

businessessentials

Advice and ideas to grow your business - presented by Michael Schildberger

January 2010 | Audio CD



2010

the extras



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I'd like to begin by wishing you a happy new year – but with a question mark. There's no doubt the outlook for the year ahead is brighter than at this time last year. Fortunately the predictions of our economist Neville Norman were correct and economic recovery began sooner than others had forecast. So now there are more and more positive signs but, as Neville Norman predicted, interest rates will continue to rise. Each year at this time Neville Norman gives us his forecasts for the calendar year ahead – and he does so again on this month's CD. We ask him whether we should expect a happy new year.

As well as looking forward we sometimes need to look back for new ideas. For example, depending on our age, we can no doubt recall when our milk was delivered in bottles to the front porch or poured into a billy we left out for the milkman. And the baker delivered our bread by horse and cart. Well, those days are back courtesy of Aussie Farmers Direct – a great business success story. Not by horse and cart but certainly delivery of fruit, bread and milk to your door. We can hear its' story this month.

A warning this month from the ACCC in relation to pricing. Be sure you include all the ingredients in the price you advertise or you could be in trouble. The ACCC's Dr Michael Schaper explains and gives examples.

And another warning – be prepared for tax changes in relation to family trusts. Michael Jones of Cummings Flavel McCormack gives us details.

We can expect a big year ahead and, as always, we'll do our best to keep you well informed with practical advice for your business.

A handwritten signature in black ink that reads "Michael". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Michael Schildberger
Executive Chairman

Accountants Who Help You See Further

Cummings Flavel McCormack are accountants who provide accounting, auditing and business advice to business owners. Cummings Flavel McCormack also provides tax consulting services.

Tax Consulting

Tax law is relevant to every major business and investment decision. Understanding the latest developments in tax is difficult.

The Cummings Flavel McCormack tax consulting practice works with clients to evaluate the taxation risks and benefits applicable to their business and investment plans.

We are proud of our ability to untangle the complexities of tax law to produce commercially practical tax advice that the client can understand and act on with confidence.

We have significant breadth of experience, having worked with successive governments in tax law development and holding key positions on advisory and education committees with professional tax bodies.

David Kent, Michael Jones and Neil Flavel lead a group of dedicated taxation professionals.



see further

CFMC KEY TAX DATES FOR: JANUARY AND FEBRUARY 2010

15 Jan 10 **Income tax:** final date for lodgment for companies, superannuation funds and trusts that were large/medium taxpayers in the prior year and are not required to lodge earlier.

21 Jan 10 **Dec 2009 monthly activity statements:** final date for lodgment and payment.
Quarter 2 (Oct-Dec 09) activity statement containing a monthly GST obligation: final date for lodgment and payment.

28 Jan 10 **Quarter 2 (Oct-Dec 09) superannuation guarantee contribution:** last day for payment to a superfund provider.

21 Feb 10 **January 2010 monthly activity statements:** due date for lodgment and payment.

28 Feb 10 **Due date for all taxpayers that do not use a tax agent and were not due to lodge at an earlier date.**

* Different dates apply if a tax agent is used.

Examples supporting the January and February BE interviews will be available in February Extras.

If you want a copy of our monthly newsletter *Viewpoint* e-mail Marnie at mdobson@cfmc.com.au or go to our website www.cfmc.com.au

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For more information about the topics discussed on this January 2010 program, please contact the relevant organisations listed below.

HAPPY NEW YEAR?

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BUILDING WITH BRICs

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BRINGING BACK THE MILKMAN

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SHAREMARKET UPDATE

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ESTABLISHING RELATIONSHIPS

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THE ESSENTIALS

January 2010

Track 2

HAPPY NEW YEAR?

Professor Neville Norman, Melbourne University

- December 2009 produced the third interest rate rise in a row: the RBA's "frog-in-the-pond" approach to getting rates back to where they were in early 2008. Most forecasters missed this entirely
- Government forecasts below for 2010 are averages of 2009/10 & 2010/11 (May 2009)

The BE Economist's numbers for 2010:

	Government Forecast	"The Age" Forecast Average	BE Most Likely	BE Top Credible	BE Bottom Credible
GDP growth	1.3%	1.1%	2.8%	3.6%	2.0%
Unemployment	8.4%	7.9%	6.7%	7.5%	5.8%
CPI Growth	1.6%	2.3%	2.8%	4.5%	1.8%
China Growth	7%	7.8%	9.5%	14%	6%
Budget Deficit	\$57.3 bn	\$51.4bn	\$18bn	\$5bn	\$40bn
RBA Cash Rate	No forecast	2.75%	5.25%	5.5%	4.25%
\$US to \$A	No forecast	80c	82c	105c	65c

Reasons & rationale

- China rebounds to high growth with limited inflation
- USA growth resumes with the Federal Reserve raising rates in 2010
- Confidence, equipment spending and stimulus packages push us to strong recovery
- RBA moves faster than the budget-setters in curbing this growth

- Inflation pressures resume in Australia despite the rate hikes

Business relevance

- Get ready for rate hikes, policy changes (see BE Dec. 2009) and economists eating humble pie

