powerful solutions for your business

Powerline

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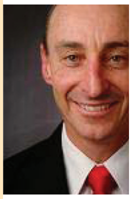


How We Do Business and Organise Our Lives

I was discussing with staff how things have changed in relation to business over the last couple of years. This got me thinking as to how everything has changed and will continue to change and we will not be stopping it no matter how hard we try.

A simple task of recruiting staff used to be "put an advertisement in the paper", however on our last staff survey in September 50% of our staff said they would use the internet when searching for a job. We interviewed a prospective employee last week using live video link instead of travelling to the interview in person.

At Power Tynan we do spend a lot of time planning for the future but that is essential if we are to survive. If we don't plan we will be left behind by our competitors and the services we offer to our clients will be inadequate.

Our Business Solutions division under Wealth Experience was partly established to help clients manage change and plan for the future. Unless you put time aside from your busy schedule to do this your competitors will overtake you. Just because it used to work before does not guarantee it will work in the future!

There are some interesting facts that show how the world has changed over recent years:

- By the time people turn 38 the average person will have had between 10 to 14 jobs
- 1 in 8 couples in the USA met online
- Text messages sent and received in a day exceeds the world population
- There are 2.7 billion searches performed on Google each month

If change is planned and structured the process can be challenging but rewarding when you see the benefits to the organisation as a whole.

So when you are contemplating why you are changing a process or putting aside planning time just remember you don't want to be the typewriter technician who refused to change because it was too difficult!

financial planning

with Kim Hamilton from RBS Morgans
authorised representative (22908)

Are you being fooled by the Work Cover Myth?

Unfortunately many people believe that the cover that their employer has with Work Cover will help them out if the unfortunate occurs, but sadly this is not the case.

The first issue to remember with Work Cover is that they **only pay insurance claims on "injuries that arise out of, or in the course of, employment where employment is a significant contributing factor to the injury"** (s32 of the Act, ref. Workcover Website).

It is important to know that **almost 70% of accidents occur outside the workplace** where people are not eligible for workers' compensation (Institute of Actuaries). It is also important to know that you are not covered for illness such as cancer, stroke, etc. Did you know that **1 in 3 men and 1 in 4 women will suffer from cancer in their lifetime** (Macquarie Life)?

Thus, with almost 70% of accidents occurring outside of the workplace and Work Cover not covering illnesses, relying on work cover is a serious risk, especially if there are other people (spouse, children etc) financially dependant on your income.

The second issue with Work Cover is even if the accident is work related you will normally find that the amount of payment is not sufficient to meet your needs, especially with the higher costs of living (personal debt, home loan, car loan, children's education cost, maintenance for your spouse etc).

So what can you do to achieve piece of mind for yourself and your family?

RBS Morgans have access to a wide range of insurance providers and use the most up to date comparison software to ensure you receive the right insurance to meet your needs. Please contact RBS Morgans today for a review and quote of your personal insurance policies at no cost to you on (07) 4639 1277.

For further information on Work Cover please see the website http://www.workcoverqld.com.au.

superannuation

with Mark Silvester
Wealth Experience
Superannuation Solutions

Do Australians have enough superannuation?

Over the last few years we have all heard the reports that many of us won't have enough superannuation savings to support our desired lifestyle in retirement. This could particularly be a problem for those people who are now closer to retirement and who were not forced to make compulsory superannuation savings until 1992 when the superannuation guarantee system was introduced.

New research recently published by the Investment and Financial Services Association (IFSA) indicates that, at 30 June 2008, the retirement savings gap hit $695 billion (a 54% increase since 2004). The new figures represent $73,000 per Australian. If you exclude Government support in the form of the Age pension (full or part), the estimated gap is $1,579 billion, or $166,000 per Australian.

What is a 'retirement savings gap'?

