Your Money, Your Choice

20 STEPS TO ORGANISE, PLAN + ACHIEVE YOUR FINANCIAL GOALS

edited by
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KELLY + PARTNERS
CHARTERED ACCOUNTANTS

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20 steps to organise, plan and achieve your financial goals

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DEDICATION

To Rebecca, Thomas and Nicholas
my professional colleagues,
clients of Kelly+Partners and
all those who want to improve their financial universe

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PREFACE

'Do you have a great accountant? Someone who cares about you and is proactive in assisting you to achieve your goals.'

As fascinating and all-absorbing as accounting or accountants may be (NOT!), choosing an astute advisor[1] in this area can make a Million Dollar difference to your life.

Therein lies the reason for this short book. This book is NOT a "HOW TO" book. I do not rabbit on about the fascinating world of accounting and the ins and outs of today's fashionable strategies.

Rather, it is a "MUST DO NOW" book: 20 simple things you need to make sure your accountant has addressed with you. This book outlines a timeless approach to getting your financial universe sorted out and keeping it that way.

Now, if your accountant hasn't helped you take control of your financial universe, start now and get him[2] moving – or perhaps you had better get moving to a new accountant! Time is limited, death is certain – so the book is short, to the point and easy to implement. The money is in the doing.

Brett Kelly

[1] *"Advisor" and "accountant" are used interchangeably in this book. While the Australian Securities and Investment Commission has various rules about who can provide what financial advice to consumers, it is clear that clients look to their accountant as their primary source of financial advice. Hence, it is the accountant who can most help the client get their financial universe sorted out, whether he provides all the advice himself or through referral to other appropriate professionals within his own firm or externally.*

[2] *Throughout the book I have used the male form to avoid the cumbersome he/she etc; please read this as referring to both male and female as there are many outstanding female accountants operating within my own firm and in the market generally.*

YOUR SELF ASSESSMENT

- ☐ Are you happy with the level of tax you are paying?
- ☐ Do you know the value of your business today and how you would sell the business?

- ☐ Are your accounting, taxation, compliance and regulatory requirements up-to-date?
- ☐ Are you pleased with the pro-active advice you currently receive from your accountant?

- ☐ Do you know how much debt you owe?
- ☐ Do you know what debt to pay first?
- ☐ Have you quantified the effect of extra repayments on your total debt level?

- ☐ Do you know how much money you would need invested to have the choice to work?
- ☐ How much income would you like to live on in retirement?

THE TOP 20 MDNS

Nail these and you'll be looking good.

Too many people get carried away with one or two (supposedly) clever tricks and forget that just getting the simple things done correctly is a large part of getting everything else to work properly.

SO WHAT IS A MDN?

A MDN is a MUST DO NOW. They are things that you need to get sorted out, even if it is just documenting that you don't want to get them sorted. Address these issues, make decisions and your financial life will improve.

This book gives you the questions to ask your current advisor and to help you take control of your financial future.

In my experience, there are some Top 20 MDNs you need to get right. We cover these across four key areas of our business, as described in the next four parts of this book:

1. Get Advice – Advisory
2. Do Housekeeping – Compliance
3. Understand Who Pays – Finance
4. Make the Money You Need – Wealth

We all know that getting the right answers is often about asking the right questions.

I am often asked the same questions.

This book is simply a way for me to have that sort of conversation with many people I would otherwise never personally be able to meet and help.

PART 1

GET ADVICE – ADVISORY

1. Get organised
2. Get some direction
3. Get going
4. Get a scoreboard
5. Get structured
6. Get protected
7. Get less tax
8. Get an exit plan now

Get organised

HALF DONE IS NOT DONE

Brett Kelly

"Get your act together!" is what I tell myself all the time. No-one can help me or you unless they have the right material to work with. Your advisor is just that, an advisor. He cannot do for you what you must do for yourself.

Half done is not done.

What you want is to get your entire financial universe in one file, and make a start together with an advisor who will be able to give you forward-looking advice that will add real value to your future.

To do this, your advisor has to know all about your financial situation, where you are at and where you want to get to. The only way to really give you a proper "diagnosis" and recommendations, is to assess the complete picture.

Hence, make sure your advisor knows your entire situation. If he doesn't, and has not used a system with you to get this understanding, you can be sure he is in no position to give you the sort of advice that will make you money.

Some of the information I would expect my advisor to know would include:

- Contact details
- Business background
- Reason for leaving previous accountant
- Key services required immediately
- Income details of all family members
- Business entities – current structure, how it operates and perceived advantages
- Estate planning (ie. Do you have a will? Is it up to date? When was it last reviewed? Do you have a power of attorney?)
- Current professional advisors
- Financial concerns
- Debt attitudes
- Full statement of Assets and Liabilities / Net Worth Report
- Superannuation
- Insurance
- Financial goals
- Agreements – employment contracts, shareholder agreements, key supplier agreements, etc
- Family involvement in business
- Planning and strategy undertaken to date

QUESTIONS

ASK YOURSELF:

- Has my accountant asked me for ALL my information in order to assess the OVERALL state of my financial health?
- Does my accountant have a system for getting this information and keeping it up to date?
- Do I feel that my advisor understands my financial goals?
- Does my accountant care about me?

ASK ACCOUNTANT:

- What do I need to provide to make a proper assessment of my financial situation?
- Do you have all of the information you require?

Of the thousands of business owners and clients I have met with over the years, our initial time was generally spent gathering information that had been "filed somewhere". We have all been known to put our important documents in places where we cannot find them when they are required at some later date.

Mastery of one's financial universe though begins firstly with knowing what you have, what you owe and compiling information that will enable you to have a complete picture of your current position. Having spent years working with clients' shoeboxes or worse we developed a solution . . .

SOLUTION

Ask a KELLY+PARTNERS advisor about a 'Personal Financial File' and a 'Business Sale Ready File', and how it can help you organise your financial universe.

2

Get some direction

ANYWHERE IS GOOD
WHEN YOU HAVE NO CLUE
WHERE YOU ARE GOING

Brett Kelly

The world moves for a person who knows where they are going!

Clarity of focus provides clearer targets and more definable objectives. When you know what you want, the how to get it usually shows up.

Anywhere is good when you have no clue where you are going. At least you cannot be disappointed. But it really is no way to live!

On the other hand, for those of us that do want to get somewhere in life, an advisor who is aware of your exact financial goals at least has a chance of helping you get there. He can't help you get somewhere if you do not know where you want to go. So take the time to think through exactly what it is you want, in as much detail as possible, and then write it down.

You want an advisor who will show you viable ways to achieve your own goals and who will support your efforts.

The most satisfying thing in the world is to help someone you work with understand something that they were finding difficult – like when a client achieves a goal that you have helped them work towards. This is the good stuff of life and what makes our profession rewarding.

We want to work with clients that we can really help. Their succeses excite us! Clients with goals are happening people and these types of people tend to value our advice.

QUESTIONS

ASK YOURSELF:

- Does my accountant have a written statement of my financial objectives?
- Has he ever asked for one?
- Do I have a set of objectives written down?
- Do I have a financial plan showing how I'm going to achieve those objectives?

ASK ACCOUNTANT:

- What, in your view, can I do better than I am doing currently to move me towards my financial objectives?
- How can you help me achieve my financial goals?

Many times I have related this story:

"Imagine Kerry Packer the day Alan Bond in the late 1980s offered him $1 billion to purchase the Channel Nine television station. Do you think Mr Packer needed to assemble a valuation, due diligence file and the like to work out if that was a good offer? No doubt he had already done so and knew the value of the business so that he could take advantage of a timing opportunity."

Imagine how many great opportunities walk past people everyday as they have no idea what it is they are looking for?

SOLUTION

Complete the short questionnaire that KELLY+PARTNERS can provide and get a valuation of your business together with an assessment as to how you will be able to realise that value.

You will be amazed how it increases your understanding of your business and provides a new perspective on what is possible.

3

Get going

LIFE IS NOT A BREAKFAST CEREAL – THERE IS NO 'JUST RIGHT' TIME FOR ANYTHING. ASK ANYONE AND THEY WILL SURELY TELL YOU THAT YOU ARE TOO OLD OR TOO YOUNG. IGNORE THEM AND GET GOING.

