



SMSF's - Taking Control of your Retirement

A vital part of most people's long term wealth is Superannuation. The governments of Australia over the last fifteen years have made positive law changes in Superannuation to make things easier. "Simplified Super" was introduced a few years ago and this has made a previously complex area for members and administrators, easier to maintain.

We believe that Superannuation will continue to receive bi-partisan support to be an attractive and concessional taxed area of the Australian economy. The social and demographic commentators in Australia are often reporting on the ageing Australian population and that in the next 10-20 years there is a large amount of "baby boomer" Australians looming who will be accessing a huge amount of retirement funds from the National Savings. It's in all political parties interests to encourage our citizens to self fund for this rather than them accessing public money via Centrelink pensions.

In such a concessional taxed environment there are many people wanting to take control of their own investments and so a Self-Managed Superannuation Fund is the answer they are looking for. Industry Funds and Retail Funds dominated the Superannuation Funds managed in Australia for many years and in fact Self-Managed Superannuation Funds (SMSF's) had less than 10% of the market. Over the last 5 years SMSF's have grown to now be more than 30% of the market and are the clear market leader.

SMSF's do not receive any more tax advantages than their competitors but it is in the area of control of money where people have decided that they would rather manage their own retirement savings than entrust others. In addition, the volatility of markets all over the world has contributed to people wanting to be in charge of their own destiny.

SMSF's also have another form of investment available to them that is proving attractive to members, and that is the ability to buy a geared residential or commercial property. The laws in relation to this changed in 2007 and it has become very popular.

A Self-Managed Superannuation Fund...is this the solution you have been looking for?



Different Managed Funds that you have no control over

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A SMSF where YOU control the investment strategy

In order to establish and run a SMSF effectively it is vital that you involve your trusted tax advisor. Once all the setting up and tax advice is established Paris Financial Services will be

MBA Business Solutions
will be closed from
midday
Friday 23 December 2011
and reopen on
Monday 9 January 2012

Inside this issue:

SMSF's - Taking Control of your Retirement 1-2

FBT - Christmas Parties & Gifts 2-3

Calm Thinking in a Volatile Market 3

Business Owners - Know Your Key Numbers 4

SMSF's—Taking Control of your Retirement continued.....

engaged by our firm to establish the operating bank account and go over any other requirements that you may need.

Usually a SMSF starts with two members who typically have between 3 and 6 smaller super funds that they have been gathering over the years. In most instances those smaller amounts have a portion of Life Insurance attached to them and so it's vitally important that the whole Risk Insurance area is addressed and established before monies are rolled over into the SMSF. The reason for this is that you may roll monies out of a Retail fund that has a form of Risk Insurance attached, while getting paperwork setup for the new insurance in the SMSF. If something bad or the worst happens to the member in this period they will be uninsured, a disaster in more ways than one.

While establishing what Risk Protection is appropriate for members we can also address Estate Planning. Superannuation Funds sit outside any Will established by an individual in Australia. As a result this is the perfect time to re-assess your Estate needs.

The key here is that you can craft a strategy to accomplish exactly what you are after, with exceptional tax efficiency. This includes being able to leave tax advantaged (sometimes tax free) income streams to dependant beneficiaries with control around when they receive a lump sum, and to effectively look after child beneficiaries in a way that no other structure can match. Further to this, SMSF's can make binding nominations that do not lapse, unlike commercial super funds which have to be continually updated. When you start to understand some of the powerful strategies that can be employed in a SMSF, especially from an estate planning perspective, it is easy to see why a SMSF starts to become viewed as a tax advantaged intergenerational wealth vehicle.

In conclusion, if you have the level of funds required to start a SMSF then you can take control of your retirement savings and with the correct setup and advice you can enjoy the fruits of your own efforts in your career and your own investing.



FBT - Christmas Parties & Gifts

The festive season is upon us and here at MBA Business Solutions we will be hosting an end of year lunch for our staff and also giving them a little thank you gift for all the hard work they have done throughout the year. As accountants, we know all about FBT and tax implications for these kinds of events and we thought that now would be the perfect time to share this with you.

Christmas Parties for Employees

Christmas parties are subject to FBT as it is entertainment.

However, they can be exempt from FBT as Minor Benefits providing your

Christmas party abides by the following tax rules:

Christmas Party Held ON Business Premises

- The costs (such as food and drink – excluding alcohol) associated with Christmas Parties for employees only



are exempt from FBT if they are held on a working day, on your business premises and consumed by employees. So, not only is there no FBT but as an added bonus the entire cost may be tax deductible and a GST credit can also potentially be claimed!

(If you wish to include alcohol in the above scenario then you will still be exempt from FBT, however the costs are not tax deductible and you will not be able to claim GST.)

Christmas Party Held OFF Business Premises

- The costs associated with Christmas Parties for employees which are held off the business premises are exempt from FBT if the cost is no more than \$300 per head inclusive of GST, and the minor benefits exemption applies. Any portion above this amount will then be subject to FBT. Unfortunately none of the costs are tax deductible and no GST credit can be claimed.

FBT - Christmas Parties and Gifts continued.....

Christmas Gifts for Employees

Working out the tax implications of a gift for an employee at Christmas time can be a little tricky.

We have set out a number of examples which should cover all the options available to you:

- A non-entertainment gift (e.g. bottle of wine or whisky, hamper, perfume, etc) for an employee is normally considered exempt from FBT providing the total value is less than



\$300 inclusive of GST. This can be claimed as a tax deduction and a GST credit can be claimed.

