Staff Spotlight

There have been a lot of exciting goings-on within our office since our last Powerline. Lily Burt from Fairholme College joined us for a week of work experience in July, and during September Keiron Goltz from St Joseph's College spent a week in our office. We hope both students learnt a lot and enjoyed their time here; it was a pleasure having them.

Work experience student Keiron Goltz

It is with great excitement that the Toowoomba office can announce Sharon Baldwin (Accounting Team Manager) along with her husband Ian are expecting the birth of their second child. Sharon will be on maternity leave for approximately 6 months from March 2011 to September 2011. In the meantime Bradley Hancock will be assisting Sharon in her role as Accounting Team Manager. Bradley has been with Power Tynan for six years, has completed his Bachelor of Commerce majoring in Accounting and is currently completing his CPA studies. Bradley is familiar with all aspects of Sharon's role and clientele. Please feel free to contact either Sharon or Bradley to discuss any issues you may have regarding this.

Sadly, we say goodbye to Bronwen Huckins in our Stanthorpe office, who is leaving us at the end of December to begin her retirement. We would like to thank Bronwen for her dedication and hard work over the last two years, and wish her all the best for the future.

Our offices will be closed from 5pm on Thursday 23rd December 2010 and will re-open at 8:30am on Tuesday 4th January 2011. On behalf of all of our staff, we would like to wish you and your loved ones a very **Merry Christmas and a Happy New Year**.

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POWER TYNAN

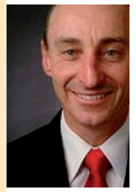
Powerline

the newsletter of power tynan

Summer 2010 • Issue 71

inside this issue

my say with Paul Hilton



Our Busy 3 Months Leading Into Christmas

We have had a very busy three months since our last Powerline. We have opened a new office, been ranked in the top 100 accounting firms in Australia, started to donate from our Charitable Trust, and held our staff Christmas party.

The Wealth Experience group has just opened a new office in Roma. We have taken over the practice of August Johanson at 36 McDowall Street. August has retired and all the staff have been retained by the group. The group is offering the full suite of services at the office, covering the following:

- Power Tynan offering accounting, taxation advice and corporate services;
- RBS Morgans offering stockbroking, financial planning, risk writing and corporate capital raisings;
- Wealth Experience Superannuation Solutions offering superannuation administration, SMSF establishment and advice, and pension establishment;
- Wealth Experience Business Solutions offering business valuations, business life planning, business coaching, succession planning, staff value program and climate change planning; and
- Wealth Experience Leasing & Finance offering commercial, business, equipment and residential finance broking services.

Santa arriving at the Wealth Experience Christmas Party

The premises have been fully refurbished and we have a staff member from our Toowoomba office visiting the office each week, with Brett Willmot being responsible for the management of the office. Please feel free to drop in and visit if you are ever out that way!

Our group, Wealth Experience Pty Ltd, has been ranked in the BRW Top 100 Accounting firms in Australia for the third year in a row (number 56). An added bonus is that we are the only Queensland Regional firm in the Top 10 Regional firms throughout Australia, where we were placed 7th. In the survey we are well placed in terms of women holding direct equity in our firm, with 40% compared to the national average of 9.2%.

The Wealth Experience Charitable Trust, which is managed by the staff and was established to support local charities, has raised over $20 000 since 1 July 2010. Our first donations to local charities have started in time for Christmas (see the featured article for further information).

Our 'Family Fun Day' Christmas party was held on Saturday 27th November. We took over the Valleys Rugby League field and clubhouse in Pillar Street Toowoomba. We had staff travel in with their families from Stanthorpe, Warwick and Roma for the day. Santa managed to arrive to the delight of all 47 kids in attendance.

The past six months have been difficult in business - consumer confidence has been very low and the recent interest rate increases have not been welcomed. Let's just hope we see some economic improvement over the next six months!

Remember, doing the little things right in business always helps in tough times. Be aware of your margins, know your customers/clients, monitor cash flow regularly, manage debtors and creditors and keep in contact with your advisors and bank manager.

On behalf of all the staff at Power Tynan and the Wealth Experience Group we wish you a very safe and happy Christmas and hope to catch up with you in the New Year.

Insurance

RBS Morgans

with
Alex Watson
from RBS Morgans
Authorised Representative (311521)

Often at this time of the year, when surrounded by family, food and friends, we have the occasion to think about how our family would cope if an unfortunate event should befall us.

