

## Warrants in Self Managed Super Funds

As discussed in our last Newsletter, Self Managed Super Funds can now invest in Warrants. Warrants can be very successfully used to increase the benefits of Franking Credits as our case study shows.

CBASZB First Payment:	\$22.10	Purchase Date:	1 Aug 2006
CBASZB Loan Amount:	\$27.20	Investment:	\$50,000
Prepaid Interest:	\$1.81	CBA Share Price:	\$45.05
Dividend per Share:	\$2.30	# Instalments:	2,262
Franking Credits:	\$0.99	# Shares:	1,110

That is you could purchase 1,110 CBA Shares or 2,262 CBA Warrants (CBASZB) for \$50,000.

The table below compares the benefits:

INCOME TO JUNE 2007	CBASZB Warrants	CBA Shares
A. Total Taxable Income (dividends & franking)	\$7,441.98	\$3,651.90
<b>DEDUCTIONS</b>		
B. Interest deductions claimable over the period	(\$4,094.22)	\$0.00
<b>TAXATION</b>		
C. Taxable Income total (A minus B)	\$3,347.76	\$3,651.90
D. Earnings Tax payable @ 15% (C multiplied by 0.15)	(\$502.16)	(\$547.79)
<b>APPLICATION OF FRANKING CREDITS</b>		
E. Franking Credits available to offset Earnings tax	\$2,239.38	\$1,098.90
F. Excess Franking Credits (E minus D)	\$1,737.22	\$551.11
G. Contributions Tax Shelter (F divided by 15%)	\$11,581.46	\$3,674.07

Therefore the Warrants allow your fund to have contributions of \$11,581 before the fund starts paying contributions tax, in comparison to the Shares, where only \$3,674 is sheltered from contributions tax.

This case study really shows the benefits of maximising the use of Franking Credits whether from Shares or Warrants.

*Karl Brosnan*

See us now to discuss how Shares and Warrants can benefit your Fund.