- An entertainment gift (e.g. movie tickets, sporting events, flights, etc) for an employee is also considered exempt from FBT where the total value is less than \$300 inclusive of GST, however no tax deduction or GST credit can be claimed.
- A gift given to an employee at a Christmas Party is now treated the same for FBT and income tax purposes as a gift provided to an employee on a separate day.

Please call if you need any clarification.

Calm Thinking in a Volatile Market

In times of market volatility emotion can overrule logic when it comes to investment decisions.

Constant media coverage about falling share prices and declining fund performance can help to create enough panic among investors to cause them to sell up and invest in cash, a move that may come at a cost in the longer term.

The problem is that while cash doesn't suffer from the same ups and downs as shares and other investments, there's a price for that peace of mind. You lose the advantage of already being in the market when confidence and prices recover. It means that you may have sold when prices were low and, to get back into the market, you may be buying at levels higher than you'd like – far removed from the adage 'buy low, sell high'.

Going against trend

The trend is that private investors flee the markets in droves when prices are at their lowest. It's partly fear, as they watch the value of their portfolios drop, and partly the strong desire to follow the crowd, a sort of reverse gold fever. When markets are rising the term, 'irrational exuberance' is often applied to the frenzy of buying, after the former US Federal Reserve chairman, Alan Greenspan used it in a speech in 1996 causing a strong reaction in global share markets. 'Irrational Pessimism' perhaps describes the recent severe market reversals on European Sovereign Debt issues and the Sluggish US recovery, but history shows that those who are able to withstand short-term fluctuations in their portfolios can look forward to improved growth over the long-term.

Taking out the emotion

It's not always easy to find the courage to go against the crowd or to hold out while markets are falling, even if it might be the rational thing to do.

A relationship with a trusted investment adviser can help take some emotion out of the situation and restore some control.

Your adviser can help you:

1. Set your investment goals and record a plan for your portfolio that will provide a long-term view and reduce the risk of you getting absorbed by day-by-day or hour-by-hour market watching.
2. Work-out your attitude to investment risk and match investments accordingly so that there is a high probability of never leaving your own personal comfort zone.
3. Ensure that your investments are diverse; covering a range of markets, products and sectors. In that way, when some investments are down, others may be up.
4. As certain assets will perform differently, regularly review the balance of the portfolio to ensure that you have not unwittingly become over-exposed to a collapse in one asset value.



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All investor's have their own tolerance to volatility and it can sometimes be the right decision to walk-away if further losses are simply too hard to bear, but developing a plan with your adviser should increase your chances of making the right investment decisions in turbulent times.

Business Owners - Know Your Key Numbers

A recent article in the Australian Financial Review suggested the three main reasons for small business failures were:

- **Poor financial management (28% of failures)**
- **Poor accounting (16%)**
- **Lack of management experience (15%)**

So how do you recognise the warning signs in a business? Key Performance Indicators or KPIs let you monitor what is happening in the business and the power of KPI's comes from a

simple concept - What you can measure you can manage. KPIs let you know where you stand at any given moment so you can adapt or change your strategy to improve your results right there and then. Knowledge is the power that drives better results and the following KPI's are simple to track.

Sales: You would be amazed how many small business owners do not have access to an accurate sales figure. Sales are the first indicator of the business trend (up, flat, down).

Gross profit margin as a percentage of sales: This compares the prices you charge your customers with the prices your suppliers charge you. An increase is good, flat lining could be satisfactory while a decrease is an alarm bell.

Profit before tax as a percentage of sales: Ideally this figure should increase but flat could be acceptable but a decrease is definitively a warning sign.

Cash flow forecast: Calculation = Cash at bank + Cash in over the next four weeks – cash out over the next 4 weeks. This calculation for each of the next four weeks will tell you if you have enough money to pay your bills at the end of the month.

Debtor Days: Calculation = Accounts Receivable / Sales x 365. This tells on average, how many days it takes for the money to reach your bank account after you have issued invoices. A decrease is a good sign while an increase is an issue.

Creditor Days: Calculation = Accounts Payable / Purchases x 365. This tells on average how many days you take to pay your suppliers. Monitor that figure and compare it to the debtor days. Ideally, creditor days are equal or higher than debtor days. If it is lower, you need to either improve your collection or negotiate better payment terms with suppliers to avoid a cash flow problem (Danger!).

Inventory Days: Calculation = Inventories / Purchases x 365. This tells you on average, how many days the goods you purchase stay in your warehouse or on your shelves before you manage to sell them to your clients. The lower, the better.

Number of customer complaints as a percentage of number of sales: Your customers will stay with you and buy again if they feel looked after, so measuring the number of complaints and taking action to reduce that number helps to build a sustainable business.

Ideally your KPIs need to be tailored to your business and should track those things that clearly tell you at a glance how your business is performing. If you're not measuring your KPIs how will you know if you're on or off track at any given moment? If you don't know the answer to that question it's unlikely you'll achieve your goals.

At MBA you have a latent source of Business Advice ready and waiting. Both Jason Beare and Dereen Wallace are experienced finance professionals who already know the key numbers in your business and can easily extend out these numbers into the above KPI's that will be the key drivers. Dereen is our resident MBA (Master of Business Administration) at MBA so this is a powerful resource coupled with Jason's analytical skills.

Important: This is not 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. We therefore recommend that our formal advice be sought before acting in any of the areas. This document is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and not be made available to any person without our prior approval.

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Everyone at
MBA Business
Solutions would like
to wish you a very
Merry Christmas
and a
Happy New Year!

Thank you for all
your support
throughout the
year and we look
forward to seeing
you in 2012!

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