



ALAKEBABS

Life was different for Geraldine and Alan three years ago. Alan was a partner in a landscaping business and Geraldine worked in the mental health field. They had time for friends, family and fun.

In July 2002 their lives changed. They had both turned 50 and decided that they would "go-for-it" for their retirement fund. They purchased a small business, a Middle Eastern Takeaway. Alan worked in it full time and Geraldine continued in her profession part time. Today, they have moved their small takeaway to bigger premises and it is now a licensed Café and Takeaway with seating for 180 people. They have reopened their old premises as a new concept for Napier - a takeaway roast business - ROAST 2 GO. Geraldine had noticed a 'gap' in the food industry, and after much discussion and encouragement, decided to reopen as a new business. Life has definitely changed, with less time for family and friends.

Their two personalities, skills and ideas have blended well, and have contributed to their success as a team. Working together has not always been easy, however 99% of the time they consider themselves "a good team". With a loyal and committed staff team, they have managed to build their business. Geraldine's 'eye for opportunities' and Alan's 'systematical and disciplinary' approach has enabled them to move ahead.

Long hours and hard work have paid off, and they are now enjoying the pleasure and satisfaction of hearing compliments on their food and the comfortable and unique surroundings. The second year of trading in their small takeaway saw their total income increase between 80 - 100% per month, up on their first year. They are even planning a holiday together this year!

Watching their new businesses develop and grow has been exciting, challenging and rewarding. Staying focused on their goals is another reason why they have been successful. Another reason is the commitment to their customers, always listening to their feedback, and have felt privileged that the customers would take the time to give it, meant they were interested enough in the business to share their observations. They have read numerous books on customer relations and other business books. Also important has been upskilling the staff team, encouraging them to treat each customer as 'the most important person to walk in the door' approach. The continual monitoring of hygiene and cleanliness of the premises has also been an important factor.

"There is still room for expansion, with a large function room to be developed which can seat 120 people."

They are satisfied with their new premises in Dickens Street, wanting to create something very different from the average café and believe they have achieved this. People's first visit nearly always results in the "WOW" factor.

They both believe having Business Results walking alongside them has contributed hugely to their success. Being able to bounce ideas and having the continual monitoring of the business has proved invaluable.

SPOTLIGHT : Anna McKay



I spent a fantastic 4 years at Massey before started my first job at Audit New Zealand in Palmerston North. After auditing a few clients in the Hawkes Bay it wasn't long till I realised the fantastic weather and wines the Hawke's Bay had to offer so I put in a transfer to the then Hawke's Bay office. Unfortunately this office was closed a year later (nothing to do with the new staff member!) and I was back to the cold windy city of Palmerston North.

After 4 years with Audit I decided it was time to see what life was like on the other side of the world so packed my bags and headed for Dublin. I had a fantastic year, the people are so friendly, the working hours pretty minimal

and you can't beat the Irish accent - although I never managed to acquire the taste for Guinness. During that time I spent a month in India which I found to be pretty crazy and unlike anything I'd ever seen before. At the end of my time in Dublin after a few very sad farewells I headed round Europe for a few months to finally see some sun again.

I returned home at the start of July from a hot Europe summer to a freezing cold New Zealand winter but am slowly acclimatising. I am really excited about working for Business Results as it is something new and is providing a good challenge and I look forward to meeting a lot of you in the near future.

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ACCOUNTING & BUSINESS EXPERTS



AUGUST 2005

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BUSINESS

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Don's Comments

Dear Friends,

A recent research article I read said that our moods may be determined by external factors, such as the climate and the seasons!

Looking out my office window this Monday, the rain is still falling after a very wet and miserable weekend. And the nights are still long and the days short! That means I guess that we can be forgiven if we are despondent and gloomy!

But, there are always reasons for our spirits to be lifted!

- My partner, Stewart Hughes, and I won our golf match (in the rain!) on Saturday to put us into the finals of the major winter competition.
- Our All Blacks started to play exciting, precise and creative rugby against the Lions and the Wallabies!
- Work is going well with lots of new clients being taken on board.
- We live in a prosperous, safe and caring country.
- Spring is just around the corner!
- Anna McKay has joined us (see SPOTLIGHT on back page).

I guess we all need to be reminded from time to time about the things we should be thankful for! And help those who need it!

My philosophy is that if we want to receive, we must first give. If we do this we are made to feel how fortunate we all really are!

In an election year uncertainty seems to pervade our nation. I guess this is understandable but think of the advances we can make in our business if we remain positive and keep up our marketing efforts, while all our competitors get gloomy and despondent!

A lot of our new clients are young people starting up a business or buying an existing business. They need our support and encouragement because, as most of you have found out, it can be a difficult road to travel. While there are many highlights, there are also some difficult times where support is needed. I was reminded of this when I saw a young couple last weekend!

We are here to help you and remember a phone call or visit is often a cheap insurance to guide you down the correct path!

So, keep happy, keep positive and keep healthy!

Don, Cheryl, Jo, Sally, Jeanette, Heather and Anna!

