On The Horizon

HORIZON WEALTH MANAGEMENT

Edition: Spring 2006

Welcome to our latest newsletter. We will try and continue to retain our underlying theme and that is to ensure that the content is relevant, topical and brief. Should you need further information please do not hesitate to contact our office on 02 9392 8700. We will gladly provide you with further details.

With that in mind we have included a few areas which you may wish to reflect on:

1. Saving through Superannuation – is it as good as it seems!
2. Why consider Trauma Insurance
3. Latest budget announcements – September 2006

Saving through Superannuation

With the recent budget changes having been announced (although not yet legislated), now is a good time to consider whether to save additional amounts through Superannuation. From 1 July 2007, the proposal is that all employees or self employed people will be able to initially save up to $50,000 pa on a tax concessional basis. There are concessions for taxpayers over the age of 50, who are able to save $100,000 up to 30 June 2012 and thereafter it reverts to $50,000.

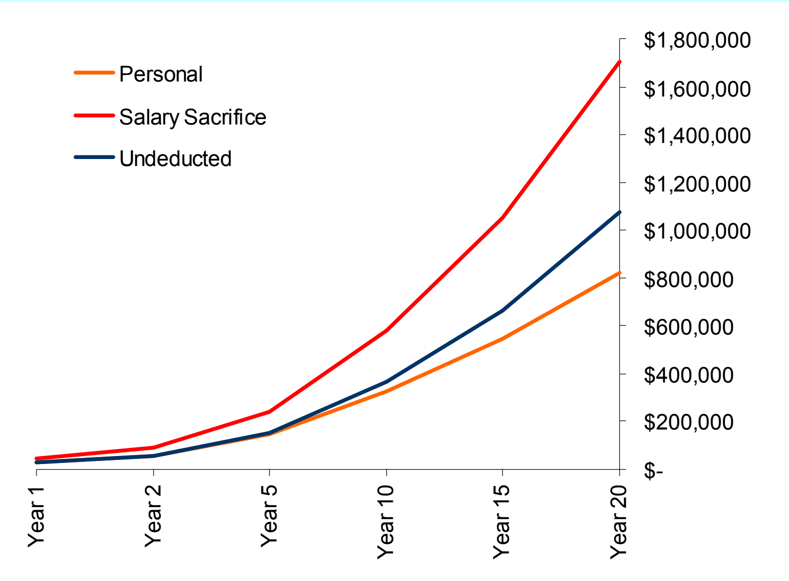
The following example illustrates the value of your investment if you had to invest $50,000 pa for 20 years either

Investment Yield	8%

	Personal	Undeducted	Salary Sacrifice
Personal Marginal Tax Rate	46.50%	46.50%	0.00%
Super Contributions Tax			15.00%
Tax on Super Earnings		15.00%	15.00%

Annual Contributions (End of Period)	Personal	Undeducted	Salary Sacrifice
Pre-tax Amount	50,000	50,000	50,000
Income Tax	23,250	23,250	-
Contributions Tax	-	-	7,500
Net Amount	**26,750**	**26,750**	**42,500**

Savings	Personal	Undeducted	Salary Sacrifice
Year 1	26,750	26,750	42,500
Year 2	54,645	55,319	87,890
Year 5	145,700	153,220	243,433
Year 10	325,365	366,117	581,681
Year 15	546,913	661,936	1,051,675
Year 20	**820,109**	**1,072,975**	**1,704,727**



1. As an after tax investment (Personal) – final balance is $820,109
2. As an undeducted contribution into superannuation – final balance is $1,072,975
3. As a salary sacrifice/SG Contribution - final balance is $1,704,727, a massive increase over scenario 1 of 108%!

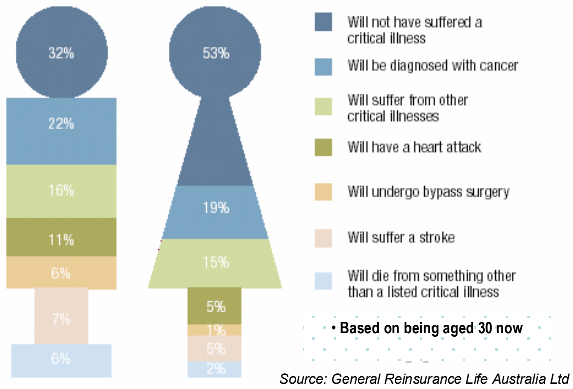
Thus the issue is not whether you should save into Superannuation, but rather **when** you can afford to. Clearly you would need to consider liquidity as investing into superannuation will lock your money away until at least age 55.

However, bear in mind that the benefits are much more than what has been stated above. If the budget speech changes are legislated, then the monies paid from the Superannuation Account will be received **tax free** in your hands from age 60.