Often when speaking with clients regarding their insurance needs I ask what they believe is their biggest asset. The most common answer is the family home or their business - unfortunately this is incorrect as the biggest asset any of us has is our health and ability to earn income.

To properly protect and provide for our loved ones is easy and if structured correctly may even cost less than "a case of beer a week".

"40 000 Australians suffer a stroke each year, for 70% of them, it's a first"

Correct insurance protection will ensure your short term, long term, final and ongoing income needs and those of your family are satisfied. It may also be structured either outside or within superannuation to ease any cash flow requirements and provide taxation benefits.

Most people believe that if they have life insurance and superannuation they will be adequately covered, though you are more likely to have multiple health events prior to death, which may have an effect on your ability to earn income.

If you believe that you are correctly insured, ask yourself the following questions:

Would my family be able to pay the bills if I had an accident?

If I was diagnosed with cancer, would I have to worry about money?

Could I survive without income for greater than 6 months?

"Breast cancer is more likely than other cancer to affect women at early ages. It is the most common and single largest killer of women aged 30 – 60 in Australia"

The Correct Cover
Correct insurance cover for yourself and your family must include each of the four types of personal insurance:

- Trauma
- Income Protection
- Total & Permanent Disability
- Life insurance

Each insurance type provides different cover, which may be tailored to an individual's situation.

Trauma Insurance
This insurance provides a once off benefit in the event of a recoverable health event such as the diagnosis of cancer, stroke, heart attack etc. This type of insurance allows you to concentrate on the healing process without the worry of meeting your bills.

"Each hour, around 40 new cancer cases are diagnosed in Australia"

Income Protection
This insurance provides cover of up to 75% of your income level if you are unable to work due to injury or sickness. Income protection may also be structured so as to allow for a longer waiting period prior to claim and cheaper premiums.

Total & Permanent Disability Insurance (TPD)
Should you never be able to work again through accident or illness then a TPD insurance policy will allow your family to meet its obligations and provide an income stream from a lump sum payout.

"In a business with 3 male partners all aged 45, there is a 50% chance that one will die before retirement at age 65"

Life
Life cover should provide certainty that your family's future is secure and that there are funds available to meet their current standard of living.

Is your family adequately protected?

Insurance is a personal thing but if you feel that your insurance protection is inadequate to secure your family's future in the event of an accident or illness, or if you have questions regarding your personal situation, please do not hesitate to contact our office.

Superannuation

wealth experience
SUPERANNUATION SOLUTIONS
Financial Solutions for a Better Life

SMSF Audits: More than just a requirement

with
Kymberlee Naumann
Wealth Experience Superannuation Solutions

There are accountants, financial planners and administrators who just want to be able to sleep at night. These professionals are focused on doing whatever it takes to get the SMSF audit right for their clients. This approach enables them to avoid unnecessary scrutiny from the Australian Taxation Office (ATO).

Then there are those service providers who find SMSF audits an unnecessary burden each year. It would be fair to say their SMSF audit work papers would reflect this approach. However, the majority will fall somewhere in the middle, taking a risk management approach to SMSF audits. Let's be honest – any compliance-related service is always seen as a grudge purchase by those forced into it.

SMSF costs
We have all heard excuses as to why SMSFs should not have to be audited annually. The most common excuse trotted out is: "My clients are mums and dads who have listed shares and don't need the added burden of an audit fee each year." The difference is that before they established their own SMSF, these mums and dads had also incurred costs in their retail superannuation funds. They just didn't know it.

It was simply wrapped up in the management expense ratio, which covered the expenses for investment management, marketing, trusteeship, legal, accounting and auditing costs of the fund. It was usually expressed as a proportion of the fund's net asset value and reported to them as a percentage of their investment account balance. In other words, it was hidden. What "mum and dad" clients and indeed most clients don't realise is that, in many cases, their retail superannuation funds had an equivalent, if not more onerous, cost structure.

Perspective
The bottom line is that an annual SMSF audit provides peace of mind to trustees. Auditors play a critical role in helping to ensure trustees comply with the legislative requirements of the Superannuation Industry Supervision (SIS) Act. On the flip side, the ATO provided more than $25 billion in tax concessions to SMSFs in the 2008/2009 financial year. This foregone revenue stream ensures the ATO will continue to check up on SMSF trustees. It would be reasonable to conclude the annual SMSF audit is here to stay.

