DECEMBER, 2019

NEWSLETTER

accountplan

Five Simple Ways to Increase Loan Repayments

Paying off a mortgage can seem relentless – every payment counts of course, but it can seem to be taking forever to make a dent.

That said we all know that reducing the principle on your mortgage as quickly as you can mean paying less interest, and any future payments are going further towards reducing that principle.

So, here are five simple ways to increase those mortgage repayments.

Ignore the bank

Well, sort of. Don't pay any attention to the amount that you are told is the minimum repayment, as long as you pay more. Work out the most you can afford to pay, think of this as your minimum repayment, budget for it and stick to it.

Treat yourself

Think of every step you take towards reaching your goal of owning your property outright as a way of treating yourself. Sure, an expensive bottle of wine is nice, but doesn't taking a year off your loan taste pretty sweet, too?

Every single increase to your income, no matter how small, should be channelled into the debts that are incurring the highest interest. If this is your mortgage, send it there. Do the same with your tax returns, any bonuses at work and even cash gifts.

Track your spending

Download an app to track what you are spending your money on, and trim where necessary, channelling the savings into your mortgage payments.

Think of all those little things you don't really notice yourself pulling out your wallet for. In one week, that extra coffee on Monday morning, a sandwich from the cafe instead of one you have made yourself, that round of shots you probably shouldn't have shouted on Friday night and getting your nails done on Saturday add up to $150. Over a month, that's $600. Increasing a monthly repayment from $3000 to $3600 could trim more than 10 years off the term of a $500,000 loan. Now how much do you really want that coffee?

Eyes on the prize

Watch the forecast term on your mortgage – seeing it go down will motivate you to work even harder.

Talk to an expert

Talking to your finance broker, such as Accountplan's own Mick Doyle, about refinancing options could reveal a way to pay down your debt sooner even without increasing repayments. A finance broker will be able to look into whether you may get a better interest rate or lower fees with another lender, or even with your own, and will be able to help minimise any refinancing costs.

This is especially important each time your goals or your financial circumstances change. If you are earning more than when you took out your loan, you have paid off a personal loan or a credit card since that time, or your property's value has risen, your finance broker may be able to negotiate a far better deal than the one you are on.

Is an SMSF Right For You?

Key risks to consider when establishing the fund;

Trustee Obligations

As a member of an SMSF you must also be a trustee. You must have the time and skills to manage running your fund and meet a range of legal and administrative obligations.

You may outsource some functions if you do not have the time and relevant skills, such as investment management and administration of the SMSF. However, you (along with the other trustees) are ultimately responsible for the operation of the SMSF.

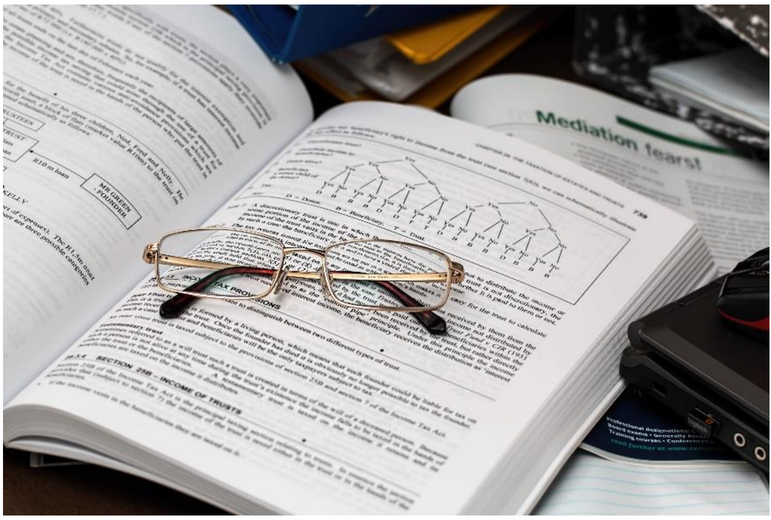
Some of your key trustee responsibilities include:

- ensuring assets are held for the sole purpose of providing retirement benefits
- accepting contributions and paying benefits in accordance with superannuation and taxation laws and the SMSF trust deed
- keeping super assets separate from personal or business assets
- valuing fund assets
- preparing and keeping proper records, including financial statements, tax returns, audits, actuarial certificates (where applicable) and minutes of trustee meetings and decisions
- having the financial accounts and statements for the SMSF audited each year by an approved SMSF auditor, and
- meeting the reporting and administration obligations imposed by the Australian Taxation Office.

