

## Crystal ball gazing - what 2014 will mean to you

**Happy New Year! What a strange few years we've had. A two-speed economy meant that the day-to-day experiences of many people were not matched by Australia's outstanding headlines.**

Right now, consumer sentiment appears to have picked up with retailers expecting over \$15.1bn to have gone through the tills pre Christmas, the housing market is hotter than ever, and flowing from that, household wealth was at record highs rising by 6% across 2013. So, like the conditions at the Australian Open, we're totally hot!

On the downside, the divide between rich and poor is greater than ever. Not everyone is riding the wave and those not on it are drowning not waving as the cost of living increases. More than 8,000 people lost their jobs in December 2013 and more have dropped out of the system as older workers and the disenfranchised stop trying to find work (according to Westpac, the actual unemployment rate would have been 6.8% not 5.8% if the participation rate had not fallen over the last 6 months). The Government has also stated that it will not be popular this year with Deputy Prime Minister Warren Truss saying "you cannot reduce expenditure without having an impact on people."

For employers, almost all economic and business surveys are showing that confidence is up but this has not translated into jobs growth.

### What's changing?

Treasurer Joe Hockey flagged that a structural overhaul of the economy is required to prevent a "decade of deficits." The Mid Year Economic and Fiscal Outlook released in December stated that the Budget wouldn't get back into surplus "even if there are no tax cuts for the next 10 years." At the very least, expect the May Budget to be more like a renovation than a refresh with all options on the table. Welfare is a likely target; so are any concessions or benefits out of alignment with the overall tax system.

In addition to the big picture tax changes flagged during the election to repeal the mining tax and carbon tax (both Bills are currently before the Senate), expect a focus on: how money moves between individuals, companies and trusts and the tax paid; non-residents; and, a renewed attempt by the ATO to try and recover the almost \$18b of tax that is currently owed.

## Business in 2014

**Heavy focus on revenue raising over the next few years, plus structural change.**

The Government has pilfered the US concept of a 'repeal day' and plans to axe more than 8,000 redundant Federal laws to reduce red tape.

The repeal day is scheduled for the House of Representatives on 26 March, following the introduction of an omnibus red tape reduction bill and a series of specific deregulation bills on 19 March.

The repeal day follows the scrapping of 71 unlegislated and unresolved tax and super announcements late last year. Among the items scrapped were the previous Government's announcements to cap self-education expenses at \$2,000, remove the statutory method for car fringe benefits, and change tax on earnings on super assets.

For small business, many of the concessions encouraging you to purchase motor vehicles or invest in business assets have either already gone, or are likely to go. If the mining tax is abolished, a number of small business tax concessions will also go. For example, the immediate deduction for depreciating assets costing less than \$6,500 will be reduced back to the old rate of \$1,000. The start date for this is intended to be 1 January 2014.

## Looking after #1 – protecting you

If you plan on quitting smoking then you are part of a nationwide trend.

According to the Australian Bureau of Statistics (ABS), the smoking rate decreased from 22% in 2001 to 16% in 2011/2012.

Weight loss is another New Year's resolution for many. However, despite the fact that we are all conscious of our weight, the ABS tells us that the proportion of adults who are overweight or obese in Australia rose to 63% in 2011/2012.

Your lifestyle choices not only have a major impact on your health, life expectancy, and wallet, but also often determine what you pay for insurance.

The strange thing about life is that we live as if life is consistent. The reality is that it isn't - accidents, illnesses, social issues always seem to come as a surprise despite the fact that we know problems commonly occur - just not to us. So, to protect yourself in 2014, here are our top five things you should do:

- **Get your insurance sorted** - at the very least, you should have life insurance. Insurance for total and permanent disability and income protection is even better. If you have a [SMSF](#), your investment strategy needs to consider life insurance for fund members. If you own or invest in a business, consider what might happen if you, or one of your fellow directors dies or is permanently or temporarily incapacitated. There are some clever structures that can be put in place to manage all these eventualities.
- **Make a will or make sure it is updated** - as life changes so should your will. When was the last time you reviewed it? Enduring Power of Attorney is also a major issue right now, particularly for those with SMSFs.
- **Plan ahead** - while it seems that most personal financial planning strategies are all about retirement, this isn't really the case (it's just where the money is). There is a wide array of [strategies](#) that you can employ when you're coming into and in your best income producing years to help build and maintain wealth.
- **Protect your personal health** - your diet and exercise patterns make a difference. Exercise reduces risk of heart attack, diabetes and unexpected disease.
- **Invest in good advice** - major personal, financial life or business decisions deserve attention and can make the difference between a good and not so good result. You need to know what to look for when it comes to [structuring, tax, planning](#) and [strategy](#).



