividends or rent) and Capital growth (eg when the stock market rises or property values increase).

The decision to plan for income, growth or a combination of both, normally stems from your tax position, your immediate requirements for cash and your longer term plans.

Traditional geared portfolios rely heavily on capital gains as investment income is generally a lot less than the cost of the debt. This puts enormous financial pressure on the investment portfolio to perform, even over the short term. It also means that unless you can afford to hold the investment for a relatively long period while meeting your cash flow shortfall, you are vulnerable to poor investment performance.

A much better approach is to:

- create an efficient geared investment portfolio to generate capital growth and income over time,
- Revise your personal cash flow management, and
- Seek appropriate advice relating to superannuation, insurance, taxation and estate planning.

Under this alternate proposition, rather than merely looking at the value of the investment portfolio, which is vulnerable to market & investment performance outside of your control, it focuses on your overall wealth. The aim is to produce a positive cash flow, with a primary focus on the reduction of personal debt.

If you would like to review your current investments or consider making new investments to utilize your debt more efficiently, please contact David Rosenberg, CFP, FFPA, Authorised Representative of Futuro Financial Services Pty Ltd No 238912, on 3826-6111 for an appointment.

Is it time to re-finance your Home Loan or Investment Loan?

With interest rates predicted to rise at least 1 percentage point before the end of 2011, it may be an appropriate time to review your current loan arrangements.

John Adams, MBA, Director of Frederiks Mortgage Brokers Pty Ltd is able to review your current loan arrangements, or assist you in obtaining appropriate finance for the purchase of a new home, motor vehicle, business equipment, business acquisition or share/property investment.

Please contact John Adams directly on 0409-768-255 for further information.

Season's Greetings

All of the staff at Frederiks Accountants and the other companies within the Frederiks Group, would like to take this opportunity to wish all of our clients a blessed Christmas, and a very successful, rewarding and healthy 2011.