In practical terms, the ATO believes most trustees want to do the right thing and they invest heavily in helping people understand the rules. Unfortunately, there are those trustees intent on using their SMSFs as their own personal slush fund and don't do the right thing. As always in life, rules are made for the lowest common denominator in order to keep everyone honest.

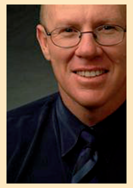
The ATO has identified the top three contraventions: loans made by a self-managed fund to a member or relative; breaches of in-house asset rules; and assets not being in the name of the fund. Given the current economic climate, the ATO is also focusing on preventing illegal early access schemes. It has been recognised that more people may be tempted to attempt early access when faced with financial hardship. Under all of these circumstances, the ATO's first course of action is to further educate trustees so they are aware of their responsibilities and obligations. However, the ATO is starting to take a tougher stance and completing more compliance cases and making more funds non-complying.

Conclusion
The harsh reality for any SMSF professional, whether it is the administrator, accountant, financial planner or auditor, is that it is difficult to ward off a possible contravention once the horse has already bolted. One of the issues is while the separation of the trustee and member exists on paper, in reality they are one and the same. This is where the internal controls of an SMSF can easily fall over.

Specialist knowledge and understanding of the SIS legislation can only be provided by those professionals who work, live and breathe the SMSF industry every day. Recently the ATO identified that about 27 per cent of approved auditors audit one fund only, and around 51 per cent of approved auditors audit five funds or less. This is just a law suit waiting to happen. This explains the big push under current proposed reform in the SMSF arena regarding total auditor independence from the administration of the fund.

In the meantime, significant tax concessions and the ability to control your financial future are just a couple of reasons SMSFs will continue to attract investors. However, the ATO will continue to ensure a level playing field is created for all.

Leasing & Finance



7 Ways to Ruin Your Refinance!

with
Dan Cuthbert
Wealth Experience Leasing & Fiance

With so much volatility in the mortgage market, you may be tempted to refinance your loan to another lender that offers better rates or features. But before you sign anything, read on for a word of caution...

Mistake #1: Taking out another loan

Taking out a personal loan or car loan just before you refinance your mortgage can affect your loan application more than you think. Personal and car loan repayments are higher than your home loan because you pay them off faster, over three or five years, not thirty years like your home loan. So taking out a new personal loan before you refinance may mean that you can no longer show serviceability – in other words, the ability to repay – for your refinance. If you can't show serviceability, the bank will say no!

Mistake #2: Applying at a variety of banks

Every time you apply to a bank, it gets listed on your credit history. If lenders see too many applications it starts to look suspicious to them. In bank speak - it affects your credit score. Only apply to a bank if you're reasonably sure that you're going ahead, as a bad credit score means the bank could decline your application.

Mistake #3: Applying too soon after starting your business

The bank needs to see two full years' worth of tax returns if you have your own business, which means if your business is new, you'll have to wait at least two years before you apply. High start-up costs may mean that you even need to wait three years, so don't rely on refinancing in the first three years of starting your own business.

Mistake #4: Failing to think ahead

The most common way to mess up refinancing is by not thinking far enough ahead. For instance, you might want to take a career break for six months while you have a baby, so you need to look for a repayment holiday feature in your new loan. Or, if you think you might move house and take your loan with you, you'll need a portability feature. By thinking forward, you can look for a product now that accommodates your future needs.

Mistake #5: Rushing your cost-benefit analysis

You need to make sure the savings you make by refinancing outweigh all of the expenses involved. Bank costs include the discharge fee from your existing bank, application costs of your new bank, and you may have government registration costs to pay as well. Really, there's no point in refinancing to save $300 per year if the total costs are $2 000, because you'll need to keep the loan for at least seven years before you benefit. But if you achieve a $3 000 saving, you'll be in the black after as little as eight months. Look for benefits after a maximum of two years' costs before you go ahead with your refinance. A good mortgage broker will do these calculations for you.

Mistake #6: Cross collateralising when you don't need to

This is where the bank gives you money and you give them the titles to both your home and your investment property. The bank will ask you to give them both because it's in their best interests, but you may not need to. Sometimes it is required, and other times banks do it because it's the best thing for their risk management. Don't be shy about asking your bank or mortgage broker if cross collateralising is really necessary.

Mistake #7: Failing to consider loan flexibility

Most borrowers are so focused on securing the cheapest rate that they don't build enough flexibility into their loan. By flexibility, we mean the loan's ability to change as you change. For instance, today you might be just making the mortgage payment and not have anything left over. However tomorrow, you might get a new job with a nice pay rise, so you'll require an offset account. How frustrating if your loan doesn't allow for one, and because it's been less than three years since you obtained the loan, it's going to be impractical and expensive to refinance again. We suggest that you consider flexibility features you may need now and in the next few years, so you can avoid costly multiple loan applications.

