



# PINNACLE Newsletter



## VIEW FROM THE PEAK

with Sally Portley

For the past few years, I've been assisting a SME client with a monthly Board of Advice meeting. It's a family-owned manufacturing business, so they don't have vast internal expertise 'on-call' to assist in making those impartial strategic decisions.

After my most recent meeting at their factory, I realised just how valuable this regular catch-up has become to our client/advisor relationship. Together we discuss the key issues that impact their business, my understanding of the industry they operate in grows, decisions are based on rational assessment, and I provide advice beyond the business – succession planning and growing each stakeholder's personal wealth.

It's a relationship based on strong mutual trust, and a Board of Advice framework is something I'd recommend to other SME.

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Framed | Eleisha Hunt

## Your thirties investment guide.

*So it's 2017, and you're approaching or you're already in your 30s. If your personal financial management until now has been limited to the basics, you're not alone...but it's time to get on your bike.*

**Y**ounger people often ask our financial advisors if there's anything they should be doing beyond saving for a home deposit or paying as much as they can off their mortgage.

Saving for a first home or getting the home loan balance down are great goals, but there are other financial strategies to consider sooner rather than later in life. Putting these strategies in place can not only set up a solid foundation for your financial future; they won't necessarily need a great deal of your attention once they are in place.

If "getting financially sorted in my early 30s" is one of your 2017 goals, then here are a few suggestions you should think about putting towards the top of your "to do" list before much longer.

### SUPERANNUATION ASSET MIX

It's important to make conscious choices about your superannuation investments, rather than just going with the flow. These decisions can make a marked difference to your wealth accumulation progress and investment value over time.

While hunting for higher returns usually means accepting a higher level of risk, time is a force to be reckoned with – and in your 30s you've really got this on your side.

The longer you have to invest, the greater the impact and a one or two per cent higher average per annum return might make a greater difference than you think.

Just Google "the magic of compound interest" for a real understanding of the value of time when it comes to investing.

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## GROWTH INVESTMENT

Paying down non-tax deductible debt like a mortgage as quickly as possible is great and, in most cases, will be the core strategy and priority. But the strategy could also call for a review, depending on a few things, not least of which is your personal tolerance for investment risk.

Any money paid into your home loan represents an immediate risk-free after-tax return equivalent to the interest rate.

But is it possible to do better than this? It is, but not without taking some risk, and investing in growth strategies like shares. Given today's low interest rate environment, establishing a growth investment alongside the investment in your home might be viable (with a long-term outlook).

## INCOME PROTECTION INSURANCE

This is a big one. We've mentioned previously about Australia's propensity for under-insurance. Perhaps we have a tendency not to think that bad things will happen to us – like a serious illness or injury – especially when you're relatively young, fit and healthy.

But look at it this way – if you had a machine at home that printed out the equivalent of your income every year, you probably would insure it – right?

You can typically cover up to 75 per cent of your income with payments until you are aged 65 (if an illness/injury means

you can't work). Getting the cover locked down in your early 30s is a good idea, because it often means you have yet to experience any major health issues that the insurance company might otherwise specifically exclude or attach an additional cost to cover.

## HEALTH INSURANCE PREMIUM LOADING

Lifetime Health Cover is a Federal Government initiative which was introduced some years ago with the objective of encouraging younger people to get hospital cover.

In summary, an extra cost applies to your hospital cover premiums – two per cent for every year over 30 – unless you have cover in place by 1 July that follows your 31<sup>st</sup> birthday.

So you could end up paying an extra 20 per cent by age 40 and so on. If there is no other impediment to taking action on health cover, these provisions make it worth getting the ball rolling.

