powerful solutions for your business

Powerline

the newsletter of power tynan

my say

with Philip Saal

The festive season is upon us and for me it is always a time for over indulgence. The indulgence comes in the form of food, drink and the big credit bill at the end of the month. The kids sit down and write their wish list to Santa and, as much as I try to convince them, they never seem to add a share portfolio to their lists. A bit more education needed there.

Christmas gives an opportunity to reflect on the year that has passed and time to create those dreaded New Year's resolutions. If we look at the year in review we have been through one of the most challenging economic times in recent history. The financial markets bottomed out in March 2009 and central banks around the world provided bail-out packages to help restore confidence. In Australia we have seen both interest rate cuts and now interest rate rises within 12 months - it's amazing how quickly the goal posts change!

This coming year we will face new challenges, in business we have to be able to adapt to the short term challenges without losing our long term focus. These holidays should give you a chance to take a breath, reflect on what experiences we can learn from and set new goals for the new year.

For our firm this means the promotion of our new Business Solutions sector offering the following services:

Business Valuations
Business Life Planning
Staff Value Program
Succession Planning & Implementation
Coaching & Monitoring your progress
Environmental Consulting

As our business continues to add new services we are committed to our key values and achieving best practice, while not losing our main focus on you, our clients.

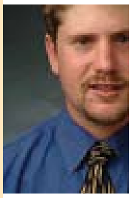
On the behalf of all the staff and directors, I wish you all a very safe and Merry Christmas and a prosperous New Year.

Summer 2009 • issue 67

inside this issue

financial planning

RBS Morgans
with David Andreatta from RBS Morgans
authorised representative (310875)



Gold Rush!

Although many thought it was unachievable, the price of gold has recently broken through the US$1,000 an ounce mark and has skyrocketed to $US1,200 in spectacular fashion. The average US dollar gold price in 2009 will have achieved eight consecutive years of gains.

While the worst of the banking problems are now deemed to be over, the gold price has continued to rise as investors now turn their attention to increased central bank buying and the prospect of other risks, particularly the fallout from fiscal imbalances. In addition, gold's inverse relationship with the dollar is currently a strong one. The massive injections of funds into a number of government balance sheets, especially that of the US, is raising fears both of sustained dollar weakness as the US government develops its exit strategy, as well as concern about inflation if that exit strategy is not timed and executed sensibly. Gold is therefore benefiting from three very potent fundamental financial ingredients: unpredictable interest rate differentials, potential dollar weakness and anticipation of inflationary pressure.

There are numerous ways to gain exposure to gold including buying physical bars or coins from the Perth Mint, Exchange Traded Funds (ETF) which buy and store the gold on your behalf or gold mining companies.

Our preferred gold mining exposures are:

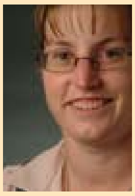
- Newcrest Mining (NCM): NCM offers a lower risk exposure through its diversified production base across Australasia combined with higher quality organic growth options.
- Lihir Gold (LGL): LGL is a higher risk play with its flagship Lihir Island and West African operations, but does offer better leverage to US dollar gold prices.
- Intrepid Mines Limited (IAU) is producing from the Paulsen Mine in Western Australia and developing the Tujuh Bukit project in Indonesia.
- Kingsgate Consolidated Limited (KCN): a minerals exploration, development and mining company focused primarily on the Chatree Gold Project in Thailand.
- Mineral Deposits Materials (MDL) is producing from the Sabodala mine in Senegal, Africa.
- Perseus Mining Limited (PRU) is focused on exploration and development of a number of gold projects in West Africa and Central Asia.

The information in this article is of a general nature only and does not represent specific investment advice. It was prepared by David Andreatta, Private Client Adviser, Authorised Representative 310 875, RBS Morgans Limited (ABN 49 010 669 726 AFSL 235410 A Participant of ASX Group). If you would like a review of your current portfolio or any other investment related queries please feel free to make an appointment by contacting David on Ph 07 4681 6702 or email david.andreatta@rbsmorgans.com.

superannuation

with Kymberlee Naumann
Wealth Experience
Superannuation Solutions

wealth experience
we care. we deliver. we grow.