Track 3

BUILDING WITH BRICs

David Thomas, Think Global Consulting

- Brazil, Russia, India and China, together with other rapidly industrialising economies, will become increasingly important over the coming decade
- They represent both a threat and an opportunity to Australian businesses
- China, with its proximity and burgeoning economy, is especially important for us
- Our strengths lie in providing services, design, high-end manufacturing goods, as well as resources
- It's not necessary to target the whole country – there are cities with more than 20 million people
- Research carefully before you enter the BRIC markets, then follow up with personal visits
- Local know-how is important – especially with culture and language issues, but Australia has large overseas student communities who are looking for work
- Don't delay, or others will beat us to the punch

Track 4

BE SURE YOUR PRICES DON'T MISLEAD

Dr. Michael Schaper, ACCC

- “Clarity of pricing” means when you advertise a product, the price must be the fixed price a consumer can expect to pay
- All of us at some stage have been frustrated to learn the item we intended to buy incurred an additional charge or levy
- The final price must be the most prominent displayed
- An alternative is to advertise each additional charge equally prominently
- Optional items which are the buyer’s choice don’t have to be included
- Fluctuations such as exchange rates should carry a warning that the price is subject to change
- The ACCC has already investigated breaches and there are penalties under the Act
- This does not apply to “business to business” transactions

Track 5

BRINGING BACK THE MILKMAN

Braeden Lord, Aussie Farmers Direct

- In four years, the company's gone from start-up in outer Melbourne to a fast-growing franchise network across the country
- Sourcing fresh food only from Australian-owned and operated producers continues to be a challenge
- Rapid expansion meant it outgrew its original IT system, now it has one which can handle future needs, both here and overseas
- Extra dairy products will be added to the range, with a business-to-business project also in the pipeline, as well as eventual expansion overseas

Track 6

FIVE TIMELESS SUCCESS PRINCIPLES

Tony Gattari, Achievers Group

- The key to life in business is understanding timeless principles
- First principle: a business is a reflection of the owner. Show your passion and focus on your strengths
- Second: cause and effect. If you say your customers are hopeless they will be
- Third: abundance. There is always more than enough to go around

- Fourth: the power of focus. You must have clear goals of what you want to achieve
- Fifth: seek wisdom. Follow the example of King Solomon. Learning is a life-long experience

Track 7

MOVING ON: YOUR PERSONAL CHALLENGE

Hugh Davies, Macfarlan Lane

- If you're contemplating moving on, make sure your business can be sold as a going concern, and doesn't rely wholly on you
- Irritability, intolerance of others, loss of enthusiasm for the business are all signs that it's time to move on
- Stepping back but staying involved in the business is possible, but requires great skill and forethought
- Moving on is a very personal decision, and it's important to develop other activities to replace fulltime involvement
- Employ a coach or other people you trust to brainstorm ideas for the next phase in your life, and be aware of the impact on others around you
- Build people and capabilities in the business around you, so that you progressively make yourself more redundant
- Starting or buying a new business might be right for some people; for others a portfolio of activities will prove more satisfying

Track 8

THE JOBS SCENE

Jason Snell, Final5

- After a tough first half in 2009, recruiting picked up speed quickly from July onwards. The outlook for 2010 is reasonably good
- Sales staff were first to be in demand, followed by administrative and support people
- IT&T staff have also been sought-after, as businesses look to exploit new technology
- Unemployment may yet rise a little further, but won't reach the levels previously feared
- Accounting, construction, retail and administration are likely "hot spots" in 2010
- Graduate recruiting is slow, and recruitment numbers in banking and finance and manufacturing are also lagging
- Smart businesses are taking the opportunity to build their teams with good people. The skills shortage will return, probably within a year
- Businesses are being more thorough about the recruiting process, taking time to check experience and references
- Many workers asked to take shorter hours during the downturn are now enjoying the lifestyle and may not want to become fulltime again

Track 9

FAMILY TRUSTS IN 2010

Michael Jones, Cummings Flavel McCormack

- Trust beneficiaries are taxed on their share of a trust's income. This tax rule can become a problem when accounting income and tax income are different
- The High Court will hear an appeal in 2010 to answer key questions regarding the taxation of trusts
- What does "the income of the trust" mean? Does it mean accounting income, trust income or tax income?
- What does "share" mean? Is it "proportionate" or a "specific quantum"?
- Make sure you and your accountant understand how the deed in your trust defines income and draft resolutions carefully
- Know the tax consequences of trustee resolutions to distribute income

Track 10

SHAREMARKET UPDATE

Tim Lincoln, Lincoln Stock Doctor

- One of the key lessons of 2009 is that the sharemarket is very volatile – but it's predictable over the long term
- Over the past 100 years the market has appreciated by an average of 13% each year despite worldwide catastrophes

- Another lesson: it's impossible to time the market
- Don't over-expose yourself - diversify
- Never over-commit or over-borrow
- Don't invest in companies or products you don't understand
- Favourite stocks: CSL, BHP, Sirtex, JB Hi-Fi, Austin Engineering

Track 11

ESTABLISHING RELATIONSHIPS

Kirsty Spraggon

- Don't just seek to close a sale – aim to build a lifetime relationship with the client
- That means taking the time to get to know them, and letting them know you – moving from a purely business relationship to a more personal one
- As your relationships grow, your business will expand through repeat orders and referrals, with less stress and strain
- Networking is important, but don't approach it as a routine chore. See it as “focussed socialising” - an opportunity to build new relationships and a personal support network
- Identify the top 20 percent of your clients, who probably provide 80 percent of your business. Acknowledge them, spend time with them and nurture them