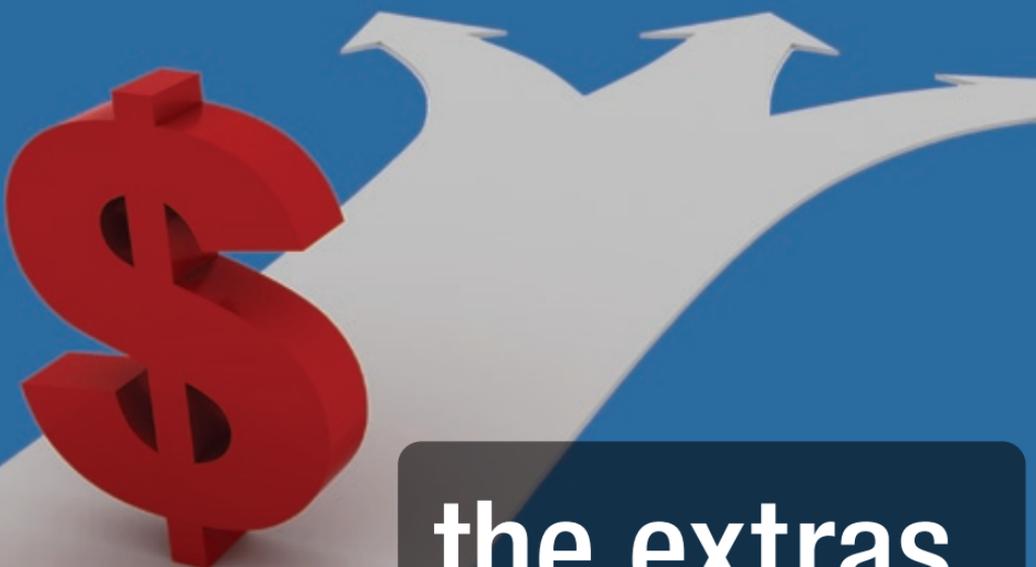


# businessessentials

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

February 2010 | Audio CD



the extras



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We figured with the worst of the financial crisis behind us we need to think about our sales and marketing plans and also where to invest. Seeking unbiased advice on investment is not easy. There are property experts, sharemarket specialists, bankers, and financial planners who earn commissions. So we thought outside the square a little. We approached the former Chief Economist of ANZ, Saul Eslake, for whom I have always had great respect. He is now totally independent, in a senior position with the Grattan Institute in Melbourne. He suggests that for the time being we should look closely at what he describes as "boring old banks", where interest rates are good and there's virtually no risk. Saul Eslake's comments make interesting listening on this month's CD.

And for an update on the sharemarket, Lincoln's CEO Elio D'Amato prepares us for the year ahead. Plus, for Business Essentials listeners, he makes a special offer of a free month's subscription to the Lincoln Stock Doctor service during the current reporting season.

As well as considering your investment plans you will no doubt be planning new initiatives in sales and marketing. Tony Gattari of Achievers Group identifies the different categories you will be approaching – eagles, peacocks, doves and owls. He tells us how to deal with them.

And the question everyone in business is asking me – and no doubt you also want an answer: what's Neville Norman's view on the current state of the economy and where's it heading? The Associate Professor of Economics at Melbourne University tells us.

I hope, as usual, you enjoy the program and gain plenty of value.

A handwritten signature in black ink that reads "Michael". The signature is written in a cursive style with a long horizontal stroke at the end.

**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.

### Taxation of Trusts – problems with the word “share”

The basic rule for the taxation of trust income is that a beneficiary of a trust pays tax on his or her share of the income of the trust. In January, we spoke about the problem of the word “share” for the taxation of trusts.

To illustrate this problem consider a trust that has a deed that defines income as accounting income. The trust has accounting income of \$80, but taxable income of \$100, because a \$20 expense was not deductible for tax.

#### The income distribution resolution resolves the following:

\$40 to Heather and the balance to Bob.

“Share” can mean “proportionate” or “specific quantum”. The tax result is different depending on the interpretation, consider the following possible outcomes:

|         | Accounting<br>Income | Tax Income<br>“Proportionate” | OR | Tax income<br>“Quantum” |
|---------|----------------------|-------------------------------|----|-------------------------|
| Heather | \$40                 | \$50 (50%)                    |    | \$40                    |
| Bob     | \$40                 | \$50 (50%)                    |    | \$60                    |

This can be a serious problem, particularly when there is a difference between accounting income and tax income due to capital gains.