SMSF Estate Planning

Australia's ageing population is set to see estate planning become an area of increasing importance. The attractiveness of superannuation as the preferred investment vehicle of choice has never been stronger, particularly when you consider the tax arbitrage strategies now available – salary sacrifice arrangements used in conjunction with transition to retirement pensions, and accumulating funds until death in a concessionally taxed environment which can then be distributed tax free to dependents in the form of income streams or lump sums.

Estate planning is the process of planning and documenting clients' wishes for the distribution of their assets upon death, while seeking to minimise the risk of any legal challenges or dispute. Estate planning within a self managed superannuation fund (SMSF) environment is not a substitute for more traditional estate planning strategies, moreover, it should be considered in conjunction with a client's will and testamentary trust. It is important to remember, however, that superannuation benefits within an SMSF cannot be dealt with in a will.

Here are some important considerations in terms of estate planning and your SMSF:

1. Trustee control – from an estate planning perspective, a corporate trustee with a special purpose SMSF corporate constitution has significant advantages over an individual trustee, including the capacity to define control and plan for succession of the fund, and therefore provide more certainty in the event of the death or incapacity of a member/director.
2. Death benefits – when using an SMSF as an estate planning vehicle, legislation limits the payment of death benefits to the member's legal personal representative or one of more of the member's dependants.

3. When, how and form of payment – accepting the fact that death benefits can only be paid to a dependant, it is also important to consider the timing of death benefit payments. Legislation states that a death benefit lump sum must actually be paid to a dependant by transfer of ownership of the deceased member's assets (the member account balance). A death benefit lump sum is not deemed to be **cashed** by the mere book entry of transferring the deceased member's account to the remaining member's account within the fund. Where it is desirable for the deceased member's funds to remain within the superannuation environment, consideration should be given to the use of a reversionary pension.
4. Lump sum vs pension – careful consideration needs to be given to the type of benefit that will be paid to dependants (that is, lump sums or pensions) as significant issues can arise, including tax, depending on the type or combination of benefits chosen.
5. Death benefit nominations – legislation provides a number of mechanisms in which a member of an SMSF can provide a binding direction to the trustees of their superannuation fund as to where their benefits are to be paid in the event of their death. These are commonly referred to as Binding Death Benefit Nominations (BDBN). As the term indicates, a BDBN 'binds' the trustees of a superannuation fund as to the payment of superannuation death benefits. It is, in essence, the 'will' for a superannuant's death benefit payments.

As you can see, estate planning involving an SMSF can be complex and should be carefully thought through. With some careful planning, SMSFs can provide tax-effective death benefits, even to non-dependants. If you have any queries regarding superannuation or would like to discuss issues relating to estate planning and superannuation, please contact our office.

accounting

with Brett Willmot

Do you know how to improve your cash flow?

All business owners are trying to achieve better cashflow management and to improve their ability to effectively operate their business. As accountants, we continue to reinforce that for any business 'Cash is King'. The ability to retain cash in your business is essential to any successful business. Whether it is by collecting money from customers or turning over inventory, every business can improve. But have you ever wondered what difference a decision can make to your cashflow?

Well there is a solution and we can help assist you in providing a financial tool that first looks at your past results and how different things can be changed if certain parts of these results are improved. With our Business Optimiser Service we can provide assistance and live calculations on the impact of these financial decisions.

This service can show how improvements to certain areas of your business can impact on your cashflow decisions. If you have ever wondered how to improve your cashflow or business profitability, this tool can assist by providing the results of how an improvement in one aspect of your business can have substantial implications on your cash available to your business. It can also be utilised to show the impact of your direct costs and overheads and what the impact is on your business if some of these can be contained.

The financial tool also allows you to be able to work in reverse. It allows you to set a realistic goal that you wish to achieve and then provide options on how to achieve this result. For example if you are currently in negative cashflow, you may suggest that one of your goals is to get to your breakeven point and how to achieve this. By setting this realistic goal in the financial tool, a few options will be provided on how to do this whether by collecting money quicker or monitoring expenses that are paid. The tool provides you with a few options but the best way to achieve the goal is to focus on improving one part of the business only and using this as a stepping stone to improve the business overall.