## THINK ABOUT COST OF KIDS AHEAD OF TIME

Starting a family may or may not be on the cards now, but planning ahead is a good move. It's easy to make the financial commitment for your mortgage based on current circumstances. But just like you should anticipate for interest rate rises, testing for other life changes is equally important. Here's a few things to think about:

- Knowing how you would deal with the up-front financial cost of having a baby;
- Your ability to cope with all household expenses on one income;
- Returning to work and whether flexibility is important to you;
- Whether 'going backwards' for a period of time is viable, and so on...

Without some realistic forethought, little room to move financially today might translate into serious financial strain and emotional stress later on.

## WILLS AND ESTATE PLANNING

It's way too early to be thinking about a Will, especially when you haven't accumulated 'enough' assets yet!

Wrong! Dying without a Will can mean that your assets would be distributed in line with current laws and will depend on whether you have living parents, children, a partner and so on. This may not line up with your expectations or your intentions, but you can't do much about it if you're not around.

Without a Will, administering your estate can be more complex, potentially causing unnecessary stress (or conflict) for your loved ones – that's not likely to be a legacy any of us want to leave behind.

Estate planning can be a complex legal area, so it's smart to have a solicitor engaged to make it all happen. Usually it won't take more than one or two appointments, and once it's done you won't likely need to refresh your Will until your circumstances materially change.

## AUTOMATION

Your thirty-something – you know that technology is your friend! When it comes to saving, investing and budgeting there has been fantastic innovation and development which makes it much easier to get organised, all from your device.

More to the point, managing money can be time consuming and exhausting, so using technology to automate the process is as much about making life easier as it is about consistent action, which is the key.

Though it may seem that you have plenty of time up your sleeve when it comes to money management, there can be no better feeling than knowing things are in order. The long-term impact is likely to be a great return on the up-front 'time investment' made at 30.

# Data matching. ATO turns up the heat.

## DATA-MATCHING PROGRAMS CONTINUE

The ATO has announced that it will continue with the following data-matching programs.

### SHARE TRANSACTIONS

Data about share transactions will be acquired for the period 20 September 1985 to 30 June 2018 from various sources, including stock transfer companies. The ATO will collect full names and addresses, purchase and sale details, and other information. The program aims to ensure that taxpayers are correctly meeting their tax obligations in relation to share transactions. The ATO estimates that records relating to 3.3 million people will be matched.

### CREDIT AND DEBIT CARDS

Data about credit and debit card merchant transactions will be acquired for the 2015–16 and 2016–17 financial years from various financial institutions.

The ATO will collect details (such as name, address and contact information) of merchants with a credit and debit card merchant facility and the amount and quantity of the transactions processed. The program seeks to identify businesses that may not be meeting their tax obligations. It is estimated that around 950,000 records will be obtained, including 90,000 matched to individuals (sole traders).

### ONLINE SELLING

Data will be acquired relating to online selling registrants who sold goods and services to an annual value of \$12,000 or more during the 2015–16, 2016–17 and 2017–18 financial years.

The ATO says data will be sought from eBay Australia and New Zealand Pty Ltd. The data will be used to identify those online sellers who are apparently operating a business, but failing to meet their registration and/or lodgment obligations.

It's estimated that between 20,000 and 30,000 records will be obtained under the program.

## ATO TO DATA-MATCH RIDE-SOURCING

The ATO has announced a new data-matching program involving ride-sourcing providers, such as UBER. Under the program, the ATO will acquire data to identify individuals who may be engaged in providing ride-sourcing services during the 2016–17 and 2017–18 financial years.

Details of all payments made to ride-sourcing providers from accounts held by a ride-sourcing facilitator will be requested from the facilitator's financial institution for the 2016–17 and 2017–2018 financial years. The ATO estimates that up to 74,000 ride-sourcing drivers offer, or have offered, the services.

If you work as a driver for UBER or a similar ride-sourcing facilitator, the money you make is assessable income that needs to be included in your tax return. Contact us at The Peak Partnership for more information about how the ATO's data-matching program may apply to your circumstances.

