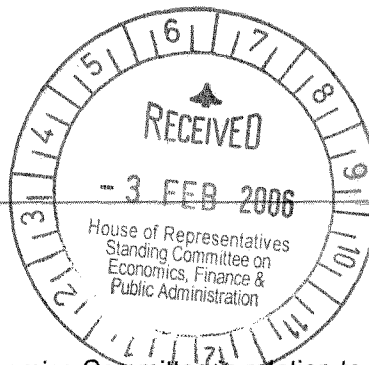


Bryant, Sharon (REPS)



SUBMISSION 65

From: Carly.Okeefe@au.towerlimited.com

Sent: Friday, 3 February 2006 4:19 PM

To: Committee, EFPA (REPS)

Subject: Supplementary Submission to the Economics Committee in relation to saving for under 40s

Good afternoon

Please find attached our supplementary submission to the Economics Committee in relation to the inquiry into saving for under 40s.

At the public hearing on the 18th of October in Sydney, TOWER was asked to provide:

- additional information in relation to Reasonable Benefit Limits; and
- modelling that compares negative gearing and superannuation.

Should the Committee need to talk about this in more length, either Grahame Evans or myself would be happy to provide more information.

Regards

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House of representatives Standing Committee on Economics, Finance and Public Administration	
Submission No:	65
Date Received:	03.02.06
Secretary:	<i>sb.</i>

Submission to the Standing Committee on Economics, Finance and Public Administration

Inquiry into improving the superannuation savings of people under 40

TOWER Supplementary Material

Reasonable Benefit Limit Statistics

TOWER was asked to provide more detail on the amount of people that exceed their Reasonable Benefit Limit (RBL).

The ATO in their Annual Report 2004 – 2005 provided the following commentary in relation to RBLs:

"We currently hold details of approximately 11.7 million reportable reasonable benefit limit benefits, related to around 4.8 million individuals. Data holdings are increasing at the rate of around 8% a year. Last year we processed over 1 million benefit reports received from funds and employers. Since 1991, approximately 117,000¹ individuals have received excessive determination notices, representing 2.4% of individuals who have a recorded benefit."

"The expected growth of Australia's aged population, the dynamic and innovative nature of the superannuation industry and the increased emphasis on financial planning for retirement will give rise to continuing challenges in administering the reasonable benefit limit law."

1. A further 23,000 individuals received 'interim excessive determinations' under which the whole benefit was deemed 'excessive' because we were unable to match a tax file number. Many of these interim determinations will not result in an additional income tax liability.

We believe this reinforces our position that the number of people that exceed their RBL is very small. It seems counterproductive to have such a significant amount of administration required when it does not generate much revenue and serves to make superannuation much more complex.

Superannuation/Negatively Geared Investment Comparison.

Commentary On The Methodology Used

The attached calculations compare the investor's situation over a twenty six year period under two investment choices:

Choice 1

The investor sacrifices a portion of pre tax salary into superannuation.

The calculation recognises that each amount of salary sacrifice received as a contribution will be taxed at the rate of fifteen percent.

The calculation assumes a percentage of income being derived by the superannuation fund in the form of franked dividends. The portion of the income distributed attributable to franked dividends is grossed up by the underlying franking credits, and taxed at the superannuation fund level. This liability is reduced by the franking credits. The excess of franking credits over this tax liability is used to reduce the superannuation fund's tax liability in respect of other income.

The income and capital gains derived by the superannuation fund will be taxed in the fund. The calculation assumes that the trustee will retain a portion of the distribution to pay tax, and reinvest the balance.

The income calculation provides for one third of concessional tax capital gains to be exempt from tax in the superannuation fund. The Model assumes that a portion of the superannuation fund's investment income will be taxed on this concessional basis. For comparison purposes, it is assumed that the managed investment under Option 2 will derive the same percentage of concessional tax gains.

It is assumed that the investment will be preserved until retirement. For the purposes of this comparison, it is assumed that retirement will occur after twenty six years at age 55.

