ACCOUNTANCY SERVICES

NEWSLETTER

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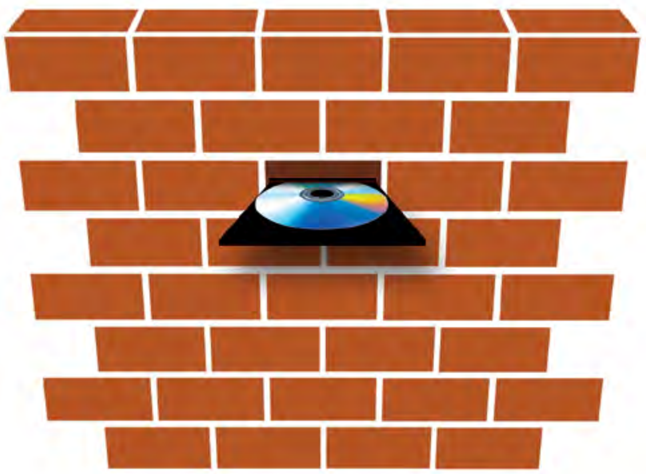
Accounting Software – Another Brick in Your Business Wall



Are you working harder than ever in your business? Are your bottom line profits flatlining or in decline? In business, if you keep doing things the same way and expect better financial results then you are hallucinating!

We often talk about the need to build your business on solid foundations including the right business structure, appropriate and adequate insurances, the most suitable accounting software and the right professional advice. Your business could be at risk if you operate using the wrong business structure, have inadequate insurances or your contracts have ambiguous or unclear wording. The consequences can be financially catastrophic and in this article we are going to address an important brick in your business wall, choosing the right accounting software program.

When it comes to accounting software, you might think like Pink Floyd, "All in all it's just another brick in the wall". However, your choice of accounting software is a key part of your business foundations. Poor record keeping is one of the most common reasons why businesses fail. One of the biggest mistakes small business owners make is they buy software beyond their business needs and level of accounting skill. This usually produces 'computerised shoebox' records that cause frustration and extra compliance costs. Before you rush out and buy a software program off the shelf you need to consider:

1. ***Your Business Needs*** – do you simply need the basic bookkeeping function, or do you also need invoicing, debtors control, creditors, inventory management and a full general ledger?
2. ***Your Level of Accounting Skill*** - Do you understand double entry accounting (debits and credits) or do you just have basic bookkeeping skills?
3. ***Is Your Head in the Clouds?*** - Do you want to use a cloud based accounting solution where you access the program and all your data online or do you prefer a desktop solution where the program and your data is all stored on your local computer? *(There are pro's and con's that we will address in a future newsletter).*

It makes good business sense to match your business needs with your level of accounting skill and we support a range of software programs including MYOB, Cashflow Manager and Reckon plus we also support cloud-based solutions like Xero and Saasu that allow us to view your accounts in real time.

As an entrepreneur you probably work long hours and let's face it, the bookkeeping aspect of running a business isn't glamorous. It probably explains why bookkeeping and administration often don't get the attention they deserve, but without a system in place you can't measure and monitor your business' performance. If your record keeping is a mess you'll end up with paperwork everywhere and risk missing paying invoices that could impact on your credit rating. You'll probably delay invoicing clients and be slow sending out monthly statements that will slow your cash flow. Remember, your debtors could also be facing similar cash flow issues and in business you need to be paid first, not last.

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Accounting Software – Another Brick in Your Business Wall *(cont)*

Not only that, you could fall behind with your Business Activity Statements, tax returns, superannuation obligations and tax payments which are an obvious sign of a business in distress.

If you are a retailer, stock control is vital and your accounting software plays a key role in inventory management. Too many business owners guess when it comes to stock management and they run the risk of stock shortages or under-supplying orders. This could mean your customers go elsewhere. On the other side of the coin, an over-supply of stock means your money is tied up and piles of slow moving stock also consume valuable space in your warehouse or shelves. Ageing stock can devalue due to obsolescence or use-by dates expiring.

Failing to Plan is Planning to Fail

The old expression, 'people don't plan to fail, they just fail to plan' serves as both valuable advice and a warning for people in business. According to ASIC, 41% of companies that failed in 2012/13 failed because of inadequate cash flow or high use of cash. We urge you to prepare cash flow budgets and forecasts and the right accounting software lets you monitor your costs and produce projections with a few mouse clicks. Software and some apps can help you get your financial house in order and if you are using cloud-based software solutions you can access your files from anywhere using a range of devices including your smart phone or tablet.

