
HOLDEN & BOLSTER

Biznews

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Please note: The information in this newsletter is to highlight issues of general interest for Clients and must not be used as a basis to formulate decisions. Please call us for more detailed advice that will be applicable for your specific circumstances. In line with our Privacy Policy, that can be viewed on our web site at www.holbol.com.au, you can elect not to receive further issues of this publication by notifying us of your request.

More Changes

After a year of change in 2001, Accounting firms are not out of the woods for 2002 in terms of more new changes that we need to implement.

The Australian Accounting Standards Board's (AASB) project to harmonise Australian standards with international standards has its focus for 2002 on Income Tax.

The standard will prompt fundamental changes to the financial reporting system and applies from 1 July 2002 for companies with their year-end in December.

The standards will require companies to shift current and deferred tax liabilities from the profit and loss account to the balance sheet. Each investment a company owns, including investments in associated companies, must be assessed for deferred tax liabilities.

These are huge changes that will impact a company's finances such as

- The balance sheet is likely to be higher, which might reduce net assets and equity.
- Goodwill for companies prone to making acquisitions will also increase.
- Application of the new standard may breach bank covenants, leaving highly geared companies in a vulnerable negotiating position when it comes time to renegotiate debt.
- Implementation will require significant resources, new software and reengineered systems and procedures.
- It will be time consuming to go through the data retrospectively.

Meanwhile we all receive a little relief as NSW farewells BAD tax from 1 January 2002. BAD tax has been levied on all withdrawals from bank accounts with cheque drawing facilities. NSW bank account holders will no longer have to pay the bank accounts debit tax.

This Issue

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Ray Beath, Managing Partner



Retaining Valued Employees

Tips for Getting Good People to Stay

Trust the team. Give team members the opportunity to use their unique strengths every day. It is a truism that many of the best ideas float up to the top from down below, if that is allowed and encouraged. If it isn't, people may get bored or upset, and they won't be doing what they do best.

Make connections. To build a sense of community, spend some time every day checking in with individual employees to see how they're doing, personally and professionally. Let employees direct where the conversation goes, so you don't stumble onto sensitive topics.

Respect individuality. Not all employees are created equal. Recognize their individual needs, and adapt assignments, perks, and recognition accordingly.

Privacy Policy

Legislation came into effect on 21 December 2001 that requires all businesses with more to implement a Privacy Policy. It applies to both private and government sector organisations handle personal information in a responsible manner.

The following is an example of how personal information could previously be miss-used. The Electoral Commissioner released names, addresses and household information on an electronic form for a mail out about GST. The Privacy Commissioner stepped in to deal with the release as it occurred without legal basis and it was a case of improper use of information. As a result, the information was scrapped and the ATO suffered a loss in their reputation, trust and confidence from the public.

Holden & Bolster has implemented a Privacy Policy and it can be viewed on our website where all future updates regarding the policy will be posted.

Brian Willett can assist Clients to also implement this legislated privacy policy. Businesses haven't already done so.

express your genuine appreciation for a job well done can mean more than a monetary bonus.

Let others play. Delegate, and then let employees handle their own projects. This lets them learn new skills and make their own mistakes (and learn from them), and takes some of the work burden off your shoulders. It also lets them know you trust them to learn and improve.

Find out what matters to individual employees. Ask, listen, and then deliver when possible.

Source: Harvard Manage

Monitor

Brian Willett is one of the Partners providing Clients with Business Guidance.



Book review - John Burley shares his 7 habits of the wealthy

In a new book John Burley reveals the relatively simple foundations used by the vast majority of wealthy individuals to create their wealth. In this excerpt he shows that these are foundations from which an investor can then launch themselves into achieving consistent returns on their investment of 20 to 100%+, year in and year out.

“True financial independence is achieved through the consistent implementation of well-understood financial principles and rules, and not by the 'magic' of quick-fix feel-good secret formulas. You can create all the wealth you desire for yourself and your family by adopting the mindset and the 7 Money Habits of the Wealthy.

The Money Habits are simple, they are common sense, but they are far from common. While not glamorous, the results of their use are spectacular over time! By applying these Money Habits, anyone can improve their current financial position from one of scarcity and uncertainty to one of prosperity and security.

1 Pay Yourself First

Pay Yourself First means investing your money so that it can grow for you (e.g. turning \$1,000 invested at 15% compounded into \$19,962 in just 20 years). The best way to Pay Yourself First is via an Automatic Investment Plan (AIP). An AIP is simply any program whereby money is withdrawn automatically and regularly from your pay cheque or bank account and invested on your behalf.

2.Re-invest Your Investment Returns

Reinvesting Your Investment Returns is critical to your long-term financial success. Don't steal your financial future! Leave your AIP money alone until it has grown to where you can live off the income for the rest of your life. Compound your returns.