The Model assumes that at age 55, the following will occur:

- A portion of the payment will be tax free. The tax free portion will be the exempt portion in 2006 indexed over the twenty six year period.
- The portion falling between the tax free amount and the Lump Sum RBL will be taxed at the rate of 16.5 percent (including Medicare).
- A portion in excess of the Lump Sum RBL will be taxed at the investor's marginal rate. The Lump Sum RBL is the 2006 amount indexed over the twenty six year period.

Choice 2

The investor takes the equivalent of the salary sacrifice in cash, and borrows a capital sum where the annual interest payment is equal to the amount sacrificed under the first choice. The loan proceeds are then used to purchase units in a managed investment.

The cash taken by the investor under the second choice is taxable, but there is an equal offset created by the benefit of an interest deduction.

The calculation assumes a percentage of income in the form of franked dividends. The portion of the income distributed attributable to franked dividends is grossed up by the underlying franking credits and taxed at the investor's marginal rate. This liability is reduced by the franking credit.

The income and capital gains derived by the managed fund will flow through to the investor, and be taxed in his/her hands. The calculation assumes that the investor will retain a portion of the distribution to pay tax and reinvest the balance.

The income calculation provides for fifty percent of concessional tax realised capital gains to be exempt from tax in the investor's hands. The Model assumes that a portion of the managed fund's realised investment income will be taxed on this concessional basis. For comparison purposes, it is assumed that the superannuation fund under Option 1 will derive the same percentage of concessional tax gains.

On termination of the investment, the units are redeemed and any excess of the sales proceeds over the cost of the investment including amounts reinvested will be subject to capital gains tax. Fifty percent of any taxable gain will be exempt from tax where the units are held for more than twelve months.

On termination of the investment, the capital sum borrowed is repaid and the proceeds on redemption reduced accordingly.

These investment choices are shown in two situations. The first situation is comparing the superannuation investment with a negatively geared managed investment. The second situation compares superannuation with a negatively geared property investment.

Conclusions Reached

The negatively geared investment is generally more advantageous in the initial period. In the example using the maximum marginal rate, this period is thirteen years. This is due to:

- The higher investment levels offered by the borrowings being invested.
- The erosion of the investment balance in the superannuation option caused by the contributions tax.
- 50% CGT concession available to individuals as opposed to the one third concession available to superannuation funds.

In the latter period of the investment, the superannuation option sometimes becomes more attractive. The full effect of the following is then felt:

- The concessional tax rate of fifteen percent.
- The use of excess franking credits to shelter tax on other income.

Any tax payable on withdrawal from the superannuation fund may in certain circumstances be reduced by taking advantage of the higher pension RBL, and rolling the investment balance into a complying pension product.

However, the advantage of superannuation only emerges over the long term, and the investment is only accessible in exceptional circumstances. The negatively geared investment can be converted to cash at any time.

Other Relevant Issues

Superannuation also offers flexibility to reduce investment commitments if the member's circumstances change eg. The member ceases employment for a period to care for children. In this circumstance, the investment continues to yield income. The interest commitment in the negatively geared investment continues regardless. The investor has to either continue funding the interest or redeem the investment.

Negative gearing has a higher risk profile for the investor. The investor retains the obligation to repay the capital sum borrowed irrespective of the performance of the underlying investments.

The Role Of Contributions Tax

The attached spreadsheets indicate the disincentive created by contributions tax. The capital sum in the superannuation investment is eroded by this impost immediately and this is reflected in investment performance over the life of the investment. The superannuation investment return increases by approximately eighteen percent if we assume zero contributions tax and a return of 8% per annum.

David Glen
3 February 2006

ASSUMPTIONS:

Initial Investment/Salary Sacrifice	10,000.00	(pre tax)
IncomeYield	5%	
Percentage Franked Dividends	100%	
Investment Gain	8%	
Percentage Of Realised Gains In Unit Trust Distrib	70%	
Interest rate p.a	7%	
Amount Borrowed	142,857	Capital sum to yield interest equal to the salary sacrifice
Superannuation Tax Rate	15%	
Co Tax Rate for investment	30%	
Individual Marginal Rate	48.5%	
Annual Fee	2%	Based on Opening Balance
Taxable Portion of Concessional Gain (Superfund)	66.67%	
Concessional Gain Percentage	80%	% of investment income qualifying for concessional treatment
Taxable Portion of Concessional Gain (Individual)	50%	
Retirement At Age 55		Assume preservation requirements no longer apply at this point.
ETP Over 55 Rate	16.50%	
ETP Tax FreeThreshold Current	129,751	
Assumed AWOTE Index For Inv Span	1.05	per annum
Age of Investor In Years	30	
Lump Sum RBL Current	648,946	
Investment Span Years	26	

