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The financial news your business needs.

Spring 2016

# BUSINESS Bulletin

## Finances - Making the Most of Low Interest Rates

Following yet another recent reduction by the Reserve Bank, interest rates in Australia are now at record lows (the cash rate is currently at 1.50%). With talk that rates will remain relatively low into the future, it's an opportune time to review if you are making the most of them.

Have you considered the following?

- **Fixed rate options.** While rates are at an all-time low there may be opportunities to fix your loans for 3 or 5 years at under 5% per annum. Explore your options. Some borrowers may wish to fix just a portion of their loan.
- **Review your position.** Low interest rates offer an opportunity to refinance or revise your payment schedule to pay your loan off sooner. Talk to your broker to see if there's a home or business loan that better suits your needs.
- **Debt reduction.** With lower rates, your monthly/fortnightly repayments will be less. Rather than pocketing the difference, if you put the difference into extra repayments, you can shave years off your loan and, in doing so, save thousands in interest. For example, a \$500,000 home loan at an interest rate of 7% requires repayments of \$3,078 per month over 30 years. At 4.5%, the repayments are \$2,533, a difference of \$545 a month. If you put that \$545 into extra repayments, you can potentially take more than 9 years off the home loan term and save almost \$140,000 in interest.
- **Create an offset account.** This is effectively a money source sitting beside your mortgage. Any savings inside this account are effectively offset against your loan, which in turn reduces the amount of interest you pay.

Of course, low rates will not be around forever. As a borrower it's important not to become complacent and to make sure that you still have the capacity to meet your repayment obligations if in the event that rates increase.

### Reminder Dates

September **21**

Due date for August monthly Activity Statements

October **21**

Due date for September monthly Activity Statements

October **28**

Pay Superannuation Guarantee contributions for July September

October **31**

Due date for personal income tax returns (if you are not using a tax agent)

November **21**

Due date for October monthly Activity Statements

# Business Advice - Business Plan

Successful businesses have a business plan, and periodically review that plan to track their progress and also ensure that the plan is not outdated. Below are some ideas to get you thinking about what goals and objectives you might like to incorporate into your business plan:

ISSUE	GOALS/OBJECTIVES
<b>Trading Structure</b>	<ul style="list-style-type: none"> <li>• Review current trading structure to determine whether it is effective for asset protection, liability, risk and taxation purposes</li> <li>• Succession planning</li> <li>• Owner Remuneration - Drawings or Salary</li> <li>• Profit disbursement and retention</li> </ul>
<b>Service Offering</b>	<ul style="list-style-type: none"> <li>• General service or niche market</li> <li>• Pricing</li> <li>• Competitors</li> <li>• Service standards</li> <li>• Complaints handling</li> <li>• Commercial premises or home-based</li> <li>• Customer size (not putting all eggs in one basket)</li> </ul>
<b>Marketing</b>	<ul style="list-style-type: none"> <li>• Referral networks</li> <li>• Website</li> <li>• Flyers/brochures</li> <li>• Advertising and sponsorships</li> <li>• Branding</li> <li>• Community memberships</li> </ul>
<b>Staffing</b>	<ul style="list-style-type: none"> <li>• Where to find staff</li> <li>• What qualifications are needed</li> <li>• Set staff policies</li> <li>• Create a culture</li> <li>• Hiring and firing</li> <li>• Staff training</li> </ul>
<b>Technology</b>	<ul style="list-style-type: none"> <li>• Hardware considerations</li> <li>• Software considerations</li> <li>• Ease of use</li> <li>• Longevity</li> <li>• Efficiencies</li> <li>• Backups and retrieval</li> </ul>
<b>Finances</b>	<ul style="list-style-type: none"> <li>• Debt collection</li> <li>• Cash flow</li> <li>• Budgets and forecasts</li> <li>• Pricing for profit and for competition</li> <li>• Business overheads</li> <li>• Capital expenditure (upfront and future)</li> </ul>
<b>General Issues</b>	<ul style="list-style-type: none"> <li>• Setting key performance indicators (KPIs)</li> <li>• Reporting of KPIs</li> <li>• Managing growth</li> <li>• Risk management strategies</li> <li>• Insurances</li> </ul>

## Tax Talk – Avoiding FBT

Providing multi-faceted employment packages to employees (a mixture of cash and non-cash benefits) can give an employer the edge when it comes to staff recruitment and retention. However, the attractiveness of such a strategy is diminished if the non-cash benefits provided attract Fringe Benefits Tax (FBT). With the FBT rate now sitting at 49%, the employer may be left with a significant tax liability. To ensure this is not the case you may wish to tailor the benefits that you provide to employees by only providing benefits/items that are FBT exempt such as:

- Work-related items including:
  - Briefcases
  - Tools of trade (e.g. hammer, saw or any other instrument held in the hand for manual operation)
  - Phones (I-phones, smartphones etc.)
  - Calculators
  - Portable electronic devices such as personal digital assistants (PDAs), electronic diaries, laptops, notebook computers etc.).
- Salary sacrificed superannuation
- Minor benefits (generally, an item that has a value of less than \$300 and is provided infrequently such as a bottle of wine, movie tickets, gym membership)
- Taxi travel (a single trip that begins or ends at work)
- Property benefits (such as food and drink consumed by employee's on work premises)
- Relocation expenses (where an employee must relocate for work purposes)
- Car-parking in certain circumstances.

Talk to your accountant if you are unsure of whether a non-cash benefit you provide to your employees is FBT exempt. By only offering exempt benefits, you can go on providing multi-faceted employment packages, and avoid the 49% FBT impost.

## IT - Password Security

In modern times, passwords for access to personal information online are part and parcel of everyday life – whether it be for internet banking, payroll for staff, work servers, accounting software, the Government's **myGov** website etc.

Almost certainly, regular attempts will be made by fraudsters typically via email, to “phish” personal data from you or your staff. Phishing is the attempt to acquire sensitive information such as usernames, passwords, and credit card details, often for malicious reasons, by masquerading as a trustworthy entity in an electronic communication. It is therefore crucial that you and your staff observe the following best practices:

- Memorise your passwords, and do not write them down or store them electronically in an insecure manner
- Do not have a single password for all applications/websites – have different passwords where possible
- When setting a password, use at least eight characters (if possible), and use a random mixture of characters, upper and lower case, numbers, punctuation, etc. Avoid using a word found in a dictionary, English or foreign
- Never reveal your password to anyone, other than when:
  - You have visited the website of the requesting party by typing their URL into a web browser, **and**
  - You have self-initiated a password reset sequence from that website.

