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Welcome to our August 2011 issue of our 'Horsey Jameson Bird Newsletter'.

The purpose of this newsletter is to keep you informed of developments in financial planning and taxation services. We aim to keep you up-to-date on relevant industry and regulatory changes as well as advising you of the services provided by Horsey Jameson Bird (HJB).

Message from Di



In response to the recent market volatility, our overall strategy is to grit one's teeth and remember that the lower the market falls, the better the value for your portfolio. Very important to many of us are dividend yields which just get better and better. We find it difficult to believe that we can hit the GFC 3000 level again and cannot see any reason that a credit squeeze of that proportion would re-ignite. Central banks are highly aware of those forces now, unlike the repeated left field shocks of the GFC and we believe that we are at worst in the lower 20% of any likely Australian market downturn over the next year or so, which is good buying, especially for dividend yields from reliable payers.

Excellent dividend yield is increasingly important and interest rate cuts are positive for retail and the housing markets. We believe that two 0.25 interest rate cuts are probable before Christmas although some financial experts are predicting more.

Our point is that consumer behaviour seems more reflective of interest rates when they are significantly higher than current. This is because it is what is expected and also because household debt is at near maximum levels for the first time in any post World War II resources boom.

Our take is that high household debt prevents the resource boom igniting the waves of euphoria that swept Australia in previous booms, which set off strong house price and building growth, and in turn strong retail. Post GFC we are also looking back at the previous horror show, counting the money, keeping debt down and saving.

Wages growth is slowing across the board, including in the resource industry. Consumer sentiment is close to a 20 year low and near the worst level during the GFC. Discretionary retailer reports confirm this situation, although the exception is stronger offshore travel reflecting a strong Aussie dollar and very cheap offshore holiday destinations.

The US economy is in poor shape and is either in recession already or slowly falling into it. The US Fed's has indicated that current view is it will not raise rates until at least 2013. This is indicative of a recessionary climate. We anticipate that the continuous debt-related alarms will keep the European and US equities markets

in a post GFC trading range. It is clear from market volatility seen in the last few weeks that financial markets are lowering their growth expectations for the global economy. For the US, challenges still lie ahead but if the political will increases, there is hope that the US could change its ways, refocus on lowering government debt and build confidence back into the US economy and financial markets.

Thanks to Chinese and Indian demand, our strong balance sheet and reasonable domestic economic settings, Australia could launch into a bull market (from late 2012) even with this background. India is very thirsty for our liquefied natural gas (LNG) and coal and must have a growing appetite for many of our other offerings. Due to its domestic demand, India has sharply curtailed iron ore exports largely to China, thus nudging up the prices even in the current climate. The price of copper remains very strong at US\$4 per lb or just above. This is a wonderful outcome for BHP and Rio Tinto's (RIO) Escondida which recently made 50% additions to reserves.

Another aspect to the US market is that at least 50% of S&P 500 earnings stem from offshore, including a fair swag of the BRIC (Brazil, Russia, India China) economies. The weakening US dollar helps translation of foreign currency earnings to an extent also. And so it is important to not confuse the US economy with the US stock market.

In the current round of reporting, Australian banks are holding their ground with dividend increases as expected. Rising Indian and East Asian demand for gas offers a promising future for Australia's LNG projects.

Market outlook

Respected market commentators expect an index close to 5000 is a very likely outcome by Christmas. We would issue a note of caution though, given the continuing signs of northern hemisphere weakness. For the past decade, we at HJB have been concerned about the US markets and this has led us to ensure that we have limited international exposure in our portfolios from that point in time. This strategy has held our clients in good stead. It has meant that the disasters in the US, UK and Europe have been largely avoided. It is worth noting that our clients have not suffered from holding troubled asset classes such as mortgage funds, hedge funds, unlisted property funds and agricultural funds. We look forward to continuing our association with you and we thank you for your confidence in our services.

Senior Accountant and Tax Agent Profile – Leanne Johnson

Leanne Johnson joined HJB in April 2010 as a Senior Accountant. Leanne is a Certified Practising Accountant and Tax Agent.



Prior to working in the accounting field, Leanne started her working life as a primary school teacher, teaching for a total of 16 years in Queensland city and country communities. In 1995 Leanne decided on a change of career, and after taking a four month holiday travelling overland from Kathmandu to London, Leanne came back and began studying to complete a Masters in Professional Accounting.

She commenced her accounting career working for the Australian Tax Office where she worked for two years. While working at the ATO, she had stints in the Call Centre during the busy months of July to October and then worked in the audit & GST teams.

Leanne specialises in completing and reviewing tax returns for individuals, companies, partnerships, trusts and self managed super funds (SMSF). She possesses a strong knowledge of Australian Income Tax, Capital Gains Tax, FBT, GST and SMSF Laws.

Before joining HJB, Leanne was employed for seven years as an accountant in a well-established Brisbane city practice.

Leanne is also a passionate golfer and plays golf whenever she gets the chance.

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Did you know...

Work related car expenses

If you claim the maximum 5,000 business kilometres under the cents per kilometre method for your work related car, you may be eligible to double up on your claims if you change vehicles during the year.

Education tax refund

From 1 July 2011, the Government has changed the education tax refund to include school-approved uniforms (including hats, footwear and sports uniforms approved by a school as its uniform) purchased from 1 July 2011. Keep all receipts for these and other eligible expenses in case you are entitled to a refund.

Medical expenses offset

You can claim a tax offset of 20% of your net medical expenses for yourself and your dependants, over the \$2,000 threshold for the 2011 year. The threshold will increase to \$2,060 from 1 July 2011.

Flood levy exemption

A temporary flood and cyclone reconstruction levy (flood levy) will apply to taxable payments made from 1 July 2011 to 30 June 2012.

Employees affected by a natural disaster can be exempt from paying the flood levy.

Employees who earn more than \$50,000 in salary and wages may complete the Flood Level Exemption Declaration Form and provide it to their employer. This form (NAT 73797) is available for download from the ATO website.

By completing this form, the flood levy will not be included in the amount of tax taken out of their pay.

It is not compulsory that employees use this form as any flood levy amounts overpaid will be refunded in the employees 2012 income tax assessment.

Our Team

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- Helen Armstrong
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- Russell Phillips
Certified Financial Planner
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- Graham Turner
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- Wendy Celine
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- Jessica Read
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- Kerrie Howell
Financial Planning Administrator
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