SALARY SACRIFICE INTO SUPERANNUATION

Year	1	2	3	4	5	6	7	8	9	10	11	12
Opening Balance	-	9,476.77	20,042.55	31,822.49	44,956.11	59,598.97	75,924.50	94,126.06	114,419.23	137,044.37	162,269.44	190,393.23
Contributions	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Tax On Contributions	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)
Balance (Invested)	8,500.00	17,976.77	28,542.55	40,322.49	53,456.11	68,098.97	84,424.50	102,626.06	122,919.23	145,544.37	170,769.44	198,893.23
Dividend Income (net)	425.00	898.84	1,427.13	2,016.12	2,672.81	3,404.95	4,221.23	5,131.30	6,145.96	7,277.22	8,538.47	9,944.66
Investment Gain Realised	680.00	1,438.14	2,283.40	3,225.80	4,276.49	5,447.92	6,753.96	8,210.09	9,833.54	11,643.55	13,661.56	15,911.46
Tax On Income	91.07	192.61	305.81	432.03	572.75	729.63	904.55	1,099.56	1,316.99	1,559.40	1,829.67	2,131.00
Tax On Investment Gain	(74.80)	(158.20)	(251.18)	(354.85)	(470.43)	(599.29)	(742.96)	(903.14)	(1,081.73)	(1,280.84)	(1,502.83)	(1,750.32)
Annual Fee (after tax)	(144.50)	(305.61)	(485.22)	(685.48)	(908.75)	(1,157.68)	(1,435.22)	(1,744.64)	(2,089.62)	(2,474.26)	(2,903.08)	(3,381.18)
Closing Balance	9,476.77	20,042.55	31,822.49	44,956.11	59,598.97	75,924.50	94,126.06	114,419.23	137,044.37	162,269.44	190,393.23	221,748.85

Withdrawal

Projected RBL At Withdrawal

ETP Analysis

Projected Tax Free Portion

Taxable Portion

Excessive Component

Total Payment

N/A N/A N/A N/A N/A N/A N/A N/A N/A N/A N/A N/A

ETP Tax

Tax On ETP

Tax On Excessive component

Total Tax

Post Tax Payment

SALARY SACRIFICE INTO SUPERANNUATION

Year	13	14	15	16	17	18	19	20	21	22	23	24	25	25+
Opening Balance	221,748.85	256,707.66	295,683.72	339,138.69	387,587.24	441,603.20	501,826.35	568,969.97	643,829.34	727,291.08	820,343.76	924,089.48	1,039,757.03	1,168,716.40
Contributions	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Tax On Contributions	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)
Balance (invested)	230,248.85	265,207.66	304,183.72	347,638.69	396,087.24	450,103.20	510,326.35	577,469.97	652,329.34	735,791.08	828,843.76	932,589.48	1,048,257.03	1,177,216.40
Dividend Income (net)	11,512.44	13,260.38	15,209.19	17,381.93	19,804.36	22,505.16	25,516.32	28,873.50	32,616.47	36,789.55	41,442.19	46,629.47	52,412.85	58,860.82
Investment Gain Realised	18,419.91	21,216.61	24,334.70	27,811.10	31,686.98	36,008.26	40,826.11	46,197.60	52,186.35	58,863.29	66,307.50	74,607.16	83,860.56	94,177.31
Tax On Income	2,466.95	2,841.51	3,259.11	3,724.70	4,243.79	4,822.53	5,467.78	6,187.18	6,989.24	7,883.48	8,880.47	9,992.03	11,231.33	12,613.03
Tax On Investment Gain	(2,026.26)	(2,333.91)	(2,676.91)	(3,059.33)	(3,485.69)	(3,961.05)	(4,491.04)	(5,081.92)	(5,740.71)	(6,475.20)	(7,294.09)	(8,207.09)	(9,225.00)	(10,359.88)
Annual Fee (after tax)	(3,914.23)	(4,508.53)	(5,171.12)	(5,909.85)	(6,733.48)	(7,651.75)	(8,675.55)	(9,816.99)	(11,089.60)	(12,508.45)	(14,090.35)	(15,854.02)	(17,820.37)	(20,012.68)
Closing Balance	256,707.66	295,683.72	339,138.69	387,587.24	441,603.20	501,826.35	568,969.97	643,829.34	727,291.08	820,343.76	924,089.48	1,039,757.03	1,168,716.40	1,312,495.00
Withdrawal	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Projected RBL At Withdrawal														2,197,561.49
ETP Analysis														
Projected Tax Free Portion														439,382.94
Taxable Portion														873,112.06
Excessive Component														-
Total Payment														<u>1,312,495.00</u>
ETP Tax														
Tax On ETP														144,063.49
Tax On Excessive component														-
Total Tax														<u>144,063.49</u>
Post Tax Payment														<u>1,168,431.51</u>