The retirement savings gap is the difference between what is actually being saved, and what is required in order to sustain a reasonable lifestyle after finishing work. This raises the issue of what is an 'adequate' target. That's quite difficult to set especially since there are other factors that have an impact, like mortality, marital status, home ownership, age at retirement, eligibility for the Age Pension and so on. IFSA currently believes that the target retirement income should be around 63% of 'pre-retirement income' (or 75-80% of 'pre-retirement consumption spending').

Are the current mandatory contributions enough?

There has been much media reporting about this issue in the last couple of months and it is something that will continue to be hotly debated. Of course, there are differing points of view. In May 2009, the Henry Review (of taxation) released an interim report, which concluded that the current superannuation guarantee level of 9% is 'adequate'. This is not the view held by IFSA nor the ASFA (The Association of Superannuation Funds of Australia Limited).

Both IFSA and AFSA believe that the current mandatory superannuation guarantee contributions should be raised to at least 12%. This is hardly surprising, given the expanding retirement savings gap. However, IFSA has noted that this is only the first step and also believes the Government needs to consider other incentives to encourage voluntary savings (whether inside or outside super). Any move by the Government also needs to consider the implications of the 2009 Federal Budget announcements which served to curtail superannuation contributions, particularly those which receive concessional tax treatment.

Need more information about the research?

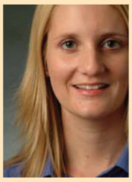
The research was undertaken by Rice Warner Actuaries in two reports: 'Superannuation Adequacy' (January 2010) and 'Superannuation Savings Gap 2009' (both released in January 2010). You can access these reports from the IFSA website http://www.ifsa.com.au or if you would like us to email you a copy we would be happy to do so.

In conclusion

We would all like to think that we will have enough money to see us through our retirement. Recent figures suggest that this may not necessarily be the case. It's never too early to save for your retirement. Be on the lookout for the upcoming 2010 Federal Budget, especially given the recent calls by peak industry bodies to raise the compulsory superannuation guarantee levels. Please contact our office if you wish to clarify any of these matters.

fringe benefits tax

with Sharon Baldwin



With the Fringe Benefit Year drawing to an end it is important for employers to consider their possible liability by reviewing all benefits provided to their employees. The annual return for Fringe Benefits Tax must be lodged with the Tax Office **by 28th May 2010.**

Fringe Benefits Tax (FBT) is payable by employers and is assessed on the value of the fringe benefits provided to employees and their associates (eg a family member).

Benefits include any right, privilege, service or facility provided to the employee, because he or she is an employee. Therefore a benefit could include the employee's use of something (eg car or equipment); ownership of something (eg items of clothing); enjoyment of a privilege or facility (eg a cheap loan); or the provision of service (eg use of skill or labour).

One of the areas in which employers are likely to encounter a FBT liability is when a motor vehicle is provided to an employee and the employee uses this vehicle partly for private purposes. In this case the employee will need to keep a log book. New log books are required to be kept for motor vehicles every 5 years for Fringe Benefits Tax purposes. The correct format of a logbook must be such that the following details are entered for each business journey:-

- the date/s on which the journey began and ended
- the odometer readings at the start and end of each journey
- the kilometres travelled
- the purpose of the journey (it has been indicated that b=business and p=private are insufficient details and that a fuller description be used).
- the entries must be signed with the ordinary signature and not merely initialled.

It is important that this log book be kept for a continuous period of *12 weeks* and that the vehicle usage must be indicative of its normal usage. During this period all trips are to be recorded in the log book.

For all other benefits paid to your employees you will need to be able to provide us with all relevant details to enable us to calculate your Annual Fringe Benefits Liability.

If we prepared a Fringe Benefit Tax Return for you last year we will be sending out letters shortly, however if you are a new client or believe you may be liable for Fringe Benefits Tax please contact our office, no later than 30th March to discuss this matter further.

leasing & finance

with Dan Cuthbert
Wealth Experience
Leasing & Finance

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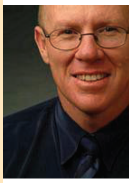
we care. we deliver. we grow.



