

# RISPIN FINANCIAL

# THE BOTTOM LINE

DECEMBER 2007



## HAPPY CHRISTMAS!

All our good wishes for a peaceful and enjoyable holiday season. It has been a very busy year for all of us at Rispin Financial. We have seen lots of growth in both the Accounting and Financial Planning areas.

Look out for our Website early in the New Year. There is a new column in this edition of the "Bottomline." We hope that our clients will submit information about their businesses or any enterprises they wish to inform others about. To start the process Marion has put together an article about an exciting new business venture. Please send or email your information to us for the next edition in March. If you find writing a chore we will put the words together for you. Thanks to all our staff old and new for their hard work and enthusiasm throughout periods of change.

Thanks to all of our clients for their continued support we hope the New Year brings you much prosperity.

**Kirsty Rispin**  
Partner

## SEVEN KEYS TO BUSINESS SUCCESS

A major study of Australian business leaders has found a vital component of the prosperity of successful companies – big and small – lies in their ability to forge positive relationships with clients and service providers.

Those who took part were unanimous in agreeing that adherence to certain behaviours is the best way to forge a successful long-term, mutually beneficial and sustainable business network.

Conducted by Deloitte on behalf of the Victorian small business commissioner, the study identified seven main behaviours. They are:

- alignment with businesses that share the same values
- commitment to treat each relationship as a long term arrangement based on trust
- mutual interest of each business to achieve a common goal of a profitable, sustainable and on-going relationship
- communication must be clear, transparent, frequent and at the right level
- accountable and responsible: agreeing to obligations and responsibilities and immediately alerting business partners of a problem or mistake
- professional conduct in all interactions
- pre-agreed dispute resolution mechanisms is essential so that any disagreements can be dealt with quickly and the relationship can continue with minimum disruption.

[ CPA Australia Oct 2007 ]

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## PLANNING FOR INTEREST RATE RISES

It's time to reassess all household debt, says CPA Australia, following the Reserve Bank of Australia's interest rate increase.

The combination of growing consumer debt and the impact of increasing inflation pressures has made consumers more vulnerable to the impact of rising interest rates.

Suzanne Baldry, Chair of the CPA Australia Financial Advisory Services Centre of Excellence, says that being prepared is the best way to cope with interest rate rises.

'Interest rates are still quite low and manageable compared to ten years ago. However, it's those people who haven't considered repeated warnings about fluctuations in future economic conditions, who may suffer as a result of rate rises,' Ms Baldry said.

Ms Baldry advises home owners and prospective buyers to now reassess their levels of debt and outlays, and factors in future increased costs in general, such as the price of petrol. 'Increased costs, in any area, need to be matched either by increasing income or pruning expenditure to avoid getting further into debt; this is particularly true of interest payments,' she said.

'There are some steps that you can take to reduce these extra costs, and consolidating debt is a good option,' Ms Baldry said.

'If you can merge debt together, you can take advantage of the lower interest rates that apply to home loans versus credit card debt. This is only useful if you don't run up your credit card debt again,' she said.

'At the end of the day, if you have over committed, you really have only three options – earn more, spend less or sell something to pay off some of your debt to meet loan repayments,' she said. Although these options sound extreme, those in debt may be able to adopt these strategies as a short term measure while they evaluate their overall finances.

'It's unrealistic to expect past and even current rates to continue indefinitely and the onus is on the individual to ensure their loans and mortgages are realistic and manageable,' she said.

Other strategies that may help you stay out of debt include: If you are still planning on upgrading or purchasing a home, clearly identify the maximum amount you can afford to borrow. This should allow for unforeseen events and changes in your circumstances and the economic environment. For instance, if interest rates continue to rise, how would that impact on your ability to maintain your loan repayments? If your income was reduced due to redundancy, a new arrival or unplanned expenditure such as a major repair to your car, or a medical emergency, how would that impact on your overall financial position and could you still meet your loan obligations?

Mortgage brokers are becoming widely used in helping clients lower their mortgage costs through sourcing the best rates from lenders and banks. The brokers receive a commission from the lender and the client receives the benefit of someone else doing the legwork. Some professional packages offered to clients earning over \$60,000 per annum have discounted interest rates over the life of the loan. Remember, as with any financial advice, the golden rule is to do your homework too and if it sounds too good to be true, it probably is.