# NewsBytes. Latest taxing matters.

## WORK-RELATED EXPENSES RISK PROFILES

The ATO has developed work-related expenses risk profiles to help it identify how work-related expense deduction amounts compare for similar taxpayers. The ATO said improvements in data analytics and modelling have allowed it to create a risk profile for tax agents' practices based on comparisons of their clients' work-related expenses claims with those made by similar taxpayers.

The ATO has said it will share these risk profiles with some tax professionals, like The Peak Partnership, where their clients' claims appear higher than expected. Fortunately for our clients, we haven't seen these risk profiles to date.

It's obvious that the ATO's increasing capacity to monitor the often difficult issue of work-related expenses claims means taxpayers and tax professionals need to take care when preparing returns. As always, it's best to seek professional advice whenever you're not sure if your work-related expenses may or may not be tax-deductible.

## Have you got our free mobile app?

To grab our App, simply go to the App Store (Apple) or Google Play (Android) and search Peak AusBusiness Advisor. Even easier, scan the QR Code below to go straight to the app store for your device.



## TAXPAYER COMPANIES FAILED TO PROVE THAT PAYMENTS WERE "LOANS"

In a recent case, the Full Federal Court has found that several taxpayer companies had not discharged the onus of proving that assessments the Commissioner of Taxation issued to them were excessive.

The amended assessments took into account income of some \$4 million that the Australian companies received from overseas sources. The taxpayers had claimed that the payments were loans.

In allowing the Tax Commissioner's appeal, the Federal Court majority held that it would not be appropriate to find that the taxpayers had provided the required proof that the payments were genuine loans; in fact, they had made inconsistent or "alternative" arguments about the nature of the payments.

# Mentor me. Mentor my SME.

Being an entrepreneur or a small business owner can be a daunting task. You feel compelled to take up every challenge head-on and with no outside help. After all, that's how the greatest entrepreneurs of our time became successful, on their own and doing it solo.



**Wrong! Even Mark Zuckerberg relied on the guidance of a mentor during the creation of Facebook. A mentor can play a vital role in the success and growth of an infant business.**

According to a 2014 survey by the UPS Store, 70% of mentored small businesses survive for more than five years – more than double the survival rate of non-mentored businesses. The same survey reported that 88% of entrepreneurs said that having a mentor has been invaluable to their success. So, if you could double the chance of your business's success right now, would you seek out a mentor?

Here are some key reasons why having a mentor can be beneficial to your business.

## 1. BEEN THERE, DONE THAT

Good business mentors have years of experience in the entrepreneurial world – launching start-ups, sourcing investors, creating commercial marketing campaigns, perfecting strategy and overcoming obstacles. Mistakes in business can be costly and time-consuming – taking in the guidance of a mentor who has already learned from these mistakes can save you unnecessary financial and emotional pain.

## 2. MENTORS HAVE ACCESS TO NETWORKS

Mentors have been in the business for quite some time. That means they've built up a vast network of trusted connections, potentially paving the way for you to meet with influential people that you otherwise never could have. Having a credible mentor to facilitate introductions at events or meet-ups works much better than randomly introducing yourself.

## 3. THEY CAN TEACH YOU REAL-WORLD LESSONS

There are some things that school or Uni simply can't teach you. A good mentor is a different type of educator, stemming from years of experience in real-world situations. Often, these lessons are tailored to your specific needs and goals. Plus, they can be free – costing only your time and mutual help.

## 4. MENTORS PROVIDE A DIFFERENT PERSPECTIVE

A business mentor can act as an excellent sounding board for your ideas and challenges. They can give sound advice backed by experience, offer solutions to your conflicts, and help you decide on the best course of action. When you become lost in your dilemma, they offer clarity and a new perspective that you may not have thought of.