We can also utilise the financial tool to provide a budget using the identified targets in your goal seek analysis. This then can be monitored with you at any time to see if the areas targeted have improved and how this has impacted on your business. At this time when we are monitoring your actuals to budgets, other improvements can be made as long as the current position can be sustained. We can also compare your business at these times with the current business benchmarks.

So ask yourself, "Do I want to know how to improve my cashflow and business financial sustainability?" If you answer yes to this question then you should ask your accounting manager to assess your business using our Business Optimiser Service.

leasing & finance

with Dan Cuthbert
Wealth Experience
Leasing & Finance

Offset vs. Redraw

Are you better off with an offset facility or a redraw option? We look at the pros and cons of each.

Offset accounts and redraw facilities are two home loan features that allow you to use any extra income or savings to reduce the balance of your loan, thereby reducing your interest payments. There are similarities between the two, but they operate in different ways.

From the Offset

An offset account is a savings or transaction account that is run in conjunction with your loan account. Many offset accounts earn you interest on your savings at a rate similar to a standard savings account. Offset accounts operate as regular transaction accounts, giving you ready access to your funds.

Interest earned on the account is automatically deposited into your home loan account, thereby reducing the balance of your loan – which consequently reduces your interest repayments.

Because you don't see the interest, you are not taxed on it as you would be with a standard savings account. However, with interest rates paid on savings as low as they currently are, this is unlikely to represent much of a saving.

Take a scenario where you owe $100,000 on your loan on which you are paying 7% interest. You have an offset account with a balance of $10,000 on which you are earning 3% in interest:

Yearly loan savings with partial offset account	
Loan Balance	
$100,000 @ 7%	$7,000 (interest payable)
Offset Account	
$10,000 @ 3%	$300 (interest earned)
Total Interest Payable	$6,700

Given this scenario, interest savings of $300 are made on your regular home loan repayments over one year. Considering you must have $10,000 in your offset account to achieve this, it doesn't represent much of a saving.

100% offset accounts

100% offset accounts are the most attractive offset option. These accounts earn you interest equal to the interest you're paying on your home loan. The interest that you're earning on your savings is offset against the interest you're paying on your loan.

Many loan products offer access to your finds via ATM and EFTPOS. Some also offer you a Visa card with a 45-day interest free period which can be used to pay bills, while your funds remain untouched in your account earning interest.

Again look at the scenario where you owe $100,000 on your loan and are paying seven percent interest. You are running a 100% offset account with a balance of $10,000 on which you are also earning 7%:

Yearly loan savings with 100% offset account	
Loan Balance	
$100,000 @ 7%	$7,000 (interest payable)
100% Offset Account	
$10,000 @ 7%	$700 (interest earned)
Total Interest Payable	$6,300

Redraw Facilities

A redraw facility enables you to deposit any spare income you have directly into your home loan account. You can then redraw from the loan any funds that are in excess of your regular repayments.

For institutions such as mortgage managers who generally don't have access to deposit facilities and hence the means to run offset accounts, a redraw facility is the alternative.

In terms of interest savings, a redraw facility has much the same effect as a 100% offset account. Once again look at the situation where you owe $100,000 and are paying interest of 7%. If you deposit $10,000 into the loan account, you are effectively only paying 7% interest on a balance of $90,000:

Yearly loan savings with a redraw facility
Original loan balance $100,000
Deposit into loan account $10,000
New balance $90,000 @ 7% $6,300

Offset vs. redraw

If a 100% offset account and a redraw facility have the same outcome in terms of interest savings, what are the advantages of one over the other?

Because offset accounts are essentially savings accounts and operate as such, you'll have easy access to your funds. Most come with an ATM, EFTPOS and cheque access, some offer phone banking and some even have a credit card attached.

Transaction fees may be charged in the same manner as a standard savings account, but most lenders will waive transaction charges on offset accounts altogether. Ideally, you can arrange to have all of your salary paid directly into the offset account. This ensures that any income not spent is being used to reduce the balance of your loan. While receiving the interest savings you have peace of mind in knowing that you can access your funds at any time.