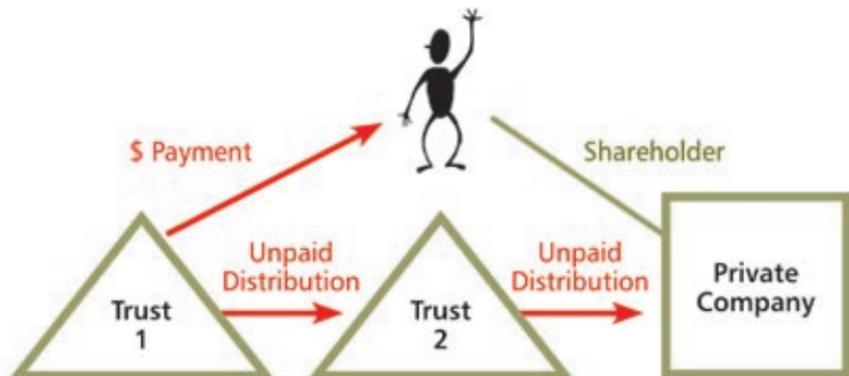
## CFMC KEY TAX DATES FOR FEBRUARY AND MARCH 2010

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.

### Heads up!

Treasury has announced new rules for shareholder loans will be coming.  
Here is an example of how the new laws are expected to operate  
– the \$ payment from Trust 1 will become taxable.



If you want a copy of our monthly newsletter *Viewpoint* e-mail Marnie  
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For more information about the topics discussed on this February 2010 program, please contact the relevant organisations listed below.

### **ECONOMIC UPDATE**

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### **WHERE SHOULD I INVEST?**

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### **HOW TO INFLUENCE PEOPLE**

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### **BE CAREFUL WITH YOUR ADVERTISING**

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### **MARKETING TO DIFFERENT PERSONALITIES**

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Please contact Lincoln direct for details of its Stock Doctor fundamental analysis software or Managed Fund services  
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# THE ESSENTIALS

## February 2010

### Track 2

#### ECONOMIC UPDATE

**Professor Neville Norman, Melbourne University**

- The Australian economy is in recovery mode in 2010, but success will depend on consumer purchasing power, the potency of economic policy and the influence of mass psychology
- Most Australian economists have now revised their forecasts, forsaking doom and gloom for a more positive outlook. My predictions have changed only slightly
- 2010 will bring more interest rate rises, as the Reserve Bank resumes its fight against inflation
- Retail spending will pick up during the year, after a moderate Christmas, but it won't be a boom
- Spending on business equipment will still be down, but not as much as the government expected
- Overall, business is more likely to experience growing pains than slowing pains

## **Track 3**

### **WHERE SHOULD I INVEST?**

**Saul Eslake, Grattan Institute**

- Banks are offering up to 6 and a half percent for 3-year term deposits with no currency risk. That's attractive in the current climate
- With shares surging by almost 50 percent in the past 10 months, it's hard to see them beating that return over the next 3 years
- And with property having escaped the corrections in the US, Europe and parts of Asia, it looks relatively expensive
- I'm more dubious than previously about international shareholdings for Australian investors – the returns may not greatly outweigh the risks, and the strength of the Australian dollar will continue to work against you
- So, for the short term at least, the “boring old banks” can provide a good return, with far less risk

## **Track 4**

### **HOW TO INFLUENCE PEOPLE**

**Michelle Bowden, Michelle Bowden Enterprises**

- You need to build rapport with your audience, whether it's one person or 500
- In any presentation, try to understand the other party's position and needs as well as your own
- This applies as much to written presentations – documents or emails – as to face-to-face engagement

- It's a 3-stage process: analyzing the needs of your audience, designing your message, and delivering it
- Getting on terms with your audience can help move them from their “current” state to your “desired” state, where they'll react positively
- Think about personality types: a “matching” personality will be easier to persuade. They'll want to agree with you
- “Mismatching” types will want to decide for themselves. Provide them with information, but don't oversell
- “Pacing and leading” can help get your message across: tell your audience things they know to be true before delivering the message you want them to accept

## **Track 5**

### **TALKING ABOUT THE GENERATIONS**

#### **Mark McCrindle, McCrindle Research**

- People under 30 are increasingly a global generation, going to the same websites, influenced by the same music, movies and trends
- Each generation is now seen as 15 years – growing up in the same environment, experiencing similar lifestyles and technology
- Gen Y now represents 18 percent of the Australian workforce – within a decade that will be over 30 percent, and they're our future leaders
- As employees, they're looking for broad job descriptions, training, flexible leadership, an inclusive work environment and good work/life balance

- As customers, they want to be involved, not dictated to. It's important to engage with them in designing products or services
- Ignoring the coming generations in our marketing means we'll miss out on the future
- Remember that every brand, every product and every company is just one generation away from extinction