Brett Kelly

What you never start you will surely never finish. The saddest of all emotions is regret.

So now that you have yourself organised with some direction you can ask, "Where shall I go?" knowing that you can do something about it! The important thing in all these MDNs is not the completeness with which you address them in the first instance. Rather you must set your mind to understanding exactly where you are up to currently with each of them.

What you want is an advisor who will assist you through these MDNs and will help you gain understanding before taking the substantial steps of finalising positions.

What we do with clients is exactly that: early on we want to make sure they have thought through and are starting to understand the necessity of addressing these issues in a complete manner rather than part done here and not done there.

Our experience is that something never started, never gets finished. And that most successful people are in the habit of finishing what they start. So the sooner you start the better.

According to Einstein "The most powerful force in the universe is compound interest!" In my view, he could have gone further and explained that perhaps that means getting started with whatever you are doing as soon as possible and sticking at it for a long time!

If you invest $1000 a year for 40 years then you would have $161,924 in your super account at the end of that period, assuming 7 per cent earning and 15 per cent earnings tax.

If you delay contributing for 20 years and then choose to double the contribution to $2000 a year, you end up with $77,531.

According to the Australian Bureau of Statistics (ABS): "Currently government pensions are the main source of income for most older Australians. The ability of Australians to provide financially for their own retirement, particularly through superannuation, has emerged as a prominent issue in government policy in recent years."

No wonder it is a concern – for those with some superannuation, the median total amount is approximately $13,400 for males, more than double the amount for females ($6,400) (ABS 2004–2006 survey data).

In 2003–2004, according to the ABS, over half (56 per cent) of retired people aged less than 70 years had a total cash income of less than $10,000 a year. However, 82 per cent of those who were receiving income from superannuation received $10,000 or more a year (ABS 2003–2004 statistics).

In 2004 (latest relevant ABS figures), the average household had gross assets worth $537,000 and liabilities of $69,000, giving it a "net worth" of $468,000.

Owner-occupied homes accounted for 46 per cent of gross assets, with other property 13 per cent, superannuation savings 12 per cent, home contents and vehicles 12 per cent, bank accounts 4 per cent and shares 3 per cent.

Of Australia's 7.6 million households, the richest 20 per cent owned 59 per cent of the total net wealth, whereas the poorest 20 per cent owned only 1 per cent.

Wealth is distributed more unequally than income, with the top 20 per cent of households receiving 45 per cent of total gross household income (before tax), and the bottom 20 per cent receiving 5 per cent.

Using income wisely can make an enormous difference over the years, and the sooner we start the more significant the end result.

QUESTIONS

ASK YOURSELF:

- Am I “fair dinkum” about moving myself forward in the area of my personal finances?
- What time and energy am I really prepared to commit to making some progress in my financial universe on an ongoing basis?

ASK ACCOUNTANT:

- Can you assist me to swiftly address each of the Top 20 MDNs to gain understanding and put in place at least a rudimentary temporary situation while a complete solution is developed?
- Have you a team of experts to assist in each of the areas required?
- What are the qualifications and experience of each of these experts and what do they think makes them qualified to advise me?

4

Get a scoreboard

WHAT IS NOT MEASURED
CANNOT BE MANAGED

Anon

The saddest thing in the world is to be told you have a certain number of days left to live.

I felt a terrible anguish on the hanging in Singapore of a young Australian who no doubt had committed the murderous act of drug trafficking. Yet to be given an appointment with death is an unimaginable event not just for him, but for his family, friends, community and any thinking person who knows that it is happening.

To then see his dead body wheeled out of the gaol to his waiting mother for transport back to Australia, like clockwork, was ugly.

Can we learn from such ugliness? We sure can. In the last days of their life a person on death row is focused, accounting for every hour as if it was a drop of water in a vast desert. Not a second wasted, one last letter, one last hug, one last goodbye.

When we live our day-to-day lives with such focus and precision the results are truly amazing.

What is not measured cannot be managed.

In a financial sense, to know exactly where we are at and know that we have a plan that we are executing towards a set of well thought through goals is a transforming personal and financial event. Even better, it frees us to pay attention to the people in our lives that matter most to us.

What you want is a Net Worth Report that simply delivers to you a summary of your current financial position with supporting detail.

What we do is undertake this exercise for clients, generally at year end tax time, showing what another year's effort does in the financial sphere. We have never seen any client achieve less by knowing exactly where they are starting out from and measuring progress towards their goals!

QUESTIONS

ASK YOURSELF:

- If I had my financial universe sorted out, knowing exactly where I am and where I am trying to get to, would it free my mind to pay attention to the really important people in my life?
- Are there other things in life I should be writing down and monitoring my progress?

ASK ACCOUNTANT:

- What is a Net Worth Report?
- Do you prepare Net Worth Reports for your clients?
- Would you please prepare one for me?
- Why have you not prepared one that is up to date?

5

Get structured

BEST NOT TO BUILD ON
A FOUNDATION OF SAND!

Anon

The whole area of structuring is full of opportunities that are seldom effectively utilised.

What do we mean by structuring?

It is, in the least technical terms, the arrangements (Company, Partnership, Trust, Joint Venture, etc) through which you conduct your financial affairs.

Best not to build on a foundation of sand!

What you want is a structure that maximises asset protection and flexibility in achieving your commercial and personal objectives while minimising the taxation required to be paid – be that income, capital or other. Not only this, but you want maximum access to relevant taxation concessions.

This much is pretty logical. What is not so clear is how you can be sure that you are getting the advice that you need? Or even, that the advice you have had and may have paid well for is correct?

The answer is to find a suitably qualified professional. Look for:

- Chartered Accountant
- Specialist university qualifications in Taxation
- Membership of the Taxation Institute of Australia
- Suitable work experience

While there are many designations around, seeking the help of a professional with the above qualifications will substantially increase your chances of receiving appropriate advice.

Go further and ask for references. Have the advice checked for a second opinion and make sure your advisor spends enough time explaining the advice to you. If he cannot get you to understand the advice, then he probably doesn't understand the advice well enough himself!

It is no secret that wealthier Australians make considerable use of a variety of structures, including various types of trusts, companies and self-managed superannuation funds in order to maximise security whilst minimising tax implications.

What we do for our clients is ensure that the structures through which they are operating are transparent and understood by them. We ensure they have a diagram of what their structure is and that they have a written description of how it operates – most people we come across are using structures they don't understand, for reasons that are not clear to them or their advisors!

QUESTIONS

ASK YOURSELF:

- Do I have a diagram of my existing structure(s)?
- Do I know how it works from an asset protection, commercial flexibility, income tax, capital gains tax, other taxes and tax concession point of view? That is, would I be able to explain the structure to someone else who is not familiar with it?

ASK ACCOUNTANT:

- What is my current structure(s)?
- Would you please provide me with a diagram of my current structure?
- Would you please write down, in the form of formal tax advice, what my structure is, why you are advising this structure and the benefits of this structure to me?

Very often we find two situations:

- Companies that have no debt with owners carrying large personal home mortgages
- Owners of companies with individuals within their family group earning very low or even no income

Many times we have been able to significantly change the landscape of the financial universe of these individuals with some intelligent structuring to the tune of thousands of dollars saved per annum.
In one recent case, $15,000 per annum and $350,000 over ten years was saved.

SOLUTION

Talk, without cost or obligation, to a KELLY+PARTNERS Client Director about how we can assist.

6

Get protected

PROTECT YOURSELF; NO-ONE ELSE CAN DO IT FOR YOU

Brett Kelly

We all know how much more litigious our society is becoming . . . and we've all heard horror stories of how some unexpected business risk appeared from left field and totally destroyed someone. "It was never meant to happen."

But it happens. And it will keep happening.

Making it is one thing. Keeping it is another in this sort of climate.

There are many options – you need to canvas the variety of risks as well as the pros and cons of those various solutions.

Business strategies as well as protective structures (don't forget the tax implications) are all part of what can be a tricky equation.

And it can never be a "set and forget" equation either. It requires ongoing review and maintenance.

What you want is a solution that you can understand, that addresses your requirements, that is cost effective and can offer the sort of protection you require to operate your financial universe.

