



# Ethically Speaking

Ethical Investment Services aims to combine investment integrity with superior financial returns. We value a sustainable future and operate for the long term prosperity of our clients, our company, the environment and the Global Community.



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## Bring it on!

At last some action on behalf of the environment and progress on addressing climate change. Many of us are optimistic that this boost to the renewable energy industry should deliver a range of flow on economic benefits, with employment and new technologies set to benefit from increased funding, including the \$10 billion of government funding to the new Clean Energy Finance Corporation.

If you're concerned about the rising cost of energy, remember there are smart things we can all do to reduce energy consumption to offset these costs - just try googling 'sustainable living' or 'energy savings around the home'. By creating a market mechanism that forces big polluters to pay for their emissions, this is exactly how this tax will meet its objectives. Companies will gear up with clever strategies to reduce their emissions and costs - wait and see. This is not about freezing in the dark and living off bread and water. It's about correcting a market failure that until now has let companies generate profits without making them pay for the true costs. It's about getting companies to pay for a resource (ie clean air), that belongs to all of us, and that up until now they have been using up for free.

Amongst all the media fear mongering about what this is all going to cost, bear in mind the potential costs of no action. Extreme climate events are causing property destruction, loss of life and business closures; our warming oceans are impacting fisheries that are the lifeblood of many coastal communities

worldwide; sea levels are rising, from which we will see an increasing number of climate refugees and destruction of coastal land and infrastructure assets; increasing pollution is leading to increased public health costs; the degradation of the natural environment is resulting in the loss of tourism assets. The UN has taken all this a step further and in its project the 'Green Economy Initiative' actually demonstrated how becoming greener and protecting our natural environment can provide benefits that boost the economy, build wealth, create jobs and reduce poverty.

As a society that has benefitted from very high per capita energy use, we have a moral and ethical responsibility to help ensure future livelihoods for the people most likely to suffer potential climate change consequences - the billions of people living on third world coastlines and in marginal economic areas .

And aside from this movement towards having to prove the financial cost of climate change and viewing it all from a risk management framework, what about the intrinsic value of the natural environment? If this is not appreciated as a valuable asset, then why are these the very places many of us innately crave and are drawn to time and again? I think it's because as humans we want to experience being connected to nature for the way it inspires us and restores the soul and I believe very few of us would want our legacy to be that the existence of polar bears in the arctic or whales in our oceans had no value at all.

# 12 Month Opportunity for over 50s.

## Do you have enough for retirement?

Superannuation is a way to save for your retirement. The money comes from contributions made into your super fund by your employer and topped up by your own money via salary sacrifice or other contributions. Over the course of your working life, your super balance will increase in two ways: The money that you or your employer contribute to the fund AND the investment strategy of your super fund.



There are many reasons why when in your fifties you are more likely to embrace using superannuation as a wealth building vehicle:

1. You may have finished paying off a mortgage on a family home, which frees up funds to now direct towards retirement
2. Your children may have become financially independent – no longer relying on you for financial support
3. Career progression may now see you in a position where you have a higher income or a higher tax rate so you'll benefit more from the tax savings of salary sacrifice
4. People feel more comfortable putting aside monies for retirement as they will not have to wait so long to have access
5. Fear of aging – feeling the need to 'do something' about planning for retirement
6. A higher 'concessional cap' or limit for the over 50s on what they can contribute via salary sacrifice

Salary Sacrifice is included in the category of 'concessional contributions' and until 30 June 2012, if you are over 50 years of age, the concessional cap is \$50,000\*, (after which date the cap reduces to \$25,000 like everyone else).

This provides an obvious short term tax saving opportunity whereby by making sure you contribute up to your cap you will maximize your tax savings for the current year. The difference between a \$25,000 and a \$50,000 cap can be up to a tax saving of around \$7,500 in one year so take advantage while you can.

\*Concessional Contribution limits are made up of employer contributions PLUS Salary sacrifice contributions or Personal contributions claimed as a tax deduction.

### What happens after July 2012

After July 2012 the concessional cap is expected to be a maximum of \$25,000 for everyone WITH A POSSIBLE EXCEPTION.

The government has announced changes that, if passed by parliament, will permanently increase the concessional contributions cap for the over 50s to \$50,000 for individuals WHO HAVE TOTAL SUPER BALANCES BELOW \$500,000. In anticipation of this, it makes sense to consider strategies that will enable you to minimize the amount of money you have as a super balance so that you can continue with the higher concessional cap for as long as possible.

So how can you do both of these

things? Maximise tax savings from salary sacrifice contributions, whilst minimizing the amount you have in super so that you can continue benefiting from the higher cap?

One way of doing this is by using a spouse splitting strategy.

### Super Splitting

By splitting superannuation contributions you may be able to move some of your super from your account to your spouse's super account.

If you are over 50 and wish to keep your super balance low to enable you to continue concessional contributions up to \$50,000 per year (under the proposed new legislation), splitting super contributions may be effective in enabling you to maintain an account balance under \$500,000. This will maximise your eligibility to continue with the higher \$50,000 concessional cap, and thus enable the higher amount of salary sacrifice and tax savings to continue.

