navigate financial group

# Autumn 2009 Newsletter

www.navgroup.com.au

# Welcome

## to the Autumn edition of our newsletter

We believe that one of the most important things that we can do for you during tough economic times, is ensure you and your family are adequately protected. We are often surprised at the response of clients when asked if they are protected, as most have no hesitation in insuring their car or their home, but think twice about insuring themselves. We have therefore included an article which discusses the different types of insurance available and the importance or relevance of each. After all, you are your most valuable asset.

Now that the economic slowdown has really hit, our article on 'Surviving the Downturn' has 10 tips for both businesses and individuals on cash-flow control and debt management to help you get your finances in order.

Stress affects us all in different ways and we are all stressed out by different things. We have included some tips on how to identify stress and more importantly how to manage it!

Due to the recent economic slowdown, the Government has announced some legislation changes which can greatly affect retirees. If you have or are planning a pension drawdown – don't miss our article with the latest information and how you can benefit from changes to the minimum payment amount for 2008/09.

Where does the time go? Whether you can believe it or not, we are again approaching the end of the financial year. With this in mind we have a feature article on the considerations for both individuals and small business owners to ensure you are prepared and in the best position from a taxation perspective. Of course every clients' situation is unique, therefore if you have a specific end-of –year query please contact our office so that we can assist you. Make sure you are ready and don't miss any opportunities by leaving everything to the last minute.

Finally, we invite you to meet our newest team members, Rob Cran and Tony Caine. Both Rob and Tony bring a great deal of knowledge and experience to the Navigate team. Their profiles are included for your interest.

Please contact the office for any further information on the topics included in this newsletter, or to discuss your own financial situation.

Kind regards,

Tony Borg and Harry Moustakas
Principals -Navigate Financial Group

# INSURANCE

## How well are you covered?

Current market conditions including record debt levels have for many Australians made their income their most valuable asset … yet it is the least protected. Australians are underinsured, the main reason for which is the perceived cost of insurance and of course the 'she'll be right' attitude.

A national study conducted in 2008 found that 2 out of 3 people who lost their income would rely on government welfare for financial support. The study also found that 67% of respondents had little or no income protection and over half of the respondents had a mortgage and/or financial dependents.


*Continued on Page 4 ...*

## In this Edition




Tony Borg


Harry Moustakas

# SURVIVING THE DOWNTURN

## 10 Tips for Businesses - 10 Tips for Individuals

Make no mistake, the economic slowdown has hit, and with many predicting that things may get worse, now could be the last chance to get your finances in order.

Whether you are an individual or small business client, there are many things that you can do to protect your cash-flow and ease the pressure. Below are our tips which have been split into businesses and individual categories.

### 10 tips for Businesses

### How to break the cash-flow drought

In boom times, many business owners naturally turn their focus to more favourable measurements like sales and profit, but when things slow down it is cash-flow that is the key test of business health.

The good news is that experts say there is plenty businesses can do to turn a cash-flow trickle into a flood. Here are 10 of their best tips for boosting business cash-flow.

#### ❶ Put together a good cash-flow forecast

A cash-flow forecast is a key diagnostic tool for the health of a business. Without one, getting your business's cash-flow right is almost impossible.

**Here are five tips for putting together a solid cash-flow forecast:**

① **Keep it simple:** Piling everything into a cash-flow won't necessarily make it a better tool. Focus first on the items that affect your cash-flow most heavily and add extras to the forecast if required.

② **Standardise:** Ensure procedures for collecting and reporting cash-flow data are consistent across all business units.