NEGATIVE GEARED EQUITY TRUST

Year	1	2	3	4	5	6	7	8	9	10	11	12
Opening Balance	-	155,741.39	169,787.66	185,100.76	201,794.95	219,994.78	239,836.05	261,466.79	285,048.40	310,756.83	338,783.90	369,338.73
Loan Drawdown	142,857.14											
Balance	142,857.14	155,741.39	169,787.66	185,100.76	201,794.95	219,994.78	239,836.05	261,466.79	285,048.40	310,756.83	338,783.90	369,338.73
Cash Received In Lieu Of Salary Sacrifice	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Interest Paid On Loan	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)
Tax On Cash Received	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)
Benefit From Interest Deduction	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00
Dividend Income (net)	7,142.86	7,787.07	8,489.38	9,255.04	10,089.75	10,999.74	11,991.80	13,073.34	14,252.42	15,537.84	16,939.20	18,466.94
Investment Gain Realised	8,000.00	8,721.52	9,508.11	10,365.64	11,300.52	12,319.71	13,430.82	14,642.14	15,962.71	17,402.39	18,971.90	20,682.97
Investment Gain Unrealised	3,428.57	3,737.79	4,074.90	4,442.42	4,843.08	5,279.87	5,756.06	6,275.20	6,841.16	7,458.17	8,130.81	8,864.13
Tax on investment gain - individual	(2,328.00)	(2,537.96)	(2,766.86)	(3,016.40)	(3,288.45)	(3,585.03)	(3,908.37)	(4,260.86)	(4,645.15)	(5,064.09)	(5,520.82)	(6,018.74)
Tax on Income (@ Marginal %)	(1,887.76)	(2,058.01)	(2,243.62)	(2,445.97)	(2,666.58)	(2,907.07)	(3,169.26)	(3,455.10)	(3,766.71)	(4,106.43)	(4,476.79)	(4,880.55)
Annual Fee (After tax)	(1,471.43)	(1,604.14)	(1,748.81)	(1,906.54)	(2,078.49)	(2,265.95)	(2,470.31)	(2,693.11)	(2,936.00)	(3,200.80)	(3,489.48)	(3,804.19)
Closing Balance	155,741.39	169,787.66	185,100.76	201,794.95	219,994.78	239,836.05	261,466.79	285,048.40	310,756.83	338,783.90	369,338.73	402,649.29
Unitholding Sold												
"Market" Value	155,741.39	169,787.66	185,100.76	201,794.95	219,994.78	239,836.05	261,466.79	285,048.40	310,756.83	338,783.90	369,338.73	402,649.29
Cost Base	152,312.81	166,049.87	181,025.85	197,352.53	215,151.70	234,556.18	255,710.72	278,773.20	303,915.67	331,325.74	361,207.91	393,785.16
Taxable Gain On Redemption	3,428.57	3,737.79	4,074.90	4,442.42	4,843.08	5,279.87	5,756.06	6,275.20	6,841.16	7,458.16	8,130.81	8,864.13
Tax on investment gain - individual	(831.43)	(906.41)	(988.16)	(1,077.29)	(1,174.45)	(1,280.37)	(1,395.85)	(1,521.74)	(1,658.98)	(1,808.61)	(1,971.72)	(2,149.55)
Loan Repayment	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)
Return After Tax	12,052.81	26,024.11	41,255.45	57,860.51	75,963.19	95,698.54	117,213.80	140,669.52	166,240.71	194,118.15	224,509.86	257,642.60

