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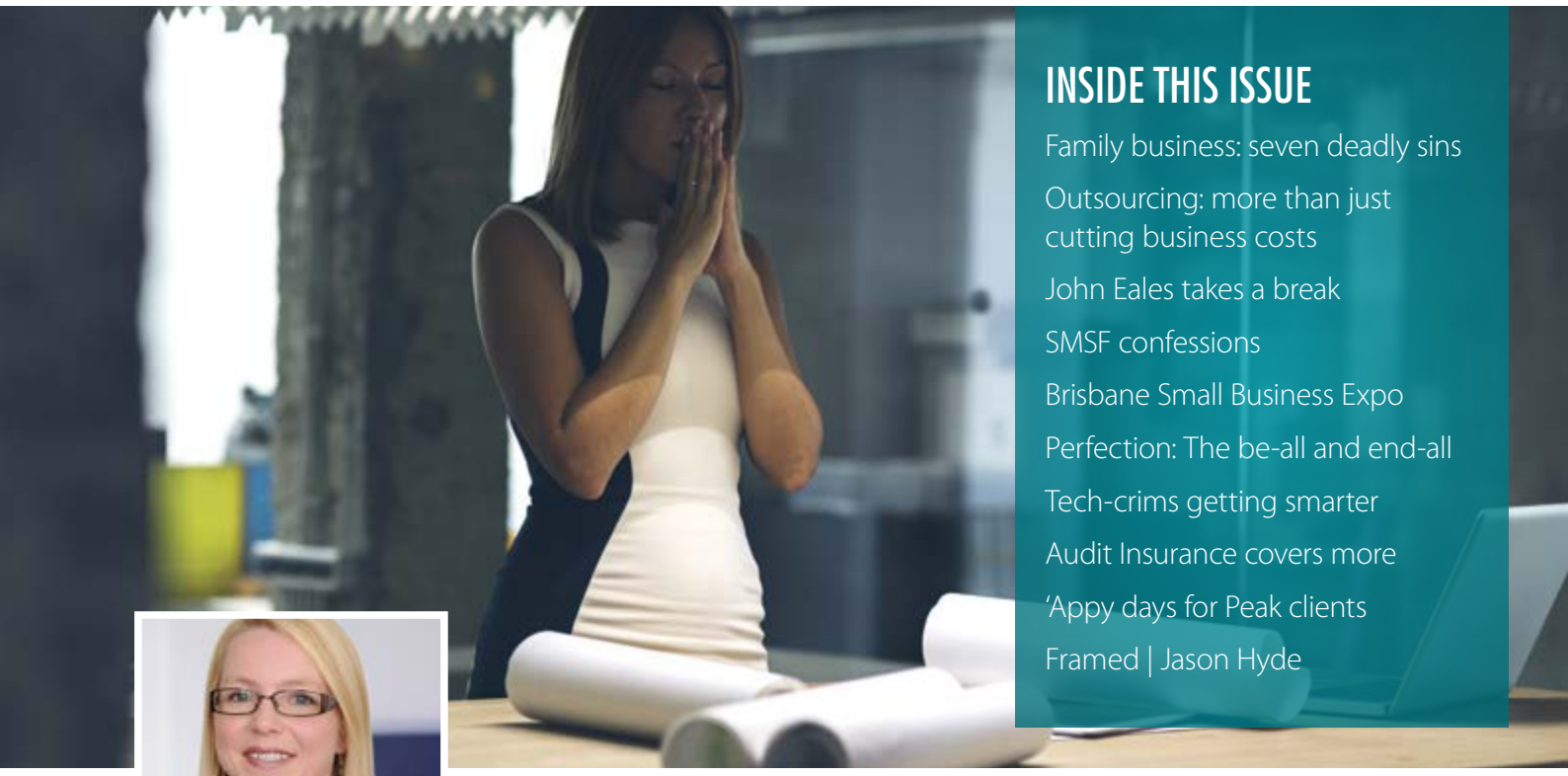
The Peak Partnership
BUSINESS ADVISORS

PINNACLE Newsletter



INSIDE THIS ISSUE

VIEW FROM THE PEAK

with Robyn Henshaw

I recently had a SME client approach me with a staffing dilemma. It wasn't a technical accounting issue like payroll tax or super contributions, rather a strategic employment policy matter.

The more we talked, the more apparent it became to me that a lot of SME can get so immersed in 'doing' their business that they don't always see the bigger picture. It this case, the owners didn't have written employee agreements in place, which proved challenging when some difficult staffing decisions had to be made.