Running a business is a bit like building a house. You need solid foundations and your choice of accounting software is one of the corner stones of your business. Talk to us today about which accounting software program best matches your needs and skills.

Self-Managed Super Funds – Property Investments Yes or No?

Self-managed super fund assets in Australia now exceed $557 billion which represents 30.1 percent of total superannuation assets under management. Former Prime Minister Paul Keating, the architect of Australia's compulsory superannuation scheme, recently suggested that self-managed superannuation funds (SMSF) should be restricted from investing in residential property. "If I was Treasurer today, I would be looking very hard at the whole entitlement or availability of debt to SMSFs. They have gearing available to them and, of course, many of them are taking the option of buying residential property. It is making it nearly impossible for younger people, owner-occupiers, to afford to house themselves."

The Australian Taxation Office's 2013/14 annual report said limited-recourse borrowing arrangements, which allow self-managed super funds to gear into property, have more than tripled from $2.5 billion at the end of June 2012 to $8.7 billion at the end of June 2014. The latest Australian Taxation Office (ATO) SMSF statistics reveal real residential property represents 3.5% of the value of all assets held in SMSFs (with commercial property around 12%). While this level of residential investment has been consistent since 2009, the significant change has been the number of investors with an average of 1,200 new investors using their SMSFs to purchase residential property each year.

SMSF – Property Investments Yes or No? *(cont)*

For many SMSFs, the risks associated with purchasing property are heightened if borrowing arrangements are not put in place correctly. If your SMSF breaches its compliance obligations, it is at risk of being deemed non-compliant and losing its concessional tax status. The trustees are also at risk of being personally fined under the ATO's new penalty powers that came into effect on 1 July 2014. Below we have summarised the top four issues regarding SMSFs and property investments:

1. Should my SMSF purchase a property?

The Superannuation Industry (Supervision) Act (SIS Act) requires trustees of SMSFs to ensure three elements are considered when making an investment; liquidity, diversification and cash flow. The risk for trustees investing in real property is non-diversification (putting all of the fund's eggs in one basket) and the rate of return may be insufficient to meet the fund's obligations.

In addition, a SMSF entering or already in pension phase must meet the minimum pension drawdown requirements. Will the rental yield meet pension payments and other ongoing expenses of the fund? The minimum pension drawdown increases over time from 4% at age 64 to 6% at age 75. This is a 50% increase in the draw down obligation. Can the rental yield cover a 50% increase in that timeframe? Another issue may be if a member wanted a lump sum payout instead of a pension, or indeed if a member were to die, is there enough liquidity in the fund?

2. *I want my SMSF to purchase my investment property*

A very common mistake is the expectation that an SMSF can purchase a residential rental property, holiday home or house from a member or someone related to a member. The property must be 'business real property' (a property used wholly and exclusively for business - whether carried on by the entity or not) and in most cases, a residential property will not meet the requirements to be 'business real property'. A breach in related party investment rules attracts a penalty of up to 12 months in jail.

3. *Property Improvements*

A property purchased using money borrowed by your SMSF cannot be improved using any part of those borrowings. Not only that, a SMSF cannot borrow money to repair or improve an asset it already owns outright. A SMSF can, however, utilise its own money to improve or repair a property acquired with borrowings, so long as the improvements do not change the nature of the asset. For example, the trustees could not convert a residential property into a car park or build an investment property on a vacant block of land. A classic example would be where a SMSF borrows to buy a residential house on a large block of land with a view to future development. The fund would not be able to sub-divide the land or build another structure because the borrowing rules prohibit a change in the character of the asset until the loan is repaid.

4. *The right structure*

Common problem areas for SMSF trustees often relate to simple structural faults such as purchasing a property for a SMSF, but signing the contract in the individuals name, not the SMSF. Another example might be where there is a related party involved like a unit trust but the unit trust was not established before the property was purchased or the incorrect name is inserted on the contract or registered with the titles office.

These are simple but costly errors which can be avoided by seeking professional advice. Before you purchase an investment property, particularly within your SMSF, please consult with us.

