

businessessentials[®]

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

May 2010 | Audio CD



the extras



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What do you see as the major mistakes made by business leaders? How do you encourage your team members to follow you? Above all, what makes you and your business successful? They were among a range of questions I put to one of Australia's most highly respected business leaders, the recently retired chairman of BHP Billiton, Don Argus.

I've known Don Argus for many years. On this CD, he'll tell us the biggest mistake business leaders make: they don't always think through the consequences of their decisions. He says leaders need to have a set of values and principles, then others will follow. He says too that you in small to medium businesses hold the key to the future of this country. Yes, that comes from a man who until recently headed Australia's biggest company.

When you consider your own position in this scenario I'm sure you'll be interested in the views of Dr Greg Chapman of Empower Business Solutions, who advises that to be successful you need to move out of your comfort zone. You can't be complacent, he says, and if you don't change, you'll fail. He gives us five strong pieces of advice.

And in terms of where you and your business are heading, ask yourself a simple question: are you are running a sole practice or a business? In other words, is the business just you, or is it a team which are you are leading? Tony Gattari of Achievers Group suggests you examine your situation.

I'm sure you'll find plenty to think about this month.

Regards

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

Michael Schildberger
Executive Chairman

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

ECONOMIC UPDATE

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BE WARY OF BUNDLED PHONE DEALS

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SHAREMARKET UPDATE

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Lincoln Stock Doctor
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www.lincolnindicators.com.au

DO YOU HAVE THE RIGHT ATTITUDE TO GROWTH?

Justin Herald

Major Motivation
www.justinherald.com

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.





CFMC KEY TAX DATES FOR: MAY AND JUNE 2010

21 May 10 2010 FBT Return: Due date for lodgement of 2010 FBT return and payment if required.

30 Jun 10 End of financial year
final date for lodgement and payment for statements containing a monthly GST obligation.

May is the time of year to estimate your tax liability and identify any issues that need to be resolved prior to 30 June.

Check your superannuation is correct, identify any income that should be returned in the following year, have you captured all relevant deductible expenditure? Any capital gains?
Are capital losses available?

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THE ESSENTIALS

May 2010

Track 2

LESSONS FROM A LIFE IN BUSINESS

Don Argus, former chairman, BHP Billiton

- The principles between big and small business are the same even though the numbers might be different
- Whatever the business size, you've got to be able to unleash the talent of those around you
- If you're going to lead people you must have principles which will encourage people to follow you
- I'm still reserved but I'm passionate about Australia and speak out on issues I care about
- Being tough doesn't resonate with me but I like having "adult conversations" with people. A sense of reason must prevail in such debates
- You need a good listening antenna to assess your weaknesses while you know your strengths
- There are still people I trust with a handshake. If the concept is right and the commitment is there you'll get the outcome you want
- Small business people are the salt of the earth and essential to Australia's future
- Trust your judgment in business but try to understand the consequences of your decisions

Track 3

ECONOMIC UPDATE

Professor Neville Norman, Melbourne University

- The third Rudd Government/Swan Budget is upon us. Watch for: strongly revised economic forecasts, any claw-back in the stimulus packages, pointers to tax reform, and election-driven initiatives
- The Government will hope nobody kept last year's numbers
- The RBA has been ahead of the Government, the imperative being to get rates up early to quell excess aggregate demand
- The rate rise in April has been greeted by some extraordinarily unprofessional comments from some financial commentators, questioning that the rises are not gradual or required. They're wrong and show no sense of context
- Take a small-medium personal non-deductible housing loan of \$500k. Before the GFC hit in July-August 2008, standard variable bank home loan rates were 9.6%. Last year, such rates were at 5.8% Feb-September and have since risen to 7.2%. The GFC saved interest costs of 3.8%, or \$19k, and the rising rates since have taken back \$7k, leaving such borrowers still \$12k a year in interest in front
- For small business borrowers, let's take a \$1m loan at a prime bank rate. For the same periods the

rates fell from 11.6% to 8.8%. Before tax, the GFC saved such business borrowers \$28k, and they are still \$15k a year ahead

- Now the real value of heeding BE advice. Based on the bogus forecasts of most economists and even the Rudd Government up to the May budget last year and beyond, banks were offering 5 year fixes at 6.2 – 6.5% during February –June 2009. If you took our advice and the bank offers, you would have saved \$190k in interest on a \$1m loan, if actual rates averaged 11%. That's more than \$100k saving after tax, depending on your effective business tax rate
- I want to question slightly my own rate forecasts. In June 2009, my RBA cash rate forecast was 5.5% for June 30th 2010, when my colleagues ranged from 0.5% to 3.5%. Having been at 7.25%, the rate got down to 3% and is back to 4.25%. My number looks slightly high, but I'll stick with it for year-end. I cannot support 10% mortgage rate figures as credible for the months ahead, but figures like that and higher are already with us for corporate borrowers

Track 4

BE WARY OF BUNDLED PHONE DEALS **Dr Michael Schaper, ACCC**

- Bundled deals usually include a phone contract and offerings of bonus equipment which is often said to be free
- In fact, two contracts are involved, one of them with a leasing company for the “free” equipment
- The phone contract may end or change, but the equipment lease will continue
- Read the fine print, and ask lots of questions. Don't sign up on the spot
- Seek advice from the ACCC website or Small Business Helpline, the Telecommunications Ombudsman or Consumer Affairs Departments
- If you're still in doubt, check with your accountant or legal adviser. It's better to be wary first than sorry later

Track 5

ACHIEVING AND MANAGING GROWTH **Dr Greg Chapman, Empower Business Solutions**

- You don't need to grow to survive but you do need some growth ingredients
- At some stage a business reaches a plateau and the owner needs to re-energise it

- Most business owners are optimistic but some are optimistic beyond belief, others just wait for that “lucky break”
- One of the biggest risks to growth is complacency. Another is growing too fast
- It’s difficult for owners to say “I need help”. And when an advisor is expensive, they soldier on
- Owners must get out of their comfort zone
- Marketing advice is invaluable. It can increase the number of enquiries about your business
- The most important question for a business is “what are our points of difference?”