My client and I have a very consultative relationship, so I facilitated a review of the business' HR policies and documents to avoid a repeat or similar problem. It was an unexpected but worthwhile process for my client to do the HR review - and it enhanced the value of our role as all-round advisors to that business.

ATO goes real-time on checks.

The Australian Tax Office (ATO) has introduced real-time checking of online tax returns for the 2015/2016 financial year.

With an increase in the number of online tax lodgments, the ATO is also warning about the consequences of incorrect (especially deliberate) work-related claims. Essentially, micro business operators who self-prepare their tax returns need to understand exactly what they are legally entitled to claim, or take the safe option and get professional tax agent advice.

Here are a few cases from the ATO of 'dodgy' DIY work-related claims:

1. A "wine expert" attempted to claim thousands of dollars in expenses while on a European holiday (including $9,000 worth of wine) on the basis that he had visited wineries while travelling. His employer confirmed the claims were for private expenses – deductions disallowed.

2. A medical professional received a "substantial penalty" after making a claim for expenses to attend a conference in America, when in fact he was in Australia at the time – deductions disallowed.

3. A taxpayer's car expense claims were disallowed when the ATO found the mileage recorded in the logbook were for days when the taxpayer was out of the country and there were no records of the car passing through toll road areas.

4. A taxpayer who was completing a study program attempted to claim deductions of $57,000 in relation to a leased property, and $7,500 in relation to a storage facility, on the basis that he needed to rent both spaces for "peace and quiet for uninterrupted study, which he could not have in his own home" – deductions disallowed.

For the sake of saving a small amount in professional accounting fees, the risk of copping a financial penalty for incorrect claims is just not worth it – especially for small business.

Our advice - take the advice of experts when it comes to anything more than a simple tax return!

Seven deadly sins of family businesses.

Starting and owning a family business may be one of the most fulfilling decisions you ever make – both financially and emotionally. Not only can you create financial stability for your family during uncertain times, but also personal satisfaction, rewards, recognition of your family name and improved quality of work life.

According to a Family Business Australia report, family owned small businesses make up the backbone of the Australian economy – accounting for 70% of all businesses countrywide. However, only a fraction of these family-owned endeavours make it to the second generation – and even less carry on to the third and fourth generations. If you are serious about the longevity of your family business, be aware of these 7 biggest mistakes and how to avoid them.

1. NO SEPARATION OF BUSINESS AND HOME LIFE

It may be tempting to talk shop 24/7, especially if you are excited about your business (as most entrepreneurs are), but remember to give your partners space. It is also important to make time for your personal lives, doing things unrelated to the business to relax and keep your bond strong. This holds especially true for spouses that work together. A good rule to uphold is 'no business talk after 9.00 pm'.

2. UNDERVALUING NON-FAMILY EMPLOYEES

Being a non-family employee in a family run business can easily feel like a one-way street – that leads to a dead end. They may get the impression that there is no room for advancement, they may be underpaid, and they will always lose work-related conflicts or that their hard work will go unnoticed. Non-family employees are incredibly important to the success and growth of a business. Reduce your turnover rate by practicing fairness in work-related disputes, offering bonuses or profit-sharing programs and creating opportunities for advancement.

Favouring your family members based on entitlement will quickly cause resentment among your other employees. Always award bonuses and promotions based on merit and hard work, not blood relations. It is also important to note, that employees who outrank family members must be able to act on their authority. Never undermine an employee's authority when a family member is disciplined for not doing their job.

3. NO SUCCESSION PLANNING

Who will take over the family business when you retire? It is an important question that a large number of business owners don't have a formal answer to. It's never too early to begin your succession planning. If you don't believe anyone in your family is ready to take charge yet, begin training them to do so. It may be necessary to bring in an outside professional opinion to assess the strengths and skills of your succession candidates. Once you've made your plan, create a backup plan – or two!

Once you've retired, your successor should have the skills and knowledge to fully take over. This means that you will have to give them the reigns, and stay out of day-to-day decisions, as difficult as that may be. Give your successor your trust and support – after all, you've been training them for this!

4. POOR CONFLICT RESOLUTION

When you work with your family and live with your co-workers, tensions can easily run high. This is a common symptom of spending a lot of time with a small group of people or a spouse, and plays a large role in the deterioration of family businesses. In matters of both business and family, communication is key. When a family issue rears its head, solve it quickly and efficiently – away from the business and other non-family employees.