Marketing Corner
Email marketing that works

So you have written a sensational email offer or newsletter for your clients. How do you make sure your clients and prospects are going to open your email? To help you grab the attention of your customers we provide the following guidelines for getting those emails opened and read;

1. Use the 50/50 rule

It takes time and focus to produce a great headline that will ensure your prospects open their email. Some great writers recommend you split your time between devising the headline and writing the content. It sounds crazy but if your subject line doesn't hit a nerve then your readers will skip past.

2. No CAPITALS

When your subject line is in CAPS, it is the email equivalent of yelling at your customer. If you throw in a few special characters, exclamation marks or symbols you're probably going to look like a spammer, and your marketing campaign will fizzle.

3. Avoid spam words

Using words that trigger spam filters are a marketing disaster. Words and expressions such as 100% Free, Act Now, All Natural, As Seen On, Bad Credit, Bargain, Dear Friend, Discount, and Fast Cash mean your emails will never reach your subscribers because the blacklists used by Internet Service Providers (ISPs) will probably stop your messages from getting delivered.

4. Don't mislead

If you promise something in your subject line, you better deliver the goods in the body of the email. The quickest way to lose the trust and loyalty of your email subscribers is to deceive them, so make sure that your subject line is directly relevant to the content of the entire email.

5. Always Proofread

You can't proofread your subject lines (or your emails) enough or have enough people double-check them. One sure way of devaluing your brand image is to send out an email that looks like a pre-schooler has written it.

6. Edit

Every browser, email client, or mobile device displays a different number of subject line characters. Some will readily accommodate 60 characters or more, whereas others will limit to no more than 30. In general it is best-practice to keep subject lines extremely short to ensure that the majority of your subscribers are able to read them in their entirety.

7. First Things First

Your subject line acts as a headline and you want to capture your subscriber's attention with the first three or four words. Keeping in mind the nasty truncation problem, it is imperative that you place the most relevant words first in your subject line, get to the point quickly.

Subject lines can make or break your entire email marketing campaign so give them the attention they deserve.

Tech Corner
Voicemail for your website

Would you like your website visitors to be able to leave you voice messages directly on your website? With SpeakPipe you can install it on your website quickly and easily and the visitors don't need a SpeakPipe account to send you voicemail. A message can be sent with just a few clicks without typing anything. Learn more at http://www.speakpipe.com/tour

Business Start-up Corner
What is your cash clock?

If the latest statistics from the Australian Securities and Investments Commission (ASIC) are any indication, the business start-up environment is alive and well in this country. In fact, more than 200,000 companies were incorporated in 2014 and the World Bank 'Doing Business' Study ranked Australia the fourth easiest place in the world to start a business.

Of course, satisfying the regulations is only part of the start-up process and a lot of planning is required before you actually flick the switch and establish your business structure, apply for a bank account, ABN and tax file number.

The process starts by identifying an opportunity and then developing a product or service that fits the gap in the market. It needs to be priced to capture a share of the market and the planning stage is a bit like a jig saw that you need to piece together. There are many moving pieces in the puzzle that need to be joined together when launching a start-up and one of those pieces is what we describe as your 'cash clock'. This is the amount of time a business can survive (without a sale) before it runs out of cash. Having this information before starting your business is more important than many entrepreneurs think.

Your 'cash clock' is calculated by dividing the amount of cash in the bank by your current monthly spend. For example, if you have a bank balance of $20k and the current monthly expenses (staff, rent etc.) are $10k, then you have two months on the clock.

For start-ups, predicting and monitoring the financial performance of your business can seem a daunting task, however, knowing your numbers is crucial to the survival and ultimate success of your business. By starting with good financial habits you will know how to identify the warning signs. Early detection means you can then apply for finance before it becomes a crisis.

Here are three tips to help you understand and monitor your start-up's cash clock:

1. Create a budget. Detail your monthly expenditure starting with fixed costs like your rent. Measure your actual expenditure against the budgeted expenses and adjust your forward projection.
2. Review your monthly profit/loss report. Compare the figures against your budget and identify the variances.
3. Create a cash flow budget. Start with your opening bank balance then add inflows then deduct outflows to project your closing monthly bank balance. Remember to include unpaid liabilities such as credit cards and tax liabilities.