## 5. MENTORING IS IN THEIR DNA

The best mentorships come at no cost to you. Mentors take fledgling entrepreneurs under their wing because they care – not because they're trying to take advantage of you or your situation. Mentors also benefit from these relationships, learning from the fresh ideas and perspectives and trading helpful skills. Business Insider Australia interviewed 15 mentors about sharing their knowledge, and the general consensus was the feeling of "paying it forward" and doing their part to help the next generation of entrepreneurs succeed.

## HOW TO CHOOSE A MENTOR

It's okay to be selective when you're looking for a mentor – after all, you want to benefit as much as possible from this relationship. Choose a mentor that matches the following:

**EXPERIENCE:** The sole reason to obtain a mentor is to learn from the experience that they have to share. Therefore, it makes sense to find someone who has lots of it! Look at their track record and the success of the businesses they've played a role in. It's a bonus if you can find someone who also already has years of mentoring behind them.

**RELATED INDUSTRY:** Try to find a mentor that works in the same industry as you. Their advice and expertise will be more relevant to your situation. Their contacts list will also be beneficial to you.

**MATCHING VALUES:** No doubt you have firm ideas of the values you'll uphold for yourself and your business. It's crucial to find a mentor that fundamentally shares these values, or else your vision may be misdirected – and the relationship won't last long.

**TEACHING METHOD:** Everyone has a different style of teaching. It is important to find someone whose method is complimentary to your style of learning in order to gain the most benefit from the lessons they want to pass down to you.

Finding your ideal mentor is all about putting yourself out there. Look through your current network list, your social media contacts (eg. LinkedIn), your educational alumni directory, past business partners – even current clients. There's also organisations and programs like Mentoring for Growth, Small Business Solutions, Rotary International, Corporate Club Australia and Toastmasters International.

Our Directors at The Peak Partnership also have vast SME networks, so we'd be happy to sound out your mentoring ideas.

# Tips to avoid **cyber-attacks.**

*In our Spring 2016 issue of The Pinnacle, we reported on tech-crime and the sophisticated techniques used by scammers. With cyber-crime becoming an everyday issue, we thought this follow-up could help you better protect yourself and your business.*

After all, cyber-attacks can be catastrophic and can potentially leave a business crippled, with a heavy financial and emotional cost to deal with. Added to that, your business reputation and all that down-time you are not effectively working in your business becomes another real burden.

The sad truth is that small business is mostly targeted by these scammers, because they are known to not have great protection in place. Here are some simple tips to help you combat a cyber-attack on your business:

- Educate yourself on cyber-attacks and train your staff on how to be aware and keep your systems protected.
- Install, use and update anti-virus and anti-spyware software on all your home/business computers. Good free options include <https://www.malwarebytes.com/antimalware/> and <https://home.sophos.com>. If you want to take it up a level and really protect your business computers, **Sophos Endpoint Advanced** provides powerful protection against all forms of infection and ransomware.

- Install and use a firewall on your internet connection. Sophos Unified Threat Management (UTM) is one solution worth considering for business protection.
- Ensure all software updates are current; many offer you good protection.
- Back-up (external hard drive) your computer; ensure this is disconnected as ransomware often travels through wi-fi back-up systems. Alternatively, Acronis Cloud Backup is simple to use.
- Protect your physical computers and ensure your wi-fi is secure.
- Ensure your staff don't share logins or passwords, don't leave these around and force changes regularly.
- Make sure you have adequate insurance cover - contact us at The Peak if you need an introduction to a reputable business risk insurance broker.



## Got a business website? Tax-deductible expenditure explained.

**The Australian Tax Office (ATO) has finally released a new ruling regarding commercial website expenditure. The previous ruling was withdrawn in 2009.**

A website is considered an intangible asset consisting of software and the content available on the website to the extent it has no separate identity or value.

The ruling considers whether various expenses incurred in relation to commercial websites would be revenue or capital in nature.

Expenditure incurred in developing a website is a capital expense, while expenditure in maintaining the website is of a revenue nature. The costs of modifying a website can be capital or revenue in nature, depending on the facts in each case. The more the modification relates to improving the profit yielding structure of the business, the more likely the expense will be capital-based.