If it is a business conflict, it should be treated as an issue between co-workers and not family members. Do not bring personal family matters into the conflict, as it will do more harm than good. If necessary, having the help of a neutral mediator or family counsellor can solve any serious conflicts amicably. Living Well has a great list of family counsellors in Queensland.

5. NO CLEAR MISSION AND VISION STATEMENT

In a recent KMPG and Family Business Australia Survey, it was reported that the primary conflict of family members revolved around 'vision, goals and strategy'. Having a clear mission and vision statement from the onset of your business will help establish its core foundation. This will prevent conflicting ideas, goals, turf battles, different agendas and confusion. With a solidified common vision, your family and employees will have a better direction of the company's goals and values. Every business decision should be aligned with this mission statement, and it should live as a written document for future reference.

6. LACK OF CLEAR ROLES AND RESPONSIBILITIES

If you have a small, family owned business, the members of your family likely don't have solid job descriptions. Everyone has a part to play, and roles seem to fluctuate as needed. However, it is very important to have specific roles and responsibilities outlined for each employee that they can adhere to and excel at. This creates more accountability, and prevents them from stepping on each other's toes – which can cause unnecessary conflict or reduced productivity.

7. POOR SKILL DEVELOPMENT AND EVALUATIONS

Every workplace needs a system for evaluating employee performance. Many family businesses do not have such a system in place, either out of a fear of conflict or the sense of family entitlement. All employees – especially family members – should be evaluated regularly and given feedback on their strengths, weaknesses and where they need to improve. This promotes even skill development across the company, and shows your non-family employees that everyone is being treated equally. In addition to this, bonuses and promotions should be given based on performance and merit alone (see #2!).

Originally published by Queensland Chamber of Commerce and Industry (QCCI) | Author: Colin Fruk

Outsourcing.
More than cutting costs.

Gone are the days when large companies dominated the outsourcing scene. Small and medium-size businesses are embracing an outsourcing business model for savings and growth. Outsourcing also potentially enables SME to gain an advantage over bigger companies and their closer competitors.

Start-ups are the most common businesses taking advantage of outsourcing. Most tasks that are outsourced are back-end jobs such as data entry, customer support, distribution and payroll processing. Businesses get these tasks done at a lower cost than when handled in-house. Outsourcing benefits can include:

Control capital costs. Cost-cutting may not be the only reason to outsource, but it's certainly a major factor. Outsourcing converts fixed costs into variable costs, releases capital for investment elsewhere in your business, and allows you to avoid large expenditures in the early stages of your business. Outsourcing can also make your firm more attractive to investors, since you're able to pump more capital directly into revenue-producing activities.

Increase efficiency. Companies that do everything themselves have much higher research, development, marketing, and distribution expenses, all of which must be passed on to customers. An outside provider's cost structure and economy of scale can give your business a key competitive advantage.

Reduce labour costs. Hiring and training staff for short-term or peripheral projects can be very expensive, and temporary employees don't always live up to your expectations. Outsourcing lets you focus your human resources where you need them most.

Start new projects quickly. A good outsourcing firm has the resources to start a project right away. Handling the same project in-house might involve taking weeks or months to hire the right people, train them, and provide the support they need. And if a project requires major capital investment, the start-up process can be even more difficult.

Focus on your core business. Every business has limited resources, and every manager has limited time and attention. Outsourcing can help your business to shift its focus from peripheral activities toward work that serves the customer, and it can help managers set their priorities more clearly.

Level the playing field. Most small firms simply can't afford to match the in-house support services that larger companies maintain. Outsourcing can help small firms act "big" by giving them access to the same economies of scale, efficiency, and expertise that large companies enjoy.

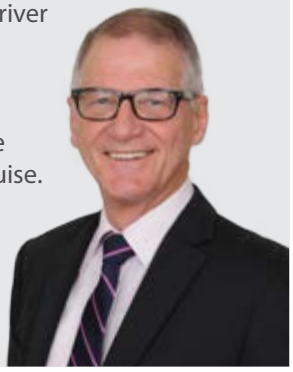
Reduce risk. Every business investment carries a certain amount of risk. Markets, competition, government regulations, financial conditions, and technologies all change very quickly. Outsourcing providers assume and manage this risk for you, and they generally are much better at deciding how to avoid risk in their areas of expertise.