QUESTIONS

ASK YOURSELF:

- What personal and business cost would be associated with a long-drawn-out legal battle?
- Am I convinced or do I need more evidence of the risks applicable to my particular situation?

ASK ACCOUNTANT:

- How does my structure provide asset protection? Would you please write this down for me?
- Is this the best structure to protect my assets? Is it the most cost effective? What is the trade-off?
- What could I do differently in my business or my life to reduce the risks that I might be taking?

Recently, we had a young man present himself at our offices who wanted to become a client. The usual process was undertaken – a client fact find completed – and we were in the process of preparing a Service Proposal and Engagement Letter when news came through that, in his mid-30s and married with two children, he had been travelling in his car alone, went off the road, hit a tree and was killed.

We found ourselves with an office full of documents and a request to do a pile of work – completing prior year tax returns, unlodged BASs and the like, as well as finalising the financial position of an estate that proved to be bankrupt.

SOLUTION

We ensure all clients are provided with a complimentary review of all of their insurances.

We request a copy of each client's Will that we place on their file.

7

Get less tax

NOW OF COURSE I AM MINIMISING MY TAX. AND IF ANYONE IN THIS COUNTRY DOESN'T MINIMISE THEIR TAX THEY WANT THEIR HEADS READ. BECAUSE, AS A GOVERNMENT, I CAN TELL YOU YOU'RE NOT SPENDING IT SO WELL THAT WE SHOULD BE DONATING EXTRA.

Kerry Packer

There are numerous ways to pay less tax. As the quote above indicates, even people as wealthy as the late Kerry Packer are keen to find ways to minimise tax.

We all want to use public roads and services but we just don't like to think we are paying more than our fair share. The realisation that someone they know is getting a better tax deal drives others to look around.

In the tax advisory space, the powers of the brains you employ drive the tax you pay. There are plenty of completely legal ways to minimise the tax payable by most clients. It takes real time and effort to get it right, but often clients either don't want to spend the money on what can be very substantial savings on an annual basis or their existing advisor does not have the expertise to deliver the advantages available to the client under the Tax Act.

What you want is an advisor who has the expertise (qualifications in taxation), interest and experience to deliver hard dollars in savings. What you will need to do is invest the time and money in decent advice that can make a huge financial difference over time.

QUESTIONS

ASK YOURSELF:

- Do I take unnecessary compliance risks by not obeying the taxation laws? Undeclared earnings, for example?
- How much risk are you willing to take with your tax affairs?
- How do you feel about the competence of your current tax advisor?

ASK ACCOUNTANT:

- What qualifications and experience do you have in taxation?
- Are there any specific income tax, capital gains or concessional taxation treatments applicable to my situation?
- Would you please provide your advice in writing?
- Can you give me examples of situations like mine that you have handled in the past and the outcomes you have achieved?
- Please explain to me what is meant by income splitting and lowering the average rate of tax? Are any of these concepts applicable to my own situation?

8

Get an exit plan now

START AS YOU INTEND TO FINISH

Brett Kelly

Many self-employed business owners will rely on the sale of their businesses to fund their retirement. In many instances they have no (or very limited superannuation) at the time of sale.

The tricky part for these people is:

- Who to sell to?
- At what price?
- How to sell?
- When to sell?

The most common advice I give to a business owner and have tried to apply myself is "Start as you intend to finish".

Let me relate the most common scenario I regularly encounter:

"Great to hear that you will fund your retirement from the sale of your business. How much do you want to have to live on in retirement?"

"$100,000 per annum, at least."

“How much will your business sell for?”

“$5 million, at least?”

“What makes you think that that is what your business can be sold for? Have you ever had your business valued?”

So often I hear “I have never had my business valued but I am sure that is what the business is worth.”

In answer to “Who will you sell your business to?” I often hear “I am not sure, I have some ideas but haven’t committed anything to paper yet.”

And to “How will you sell your business?” I get “I sort of really haven’t thought that right through yet.”

They have a strongly held belief as to the value of the business. Rather, we stress that the accountant advisor to the business owner has a valuable role to play as an independent set of eyes. He must encourage the business owner, who is very busy working in the business, to make the time to adequately consider what is a critical issue.

Given that the retirement lifestyle of the client is at stake, this sale transaction needs to be effectively executed.

The transaction will take preparation time – mentally, financially and operationally. This time helps to focus the seller in tidying the business, thinking through what creates value in the business, reducing key person dependence within the business and ensuring that they are able to communicate to a potential buyer how the business creates value independent of them as the owner.

What you want as a client is:

- Early preparation
- Annual valuation of your business
- Documented plan to create value in the business
- Written outline as to potential exit options
- Advisors who understand how a business can be sold
- Advisors who can look after the tax and legal issues

Maximising the value of a business sale takes preparation, time, understanding of valuation and a clear strategy. The pay-off is substantial!

QUESTIONS

ASK YOURSELF:

- How much do you want to live on in retirement?
- How much will you sell your business for?
- What makes you think your business has been valued accurately?
- Who will you sell your business to?
- How will you sell your business?
- Does your accountant have any valuation expertise that you know of?
- Is your business valued annually?

QUESTIONS

ASK YOURSELF:

- Do you understand what creates and destroys value within your organisation?
- How would you document the value creation process in order that you can explain to yourself and later a possible purchaser as to why your business is worth your asking price?
- Has your accountant ever bought or sold a business or businesses?
- Can he advise you proactively in what needs to happen to get you ready, ahead of time, to deal with these key succession and wealth management issues?

ASK ACCOUNTANT:

- Have you ever bought or sold a business or businesses?
- Can you advise me on what needs to happen to get me ready, ahead of time, to deal with these key succession and wealth management issues?
- What would be the process of preparing the business for sale?

Recently I had a tremendously successful young man present his business situation.

He had a business producing more than $4 million profits to him annually, had loads of cash in the bank and other assets which he owned outright.

The questions he had for me were:

"Should I sell my business?"

"How much money would you want for the business?"

"Can the business run without you?"

"What would you do if not your current business?"

"What does your wife think?"

"How much income would you want from passive sources each year?"

SOLUTION

Ask a KELLY+PARTNERS advisor about a "Sale Ready File" … and how it can help you plan ahead for succession in your business and answer, well before time, the type of questions raised above.

PART 2

DO HOUSEKEEPING – COMPLIANCE

9. Do tax planning
10. Do all deductions
11. Do income
12. Do timing

9

Do tax planning

WHEN IT COMES
TO TAX, MOST PEOPLE
RIP THEMSELVES OFF

Brett Kelly

Most people accept they must pay their fair share of tax – though nobody wants to be ripped off.

When it comes to tax most people rip themselves off. It is not the system, rather it is the lack of sophisticated engagement with the system that costs taxpayers money.

What you want is an advisor who in March/April of each year – a few months before the 30 June tax year end – will take you through a system of detailed tax planning to ensure that your affairs are prepared now, allowing you time to make any necessary changes to improve your year end tax position.

Like any area of life, planning makes all the difference. Just taking the time to consider anything in detail clarifies your thinking and gives you time to collect the things you need to do the best you can. Tax is no different!

What we do for our clients in March/April of each year is to undertake a tax planning process in a detailed manner using a logical approach. I cannot remember a client not saving more tax than the cost of the exercise, ever!

QUESTIONS

ASK YOURSELF:

- Have you ever forgotten to include a tax deduction and later discovered your error?
- Have you ever found that planning an activity has reduced its effectiveness?

ASK ACCOUNTANT:

- Can we do some tax planning?
- Do you have a system for undertaking tax planning?
- How does your tax planning system work?
- What will it cost?
- Will you save me more than the cost of the exercise?
- Who will do the tax plan for me?

Over and over again when taking on a new client the first thing that happens when we start doing their taxation compliance work is that what we find is that there are legitimate tax deductions not claimed in previous years.

A client is always very happy, and I am thinking of a particular recent example, when you can go back through their last three or more years tax returns and find thousands of dollars that have been carelessly left on the table.

SOLUTION

Talk, without cost or obligation, to a KELLY+PARTNERS Client Director about getting your current and prior year tax returns reviewed for completeness.

