



The Peak Partnership
CHARTERED ACCOUNTANTS

The Pinnacle

THE PEAK PARTNERSHIP CLIENT NEWSLETTER

ISSUE 11 | AUTUMN 2010

Borrowing for your small business

The financial downturn has had a significant impact on most Australians, particularly small business operators wanting to borrow money for whatever reason - expansion, maintaining cash flow, product development, etc.

We all know it's easier for small business to get a loan when the economy is booming, but it's important to understand why business credit can be harder to come by during a downturn. This can also help you improve your chances of getting your next finance application approved.

Inside this issue

Trade Practices advertising |
Drive away prices only

The big bank switch

Investor confidence on the rise

For the big year ahead

New coin for ATO's 100 years

In the frame | Cheryl Fitzsimon

Hot topic in Q4

The end of another financial year is almost upon us, so now is the time to prepare your financial information for your 2010 income tax return. The ATO has previously stated that it will focus on the following compliance areas for 2009-10 lodgements:

- » Individuals with work-related expense claims;
- » High net worth individuals, families and company executives;
- » The small to medium size business segment, particularly company groups with turnover between \$100 m and \$250 m.

Over the past two years, Australia's lending institutions appear to have allocated the majority of funds toward the consumer market via home loans/residential investment loans and stopped lending to small businesses.

In truth, the banks and other lenders have not closed the door on small business. They have simply returned to more stringent credit policies in their assessment of small business loans. Lenders have made this shift in credit policy in order to meet the changes in current financial markets and their risk appetites.

This assessment regime has made it more difficult for small businesses to gain loan approvals at present. Tougher credit criteria is nothing new—it's simply that during prosperous times, lenders may overlook some credit policies in return for growing their asset book and meeting their competition.

Funders also have prudential responsibilities, including protecting their investors' funds and not pushing someone into financial trouble through careless lending practices.

Right now small business owners need to change the way they approach applying for finance, which may require extra effort. In order to meet the banks' credit hurdles, it's vital to demonstrate a good and controlled cash flow; prove that your business is not over-leveraged or highly geared and that you can meet your financial obligations.

Remember that banks are 'lenders', not 'equity partners'—if they have a greater stake in your business through the credit they provide, they'll want tangible security and a firm plan to improve your business' financial position. The alternative is they may choose to decline the loan.

Therefore, it's important to provide the full and correct financial position in your loan application. This means more work to provide all the necessary paperwork and then to best present the application to the lender.

It's worth casting a critical eye over your accounts and removing any 'extras' to show the true profitability of your business.

Unless it has stand-out risks and clearly does not meet lender criteria, there are other avenues available to obtain approval for your business finance. Just because one lender has declined your loan application does not mean it is a poor proposition. It may be that it is not on that lender's list of appetites and another institution may approve it.

The Peak Partnership Lending Solutions can help prepare your loan application with the full and correct information, determine the most appropriate loan structure and research suitable lenders—potentially maximising the chances of funding success for your business the first time.

Trade Practices advertising | Drive away prices only

The Federal Government last year introduced the Trade Practices Amendment (Clarity in Pricing) Act 2008 which regulates the way businesses sell their goods and services to the general public. The main change is that some businesses are now required to specify the full price for their goods or services as a single figure in a prominent way.

This single price figure includes all quantifiable taxes and charges when the price is quoted, and must be the most prominent figure advertised. Cost components that must be included are:

- » administration and booking fees;
- » GST;
- » levies or other taxes; and
- » surcharges.

Costs that are excluded are:

- » postage/handling charges;
- » any costs not passed onto the consumer; and
- » any costs that are optional to the consumer.

Please be aware that these new rules are subject to some important exceptions.

It does not apply to financial services

Financial services as defined in the ASIC Act 2001, including banking, finance and insurance services (but not medical insurance services) are excluded.

It does not apply to incorporated entities

This excludes most business-to-business dealings and transactions with governments and government departments.

These changes have been made with the view to providing greater transparency for everyday consumers, so we all know the price we are paying for various goods and services.

If you believe these new rules may affect how you advertise the price of products or services in your business, we suggest you seek advice.

Please phone us on 3360 9888 for further information.

The Act only applies to consumer-type goods

Only goods or services that are ordinarily provided for personal, domestic or household use or consumption are subject to these new rules. Although cars are often acquired for business purposes, they are consumer-type goods because they are ordinarily acquired for personal and domestic use.