Some institutions will limit you to as few as two redraws per year. Others will charge you up to $50 per withdrawal, and some even insist that you redraw a minimum of $3,000. Certain institutions require written notice of withdrawal of funds. Look for a redraw facility that provides you with maximum flexibility at the minimum cost.

Be sure to find out exactly how the loan's redraw facility operates before you sign up, because they're not all the same. A 100% offset account will be a more attractive option than a restrictive or expensive redraw facility if you're intending to use the account for day-to-day transactions.

Extracted from Your Mortgage magazine
Jan 2010

christmas cheer & the ATO

with Gilda Brisotto

With the December festive season upon us, it's time to remind you to be aware of some of the potential tax traps in spreading the season's festive goodwill.

A bit like an unwanted guest that turns up at your party without an invitation, the Australian Taxation Office has an interest in your office festive season events especially from a fringe benefits tax (FBT) point of view.

Christmas Parties & FBT
The potential FBT consequences of your Christmas party can be tricky because of the variety of ways FBT can impact on different types of costs and situations.

Whether FBT applies to your party depends on:

- where and when you have your party
- who comes; and
- how much it costs.

We cannot cover all the possibilities, but here are some examples:

Celebrating on site
If you hold your party on a work day at your business premises and only your employees attend, costs such as food and drink are FBT exempt, regardless of what the cost is per head for each employee.

However, if you also invite your employees' associates (eg. family) and perhaps some clients then it gets a bit more complicated:

- what you spend on entertaining your employees' associates are taxable fringe benefits and you'll need to work out if you have an FBT liability; and
- what you spend on your clients may be exempt from FBT altogether.

Celebrating offsite or not on a work day
If your party isn't held on a work day or on your business premises (eg. you head off to the local restaurant) the FBT alarm bells can really start to ring loud and clear.

However, if you can contain your costs by keeping them under $300 per head – you may qualify for the FBT minor benefit exemption and may end up with a reduced or no FBT liability for your party.

Calculating whether you come in below the minor benefit threshold can be tricky.

The cost per head for each employee includes the cost of food and drink and other items like:

- the cost of transport to venues
- taxis home
- the cost of any gifts you hand out at the party (eg Christmas hampers); and
- if your employees' partner or family come along, the cost per head for each employee includes the cost for their associates.

A happy gift giving experience
Give some careful thought to how you give your gifts to your employees at Christmas time:

- it's best to avoid handing out gifts at the office party if you are relying on the minor benefit exemption because the cost of the gift for the employee will directly affect how you calculate his or her cost per head;
- if you don't hand out gifts at the party but at some other time, it's possible you may still be able to rely on the minor benefit gift exemption at that time if the value of the gift is less than $300; and
- as an alternative, if the gifts that you give are products that you would normally sell to members of the public, there is another exemption of $1,000 per annum for each employee that may apply (called an in-house exempt property benefit).

What's tax deductible?
Generally the cost of providing a Christmas party is income tax deductible only to the extent that it is subject to FBT. In working out what you can claim as a tax deduction, watch out for the following:

- any costs that are exempt from FBT (eg. the exempt minor benefits and exempt property benefits noted above) cannot be claimed as an income tax deduction;
- the costs of entertaining clients are not subject to FBT and are also not income tax deductible;
- non-entertainment gifts provided to employees "separately" from the Christmas party remain tax deductible.

why your survival means evolving your business

with Scott Patterson
Wealth Experience Business Solutions

It's been some time since you started your business. Many business owners have mixed emotions as they experience the highs and lows of owning and running a small business. Very few small business owners take the time to sit back and analyse the changes taking place in their business and business operating environment and then consider how these changes impact on their current and future business situation. Consider how any or all of the following impact on your business:

- Greater use of technology.
- Increasing costs of supply, especially fuel.
- Rising interest rates.
- Climate change.
- Increasing use of imports to meet customer demand for cheaper goods.
- Greater pressure on profit margins from national competitors.
- Little sense of customer loyalty.
- Demographic shift with ageing business owners (including supplier businesses).
- Higher employment costs with fewer staff.
- More businesses for sale with fewer buyers.