This is a massive benefit which will further enhance superannuation as the investment structure of choice.

Trauma Insurance

One of the least understood risks and the area where most people have exposure, is in the area of Critical Illness or Trauma. Generally this kind of risk can be effectively insured through a product known as Critical Illness (or Trauma) Insurance. Trauma Insurance would typically cover one for heart attack, coronary bypass surgery, cancer, stroke and loss of independence.



Source: General Reinsurance Life Australia Ltd

Most of you would have Life Insurance and also Total and Permanent Disability (TPD) Insurance through Superannuation. In addition, a number of you may be insured for loss of Income (or Income Protection) on either a short term (2 years) or long term (to age 65) basis.

Sadly, the general area of neglect is where the risks are the highest and that is with Critical Illness.

The diagram (left) depicts the chances of you risking a critical illness by the time you turn 70.

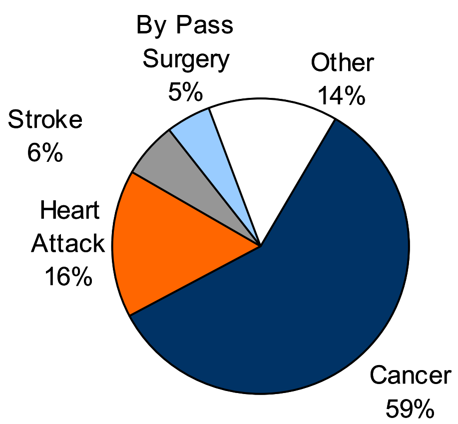
The pie graph (below) depicts that more than half the claims for Critical Illness emanate from cancer.

The question to ask – is who looks after you and your family if you get sick?

Would you and your family be able to cope financially, if you suffered a critical illness? You might think "It'll never happen to me" – think again and consider these facts.

- **One** in **four** Australian women will be diagnosed with cancer before they turn 75.[1]
- **One** in **three** Australian men will be diagnosed with cancer before they turn 75.[1]
- **One** in every **eleven** women is likely to develop breast cancer.[2]
- Stroke is the leading cause of long term disability in adults.[3]
- After the age of 40, coronary heart disease will disrupt the lives of **one** in **two** men and **one** in **three** women. [4]

4 Conditions result in 83% of Claims !!



Source: Swiss Re Life & Health, Critical Illness Report for year ending 31 December 1999

The emotional trauma of accident and illness is bad enough, but the financial consequences can be just as worrying. Who pays the mortgage, superannuation, school fees and living expenses?

Horizon Wealth Management through its detailed processes and methodology identifies the risks and will provide you with the appropriate advice and solutions**.**

If you believe you need some assistance with identifying whether you may require Critical Illness Insurance, please call Horizon Wealth Management on 02 9392 8700 or info@horizonwealth.com.au.

Sources

1 Cancer in Australia 2001 (Australian Institute of Health & Welfare) and Australian Cancer Research Foundation
2 Australian Institute of Health and Welfare. Cancer in Australia 1998
3 National Heart Foundation Statistics, Australian Facts 2001 Highlights
4 Australian Institute of Health and Welfare 1999.

Changes to the Budget – September 2006

Following the consultation process, on the 5th September 2006, the Treasurer announced some changes to the superannuation proposals contained in the 2006/2007 Federal Budget. Some of the material changes follow:

- **There will be a transitional limit of $1 million for undeducted contributions (UDCs) made between 10 May 2006 and 30 June 2007**. This will be available to all clients eligible to contribute to super in the relevant year and will include any contributions already made during that period. Clients who make contributions in excess of the transitional limit will be able to withdraw these amounts without penalty prior to 1 July 2007.
- After the 30 June 2007, UDC's will be limited to $150,000 per person per financial year.
- The concessional deductible contribution (CDC) limits have been confirmed at $50,000 per year or $100,000 per year to 30 June 2012 for those over age 50.

It should be noted that these announcements have yet to be legislated. It is proposed that the changes take effect from 1 July 2007.

What can Horizon Wealth Management do for you?

- We will help you create wealth so that ultimately working becomes optional.
- We will help you make personal financial decisions within a sound intellectually robust framework.
- We will **solve** your financial concerns, **simplify** your life and **save** you time.
- We will assist you in making **sound** financial decisions so that you **avoid costly mistakes.**

Horizon Wealth Management provides objective and unbiased advice, a rare commodity today. Should you wish us to cover any other topics or wish to make an appointment, please call 02 9392 8700 or info@horizonwealth.com.au.

General Advice Disclaimer

This information was prepared by Horizon Wealth Management. It is of a general nature and does not take into account your personal investment objectives, financial situation or particular needs. You should assess whether this general advice is appropriate to your individual objectives, financial situation and needs. You can make this assessment yourself or seek the help of a professional financial advisor or taxation professional.

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