NewsBytes.
What's up at the Peak.

JOHN TAKES A BREAK

John Eales, foundation Director at The Peak Partnership, is on a well-earned extended break to travel through Europe during September and October.

The eight-week holiday with his wife Gina kicks off with a driving tour through England and Scotland, before the couple jump on board a European river cruise from Amsterdam to Budapest. When we caught up with John, he said that he and Gina were looking forward to spending time in the UK countryside and catching up with friends on the cruise.



John will be back in the office from Thursday, 27 October – very relaxed, refreshed and ready for the social festive season. Excellent timing John!

SMSF CONFESSIONS

The ATO has introduced a new early engagement and voluntary disclosure service for SMSF trustees. As part of the compulsory annual audit of your SMSF, the auditor is obliged to report any regulatory contraventions to the ATO.

SMSF trustees can now voluntarily disclose unrectified contraventions through the new service. In doing so, the ATO states that "your disclosure will be taken into account in determining the enforcement action we take and the appropriate level of remission of administrative penalties".

SMSF trustees, SMSF auditors and SMSF professionals can use the early engagement and voluntary disclosure service, but any disclosure must include all relevant facts, supporting documentation and a rectification proposal or proposed enforceable undertaking. You can find out more on the ATO website **www.ato.gov.au/Super/Self-managed-super-funds**.

PEAK AT BRISBANE SMALL BUSINESS EXPO

The Peak Partnership took to the stand in late July, at the second annual Brisbane Small Business Expo.

Held in the functions area at Doomben Racecourse over two days, the Expo gave us a chance to interact with small business owners who visited the event. Brad Roberts, one of our Peak Directors, managed our stand - with the help of Accounting staff Katrina McDade, Jessica Holmes and Sam Loader.

There was a lot of interest from visitors to our stand, especially about our integrated service where we can work with SME owners across their business advice requirements and their personal financial aims.

Brad also presented his "Agility in Small Business" workshop session to a very interested SME audience. Brad is available to present this session to your meeting or group...just ask us.

Perfection.

Is it the be-all and end-all?

Many people aspire to be perfect (or at least they say they do) when it comes to doing what really matters to them.

For a long time perfectionism was seen as a trait to be admired, but in reality it can be very counter-productive across every aspect of daily life. While doing your best is certainly a virtue, perfectionism - that is, settling for nothing less than perfect – can have major downsides.

In the real world, perfection is an impossible standard to meet. It can potentially keep you in a perpetual state of dissatisfaction, because it's the demand that you do better than your best. Is this likely? Striving towards perfection is also like aiming for a moving target. And when you miss, it's likely that you negate what you have accomplished and berate yourself for what you didn't.

We won't profess to have the solution to perfection, but the least we'll say is that being satisfied you've done your best at any given time is a good start. To help you assess your level of perfectionism, here are 11 signs of a perfectionist:

1. There's no room for mistakes. Whenever you see an error, you're the first to jump on it and correct it.

2. You have a very specific manner in which things should be done. Many times, people don't get you because you're so specific about how things get done. As long as something is out of place or doesn't conform to your approach, it's not acceptable. Because of that, you often find it very hard to find the right people to work with; some may find it hard to work with you at all.

3. You have an all-or-nothing approach. It's either you do everything well, or you don't do it at all. Everything in between is a no-go.

4. It's all about the end result. You don't care what happens in between or what it takes to achieve the goal. You just want to ensure that the end result is attained; otherwise you'd feel annoyed, devastated.

5. You are extremely hard on yourself. Whenever something goes wrong, you beat yourself up. It doesn't matter if it's due to your fault or just one small thing – you're always quick to beat yourself up and feel extremely bad about a mistake for a long, long time.

6. You become depressed when you don't achieve your goals. You often mull over outcomes that don't turn out as you envisioned. You keep wondering "what if?" Most importantly, you feel that everything must be your fault if you don't achieve that perfect standard (see #5).

7. You have extremely high standards. Whatever you set your mind to do, you will have high targets. Sometimes, these targets stress you endlessly. You may end up breaking your neck just to reach them. At one point, you become held back by these standards as you procrastinate and stop working on your goals out of fear that you can't reach them.

8. Success is never enough. Whatever you do, there's always a greater height to aim for. Even when you achieve X, you want 2X. When you achieve 2X, you want 5X. Beyond this desire for betterment, many times you're just not happy if you don't go for a higher, bigger goal. You are rarely content with status quo and you keep wanting to see more and better things.