In business, knowledge is power and knowing how much time you have on your 'cash clock' lets you plan and avoid a cash flow crisis. As business start-up

Business Start-up Corner
What is your cash clock? (cont)

specialists we can help you navigate your way through the business start-up maze. We have built templates to help you create cash flow budgets and we can also assist you with some financial modelling so you can see the financial implications of changes in prices and costs. Contact us today and let's see if your business idea makes sound financial sense.

Life Insurance Within Your Superannuation Fund

It is estimated that 95% of Australians don't have enough life insurance. An analysis of life insurance needs conducted by Rice Walker Actuaries calculated that a mid-30s couple with young children would need 10 to 13 times their taxable income to provide adequate life insurance cover. For a full time employee earning $60,000 per annum this equates to between $600,000 and $780,000 in cover. Full time workers in their 40s with older children need six to nine times their taxable earnings while the industry average for superannuation benefits is only around $70,000.

To bridge the insurance gap you can take out a separate policy to increase your life insurance cover or you can consider increasing your life insurance cover within your superannuation fund. Below we have outlined some of the pros and cons of increasing your life insurance cover through your superannuation, however, please seek professional advice before taking action.

ADVANTAGES

- Competitive premiums because of the bulk buying power of funds.
- Set and forget – it is easy to set up and premiums are automatically deducted.
- Automatic acceptance – some funds won't require a medical examination for basic cover.
- Super policies often include total and permanent disablement (TPD) and Income Protection.
- Premium payments via super funds may be more tax effective. Premiums from within super funds are paid out of contributions made by your employer or from personal contributions that generate either a direct tax deduction (for the self-employed) or are paid from pre-tax income, in the case of salary sacrifice contributions.
- Cashflow advantages – you can elect to have premiums deducted from account balances rather than increasing super contributions to cover the premium.
- Subject to eligibility, you can elect to use after-tax contributions to pay your insurance premium within the fund and still claim a Government co-contribution.

DISADVANTAGES

- The level of cover within the superannuation fund may be limited or inadequate.
- Trauma insurance is not available through your fund.
- Premiums paid from superannuation contributions mean less money available to invest.
- Most income protection policies inside superannuation provide for only 2 years' worth of income protection.
- You have to be severely disabled to get a payment for Total and Permanent Disability (TPD) and there are potential tax implications on TPD benefits depending on the age of the recipient.

Life Insurance Within Your Superannuation Fund *(cont)*

- If you have more than one superannuation fund you may be paying for insurance in each fund.
- There can be delays in life insurance benefits being paid since these initially go to the fund, which then distributes them to the beneficiaries. Normally benefits are paid to dependents but the trustee is not required to take your wishes into account unless you have the option of making a binding beneficiary nomination.
- You should seek financial advice regarding tax implications where your beneficiary is not your financial dependent as they will be liable to pay tax on the amount. The same benefit paid from a policy held outside super is tax-free no matter who receives it.

Having some life insurance through your superannuation is better than not having anything at all. However, it is important to ask about the details of your superannuation fund and to know exactly what your insurance will or won't pay and in what circumstances. You may find you need a combination of cover both through your superannuation and independently if that is going to better meet your needs.

Life Insurance Within Your Superannuation Fund

• A Snapshot •

- Superannuation Benefits payable on death to dependants are tax-free.
- Benefits to non-dependants via superannuation are taxable.
- Income Protection premiums are tax-free via super and tax deductible from post-tax income.
- Premiums through employer-sponsored super tend to be competitive.
- Premiums via super still cost money – consider topping up your contributions to ensure superannuation grows.
- If you move jobs or super funds your insurance cover may cease.

Tech Corner - *Customised Email Signatures*

WiseStamp

Easily customise your signature with your image, your logo, Instant Messaging (IM) or social profiles using wisestamp.com. There are hundreds of templates to choose from. You can also add your latest Tweet, YouTube channel, Facebook status, etc. to your email signature! The free version includes a Wisestamp watermark at the bottom or you can upgrade to Pro for $US4 per month. There is also a corporate version available to manage all your team email signatures *(See example)*.

IMPORTANT DISCLAIMER: *This newsletter does not constitute advice. Clients should not act solely on the basis of the material contained in this newsletter. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly and we therefore recommend that our formal advice be sought before acting in any of these areas. This newsletter is issued as a helpful guide to clients and for their private information. It should be regarded as confidential and not be made available to any person without our prior approval.*

The greatest compliment we receive from our clients is the referral of their friends, family and business colleagues. Thank you for your support and trust.