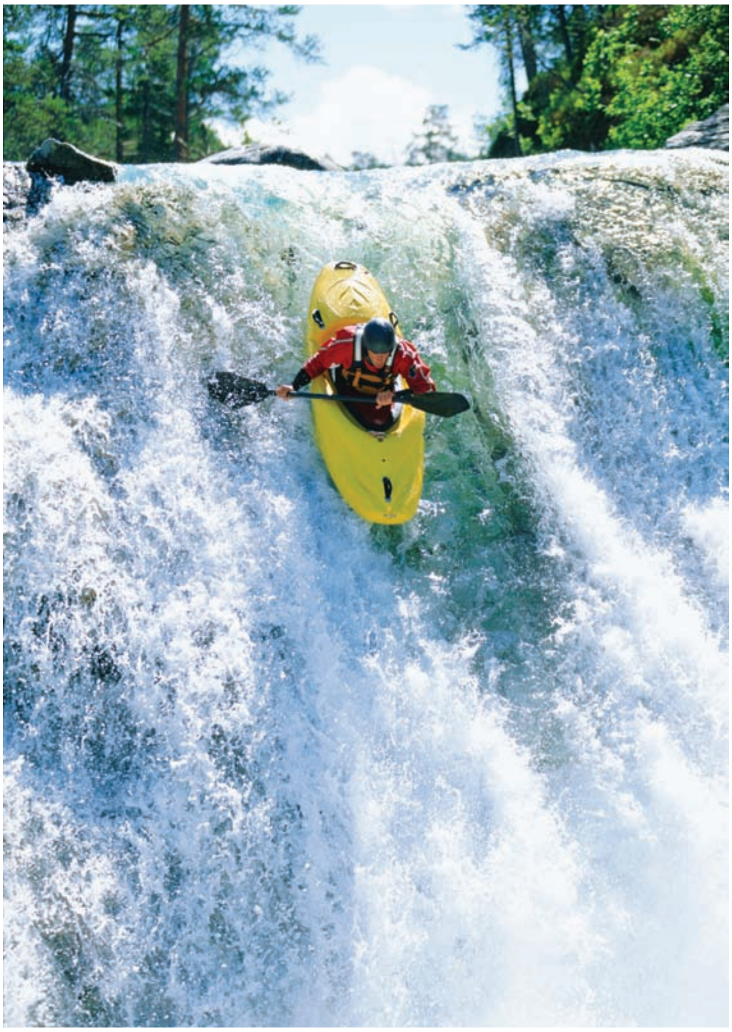
③ **Measure your accuracy:** Set the level of variance from your cash-flow targets you are prepared to accept, and see how close you get each month. Where targets are missed, investigate the reasons and consider if changes are needed for next month's forecast.

④ **Reward those who help:** For all but the smallest businesses, putting together a cash-flow forecast requires significant input from staff. Make sure they know they will be rewarded for putting in the effort to provide accurate and timely data.

⑤ **Automate and integrate:** If possible, set up business reporting and accounting systems so they provide automatic inputs into your cash-flow forecast.

#### ❷ Communicate from day one

Once you understand how cash moves through your business, you can start taking action to increase cash-flow. In the current economic and credit climate, there is one key challenge most business owners are likely to face in bringing more cash in the door; getting customers to pay on time. To do this communication is the key to ensure customers understand your terms and the consequences for not meeting them.



#### ❸ Check the credentials of new customers

New customers are great, but new customers that actually pay are even better. The problem is, it can be difficult to tell one from the other until it is too late.

One measure that can help you avoid the duds is a standard credit check for any new client that will be offered credit.

#### ❹ Give your customers a reason to pay

Reminders and checks may get the debtors paying in good times, but when things are tight a little something more will often be necessary to bring in the cash. This can be in the form of a discount or other benefits e.g. a higher level of post-purchase service or priority access to new stock.

#### ❺ Spend more time ensuring your big clients pay

Small businesses that rely heavily on dealing with a few, big clients, often find themselves in a bind when it comes to cash-flow – desperate to be paid, but petrified of losing a key customer. A useful back-up for small businesses heavily reliant on a few big customers is debtor insurance.

#### ❻ Encourage staff to bring in the cash

Many businesses reward staff for boosting sales, so why not give staff a real incentive to bring in the cash during an economic slowdown.

#### ❼ Debtor finance can help in a tight spot

There are a range of finance options available to small businesses that can provide an immediate boost to cash-flow – at a price. Whether called debtor factoring, invoice discounting or debtor finance, these facilities effectively allow a business to borrow against the value of their debtor book.

#### ❽ Be disciplined

The first big penalty you can level against a delinquent customer is to refuse them any further credit and require them to provide cash on delivery. The next step up is to cancel supply, which can have serious ramifications, however it sends a clear signal that you are serious about your debts being paid. The end of the line with a debtor is to bring in the lawyers.