10

Do all deductions

INCOME TAX HAS CREATED
MORE CRIMINALS THAN
ANY OTHER SINGLE ACT
OF GOVERNMENT

Barry Goldwater (US Politician)

If there is one thing that you are sure to be asked about as an accountant, it will be "What can be claimed back from the taxman?"

The most important place to start with a discussion of tax deductions is the basics of how they work.

The tax act allows amounts used in the production of assessable or business income to be claimed back, that is refunded, as they were necessarily incurred in the production of that income – rather than part of private consumption.

We always make clients aware of the following:

- Never make an investment decision based on taxation alone. Tax is only one factor and I have seen more poor decisions made by tax considerations warping the thinking process than by anything else!
- Paying lots of tax should indicate earning lots of income and gains; so while we do not want to pay more tax than is due from us, we are glad that a tax challenge is part of our lives rather than an income or gains challenge!
- We all want to use public facilities when it suits (eg. expensive scanning equipment in the treatment of cancer and the like, that inevitably is found in public facilities paid for by our taxes), so taxes are necessary and can be put to much good use.

There are a few ways to minimise taxation:

- Just refuse to pay any – short term success likely, long-term gaol time a distinct possibility. We will have no involvement with people of this mindset.
- Defer the date at which tax is payable – the further off into the distance the better – or when a tax refund is due, hurry up the refund from the ATO.
- Find clever advisors that know the law and can structure your affairs in ways that offer better commercial outcomes including no additional taxation to pay. Knowledge in this area is more than power, it is dollars returned to clients.

QUESTIONS

ASK YOURSELF:

- Am I aware that a tax deduction is still only a part of a dollar I have spent being returned to me?
- Have I ever made an investment decision based on tax considerations? How did it work out?

ASK ACCOUNTANT:

- Do you have a checklist of information that can assist me in the collation of information required for the preparation of my various personal and business tax returns?
- Can you provide me with a list of specific deductions applicable to my industry?
- Can you advise me of what other deductions I may be eligible for?
- Would you explain the tax deductions that I am eligible for in my individual return?
- Have you any ideas as to further deductions I might be eligible to receive?

11

Do income

THE BEST 'PROBLEM' IN THE WORLD IS TO HAVE EARNED SO MUCH INCOME THAT YOU MUST PAY TAX

Brett Kelly

There are many ways to make a dollar, but most people do not realise that not every dollar is equal under our tax system. There are massive incentives to earn non-personal exertion/personal services income; that is, to structure yourself as a business and earn business income. There are other types of income as well, such as royalty income and the like, that we should all know about.

So often we see people who have been structured into a company or not structured at all who are missing out on many legitimate tax breaks. One such situation is where income splitting could be effected but has not been. The tax savings over time are enormous, but so often we see spouses being paid salaries for work they do not undertake in the business at a level that would be hard to defend if challenged by the ATO.

Sadly, most often this situation is barely legal, or not legal at all; and worse, it is not as effective as a much more legitimate solution can offer.

The overriding point – get someone on the job who really knows the tax game. (If you had the choice of Steve Waugh or some local hack to bat for your life, who would you choose?) I trust you would choose someone with a track record of really doing the business and not short change yourself by focusing on considerations such as cost and/or comfort with your incumbent advisor.

QUESTIONS

ASK YOURSELF:

- What types of income exist?
- What types of income am I currently earning?

ASK ACCOUNTANT:

- Can you explain whether you believe there are any opportunities for changing the type of income I am generating to more tax effective outcomes?

12

Do timing

TIMING IS EVERYTHING

Anon

Timing is everything. In financial services, there could not be a saying that is more true.

From a taxation point of view consider this:

If you are an individual taxpayer and are not having your affairs handled by a Registered Tax Agent as part of his lodgement program with the ATO, your tax return is due in October. If you get yourself a tax agent then it may be due as late as May the following year.

Consider the savings, remembering the time it is locked up in taxes either paid before they need to have been or deferred to some later time. The wealth effect is huge.

Here is a small example:

If your advisor is not aware of the date a property was purchased, or one of you makes a mistake and treats a pre-Capital Gains Tax (CGT) asset as a post-Capital Gains Tax asset on its sale, this mistake would attract tax to a situation that would have been tax free.

With an advisor who knows your financial universe intimately and is committed to providing forward-looking advice, the money that is so often "in the dates" can be effectively accessed.

QUESTIONS

ASK YOURSELF:

- Is timing relevant to my existing affairs?
- How does the 45-day rule work?
- How long do I need to live in a first home when I have received the first home owners grant?
- How long do I need to live in my house for it to be regarded by the ATO as my principal place of residence?
- How long do I have to live within or outside of Australia to be a tax resident or non-resident? Is there any CGT impact?
- When can I get my superannuation?

PART 3

UNDERSTAND WHO PAYS – FINANCE

13. Understand debt myths
14. Understand the debt you need
15. Understand debt elimination

13

Understand debt myths

DEBT: FUN TO ACQUIRE,
PAINFUL TO RETIRE

Anon

Let's face it, have you ever felt great about owing something to someone? The answer is no. So the saying rightly goes "Debt: Fun to acquire, painful to retire".

Consider how it feels to have someone say to you, "You owe me" or "You are indebted to him".

Debt can result in you feeling compromised, and/or having your freedom reduced.

Not putting aside the fact that you are a human being with emotions, we can consider the types of arguments so often used to encourage people to "use debt".

The argument is that we can use debt to magnify exposure to returns on an investment. (Even at this point I have to stop myself and comment that I have seen debt use others many more times than vice versa.)

For example:

	NO GEARING	WITH GEARING
Your Capital	$100,000	$100,000
Loan (Gearing)	0	$100,000
Total Investment	$100,000	$200,000
Value in 5 years time (compounded @10%pa)	$161.051	$322,102
Net Value after repaying loan	$161.051	$222,102
Additional Wealth Created Through Gearing		**$61,051**

Note the phrase, "increase EXPOSURE to." That's right, you are exposed to the LOSSES as well as the potential gains.

There are many ways of increasing client returns and there are disciplines to assist clients manage any exposure they may desire to take on – some of which involve no debt at all.

The point is, when debt is involved, be very, very aware that you are dealing with something powerful. With the assistance of your advisor, you need to think deeply through what it is you are trying to achieve.

QUESTIONS

ASK YOURSELF:

- How do I feel about debt?
- Have I ever felt used by debt or out of control with debt?
- Do I have a plan as to what debt needs to be paid off and by when?

ASK ACCOUNTANT:

- Can you make me a list of all my current debt – listing from most expensive to least expensive, noting where the interest is tax deductible and commenting on what debt should be paid off first?
- Are there any ways you know of where I can increase my returns on my various current investments with the use of debt and without debt?

In early 2002 a man in his early forties presented himself to become a client and required some "advice on restructuring the finances of his business". As it turned out, he had more than a dozen credit cards, all stretched beyond their limits. We helped him to negotiate with the financial institutions, consolidate the final debt across all cards into one amount and enter a payment plan to eliminate the debt over a number of years.

I asked him what his accountant thought of the situation? The answer was that his accountant had never known his full financial position.

SOLUTION

In order to become a client at KELLY+PARTNERS, a complete New Client – Fact Find (Personal) and (Business) are required to be completed. These documents ensure that we have the information required to effectively provide advice to our clients.

14

Understand the debt you need

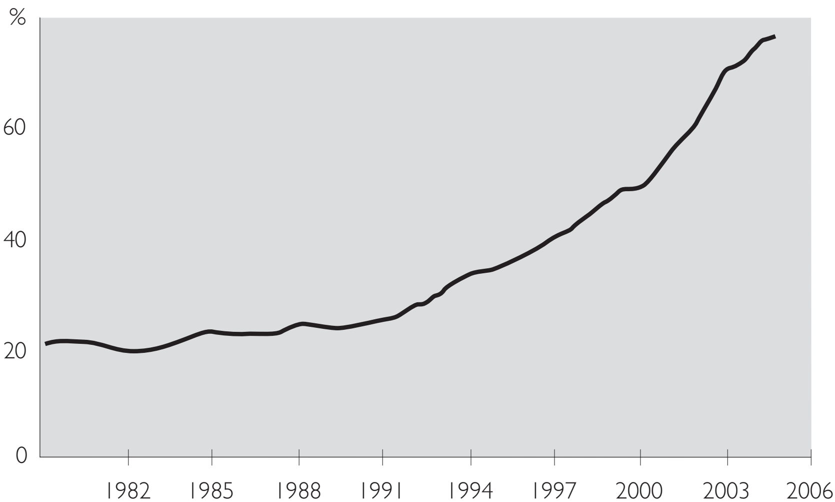
MORTGAGE: FROM THE
ANGLO-FRENCH *MORT*
MEANING DEAD AND *GAGE*
MEANING PLEDGE. *C'EST LA VIE*

Brett Kelly

Let's look at the average debt carried by Australians.