The big switch | An issue of changing banks & lenders

This is no surprise—Australian businesses are fed up with big banks. The October 2009 East & Partners Business Banking Customer Satisfaction Monitor measured customer satisfaction at just 4.79 out of 10—down from 5.50 a year ago—with the major banks scoring the lowest results.

Yet many small business owners are reluctant to change banks, with only 16.5% planning to switch (down by half on the previous survey). So what's stopping us from moving to a better deal and better service?

Barrier 1 - They're all the same

Potentially the biggest barrier is the perception that all providers are the same, so there's no point in changing. However, there's now a broad range

of financial institutions competing for business deposits and borrowings. While some of these institutions may have limited reach (branch networks), surveys have consistently shown higher satisfaction levels for regional banks, building societies and credit unions. The growth in online banking facilities has also made accessibility to these smaller players more convenient.

Barrier 2 - The hassle

Changing banks can be a hassle, especially if you have multiple products and use multiple services with the same bank. For example, switching your business banking means re-creating your payment schedules, re-establishing direct debits and credits, cancelling existing payments and applying for new internet banking.

However, it is important to weigh up the short-term inconvenience against the cost savings and improved service. If you use online banking, you may be able to export payment data into a file that you can later import into your new internet banking service.

Barrier 3 - Complexity

Financial products—on both the deposits and lending sides—are so packed with features, fees, terms and conditions that it can be difficult to compare like with like, or to even understand what you're paying for. Financial language can be confusing too.

Especially relevant to business lending, it could be well worthwhile to consult an advisor—like Chris Coonan our Lending Solutions Finance Broker—about the best option for your situation.



Tax Office Tips

Deductions and refinancing home loans

The Tax Office has issued a Taxpayer Alert, warning taxpayers about sham arrangements being promoted as 'mortgage management plans'.

The arrangements involve homeowners refinancing their home loans and establishing investment loans to fund the purchase of shares in bogus companies. Homeowners then claim tax deductions for interest incurred on the loans.

The Tax Office says the arrangements may result in various taxation issues, including whether:

- » the general anti-avoidance provisions may apply to the arrangements; and
- » any interest incurred on the investment loans is deductible.

GST: Decreasing adjustment note threshold increased

The Federal Government will increase the Decreasing Adjustment Note Threshold for the purposes of GST. Effective from 1 July 2010, the threshold will be \$75 or less (the current threshold is \$50 or less).

FBT audit and compliance activities

With the 2009/10 Fringe Benefits Tax year drawing to a close on 31 March, it is important to be aware of the FBT audit and compliance activities currently being undertaken by the Tax Office. The activities include:

- » car fringe benefits and data matching;
- » incorrectly claimed FBT rebates;
- » lodgement of FBT returns; and
- » reduction of FBT liabilities and employee contributions.

Investor confidence on the rise

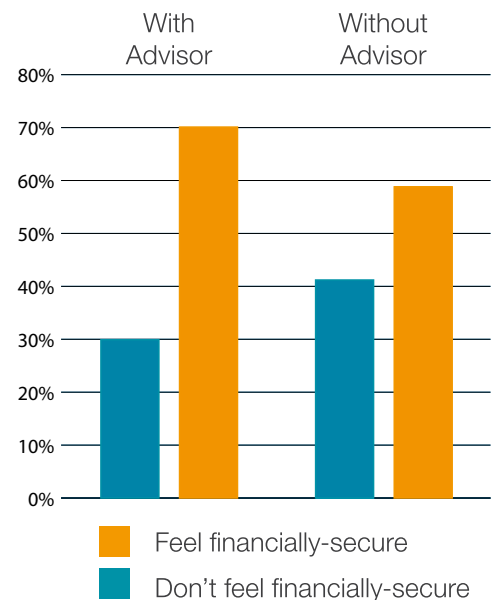
A recent IFSA/CoreData Quarterly Investor Sentiment Research Report has revealed that Australian investor confidence continues to improve, following the financial downturn of 2008 and 2009.