#### ❾ If you can't be disciplined, outsource to someone who can

For businesses that want to beef up their debtor management, but don't want to build an inhouse accounts receivable capacity, outsourcing can be an option.

*Continued on Page 3 ...*

# ARE YOU S-T-R-E-S-S-E-D

Stress is on the rise. How we learn to manage it can have profound effects on our health and well being.

Stress is the normal response we experience to everyday life. It is the body's instinct to defend itself. This is good when an instantaneous reaction is required, such as changing lanes when driving a car. The adrenalin is pumping and all senses are on alert. When stress goes on for too long unchecked, there can be physical symptoms and these will impact on your daily life.

The first step in managing your stress is recognising the symptoms. Chronic stress does not happen overnight. Some people, rather than acknowledge the signs, push themselves even more and delude themselves that everything is okay.

Any sort of change can make you feel stressed, even good change. It is not the change itself but how you react to it. People feel stress in different ways and what is stressful for one person will not be for another.

The warning signs for stress may be physical, behavioural, emotional or cognitive. These symptoms include headaches, muscle aches and pains, anxiety, change in appetite, relationship problems, negative thoughts and difficulty making decisions.

The first step is being able to recognise the symptoms of stress. The next step is learning how to manage your stress levels.

Some studies have suggested the tendency to feel excessive stress is an inherited tendency. Others describe stress as a response learned over a lifetime. Regardless of what causes stress it is an increasing part of our lives and ignoring the signs will not make them go away. Physical exercise releases tension and helps the body absorb the vitamins and minerals from your new healthy diet. Exercise can be as simple as walking. The important thing is to do it regularly.

There are some simple things we can all do to help manage stress. Eat a diet rich in vitamins and minerals. Fresh fruit and vegetables, dairy, fish, nuts and brown rice are all good stress busting foods. Foods to avoid when stressed are tea, coffee, cakes, soft drinks, chocolate and white bread.

Also learn to relax. If you can make time to relax each day you will be amazed how quickly your physical tension will reduce. Relaxation involves consciously focusing on one area of the body at a time, clenching the muscles then relaxing them. Relaxation might also mean reading a book or having a nap. Whatever works for you.

Other ways of dealing with stress include not worrying about things you cannot control. Think of change as a positive challenge rather than as a threat.

Many people cope better with stress by talking and sharing their feelings with other people. This might be as simple as talking with your partner or a friend. Your doctor is also an important resource.

Source: Jenny Drennan - YMD (Your Marketing Dept.)

*Continued from Page 2 ...* **SURVIVING THE DOWNTURN**

The key test of whether outsourcing will work for a business is how it fits into the bottom line, with the cost of the service balanced against the prospect of improved payment rates and the convenience of somebody else managing your debts.

### ❿ Don't grow yourself out of business

Cash-flow management may become imperative during economic downtimes, but periods of rapid growth can present equally difficult cash-flow challenges.

Careful cash-flow forecasting can help businesses avoid growth pains by highlighting the need for increased capital expenditure and the imbalance to cash-flow that comes from an increased debtor book.

## 10 Tips for Individuals

### Debt management the key to survival

There are many strategies that one can adopt during tough times. Of course each has merits dependent upon your individual financial circumstances. One of the common themes, particularly during economic slowdowns, is debt management and consolidation. Below are some tips to ensure you are prepared for what lies ahead.

### ❶ Pay down credit card debt

This is sound advice because of the high costs that banks are imposing, both in terms of interest rates (that banks continue to increase) as well as late fees.

### ❷ Spending Analysis

It is important to review your current spending and breakdown into the following spending patterns so that you know where your money goes

- fixed costs
- discretionary costs
- other (those items that appear on your statements that you have no idea about....this generally accounts for up to 25% of weekly spending!!!)

### ❸ Discuss Your Debts

Make time to sit down and discuss your debts with our strategic debt advice specialist, to tailor your debts to suit your needs.

### ❹ Consolidate Your Debts

Consolidate high interest debt into lower rate loans and release cash flow for investments and/or living expenses.

