

## DO YOU WONDER WHERE YOUR MONEY GOES?

It doesn't really matter how much money you have or make, sometimes it just doesn't feel like it is enough.

- Have you ever wondered why you should save or how much should you save?
- Have you ever stopped to think that not saving is actually potentially sacrificing your future financial security?

For most of us 'spending' is the first thing that springs to mind when we have money. So when a financial adviser suggests the idea of having a 'budget' most of us recoil in horror. It's because many people believe that budgeting is all about sacrifice – in other words, having to cut back on life's luxuries we enjoy today to pave the way for a future lifestyle in retirement.

However budgeting isn't really about sacrifice, it's more about gaining a clear understanding of where your money is coming from and where it is going, so that you can begin to prioritise and plan for those things that are really important to you, both in the short term – such as an overseas trip or saving to buy a car – as well as longer term goals such as paying off your mortgage sooner or buying an investment property.

If you haven't already now is the time to start thinking long-term.

- Do you have plans for a holiday house?
- Do you want to spend time travelling?
- When do you want to stop working?
- How much money will you need?

Regardless of whether you are rich or poor, our ability to create wealth is not so much determined by how much we earn, but to what extent we can spend less than we earn. In other words, it's our ability to save that largely determines the value of our wealth in the long term.

Sometimes we forget that our finances work to a simple formula and that formula in its simplest expression is:

$$\text{SAVINGS} = \text{INCOME} - \text{EXPENSES}$$

It might seem like a long way off but the sooner you start the sweeter those margaritas on the beach will taste. And the sooner you will fulfil your dreams and goals. Come along to our FREE seminar next month, here we will talk about why it's important we do save. And provide you practical ways you can save money and inspire you to increase your savings.

### FREE EDUCATIONAL SEMINAR



## BUDGET BASICS FOR LIFE

*Ever wonder where YOUR money goes  
Or do you want to save more?*

### “HOW TO GET THE MOST OUT OF YOUR HARD EARNED CASH”

Whether your aiming for retirement, providing for a child's education, owning your own home or lifestyle based spending such as an annual holiday. There are ways to achieve this

Learning how to effectively manage your finances ensures YOU make the most out of YOUR money!

Many of us dream about our futures and what we want our lives to become. However, in order to achieve these aspirations, it's important to plan, set goals and determine the path forward.

*“Spend less, Save More, Be Prepared,  
And Plan a Super Future”*

**Date:** Tuesday 4th October

**Time:** 6.00pm    **Bookings:** 5366 1000

**Address:** 66 Grant Street, Bacchus Marsh

**Account(able)** Financial Planners  
Pty. Ltd.

## FINDING MONEY WITHIN YOUR BUSINESS



Most small businesses experience cash flow problems from time to time and urgently need working capital. There are other resources you can tap before you ask for that overdraft or loan. The money you need might already be there—locked up in inventory, assets or your debtors' book. You can often free up funds from within your business by re-examining your business systems, and these funds might in themselves be sufficient for your immediate needs.

Even if the funds you free up from within your business are not sufficient, there is another payoff: the effort you make in searching for them helps to ensure that you are running your business in an efficient manner.

*To free up funds from within your business, look closely at:*

### ASSETS

Assets can drain significant amounts of cash out of a business. Your assets include debtors, stock, pre-paid expenses, vehicles, plant and equipment, fittings and property. Do you really put all your assets to full use? You might be able to:

- Sell off little-used assets and hire suitable replacements when you require them.
- Lease or rent assets and equipment that depreciates rapidly such as computers and or vehicles

If you're starting a new business, consider establishing it on a cash only basis to keep the funds inside your business rather than locked up in Accounts Receivable.

### DEBTORS:

Are you letting some customers have the free use of your money for months? This is a common

occurrence in small businesses where the owner(s) are so busy getting the business off the ground, products out the door, or services completed, that they don't pay enough attention to basic business procedures. But your business is not to serve as a free bank.

Here's how you fix the problem:

- Get invoices out promptly.
- Send the invoice with the goods or immediately the service is completed.
- Change the terms
- Follow up promptly
- Monitor your debtor collection days
- Consider offering a discount for prompt payment. Inventory

### A QUICK SALE?

Review regularly your stock levels, your stock turnover rates and your purchasing policies. Can you free up money by reducing stock? What about moving out of the slower-moving lines or having a quick sale of dust-collecting stock? It might pay you to reduce some items quite heavily to get some money in quickly.

### PRE-PAID EXPENSES

This is another area you could look at. These pre-paid expenses often relate to services. For example, you might pay your insurance bill for the year all in one hit, but you could arrange to pay small monthly amounts. There might be an additional cost for doing this, but you must weight the extra cost against the advantages of 12 small payments which your cash flow can comfortably handle versus one large annual payment. Try a similar approach with your accountant. Instead of facing a substantial bill once a year, ask if you can pay a set amount monthly.

### ASK FOR PROGRESS PAYMENTS

If you supply goods over a period of time, or if you're a service business, ask if you can invoice for progress payments. This is quite a common method of ensuring you get some cash flow during a project instead of waiting until the end of a project or delivery period to invoice—and then still waiting at least another 30 days for payment.

