



# LIFESTYLE MATTERS

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## 2008 BUDGET REVIEW

On 13 May 2008, the Federal Government delivered its budget for 2008-09 and, in the process, outlined its plans for the future of Australia and its people. Significantly, this was the first budget to be delivered by a Labor Government since 1995.

The 2008 Budget is a bit like the Rudd Government itself, sensible with not too many surprises...and definitely no "Bling". Treasurer Swan mentioned "working families" 10 times (not counting the times he mentioned families who are working)! It's a far cry from Peter Costello's first Budget in 1996 - who could forget the 'super surcharge'. Of course the economy is in a far different state (thank you China) and Mr Swan could proudly announce a surplus of \$21.7 billion, most of which will be handed over to the Future Fund Board.

### Changes to Personal Tax: Rates and Tax Payable

Effective from 1 July 2008, the government has re-affirmed its pre-election proposal for significant changes to the individual marginal tax rate regime over the next three years. The proposed changes to marginal tax rates and tax payable at selected income levels are summarised below:

Current tax thresholds (\$)	Tax rate %	New tax thresholds from July 2008	Tax rate %	New tax thresholds from July 2009	Tax rate %	New tax thresholds from July 2010	Tax rate %
0 – 6,000	0	0 – 6,000	0	0 – 6,000	0	0 – 6,000	0
6,001 – 30,000	15	6,001 – 34,000	15	6,001 – 35,000	15	6,001 – 37,000	15
30,001 – 75,000	30	34,001 – 80,000	30	35,001 – 80,000	30	37,001 – 80,000	30
75,001 – 150,000	40	80,001 – 180,000	40	80,001 – 180,000	38	80,001 – 180,000	37
150,001 +	45	180,001 +	45	180,001 +	45	180,001 +	45

Taxable Income	Current Tax (2007–08)	Proposed Tax (2008-09)	Proposed Tax (2009-10)	Proposed Tax (2010-11)
\$30,000	\$3,600	\$3,600	\$3,600	\$3,600
\$35,000	\$5,100	\$4,500	\$4,350	\$4,350
\$75,000	\$17,100	\$16,500	\$16,350	\$16,050
\$80,000	\$19,100	\$18,000	\$17,850	\$17,550
\$150,000	\$47,100	\$46,000	\$44,450	\$43,450
\$180,000	\$60,600	\$58,000	\$55,850	\$54,550



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## 2008 Budget Review – Key Changes Continued

### Tax aspiration

The Government has also set an aspirational tax goal over six years for a personal income tax system which reduces the number of rates from four to three with a personal income tax scale of **15 per cent, 30 per cent and 40 per cent**. The effective tax free threshold for those eligible for the Low Income Tax Offset will also increase to \$20,000 by 2012-13, through an increase in the value of the offset. This goal is dependent on national and international economic conditions and maintaining, as a general principle, sound budget surpluses. Provision of \$6 billion in 2011-12 has been made in the forward estimates in preparation for the next step in achieving the Government's tax aspiration.

### Abolishing the minimum rate of Child Care Benefit

This will be effective from the first Monday in July 2008. The Child Care Benefit helps with the cost of child care for long day care, family day care, occasional care, outside school hours care, vacation care and registered care.

The hourly rate of the Child Care Benefit is currently reduced over certain income ranges down to a minimum rate (currently up to \$28.20 per week for 50 hours of approved care). The abolition of the minimum rate will mean that families with incomes over \$110,000 per annum will no longer be eligible to receive any Child Care Benefit.

### Child Care Tax Rebate

From 1 July 2008, the Child Care Tax Rebate for out-of-pocket child care expenses will increase from 30% to 50%. The maximum out-of-pocket expenses claimable will increase from \$4,354 to \$7,500 (indexed) per child per year.

From 1 July 2008, the Child Care Tax Rebate will be paid quarterly, instead of annually, with families receiving the first quarterly payments from October 2008.

### Baby Bonus increased and means tested

The government will limit eligibility to the Baby Bonus to families with an adjusted taxable income of \$75,000 or less in the six months after the birth of a baby (equivalent to an annual income of \$150,000) from 1 January 2009. Around 16,000 high income parents are expected to no longer receive the Baby Bonus each year due to the new means test. For all eligible births after 1 January 2009, the Baby Bonus will be paid in 13 fortnightly instalments of around \$385, rather than as a lump sum.

The Baby Bonus will increase from \$4,258 to \$5,000 on 1 July 2008, and payments will be indexed according to the Consumer Price Index each subsequent year on 1 July.

## Changes to Family Tax Benefit Part B payments

The government will limit eligibility for Family Tax Benefit Part B to families where the primary earner has an adjusted taxable income of \$150,000 a year or less. The income test will be indexed annually by the consumer price index. Currently, for two parent families, the income of the main earner is not taken into account for the income test.

## Increase to Medicare Levy Surcharge threshold

The government will increase the Medicare Levy Surcharge threshold for singles from \$50,000 to \$100,000 and for those who are members of a family from \$100,000 to \$150,000, with effect from 1 July 2008.

The Medicare Levy low-income threshold for pensioners below Age Pension age will also increase to \$22,922 (from \$21,637), with effect from 1 July 2008.

## First Home Savers Accounts

These will be offered either as a savings account with a financial institution or through a separate trust structure. Super funds will not be able to offer them through the super fund itself.

The start date for the First Home Savers Accounts will be 1 October 2008.

The Government will provide a flat 17% co-contribution on the first \$5000 of contributions. Other features include:

- The tax on investment earnings will be 15 per cent (as previously announced).
- An account balance cap of \$75,000 (indexed) applies, after which no further personal contributions can be made. This replaces the originally announced cap of \$10,000 p.a.
- Tax free withdrawals from the account, to purchase or build a first home in which to live, can only be made after contributions of at least \$1,000 have been made in at least four separate financial years.

Contributions to the FHSA can be made by any party (such as parents or employers) as long as they are made from after tax income. It is expected to cost the Government \$1.1 billion over four years (\$975 in co-contributions and \$125 million in tax concessions on earnings).



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## WHAT'S HAPPENING AT LIFESTYLE

### Thank You and Farewell



We are sad to report that the first resident in our fish tank, a Parrot Fish, finally succumbed to old age and died in mid May. He was a model member of LifeStyle's aquatic community ... never bullying, or eating, the younger, smaller members of the tank. "Parry", as he was affectionately known, was much admired by our clients' and especially by their children. Unfortunately, Troy, our tank expert, has said that Parrot Fish are difficult to find and

we may not be able to get a replacement, without smuggling one down from the Far North Queensland – which, of course, we would never do.

### Tim's Chinese Adventure

Just to add another challenge to Tim's busy life, he decided to take his three children to China in April for a two week adventure. The four of them visited Taipei and the surrounding countryside in Taiwan before heading to Beijing and Xian in China, followed by a couple of days in Hong Kong on the way home. "It was an amazing trip and I would recommend it to anyone. I just hope the children remember it in a few years time."



### Gareth officially becomes a father-in-law.



Yes, we know he looks too young to have a married son, but Gareth became a father-in-law on April 19th. He is very happy that the lovely bride is the daughter of Narooma's local dentist as Dan did the usual teenage thing and didn't wear his bands to finish his orthodontic work. Gareth can relax now and know he can safely put that possible future expense behind him!



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