In general you would be able to split 85% of your previous year's concessional contributions with your spouse. There are some timing and account type restrictions that apply, as well as conditions for the receiving spouse to be eligible so make sure you seek proper advice first.

**“Let every individual and institution now think and act as a responsible trustee of Earth, seeking choices in ecology, economics and ethics that will provide a sustainable future, eliminate pollution, poverty and violence, awaken the wonder of life and foster peaceful progress in the human adventure.”** *John McConnell, founder of International Earth Day*

## Super splitting Case Study

Mary is 51 year old and has a super balance of \$410,000. She wishes to maximize her super contributions and tax deductions via her employer contributions and salary sacrifice. Leaving returns aside for now, Mary would enjoy the \$50,000 cap for about 2 years, after which her super would be worth more than \$500,000 and her concessional cap would reduce to \$25,000, reducing her potential for tax savings along with it.

Consider however if Mary implemented a super splitting strategy with her partner, whereby she moved about \$42,500 per annum to her partner's super account. Mary and her partner are no worse off as they are simply moving the money between their two accounts. However Mary would be better off over the longer term as she would be able to continue her higher \$50,000 cap for much longer as her account would remain below the \$500,000 limit.

## Money for Nothing

Aside from health and the ability to work, for most Australians their two biggest assets are their superannuation and their home. The Australian Government has implemented initiatives to help low income earners increase their super balance and to help first home buyers to purchase their first house.

### **\$1,000 each year to help you save for retirement:**

#### Super Co-Contribution

Superannuation is a way to save for your retirement. If you earn less than \$31,920 this Financial Year, then for every dollar you personally contribute into super before 30th June, the Government will match it dollar for dollar up to a maximum of \$1,000. (For every dollar earned over \$31,920, the maximum co-contribution is reduced by 5 cents for until earnings reach \$61,920).

### **\$935 each year to help you save for your first home:**

#### First Home Savers Accounts

If you are saving for your first home,

a first home saver account may be a good way to help you reach your goal. Each year the Government will make a 17% contribution on amounts you deposit, up to \$5,500 per year. This means that if you deposit \$5,500 in one financial year, you will receive \$935 from the government.

Unlike other savings accounts, if you don't use the savings in your account to buy or build your first home, you must transfer the savings into your superannuation fund unless you are aged 60 or over. Except in limited circumstances, you cannot access your super before you retire.

For more details go to [www.ato.gov.au/individuals/pathway.aspx?pc=001/002/066](http://www.ato.gov.au/individuals/pathway.aspx?pc=001/002/066)

### **\$7,000 towards your first home:**

#### First Home Owner Grant

If you are ready to purchase your first home you may be eligible for the first home owners grant. You may also be eligible for other grants from your State or Territory Government. Contact your state revenue office for more details.

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news

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## Ethical Spotlight on Coal Seam Gas

Natural gas is a hot topic in both investment and environmental circles. It is seen as being the transition fuel to move us away from carbon intensive coal towards an energy source dominated more by renewable energy. Natural gas is a fossil fuel, yet is less carbon intensive than coal, and is in abundant and secure supply in Australia. Environmentalists are mixed in their views on natural gas, some claiming it will only delay employment of renewable energy, and others claiming it is a necessary step away from the known problems of coal. Politicians are largely in favour as a means of maintaining a secure energy supply yet reducing carbon emissions. The investment sector is always in favour of a new boom with billions of dollars being thrown into the industry. Natural gas has been termed this century's gold rush and Barak Obama has stated that 'the potential for natural gas is enormous'.

Coal Seam Gas (CSG) is a source of natural gas and refers to the gas deposits that are embedded deep underground in countless tiny bubbles within coal deposits. Typically natural gases were a health hazard to coal miners as the tiny bubbles were unlocked in the coal mining process (hence the canary in the coal mine). Increasingly miners are now leaving the coal in place and actively extracting the gas. CSG is extracted by pumping large amounts of water mixed with chemicals and sand into the coal beds to force the return of water with the gas back to the surface through a pipeline network. This in the process known as hydraulic fracking.

The size of the industry is growing rapidly through NSW and Queensland where CSG deposits are abundant. Legislation and environmental guidelines however are lagging

behind industry development and many environmental and health dangers are yet to be fully understood. The main issues around the process of CSG mining are:

- Chemicals used in the extraction process which are not properly returned to the surface and therefore seep into the surrounding groundwater (the main concern for land owners)
- Large quantities of water are required for the process. When the water is returned to the surface (due to high salinity levels) it is placed into evaporation ponds. International operations have also highlighted that in certain areas the water also picked up naturally occurring radioactive material and returned it to the surface.

Given the strong political support and the already billions in investment funds expended, the industry marches on for now despite these unquantified material risks.

As information comes to light around the environmental impact green groups are also growing increasingly opposed to CSG mining. The French government has placed a ban on the process at the moment while debates and legislation is under negotiation in the USA. CSG has the ability to become a large scale energy supply over a short space of time and looks to be the transitional fuel (according the CSIRO the emissions intensity of CSG is 50% less than coal). Given the negative impacts of the fracking process highlighted in recent documentaries we are aware of investor concerns and will provide information updates as the issue is further debated. AGL, Origin Energy and Santos are the relevant companies involved in the industry in Australia.

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