

Recipe - Almond Fingers

We couldn't resist! These fantastic treats often find their way to the Acceptance Finance office. It's only fair that we share. Thank you to Michelle Terlato for parting with this much loved recipe!

Ingredients

1 ⅔ cups (200g) almond meal (ground almonds)
1 cup (220g) caster sugar
1½ tablespoons plain flour
1½ tablespoons desiccated coconut
1 tablespoon vanilla essence
3 egg whites, beaten lightly
1½ cups (125g) flaked almonds
150g dark chocolate, melted

1. Preheat the oven to moderate (180°C/160°C fan-forced). Line baking trays with baking paper.
2. Combine almond meal, sugar, flour and coconut in a large bowl. Add the combined vanilla and egg whites; mix well.
3. With damp fingers, form level tablespoons of mixture into 8cm logs (for large ones, divide mixture into 10 to 12 even pieces and roll each into a log). Roll mixture in flaked almonds. Place biscuits on baking trays, about 4cm apart.



4. Bake in a moderate oven for about 15 minutes for smaller biscuits or 20 minutes for larger biscuits, or until browned with a moist centre. Cool on trays.
5. Dip one half of each biscuit in melted chocolate. Stand on a wire rack until set.

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Should I Pay Off My Mortgage as Quickly as Possible?

...or switch to an interest only loan and put the difference into superannuation via salary sacrifice?

There are a number of factors that need to be considered in deciding which option provides the better outcome. Some of the factors and variables that will affect the outcome are your marginal tax rate, age (in particular how long before you can access your superannuation funds), level of borrowings, level of salary sacrifice, interest rate outlook and earning rate on superannuation funds.

Generally speaking, paying off your mortgage as quickly as possible is a good strategy. However, assuming interest rates remain at relatively low levels and assuming that the earning rate on your super fund is higher than interest rates

over the long-term, then the strategy of converting your home loan from principal and interest to an interest only basis and salary sacrificing the difference from your salary to superannuation may be worth considering given the proposed changes to superannuation announced by the government. When the budget proposals go ahead from 1 July 2007, you will be able to withdraw a lump sum tax free (from a taxed super fund) if you are over age 60 and you can use the funds to clear any existing debts.

Case Study

Client is age 50 on salary \$65,000, has living expenses of \$20,000 and outstanding mortgage of \$200,000.

We have considered the following :

Strategy 1

Client utilises any surplus income by increasing their loan repayments to accelerate the repayment of the mortgage.

Once the debt is cleared, client directs any surplus income into superannuation.

Strategy 2

Client converts existing mortgage from principal and interest to an interest only basis and implements a salary sacrificing to superannuation arrangement.

A lump sum is to be withdrawn at client's retirement to clear the debt at the time.

We have made the following assumptions:

- Client retires at age 60
- Superannuation portfolio earns 8.33% pa
- Interest rate over the life of the loan is 7.50% pa

Our analysis indicates that strategy 2 provides a net benefit of approximately \$48,943.

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Congratulations!

We are very happy to announce the engagement of one of our Finance Consultants, Jana Holst to Adrian Fisher. Our heartfelt congratulations to you both!



Our Promise

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Should I Pay Off My Mortgage as Quickly as Possible? *continued*

The client's superannuation at retirement is approximately \$468,866 under strategy 2 compared to approximately \$219,923 under strategy 1. Under the proposed changes, at age 60 the client will be able to withdraw the \$200,000 (tax-free) from superannuation and repay the loan.

When comparing the performance of salary sacrificing VS repaying your mortgage, it is important to remember that the outcome of the comparison will be very sensitive to the assumptions used for borrowing and earnings rates.

You also need to be aware that superannuation is subject to legislative change. If the government was to remove the tax free status of lump sum withdrawals in the future then the benefit achieved from strategy 2 would be reduced.

There are also other points to consider before you salary sacrifice to superannuation:

All superannuation contributions must be preserved in the superannuation environment. This means that you cannot access the money until you reach your preservation age or meet certain conditions of release. If you feel you may want to access to this money

before then, salary sacrifice may not be the most appropriate strategy for you.

Salary sacrificing into super may not always be the best option given your particular circumstances, for example, if you're already on a low marginal tax rate.

Under the proposed arrangements, a limit on concessional deductible contributions of \$50,000 per person per annum would apply.

Finally, it is important that you consult with a financial adviser who can undertake an analysis to compare both options for your particular circumstances.

Leasing Stamp Duty clarified

Leasing Stamp Duty is a tax that has been levied by state governments on certain finance documents and transactions. Stamp Duty rates and types have differed from state to state over the years.

Here's a new concept for you – taxes actually dropping! That's correct - from the 1st of January 2007, the state governments of Victoria, Queensland and Western Australia abolished government Stamp Duty on vehicle and equipment finance leases and



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Leasing Manager

commercial hire purchase agreements. This change applies to new and existing finance contracts.

Clients with existing lease agreements may by now have noted a decrease in their monthly instalment amount! Although the Stamp Duty component of an instalment may seem relatively small, over the term of a loan, this can actually amount to a saving of several hundreds of dollars.

The abolishment of vehicle and equipment finance Stamp Duty has been a work in progress since the GST was introduced in 2000. However, not all of states have followed suit. The ACT, New South Wales, Northern Territory and South Australia governments have not abolished Stamp Duty in its entirety. (South Australia may be looking at the possible abolition of Stamp Duty in July 2009).

Should you have any queries regarding the changes to Stamp Duty calculation on a finance lease agreement or commercial hire purchase agreement, please do not hesitate to contact our office.

Cash Flow Finance

Cash Flow Finance (Invoice Finance) is an extremely useful cash flow tool, which is often overlooked by many businesses in their financing decisions. Growing awareness of the advantages of invoice finance is generating increased interest and this type of finance is fast becoming an attractive option compared to the traditional bank finance options.

Invoice Finance assists:

- Businesses that require additional funding but have limited (or exhausted) real estate, or commercial property security
- Customers repeatedly at their overdraft limits or regularly exceeding the limit.
- Quick access to funds – allows customers to access working capital without waiting for invoices to be paid.

Invoice Finance VS Overdraft?

Bricks and mortar usually secure an overdraft facility and the amount of the overdraft is limited to the value of the property. The overdraft does not grow with turnover.

In a growing business, the cash need is likely to be high to pay for stock, wages or services before receiving payment from customers. The overdraft has no flexibility to support this growth. Growth without the adequate cash flow is a recipe for a business collapse. If a business cannot pay wages on Thursday it is doomed.

With regular frequency, our clients have approached us in time of a cash flow crisis for working capital because the Bank will not increase the overdraft for lack of additional security. Invoice Finance is a very sound alternative to an overdraft facility - as turnover increases so does the cash.

It is often the case in business partnerships that one partner cannot contribute an equal amount of property as security. Hence, one partner can be more at risk. With invoice finance, the Debtors are the security.

Benefits and advantages that may be obtained by your business when using Invoice Finance facilities are:

- Acquiring trade discounts for prompt creditor payment
- Improved buying power, discounts offered on bulk orders of stock
- Purchase of additional stocks to meet increasing sales orders
- The ability to expand
- Seasonal businesses with fluctuating finance needs
- Tendering for major jobs and contracts with the knowledge that the financial aspect is catered for
- Increased Sales / Revenue
- Improved profitability
- Businesses planning mergers, acquisitions, management buyouts or succession

If you believe that your business can benefit from the above advantages, then an Invoice Finance Facility may be the product to take your business to the next level.

For any enquiries, please contact John Murphy at Money Resources on phone 03 9791 8800 or email johnmurphy@moneyresources.com.au