NEGATIVE GEARED EQUITY TRUST

Year	13	14	15	16	17	18	19	20	21	22	23	24	25	25+
Opening Balance	402,649.29	438,964.11	478,554.16	521,714.83	568,768.13	620,065.16	675,988.66	736,955.88	803,421.72	875,882.10	954,877.66	1,040,997.79	1,134,885.08	1,237,240.04
Loan Drawdown														
Balance	402,649.29	438,964.11	478,554.16	521,714.83	568,768.13	620,065.16	675,988.66	736,955.88	803,421.72	875,882.10	954,877.66	1,040,997.79	1,134,885.08	1,237,240.04
Cash Received In Lieu Of Salary Sacrifice	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Interest Paid On Loan	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)
Tax On Cash Received	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)
Benefit From Interest Deduction	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00
Dividend Income (net)	20,132.46	21,948.21	23,927.71	26,085.74	28,438.41	31,003.26	33,799.43	36,847.79	40,171.09	43,794.11	47,743.88	52,049.89	56,744.25	61,862.00
Investment Gain Realised	22,548.36	24,581.99	26,799.03	29,216.03	31,851.02	34,723.65	37,855.36	41,269.53	44,991.62	49,049.40	53,473.15	58,295.87	63,553.57	69,285.44
Investment Gain Unrealised	9,683.58	10,535.14	11,485.30	12,521.16	13,650.44	14,881.56	16,223.73	17,686.94	19,282.12	21,021.17	22,917.06	24,983.95	27,237.24	29,693.76
Tax on investment gain - individual	(6,561.57)	(7,153.36)	(7,798.52)	(8,501.87)	(9,268.65)	(10,104.58)	(11,015.91)	(12,009.43)	(13,092.56)	(14,273.38)	(15,560.69)	(16,964.10)	(18,494.09)	(20,162.06)
Tax on Income (@ Marginal %)	(5,320.72)	(5,800.60)	(6,323.75)	(6,894.09)	(7,515.87)	(8,193.72)	(8,932.71)	(9,738.34)	(10,616.65)	(11,574.16)	(12,618.03)	(13,756.04)	(14,996.69)	(16,349.24)
Annual Fee (After tax)	(4,147.29)	(4,521.33)	(4,929.11)	(5,373.66)	(5,858.31)	(6,386.67)	(6,962.68)	(7,590.65)	(8,275.24)	(9,021.58)	(9,835.24)	(10,722.28)	(11,689.32)	(12,743.57)
Closing Balance	438,964.11	478,554.16	521,714.83	568,768.13	620,065.16	675,988.66	736,955.88	803,421.72	875,882.10	954,877.66	1,040,997.79	1,134,885.08	1,237,240.04	1,348,826.37
Unitholding Sold														
"Market" Value	438,964.11	478,554.16	521,714.83	568,768.13	620,065.16	675,988.66	736,955.88	803,421.72	875,882.10	954,877.66	1,040,997.79	1,134,885.08	1,237,240.04	1,348,826.37
Cost Base	429,300.53	468,019.02	510,229.53	556,246.97	606,414.73	661,107.10	720,732.15	785,734.78	856,599.98	933,856.49	1,018,080.73	1,109,901.13	1,210,002.80	1,319,132.61
Taxable Gain On Redemption	9,663.58	10,535.14	11,485.30	12,521.16	13,650.44	14,881.56	16,223.73	17,686.94	19,282.12	21,021.17	22,917.06	24,983.95	27,237.24	29,693.76
Tax on investment gain - individual	(2,343.42)	(2,554.77)	(2,785.19)	(3,036.38)	(3,310.23)	(3,608.78)	(3,934.25)	(4,289.08)	(4,675.91)	(5,097.63)	(5,557.39)	(6,058.61)	(6,605.03)	(7,200.74)
Loan Repayment	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)
Return After Tax	293,763.55	333,142.25	376,072.49	422,874.61	473,897.79	529,522.74	590,164.49	656,275.50	728,349.05	806,922.88	892,583.26	985,969.33	1,087,777.87	1,198,768.49

