

### **Free Seminar**

#### **FORESTRY**

**Forestry investment products can play a key role in ensuring your portfolio is diversified and your investment strategy tax effective.**

**Willmott Forests' Ahmar Imam will explain why this ecologically sustainable investment product can be an important part of a long term investment strategy.**

**Tuesday 16th June**

Join us at 6.00pm for a 45 minute presentation commencing at 6:15pm

To reserve your seat please email: [kathryn@pva.com.au](mailto:kathryn@pva.com.au) or call her on 02 9416 9266

#### **30 minute Investment and Personal Insurance Health Check**

**Tuesday 16th June**

We're offering a free/no-obligation investment consultation with Hilton Woolf, one of PVBG's experienced financial planners. Call Kathryn on 02 9416 9266 to book an appointment.

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### **ACCOUNTING AND MANAGEMENT ADVICE**

#### **30 Year Anniversary**

On the 1<sup>st</sup> of April 1979, Peter Vickers acquired a small accounting practice which has grown into the Peter Vickers Business Group. At that stage there were no team members except Peter. Now there are about 35.66 members of the team. The 0.66 does not represent part time employees but the three foci that come to work every day.

We would like to thank the many clients that have been with us for the entire thirty years. It is interesting to observe how the wealth of these clients has grown substantially over those thirty years. It is also interesting to note that very few clients have been called to the ultimate tax audit. This probably has resulted from some of the forms of tax evasion that we have encouraged, like the evasion of tobacco excise and gambling taxes. Our clients are also rarely seen driving very expensive or brand new cars.

What has changed in thirty years? The government still continues to change tax legislation regularly but the advent of technology has not brought about simplicity or easing of administration burdens. The opposite has happened. Technology has allowed clients to do more business and to increase the complexity of their businesses and investments. This has in turn increased the complexity of the advice that the different arms of the Peter Vickers Business Group have to give to clients.

In past newsletters we have mentioned how we can coach and advise clients on their businesses by giving examples of how we plan our own business. In April we are holding planning sessions for the next 1, 3 and 5 years based on our BHAG or Big Hairy Audacious Goal that we have set for the next 25 years.

We would again like to sincerely thank those clients who have been with us for the full 30 years for allowing us to assist them in growing their wealth and for those newer clients we look forward to assisting you in growing your wealth over another 30 years.

#### **How to deal with the recession**

When the economy slows down everything starts to unravel in a business. One of the most important parts of your business is cash flow. How do you keep the money flowing?

One should first look at the cash flow in from customers. This does not mean ringing customers and insisting that they pay you earlier than usual. You should be looking at your whole sales system. Firstly your contract with your customer should clearly state your terms of trade including when you need to be paid. Some businesses, like doctors and dentists, have eliminated debtors completely by insisting patients pay at the end of their visit. Travel Agents will not do a ticket booking without cash up front. Travel agents, instead of allowing corporate debtors accounts, insist that you set up a credit card facility for all your travel purchases.

Your system should be working efficiently so that a sale is fulfilled rapidly, the invoice produced immediately and delinquent debtors telephoned as soon as

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## ACCOUNTING & MANAGEMENT cont.

they are outside of your terms. Thus the time between the sale and the cash arriving is as short as possible.

Another way of getting cash faster is to factor your debtors, insist on credit card payments instead of credit accounts or take up a new payment system being offered by Octet Finance Pty Ltd for example. [www.octetfinance.com](http://www.octetfinance.com)

Delaying paying suppliers is never a good idea. In bad times it is even more important to pay suppliers on time. This firstly ensures that your supplier does not close down on you but also ensures that if the supplier needs some fast sales, they ring you first with the unbelievable offer because they know that you will pay them without delay.

Care should also be taken with your bankers. Personal bankers in tough times have been known to get an instruction to get tough with a percentage of their customers. Thus good relations are important including providing up to date financial statements to your bank and keeping your banker informed on how your business is travelling.