Household Debt

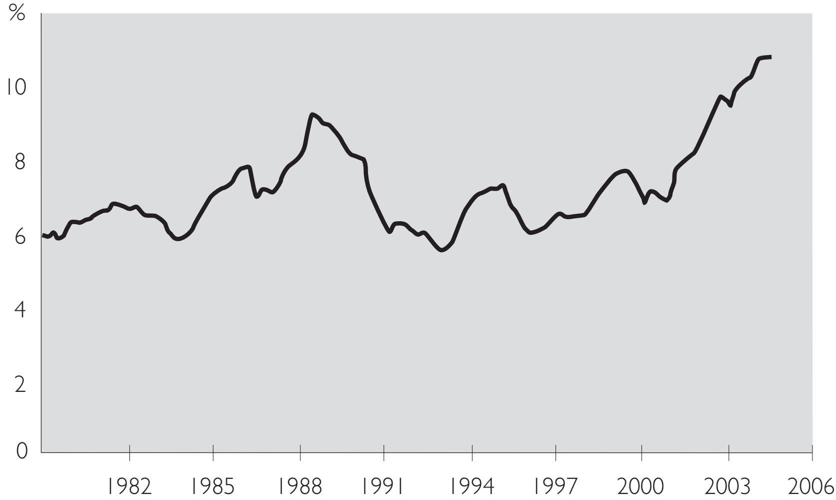
Per cent of household disposable income*



*Income is after tax and before the deduction of interest payements
SOURCES: ABS, RBA

Household Interest Payments

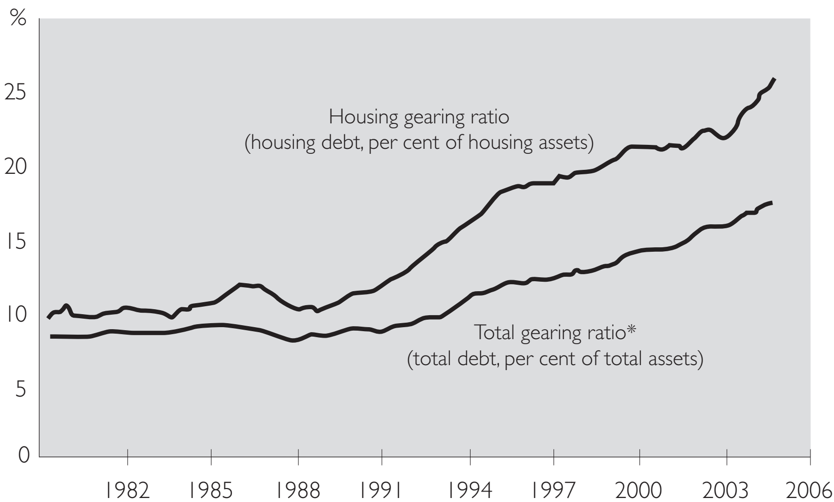
Per cent of household disposable income*



*Includes imputed financial intermediation service charge. Income is after tax and before the deduction of interest payments.

SOURCES: ABS, RBA

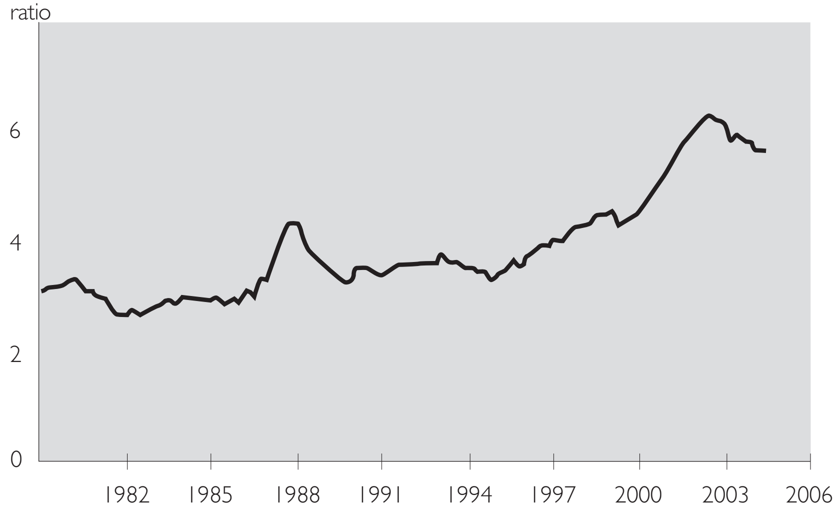
Household Gearing Ratios



*Includes financial assets of unincorporated enterprises and unfunded superannuation.

SOURCES: ABS, RBA

House Prices to Household Income*



*Average annual household disposable income, excluding unincorporated enterprises.Income is after tax and before the deduction of interest payments.
SOURCES: ABS, RBA, REIA

The largest component of the debt carried by an average Australian family relates to the family home.

Now if anyone has ever tried renting in Australia with short-term tenancy agreements and all the harassment and insecurity that goes with it, no-one can deny or begrudge the desire to own one's home. Or at least to have a place you can live in while paying it off until one day finally owning it!

However, let's consider that:

1. houses are just one type of asset class that can be invested in; and more often than not they are an emotional rather than straight financial investment;

2. comparing returns in various asset classes shows that there are better places to invest for financial returns – though paying off a home first is a sensible step for most people. The key point is that these greater rates of return are available so paying off the home and getting to investing asap should be a priority.

Note: There is no guarantee that any one asset class will always provide a better return – in fact the returns can vary enormously.

ANNUAL PERFORMANCE OF ASSET CLASSES

Last year's best performing assets can easily become next year's worst

Australian shares	Return
Best asset class in 1986	52%
Worst asset class in 1987	-8%
Best asset class in 1991	34%
Worst asset class in 1992	2%
Best asset class in 1993	45%
Worst asset class in 1994	9%
International shares	
Best asset class in 1995	27%
Worst asset class in 1996	7%
Best asset class in 1999	17%
Worst asset class in 2000	3%
Cash	
Best asset class in 1994	5%
Worst asset class in 1995	8%

On mortgages:

When couples ask about the appropriate mortgage level on a house, our thoughts always covers:

- Understanding the full cost, ie. Transaction costs, Liquidity, Opportunity cost, Mobility costs
- Pressure of debt
- Need or want – impressing yourself or someone else?
- National averages
- Are you planning children? When?
- How long without two incomes?
- Does the second income add up?
- Get the house paid off
- Get into investing asap

You want an advisor who brings care for whole-of-life wellbeing in the advice they give rather than purely financial advice at all times. You need someone you can talk to about decisions and plans you are making who can provide information and angles for you to further develop the depth and details of these plans.

QUESTIONS

ASK YOURSELF:

- How long can we survive on one person's income?
- What impact will having children make to our debt servicing ability?
- Has my accountant advised me on the quality of my current mortgage, the features I require on my loan products and what they are costing me?
- Do I know what is the average percentage of income being used to fund a mortgage in Australia?
- What impact will an interest rate move of 2 per cent have on my ability to service my mortgage?

ASK ACCOUNTANT:

- Do you have a debt specialist within your firm to advise me?
- What is your philosophy with respect to debt?

Just having a complete list of exactly what debt you have is liberating!

Our minds cannot get to thinking about how to fix, improve or maximise the value from a situation that is not fully understood.

It is amazing to see the difference in attitude it makes to a client when they, for the first time, see the facts laid out in black and white.

What is even more refreshing is seeing the mind of the client (together with their advisor) start to devise ways to help; the outcomes are tremendous.

