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Quarterly Newsletter

Green Taylor Partners



Wimmera Machinery Field Days

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Sharemarket volatility: Can you handle the truth?

Matt Richardson

There have been some amazing swings on the US Sharemarkets' Dow Jones Index in the last few weeks. On some days the market has been close to 1,000 pts (approx. 4%) down during a daily trading session.

Obviously, the Australian Stock Exchange behaviour tends to mirror what is happening overseas and we are starting to see emotions such as fear & panic creep back into the market due to this volatility. The 2017 calendar year has actually been one of the "smoothest" over the last 12 months. The US market has risen around 30%, investors have been optimistic and the markets have made some placid, but gradual gains. The TRUTH is – this is completely ABNORMAL behaviour for a stock market.

Markets are VOLATILE and have been for their complete history!

A few weeks ago I read an excellent article by Scott Phillips from The Motley Fool, which tried to put some perspective on what was happening on global stock markets on a day where all markets were sliding heavily. A lot of what I write below comes from Scott's article.

The first thing you see on TV or read from the press is "BILLIONS WIPED OFF ASX TODAY" – but very rarely do you see or read about the BILLIONS plus BILLIONS which have been gained over the last 12 months. Rarely do the same news outlets have lead stories on the gains which may be recovered the day after these losses occur!

No investor, not even the most seasoned and thick-skinned investor, enjoys the experience of the value of their investments dropping wildly. We would all prefer a smooth run watching the share price of our favourite company go from \$3 to \$10 over a couple of years. When in reality it might be a stomach churning experience going from \$3 to \$7, then \$2 to \$5, then nowhere, then to \$10!

So what is the solution? Face the fear, accept volatility, large market losses will happen (and it hurts when it happens!!) but also accept no-one knows when losses will happen or for how long. By selling out when things get volatile, you still have to choose another place for your money. It has been proven time and time again, that staying in the market and continuing to receive a growing income stream of dividends, has been a better option than selling in a down market and

converting your investment into cash.

Lots of "experts" continue to predict sharemarket crashes. Just about every year there are predictions by many, of huge losses on the stock market (or the property market for that matter), most of which never occur. But if they keep predicting it these scaremongers will obviously be correct one day. One quote I enjoyed in Scott's article was "economists have predicted 9 of the last 2 actual recessions"!

So how do you put the odds back in your favour? According to Scott Phillips:

Buy quality companies with strong business and attractive futures;

1. By paying good prices;
2. By remembering that markets tend to rise, on average, over time;
3. By copping volatility on the chin, not because we like it, but because we know it is inevitable;
4. By investing regularly, adding cash frequently and taking advantage of buying good companies at lower prices.

No less an authority on investing than one of the world's richest men, Warren Buffet says "Be greedy when others are fearful and fearful when others are greedy". This translates to, if the market is in freefall, what opportunities are there to buy a great company at a cheap price.

Good luck with your investing – steel yourself for the bumpy ride!



Important Dates

March

- ❖ 21st - Lodge & pay February 2018 Monthly Activity Statement

April

- ❖ 21st - Lodge & pay March 2018 Monthly Activity Statements
- ❖ 28th - Lodge and pay quarter 3, 2017–18 activity statement if lodging by paper
- ❖ Make super guarantee contributions for quarter 3, 2017–18 to the funds by this date.

May

- ❖ 15th - Lodge 2017 tax returns for all entities that did not have to lodge earlier
- ❖ 21st - Lodge and pay April 2018 monthly activity statement.
- ❖ 28th - Pay Fringe benefits tax annual return.



Artificial Intelligence – friend or foe?

Jess Sluggett

I recently attended an MYOB seminar for accountants which included a session on Artificial Intelligence. Last year MYOB surveyed a number of accountants on changes in our industry including the impact of Artificial Intelligence (AI). The results showed there a lot of accountants who are fearful of the changes sweeping our industry and feel threatened by AI and technological change.

I'm sure if the same survey was repeated across other industries the results would be quite similar. There is a lot of discussion surrounding how our lives will be impacted by robotics and AI. Fear is a common response because of the unknown ahead of us. A part of the fear around technological advancement is the fear of being replaced or made redundant by a machine.

Change has always been a part of life, but at present change is happening more rapidly than in the past. We can all be certain that our jobs and day-to-day tasks will change as a result of technological advancement, but will all of the changes be 'bad'?

What if we consider the great things AI and technology can help us with? The repetitive and sometimes boring tasks we often think little of or resent doing could be replaced, freeing us up to spend more time with family and friends. The element of human-error may be reduced increasing the quality of goods and services we use, reducing disappointment and the need to replace faulty goods.

There are of course a lot of maybes. A lot of unknown answers. A lot of uncertainty.