At Wealth Experience Leasing and Finance we can make the refinance process simple for you. We will also do the calculations to make sure it is worthwhile and make sure you get set up with the right loan product. There is no charge for this service.

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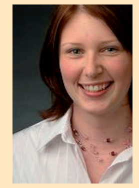
LEASING & FINANCE
Financial Solutions for a Better Life

ATO & The Cash Economy



with
Chelsea Brunckhorst

The ATO has advised that as part of its strategy to address the cash economy, they are increasing their direct contact with businesses that have high volumes of cash transactions.
Of major concern for the ATO is the use of cash transactions to hide income and evade tax obligations. This includes businesses paying cash-in-hand wages or treating employees as contractors, skimming some or all of the cash takings; running part of their normal business activities off the books; not reporting 'barter' transactions; and avoiding tax obligations by not registering or not lodging tax returns.
The ATO has advised that businesses who receive letters as part of their compliance program are not necessarily being reviewed at this stage, but have been recognised as operating in the cash economy. The ATO is using the following indicators to identify these businesses:

1) comparing businesses against the small business benchmarks for their industry;
2) using data matching to identify discrepancies in reported income;
3) identifying businesses that report net income that appears to be lower than that required to support the business operator's personal living expenses;
4) following up on allegations of tax evasion received from the community, and
5) monitoring the behaviour of previously audited taxpayers to encourage their continued compliance.

To get an idea of how much the compliance program is being pushed, the ATO will data match more than 500 million transactions, including checks on income from bank accounts and EFTPOS, investments, overseas transfers and property related transactions. This allows the ATO to spot spending patterns such as holidays and luxury car purchases, and can look at spending from a location-based perspective.

If you receive a letter from the ATO, please contact our office so we can assist you to review your records, returns and income, and to advise the ATO if a mistake has been made.

Wealth Experience Charitable Trust - Our End of Year Donation

The Wealth Experience Charitable Trust committee is getting into the Christmas spirit by donating over $10 000 amongst local charities. This Christmas, ending the Trust's first six months of operation, the Trust will present $3 350 to each of the following charities:

Toowoomba Hospice - a purpose-built private healthcare facility, which provides a special type of healthcare for terminally ill patients and their family.
Palliative care addresses the holistic needs of mind, body and soul, in an environment that provides dignity and support.

Granite Belt Support Services - a community based organisation working to improve the quality of life for people with disabilities and their families.

Rosie's in Warwick – a volunteer-based organisation who aim to provide friendship and practical support to some of the most abandoned people within our society.

The staff have been instrumental in raising the funds by getting involved in various activities during the past six months. We have held the following events:

A) "Auction Your Boss" - Paul Hilton, Megan Lipp, Kymberlee Naumann, Chris Wicks, Phil Saal, Gilda Brisotto, Dan Cuthbert, Amanda Kenafake and Gary Kelly all went under the hammer in the name of charity. The highest bidder had their 'boss' undertaking tasks ranging from coffee making to car washing.
B) Employee Giving Initiative - where staff can elect to have donations to the Charitable Trust deducted directly from their wages.
C) Melbourne Cup Sweeps.

The Trust is managed by a committee made up of a staff member from each division, who were elected by their fellow workmates. These people are Paul Hilton, Lauren Guymer, Gary Kelly, Jane Kerridge and Tylah Hughes.

If you as clients would like to be involved, we would be more than happy to arrange a time to give you a brief presentation to show the benefits of supporting the Wealth Experience Charitable Trust and, in turn, our local charities. Please do not hesitate to contact our office via telephone and speak to one of our committee members regarding your ideas or donations.

Value Optimisation Factors

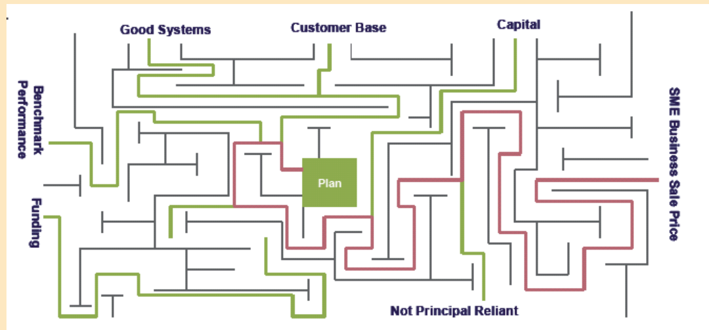
What are value optimisation factors?

with
Scott Patterson
Wealth Experience Business Solutions

Value optimisation is all about growing business value. Value optimisation factors are issues within the business that can be planned for and addressed prior to selling that will assist in a smooth sale transaction at the optimum price.