Attachment B

Comparison of Salary Sacrifice - Super vs Negative Geared Property Investment'

g/tax/product advice/SalSacsuper vs NegGearInv-Rev1.xls

ASSUMPTIONS:

Initial Investment/Salary Sacrifice	10,000.00	(pre tax)
IncomeYield	4%	
Percentage Franked Dividends	0%	
Investment Gain	4%	
Percentage Of Realised Gains In Unit Trust Distrib	100%	
Interest rate p.a	7%	
Amount Borrowed	142,857	Capital sum to yield interest equal to the salary sacrifice
Superannuation Tax Rate	15%	
Co Tax Rate for investment	30%	
Individual Marginal Rate	48.5%	
Annual Fee	2%	Based on Opening Balance
Taxable Portion of Concessional Gain (Superfund)	66.67%	
Concessional Gain Percentage	100%	% of investment income qualifying for concessional treatment
Taxable Portion of Concessional Gain (Individual)	50%	
Retirement At Age 55		Assume preservation requirements no longer apply at this point.
ETP Over 55 Rate	16.50%	
ETP Tax Free Threshold Current	129,751	
Assumed AWOTE Index For Inv Span	1.05	per annum
Age of Investor In Years	30	
Lump Sum RBL Current	648,946	
Investment Span Years	26	

SALARY SACRIFICE INTO SUPERANNUATION

Year	1	2	3	4	5	6	7	8	9	10	11	12
Opening Balance	-	8,950.50	18,375.37	28,299.75	38,750.13	49,754.39	61,341.86	73,543.46	86,391.75	99,920.99	114,167.27	129,168.62
Contributions	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Tax On Contributions	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)
Balance (Invested)	8,500.00	17,450.50	26,875.37	36,799.75	47,250.13	58,254.39	69,841.86	82,043.46	94,891.75	108,420.99	122,667.27	137,668.62
Rental Income	340.00	698.02	1,075.01	1,471.99	1,890.01	2,330.18	2,793.67	3,281.74	3,795.67	4,336.84	4,906.69	5,506.74
Investment Gain Realised	340.00	698.02	1,075.01	1,471.99	1,890.01	2,330.18	2,793.67	3,281.74	3,795.67	4,336.84	4,906.69	5,506.74
Tax On Income	(51.00)	(104.70)	(161.25)	(220.80)	(283.50)	(349.53)	(419.05)	(492.26)	(569.35)	(650.53)	(736.00)	(826.01)
Tax On Investment Gain	(34.00)	(69.81)	(107.51)	(147.21)	(189.01)	(233.03)	(279.38)	(328.19)	(379.59)	(433.71)	(490.69)	(550.70)
Annual Fee (after tax)	(144.50)	(296.66)	(456.88)	(625.59)	(803.25)	(990.33)	(1,187.31)	(1,394.74)	(1,613.16)	(1,843.16)	(2,085.35)	(2,340.36)
Closing Balance	8,950.50	18,375.37	28,299.75	38,750.13	49,754.39	61,341.86	73,543.46	86,391.75	99,920.99	114,167.27	129,168.62	144,965.02

Withdrawal

Projected RBL At Withdrawal	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
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ETP Analysis

Projected Tax Free Portion												
Taxable Portion												
Excessive Component												
Total Payment												