NEW DEPRECIATION RULES

Tax depreciation rates for fixed assets acquired by clients have increased for the 2005/2006 income year.

The new rates apply to plant and equipment purchased by a taxpayer after 1 April 2005.

There is no rate increase for in-tangible assets, assets acquired prior to 1993 or buildings (which have reduced actually).

Buildings will have a straight line rate of 2% (down from 3%) and a DV rate of 3% (down from 4%). The reduced rates for buildings will apply to buildings acquired on or after 19 May 2005.

The adjacent table compares the new DV rates for new assets with the current rates for a few asset types you may be familiar with.

Low value assets

The low value asset threshold of \$200 increased to \$500 for low value assets acquired on or after 19 May 2005. Don't forget that low value assets acquired together are aggregated so that if the threshold is exceeded the 100% write-off is not available. Silly we know, but you may like to remember when acquiring uniforms, books, chairs, small tools etc to buy them progressively over a few days so that you secure a full write-off rather than having to depreciate them.

Asset	Current DV Loading Rate	Proposed DV Loading Rate
Building	4.0	3.0
Cars	31.2	36.0
Computers	48.0	60.0
Faxes	39.6	48.0
Mobile Phones	60.0	80.4
Photocopiers	39.6	48.0
Printers	39.6	48.0

Imp: TAX Issues

You're Fired!!

Alakebabs

New Depreciation

Income Protection

TaxOPTION

TaxOPTION enables a client to pay provisional tax via TMNZ using Guardian Trust as a custodial trustee. Provisional tax need not be paid until the income for the full year has been derived. It gives extra flexibility enabling the client to retain cash within the firm as well as estimating tax on the high side and lowering the risk of use of money interest.

TaxOPTION Example

1. A client estimates it will derive \$450,000 in the 2005/2006 year. The accountant registers with TMNZ via the website www.taxmanagement.co.nz and requests a TaxOPTION on-line.
2. Instead of paying \$50,000 provisional tax on 7 July 2005 the client pays a fee of \$4,735 to TMNZ for a \$50,000 TaxOPTION by 5 July.
3. TMNZ arranges for the payment of the \$50,000 tax on 7 July 05. Guardian Trust issues a statement confirming the \$50,000 deposit in the Tax Pool account.
4. In June 2006 the client pays the \$50,000 tax to Guardian Trust, Guardian then instructs IRD to transfer the \$50,000 7 July 05 deposit to the client's account. If the client does not need the full \$50,000 they only pay what is needed. The minimum TaxOPTION is for \$10,000. The product may have appeal for growth companies and property developers.

TaxPURCHASE

TaxPURCHASE enables a client to reduce Inland Revenue Department use of money interest to approximately 75% of the rate that the Inland Revenue Department would otherwise charge.

For example, on 7 July 2004 the client finds it has underpaid the 7 July 2003 Provisional Tax by \$50,000. Instead of paying the Inland Revenue Department say \$55,965 (inclusive of use of money interest) it purchases a 7 July 2003 TaxDEPOSIT from TMNZ for \$54,465, and saves \$1,500.

The accountant registers with TMNZ via the website and requests a TaxPURCHASE on-line. TMNZ will confirm the TaxPURCHASE and the client makes the TaxPURCHASE payment to the Guardian Trust. The Guardian Trust in turn arranges for the tax to be transferred to the client's Inland Revenue Department account as at 7 July 2003. The payment is treated in the imputation credit account as being made on 7 July 2003.

A TaxPURCHASE can eliminate a late payment penalty provided it is concluded before 60 days after the terminal tax date.

A TaxDEPOSIT can be purchased after several years, the only restriction being that it cannot commence prior to 1 April 2003, and at the time of purchase the taxpayer must not be liable for a penalty that relates to provisional tax obligations for the tax year to which the purchase relates.

TaxPURCHASE transactions can only apply to provisional tax. However, having purchased a provisional tax payment it is treated in the same way as any other provisional tax payment and normal transfer rules will apply.

Tax Management New Zealand Ltd is the first tax payment intermediary to be approved and registered with the Inland Revenue Department.

YOU'RE FIRED!



“You're Fired!”. Sounds great when Donald Trump says it. In fact he's probably made millions saying it. But all you, as an employer, are likely to get is an appearance at the Employment Court and a substantial sum removed from your bank account!!

This is a true example:

Joe Bloggs asked for leave to go on school camp with his son for a week. He had the leave available but it was an extremely busy time at his place of work and the Boss declined his application.

He went ahead and took the leave and on his return to work the following Monday he was asked to report to the boss's office. When he walked into the office the boss said “you're fired”, and all hell broke loose.

You see Joe took out a personal grievance case against his boss for unfair dismissal. Now you may agree with the boss, but he did not follow procedure. He did not give Joe an opportunity to explain his absence for the week. Joe was reinstated and given several thousand dollars of the business's hard earned money for unfair dismissal!!!

Procedure, procedure, procedure. We can't repeat it enough times. No matter how valid the reason for issuing a notice of termination, it will be the procedure used to reach and convey that decision which will be the final arbiter if the matter is heard as a personal grievance.