Budgeting for Interest Rate Rises

With interest rates expected to rise sharply over 2010, we look at how you can budget to avoid over-committing yourself, and what you can do to reduce the financial pressure if you are finding it hard to make ends meet

Many economists are predicting interest rates will go up by at least 2% over 2010. While 2% doesn't sound like much, this translates to an extra $398 in monthly repayments for a $300 000 loan. For a $500 000 loan, this means an additional $664 per month that you have to pay on your mortgage.

For those who are finding it hard to make ends meet as it is, a rise in interest rates will see many borrowers forced to consider dire actions and/or lose their home.

The key is planning ahead

So how can you avoid getting yourself into such a situation? Like most big decisions, planning is paramount when it comes to taking a suitably sized mortgage.

Not only do you have to look at your budget to see how much surplus you have with which to make repayments, but you also need to consider what would happen if interest rates increased.

There are a number of online calculators available to get an estimation of how much you could borrow based on your income and expenses, and we can give you an estimation over the phone and advise what your repayments will be. We can give you an estimation of repayment sizes for interest rates 2-4% higher than what you will be paying at the time you take the mortgage. If you don't think you will be able to meet the repayments at the higher interest rates, chances are you are punching above your weight in the mortgage stakes and need to borrow less.

One way to prepare for any potential interest rate rises is to make repayments at 2-3% higher than your initial interest rate. Not only will this help to reduce your loan more quickly, but will also reduce any financial strain should interest rates go up as you have already been making repayments at a higher rate from day one.

Reassess and revise your mortgage regularly

As your personal and financial situations change, so too should your mortgage to ensure that you always have the most suitable and appropriate product.

The line of credit you have may have been great during your renovations, but unless you need it for something else, you can probably switch it to a cheaper and more suitable principal & interest product. Other catalysts for revising your mortgage might include selling an investment property, having children, paying off a car or personal loan, or a cessation in employment. If you don't experience any of these events, it's still a good idea to get your mortgage checked every two to three years. Again, we are happy to give you comparisons to new products over the phone or face to face. You need to make sure, however, that any financial benefit gained from switching products is not negated by the fees that it costs to switch between lenders. The general rule of thumb is that fees paid to switch should be recouped by the cost saving of the new product during the first one to two years.

Contingency planning

Plan ahead for interest rate rises and anything else that may affect your ability to meet your mortgage repayments. You might want to look at what other expenses you could reduce if you need to, or look at redrawing any excess funds to help you meet your repayments. If you have an investment property, can you increase the rent or should you cut your losses and sell, and buy again in a better market? If you are living in the property, is there a spare room you can rent out to help cover the additional costs?

Contingency planning should also cover things such as having children, or being unable to work for a period of time. Some lenders offer a reduced repayment during such times; however, they are limited to short periods only. It is a good idea to talk to a qualified financial advisor about income protection and health insurance before getting a mortgage, as they will be able to give you wide variety of options.

Have an exit strategy

If you do find yourself in the unenviable position of not being able to service your mortgage, you will find it beneficial to have previously planned for such an occurrence. Talk to us or your accountant to find out what avenues are available to you to get out of or write off your debt. Plan to have 'trigger' points or limits, which will motivate you into action.

For example, know at what stage you will put your house on the market once you are unable to make the repayments, rather than begging and borrowing from friends and family in order to fight a losing battle.

Speak to your lender to see if they will accept a modified repayment plan and ask them if any other options are available through them. Ensure you get real estate appraisals on your property every few years, so that you have a rough estimation of what your property is worth, should it come to selling it. The important thing to remember is to have a plan or strategy and stick to it. Not only will it make a tough time easier, but it will allow you to regain some sense of control over the situation.