9. You procrastinate just to do something at the "right" moment. You are constantly waiting for the "right" moment to work on your goals. You only want to start when you are "ready," so as to deliver your best quality of work. However, this state of "readiness" never seems to come as you perpetually wait just to get something done.

10. You constantly spot mistakes when others don't see any. While this can simply mean that you're just very detail-oriented, perfectionists often spot mistakes, issues, from a mile away. Sometimes these mistakes are real. Sometimes they seem self-imagined.

11. You often spend copious amounts of time just to perfect something. Perfection is the end goal. It's not uncommon for you to sacrifice your sleep, personal time, and well-being, just to bring your work to the highest level. To you, it is all part of achieving your goal.

Finally, for all you perfectionists out there, did you spot the typing error in this story?

I can't get by without my Web.

You may have missed it, but back on August 6 our favourite World Wide Web celebrated its 25th birthday.

Even though the Internet was technically invented two years earlier, it was on that day in 1991 that Sir Tim Berners-Lee posted information about the WorldWideWeb project on the newsgroup (message board) alt.hypertext and invited broad collaboration – marking the Web's introduction to the wider world.

No longer would surfing be the domain of long-haired, Kombi-van drivers – and ever since, we've Googled, FaceTimed, snapchatted and downloaded our way to 2016. So what will the digital age look like in 2041? Maybe Google it to find out!

Tech-crims getting smarter.

Electronic communications have long been dogged by a technique called "spear-phishing", where cybercriminals target an individual using personal information about them. Now "CEO scamming" has quickly turned into a billion-dollar line of fraud.

In this scam, cybercriminals research a CEO or senior executive, then use their insights to craft phone and email scams that trick employees into releasing funds or sensitive information.

Some Australian businesses have already fallen for the scam, with reports of between A$200,000 and A$1.5 million involved. Businesses with overseas partners and operations that routinely send funds overseas are particularly vulnerable, since requests for payments to foreign accounts won't always raise a red flag.

"IT has to partner with HR and the finance department to make sure there are procedures – a process to ensure it is done properly and that the right people authorise it," he says.

"You also have to deal with intentional theft where there is a malicious insider. We have worked with credit-processing data sites where people have stolen 1,000 credit card details and sold them online. You need to be monitoring for behaviour that is out of the norm."

"Vigilance is the key to safeguarding against sophisticated identity scams that can cost your business big dollars."

Australia's Computer Emergency Response Team has also recently warned of a new variety of CEO scam where an email purporting to be from the CEO requests the HR director to send names, addresses, wage details, tax file numbers and health care information about employees – leading to identity theft or a financial fraud, as data is shopped among cybercrime gangs.

Shutting down an attempted fraud heavily relies on common sense as soon as something suspicious arises. When a CEO scam was aimed at American computer security software firm Forcepoint, the finance team – already alert to the risks of CEO scams – phoned the CEO to ask if the funds transfer request was legitimate. It wasn't.

Bob Hansmann, Forcepoint's director of security trends, notes that procedures need to be in place to protect a company from such attacks – and not just attacks from outside.

GUARDING AGAINST CEO-TYPE SCAMS

- Educate staff to be sceptical about requests to transfer funds or data coming from the CEO's email address.
- Remind senior staff to be careful about how much and what they share on social media.
- Pick up the phone and confirm that any CEO (or other senior staff) request for funds or data is legitimate.
- Don't use the reply function to an email you believe might not be legitimate – send a fresh one to avoid being routed to an alias or fictitious address.
- Ensure email security is set up to guard against sender address forgery.
- Consider implementing email monitoring technology.
- If the company is scammed, alert the Australian Cybercrime Online Reporting Network and the Australian Federal Police.

A STUDY IN TECH-CRIME. MIMICKING THE CEO.

A social media fan, the CEO posted about his upcoming business trip – where he was going and when – generously providing cybercriminals with a well-defined window of opportunity and plenty of time to prepare for a $100,000 heist.

Alerted to the upcoming opportunity, they scoured LinkedIn and identified the company's CFO and Financial Controller. They analysed the company website, learned about the business and the sort of deals it did and the language it used. They built an alias email address that would look as though it came from the CEO. Then they waited.

Once the CEO had flown overseas, the criminals sent an email posing as him, hinting at a project they already knew was underway that might need funds to be transferred. The email also stressed the different time zone and a dying phone battery that might make "the CEO" hard to contact.

