



## TAX MANAGEMENT

tax strategies that work for you

You don't have to be a millionaire to take advantage of tax planning strategies. Everyone can benefit from tax advice, regardless of the size of their income or assets.

Tackling your tax can be an intimidating prospect. Most of us don't know as much as we should about tax and how it affects all our financial decisions. With the right advice you can learn how to make tax work for you as part of your wider financial strategy, to optimise your wealth.

Your financial adviser will not only help you to structure your assets to minimise tax through tax-effective investment vehicles, they'll also guide you through the process – and explain everything that you need to know along the way.

Tax is the major expense most people face today. Many of us pay more than is necessary, perhaps due to a lack of knowledge of tax structures and strategies. For most people, there is a significant opportunity to improve on their tax position.

All areas of your financial life are impacted by tax – particularly your cash flow, debt and investment strategies, so it's wise to consider the impact of tax before making any big financial decisions. Managing your tax liabilities is an essential part of maximising your cash flow and wealth creation.

### Where should you begin?

Go back to the basics of your tax and make sure you have the fundamentals right - this will be a solid foundation to achieving financial success.

Think about your tax payments within the broader context of your financial strategy and your personal lifestyle goals. A tax management strategy should support both your wealth creation goals and your lifestyle ambitions. For example, a strategy which reduces your tax payments but significantly increases your risks or liabilities elsewhere will not help to optimise your wealth.

There are many ways of structuring your finances to reduce the tax you pay, but this is an area in which you should certainly seek financial advice before acting. Tax strategies require serious research and can be dangerous territory for non-experts.

### What should you do with your tax refund?

Lots of us receive tax refunds each year. What do we do with the extra money in our pockets? Many people treat it as a 'bonus' cheque, and go on a spending spree. But if you go out and spend it, not only are you losing the opportunity to grow it into a larger amount, you're also giving part of it back to the government as GST. Money-smart people will use it to build their wealth and make the extra money work for them, not for the government.

Money-smart ways to spend your tax refund:

- ✔ Reduce your mortgage, increase your equity in your home.
- ✔ If you have a large sum and are happy to put it away for a while, invest it – you'll get far better long-term returns than through a savings account.
- ✔ Put it in your super fund – this is a good long-term option thanks to the law of compounding. It's the most tax-effective route, but once the money's in there you usually can't get it out again until retirement – so think carefully before committing!

Have a plan and then apply it. Discuss your options with a financial adviser and decide where your tax refund will bring you the most benefit.



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### If you're a small business owner

Each end of financial year brings a checklist of tax planning initiatives you should consider for your business. Although the point of tax strategies is to reduce your tax outgoings, you should only pursue these strategies if they 'fit' with the balance of your business – not all strategies are suitable to all businesses. Always measure the strategies available against the needs of your business to achieve the optimum result.

Being a business owner affects your personal tax. As a business owner there are a myriad of options relating to both your personal and business tax. Which is right for you depends on your personal situation and that of your business – which is why you need an expert to guide you though.

Everyone can benefit from tax planning advice, no matter what their assets or income. Tax is a complex topic and the experts are there for a reason, so make use of them.

Your financial adviser will help you to structure your assets to minimise tax through tax-effective investment vehicles, and they'll also guide you through the process – and explain everything that you need to know along the way.

You may well have an accountant who keeps you on track, tax-wise, but it can be a good idea to get your accountant and financial adviser working together to make sure all your bases are covered. Accountancy normally focuses on your year-to-year finances, so the longer-term vision of a financial adviser can be really beneficial, for example offering investment advice and helping to plan your long-term tax effectiveness.

Sample tax-reduction strategies:

- ✓ Salary packaging – releasing cash flow to create wealth
- ✓ Gearing – using someone else's money to invest, with the intention of securing a return which exceeds the cost of borrowing
- ✓ Income splitting – optimising asset ownership
- ✓ Super contributions – building wealth in a tax-advantaged environment.

**Improving the quality of people's lives through a living financial plan. We assist people to manage their finances to achieve their lifestyle goals reliably, through well researched advice and effective implementation.**

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