

YOU ALWAYS NEED A PLAN B

As in the movies, when Plan A doesn't work you need to resort to Plan B.

Unfortunately most people don't have a Plan A or B and as one famous author once said "people don't plan to fail, they just fail to plan". Planning, budgeting and goal setting are important for our personal life as well as business. The following tips will assist with your planning and goal setting:-

1. Be specific

Remember your New Year's resolution to drink less alcohol or lose weight? Chances are that while these resolutions are simple and easy to remember they are not specific enough to ensure you meet them. A more specific goal of "I will reduce my alcohol intake to less than 8 standard drinks per week" is simple, ensures you cannot "fool yourself" that you are drinking less, is measurable and is both a short term (weekly) and longer term goal.

2. Write it down

It doesn't matter what the goal is, you must write it down. The reason you should write it down is not because you might forget your goal but because over time your mind has a habit of re-defining your goals to suit your circumstances. Over time, 8 standard drinks per week becomes 32 per month with a festive season over run allowance etc.

The reason people don't write down their goals is fear of failure. *Get over it!!* Even if it is an outrageously optimistic goal – write it down. Imagine if your goal was to increase the income of your dental surgery from \$600,000 to \$1,000,000 in one year but you failed and only increased it by 50% to \$900,000. I think you would still be very happy with your "failure".

3. Keep it simple

You don't need a book or Master's Degree to write down your goals, plans or basic budget. You know how much you earn and even if you sometimes wonder where it all goes, you still have a reasonable idea. The secret is again to write it down and then match what you thought you earned and spent to what you actually do. A basic budget doesn't need to be accurate to the cent or list every different type of expense, just the ones you are interested in. If the budgeting, planning and goal setting becomes arduous and too difficult, you won't do it – so keep it simple.

The benefits of setting goals, committing them to writing and doing some basic planning/budgeting is:

- You're more focused.
- You will procrastinate less because you can easily see if a decision takes you closer to your goal.
- You get a better understanding of you and your business.
- You feel good even if you don't achieve your goals because you will see some improvement.

TAX PLANNING FOR 2012 AND BEYOND

Dentists need to be aware of and plan for the following tax issues both before 30th June 2012 and after.

A. Superannuation

Due to Federal Budget announcements on 8th May, 2012 it is important for dentists to maximize the amount they contribute to superannuation prior to 30th June 2012 particularly for those over 50 years of age. For both the 2012/13 year and 2013/14 year the maximum (tax deductible) superannuation contribution for all Australians will be \$25,000 regardless of age. This year may be the last that those over 50 will be able to contribute \$50,000 to their superannuation fund.

Also, from the 1st July 2012 it is proposed that those individuals earning more than \$300,000 per year will have the tax paid by their Super Fund on their super contributions increased from 15% to 30% (including any 9% compulsory super contributions). This measure is likely to act as a disincentive to those individuals who are best able to afford to save for their retirement. This is another reason to consider maximizing your super contributions or salary sacrificing prior to 30th June 2012.

B. Income Tax Rates

With some re-arranging of the tax thresholds and reduction in the low income tax offset, the amount of tax individuals will pay on earnings above \$80,000 will remain almost the same. The year tax payable for 2012 will be slightly higher because of the flood levy. Excluding the affects of Medicare levy and Medicare Levy Surcharge the tax payable on \$180,000 income is \$54,547 being 30.3% and only slightly higher than the company tax rate. As the tax rates remain almost the same on high income there is no need to bring forward deductions to this year to create additional savings. Prepaying expenses or interest will depend on your personal financial circumstances.

C. Private Health Insurance

From 1st July 2012 higher income earners will receive less private health insurance rebate. Also if they do not have private hospital cover the Medicare Levy Surcharge may increase.

	Unchanged	Tier 1	Tier 2	Tier 3
Singles	\$84,000 or less	\$84,001-97,000	\$97,001-130,000	\$130,001 or more
Families	\$168,000 or less	\$168,001-194,000	\$194,001-260,000	\$260,001 or more
Rebate				
Aged under 65	30%	20%	10%	0%
Aged 65-69	35%	25%	15%	0%
Aged 70 or over	40%	30%	20%	0%
Medicare Levy Surcharge				
Rate	0.0%	1.0%	1.25%	1.5%

There has been some suggestion that you can pay the private health insurance 1-2 years in advance and therefore take advantage of the current rebate. You may wish to consider this but if the rebate has been over claimed based on your level of income it will be (re)charged to you by the Tax Office on your (2012/13) income tax assessment.

D. Medical Expenses Tax Offset

From the 1st July 2012 the 20% rebate on net out of pocket medical expenses which exceed \$2060 will be means tested. For singles earning more than \$84,000 and families earning more than \$168,000 the threshold will rise to \$5,000 and the rebate will fall to only 10%. Dentists may see an influx of patients who want major dental treatment to be done and paid for before 30th June, 2012 while the threshold is still only \$2,000.

E. \$5,000 Write Off

Small businesses with a turnover of less than \$2,000,000 will be able to write off all assets purchased after 1st July, 2012 with a value of \$5,000. There is also an immediate write-off of the first \$5,000 of any motor vehicle purchased after this date. It may be preferable to hold off on car or asset purchases until after year end.

F. Education Tax Refund

The Education Tax Refund available to all families with school age children who are in receipt of Family Tax Benefit Part A will be replaced by a School Kids Bonus. This will apply retrospectively from 1st July 2011 with eligible families receiving a once off lump sum payout for 2011/12 in June 2012. Eligible families will no longer need to keep receipts for expenditure on educational supplies.

G. Income of Children

The amount of income that can be distributed from a trust to children before tax is payable has reduced from \$3,333 in 2011 to \$416 in 2012. This makes distributions to minors less tax effective in 2012.

MW Partners deals with both simple and complex tax matters for dentists on a daily basis. Our range of services is extensive and if you are concerned about the tax planning advice you are receiving call Albert Gigl on 03)8825 5400 for an appointment. As a member of the ADAVB, there is no charge for your first consultation. For your convenience, MW Partners is located on the same floor as the ADAVB at 10 Yarra Street, South Yarra.