Although we can never prepare for all possible contingencies, we can plan to minimise the impact of these unplanned for events. Just as we insure our house or car against loss, we can insure against income loss with income protection insurance. Ensure that at least a part of any additional income received in the future is allocated to reducing debt.

*[ CPA Australia Aug 2006 ]*



## SELF-EMPLOYED PEOPLE SHOULD CONSIDER SUPER OPTIONS

This financial year is the perfect time for the self employed to reconsider their superannuation options or to invest in superannuation for the first time.

From 1 July 2007, self employed individuals will be able to claim a full tax deduction for any contributions made to superannuation. Low income earners will be able to forgo the deduction and instead be eligible for the Government co-contribution.

CPA Australia Superannuation Policy Adviser, Michael Davison, said that prior to 1 July 2007, self employed people can only claim a full tax deduction on the first \$5,000 of their contributions each year and on 75 per cent of the balance.

'This may have discouraged many self employed people from contributing more than \$5,000, the end result being inadequate retirement savings,' Mr Davison said.

However, from 1 July 2007, individuals will be able to make concessional contributions to superannuation of \$50,000 each year. And if you're 50 or over, you can contribute \$100,000 each year until 2012.

A self- employed person will be able to contribute up to these limits and claim a full tax deduction.

'Many self employed people see their business as their retirement savings. However, not all businesses succeed, or a buyer may not be found when it comes time to retire.

'It is important for people to diversify their retirement savings. The new rules provide the opportunity for the self employed to maximise their superannuation and not be so reliant on their business.

'Self-employed people with low incomes may also want to consider the Government co-contribution next year. Someone earning \$28,000 or less can contribute up to \$1,000 and receive a co-contribution of up to \$1,500. This will be more beneficial than claiming a deduction on a similar contribution,' Mr Davison said.

*[ CPA Australia June 2007 ]*



## ONE OFF OPPORTUNITY FOR BUSINESS FOLLOWING CHANGES TO DIVISION 7A

The Tax Office is giving business owners a one-off opportunity to correct past mistakes regarding payments and loans from their private companies and avoid penalties under Division 7A.

Recent changes to tax law give the Commissioner of Taxation discretion to disregard the operation of Division 7A in circumstances where an honest mistake or inadvertent omission has been made. The offer applies to mistakes made between 2001-02 and 2006-07 and practice statement PLSA 2007/20 released today sets out how taxpayers can take corrective action to fix these mistakes.

Division 7A of the Income Tax Assessment Act 1936 ensures that any loans or payments by private companies to shareholders or their associates are treated as assessable unless repaid or placed on arms length terms. This includes debts owed by shareholders that are forgiven by the private company.

Where a taxpayer breaches Division 7A, the amount of the loan, payment or debt forgiven is deemed to be taxable as a non-franked dividend. Where the breach occurred prior to 1 July 2006 the private company will also have its franking account debited. If tax assessments are amended to include a deemed dividend, shortfall penalties and interest charges are also likely to apply.

From 1 July 2008, the Tax Office will resume audit work to ensure payments made by private companies are correctly accounted for and company loans are not used to distribute tax free profits.

*[ ATO June 2007 ]*



for those groups under 20 we will run from our learning centre. The children love to cook at their parties and we offer a comprehensive service.

Please contact us or visit the website if you would like further information.

## NETWORKING

This is a new segment in our "Bottomline" newsletter.

The idea is to have a column for client news. If you have a business or are embarking on an enterprise that you would like to let other's know about write a piece for the newsletter or tell us about it and we will write it up for you.

To start the ball rolling Marion has written this column about her new business venture.

It started as an idea shared between friends: friends who had always talked of going into business together. Anyway years later and after several career moves and ever increasing families the time seemed to be right. The plans for Cooking for KIDS Pty Ltd were hatched.

Good Food! Good Fun! Good Health! This is the motto that directs all that we do in the business.

The team has developed a Holiday program for January and Term1 Block Classes for next year around Fabulous Fruits and Vital Vegies. Before all this we are opening with a fun program of Christmas Cooking for all ages including adults.

The shop and learning centre will be open for business on Tuesday the 27<sup>th</sup> November.

We have already started running larger children's cooking parties from the Beaumaris Community Centre hall and



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*Disclaimer: The contents of this publication are general in nature and we accept no responsibility for persons acting on information contained herein without consulting your Accountant or Financial Planner.*

It is our intention to improve the financial well being of our clients. We will work hard to make sure that your association with us is a positive interactive experience.