Please ensure if you're having problems with your staff to contact us!

Income Protection Insurance Traps

Income Protection Insurance is an interesting financial tool, but of all life and health insurance products, it is the most misunderstood by customers and insurance industry people alike. Here are 11 traps for the unwary:

1. Make sure that you have a guaranteed right to renew the policy until age 65! Do not accept a policy that the insurer can cancel for any reason - there are a few of these out there. The last thing that you need is to have your first heart attack the day after the insurer cancelled your policy.
2. Look out for the Benefit Period - i.e. how long they will pay you if you have a long-term disablement. We sometimes see policies with 2-year and 5-year benefit periods. These are unacceptable - we only ever recommend Benefit Periods to age 65.
3. Do not accept a policy that does not have a benefit payable if you are Partially Disabled! A recent study of Income Protection claims showed that over 70% of claims go from Totally Disabled to Partially Disabled before, in most cases, full recovery. Don't get caught out in the cold with a "no partial disability claim" policy.
4. Watch for a 2 year limitation on Partial Disability claims. This is almost as bad as no Partial Disability claim - I have two clients now who have been on Partial Disability claim for over 2 years - in one case, almost 10 years!
5. Do not accept a 2 year limitation on Mental Health (read Stress and Depression) claims. Anecdotal evidence shows that the greatest single cause of IP claims is stress and depression. Why would you have Income Protection that limits benefits for the largest cause of claims?
6. Beware the policy that says that the Partial Disability claim ceases if you are able to work full time. Many claims for partial disability involve conditions that reduce your productivity, but not the hours you can work. For example, we have one professional client who prior to his breakdown, worked 60 per week. On medical advice, he now works 40 hours per week and at a less frenetic pace than previously. He is earning about one half of his pre-disability income. If he had the bad policy, he would be out in the cold. He has a good policy that recognizes reduced productivity as a Partial Disability.
7. Watch out too, for the policy that allows the insurer to deem that you

are earning if you are medically able to work but are unable to earn. For example, you can't hold down the responsibility of partner or business owner, but medically you are able to work as a clerk. But, you can't find a job -after all, who wants to hire someone who had a nervous breakdown 18 months ago and has lost his/her business? The bad policy can deem that you are earning what they say you are capable of earning, and will offset that amount against any benefit you expect.

8. Be careful of "group" policies that are cheaper than "retail" - they often have restrictive clauses. One that we see and don't like provides that a Partial Disability benefit is only payable if you are working for the original employer! So, if your illness means that you can't work as an accountant, but can as a gardener, you are out in the cold! Discounts usually mean reduced benefits!

9. Watch for restricted cover policies. Some insurers offer policies that only pay benefits if you suffer a major trauma type illness/injury. These do not cover stress and depression, but are cheaper and some salespeople find them easy to sell. We will not use them.

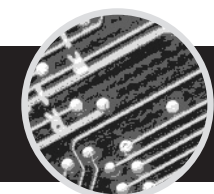
10. Agreed Value policies do not automatically pay out the "Agreed Value" if you are disabled. All Income Protection policies offset any on-going income you receive or are entitled to receive for the "Agreed Value". It is logical that they do, but many salespeople are unaware of this, or overlook it.

11. The tax treatment of Agreed Value policies is still an area of concern. Two insurers believe that any benefit will be taxable as income and accordingly the premium is deductible. These insurers will allow you to cover up to 75% of income. Four other insurers believe that the benefit is not taxable and the premium non-deductible. These insurers will only allow you to cover 55% of income. IRD has a working party considering the issue and we await their decision. The risk is if you have the 55% cover and IRD rule that they are taxable/deductible and you have become uninsurable. You now only have cover of 55% of income and it is taxable! Our preference is for the taxable/deductible route.

In summary, there are excellent policies, offered by quality insurance companies with none of these traps, so you don't need to settle for second best.

If you would like to know more, please contact your broker or we can recommend one to you!

SYSTEMS in a book...



We have consistently recommended to you that a good read is 'The E Myth Revisited' by Michael Gerber.

We are recommending this again!

A client said to me the other day that although he had had the book for over a year he had not really read it until very recently and 'wow - it is a wonderful book!'

Another client said to me that he thought it would be just another book which makes reasonable reading, but it grew on him and he too was most impressed!!

So what will good systems mean to you?

- Less stress as you know all jobs will be done on time.
- A real time saver as things will be done methodically and paper will be handled only once!
- Dare I say it - perhaps even a saving in accountancy fees! Work will be done in an orderly and systematic manner.
- Accounts will be sent out on time so money should be collected earlier.
- And we repeat - Less stress!!!!

So two points as far as systems are concerned!

1. Read the 'E Myth Revisited' by Michael Gerber. If you can't get a copy let us know and we will get you one!
2. If you want some help in systematising your office procedures, Jo from our office is an expert!

She can help you prepare a detailed manual for you to follow and be available to train you or your office person!

Please phone Jo for more information!