### Meet Collins Hume's Annie Wills BA (Accounting)

Annie (left) started out like many UK accountants as an auditor, and then moved into management accounting for one of the biggest mini-cab outfits in London. She joined Collins Hume in 2012 after a stint of travelling and falling back on her audit / accounting experience to pay her way, before calling the Northern Rivers home.

These days Annie is back in public practice, albeit on the other side of the world, specialising as an accountant with a tax focus on individuals, partnerships, trusts and companies and working on a good client mix.

"I learn through a lot of good training that Collins Hume does, the most recent being [BankLink](#) Platinum Certification," says Annie. "It means we know everything about BankLink and can advise our clients on how to save time on tax and BAS every quarter."

Read Annie's full story on the Collins Hume blog at [Annie Wills BA \(Accounting\)](#).

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## Transitioning smoothly to retirement in full control of finances has been worth joining this 'club'

We were laughing with Collins Hume client Elizabeth about how much fun it would be to put a couple of paint brushes into the hands of [Peter Fowler](#) and [Joseph Sultana](#).

Because, when it comes to Elizabeth's financial affairs, they are like a couple of good sons.

Retiree Elizabeth came to Collins Hume in 2006 after her husband was no longer able to manage their personal finances.

"I had never done anything like that before and was suddenly stuck there finding it very time consuming," says Elizabeth. "I asked around and found that a few of my friends already went to Collins Hume. So I thought that must be the place to go, and haven't looked back."

After gaining an understanding of Elizabeth's financial affairs, Peter suggested setting up a self-managed superannuation fund as part of her overall retirement strategy.

"I initially asked 'what's this' having never had one," says Elizabeth. "My husband and I had been self-employed and we never had our own super fund. Peter held my hand throughout with Joseph's support."

Elizabeth already had investment income and shares so Collins Hume suggested how she could have that tax free through a SMSF. They deployed strategies to shift the shares and term deposits into her SMSF, meanwhile saving considerable amounts in tax.

Elizabeth now works with Peter and Joseph on all her super and personal tax matters. She is fully in pension phase and happily reports that things are going beautifully. And there have been considerable tax and capital gains savings in the time Elizabeth has been a client!

"Thank goodness for Peter," she says. "Whilst I only see him annually about my tax return and to go through everything, I know my super fund is compliant and that the audit just goes along."



"Collins Hume send me the paperwork to sign and it flows along beautifully providing me with a tax efficient pension."

**"I think Collins Hume have a terrific team approach."**

"Joe set me up on Praemium so both they and I could monitor my share portfolio, and Peter recommended the best way for me to keep records which I have followed ever since."

Elizabeth and her husband had worked hard for what they had. Now finally reaching retirement, she didn't want it frittered away by excessive tax and capital gains liabilities.

Moving to a financially independent position has been well worth it, with Elizabeth now in control of her own financial affairs.

And she always has Collins Hume support should regulations change or if tweaks need to be made so that she has peace of mind to enjoy her retirement income.

As for those paint brushes, Elizabeth hasn't convinced the boys yet, but she may well be working on it.

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# Easy come, easy go: The PPSR and your business

**31 January 2014 should be seared into the brains of business owners and operators.**

When the *Personal Property Securities Act* (PPSA) came into effect in January 2012, it provided a two-year grace period to register security interests on the Personal Property Securities Register (PPSR).

The PPSR is a national register of who has security over different forms of property (other than land and buildings). If you sell goods under retention of title or consignment arrangements, if your business hires or leases goods or equipment to others, if you buy or sell used goods, you need to register your security interests by midnight on 31 January 2014 or risk losing that property.