The report stated that investors are cautiously optimistic about the future strength of the Australian economy. Investors have similar levels of optimism about their own financial security and the general business outlook. Snapshots from the report include:

- » more than half of investors (56.4%) anticipate the growth of the Australian economy to speed up slightly over the next quarter —slightly less than in Q3 (57.8%). One quarter (26.5%) expect it to slow (compared to 20% in Q3).
- » 55.1% of investors expect business conditions in Australia to improve over the next three months, up from 54.6% in Q3, while 18.6% expect conditions to worsen.
- » most households are optimistic about their future financial position. Almost half expecting their position to be better in the next 12 months and only 18.8% expect it to be worse.

An interesting highlight was the increased confidence of investors who use a professional financial advisor—like The Peak Partnership's Wealth Design Solutions.

As the graph below indicates, seven in 10 investors who use an advisor feel financially-secure, while only 58.8% of investors without an advisor feel the same way.



Trauma insurance policies & SMSF

The Australian Tax Office has provided a preliminary view on whether a trustee of a self-managed superannuation fund (SMSF) can purchase a trauma insurance policy for a member without contravening the superannuation legislation.

The ATO Commissioner says a trustee will not contravene the superannuation legislation provided that:

- » any benefits payable under a policy:
 - are required to be paid to the trustee;
 - will become part of the assets of the SMSF until the relevant member satisfies a condition of release; and
- » the acquisition of the policy is not made to secure some other benefit for another person.

The Peak Partnership can provide expert advice regarding trauma insurance and other lifestyle cover through our Risk Insurance Solutions area.

In the frame | Cheryl Fitzsimon

Cheryl Fitzsimon is the Office Manager for The Peak Partnership, responsible for the smooth operation of many areas of our business. Cheryl's role includes management of our general office functions, managing and reporting on the firm's financial operations, administration of our support area with a staff of four, and payroll management (which is why the staff love her). In addition, Cheryl has just taken on the role of Workplace Health and Safety Officer.

Cheryl has been with the firm for 9 years and holds a Diploma in Frontline Management. Cheryl told The Pinnacle "The Peak Partnership has a great working environment, with supportive Partners who understand the importance of the work-life balance".



For the big year ahead

George Eliot's inspirational quote 'It is never too late to be what you might have been' is a great way to start off the new year in the right frame of mind.

Regardless of what type of year 2009 has been, the early part of 2010 represents a perfect opportunity for each of us to make a fresh start, learn from our mistakes and build on our successes.

To set lasting resolutions, ensure you are realistic about what you want to accomplish. If your goals are too demanding, vague or irrelevant, chances are you will find it too easy to become side-tracked or give-up.

Set a definite time frame for each goal and place this information in a prominent place, enabling you to keep track of your progress throughout the year. Ask your partner and/or family to encourage you all the way and have someone hold you accountable.

Expect that your plans may change according to the challenges that life throws at you, but don't let this derail your efforts. Resolutions are accomplished with a hundred tiny actions that happen throughout the year, so approach your goal each day with a fresh certainty that you will make it happen.

Remember it's never too late to make a change for the better. Today is the starting point for the rest of your life.

Top 10 Resolutions

To get your 2010 heading in the right direction, why not begin with these worthy resolutions. Next to each one write down your specific, measurable resolution, as well as the steps and time frame to achieve it.

1. Spend time with your family
2. Look after your health
3. Fit in fitness
4. Get out of debt—our Lending Solutions manager is happy to discuss debt consolidation
5. Build a nest egg—our Wealth Design Solutions team can help you take advantage of investment opportunities
6. Learn something new
7. Help others
8. Help the environment
9. Get organised—we can help you organise your accounting systems, business plans, your home loan
10. Slow down



New coin for ATO

The Federal Government has announced that the Royal Australian Mint will strike a circulating commemorative 20 cent coin to mark the Centenary of the Australian Taxation Office in 2010.

The ATO recently launched its Centenary celebrations by outlining the course of special events throughout the year, culminating in the Tax Office's 100th birthday on 11 November and celebrations on 12 November.

The Tax Office's establishment in 1910 within Treasury as the Land Tax Office marked a significant development in the fledgling Federation. The Office was created by then-Prime Minister Andrew Fisher's government as a way of funding important social and welfare policies.

With 11 November long-recognised as Remembrance Day, and in deference to the fallen and to war veterans, the Tax Office will mark its 100th birthday on the following day, 12 November.

About five million 20 cent pieces will be minted and released in the second half of the year.

The phrase "Working for all Australians" will appear on the commemorative coin, with the remainder of the final design to be developed in consultation with Mint designers and the Tax Office.