SORT OUT THE CAR

There are a few tax planning strategies that focus on the car. One is that you may be able to salary sacrifice the expense of having one. But make sure it adds up: you may be liable for fringe benefits tax at 46.5 per cent, meaning you'll have to be in the top tax bracket – earning more than $180,000 a year – for salary sacrifice to make sense in this instance. Your FBT liability will depend partly on how much you use the car for work.

Another strategy involves keeping a log book. The norm is that you keep records religiously for 12 weeks and that activity is extrapolated over the year to provide an estimate of how much you use the car for work. That log book is good for five years.

So, it makes sense to keep a log of a period when you usually travel a lot for work.

Also, if you use your car for work, the cost of the vehicle and the associated deduction for depreciation are subject to limits. For 2010-11, the limit is $57,466, or $75,375 for a fuel-efficient car.

For example, Keddie & Associates says a car bought on July 9, 2010, for $65,000, wholly for use in carrying on a business, would depreciate to $57,466, for tax purposes, for 2010-11.

Potential savings: In some circumstances, your car could save you a couple of thousand dollars a year in tax.

GEAR UP

Gearing has earned a bit of a bad name in recent years, but prudently done it can still make sense for those who have a sharply positive view of the sharemarket. Interest on margin loans or protected equity loans is deductible and can be prepaid if that appeals. Westpac Institutional Bank's head of sales and distribution, Craig Keary, says cautious investors are trying margin loans with 30 per cent gearing. History shows that people who gear at that conservative level shouldn't experience a margin call, he says.

Potential savings: Interest on your margin loan or investment loan – which varies but is typically 10 per cent – is deductible.

QUERY START THE TRANSITION

Here at *Financial Review Smart Investor*, we've long been fans of the transition-to-retirement strategy, in which the 55-and-overs shift gradually into retirement, without stopping work completely, so they can cut their working hours and supplement their reduced income with pension payments from a super fund. The thing is, once you start a transition-to-retirement pension there's no requirement to reduce your working hours – not yet anyway. Count Financial's Kim Guest says: "This allows you to undertake a potentially powerful strategy that involves continuing to work full time, increasing salary sacrifice contributions and using payments from a transition-to-retirement pension to help meet your income needs." The salary sacrifice bit, of course, comes with a tax benefit.

Potential savings: A higher super balance when you retire, for no reduction in net income today – potentially tens of thousands of dollars.

MEDIC!

If you're more than $2000 out of pocket for medical bills, after health insurance payouts and Medicare, you're entitled to a rebate of 20 per cent of the excess above that threshold.

Potential savings: If you're $3000 out of pocket, for instance, you could get $200 back (20 per cent of the excess $1000).