Making ends meet

If you already have a mortgage, but are now finding it hard to make ends meet financially, there are a couple of options you can look at to help ease the burden. Firstly, you could consider conducting a loan variation with your existing lender. This may include varying the loan to a cheaper interest rate, or if you have had the loan for a while, increasing the term of the loan to another 25 or 30 years. The longer the loan term, the lower the monthly repayments will be. Let's say you have a loan with 15 years left to go of your original 25-year loan term. The payments you are making would have been calculated on your original loan balance, and after 10 years of making repayments you would have reduced your loan balance. If you make a loan variation and use the reduced loan balance as your new loan amount but increase the term to 25 or 30 years, your monthly repayments will be significantly less than before. You can also use the loan variation to make part of your loan interest only. For example, if you were paying a $240 000 loan over 25 years with a 7.32% pa interest rate, your monthly repayments would be approximately $1 745. If you made half of your loan principal & interest, and the other half interest-only, your total monthly repayments would be around $1 605 per month, giving you another $140 per month to help make ends meet.

Loan variations usually cost around $100 to conduct; however, some lenders will allow one or two per year at no charge. While these strategies may take off some of the financial pressure, it is important to remember that they may increase the time it takes to pay off your mortgage.

Taken from *Your Mortgage Magazine March 2010*

tax planning

with Amanda Kenafake

It's coming up to that time of year where we try to reduce your tax bill. Some strategies are quite simple and others more complex or 'riskier'. Here are some tax planning strategies but remember it's important to fully understand both the risks and the benefits, therefore you should make an appointment to see your accountant before going ahead with any of the following.

With some careful planning you may legally be able to reduce the amount of tax you need to pay. Be warned though that by being obsessed with paying less tax you may in fact end up with less money in your pocket in the end, for example invest in a poor investment or low interest bank account. Tax planning needs to be considered with your overall wealth creation strategy.

Starting off with the basics and moving to the more complex:

- Keep all receipts for any tax deductible expenditure, including donations, self education expenses, income protection insurance or other work related expenses. Remember there are many tax deductible expenses and different deductions apply to different industries.
- Keep track of all medical expenses as you may be eligible for a tax offset.
- Keep track of all school related expenses for your children as you may be eligible for a tax offset.
- Tax-effective investments, for example Negative Gearing or investment where you get up-front tax deductions or tax advantaged income.
- Salary Packaging, which involves the receipt of certain non-cash benefits in place of taxable salary. Items that can be salary packaged are mobile phones, laptops or novated leases on motor vehicles.
- Superannuation Contributions and remember depending on your taxable income you may also be entitled to the Government Co-Contribution where you may receive an additional superannuation contribution of up to $1500 each year from the Government for a $1000 after-tax contribution from yourself.

Remember to come and see us so we can go through your individual circumstances and come up with the best tax planning strategy for you. This needs to be done early enough so that you have enough time prior to 30th June to attend to any matters that need attention.

succeeding in tough times

with Scott Patterson
Wealth Experience Business Solutions

wealth experience
we care. we deliver. we grow.

For business owners, running a successful business is often challenging enough, but succeeding in business in the current tough times for many has become a real nightmare. However, there is **good news**; you can implement simple measures to improve the probability that your business succeeds even in these tough times. Here are 3 examples:

1. Protect and grow your revenue

Contact your key customers and ask them how their business is faring. Meet regularly with high value customers and offer your support. Understanding their situation means you will be better informed about what you can do to assist them and thus **protect** and potentially grow your business' revenue. To grow your own revenue invest in new innovative (low cost) sales strategies, increase (low cost) sales and marketing programs and show leadership by spending more time with your customers and sales team.

2. Reduce your costs

A reduction in revenue and/or profit means you will need to examine your cost structure to maintain your profitability. Be prepared to make some hard decisions. Low fixed and high variable costs is the ideal cost structure for doing business in tough times.

- Non Trading Costs - try to reduce or eliminate non trading costs. For example, examine wage productivity reports and restructure non productive roles or encourage multi-skilling to maximise your employee return per hour. Staff reduction is not necessarily a given in tough times!
- Variable Costs - examine all your expenses and investigate ways to transfer your business's fixed costs to variable costs. Outsourcing is a variable cost strategy.