## TAXATION

### Investment Allowance

A 30% investment allowance or extra tax deduction is available for the purchase of assets before the 30<sup>th</sup> June, used in a business. This includes motor vehicles but does not include stock or buildings. The items must cost more than \$1,000 for a small business defined as one with a turnover of less than \$2 million and \$10,000 for all others. Clients are advised not to attempt to be too smart in getting around any restrictions as your tax return will be reviewed after the recession has ended when the government

### Year End Tax Planning

This year there will be less need for clients to reduce their tax and thus to go through their inventory and fixed assets and scrap damaged or obsolete items or to write off bad debts before the year end or to ensure that their superannuation contributions for staff are paid before the 30<sup>th</sup> June. Small businesses will have less need to prepay expenses for next year.

The emphasis this year is to lower the PAYG instalments of income tax that form part of the Business Activity Statement. As there are penalties for being more than 15% out in your calculations, many clients are asking us to do an estimate of the income earned for the year and thus the tax payable and then adjust the quarterly payments to the estimate. This ensures that only the exact tax is payable on the 25<sup>th</sup> May and 25<sup>th</sup> August (only available if we lodge your BAS electronically) rather than waiting for the refund after the income tax return has been lodged which only has to be lodged by 15<sup>th</sup> May 2010.

## BOOKKEEPING

Accurate bookkeeping is even more important in the current climate, enabling you to really understand the financial status of your business. It enables you to plan, predict and take appropriate and timely action to avert problems and to capitalise on opportunities.

If you would like to discuss our Bookkeeping Services, please call **Naomi Brandon** on **02 9416 9266**

**Electronic Version of the Newsletter: If you would prefer to receive our quarterly newsletter (and other periodic information) by email, please let us know by emailing [kathry@pva.com.au](mailto:kathry@pva.com.au)**

Peter Vickers and Associates Pty Ltd — Principal: Peter Vickers FCA  
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Liability limited by a scheme approved under Professional Standards Legislation

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## INVESTMENT SERVICES

### Inflation is coming back

Governments around the world are increasing the money supply in order to maintain economic activity. Increased money supply normally means the value of money decreases and thus we get inflation.

About a year ago reports were coming out that China was down to its last 100 million peasant farmers that could be brought into the cities to work in the factories. This has been increased by 20 million that have lost their jobs in the world economic crisis. This has delayed the inevitable increases in wage rates in China which will be exported to the rest of the world in the form of higher prices or inflation. China has been able to keep its export prices down by manipulating its exchange rate with the US dollar. The break down of this manipulation will also cause inflation.

The Australian Government and Reserve Bank have kept inflation down by keeping the Aus dollar high and thus making Chinese imports cheap. They did this by keeping interest rates above those in overseas markets. Our interest rates have fallen and this will also cause more inflation.

**How do you invest in an inflationary era?** Buy property and shares that will rise with inflation. Avoid investments and assets that earn fixed incomes or are denominated in dollars. Inflation will also drive up interest rates as the market generally sets interest rates at the lending margin above the rate of inflation. High interest rates will not harm those investors whose income can be adjusted for inflation.

One reason governments are going to allow much higher rates of inflation is that inflation papers over past bad investment decisions. Over-priced investments no longer become over-priced and borrowed funds decrease in value with inflation.

We can design a portfolio of shares for you and also set up a share broker account for you. Contact **Agnes Mock** for this service on **02 9416 9266**

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## SUPERANNUATION

Like most investors, the **Lindfield Superannuation Fund** for whom we act as investment manager had not made any share purchases for over a year and just built up its holding of cash. However in March we went back into the market and purchased shares as the market started to rise. In the longer term the share market will continue to surge as all those cash holdings are converted into investments in shares and property. We are now intend to publish monthly the investment performance of the Lindfield Superannuation Fund on our web site. Please remember that the fund is aiming at long term growth and the short term fluctuations are only being produced for dinner party conversation purposes. We will also list the major investments of the fund on [www.pva.com.au](http://www.pva.com.au)

Superannuation is currently still the best tax planning tool, especially if you're over 60 years old. We thus have two months left to plan this year's strategies.