SOLUTION

Ask a KELLY+PARTNERS Client Director to prepare for you, without cost and obligation free, a summary and review of your current debt situation including calculation of what is your most effective rapid repayment program.

15

Understand debt elimination

KILL OR BE KILLED

Anon

Do you have a summary of everything you owe to anyone: the applicable total cost of each loan or form of finance, whether it is tax deductible, which to pay off first, how and when these steps might occur and the value of these steps?

Most people don't. Debt is a killer: either it gets you or you eliminate it from your life! Hence the saying, "Kill or be killed".

The best way to manage something is to write it down, measure it, set goals and monitor progress against these goals.

LOAN	INSTITUTION	PRODUCT	TERM	RATE	DEDUCTIBLE INTEREST

QUESTIONS

ASK ACCOUNTANT:

- Can you make a plan with me about how to eliminate my debt?
- Can you assist me in this task once I have all the paperwork together?
- Can you assist me to better structure my current debts for lower cost and swifter repayment?

PART 4

MAKE THE MONEY YOU NEED – WEALTH

It is amazing when people have complete clarity toward their current financial universe and then have the freedom to focus on what they want to change. The best example I have seen is a client who prepared the information:

- Fact Find
- Pile File
- Red File
- Net Worth Report
- Insurance Review
- Debt Review
- Started Saving Plan

The clarity of this process has seen an annual doubling of that individual's income for some four years now and a massive increase in their Net Worth.

SOLUTION

Ask a KELLY+PARTNERS Client Director for an introduction to speak to this individual about their experience.

16

Make money

I'VE TRIED RICH AND I'VE
TRIED POOR; I KNOW
WHICH ONE I LIKE BETTER

Zsa Zsa Gabor

Capitalism is about CAPITAL, you need some cash to play the game. It is not Debtism.

Yet, recent figures recently reported in the Australian Financial Review show that the "broader RBA figures on debt showed the household-debt-to-income ratio (including mortgages and all household debts) had hit a record $1.57 in debt for every $1 earned in disposable income"[3]

Earn, Spend less than You Earn, Save and Invest what you have saved. These simple observations, taught to us all as children are more easily said than done!

CONSIDER THE POWER OF COMPOUNDING

"The most powerful force in the universe is compound interest."
– *Albert Einstein (1879–1955)*, German-born American Physicist who developed the special and general theories of relativity. Nobel Prize for Physics in 1921.

	EXAMPLE 1		EXAMPLE 2	
AGE	ANNUAL INVESTMENT	YEAR-END VALUE	ANNUAL INVESTMENT	YEAR-END VALUE
19	$ 2,000	$2,200	$ 0	$ 0
20	$ 2,000	$4,620	$ 0	$ 0
21	$ 2,000	$7,282	$ 0	$ 0
22	$ 2,000	$10,210	$ 0	$ 0
23	$ 2,000	$13,431	$ 0	$ 0
24	$ 2,000	$ 16,974	$ 0	$ 0
25	$ 2,000	$ 20,872	$ 0	$ 0
26	$ 2,000	$ 25,159	$ 0	$ 0
27	$ 0	$ 27,675	$2,000	$2,200
28	$ 0	$ 30,442	$2,000	$4,620
29	$ 0	$33,487	$2,000	$7,282
30	$ 0	$36,835	$2,000	$10,210
31	$ 0	$40,519	$2,000	$13,431
32	$ 0	$44,571	$2,000	$16,974
33	$ 0	$49,028	$2,000	$20,872
34	$ 0	$53,931	$2,000	$25,159
35	$ 0	$59,324	$2,000	$29,875
36	$ 0	$65,256	$2,000	$35,062
37	$ 0	$71,782	$2,000	$40,769
38	$ 0	$78,960	$2,000	$47,045
39	$ 0	$86,856	$2,000	$53,950
40	$ 0	$95,541	$2,000	$61,545
41	$ 0	$105,095	$2,000	$69,899
42	$ 0	$115,605	$2,000	$79,089
43	$ 0	$127,165	$2,000	$89,198
44	$ 0	$139,882	$2,000	$100,318
45	$ 0	$153,870	$2,000	$112,550

46	$ 0	$169,257	$2,000	$126,005
47	$ 0	$186,183	$2,000	$140,805
48	$ 0	$204,801	$2,000	$157,086
49	$ 0	$225,281	$2,000	$174,995
50	$ 0	$247,809	$2,000	$194,694
51	$ 0	$272,590	$2,000	$216,364
52	$ 0	$299,849	$2,000	$240,200
53	$ 0	$329,834	$2,000	$266,420
54	$ 0	$362,818	$2,000	$295,262
55	$ 0	$399,100	$2,000	$326,988
56	$ 0	$439,010	$2,000	$361,887
57	$ 0	$482,910	$2,000	$400,276
58	$ 0	$531,202	$2,000	$442,503
59	$ 0	$584,322	$2,000	$488,953
60	$ 0	$642,754	$2,000	$540,049
61	$ 0	$707,029	$2,000	$596,254
62	$ 0	$777,732	$2,000	$658,079
63	$ 0	$855,505	$2,000	$726,087
64	$ 0	$941,056	$2,000	$800,896
65	$ 0	$1,035,161	$2,000	$883,185
Less $ invested		**($16,000)**		**($78,000)**
		$1,019,161		**$805,185**
Money increased		**64 fold**		**10 fold**

What we all know is that the longer you give your investments to grow magnifies massively your ultimate return. While this principle is well known it is seldom utilised.

What you want is to be spending time with people, including your advisor, who are doing the business. You will become like those you spend time with. By working with an accountant who is on the move, their energy and expertise will help you to move forward.

QUESTIONS

ASK YOURSELF:

- Do I feel supported, encouraged and assisted by my accountant?

ASK ACCOUNTANT:

- Can you recommend a financial planner who can start to straighten up my financial situation together with you?
- Will you work directly and closely with the financial planner in assisting me implement a wealth creation plan?

17

Make it safe

GETTING ANYTHING
IS ONE THING; KEEPING
IT IS QUITE ANOTHER

Anon

All of us have heard the saying, "it is too late to close the stable door once the horse has bolted".

In our case we deal with the daily reality that clients die or become seriously ill or injured, and businesses experience fire, break in or damage to premises that seriously erode the ability for profits to be made. Their families rely on us to have encouraged them to be appropriately insured, even though we are not insurance agents!

"Getting anything is one thing; keeping it is quite another" is a familiar saying. So often the effort to keep what you have is as great as it was to get it.

What you want is an accountant who will ensure that you have had a review of your own and your business's insurance requirements. And that the findings of this review have been implemented. Further, we believe that he should hold a copy of all of your insurance policies and understand that you have this area sorted or have chosen not to be adequately insured.

We always insist that clients send us an email to let us know that they don't believe in insurance so that when the calamity arises we can assure ourselves that we have made all efforts to provide the best advice.

Our outlook results from our experience suggesting that people look to their accountants in times of financial emergency. From our point of view then, it is best to be up to date with the precise financial situation that confronts the client so that we can help.

QUESTIONS

ASK YOURSELF:

- What would be my financial situation today if there were an illness, injury, death or business interruption?

ASK ACCOUNTANT:

- What insurance do I need? Can you help me or refer me to someone who can?

The amount of times we bring on board new clients who are working tremendously hard towards their financial goals but have been "leaking" costs to advisors and others is astounding.

Constantly we see that they are paying tremendous fees – such as 4% on savings or superannuation contributions and total "management fees" of some 4% annually.

Basically the improved solution we offer at a fraction of the cost – will take years off the time it takes to achieve their "Make Work a Choice" goal.

SOLUTION

Ask a KELLY+PARTNERS Client Director how they can save you years in getting yourself to "Working as a Choice"!

18

Make work a choice

SLAVERY IS NOW VOLUNTARY. ANY TAKERS?

Brett Kelly

Years ago people were enslaved; today through our work habits and spending choices we can, more than at any other time in history, financially enslave ourselves. So, in a very real sense, slavery is now voluntary. Any takers?

Credit (debt!) is only too readily available, as is every other imaginable type of lending.