A second email arrived with the account details for the transfer. Just to be sure, the Financial Controller replied to the email asking if it really was the CEO. Since the cybercriminals had created an alias address that looked just like the CEO's, they were able to respond: YES, it really was the CEO and YES, please make that $100,000 transfer.

Feeling more secure about the request, the Financial Controller transferred $100,000 into the account. But a seed of doubt still lurked, so the he sent a fresh email (not a reply email which would have gone to the alias address) direct to the CEO. The genuine CEO received the follow-up email and was able to stop the transfer from going through to an overseas destination.

A few hours later, it would have been a case of "missed it by that much".

Framed. Jason Hyde.

Jason Hyde is one of five qualified Accountants on Damian Knoblanche's team. He joined The Peak team in August 2015 from a small, single-partner firm on the Gold Coast and has comfortably made the transition to working with a more diverse range of larger business clients.

Jason graduated from Griffith University's Gold Coast campus in 2013 with a Bachelor of Commerce, majoring in Accounting and Financial Planning - so his career plans and skills set match well with Peak's integrated service offer. Jason is currently mid-way through studying for his Chartered Accountant qualification.

In his current role, Jason provides technical support to the team's Senior Accountants, Managers and Director Damian. He enjoys the variety of clients and the collegiate team environment at The Peak Partnership.

Away from the office, Jason tries to get on the golf course as often as possible (although he wouldn't divulge his handicap) and he enjoys working with timber.

Audit Insurance covers more than you think.

Read commentary from the accounting profession today and it's clear State and Federal Agencies are continually becoming more active and using data intelligence to monitor lodgement claims and identify non-compliance.

Part of the process is the ATO's audit and review regime which, if you, your business or your self-managed super fund is selected, can be a stressful and costly experience.

You might see it as a "grudge expense" but covereing yourself against a random ATO audit or review with Audit Insurance could be money well spent.

Audit Insurance through The Peak Partnership provides cover for payment of professional fees incurred when audits, reviews or investigations are initiated by the ATO, and Federal and State Agencies. Audit Insurance protection ranges from a basic phone enquiry to a complete audit of lodged returns. It also extends to situations that require consultaion with taxation specialists, such as a tax lawyer, if required - and it covers audits and reviews requested for previous financial years, if that's what the regulators want to look at.

To date, we've lodged a number of Audit Insurance claims on behalf of clients who have been subject to various audits, with a 100% successful claim history - saving those clients thousands of dollars in professional fees, not to mention significant stress relief while they got on with running their businesses.

It might feel like a wasted spend, but a one-off premium starting from around $300 could be far better than no insurance cover if a "please explain" notice arrives in the mail. If you want to know more about Audit Insurance, call your Accounting Advisor at The Peak Partnership on **3360 9888**. Alternatively, you can email us at **email@peakpartnership.com.au**.

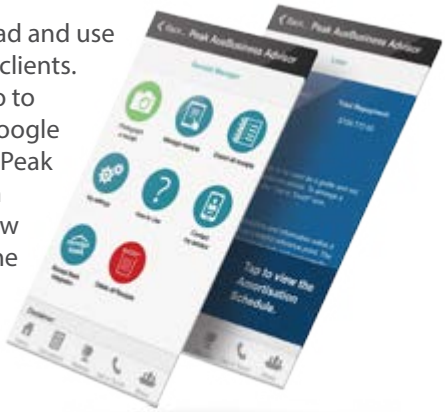
'Appy days look even better for Peak clients.

Our AusBusiness Advisor mobile app has been out in the market for almost 12 months now, providing our clients (and others) with a different way to access important financial information, use intuitive business functions and send or receive notifications with us in a mobile environment.

Looking at user preferences, the most popular feature of our mobile app is the Mileage Tracker Logbook. This simple to use function GPS tracks a user's business kilometres travelled, including the start and end locations for each trip. The details of all trips are saved in the mobile app, which can then be exported to spreadsheet format and sent directly from the app to the required destination - eg. head office administration, bookkeeper or your accountant.

The other popular features are the Receipt Manager business expense tracker and the financial calculators - there are 11 different calculators across tax rates, PAYG, superannuation, loan repayments and more.

The app is free to download and use for anyone - not just Peak clients. To grab the app, simply go to the App Sore (Apple) or Google Play (Android) and search Peak AusBusiness Advisor. Even easier, scan the Code below and you'll go straight to the app store for your device.



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