"MADA NEWS" FEBRUARY 2009 EDITION

45-47 Addison Street
Elwood Victoria 3184
Phone 03 9531 666
Fax 03 9531 6550
www.mada.com.au

INTRODUCTION

Welcome to our first newsletter for 2009.

This topic should be of interest to many of our clients with our conversations peppered with talk regarding the financial crisis and how low can the markets go!

IN SPECIE TRANSFER OF SHARES TO SELF MANAGED SUPERANNUATION FUNDS – IS THERE A SILVER LINING AMONGST THE FINANCIAL MARKETS' TURMOIL

The turmoil of the financial markets is occupying our thoughts and conversations…how low can the market go? Is there a silver lining amidst the turmoil?

With shares being at their lowest levels for some years, there may be an opportunity to consider transferring some shares, managed funds or indexed funds to your self managed superannuation fund. Note that such a strategy is not available to those of you with WRAP accounts or in industry funds such as Health Super and HESTA or retail funds such as BT.

By transferring shares in specie i.e. non cash rather than cash, by way of off market transfer, you save broking and other on costs. It is as easy as obtaining an off market blank transfer form, finding out the market price on the day of transfer, filling out details of vendor and purchaser and then forwarding the completed form to the relevant share registry office.

When you transfer shares, a capital gains tax event occurs. This means that you may make a gain or loss because of the sale or transfer of shares to your fund. In many instances with the downturn in the market, you will crystallize a capital loss in your hands (or a trust or company) and the shares' cost base in the superannuation fund will start from a low base. You can then access the advantages of future price increases due to market trends once they are transferred. There is no stamp duty on the transfer of shares.

And dividend income and capital gains are taxed concessionally in a superannuation fund environment. You pay 15% in relation to dividend income and the 30% imputation credit effectively reduces tax on other income such as concessional (deductible) contributions which are taxed at 15%. Further when you sell the shares in the superannuation environment, provided you hold on to the shares for longer than a year, the capital gains tax rate is 10%.

Of course it is even better once you turn 60 and commence to draw an allocated pension from your fund as you have the additional advantage that income and capital gains within the fund are taxed at 0% and draw down of benefits is tax free.

It is possible to transfer the shares at market value to the fund as a concessional (deductible) or non concessional (undeducted) contribution (from all sources concessional up to $100,000 if you are 50 or over until 30 June 2012 or $50,000 if you are under 50). You can contribute non concessional (undeducted) contributions of $150,000 per annum or $450,000 in a three year period before the time you turn 65.