

Strike while dollar is hot



Noel Whittaker

THE Aussie dollar hitting parity with the US dollar caused almost as much celebration as winning the America's Cup in 1983.

This may be exciting stuff for the younger generations, but it is really old news to us grey hairs.

In the pre-1980s our dollar was strictly controlled by conservative governments trying to placate their rural constituents, but a combination of persistent high-current account deficits and roaring inflation put too much pressure on the system and the Hawke government was forced to float the dollar in 1983.

It hit 94c shortly after it floated, fell to 62c when Paul Keating made his notorious "Banana Republic" comment in 1986 and reached an all-time low of 48c in March 2001.

QUESTIONS AND ANSWERS

Q MY husband is 58 and I am 57: we earn \$65,000 and \$60,000 respectively. We own our home and have \$70,000 cash in the bank earning 2 per cent interest. He has super of \$80,000 and I have \$240,000. We have shares worth \$300,000 and a property generating \$1450 net a month. We owe \$95,000 on our investments and if we sell our rental property, we will make \$350,000. When is the best time for us to sell it to minimise CGT? Should we wait until we both turn 60, then sell and contribute all the profit into super so we don't pay any CGT? Will we be able to withdraw a lump sum of \$300,000 to buy a unit to live in? My husband wants to give our house to our son.

A UNLESS you need the cash in the bank for expenditure soon, you should use it to reduce the investment debt or else contribute it to super as a non-concessional contribution. Either option will give you a

better return than the 2 per cent you are getting. You cannot eliminate CGT by placing the sale proceeds into super, but you can lessen the effect of it by making a tax-deductible contribution. For the contribution to be tax deductible no employer can be paying superannuation for you in the financial year you make the contribution, which means you will have to defer signing the contract until you both cease work. Unfortunately the amount that can be claimed as a tax deduction is now limited to \$50,000 and it appears your taxable capital gain will be \$175,000 after the 50 per cent discount has been applied. A \$50,000 tax deduction will certainly reduce it, but it won't eliminate it. You can withdraw money from your superannuation when you retire, but make sure you take advice before making a large gift to your son because this could affect your Centrelink benefits.

Only now, thanks to the GFC, has it got back to parity. Interest rates around the world are close to zero as governments try to

kick-start their economies and Australia has become an attractive target for foreigners with funds to invest. Why leave your money in US or European banks and get a lousy 0.25 per

cent when you can convert it to Aussie dollars and get a safe government guaranteed 6 per cent.

Of course, as always, there is no such thing as a free lunch. All it takes is for our dollar to fall 10 per cent and the loss of investors' capital will wipe out any gains they may have made

by chasing a higher interest rate.

A strong Australian dollar is great for buyers and bad for sellers. It's a bonanza if you want to buy US assets such as property or shares, go travelling or buy goods online.

But it's hell for anybody who exports, because the money they get for their sales is

substantially diminished, and institutions such as universities which sell tuition become less competitive as their fees rise in relation to universities in other countries.

How much higher can it go? Nobody knows but there is general consensus that it can't go much higher, so taking action now might be a wise move.

You can buy US dollars by opening an American currency account at one of the major Australian banks or by buying travellers cheques, but a good option may be prepaid travel cards that are offered by a range of institutions such as American Express and the Commonwealth Bank.

These cards can be preloaded in a range of currencies and used when convenient. There is a heap of information available on the internet, but make sure you check out application fees, termination fees and what fees will be charged when you withdraw money.

Remember this is a unique opportunity to build wealth.

Many quality US companies

are trading at heavily discounted prices and this factor, coupled with the weak greenback is presenting a rare buying opportunity.

Fortunately there are a wide range of managed funds available that invest in offshore equities and your financial adviser will be able to recommend one that suits your goals and your risk profile.

The Aussie is being kept high by the huge interest-rate differential, high commodity prices and by 10 per cent growth rates in China.

Agreed, there is no evidence that conditions will change in the short term, but, as sure as night follows day, interest rates will start to rise overseas, commodity prices will fall and China's growth rate will slacken.

When this happens and the Aussie dollar falls again, it will be too late to say I should have done something in 2010.

■ Noel Whittaker is a director of Whittaker Macnaught Pty Ltd. His advice is general in nature and readers should seek their own professional advice before making any financial decisions.
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WA arts partnerships win honours in business awards

WA organisations shone on the national stage at the 2010 Australia Business Arts Foundation Awards last week, taking home two awards.

The AbaF Bycraft Entertainment Commitment Award went to creative industry advocate FORM and BHP Billiton Iron Ore (WA).

For seven years, FORM and BHPW Billiton Iron Ore have delivered

creative community development in the remote Pilbara region.

The long-term projects improve the quality of life for indigenous and non-indigenous Australians through new infrastructure, community arts activities, business and professional development.

Black Swan State Theatre Company and RAC Group (WA) were awarded

the Australia Council Young and Emerging Artists Award.

RAC's partnership with Black Swan supports the Hotbed Ensemble, which is made up of young and recently graduated actors, designers and stage managers.

The partnership pays the wages of the ensemble, which attracts young urban audiences and is becoming an

increasingly vital part of Perth's theatre calendar.

RAC became principal sponsor in 2008, ensuring that the ensemble could continue – retaining the talents of young theatre makers in WA.

A total of 15 awards were made at the Sydney event.

The partnership between property developer The GPT Group and Renew

Newcastle, a not-for-profit group that connects artists and creative groups with vacant buildings, won the biggest prize, the Partnership of the Year Award.

The group also won the Toyota Community Award. Renew Newcastle was set up in 2008 to broker creative and artistic uses of vacant buildings.

Russell Quinn

How to play TimesPool

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Step 1: Select your TimesPool Letters to win \$35,000 (Bonus Jackpot).

Choose any 6 letters from the Alphabet Grid below by marking them with a cross.

A	B	C	D	E	F	G	H	I
J	K	L	M	N	O	P	Q	R
S	T	U	V	W	X	Y	Z	

Now print each crossed letter, in alphabetical order, in the boxes below.

\$35,000 JACKPOT

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
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Step 2: Select your Super Seven Bonus Letter.

Mark a cross over a 7th letter from the Alphabet Grid and write it in the Super Seven Bonus box.

\$50,000 SUPER SEVEN BONUS

Step 3: Grab your PerthNow Bonus Word (optional).

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\$5,000 PERTHNOW BONUS WORD



Step 4: Fill in your details.

First Name: _____ Surname: _____

Address: _____

P/Code: _____ Phone (H) _____ (M) _____

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Sending in your entry: If you are sending one entry then write the FIRST Jackpot letter on the back of your envelope. If you are sending in more than one entry, write 'multiple entries' on the back of the envelope instead.

Post to: TimesPool, GPO BOX 2970, PERTH WA 6800 or drop it in the TimesPool box at selected newsagents.

Game #1427 closes at 10am, Thursday, October 28, 2010. All entries must reach The Sunday Times by 10am Thursday. Entries placed in the TimesPool boxes at newsagents must be received by 4pm on Wednesdays. Entries must be an original coupon. Terms and Conditions are published on the first Sunday of every month or can be obtained by calling 9326 8288. By entering, readers accept and agree to abide by these conditions.

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TIMESPOOL RESULTS: GAME = 1426 B F G L N X SUPER SEVEN: T

The Sunday Times