## **Track 6**

### **BE CAREFUL WITH YOUR ADVERTISING**

**Dr Michael Schaper, ACCC**

- Be honest, be reasonable and tell others what you'd like to be told yourself
- If you over-promise then can't deliver, that's misleading conduct and a breach of the law
- Be careful with two-price advertising – “was \$400, now \$200”. Was it ever sold at the higher price?
- Avoid “bait” advertising – offering a cheap price but then not having the item in stock. That can also be misleading conduct
- And the sin of omission – leaving relevant information out of your advertising – can also be a problem, even if it's accidental
- If you're in doubt, take professional advice about whether your advertising conforms with the law
- The penalties for getting it wrong may not just be financial – serious damage can be done to a business's reputation

## **Track 7**

### **MARKETING TO DIFFERENT PERSONALITIES**

#### **Tony Gattari, Achievers Group**

- There are four main personality types. Make sure your marketing will reach all of them
- Eagles are independent, don't flock together and are results-driven. Show them what you've achieved, and can achieve for them
- Peacocks love image. They'll be impressed by awards or celebrity endorsements, and by the look and feel of good websites and brochures
- Doves are conservative and concerned by risk. Offer them guarantees, testimonials from people like them, reassure them that they can't lose
- Owls are analytical – facts are all-important. Provide them with case studies technical reports, checklists and brochures
- If your marketing is successful in attracting all four, the sales team can then identify the personality types and target them appropriately
- Don't fall into the trap of expecting everyone to like what you like -- they won't

## **Track 8**

### **FAMILY TRUSTS IN 2010, PART TWO**

#### **Michael Jones, Cummings Flavel McCormack**

- In 2010, Division 7A shareholder loan rules will be extended to cover new situations where companies have an unpaid entitlement to income from a trust, and

elsewhere in the family group money has been provided to shareholders or associates

- The ATO agrees that when a trust distributes income to a company and the income is not paid but remains an unpaid entitlement, there is no loan from the company to the trust
- However the ATO is developing a view that, if the unpaid entitlement remains unpaid for many years, at some point it flips from being an unpaid entitlement to being a loan. A draft ATO ruling is expected this year

## **Track 9**

### **SHAREMARKET UPDATE**

**Elio D'Amato, Lincoln Stock Doctor**

- There's been a big rise in sharemarket prices in recent months. The reporting season may be a little ho-hum – especially compared with this time last year - as companies fail to exceed expectations
- There may be companies that don't meet expectations but that still achieve great results – and this is where the savvy investor can pick up a bargain
- The local economy is doing well and the global economy is showing signs of recovery which should boost Australian companies with overseas operations
- Rising interest rates could constrain consumer spending – therefore a note of caution regarding companies with significant consumer exposure
- Two companies of note: CSL and Woolworths. These stocks are rock solid and will reward investors' patience.

- Other companies to look for: Cellestis, Equinox Minerals, Thorn Group, Monadelphous and North Queensland Metals
- Elio's offer to BE members this month: a free copy of Stock Doctor for one month during the reporting season. Telephone 1300 676 332.

## **Track 10**

### **BOOSTING PRODUCTIVITY**

#### **Lorraine Pirihi, The Productivity Queen**

- Too many business people try to do everything themselves, without planning or discipline
- Small tweaks in the system can make a big difference
- Lorraine's 3-step process to improved productivity starts with time. Analyse where it's going
- Don't use "busy-ness" as an excuse to avoid the tasks you don't enjoy
- 2<sup>nd</sup> step: look at the people in your business. Make sure they're in the right roles. Communicate with them and reward them
- 3<sup>rd</sup> step: Introduce systems – for staying in touch with customers, for tracking and measuring what works in your business, for payments
- Meetings need structure and an agenda. Consider using technology like skype rather than extensive travel for face-to-face meetings
- Take care of your health

- “3 steps to dramatically increase your productivity and your profits and overcome stress and overwhelm” free CD available from [www.productivityqueen.com](http://www.productivityqueen.com)

## Track 11

### **WINNING WAYS IN FAMILY BUSINESS**

#### **Darren Bourke, Business Influence**

- It's important to set out from the start who does what, with clear job descriptions and lines of responsibility
- Communication is the key: create regular forums where family members can exchange ideas and discuss problems
- Don't let it get personal: play the issue not the person, and know when to call “time out”
- Don't rely entirely on the family: they can't know everything. Bring in external expertise and advice to address problems and provide valuable skills
- Remember why you went into business together: to provide a secure future for the family and an enjoyable working environment
- Avoid empire-building, celebrate success together and remember that blood really is thicker than water
- Two ways to avoid family friction: discuss problems face-to-face not by email, and don't air your dirty laundry in the workplace