ETP Tax

Tax On ETP												
Tax On Excessive component												
Total Tax												

Post Tax Payment

SALARY SACRIFICE INTO SUPERANNUATION

Year	13	14	15	16	17	18	19	20	21	22	23	24	25	25+
Opening Balance	144,965.02	161,598.64	179,113.84	197,557.33	216,978.33	237,428.62	258,962.79	281,638.26	305,515.52	330,658.29	357,133.60	385,012.11	414,368.16	445,280.10
Contributions	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Tax On Contributions	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)	(1,500.00)
Balance (Invested)	153,465.02	170,098.64	187,613.84	206,057.33	225,478.33	245,928.62	267,462.79	290,138.26	314,015.52	339,158.29	365,633.60	393,512.11	422,868.16	453,780.10
Rental Income	6,138.60	6,803.95	7,504.55	8,242.29	9,019.13	9,837.14	10,698.51	11,605.53	12,560.62	13,566.33	14,625.34	15,740.48	16,914.73	18,151.20
Investment Gain Realised	6,138.60	6,803.95	7,504.55	8,242.29	9,019.13	9,837.14	10,698.51	11,605.53	12,560.62	13,566.33	14,625.34	15,740.48	16,914.73	18,151.20
Tax On Income	(920.79)	(1,020.59)	(1,125.68)	(1,236.34)	(1,352.87)	(1,475.57)	(1,604.78)	(1,740.83)	(1,884.09)	(2,034.95)	(2,193.80)	(2,361.07)	(2,537.21)	(2,722.68)
Tax On Investment Gain	(613.89)	(680.43)	(750.49)	(824.27)	(901.96)	(983.76)	(1,069.90)	(1,160.61)	(1,256.12)	(1,356.70)	(1,462.61)	(1,574.13)	(1,691.56)	(1,815.21)
Annual Fee (after tax)	(2,608.91)	(2,891.67)	(3,189.44)	(3,502.98)	(3,833.13)	(4,180.78)	(4,546.87)	(4,932.35)	(5,338.26)	(5,765.69)	(6,215.77)	(6,689.70)	(7,188.76)	(7,714.26)
Closing Balance	161,598.64	179,113.84	197,557.33	216,978.33	237,428.62	258,962.79	281,638.26	305,515.52	330,658.29	357,133.60	385,012.11	414,368.16	445,280.10	477,830.35

Withdrawal

Projected RBL At Withdrawal	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2,197,561.49
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ETP Analysis

Projected Tax Free Portion														439,382.94
Taxable Portion														38,447.41
Excessive Component														-
Total Payment														<u>477,830.35</u>

ETP Tax

Tax On ETP														6,343.82
Tax On Excessive component														-
Total Tax														<u>6,343.82</u>

Post Tax Payment

471,486.52

NEGATIVE GEARED PROPERTY

Year	1	2	3	4	5	6	7	8	9	10	11	12
Opening Balance	-	148,657.15	154,692.63	160,973.16	167,508.67	174,309.54	181,386.51	188,750.80	196,414.08	204,388.49	212,686.66	221,321.75
Loan Drawdown	142,857.14											
Balance	142,857.14	148,657.15	154,692.63	160,973.16	167,508.67	174,309.54	181,386.51	188,750.80	196,414.08	204,388.49	212,686.66	221,321.75
Cash Received In Lieu Of Salary Sacrifice	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Interest Paid On Loan	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)
Tax On Cash Received	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)
Benefit From Interest Deduction	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00
Rental Income	5,714.29	5,946.29	6,187.71	6,438.93	6,700.35	6,972.38	7,255.46	7,550.03	7,856.56	8,175.54	8,507.47	8,852.87
Investment Gain Realised	5,714.29	5,946.29	6,187.71	6,438.93	6,700.35	6,972.38	7,255.46	7,550.03	7,856.56	8,175.54	8,507.47	8,852.87
Investment Gain Unrealised	-	-	-	-	-	-	-	-	-	-	-	-
Tax on investment gain - individual	(1,385.72)	(1,441.98)	(1,500.52)	(1,561.44)	(1,624.83)	(1,690.80)	(1,759.45)	(1,830.88)	(1,905.22)	(1,982.57)	(2,063.06)	(2,146.82)
Tax on Income (@ Marginal %)	(2,771.43)	(2,883.95)	(3,001.04)	(3,122.88)	(3,249.67)	(3,381.60)	(3,518.90)	(3,661.76)	(3,810.43)	(3,965.14)	(4,126.12)	(4,293.64)
Annual Expenses (After tax)	(1,471.43)	(1,531.17)	(1,593.33)	(1,658.02)	(1,725.34)	(1,795.39)	(1,868.28)	(1,944.14)	(2,023.06)	(2,105.20)	(2,190.67)	(2,279.61)
Closing Balance	148,657.15	154,692.63	160,973.16	167,508.67	174,309.54	181,386.51	188,750.80	196,414.08	204,388.49	212,686.66	221,321.75	230,307.41
Unitholding Sold												
"Market" Value	148,657.15	154,692.63	160,973.16	167,508.67	174,309.54	181,386.51	188,750.80	196,414.08	204,388.49	212,686.66	221,321.75	230,307.41
Cost Base	148,657.15	154,692.63	160,973.16	167,508.67	174,309.54	181,386.51	188,750.80	196,414.08	204,388.49	212,686.66	221,321.75	230,307.41
Taxable Gain On Redemption	-	-	-	-	-	-	-	-	-	-	-	-
Tax on investment gain - individual	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan Repayment	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)
Return After Tax	5,800.00	11,835.49	18,116.01	24,651.53	31,452.39	38,529.37	45,893.65	53,556.94	61,531.35	69,829.51	78,464.60	87,450.27

