

Tax-effective investing

Some investments are more tax effective than others. Growth investments such as shares and property often receive more favourable tax treatment.

Contribute more to super

Salary sacrifice contributions to super can reduce the amount of tax you pay and build your retirement savings. The contribution is made prior to income tax being taken out of your wages. These contributions are taxed at a maximum of 15% instead of your marginal tax rate which may be as high as 45%. Remember though, that because of the concessional tax treatment there are limits on how much you can contribute; be careful not to exceed the limit, otherwise you could incur penalty tax. For the 2009/10 financial year, concessional contributions are limited to \$25,000 per person per annum.



Whilst your money is in super, the earnings are also taxed favourably at up to 15%, instead of your marginal tax rate.

Investment loans

Borrowing money to invest (gearing) is also a good way to manage your tax. You can receive a tax deduction if the cost of borrowing exceeds the income generated by the investment.

If you have an investment loan you may be able to prepay the loan interest up to 12 months in advance and claim a tax deduction.

Selling assets

Timing the sale of assets can affect the amount of tax you pay. Try to avoid selling shares within the first 12 months of the purchase date. After this time only 50% of the growth in capital will be subject to capital gains tax.

An unused capital loss can be carried forward to a financial year when a capital gain applies therefore incurring less tax on that gain.

If you would like advice on tax-effective investing, please contact us to arrange an appointment with a Bridges financial planner.