For those clients in pension phase using account based pensions, the minimum pension payment has been halved for this financial year only.

To learn more about the Lindfield Superannuation Fund or for advice about setting up a Self Managed Super Fund, call **Agnes Mock** on **02 9416 9266**.

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## PERSONAL INSURANCE

### Investment and Personal Insurance Health Checks—Tuesday 16th June: 9:00am—5:00pm

A sound financial plan will always take into consideration personal insurance to protect the wealth you have worked hard to create. For this reason we are offering you a free 30 minute consultation with Hilton Woolf, an experienced and fully qualified financial planner at PVBG. This session is obligation free. Hilton will review your investment and insurance strategies to ensure that you have the appropriate insurance cover to meet the needs of you and your family, giving you peace of mind for the years ahead.

To make an appointment, call **Kathryn** on **02 9416 9266** or email [kathryn@pva.com.au](mailto:kathryn@pva.com.au) with your preferred time. 14 appointments are available. **Don't miss out!**

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# INSURANCE

## Underinsurance and Natural Disasters

In the aftermath of the Victorian bush fires, we learned that not only were a large number of victims grossly underinsured, but many had no insurance at all. One reason for this may be that insurance is intangible, the value of which is not fully understood until there is a claim or a disaster such as fire, flood or storm.

The Insurance Industry has not as yet raised the issue of underinsurance in relation to the Victorian bush fire victims but, despite the fact that as with all Australians, the Industry has rallied to do whatever is possible to assist victims of this disaster, there is a limit to which individual insurers can go in providing this assistance. It is possible that some of the people without insurance cover may need to rely on Government Grants and the National Appeal for Relief.

Insurance Council studies in 2007 showed that 23% of Australian households had no insurance at all, while up to 81% of those who took out insurance, had cover that was in excess of 10% below the rebuilding costs. Combined with the other factors we raise in this article, this can become a huge obstacle at a time a family is trying to replace some or all of their possessions.

While some policies allow up to 15% shortfall in replacement costs, it is always sensible to make sure that the cover we take out reflects the full **replacement** value of our property, to avoid having to face additional financial stresses at a time of crisis, when we can least cope with them.

Another factor to take into account is the rate of rising costs in rebuilding. The Australian Securities and Investments Commission (ASIC) in 2007 noted that disasters can cause huge and unpredictable increases in rebuilding costs.

Following Cyclone Tracey, building costs in Darwin skyrocketed by 75%. After the Newcastle earthquake building costs increased by 35% and after the ACT bushfires in 2003 costs escalated by 50% in the three months following these fires.

Preliminary reports following Cyclone Larry in Queensland indicated that there were significant hikes in local building costs with Insurers estimating increases of at least 50% immediately after this disaster.

Despite the Insurance Council Study and the ASIC Report it appears that little has changed since 2007 and it is critical that people should be aware that sums insured must be reviewed on a regular basis. Not only should the property be insured for full value but also other factors should be taken into account.

For instance, older buildings may have been built before Building Codes were revised to ensure they are better equipped to withstand storms or bushfires. It is mandatory for builders to comply with these codes, which can add anywhere from \$15,000 to \$25,000 to a rebuilding project, none of which may have been taken into account when estimating the building insurance levels.

## Valuing a building and its contents

Most insurers now provide standard templates for estimating the value of both the building and contents of properties. These may need to be adapted to individual situations, but they are very handy tools in identifying what is to be covered and in helping to establish the current replacement value of the property and the items that are to be insured.

When effecting your cover through Peter Vickers, we would be happy to arrange a sample of the appropriate template for you or indeed to recommend how you can best establish the replacement value of your property.

For assistance in valuing your property and contents or if you wish to review an existing policy or would like an obligation free quote for a new policy, **call Bev, Roisin or Caren for Professional Personalised Advice: 1300 784 011 or email: enquiries@pvib.com.au**

Our online quote form means that you can request an insurance quote 24 hours a day, 7 days a week and we will respond to your enquiry on the next business day. **Web: [www.pvib.com.au](http://www.pvib.com.au)**

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