In the Spring Edition we introduced you to the Lifetime Money Management Plan. Within your plan one of the important factors that needs to be considered possibly before anything else is how you protect your plan.

MARKET RISK IS NOT THE ONLY RISK……

Everyone should be aware that death, sickness and injury have the potential to impose severe financial hardship. They can occur at any time, regardless of everything else and often without warning. Now days it seems an unfortunate fact that we all know someone close to us that has been through this situation. Some were lucky and had their lives insured, others may not have been so lucky.

Life insurance is the most common form of protection against these risks. It can provide cash in the event of death, total and permanent disability, medical trauma or loss of income through accident or illness. Money can be paid when and where it is needed.

FAMILY PROTECTION.

In financial planning, life insurance plays an important role to help fll gaps in a client's financial plan. It is important to examine the financial risks a family will inherit if a breadwinner dies suddenly, or can no longer work due to a disability.

The first task is to prioritise these risks in order of seriousness by determining which ones are likely to cause the most problems. For example, it could be the death or impairment of the family's significant breadwinner which leads to the question: "How will the mortgage be repaid?" Other priorities which should be considered include how to maintain the family's current standard of living; how to provide for the children's education.

On the other hand a person without dependents may regard the loss of the ability to earn an income as their major worry. (Would you have to move back home?? Would you rely on Mum and Dad to support you?? Mum and Dad, Do you want to support them??)

It is remarkable how people will recognise a need to insure their cars against loss or damage, but can't see the need to insure their lives.

UNEXPECTED EXIT OF THE BUSINESS OWNER

Question:

What would happen to the business if the owner or one of the partners died or became incapacitated? If there is no will or succession plan in place, would the business close, would it be inherited and run by someone inexperienced, or would it be sold?

Risk:

If there is no plan to deal with the death or incapacity of the business's owner or one of the partners in a partnership, the business might have to close or be sold to a competitor to avoid putting undue pressure on the remaining owners or new owners.

Risk management strategies include:

- consulting advisers who can assist in business succession, wills and estate planning
- preparing a business succession plan and a will that is consistent with the plan
- implementing appropriate insurance that provides income or a capital sum in the event of the death or incapacity of the owner or a key employee
- where there are two or more unrelated owners in a business, consider a buy/sell agreement and funding agreement for the eventual transfer of the business
- documenting key processes and critical information so that other people can continue to run the business
- training employees so that more than one person knows how to perform each task

The above risks are real and need serious consideration. At PRL Solutions we take family protection and business succession planning seriously. We provide recommendations for the appropriate levels of cover and the assistance to put in place the relevant documents to ensure that the families and business needs are taken care of as you would wish them to be.

If you do not have Life, Total and Permanent Disability, Trauma or Income Protection insurance in place now to protect you and your loved ones then you need to call our office so that we can implement a wealth protection plan for you. Alternatively if you do have cover in place, congratulations you have done very well, BUT, how long has it been since it was reviewed. We can review your insurance to ensure it still suits your circumstances.

THE LENDERS CORNER – BY ANDREW FORSYTH.

Andrew Forsyth is a director of PRL Finance Pty Ltd which is our lending division to cater for our clients' residential, commercial, leasing, and chattel mortgage finance needs.

REDUCE MORTGAGE REPAYMENT PRESSURE : Given the current interest rate environment I have set out tips on reducing mortgage repayment pressure. Most importantly though you should speak to us to ensure your circumstances are looked after appropriately.

Tip 1. Request a repayment holiday, if you have a variable rate loan and you are ahead on your repayments, you may be eligible to take a break from them for a period of time - a great way to free up some space in your finances.

Tip 2. You may consider converting your repayments to interest only for a period of time; this will take some pressure off your monthly commitments. (Be mindful that this may increase the repayment amount later.)

Tip 3. Consider consolidating your existing loans into one monthly Home Loan repayment. This may provide a lower interest rate overall.