A few weeks ago the accounting team at GTP gained some insight into how our roles, and the roles of some of our clients, may be affected by AI and robots. We were surprised by how different our own assumptions were to the suggestions provided by the AlphaBeta research.

So, how do we feel about the changes that may come? We're excited by the opportunities of course!

If you're keen to see how your job may change check out ABC News 'Could a robot do your job?'. The results may just surprise you.



ATO Superannuation Clearing House is moving

Karen Grainger

In a move to streamline their services, the Australian Taxation Office (ATO) have moved their Superannuation Clearing House service to their online Business Portal effective from 26 February 2018.

The free service supplied by the ATO is used by a significant number of small businesses with fewer than 19 employees and have turnover under \$10 million dollars.

The ATO Superannuation Clearing House was closed for approximately 5 days to allow the migration of all the data to the Business Portal.

Users of the ATO Superannuation Clearing House will no longer be able to log on using their existing user name and password and will be required to register for the ATO Business portal.

The ATO Business portal allows businesses to see their accounts at the Tax Office along with the ability to lodge business activity statements and now lodge and pay their monthly/quarterly employee superannuation under Superstream rules.

New users of the ATO business portal can either log onto the portal user their mygov log on or by registering for an Auskey.

For more information on applying for an Auskey and to log onto the Business Portal please check out the following ATO webpage

<https://www.ato.gov.au/Business/Business-Portal/Getting-started/Getting-an-AUSkey/>

Otherwise if you require assistance with the Business portal or with the Superstream rules please contact your trusted advisor at Green Taylor Partners.



GTP Anniversaries

- ❖ 5th March - Penny Fisher (17 years)
- ❖ 12th March - Natasha Gardner (16 years)
- ❖ 26th May - Hannah McIlree (4 years)



GTP Birthdays

- ❖ 21st March - Daniel Blay
- ❖ 30th March - Kerry Schultz
- ❖ 10th April - Kylie Fiedler
- ❖ 22nd April - Chris Foster
- ❖ 23rd April - Jodie Mills
- ❖ 30th May - Penny Fisher



Should You Go Guarantor For Your Adult Children?

Chris Foster

This is a question that we, as trusted advisors, get presented with quite often.

This is becoming more prevalent as millennials appear to get priced out of the property market as they aspire to purchase their first home and parents are anxious to help where they can.

According to recent Westpac research, 6% of Baby Boomer parents have agreed to be a guarantor for their children's home loans, while 10% have loaned funds and 12% made financial gifts. Further, according to this research, 25% of Baby Boomers liked the idea of going guarantor in the future, whilst 41% were willing to gift money and 35% were willing to loan the money.

As a general rule, we do not recommend that you act as guarantor for a loan or put your own home up as security for such a loan. This is because there is a possibility that you don't clearly understand the extent and implications of the guarantee. This is despite the requirement that you seek legal advice before you execute any guarantee supporting a loan.

The harsh reality is that you can become liable for more than the original loan balance, should the loan fall into arrears or default in the future. There are many unforeseen circumstances that can occur in the future that could result in this, including relationship breakdown, death, physical or mental incapacity and loss of employment.

Such circumstances could see not only the home of your child being lost, but also your own home as your guarantee is called in should there be any shortfall.

The research indicates that a greater percentage of Baby Boomers were prepared to gift money rather than to facilitate a home purchase. However, we recommend that funds be lent rather than gifted and that the loan be supported by a simple loan agreement. Having such document in place will provide protection for the loan balance in the event of a relationship breakdown. In these circumstances, the loan balance would generally be a deduction from the borrowing couple's asset pool in any subsequent property settlement. The formal signed loan agreement doesn't need to have an interest component in it – but does provide a simple safeguard against a potential relationship breakdown.

In relation to business loans that you may be requested to go guarantor for – tread very carefully in these circumstances. At least if you go guarantor for a home loan, there will be a house to sell – and although there is a risk that you may be

called upon to honour your guarantee, there is a tangible asset, being the house, to minimise the financial impact on you. In respect of a business, in many cases the biggest asset purchased is goodwill. If the business is run very badly, the value of goodwill can reduce quickly or even disappear, such there is nothing to sell to repay the debt. In these circumstances, your guarantee will most certainly be called in, resulting in financial loss, or worst case, bankruptcy to you.

In summary, if you are going to provide financial support for a family member, do it with a loan supported by a formal loan agreement. The loan can be gifted at a later time if you wish to do so.

As a last resort, if you are willing to go guarantor, ensure that the limit of the guarantee is clearly specified in the agreement. Avoid unlimited guarantees like the plague.

And finally, seek legal advice and clearly understand your obligations under any proposed guarantor arrangement.



Check and Correct, Check and Correct...

David Hadley

Do you know what percentage of the time was the Apollo 11 on course to the moon in 1969?

Would you believe just 3%?