3. Receive Automatic Investor Rates of Return

As an Automatic Investor your objective is to earn a minimum of 12 - 15% return on your investments, for the long term. The S&P 500 Index (500 of the largest companies in America) has grown an average of 14.5% pa for the last 45 years; over the last 20 years: 19%; and over the last 5 years, 28%! You must also spend quality time actively managing your investment portfolio (an average of 8.4 hours per

month according to Stanley and Danko, authors of The Millionaire Next Door).

4. Know What Your Money is Doing

Could a public company survive if it could not account for 10 - 50% of its income each month? That's what most families lose every month: 10-50% of their income gone. Spent. Not sure on what, but it is gone anyway. This is because most families do not Know What Their Money Is Doing.

5. Adopt the No-Budget Budget System

To most people 'budget' is an ugly word. Simply stated, a budget is just a tool. It is a system used to achieve, monitor and maintain financial goals. It is not a magic wand, nor is it a slave driver's whip. It will only work as effectively as the person operating it. It is your servant. The No-Budget Budget System I use comprises just 5 steps:

1. Automatic Investment Plan (AIP) (10% per month of gross income);
2. Debt Elimination Plan (DEP) (10% per month of gross income), to have you debt-free in 3-7 years (including car(s) and home);
3. [Optional] Charitable Giving (10% per month of gross income), as part of the responsibility and reciprocity associated with creating and being a good steward of wealth;
4. Debt Avoidance lifestyle strategies such as only paying cash and restrictions on the use of consumer credit;
5. Spending the rest as you see fit!

6. Financial Competence (Intelligence and Responsibility)

This consists simply of adhering to 'common sense' Money Habits in your day-to-day money decisions. Financial Competence money techniques are designed to reduce unwanted spending and enhance your ability to purchase the items you really want at substantial discounts.

7. Avoid Debt and Live Debt-Free

This consists of the following two Financially Competent practices: never using consumer credit on lender's terms; and eliminating debt by adding 10% of gross wage to minimum monthly debt payments (DEP).”



Always seek advice for your investments from a qualified Adviser. **Alex Koutzoumis** is the Partner responsible for Investment planning and wealth generation.

Around the Tax Traps

Super Split on Divorce

The Superannuation Industry (Supervision) Regulations 1994 (SIS Regs) have been amended to facilitate divorcing couples splitting their superannuation interests on marriage breakdown in the same way as their other assets. The new provisions are expected to commence on 29 December 2002 or an earlier date.

Source: Commonwealth Special Gazette No S524, 21 December 2001

Case confirmed that Trust losses are not distributable to beneficiaries

Source: Administrative Appeals Tribunal (AAT) Case 7/2001

Losses from non-commercial business activities

"Commerciality" is now specified in relation to the deferral of losses rule (Division 35). Individual taxpayers carrying on a business activity can only claim losses in THAT year if the business activity meets one of four tests or meets the exception.

In summary these tests include; the assessable income of the business be more than \$20,000, having made a tax profit in 3 of the last 5 years, uses real

property of more than \$500,000 and uses other assets above \$100,000. A further exception applies to primary producers and professional artists.

Otherwise if you don't meet one of these tests, then your loss must be carried forward and can only be claimed against future profits from this activity.

Source: Taxation Ruling 2001/14 Division 35

Prolific issue of Product Rulings

Fifteen product rulings were issued before the end of 2001 all relating to agricultural projects. They include Tasmanian Truffles, Carina Park Almonds, Timpbercorp, Lake Aquaculture, Brookhampton Vineyard, Coralee Olives, Margaret River Watershed Wine and Queensland Paulownia Forests.

Please be careful when reviewing prospectuses for such investments. Often these project types are promoted for their tax benefits. Remember that prospectuses are essentially a marketing document so they will try to persuade you to invest as well as inform you about their offer.

Weekly compensation payments became ETP

A taxpayer injured at work redeemed weekly compensation payments into a lump sum payment after he retired from employment on the grounds of total incapacity. The Commissioner ruled that the

lump sum was ETP income because it was made in substitution of the right to receive income by way of weekly payments.

Source: Gillespie V FC of T

Fines for Tax Avoidance are Not tax deductible

Source: Madad Pty Ltd v FC of T 84 ATC 4739

Criminal charges for cold caller

ASIC has again warned that many Australian investors are being conned out of their savings through investment scams operating out of Thailand. These scams are usually conducted through "cold calls" to investors by so-called "dealers" or "brokers". ASIC advises investors to hang up on cold callers and only use licensed financial advisers. ASIC understands that more than \$1,000,000 has been sent from Australian investors who dealt with a Paul Bell, for shares in International Asset Management.

Source: ASIC

Partner **David Odewahn** assists in team Tax Training as well as his Business Guidance and Audit roles.