### ❺ Establish a "rainy day fund."

In tough economic times, that can be difficult, but if possible set aside 3 to 6 months of current salary. This money should only be used if there is an emergency.

### ❻ Do not jeopardise your savings/ superannuation

Reduce spending wherever possible to avoid the harmful effects that reducing contributions to superannuation has on your long-term goals.

### ❼ Investment allocation

Talk to your Navigate financial advisor and ensure that your investments are according to your risk profile and therefore in appropriate asset classes.

### ❽ Be Informed

Open and read your investment account statements. This can be emotionally difficult, and statements can be difficult to understand. However it is important to make the effort, especially in a volatile, bear market.

### ❾ Invest for the long term

FINRA repeats our continued advice not to jump ship based upon a short-term outlook. We still believe that this is sound advice, provided you have a long-term outlook.

### ❿ Regular Communication

If you have any questions regarding your situation or investments please contact your Navigate financial advisor.

Article adapted from the following sources:
http://www.smartcompany.com.au/Growth-Resources/Finance/20080724-10-tips-to-break-the-cash-flow-drought.html
FINRA (the Financial Industry Regulatory Authority) has published, "Weathering Tough Financial Times: 9 Tips for 2009."

# RELIEF FOR RETIREES

Currently, it is a requirement that minimum payments be made from a superannuation account-based pension at least annually. Minimum payments are determined by age and the value of the account balance as at 1 July each year. The minimum annual payment rule is designed so that retirees draw down on their superannuation capital over their retirement. This rule recognises that superannuation is designed as a retirement savings vehicle with substantial tax concessions.

As a result of the significant downturn in financial markets the Government has announced a 50 per cent reduction in the minimum drawdown requirement for account-based pensions for 2008-09.

This action responds to concerns that for many Australians, meeting the minimum draw down amount in 2008-09 will mean having to sell investment assets and realise losses in a depressed market. It also addresses the concern that the minimum draw down requirement was set based on asset values as at 1 July 2008, when equity values were higher.

The relief will be delivered via a 50 per cent reduction in the minimum payment amount for 2008-09.

For those people who have already taken half of the current minimum payment for 2008-09, the annual nature of the minimum payment rules means that a further payment will not be required until the end of the 2009-10 year.

The temporary suspension of the minimum payment requirement will apply to account based annuities and pensions (payable since 1 July, 2007); allocated annuities and pensions (pre-dating the Better Super changes); account-based and allocated pensions payable from Retirement Savings Accounts, and market-linked (term allocated) annuities and pensions.

Source:
Treasurer and Minister for Superannuation - CANBERRA
18 February, 2009

## *Continued from Front Page* ... INSURANCE

Another (Comminsure) study found 51% of their respondents did not have income protection insurance because they felt that it was unlikely that they would suffer a long-term illness or be involved in an accident preventing them from working. This compared to the statistical evidence that in fact one-third would be affected.

The facts below about Heart Disease may change your mind:

- Coronary heart disease is the ***single largest cause of death in Australia*** and the ***most common cause of sudden death.***
- For a 40-year old, the risk of having coronary heart disease at some time in their future is ***1 in 2 for men and 1 in 3 for women.***
- Around 366,600 Australians have coronary heart disease.
- Men are twice as likely to have a coronary event than women
- Over ***90% of heart attack victims survive.***
- Coronary heart disease kills almost 5 times as many Australian women as breast cancer.
- ***One Australian dies every 10 minutes*** from cardiovascular disease (heart diseases, stroke and related vascular diseases).
- Heart disease does not discriminate – ***it strikes young and old.***

In addition, many have not considered the costs incurred when suffering a long-term illness or rehabilitating from a serious accident. There are many break-through treatments available, however they come at a significant and often ongoing cost.

Quite simply insurance provides a lump sum payment or income stream when you need it most. There are three types of insurance that may assist if you are unable to work for an extended period:

- ✓ Income protection pays a proportion of your salary if you are temporarily unable to work due to sickness or injury.
- ✓ Trauma protection pays a lump sum upon diagnosis of a specified serious illness.
- ✓ Total and Permanent Disability Protection pays a lump sum if you're permanently disabled before you retire and unable to return to work.

