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# PIS Timely Tips



## Tax and children's investments

Every parent, and grandparent for that matter, wants the best for their children, so if you are in a position to invest money specifically for your children's future, you should follow the same approach as if you were investing for yourself.

The first step is to clearly identify why you are investing, then set yourself a goal and then put the strategy in place to achieve that goal. Your strategy needs to suit your circumstances, risk tolerance and investment time frame.

Whether you have short-term goals and want a high interest earning savings fund or you have long-term goals with a focus on managed funds, one taxing question is 'Whose name should the investment be held in?'.

Children are taxed at penalty rates on unearned income. For the 2010/11 financial year, children can effectively receive up to \$3,333 of income, tax-free. For example, a \$47,000 investment earning 7% in the 2010/11 financial year would be tax-free if held in the child's name.



There are other tax-effective investment options available:

- Investment bonds – income is taxed at up to 30% within the bond and reinvested each year. The proceeds of the bond are tax-free after 10 years and the child can be named as the beneficiary.
- Investments can be held by, and

in the name of, the parent on the lowest marginal tax rate. Although all income is declared in that parent's tax return, the tax payable on this income may be reduced considerably with franked dividends paid from investments in Australian shares.

- 'Implied trusts' - the investment is held in the parents' name in trust for the child. Beware that the investment must be used for the benefit of the child, otherwise the Australian Taxation Office can attribute the income to the parents and tax them personally.

Source | IOOF

## Can you imagine fighting to regain your health and losing the financial battle?

At Professional Investment Services (PIS), we're continually looking for ways to help you protect yourselves and your families. Recently one of our insurance providers launched a new alternative product in the life insurance market. Below is a recent interview with Dr Sally Phillips, Head of Underwriting and Claims at Macquarie Life to talk about 'Active' the new offering

available to PIS clients.

## What's the impact of a major health event?

All health events have three impacts; emotional, physical and lastly financial. Networks of friends and family and teams of doctors and nurses are crucial, however we should not underestimate the importance of adequate insurance in supporting a healthy recovery.



## What's the risk of suffering from a major health event?

The Cancer Council has estimated one in three women and one in four men in Australia will suffer from cancer at some stage in their lifetime. Such a fact is sobering enough in itself however the reality

## Did you know?

- In the ABS's first survey of personal fraud, 383,300 Australians reported being a victim of credit card fraud.
- In 2009, the majority (81%) of young people aged 15-24 years (from a total of around three million) were fully engaged in either education or work. Almost a half (49%) were studying full-time for a qualification, while almost a third (31%) were in full-time employment.
- Australia's unemployment rate increased 0.2 percentage points to 5.4 per cent in October 2010

Source | [www.abs.gov.au](http://www.abs.gov.au)

**About our services:** The Group has offices in all capital cities throughout Australia as well as an extensive regional network. Our highly skilled and trained advisers will assist you in determining the financial strategy that is right for you.

**List of services:**

- Wealth accumulation
- Superannuation/rollovers
- Retirement planning
- Mortgage elimination
- Shares and property
- Fixed interest and cash
- Tax planning
- Finance services
- Home mortgages
- Business planning
- Risk insurance
- Corporate superannuation
- Corporate services

is we all face the risk of many conditions, such as heart disease, brain and nerve conditions, digestive system disorders or serious accidental injuries.

**What is your view on why many Australians don't have life insurance?**

Australians are famous for our optimistic nature – our 'she'll be right' approach to life. While the vast majority of us still insure our cars and homes, the same cannot be said for life insurance. Active helps makes life insurance simple to encourage more people to make the same choices about themselves (arguably a much more important asset!).



insurance plans it pays claims based on the seriousness of the health event. The more serious the event, the larger the benefit payable. This mean you can claim on your policy more than once for progressive or unrelated heath events.

**Who should consider purchasing an Active plan?**

In almost all aspects of our lives, it pays to consider the 'what if': Who will pay the mortgage if you can't work? If you weren't around what would the family finances look like? It's not about lamenting over these questions, but rather choosing a pro-active over a re-active approach. If you are unsure about your financial protection plan, Active's 'all in one' solution is a good place to start.

**How affordable is Active?**

Our severity based approach to paying claims means that clients are not paying for cover they don't need – on average this has resulted in a 25% reduction in the cost of insurance when compared to traditional products. For instance, a male non-smoker aged 35 can buy a policy for \$500,000 from \$22 per week – importantly this would cover all major health events and provides the family with exceptional peace of mind.

**Who is depending on you?**

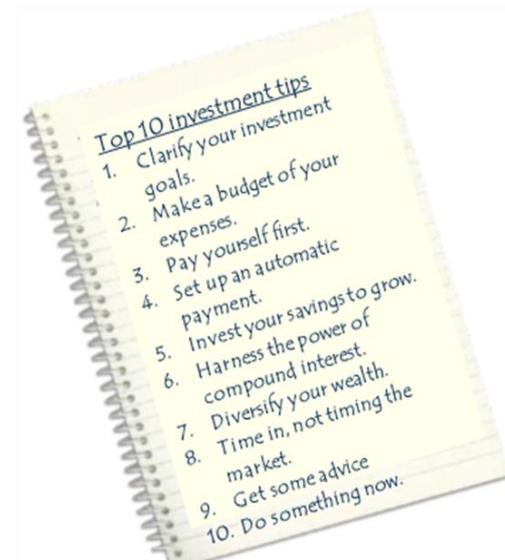
If you are unsure how a major health event or the death of a family member could affect your finances, talk to your PIS adviser today.

Source | Macquarie Life Limited



**How does Active work?**

Active rolls lump sum life insurance into one simple, comprehensive product covering death, terminal illness and all major health events (for example cancer, heart attack, stroke, psychiatric conditions, back disorders and many more). Unlike traditional



Source | First State Investments

Your local adviser office is located at:



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