Track 6

TAPPING INTO GOVERNMENT FUNDS

Adrian Spencer, GrantReady

- Approximately \$5billion are given out in grants to businesses by the Federal Government every year. That doesn’t include discretionary grants
- Much of it goes to innovation such as R&D
- Many organisations aren’t aware the money is there and often find out too late
- Our research shows that five new grants to business open every week and five others close
- It’s important to know your eligibility. This includes company structure and knowing what the grant funds. Know your date of incorporation

- Then try to match your business with appropriate grants
- Writing an application is the tricky bit. You need to be clear and consistent and put forward a convincing case
- You're assessed on the merit criteria. Look them up
- Remember that grants don't fund businesses. They fund projects
- Always be clear about what project is and what you want it to achieve
- Remember there will be ongoing audits and reports
- Make a decision about who within your business can put time and focus into the grant process
- GrantReady can assist you through every step with as much or as little support as you want

Track 7

LEGAL TRAPS IN SOCIAL NETWORKING

Nicholas Pullen, TressCox Lawyers

- The rapid growth of social networking is bringing extra legal problems for small business, especially in the area of defamation
- Think of yourself as a publisher, with the same obligations as someone producing a newspaper
- Make sure you have good filter systems in place to prevent dangerous material getting onto your Facebook or Twitter postings

- Check the sites every 24 hours so you can remove potentially damaging entries
- A number of cases have already come to court - it's a growing area of litigation
- The social media sites have legal obligations of their own about not accepting offensive material, but don't rely on that to protect you
- If you're in doubt, get good advice, and quickly remove anything that's likely to lead to legal action against you

Track 8

IS YOURS A BUSINESS OR A PRACTICE? Tony Gattari, Achievers Group

- A couple of years ago, I was going to close down Achievers Group. I could advise others on how to build their businesses but couldn't build my own
- Then it was explained to me that I had a practice, not a business: it all depended on me
- So I had to become a specialist, not a generalist, and develop a niche expertise
- If yours is a practice, you won't have a business to sell, so enjoy what you're doing and become famous for it
- Get rid of customers you don't like, charge large amounts of money and take lots of holidays
- There may be only one of you, but there are many ways to showcase your knowledge

- Write a book - you'll become an instant expert on your subject and a celebrity
- The modern “virtual” world, with its reliance on technology, makes it easier to build your practice
- You must be passionate about what you do, enjoy your work/lifestyle and manage your time brilliantly

Track 9

END-OF-YEAR TAX PLANNING

**Michael Jones, Cummings Flavel
McCormack**

- Aim to get your tax affairs in order well before June 30. Here's a checklist:
- Investment income will be taxed when you receive it
- Business income will be taxed on either a cash or accrual basis, depending on the nature of your business
- Deductions will apply to payments you have incurred or are committed to, not when you actually make the payment
- Pre-payment to bring deductions into the current year is much more limited than it used to be
- Look at options like revaluing your stock, reviewing your depreciation rates, checking the tax rules on foreign exchange and making sure you've written off and recorded bad debts before June 30

- Check your capital gains position: the taxing point for capital gains is the date of entering the agreement to sell

Have you taken unrealised losses into account?

- Make sure you have made correct interest and principal repayments of shareholder loans before June 30. The recent amnesty is over
- Taxation of trusts may be changed by ATO rulings this month. Watch for them, and ask us for advice if you need it

Track 10

SHAREMARKET UPDATE

Elio D'Amato, Lincoln Stock Doctor

- The recent resurgence has been very encouraging for investors
- Our strong domestic activity is one of the drivers of the resurgence. We have a strong resources sector, and education is booming which flows on to other areas like property
- What's holding us back? International uncertainty creates some pessimism
- I have four interesting stocks: iiNet, Tox Free Solutions, Horizon Oil and Codan Ltd
- Starstocks IN: TPG Telecom, Forge Group Ltd, Little World Beverages, Equinox Minerals

- Disappointing Starstocks which retain our confidence: Ramelius Resources, Credit Corp, Celestis, GUD Holdings, Kingsgate
- Don't be afraid if there is a mild correction. Valuations are creeping up to their real level

Track 11

DO YOU HAVE THE RIGHT ATTITUDE TO GROWTH?

Justin Herald, Major Motivation

- Starting and growing businesses does not have to mean you spend a lot of money
- Before you explore ways to use extra money in your business to grow, find out if you have the tools now
- Instead of trying to find new customers all the time, spend more effort to keep your current customers happy. They may then become your best promoters
- Going that extra mile for your customers is a great way to keep them loyal
- Seek out mentors for your business. Never think that you know everything about what you do
- Never stop learning. There are new methods and systems for business growth now. Are you changing or will you do things the way you always have?
- Instead of waiting for future customers to come to you, go to them. Social networking sites are a great way to reach an audience that doesn't even know you exist