Potential consequences of not complying with obligations and relevant laws may include:

- the SMSF losing access to tax concessions, and
- you as a trustee may be penalised or issued with education directives.

Even if you are less actively involved, all trustees are equally required to comply with trustee responsibilities and obligations and are liable for the actions of other trustees.



Who are members of the fund?

Consider who you want to have as member(s) of your SMSF.

- As all members are generally trustees of the SMSF or directors of the corporate trustee, are you comfortable sharing the responsibilities of managing the fund?
- In a two-member fund, if a member wishes to exit the SMSF, is there an alternate member, or would you prefer a single member fund with a corporate trustee? With the growing weight of SMSFs in the Australian superannuation sector, ASIC will increase monitoring to ensure financial advisers are complying with the law when counselling on a client's need to set up a fund

Different SMSF trustee structures

An SMSF can be established with either individual trustees or a corporate trustee. Advisers, along with tax professionals like the team at Accountplan, can help determine which structure is suitable for your SMSF. There may be additional costs in establishing a corporate trustee, however, this structure can help reduce specific risks, which may include:

- less cost and effort when membership changes
- greater protection from litigation
- greater control for single members, and
- more longevity.

Development of an investment strategy

Because you're a trustee of the fund, you can exercise more direct control over the investment strategy. As trustee you are responsible for developing, implementing, documenting and reviewing an appropriate investment strategy for the fund.

A common investment strategy can be developed for all members or multiple investment strategies can be tailored for each member. As trustee you must consider the:

- risk/return profile and objectives of each member
- benefits associated with asset diversification (or lack of)
- risk involved with, likely return and liquidity of each investment, and
- restrictions on acquiring assets from related parties and lending.

You have a choice of managed investments, direct shares and private assets such as direct property and unlisted investments in private entities. Investments acquired must be consistent with the investment strategy, permitted by the trust deed and comply with superannuation laws. As part of the investment strategy, you and other trustees must consider whether insurance should be provided for members.

Costs

There are many costs involved in setting up your own fund, including establishment costs, legal costs, ongoing administration costs and investment costs.

SMSFs are generally more appropriate if you have a larger account balance (upwards of $200,000) and want to be actively involved in the management of your super.

Set-up costs may include creating the trust deed, completing ATO forms, establishing a corporate trustee (if applicable) and other advice or administration costs related to structuring the SMSF, purchasing investments and accepting rollovers or contributions.

Ongoing costs may include the annual SMSF supervisory levy, legal and accounting fees, audit fees, costs to produce annual statements, tax liabilities, asset valuations and any potential investment, borrowing and advice fees. An SMSF will also incur additional costs if wound up.

Recourse and penalties by Regulator?

The ATO can apply various actions to deal with SMSF trustees who have not complied with the relevant laws which can include:

- an education direction – a written direction to the SMSF trustee to participate in a course to improve competency and ability to meet regulatory requirements
- an enforceable undertaking – the trustee initiates to rectify a contravention which the ATO can accept or not
- a rectification direction – the trustee must rectify a contravention as directed by the ATO
- administrative penalties – trustees are personally liable to pay penalties for administrative breaches
- disqualification of trustee – individuals may be prevented from acting as a trustee or director of corporate trustee
- civil and criminal penalties – may be imposed by the court for breaches, and
- tax penalties – if the SMSF is non-complying, the fund may lose tax concessions and any income and capital gains may be treated as non-arm's length income and taxed at 45%.

The ATO could also freeze SMSF assets or direct the fund to be wound-up.

Access to complaint mechanisms

Member/trustee disputes generally need to be resolved through remediation, arbitration or in the courts. Only disputes related to investments and financial advice can be lodged by trustees with the Australian Financial Complaints Authority

Statutory compensation

SMSFs do not have access to the statutory compensation scheme in the event of theft or fraud.

Exit strategy

On establishment, you (along with the other trustees) should prepare an SMSF exit strategy to ensure any exit is as straightforward as possible. It is important that you:

- understand the information in the trust deed for what happens in the event of a trustee's death
- consider the likely costs involved in winding up an SMSF (including costs related to selling assets and paying professional advice fees)
- understand any trust deed requirements, regulatory obligations and tax implications, and
- make a binding death benefit nomination and appoint an enduring power of attorney.