But they got there in the end. How? Well, the flight crew weren't spending all their time just bobbing about weightless in space. They had to constantly monitor every aspect of their flight's progress. And whenever anything was amiss, they corrected it.

So the entire trip was a constant process of check and correct, check and correct, to make sure they achieved their goal. And so too through this constant process of checking and correcting, you can make sure that your business reaches the goals you've set.

While you may well have a system of gauges and instruments similar to those in the Apollo 11, the most common tools used to check a business's progress are Key Performance Indicators, or KPIs.

The power of KPIs comes from a simple concept you may have heard us refer to before. That is, what you can measure you can manage. KPIs mean you know where you stand at any given moment (CHECK) and can adapt your strategy to improve your results right there and then (CORRECT).

And you can use your KPIs as often as you need to, to make sure your business stays on track, and gets where you need it to be.

For more information on KPIs, please contact GTP.



Warning Signs of Insolvency

Daniel Blay

The current economic climate is causing many businesses to experience cash flow pressures, whether it be from reduced revenue or debtors failing to pay within trade terms. In these times, monitoring cash flow is of paramount importance to the survival of a business. Failure to ensure adequate working capital may ultimately result in liquidation or bankruptcy.

The warning signs of insolvency need to be recognised and addressed in a timely manner. By obtaining professional and competent advice from accountants, solicitors, and advisors, more positive outcomes can be generated for all stakeholders than might otherwise be available should business owners and directors remain in denial of the issues facing their businesses. It is important that early action is taken in order to prevent the negative consequences of business failure impacting on directors and their families.

What is Insolvency?

Under Section 95A of the Corporations Act 2001, “a person is solvent if, and only if, the person is able to pay all the persons’ debts, as and when they become due and payable”. Therefore “a person who is not solvent, is insolvent”.

The solvency test imposed by law is a cash flow test, rather than a balance sheet test. Solvency can be assessed by comparing the available current assets to the extent of liabilities that are due and payable. This is the first step when considering a ‘cash-flow test’ of solvency. Only those assets that can be readily converted into cash, such as debtors or stock, are taken into account as an available resource. Similarly, only amounts that are currently due and payable are to be considered.

Early Warning Signs

These signs are commonly displayed by businesses as they begin experiencing financial difficulties. These early warning signs include:

1. An occasional inability to meet suppliers’ debts within trade terms resulting in increased dialogue with suppliers
2. Using cash reserves, such as funds set aside for GST, PAYG or superannuation, to cover temporary cash shortages.
3. Reduction in discretionary spending such as stationery, maintenance or staff amenities in order to maintain profitability.
4. Increased use of personal credit cards to pay business expenses.
5. Deteriorating relationship with the bank as it starts to monitor a business more closely.
6. Inability to obtain mainstream finance as the banks have identified an increased risk of insolvency.
7. Increased level of worry about a businesses financial circumstances.
8. Accumulated trading losses eroding a businesses working capital.
9. Non-collection of debtors leading to temporary cash flow shortages.

It is worth noting that there may be no cause for alarm if it is considered that the problems are temporary in nature, and if steps are being taken to address issues if needed. If the financial circumstances of a business are not short-term and further deteriorate you need to seek professional advice and explore your options. Pre-emptive action usually results in a broader array of options remaining available to the business than in circumstances where the finances of the business have been neglected.



MYOB Two-Factor Authentication

With data security being a major concern for businesses and consumers MYOB are moving their sign-in process to now include Two-Factor Authentication (2FA). 2FA is a secure sign-in process that combines your password with a random code sent to an app on your mobile phone.

Signing in will include two steps:

1. Sign in using your MYOB email and password as usual
2. Enter a unique verification code which you will get from an authenticator app on your mobile phone. A unique verification code will be generated each time you sign in.

To set up 2FA, log into your MYOB account and access the security centre. From there you can select to turn-on two-factor authentication. Make sure you have your mobile phone handy as you will need it. You will then be taken through a set up wizard that will prompt you to download the authentication app, and set up.

If you experience any issues, please contact GTP.



Phishing Emails: How to Spot Them

Ryan Schirmer

With technology ever changing and evolving, so has the ways criminals operate. Long gone are the days of stage coach hold ups, these criminals now don't even have to leave their homes to try rob someone.

This is all done via the internet and these criminals favourite & easiest for them is a Phishing email. As the name suggests these people throw out their lines with some bait in an email and hope you bite. If they get a bite they can get your personal information, banking information or hold your data ransom.

The following are some ways that you can identify these emails and not end up on their hook.

1. Don't Trust the Display Name

Cybercriminals will disguise their emails under known companies (i.e. Australia Post, Energy Australia, and Xero) in hopes that you fall for their trap. Always check the email it is sent from rather than what it is displayed as. If the email seems suspicious, then the domain name (the name after the @ in the email address) will be something else and not the company they want you to think it's from.

