Power2 Brisbane Pty Ltd ABN 15 158 390 937
Corporate Authorised Representative of
Power 2 Financial Services Pty Ltd ABN 51 164 747 595 AFSL No. 444078

Power2 • ACCOUNTING • FINANCIAL ADVICE •

How will you spend your tax refund?

At Power2, we appreciate that selecting a firm to entrust with your accounting, financial services, business development and mentoring requirements is an important decision, intensified by rapid economic changes, increases in competitive pressures, and resource availability.

With our holistic approach, our professional team of **accountants** and **financial planners** are here to help you to make **good financial decisions every day**.

Contact us for a no obligation discussion.

This information is general advice only and does not take into account your personal objectives, financial situation or needs. Before acting on this information you should consider the appropriateness of the information in light of your own circumstances. When deciding whether to acquire or continue to hold a financial product, you should first obtain and consider the Product Disclosure Statement, which can be obtained from your financial adviser or directly from the product issuer.

Information current at time of writing.

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A tax refund can be like winning 2nd or 3rd division Lotto... a financial wind fall that might be quickly spent before it has had a chance to be put to good use. This year, instead of spending your tax refund, why not make it work for you?

Pay off "bad" debt: Bad debt refers to any debt which is not tax deductible, eg home loan or credit card. The faster you can reduce your bad debts, the sooner you can invest money elsewhere and make your money work for you!

A super investment: Putting your tax refund into super as a personal contribution will not trigger contributions tax. Once inside super, your funds will accumulate interest and earnings in a tax effective environment, allowing your tax return to grow. Earnings inside superannuation are taxed at a maximum 15%. Compare this to your marginal tax rate which may be up to 45% plus Medicare.

If you're not thinking about your retirement just yet, consider how adding even small amounts to your super will help it grow over time with the effects of compounding interest.

Invest elsewhere: Investing your tax refund into shares, a managed fund, term deposit or cash management trust with even as little as $1,000 could see your money build into a much larger investment via the effects of compounding interest/earnings.

Consider also, if you continue adding a small amount on a regular basis (say $100 each month), you could see this grow to over $20,000 in only ten years.

Consider an example: David just celebrated his 48th birthday and is daydreaming through his tax return appointment about the overseas holiday he plans to take at age 65 when he retires. Power2 give him the unexpected news that he will receive a $3,000 tax refund this year. Wisely, David chooses to invest in a managed fund. Fast forward 17 years to David's 65th birthday. At an earnings rate of 8% per annum, David's tax refund will have grown to $11,686.

Now consider if David was able to keep contributing say $1,500 per year (just $29 per week). With the power of compounding, David's investment will have grown to $65,775 by the time he retires. Not a bad holiday!

How will you use your tax refund? How you use your tax refund will depend on your own situation. Whether you have debts to pay, want to invest and what your other financial goals are. Talk to one of our advisers today to discover what's best for you.