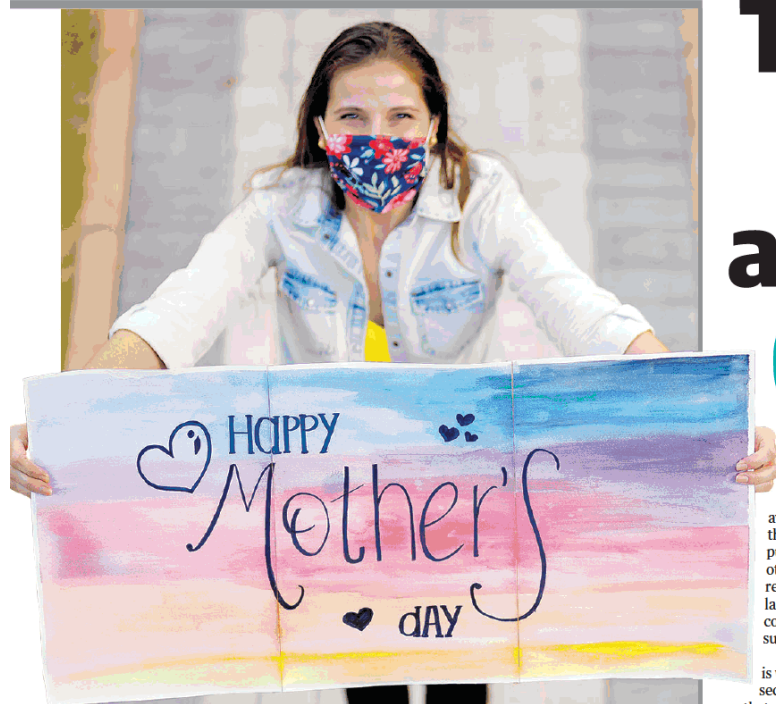


Tax planning essential if aim is to gain



GETTING around capital gains tax is always a popular topic, but one where misunderstandings are common.

Two of the most common ones are that CGT can be avoided by deferring the liability to a new purchase, and the other is that it can be reduced by making a large tax-deductible contribution to superannuation.

The first proposition is wrong, and the second one is only partly true.

Let's start by thinking about the way CGT is calculated. The purchase date is the date the original sales contract was signed, and the sales date is the date of the settlement. Dates are important as we approach June 30 because signing a sales contract before or after that date may make a big difference to the amount of CGT payable.

If the asset has been held for more than a year, the capital gain can be reduced by 50 per cent. Once that has been calculated, the net gain is added to the taxable income of the investor, which means it will be taxed at their marginal rate. Obviously, a tax deduction will reduce the investor's income and could result in the gain being taxed

NOEL WHITTAKER



will be split \$100,000 to each party. By the time they turn 65 they will have arranged their affairs so that both have less than \$500,000 in their individual super accounts.

They make catch-up contributions of \$100,000 each, four years at \$25,000 a year, and then claim a tax deduction of \$100,000 each. This eliminates the entire taxable capital gain — the only cost is \$15,000 each in contributions tax.

Of course, this begs the question as to what would happen if their super balances were over the \$500,000 limit.

This is where forward planning is important.

Once they reach 60 and have satisfied a condition of release, they can withdraw money from their super, and re-contribute it. So as the years pass, they could be withdrawing money from one account and contributing it to the other person's super until they reach 63. They could then prior to June 30 withdraw sufficient amount tax-free, and place the money in the bank.

This could lower both balances to \$500,000 at June 30, and when the new financial year arrives simply re-contribute \$300,000 each using the bring-forward rule.

CASE STUDY

John and Daisy, both age 58, are retired.

They intend to sell an investment property when they are 63, which may result in a taxable capital gain of \$400,000. This will reduce to \$200,000 after application of the 50 per cent discount, and

Noel Whittaker is the author of *Making Money Made Simple* and other books on personal finance. His advice is general in nature and readers should seek their own professional advice before making any financial decisions.