2. Look but don't Click

Cybercriminals will want you to click a link within the email whether it's to 'open an invoice', 'check your details' or something luring you to open it. Before you do, hover your mouse over the link and a box will appear showing the link. If this looks completely different to what you would expect, don't click on it.

3. It asks for personal information

No matter how official an email message might look, it's always a bad sign if the message asks for personal information. Your bank doesn't need you to send it your account number. It already knows what that is. Similarly, a reputable company should never send an email asking for your password, credit card number, or the answer to a security question.

4. Out of the Blue

Sometimes you'll receive an email saying you have a credit on your account or that you have won a competition. These might sound enticing however the only thing is the account in credit belongs to a company you don't deal with or you haven't entered into any draws. If you haven't initiated the action for these emails, just delete them.

5. Smell Test

This one just comes from your 'gut feel'. If it's too good to be true it usually is. Or the message is threatening for example an email for 'the bank' might say it will close your accounts if you don't respond, which usually means that it is in fact not your bank. If you still are unsure and have a bad feeling about the email, trusty Google can help. Type in the name of the company or copy & paste the email address and put 'scam email' after it and see what comes up. If something is dodgy, Scamwatch or ASIC will usually know about it.

If you have any questions or have received an email you are unsure of feel free to contact Green Taylor Partners.



Social Media Reviews

Tracy Richardson

Most of us all use our smart phones for many facets of our day.

Google is very popular to seek out answers to our questions. So too Google reviews are now a great way to promote business. Most businesses these days, including GTP offer a 5 star rating and functionality on their Google Business / Facebook page etc to verbalise your experience / impressions of the business.

So why not get in on the act and "give back". Not only do you make the businesses owners day but you assist others seeking a great product / service.

You may even receive feedback on how many times your review has been viewed which is a great reward knowing you have assisted someone else.

Google Review



Thomas Parkes

Local Guide · 13 reviews · 4 photos

★★★★★ just now

I have been using Green Taylor Partners since 2007 to do my annual tax returns for my small business. Their personalised approach and professionalism makes my life & book keeping far easier.

Facebook Review



John Magrath reviewed Green Taylor Partners — 5★

May 24, 2016 · 🌐

I have been looked after by GTP for in excess of 40 years with my business and now just my personal tax and superannuation returns.

This would have to be one of if not the most truly progressive and professional accounting firms in country Australia.

Why is this, I suggest most strongly it is the people at the firm, I hope that you all can keep this going.



\$ Tax Planning or Planning for less Tax?

As 30 June 2018 is approaching, it is now critical for all clients to be assessing their year-end tax planning.

We recommend that you meet with your accountant, who will advise you on clear strategies that could be implemented in the remaining months of the financial year. It is important that this process is not left too late – you may need to allow plenty of time to implement any positive strategies.

Below we have listed some tax planning strategies that can be considered dependant on your business and cash flow:

- ❖ Timing of income:
- ❖ Prepayments:
- ❖ Bad debts:
- ❖ Depreciation claims:
- ❖ Trading stock review:
- ❖ Farm Management Deposit (FMD):
- ❖ Concessional Superannuation Contributions:
- ❖ Gifts and donations:

To undertake tax planning the following information needs to be provided to your accountant:

- ❖ Ensure record keeping is up to date.
- ❖ Estimate income and expenditure to year end.
- ❖ Estimate stock and produce that will be on hand at 30 June.
- ❖ Provide details of plant purchases/sales for year – actual and planned.



Tips to locking in good tenants

Karen Grainger

Have you always wondered how to keep a good tenant in your rental property?

What makes a good tenant? There the ones who always pay on time and do those extra things around the property that you normally have to do.

A good tenant can save you money in the long run as regularly changing tenants can raise costs such as letting fees, advertising and there is always the horrible vacancy period.

Here are a number of suggestions to keeping a good tenant:

- ❖ Try to minimise rent increases
- ❖ Always respect the tenant as it is their home. Give advanced warning of a visit or attending to maintenance as soon as possible
- ❖ Use a good rental property manager or agent who can communicate well. They do all the screening, conduct regular visits and alert you to maintenance requests.
- ❖ Keep the property and surrounding gardens clean and tidy. If you present the property well, a good tenant will keep the property clean and tidy
- ❖ If it breaks, fix it fast
- ❖ Keep the garden safe and low maintenance
- ❖ Be flexible and consider a short term lease
- ❖ Communicate well with the tenant
- ❖ Provide a few little extras to make the tenant feel special
- ❖ Make sure you as the landlord is protected with the right insurance if something does go wrong

We hope these tips can help you find the right tenant.



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GTP Tid Bits

- ❖ Good luck to Kayla Hawker and her team (Telangatuk East) for Tennis finals in the A special!
- ❖ Wishing Shane and the St Michaels A Grade team all the best in the upcoming tennis finals!



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