Life insurance can also provide financial assistance to your loved ones and pays a lump sum in the event of your death.

With the above information and statistics in mind we recommend you review your situation and consider your insurance needs today. Call your Navigate financial advisor and arrange a no obligation review of your insurance needs – for you and your family's sake – make it a priority!

Source: Compiled by Amy Cameron - YMD
(Your Marketing Dept.)
Case Study sourced from Daily Telegraph – Reporter Claire Masters

### CASE STUDY

**Stephanie Briley, 31, knows exactly how much her life is worth; $85,000 for one year' s treatment of the breast cancer drug Herceptin.**

**In November last year a lump in her breast prompted Ms Briley to go to the doctor. Within days she was told she had (Her2) positive breast cancer.**

**Within days the northern NSW woman was enduring chemotherapy while working out ways to pay for the drug.**

**"I didn't even tell my parents [about the cost] straight away because I knew they were still trying to deal with the fact their daughter has cancer at 31."**

**"We are going to try fundraising and if that doesn't work my parents have offered to sell their house," she said.**

# ARE YOU READY?

## 30th June is just around the corner

With 30 June just around the corner, we thought it was timely to give you a few tips on how you or your business can be prepared for the end of the financial year. Don't leave everything until the last minute as you do not want to miss out on any opportunities or tax savings that may be available to you.

We have split the information below into two sections, one for individual clients and one for small business clients:


### TAX TIPS FOR INDIVIDUALS

Below is a list of super contribution types and the allowable contributions or regulations associated with each. There are many tax advantages associated with these contributions and several contribution types may be applicable for you:

**Type of Contribution**

**1. Salary Sacrifice –**
Sacrifice part of your salary and have it put into superannuation pre-tax. This could reduce your tax liability by up to 31.5% (from 46.5% to 15%). You may also have the option of drawing down on your super as a pre-retirement pension if you are over 55.

**2. Concessional Contribution Cap - $50,000.**
A transitional cap of $100,000 applies during a transitional period between 1 July 2007 and 30 June 2012 for a person who is aged 50 or over on the last day of a financial year within the transitional period.

**3. Non-Concessional Contribution Cap - $150,000.**
People under age 65 at any time in the financial year may bring forward two years' worth of non-concessional contributions allowing them to contribute $450,0000 at any time over a three-year period without exceeding the cap.

**4. Co-Contribution**
If your income is less than $30,342 you can contribute up to $1,000 and get a maximum of $1,500 contribution from the government. Sliding scale of government co-contributions applies to income of $60,342. Self employed persons may be able to claim the co-contribution if they meet the eligibility criteria.

**5. Spouse Contributions**
Contribute $3,000 to your spouse's super and receive up to 18% rebate if spouse income is less than $10,800. Sliding scale applies for rebate to maximum income of $13,800.

**6. Super Splitting**
Superannuation contributions splitting means that you can split certain superannuation contributions made during a financial year to your spouse's superannuation account. It is a way for your spouse to accumulate their own superannuation, even if they have a low income or they are not working. You need to notify your fund after 30 June to transfer contributions made during 2009.

**7. Super Portability**
Gives you the opportunity to move some or all of your accumulated super into a different fund of your choice. It allows you to consolidate your superannuation benefits in one account or diversify your superannuation portfolio.

In addition to the superannuation strategies described above, there are a number of other ways that you may increase your allowable tax deductions or planning benefits. Below is a simple checklist of items to consider:

✓ Income Protection Plan – if you don't have it, get it. Prepay for 12 months as it is tax deductible

✓ Make sure you claim all your eligible deductions

✓ Prepay loans, leases and deductible expenses up to 12 months in advance

✓ Defer sale of investment assets until after 1 July to carry forward capital gains tax to the next year, or offset gains made this year by realizing losses.

✓ Gearing to invest – borrowing to invest can enhance your portfolio growth and provide tax benefits

✓ Work related expenses – discuss with your accountant what expenses you are eligible to claim. For example, ensure you are using the most appropriate method to calculate your claimable car expenses.