Every New Year, financial counsellors brace themselves for the consequences of the Christmas before.

In December 2006 national credit card debt reached a record $37.3 billion, $5 billion more than the year prior. According to Steve Keen, Associate Professor of the University of Western Sydney, that debt is equivalent to 147 per cent of gross domestic product, compared with just 20 per cent in 1975.

Reserve Bank of Australia figures showed that consumers spent about $16 billion on credit cards in October 2006, with December spending expected to pass $17 billion.

The lenders are keen not to promote the bad news of course. But delinquent debt is there and, while it is often self-inflicted, occasionally it does occur through sickness, accident or losing a job. It pays to be prudent and talk through the options with a trusted advisor.

These are situations where people have made themselves slaves.

You want your accountant to show you how to sort your affairs and put before you what it will take, financially, for work to become a choice for you.

The great goal of life is not to stop working. Though knowing one has the choice to work or not is a tremendous goal. This choice will require a level of wealth that may be unachievable or even undesirable. No problem, at least you have the facts and are empowered to make the choice.

Work can be good for us, especially when we love what we do. And relationships prosper with the absence of compulsion. The coercion of debt hanging over your head forcing you to work, or of an unfulfilled savings plan or insufficient savings outcomes, can all destroy one's enjoyment of life.

We want to work with clients who love what they do and want to do a great job. Not just because they have bills to pay. Helping our clients know the choices that they can make for financial freedom helps us all by empowering our clients and making our work more meaningful.

AVERAGE SUPERANNUATION BALANCES IN AUSTRALIA (2002)

Age	$
Men All	78,700
Men 55-64	183,600
Women All	43,300
Women 55-64	94,700

PRINCIPAL SOURCE OF INCOME FOR RETIREES AGED 45+

Income Percentage	%
Super	11
Investment income	8
Other	10
Rents	3
Government Pensions	67

SOURCE: ABS CAT 6238.0, 2004-05

How much you need to save depends on what savings you start off with, how long it is until your retirement, and what level of retirement income you are seeking.

The table on the following page sets out in broad terms what an individual might have to save, in terms of percentage of their income, in order to meet certain retirement income targets. Relying on compulsory superannuation contributions will not be enough for most employees if they want to achieve 60 per cent of pre-retirement income in retirement. Quite a few financial planners set a target of 60 per cent. As well, the type of final incomes involved with this target in terms of the dollars per year are consistent with goals based on achieving either a modest or comfortable standard of living in retirement. For instance, a 60 per cent replacement rate for someone on $75,000 a year would generate an income sufficient to fund a comfortable standard of living in retirement.

Percentage of income over and above the 9% Superannuation Guarantee required to be saved to achieve 60% of pre-retirement income (a)

FINAL INCOME: RETIREMENT INCOME SOUGHT (%)

Years to retirement	**$35,000 ($21,000)**	**$50,000 ($30,000)**	**$75,000** *(b)* **($45,000)**
5	94	127	153
10	43	60	74
15	24	35	44
20	13	22	28
25	7	14	19
30	3	9	12
35	1	5	8
40		2	4

(a) Projections based on fund net (after tax and fees) earning rate of 7 per cent nominal and growth in average earnings of 3.75 per cent with contributions being made by the employer and subject to 15 per cent tax.

(b) Individual on $75,000 a year is not subject to the superannuation contributions surcharge if receiving contributions at the SG rate of 9 per cent. Additional contributions quantified in this table are assumed to be salary sacrifice, with total salary and superannuation contributions remaining under the surcharge threshold.

The Association of Superannuation Funds of Australia, together with Westpac, found that to have a comfortable lifestyle, retired singles who live in their own home need to spend $35,430 a year and couples $47,507.

It's estimated that you would need some $500,000 to fund such a lifestyle up to the current life expectancy rates of 77.6 years for men and 82.9 years for women.

Recent life expectancy figures issued by the Australian Government Actuary estimate that a 55-year-old woman will live on average until she is 84.9 and a man of the same age until 80.9.

The above shows the large gaps between what people have saved for retirement and what they will require. The expectations these people have for their retirement are even more significantly different from the reality of their ability to provide for themselves.

Sadly this whole situation would have been very different if they had invested a little time and money in seeking understanding, getting advice and taking action.

Did they have accountants? If so, how did they help?

QUESTIONS

ASK YOURSELF:

- Am I prepared financially for retirement?
- Do I have a plan to make work a choice?
- What level of retirement income will I require?

ASK ACCOUNTANT:

- Can you recommend how to get started?
- What extra action can I take now to help my plan?
- How many more years will I need to work before work will become a choice?
- What level of assets will I need invested in order to have the choice of what work I will undertake?
- What is the average level of superannuation for a retiring worker in Australia?
- What level of income can the average Australian expect in retirement?
- What will my likely position be in retirement?
- Can you recommend a financial planner that you work with who can help me work together to achieve my goals?

19

Make a difference

IN SPITE OF ILLNESS, IN SPITE EVEN
OF THE ARCHENEMY SORROW,
ONE CAN REMAIN ALIVE LONG
PAST THE USUAL DATE OF
DISINTEGRATION IF ONE IS
UNAFRAID OF CHANGE, INSATIABLE
IN INTELLECTUAL CURIOSITY,
INTERESTED IN BIG THINGS,
AND HAPPY IN SMALL WAYS.

Edith Wharton – "A Backward Glance"

One of the great observations in life is that who you really are is what you do when no-one else is watching, knows or will ever find out! The interesting horizon this observation opens up though is that the good that you do today lasts forever in the lives of others.

Knowing this very fluffy stuff and doing something about it are two different things, of course. But in all this talk about money let's not forget that you are replaceable to everyone except those closest to you.

When my father lay in the hospital dying of cancer that had riddled his body but not broken his spirit, it was his eight sons, wife and friends that visited him not his cars, cash or the Jaguar he might have owned. Never have I visited the old, lonely or sick and found them consoled by material goods but all too often I have found bitterness about relationships broken, family who do not visit, friends who aren't.

It is an interesting perspective that as I travelled through Europe and visited great art galleries I noted over and over the presence of skulls in Renaissance art. I was told that the skull was to signify and encourage people to reflect on the "shortness of life" – the insight was not lost on me.

So let's not forget that the dollars benefit you receive from your advisor is only as useful as the "for", as in "what for?".

Get a great reason for the money you make and use what you have to make a difference that will last beyond you. This is nothing new to most of our clients, but it is something that we all benefit from in reminding each other.

PHILANTHROPY

AUSTRALIA

- It is estimated that there are over 2000 foundations in Australia giving between A$0.5 billion and A$1 billion per annum.
- One of the oldest philanthropic foundations in the country is the Wyatt Benevolent Institution, established in 1881.
- The total giving of money, goods and services to non-profit organisations by individuals and businesses totals some $11 billion per year, which excludes giving in response to the Asian tsunami crisis in late 2004/early 2005.
- Individuals and households give some $7.7 billion from approximately 13.5 million people, (90 per cent of adult Australians).
- It is estimated that some A$3.2 billion is given by approximately 525,900 businesses (67 per cent of businesses).

USA

- In the USA, some 89 per cent of households give, with the average annual contribution being $1620. Total giving is estimated at over US$260 billion.
- It is estimated that between $6.6 trillion to $27.4 trillion in charitable bequests will be made between 1998 and 2052 and that total charitable contributions will total US$21.2 to US$55.4 trillion between 1998 and 2052.
- Intergenerational transfer of wealth of more than US$15 trillion is projected between 2006 and 2021.

USA (CONTINUED)

Charitable Organisations

- There are approximately 1,010,400 charitable organisations in the United States.
- There are approximately 355,000 religious congregations.
- The largest sources of non-profit revenue and support are comprised of: dues, fees and charges (37.5 per cent); government support (31.3 per cent); private contributions (19.9 per cent); and miscellaneous revenue (11.4 per cent).
- The non-profit sector employs 10.2 million people, accounting for 6.9 per cent of the total US workforce.
- 7 per cent of Americans are paid employees of non-profit organisations.
- The number of US non-profits has doubled in the past five years.
- The number of family foundations has increased 60 per cent in the past six years.