3. Collect your cash

Collecting cash from your customers may become more difficult. Watch your cash flow. Consider amending your policies for debtor collection and stock management.

- Debtors Collection: place tighter limits on the amount of credit you extend to your customers. If you have exposure to large customers, seek assurances and guarantees on how they will pay their account. Enter repayment schedules and offer 'cash only' terms until your customer accounts are in order. If the decision is between being flexible and survival there is really only one choice.
- Stock Management: don't over invest in stock. Place strict controls over stock ordering and management. If customer sales slow down so should your ordering.

Minimise your risks

It is important you **move quickly** to minimise your business risk. The **FIRST STEP** is to re-examine or prepare a new Business Plan to review and assess your current situation and plan the future. When preparing your Business Plan obtain independent and objective advice. Your Accountant or Financial Planner is best positioned to provide this advice. Seeking advice early will mean the difference between your business thriving or simply surviving.

staff spotlight

Final selections for the Wealth Experience Scholarship Program have been made and by the second week in February, Belinda Clapham and Andrew Crestani will start their careers with us. Once again, the scholarship program was hotly contested and the final decision was difficult. Belinda and Andrew both demonstrated outstanding achievements and commitment during their school years and so are very worthy recipients. Belinda, who hails from Pittsworth, and Andrew, who is from Stanthorpe, will both be studying their Bachelor of Commerce at USQ majoring in Accounting. While both will be working from our Toowoomba office, this year will be a little different in that Andrew will experience the practicalities of his studies with RBS Morgans while Belinda will join the accounting team at Power Tynan.

In the Stanthorpe office, our newest recruit is Brooke Shatte. Brooke is about to commence her Bachelor of Commerce, majoring in Accounting studies at USQ. We wish to extend a very warm welcome to Brooke.

We are very pleased that these 3 promising young adults have chosen to complement our businesses. The Wealth Experience Scholarship Program has now employed six Year 12 school-leavers in the last 3 years – now that should keep our outlook up-to-date and modern!

Whilst it is always exciting to announce that we have fresh faces joining the PT and Wealth Experience team, it is also with great satisfaction that we can also celebrate that many of our staff have been working here for significant periods of time. In 2010, 40% of the Wealth Experience staff will have been with us for greater than 5 years. That is a lot of knowledge!

And speaking of knowledge, supporting our staff's continued learning is something Power Tynan values highly. In the near future staff will be attending the following Professional Development seminars:

- Business and Property Taxation Conference (Gold Coast) where they will expand their understanding of the taxation of trusts and the taxation of companies, GST and property and tax planning.
- Fringe Benefits Tax Intensive (Toowoomba) - CPA Australia. Topics covered in this presentation will include car, entertainment, expense payments, loans, property fringe benefits and living away from home allowances. It will also cover those benefits that are exempt under the Fringe Benefits Tax Act.
- Internal Professional Development Day (Stanthorpe) - Tom Delany, Senior Lecturer in Taxation Law at USQ will again update the Power Tynan accountants on contemporaneous taxation subjects.
- Taxation Professionals Program – Tax Update (Toowoomba) – this program will cover topics including new legislation, benchmarking and dispute resolution.

More good news abounds the Power Tynan offices because on 20 March 2010, Stella Zanatta from our Stanthorpe office will be marrying Brad Crisp. They are tying the knot on the Coral Coast of Fiji. We wish Stella and Brad the very best for their future.

And last but not least, there are some fitness freaks amongst us. Patrick Reeves (Stanthorpe office) is joining with Dan Cuthbert (Wealth Experience Leasing & Finance) and Justin Still (RBS Morgans Toowoomba) to compete in the 2010 Mooloolaba Triathlon. They are training hard and looking forward to the team challenge of swimming 1500m (Patrick), cycling 40km (Dan) and running 10km (Justin). Good luck fellows!

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