NEGATIVE GEARED PROPERTY

Year	13	14	15	16	17	18	19	20	21	22	23	24	25	25+
Opening Balance	230,307.41	239,657.90	249,388.01	259,513.16	270,049.40	281,013.41	292,422.56	304,294.91	316,649.29	329,505.24	342,883.16	356,804.21	371,290.47	386,364.86
Loan Drawdown														
Balance	230,307.41	239,657.90	249,388.01	259,513.16	270,049.40	281,013.41	292,422.56	304,294.91	316,649.29	329,505.24	342,883.16	356,804.21	371,290.47	386,364.86
Cash Received In Lieu Of Salary Sacrifice	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Interest Paid On Loan	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)
Tax On Cash Received	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)	(4,850.00)
Benefit From Interest Deduction	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00	4,850.00
Rental Income	9,212.30	9,586.32	9,975.52	10,380.53	10,801.98	11,240.54	11,696.90	12,171.80	12,665.97	13,180.21	13,715.33	14,272.17	14,851.62	15,454.59
Investment Gain Realised	9,212.30	9,586.32	9,975.52	10,380.53	10,801.98	11,240.54	11,696.90	12,171.80	12,665.97	13,180.21	13,715.33	14,272.17	14,851.62	15,454.59
Investment Gain Unrealised	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax on investment gain - individual	(2,233.98)	(2,324.68)	(2,419.06)	(2,517.28)	(2,619.48)	(2,725.83)	(2,836.50)	(2,951.66)	(3,071.50)	(3,196.20)	(3,325.97)	(3,461.00)	(3,601.52)	(3,747.74)
Tax on Income (@ Marginal %)	(4,467.97)	(4,649.37)	(4,838.13)	(5,034.56)	(5,238.96)	(5,451.66)	(5,673.00)	(5,903.32)	(6,143.00)	(6,392.40)	(6,651.94)	(6,922.00)	(7,203.04)	(7,495.48)
Annual Expenses (After tax)	(2,372.17)	(2,468.48)	(2,568.70)	(2,672.98)	(2,781.51)	(2,894.44)	(3,011.95)	(3,134.24)	(3,261.49)	(3,393.90)	(3,531.69)	(3,675.08)	(3,824.29)	(3,979.56)
Closing Balance	239,657.90	249,388.01	259,513.16	270,049.40	281,013.41	292,422.56	304,294.91	316,649.29	329,505.24	342,883.16	356,804.21	371,290.47	386,364.86	402,051.26
Unitholding Sold														
"Market" Value	239,657.90	249,388.01	259,513.16	270,049.40	281,013.41	292,422.56	304,294.91	316,649.29	329,505.24	342,883.16	356,804.21	371,290.47	386,364.86	402,051.26
Cost Base	239,657.90	249,388.01	259,513.16	270,049.40	281,013.41	292,422.56	304,294.91	316,649.29	329,505.24	342,883.16	356,804.21	371,290.47	386,364.86	402,051.26
Taxable Gain On Redemption	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax on investment gain - individual	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan Repayment	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)	(142,857.14)
Return After Tax	96,800.75	106,530.87	116,656.02	127,192.26	138,156.27	149,565.42	161,437.77	173,792.15	186,648.10	200,026.02	213,947.07	228,433.33	243,507.72	259,194.12