Imagine this: you are in business and have supplied stock to a retailer. You haven't been paid for the stock but continue to supply to the retailer under normal terms of trade. When the next delivery arrives at the retailer it can't be delivered because the store is closed and chained up. Your business hasn't been paid yet. You sold the goods on retention of title basis so the stock belongs to you until the retailer pays you, right? The answer is not necessarily.

If your security interest in the stock is not on the PPSR, then your rights may not be recognised even if you can prove you have legal title. One business has already learnt this lesson the hard way when they lost the rights to assets they held legal title over because they did not register their security interest on the PPSR but a financier did (see *Maiden Civil v QES [2013] NSWSC 852[1]*).

The PPSA is one of the most important changes to business in many years. It means that ownership is no longer king if you get into a stoush about who owns what. It's important to review whether or not your business is affected and, if so, register fast.

If you are buying assets or entering into agreements, it's also important to check the register to find out who has a security interest over the property involved.

The PPSR is not just for business. If you are personally buying anything valuable that is second hand, for example a car, you should check the register.

**For more information and access to the PPSR, visit [www.ppsr.gov.au](http://www.ppsr.gov.au) or phone Collins Hume on 02 6686 3000.**



## Review business risk annually

### Business risk items worth monitoring

Review the following risk items, at least on an annual basis:

1. Are **Wills** still appropriate? Should any changes be made?
2. Is **life insurance** cover sufficient? If the cover is part of a buy-sell agreement, is the amount of cover appropriate for what the business is now worth?
3. Does the business have a policy on obtaining **key person insurance** policies? Have all key persons been insured?

**If you would like to discuss your [risk management](#) strategy, please contact us on 02 6686 3000.**

*The material and contents provided in this publication are informative in nature only. It is not intended to be advice and you should not act specifically on the basis of this information alone. If expert assistance is required, professional advice should be obtained.*

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## Grow into a successful business that can compete in 2014

If you didn't catch our December government grant update, here it is. We look forward to putting forward grant funding opportunities in 2014 as they arise:

### Researcher in Business Grant

Quite a useful grant which may be beneficial for many eligible businesses that could use input from a university graduate (of any age) to assist the business with up-to-date research to give the business the cutting edge it requires to be more competitive.

Researcher placements from universities or public research agencies in the businesses are supported to help develop and implement new ideas with commercial potential.

Funding of up to 50% of salary costs, to a maximum of \$50,000, for each placement of between 2-12 months is available. The aim of the Researchers in Business Grant is to help:

- break down the cultural divide between business and the research sector;
- speed up the distribution of knowledge and expertise;
- accelerate the adoption of new ideas and technologies; and
- increase competitiveness in businesses.

As a first step, let us determine whether your business can adequately engage a university graduate to assist with the development of cutting edge technologies, workplace procedures, etc. The employment process might only be on a part-time basis, for as little as two months.

### Disaster grants application deadlines

NEW SOUTH WALES		
Paper 140-212	Natural Disaster Relief Assistance - October 2013 Bushfires	
	October 2013 Bushfires	
	Blue Mountains, Cessnock, Clarence Valley, Coffs Harbour, Dungog,	18th April 2014
	Eurobodalla, Hawkesbury, Lithgow, Muswellbrook, Newcastle, Port Stephens,	
	Shoalhaven, Singleton, The Hills, Wingecarribee, Wollongong, Wyong	
	Lake Macquarie	21st April 2014
	Wollondilly	28th April 2014

If you are looking for specialist consulting advice on government grants, please contact Collins Hume on 02 6686 3000 to find out more or to check your eligibility.



## New Year's resolution

### Thinking of attending a Global Business Camp in 2014?

The *Business Camp* program helps business owners create a business that is more rewarding and enjoyable, for you and your team.

The aim is to get you thinking about your business in a totally different way; learn how to increase your businesses profit and value but **not** at the expense of your quality of life. Discover the 'New Rules of Business'.

Conducted over three days – 3-5 March 2014 at the Intercontinental Sanctuary Cove Resort on the Gold Coast – we'd love you to be there with us!

Phone Collins Hume to book your place on 02 6686 3000 or download more information from our website at [www.collinshume.com.au/services/events](http://www.collinshume.com.au/services/events).