Capital expenditure incurred in relation to creating or modifying a website can be deducted under the depreciation rules if it is classified as in-house software.

In-house software is defined as software, or the right to use software, that is mainly for the taxpayer (or their associate) to use in performing the functions for which the software was developed. The cost incurred in the development of in-house software may be deducted over five years from the time it is used or installed ready for use.

Alternatively, the expenditure may be allocated to a software development pool or (if applicable) dealt with under the small business simplified depreciation rules (including the instant asset write-off provisions).

Any expenditure that is capital in nature but does not form part of the cost of in-house software will form part of the cost base of a Capital Gains Tax asset. This means that deductions will not generally be available under the ATO's blackhole expenditure provisions.

If you want to know more about tax-deductible expenditure for your business website, feel free to get in touch with us at The Peak Partnership.





## Framed. Eleisha Hunt.

Eleisha is our “experienced newcomer” to The Peak - she joined us in July 2015, so she’s looking forward to her second anniversary in a few months’ time.

Eleisha is a qualified CPA and has been working in the Accounting profession for eight years. Prior to joining The Peak, Eleisha worked for a small accounting firm based at East Brisbane. Eleisha says the move to The Peak was prompted by a desire to work at a larger practice and gain exposure to a wider variety of business industry clients. In the relatively short time that she’s been with us, Eleisha has consistently proven her value to clients by producing work with great efficiency.

Recognising that we need to be a firm with expertise across multiple cloud accounting software options, Eleisha has also recently gained her Xero Accounting certification - another value add for all Peak business clients.

Outside of work, Eleisha loves travelling, reading and baking. Time to come good with a raspberry chocolate mud cake, Eleisha!

## Financial benchmarking. Power in the numbers.

*Having worked with small and medium businesses across many sectors over the past 38 years, we’ve learned that most are great operators in their field and experts at what they know.*

However too many SME don’t know how to effectively tap into financial benchmarking to evaluate the performance of their business in relation to best practice within their industry - and this can result in missed opportunities and less than adequate operating risk management.

So how can financial benchmarking work for your business? Benchmarks can help you develop strategies for improvement. Comparing business data to benchmarks may draw attention to areas of your business that need to be examined, or those that are performing above standard and can potentially be exploited.

Benchmarks can also assist in preparing budgets, identifying financial performance against budget and analysing year-on-year trends within your business. Benchmarking allows you to pro-actively anticipate where your business is headed, rather than reacting to financial red flags and other influencers.

It’s important to remember that not all businesses are the same. For financial benchmarking to be used effectively, the comparative data needs to be from similar businesses of a similar size.

Other variations may distort comparisons within industries too. For example your individual location may result in higher rent and labour costs than your competitors.

At The Peak Partnership, we have an effective financial benchmarking process that can add real value to your business. This benchmarking includes comparisons against top performer and peer group businesses, with comparative reports available across profit and loss, budgeting, financial performance trends, cash flow movement and KPI measures against prior years and industry peer groups.

We can provide benchmarking reports monthly or quarterly - depending on what best suits your business.

“Comparing business data to benchmarks may draw attention to areas of your business that need to be examined, or those that are performing above standard and can potentially be exploited.”

### OUR LATEST OFFER

With end of financial year only a few months away, we’re offering our SME clients a free trial financial benchmarking report for the 2015-2016 financial year.

Our ongoing financial benchmarking reports are normally valued at \$110 each for 12 monthly reports or \$231 each for four quarterly reports annually (including GST).

To take up this business offer, simply send an email to [email@peakpartnership.com.au](mailto:email@peakpartnership.com.au) and use **MY FREE BENCHMARKING REPORT** in the subject line. It’s available until 30 June 2017.

07 **3360 9888**

17 Mt Gravatt-Capalaba Road  
Upper Mt Gravatt Qld 4122



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