Small business owners need to continually evolve the way they do business if they are to survive and thrive. Completing a business SWOT analysis is an essential first step in any effective business planning process with the aim of successfully evolving the business to counter existing weaknesses and threats, bolster strengths and take advantage of opportunities as they arise.

SWOT Analysis (Strengths, Weaknesses, Opportunities and Threats)

Strengths	**Opportunities**
Weaknesses	**Threats**

Planning is the key to your future success
Successful small business owners are able to spend less time working in their business, with more time spent planning their future. Take the time to find out what's happening in your industry, how you compare with your peers (benchmarking) and establish a picture of what your business will look like in the future. Invest in planning days with your most trusted advisers (Accountant and Financial Adviser) so you can get independent and objective advice on how your business is performing. Are you doing any or all of the following?

1. Do you regularly attend industry conferences and events?
2. Do you regularly attend business management and training courses?
3. Do you allocate a % of your working week to strategic and business planning?
4. Do you regularly spend time with your Accountant and Financial Adviser to discuss your business affairs?
5. Do you regularly attend information sessions provided by your most trusted advisers?
6. Are you taking advantage of all the services provided by your most trusted advisers?

How you plan for change will improve your chances of surviving and thriving!

staff spotlight

As another year draws to a close the Power Tynan staff are looking forward to a well earned break over Christmas. Although, in the past 3 months, it has not been all work and no play – there has been a lot of extra exciting and interesting things happening for the staff as well!

2009 has been our busiest baby year. Congratulations to Toni Jackson from our Stanthorpe office and Narelle Villis from Toowoomba office. Toni and her husband Mal welcomed Ashley Maree into the world on the 6th of November and Narelle and Cameron's baby boy Chayce Cameron arrived on 24th November. Everyone is doing extremely well.

Two of our staff members have tied the knot. Amanda Kiepe (Toowoomba office) married Tyson Eggins on the 15th August and Sarah Pregnolato, our very newest member of the Stanthorpe office, married Nathan Pearce on the 31st October.

Along with Sarah we welcome new staff member Linda Ostrofski who joins the Toowoomba admin team.

Bryce McKeon is continuing to be a force at national level in Karate. In his division (18-30 year old) he did very well and was placed 2nd in Kata (a discipline where the contestant carries out a pattern of movements). Although he was knocked out of the competition in an early round in the fighting component, the contestant who Bryce lost against went on to compete in the finals and won 2nd place.

Many of our employees are actively involved in community work as volunteers and the Wealth Experience group supports their efforts. In early October Kirsty Maclean, our HR Manager (and part-time nurse), travelled to Tanna Island (one of the islands of Vanuatu) as part of an Ausaid Ear Nose and Throat specialist team. The Pacific Islands Project (PIP) provides specialist surgical and medical services to 11 Pacific Island Countries, and delivers capacity building activities for health professionals in the region.

This year our Christmas Party theme was 'My Generation' and pitted staff teams from each of the generations against each other in a competition of inter-generational quizzes and activities. The finale was a bike building challenge where each of the three teams had to assemble a children's bicycle using the instructions (?) and available tools. The resulting bikes have been joyfully donated to three very worthy beneficiaries – Stanthorpe Family Day Care, Granite Belt Support Services and Ronald McDonald House. It was the ultimate quest to find out which generation knew more and, more importantly, which generation knew best, and it turned out the Baby Boomer Generation eclipsed the Gen Xer's and Gen Y's. Result: Baby Boomers 1. The rest of the world – 0… End of story ☺

Selection for the 2010 Wealth Experience Scholarship Program is currently underway and once again we are being astonished by the achievements, outlook and presentation of the applicants. It will be another difficult decision.

STANTHORPE
142 High Street, Stanthorpe Q 4380
PO Box 321, Stanthorpe Q 4380
P 07 4681 6700 F 07 4681 2143
E info@powertynan.com.au

TOOWOOMBA
298 Ruthven Street, Toowoomba Q 4350
PO Box 421, Toowoomba Q 4350
P 07 4632 8733 F 07 4632 0042
E info@powertynan.com.au