Tip 4. Restructure the home loan – your current mortgage may not be meeting your current needs, a meeting to talk through a range of options that may be more suitable to your circumstances. EG 100% offset accounts and Line of credit

Tip 5. Increase your repayments now, if the interest rates increase you will not feel the pressure as much and you will be conditioned too a higher repayment level

I would be happy to review your Lending to ensure you have the best loans for your circumstances. This is a free service available to Perrier Ryan clients, but feel free to pass on my details if you have a friend or family member that would benefit from this service.

Please call Andrew Forsyth on 3391 7566.

PERRIER RYAN BUSINESS ADVISORS

Insight

Summer 2009

Inside this issue:

Important Information 1
Private Use Of Company Assets 1
Division 7A Refresher 1
Current Legislation 2
Proposed Legislative Changes 2
Superannuation Clearing House Service 2
How Will It Work & How To Register Medicare To Deliver This Service 3
Superannuation Payments Are Tax Deductible 3
PRL Solutions Page
Market Risk Is Not The Only Risk 4
Family Protection 4
Unexpected Exit Of The Business Owner 4
Lender's Corner 4

ABN 88 022 099 098

TELEPHONE 3391 7566
FACSIMILE 3391 7726

contact@perrierryan.com.au

Level 1, 221 Logan Road
Woolloongabba QLD 4102

POSTAL: PO Box 1420
Coorparoo DC QLD 4151

www.perrierryan.com.au

Welcome to the final edition for the 2009 financial year, from all the partners and staff here we thank you once again for your support and wish you and your families a safe and happy holiday season. We advise that our office will be closed from 3pm Thursday 24th December and will re-open at 8.30am Monday 11th January. Should you require any urgent advice throughout this period please contact your relevant partner on their mobile phone.

We hope the turmoil of the last 18 months is now behind us, and we can all look forward to better business, work and personal conditions in 2010. Given the year that has been I think you can all enjoy your New Year celebrations this year a little more than usual, if you are worried about the health ramifications of this……then just ponder this "Health nuts are going to feel stupid someday, lying in hospitals dying of nothing."

"Merry Christmas and Happy New Year"

IMPORTANT INFORMATION

As you would be aware, since the commencement of the federal government's workplace relations laws on 27 March 2006, employers who are constitutional corporations (including financial or trading corporations, generally Pty Ltds or Limiteds) and their employees have been covered under federal industrial relations jurisdiction.

Non-corporate employers (generally individual sole traders or partnerships) and their employees have continued to operate under Queensland industrial relations jurisdiction.

However, the Queensland Government has now introduced legislation which will refer to the Commonwealth the state's industrial relations powers for the private sector. These changes will operate as from 1 January 2010 and will mean that all employers and employees in Queensland with the exception of state and local government will be covered under a national industrial relations system administered by the Commonwealth Government.

For further information on these changes you may contact:

- Wageline on 1300 369 945
- Workplace Rights hotline on 1300 737 841 or
- visit www.workplacerights.qld.gov.au; or
- the Commonwealth's Fair Work Infoline on 13 13 94 or
- visit www.fwo.gov.au.

PRIVATE USE OF COMPANY ASSETS

Whilst it is not a widespread practice some private companies do allow shareholders to make use of certain assets such as real estate, cars or boats for free or at a reduced rate. Such practices may soon, however, be taxed under proposed changes in tax legislation by the Federal Government.

In the federal budget there was an announcement of a tightening of the rules relating to the taxation of non-commercial loans and payments under Division 7A (see below). Further, some of the changes may also impact the use of such assets where they are owned by a trust.

DIVISION 7A REFRESHER

Division 7A was introduced in December 1997 with the aim of stopping private companies from making tax-free distributions of profts to shareholders or their associates. It applies to payments, loans and debts forgiven to shareholders (or former) and their associates made on or after the 4th of December 2007.

Under the division, any of the above-mentioned transactions may be treated as deemed dividends and must be included in the shareholder or associate's assessable income; hence the proceeds from such transactions are taxed at the shareholder or associate's marginal tax rate.

The proposed changes will have retrospective application for transactions that occur on or after 1 July 2009.