“Jarvis was just one woman taking on the might of huge conglomerates, with the sole and selfless aim of keeping her day pure.”



real... and laid a golden egg! It doesn't need to be any more complicated than that, which is why I'm ripping off that exact idea with my two-year-old daughter.

Proud Mother's Day

Danielle writes: Thank you for kicking my butt into gear.

A couple of years ago I was a single mum, drowning in debt, with a rip-off mortgage rate. After reading your book, I sought advice from a beautiful lady called Margaret at Angicare Financial Counselling. Then I smashed my credit cards, refinanced with another bank (who gave me \$2000 cashback, which became my Mojo) and set up my buckets. I am now sending

The Barefoot Investor for Families: The Only Kids' Money Guide You'll Ever Need HarperCollins RRP \$29.95



my daughter to a private school, once an unachievable dream. When the corona crisis hit, for the first time in my life I did not have to worry. Hand on heart, I have you and Margaret to thank for that.

Barefoot responds: I'm so proud of you.

Yet you know who else is proud of you? Your daughter. She's been watching you

scrimp, and struggle, and save. You may be sending her to private school, but I'd argue that you're already giving her a first-class education in grit.

One day she'll fully appreciate the sacrifices you're making, and what an amazing woman her mother really is. Happy Mother's Day, you got this!

Finally, a huge thank you to everyone who sent in stories of their mums (to be fair, just as many dudes wrote in). And even if your question didn't get published, here's one final tip that would make old Anna Jarvis smile: take the email you sent to me, and forward it on to your mum today. She'll love it.

Knotty problem for modern workplace

WITH a flattened curve, many of us are turning our minds to making the transition from comfy couch to corporate cubicle, only to be confronted with a problem of a knotty kind — the neck tie.

For more than a century, the tie has been a staple fashion accessory synonymous with male professionalism.

But many of us are starting to get tied up in knots about whether to continue to wear our silk tourniquets amid increasing claims the humble tie might not be the best thing for our health, is uncomfortable and certainly not in keeping

WORKPLACE MATTERS

GARY MARTIN



with the shift to a more modern and relaxed workplace.

The reasons why the “corporate leash” has stood the test of time are many and varied.

They have provided an opportunity to add a splash of colour and individuality to the often otherwise dark and dull attire of suits.

Maybe it is because they cover up those unsightly shirt buttons.

There are even those who believe ties must remain a workplace staple because they are decorative camouflage to obscure a middle-aged male physique — or the “dad bod”, to use modern day lingo — with its shrinking shoulders and protruding paunch.

Yet many experts say ties are on their way out for a host of reasons including — and significantly — health issues.

In one now classic study involving medical practitioners, for example, it was discovered that dangerous bacteria could hitch a ride on doctors' ties, particularly those whose

neck ligatures were left flapping about.

And with the cost of dry-cleaning a tie likely to exceed their purchase price, there are possibly hundreds of unclean ties in wardrobes that are brimming with bacteria.

Another study concluded that wearing a tie could cause neck and shoulder pain for those who work at computers screens.

Apparently, tie wearers experience reduced neck range-of-motion, which contributes to that health issue.

Health issues aside, members of the anti-tie brigade

argue ties serve zero purpose and liken the mandatory wearing of ties by men to demanding that women wear high heels to work.

But staunch advocates of the dog collar are fighting back, proclaiming the benefits of wearing ties overshadow all health and comfort concerns.

They point to the fact that neck ties symbolise capability, depict someone as an influencer and enhance their personal presentation.

And they argue the opinions of those wearing a tie will always be more respected.

But exactly how a thin strip

of fabric worn around the neck conveys respect remains a mystery.

While the debate rages over this First-World problem of real insignificance, any decision to ditch the neck tie from our workplace get-up will create a problem of voluminous proportions.

What to do with hundreds of unwashed plain, striped, patterned and dotted ties that are occupying space in men's wardrobes.

Professor Gary Martin is chief executive at the Australian Institute of Management WA