Above all else it is imperative to seek and obtain qualified advice before taking any steps toward the creation of an SMSF. The team at Accountplan can provide exactly that with almost 40 years' experience in providing strategic advice to clients, including SMSFs

Source: MLC

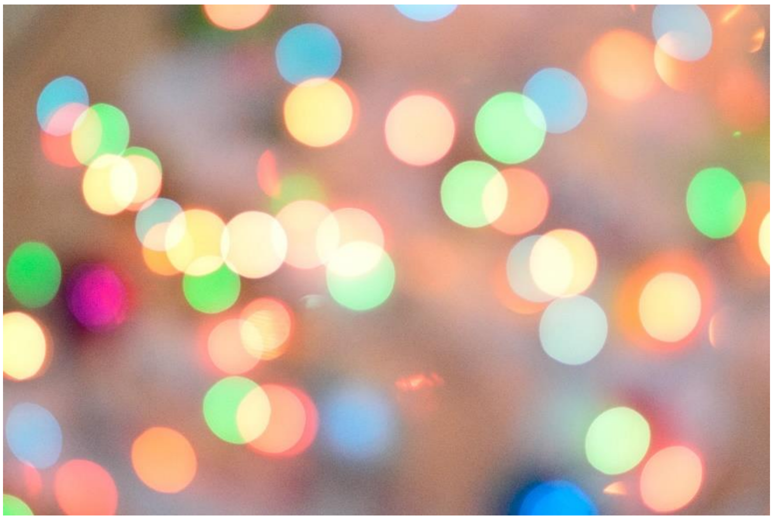
Tips for Maintaining Cash Flow During the Festive Season

If you find the silly season a little stressful, you're not alone. All small business – regardless of industry sector – struggles to juggle cash flow during the lead up to Christmas and the weeks after.

Recent research reveals that eight out of 10 of small business owners say that at least some of their business worries are related to cash flow.

Two-thirds of small business owners even feel stressed during the holiday period because of cash flow problems in their business.

Concerns about cash flow can distract from spending quality time with family and friends. But with a little forward planning, you can make sure that you've got your ducks lined up to make sure your business runs smoothly during this period.



Consider the potential trading increase

Leaving cash flow decisions until after Christmas is risky. If you're going to be busier, are you carrying enough stock, and do you have enough working capital to get your hands on extra stock at short notice?

October through to December is typically the strongest quarter for working capital funding enquiries to the banking sector with business owners look to shore up their working capital to see them through this tricky period.

Forecast cash flow

Forward plan for the decrease in cash in advance by putting a monthly budget in place and forecasting cash flow at the beginning of each financial year

This helps businesses to understand cash flow seasonality and to put the appropriate action plans in place so they don't run out of cash during December and January.

Business owners should also consider trading hours, with some business potentially shutting down but still needing to pay wages and leave loading in advance of their sales invoices being paid.

Invoice early

A great way to get the cash flowing in your business is to ensure your invoices are sent to customers as early as possible.

Many businesses close down over the Christmas period, so payments to creditors are likely to be made by 20 December or after 10 January. The sooner you can invoice your services out in December, the more likely you'll be paid before Christmas.

And while shortening payment terms can be a difficult conversation to have with customers, you can invoice earlier to ensure payments are received prior to Christmas.

Plan leave early

Make sure that staff advise of leave they plan to take during that period well in advance and work out your payroll obligations. Ask staff if they're happy to be paid as per normal pay runs instead of all upfront before they go on leave.

It's also worth considering if you need more staff, whether you'll be paying existing staff for extra hours, and how you're going to manage this financially.

Deal with late payers

Don't let late payers get away with letting things slide at this time of the year.

If you've provided a product or service, you have every right to be paid within your agreed payment terms. Plus, you'll still have bills to pay, after all.

The key is to have a strategy in place to chase the payment as soon as it falls due and hasn't been paid. This includes getting on the phone and making sure you build good relationships with the right people in the accounts department.

Chasing early is crucial.

Accountplan Christmas Closure

Please note that our office will be closed during the Christmas period from 12pm on Friday the 20th of December 2019 to 8:30am on Monday the 6th of January 2020.

From all of us here at Accountplan we wish you all a very Merry Christmas, a happy New Year and look forward to working with you in 2020

07 3883 8999
reception@accountplan.com.au
58 Klingner Rd Redclffe Qld 4020 www.accountplan.com.au