### TAX TIPS FOR SMALL BUSINESS

As has been said many times before 'failing to plan is like planning to fail' – this is particularly true for small businesses with regards to preparation for end of the financial year. With this in mind, we have included some useful tips for your business below:

Review the year past - Run a trial balance on the company P & L at the end of April. Determine your tax position and forecast to 30 June. It gives you 8 weeks to manage profit and consider opportunities to reduce tax.

Pre-pay leases and loans – If it is feasible, pre-pay leases and loans on property, plant and equipment for the year ahead before the end of June. This gives you the opportunity to claim the deduction in this financial year.

Your Superannuation - Salary Sacrifice into Superannuation to reduce company tax on retained earnings. The tax saving is 15%!

Staff Superannuation - Pay all liabilities for staff super before the 30th June deadline.

Accounts Receivable – If there is substantial profit in the company year to date defer issuing invoices for accounts receivable until 1 July.

Accounts Payable - Pay outstanding accounts payable up to 30th June and bring forward any expenses into this year if practical.

As you can see whether you are an individual or small business client, there are many issues to be considered. To find out more about how the above strategies may be of benefit to you by minimizing the impact of tax, please contact our office as soon as possible. Please discuss your situation and seek necessary advice from your Navigate advisor prior to undertaking any of the above mentioned strategies.

Source: Amy Cameron - YMD (Your Marketing Dept)

# MEET THE NAVIGATE TEAM

## ROB CRAN

We are very pleased to welcome Rob Cran, Navigate's new General Insurance Manager. Rob has just joined the Navigate team and brings with him a wealth of experience, including 40 years Underwriting / Broking experience within the Insurance Industry. He has worked with companies such as Sedgwick's, Marsh and Horsell and spent 16 years with GIO as a Business Insurance Representative.

Outside his professional career Rob loves family life and also enjoys snow skiing, music and water sports.

We are very excited to have Rob focused on offering insurance to our clients. As mentioned in our last newsletter and recent communications, the vast majority of Australians are greatly underinsured, which is particularly evident in tough economic times.

At Navigate there is no one size fits all approach. We pride ourselves on providing responsive advice to ensure all clients have the right insurance to meet their personal and business needs.

- Business Insurance
- Commercial Insurance
- Trade Insurance
- Construction Insurance
- Marine Insurance
- Professional Indemnity Insurance
- Home and Contents Insurance
- Investors Insurance
- Strata/Body Corporate Insurance
- Boat Insurance

Don't leave it to chance or luck – contact Rob today to discuss your situation and insurance needs.

## TONY CAINE

We would like to introduce the newest financial adviser of the Navigate Financial Group team, Tony Caine. Joining us on 7th October 2008, Tony came from the AMP Horizons Program which is a financial planning academy.

Tony holds a diploma in financial services and is currently completing a Commerce degree. Tony is also an accredited mortgage consultant and will also assist Mark Ruhoff in Navigate's Mortgage/Banking business.

When Tony is not at work he is most often found on a rugby league field. Tony's league career continues to expand, playing for both the Cronulla-Sutherland Sharks and St George Illawarra Dragons. His position of choice is at hooker.

After suffering a serious injury in 2006 in his first NRL debut with the Cronulla Sharks, Tony spent 2007 at the St George Illawarra Dragons. Tony signed with the Dragons for the 2007 and 2008 seasons, but the club released him in 2008 after he decided to seek a complete period of rest for his troublesome knee and commence his Career as a Financial Advisor.

In 2009 Tony has returned to the NRL, signing with his original club the Cronulla-Sutherland Sharks. He has been chosen as captain of the Premier League team – we wish him luck for the season ahead!

navigate
financial group


Navigate Financial Group P/L
T +61 2 8028 2600
F +61 2 8028 2611
E service@navgroup.com.au
W www.navgroup.com.au
DX Manly 9230 DX Sydney 92

**Office Locations**
- Level 6, 23 Hunter Street (Cnr Pitt St), Sydney City, NSW 2000
- Level 5, 376 Bay Street, Brighton-le-Sands, NSW 2216
- Level 5, 39 East Esplanade, Manly, NSW 2095


Accredited by AMP Financial Planning

FPA PRINCIPAL MEMBER

MFAA ACCREDITED MORTGAGE CONSULTANT