QUESTIONS

ASK YOURSELF:

- Do I have a will?
- Who is my executor?
- What ways would I like to make a difference now and after I am gone?
- Is there any particular cause that I would really like to have an impact on before I die and leave a lasting effect that will go beyond my life?

ASK ACCOUNTANT:

- What can I do today to plan a legacy and get started?
- Are there tax effective structures for ways of giving?
- What are others doing in terms of giving?

PART 5

MORE WAYS TO HELP – OTHER

20. More value

20

More value

PITY THE MAN WHO
COULD HAVE DONE MORE
AND CHOSE NOT TO…

Brett Kelly

Pity the man who could have done more and chose not to…

You would think that a professional advisor would have a few clients who from time to time might be able to be of assistance to each other. It always amazed me, in the firms that I had worked in before starting KELLY+PARTNERS, that the staff of those firms were not encouraged to buy from clients and that clients were not introduced to each other when they could be of mutual assistance.

You want your accountant to have a high confidentiality approach to what he does and never use a client's name in public or with other clients. Complete confidentiality is a must. What you also want, though, is the benefit of that accountant's significant network for you, your business and your life.

If two people are clients of a firm and are not in competition and could help each other you would hope that the accountant would take the initiative to make an introduction (after checking with each party that that was ok).

What we do for our clients is just that. We help our clients with such things as:

- finding staff
- finding investors for their business
- getting a decent bookkeeper
- legal advice that they need
- referring them to the IT company that we ourselves use
- finding a quantity surveyor to assess their rental property
- recommending an office fit-out company or office furniture provider
- sending them to see a client who does electronics or travel or cars
- referring a client to another client for assistance in real estate buying or HR consulting
- finding suitable members for a board of directors
- recommending a couture dressmaker

We want to show our clients that we care about them as people as well as the performance of their business, and that we want a relationship that is beneficial and contributes to the good that is in their life. So our attitude is to help in every way that we can!

QUESTIONS

ASK YOURSELF:

- Do I have a diagram of my existing structure(s)?
- Do I know how it works from an asset protection, commercial flexibility, income tax, capital gains tax, other taxes and tax concession point of view? That is, would I be able to explain the structure to someone else who is not familiar with it?

ASK ACCOUNTANT:

- What is my current structure(s)?
- Would you please provide me with a diagram of my current structure?
- Would you please write down, in the form of formal tax advice, what my structure is, why you are advising this structure and the benefits of this structure to me?

SUMMARY CHECKLIST

1. Get organised ☐
2. Get some direction ☐
3. Get going ☐
4. Get a scoreboard ☐
5. Get structured ☐
6. Get protected ☐
7. Get less tax ☐
8. Get an exit plan now ☐
9. Do tax planning ☐
10. Do all deductions ☐
11. Do income ☐
12. Do timing ☐
13. Understand debt myths ☐
14. Understand the debt you need ☐
15. Understand debt elimination ☐
16. Make money ☐
17. Make it safe ☐
18. Make work a choice ☐
19. Make a difference ☐
20. More value ☐

YOUR NEXT STEP

I hope that you'll find this small book sufficiently inspiring and informative to either help you with your start-up business or encourage you in your existing business.

There's not a whole lot that's new in the world. If we want to lose weight, we know how. If we want to learn a language, we know how. If we want to improve our financial circumstances, we know how.

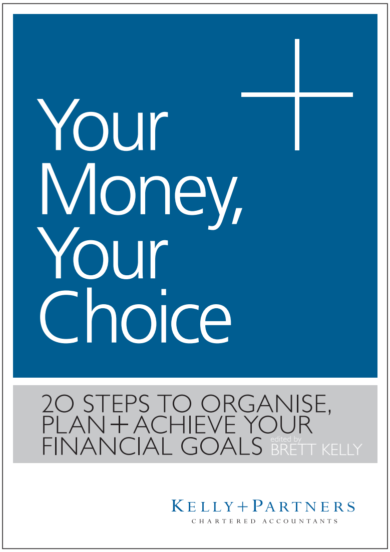
The question that needs to be asked on the way to having a successful business is: Will we actually take the actions required to make a difference in our lives and the lives of others?

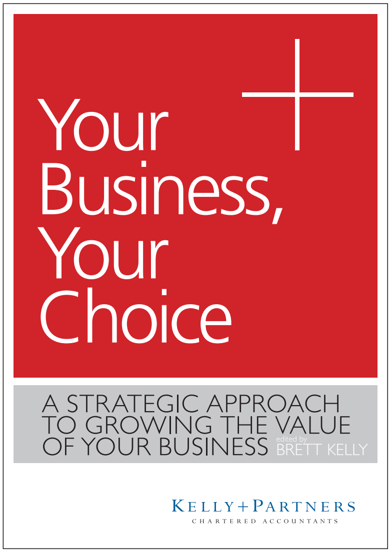
It's not a complicated process to stick to a structured approach. Here, Kelly+Partners have provided a basic structure and essential steps in setting up or running your own business. However, this really is an exercise that raises as many questions as it gives answers.

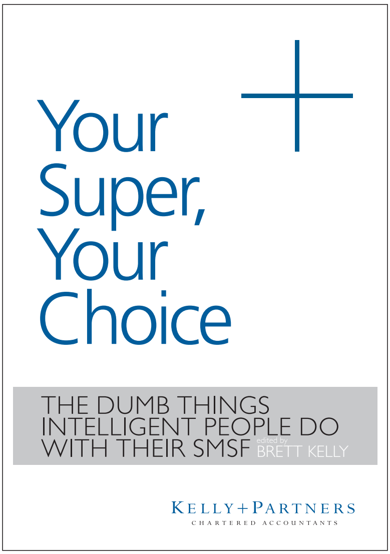
Having read this book, we trust that you'll seek expert input from us in the coming days, or at least a conversation.

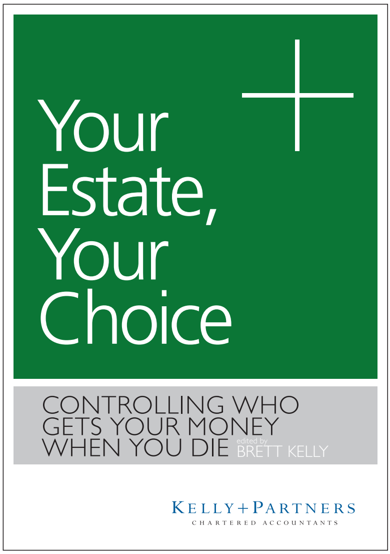
KELLY+PARTNERS BOOKS

Books available in the Kelly+Partners *Your Choice* series.









WHAT K+P CLIENTS SAY

"There are two factors that have helped my business grow: The number one thing would be my wife, and the number two thing would be my accountant. If you really want your business to succeed and grow, they are the people to have on board."
BUSINESS OWNER, EQUIPMENT HIRE

"Kelly+Partners are a very well organized, very well run organization. They are passionate about their clients, their staff and how they are managed and I think that makes a big difference in acounting firms I've spoken to."
SUPPLIER, IT SOFTWARE

"What I like about Kelly+Partners is it's a two way street. As a business partnership, they look to help our business not just on the financial side, but they promote our business actively and we feel comfortable promoting their business."
BUSINESS OWNER, INTERIOR DESIGN AND PROJECT MANAGEMENT

"I am more than happy to recommend Kelly+Partners. They are like mentors for me in growing the business and they offer far, far more than just a normal accountancy firm."
BUSINESS OWNER, REAL ESTATE

"I certainly find that everything we need, we get from Kelly+Partners. I wouldn't dream of going somewhere else."
BUSINESS OWNER, ENGINEERING SERVICES

"At the end of the day, it's that personal relationship . . . I can pick up the phone, get on a mobile if it's urgent, and my calls get answered . . . If there is one word that sums it up, they 'care'. They actually care about myself, our family and the way we are growing. It's is a partnership in every true sense of the word."
PRINCIPAL, REAL ESTATE

"I recommend Kelly+Partners. They are very professional, very specialized in their field, which in my line of work is important . . . It's good to hand over the reins and certain needs."
BUSINESS OWNER, DENTAL PRACTICE

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KELLY+PARTNERS
CHARTERED ACCOUNTANTS

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