CDTL

Corporate Solutions - Individually Tailored

Tax Investments

As the financial year closes, many people make last minute decisions to invest in a project for the purpose of reducing their taxable income. With the uncertainty in the world economy and numerous corporate collapses in recent years we recommend that any investment decision is done after a due diligence process is conducted.

In the past two years, we have been approached for assistance by many people who have invested in projects which have collapsed or declined in value significantly. Most parties indicated that the reason for investing in the project was to save tax and they relied on the advice from their financial advisors, in particular, financial planners.

Main things to consider are:

1. Who is recommending the investment or insurance product to you?
2. What qualifications does the advisor have?
3. How many years experience does the advisor have?
4. How is the advisor paid?
5. How much is the advisor paid?

Guarantees

There are no guarantees in any investment as there are risks associated with every investment. We do not recommend clients enter into an investment merely because the investment has an Australian Taxation Office (ATO) product ruling and a glossy prospectus (which is lodged with the Australian Securities & Investments Commission (ASIC). Neither of these items will provide certainty on the investment's income or capital returns.

Education

Advisors are required to complete a course called PS146 before they can gain a licence to offer advice. This course is an improvement compared to 15 years ago, however the course entry requirements are very low, compared to formal tertiary education at an Australian university. The course can also be completed very quickly.

We recommend you find an advisor who has formal Australian or International tertiary education (i.e. undergraduate / post graduate degree in finance, accounting or economics from a recognised University, not an industry association). We also recommend you deal with an advisor who has at least 15 years industry experience.

Fees

There is a push for the industry to move towards a fee for service model. We have yet to find a firm who offers a true fee for service model. Most firms will not move away from the commission trial income stream model, as they provide a constant cash flow and often without little service once the investment is placed.

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We recommend you ask the advisor to charge you on an agreed fee for service model and rebate all commissions and fees which is received from the investments placed. Fees for most managed investments will be 1% of the funds under management. In some cases this may be higher, but anything equal to or above 2% is excessive.

Keep it simple

There is no reason to make your financial life confusing or complex. We recommend that your investment decisions and investment vehicles be kept simple.

Before making any decision, we recommend you have any proposal reviewed by an independent accountant or lawyer. Their fee may be the best money spent and could possibly save you thousands of dollars in the longer term.

About CDTL

CDTL is an independent accounting practice with offices in Sydney, Brisbane and London. Our partners have over 15 years industry experience each and hold many university and post graduate qualifications.

Disclaimers

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