The key value areas for your business are growth, performance and succession. By focusing on optimising these areas, your business value will improve.

The path to value optimisation
The following illustration demonstrates the path you can take to optimise the value of your business:



How do I address value optimisation factors in my business?

The following table provides an indication of some of the industry best practice strategies that can be implemented to address these key value factors:

Value factor	Strategy to optimise	How to do this
Growth	Implement well defined business strategies and goals	• Growth plan • Alliance /network agreements • Joint ventures
Succession Planning	Plan for your succession	Commitment, documentation & implementation
Innovation	Introduction of new services	Business Life Planning
Performance	Improve WIP & debtors recovery	Introduce progressive billing & fee funding arrangements
Systems	Document processes & have up-to-date relevant technology	Upgrade systems & technology
Staff	Retention, attraction and performance improvement	• Introduce performance based incentive agreements • Implement personal development programs & leadership training
Client Retention	Review client services and referrals	Utilise/update Client Relationship Management Systems
Client Succession	Address your clients' succession requirements	Form alliance with an alliance partner and provide referrals

By addressing all of the above value factors, you will improve profit, improve the value of your business, and maximise your position when it is time to sell.

Some of the barriers to improving the value of your business and achieving your desired sale price could include:

- Business being too principal reliant
- Not spending enough time working on your business
- Expenses out of control
- Lack of client segmentation
- Poor systems and processes
- Unrealistic expectations about the value of your business

If any of these barriers are relevant to your business, these should be addressed.

For further information regarding the above topic, please contact our office.

Trusts

The Implications of the Bamford Case

with
Elizabeth O'Shea

As many of you with trusts will now be aware, there has been a recent High Court decision in the case of the Commissioner of Taxation v Bamford (2010) HCA10 which has the potential to impact on the taxation of trusts.
In simple terms, the case involved a family trust which had distributed income to various beneficiaries in accordance with the trust deed but in a subsequent year, the Australian Taxation Office conducted an audit of the trust and determined that they disagreed with the manner in which the Trustee had calculated the trust income. The case essentially focused on the definition of income as contained in the trust deed versus the definition of income as contained in tax law and also looked at how any amendments to assessable income would be dealt with by the ATO in terms of distributions to beneficiaries. Of particular concern was the fact that the case dealt with whether or not traditional trust deed definitions of income extended to include capital gains and highlighted the fact that in cases where the ATO believe the deed does not cover certain categories of income, they will deem these items to be assessable to the Trustee at a rate of 46.5%.
As a result of the Bamford case, our legal advisers confirmed that it was necessary for us to undertake a thorough review of all existing trust deeds to ensure that the definitions contained in the deed were sufficient so as to allow the Trustee to determine what is included in the definition of income. Historically, there has always been a discrepancy between the definition of income according to trust law and the definition of income according to tax law and whilst this is likely to always be the case due to continual amendments to tax law, by undertaking this review of the deeds and amending the definition where necessary, it is hoped that this will minimise the potential implications of the issues raised in the Bamford case on our clients' trusts.

We were advised that any amendments needed to take place by 30 June 2010 so as to enable the trust deed definitions to be applicable to trust distributions for the 2010 tax year and beyond. For this reason we had to undertake this task under very strict time limitations and in some cases did not have a chance to contact all Trustees to discuss this issue prior to arranging for our legal representatives to amend the trust deed. We apologise for any inconvenience this may have caused, and stress that this is not our usual approach but hope that clients understand that due to the time restrictions and the potential implications not amending the deeds may have had in terms of possible audit and penalties to be imposed by the ATO, we felt it was necessary for us to take immediate action on behalf of our clients.

Discussions amongst various legal and accounting bodies appear to indicate that the ATO will continue to pursue trusts and closely monitor how income is being calculated and distributed. The fact that the ATO appear to have trusts and the taxation of their income on their radar, further illustrates why it was necessary for action to be taken now so as to minimise potential issues in the future.

Please feel free to contact our office if you have any queries or concerns regarding your trust.