### SUPPLIERS

Finally, consider your suppliers as a possible source of funds. Ask for extended payment terms to give you the opportunity to sell the goods first before you have to pay.

## IT CONSULTANCY WORKS WITH ACCOUNTANT TO TURNAROUND FLAGGING RESULTS



Joe is the CEO of a growing IT consultancy providing network management solutions as well as selling and repairing computer equipment out of a retail store. Joe has two silent partners in the business who tipped in some money to get it going.

Joe had grown his team to 25 people. He thought things were going really well and was fond of telling his friends and colleagues how he had doubled his revenue in just two years.

There was a problem, however. After the financial year end, Joe sat down with his accountant, who delivered the brutal truth. Yes, sales had doubled, but profit had shrunk – in fact, virtually disappeared. And not surprisingly, Joe's business was quickly heading for a cash crunch. And now, his two silent shareholders were upset that he could not pay them their annual dividend.

He had fallen into the classic trap of expanding too quickly, offering long credit terms to acquire new business and generally stretching himself too thinly. His accountant showed him that if he carried on in a similar fashion, he would be out of cash in three months.

Joe had recently attended a seminar put on by his accountant on profit and cash improvement for small business. At the time he had not followed up as he had so much on his plate. But now it was obvious to him that he had to make some changes. So he asked his accountant for help.

Together, they set up a planning and monitoring program. They started off by setting aside half a day to put together a high-level operating and financial plan for the business.

Some of the action items from the plan included:

- 1. Increasing prices by 10%** – Joe discovered he could lose almost 30% of his customers without affecting his bottom line and didn't believe the attrition rate would be that high, so he figured he would be ahead
- 2. Reducing credit terms** – Joe's accountant pointed out that it was taking his customers 78 days on average to pay him. By reducing this to just 50 days, he could free up enough cash to stay alive for another three months – enough time to implement the changes required to turn the business around
- 3. Reducing headcount** – unfortunately some of Joe's team members were extremely unproductive so they had to go
- 4. Understanding the numbers to enable Joe to make better management decisions** – Joe's accountant now acts as the business's Virtual Management Accountant, reconciling the transactions, analysing the numbers and preparing actual vs budget reports within 7 days of the month end at a formal board meeting
- 5. Accountability** – the accountant also works with Joe to agree on just one project to implement to improve the numbers each month and then holds Joe accountable at the monthly meeting.

Twelve months into the project, revenue is steady but profit is now back to where it was, alleviating the business's cash flow problems.

Talk to us about how we can help your business if this case study strikes a nerve with you.

### SELF-EMPLOYED WORKERS LACK RETIREMENT SAVINGS



Almost 25% of self-employed Australians have no money in super. See how this could be impacting you and how to get ahead.

Many self-employed workers run the risk of not having enough savings to enjoy a comfortable lifestyle in retirement, research by the Association of Superannuation Funds of Australia (ASFA) has found.<sup>1</sup>

The industry body highlighted that while super was compulsory for most wage and salary earners, it wasn't for those who were self-employed, and as a result 22% of self-employed workers had no super.<sup>2</sup>

If it's something that's crossed your mind, here's some info around super for self-employed people, the annual budget amount you're likely to need in retirement, and what incentives there are to actually make contributions.

How do self-employed workers stack up? Statistics show<sup>3</sup>:

- Almost 25% of all self-employed workers don't have any super
- Around 75% of self-employed workers, who don't have a qualification, have little or no super
- The average super balance of a 60 to 64 year old self-employed worker is \$129,120 while it's \$287,577 for a wage/salary earner.

How much money do I need to retire?

ASFA figures show individuals and couples, around age 65, currently need an annual budget

of \$42,893 and \$58,922 respectively to fund a comfortable lifestyle in retirement, assuming they own their home outright and are in relatively good health.<sup>4</sup>

If you think you don't need to worry about super in order to fund a comfortable retirement—perhaps you have significant business assets or are relying on your eligibility for the government's Age Pension—it's worth crunching the numbers and giving it some thought.

Alone, the Age Pension is unlikely to be enough<sup>5</sup> and many self-employed Australians may not have large enough business or financial assets to sustain the lifestyle they have become accustomed to.<sup>6</sup> What are the benefits if I contribute?

For the majority of Australians who earn a wage or salary, their employer will make a compulsory payment of 9.5% of their pay into their super, under what's called the Superannuation Guarantee. While self-employed workers are not bound to make super payments under this scheme, there are still incentives to make contributions to a nominated super fund.

- You may be able to claim a tax deduction
- The government will match certain contributions
- CGT relief can work in your favour if you're a small business owner

Super, retirement and the various tax implications can be complex, by talking to one of our advisors it will enable you to maximise your retirement savings and take the worry out of your future retirement.

### REMINDERS FOR YOUR DIARY

#### SUPERSTREAM

The ATO have now pushed the date back to the 28th October for Small Business to become SuperStream compliant

#### SEPTEMBER

- 21** Monthly Activity Statement for August 2016
- 28** Lodge and pay Superannuation
- 30** Lodge PAYG withholding payment summary annual report (If prepared by your accountant)