



SADLER OAKLY NEWMAN
CHARTERED ACCOUNTANTS

Calculating Thoughts



(the newsletter service of Sadler Oakly Newman, Chartered Accountants, Masterton) **December 2010**

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Be sure to read each article with the mindset "How this could apply to our business".

Thinking of it that way will guarantee that you get the best value. Share the newsletter with staff and colleagues.

To really make sure something positive happens talk to us for that special piece of advice that will manage and grow your business ideas.

Have you a plan if a business partner dies?

What would happen if your business partner died suddenly? Indeed, what would happen if you died?

Planning for the death of a partner in a business must be looked at from both sides of the equation. What are the needs and expectations of the survivors in the business and the members of the deceased estate?



Contingency plans for the death of a business partner can be incorporated into a Buy/Sell Agreement. A properly drafted Buy/Sell Agreement with appropriate insurance covers should ensure that there is sufficient cash to enable the deceased partner's estate to be paid out. What you need to do is periodically update the Buy/Sell Agreement.

Make sure it reflects the current value of the business and try and get insurance covers on the partners that reflect the value of their share in the business. It is very important that a commercial solicitor drafts the Buy/Sell Agreement, checks the company documentation and Wills to ensure that, in the unfortunate event of a premature death, the business will be able to survive and the deceased partner's estate will be able to be paid out.

Bye-bye to LAQCs - it's been good to know you

DON'T panic. If you operate an LAQC (loss attributing qualifying company) you will still get your tax losses provided you switch your business to another entity. There are some proposed changes (not yet legislation). We have published a separate newsletter on the topic and will separately contact affected people in the new year. The new rules will start from 1 April 2011 with a six month transition period to 30 September 2011.

Please note:-

The old phone number will not work in 2011.
Our new phone number is 06 370-0811

**Allan, Leanne, Rebecca
and their Teams**
wish you all a very Merry Christmas
and best wishes for the New Year.



Please note that our offices will close
at 3pm on **Thursday 23 December 2010**
and re-open
at 8am on **Monday 10 January 2011**

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Word Of Mouth Marketing

How To Attract It To Your Business

Word Of Mouth (WOM) marketing is a marketing technique that many business people know about but are unsure how to utilise. WOM marketing involves one of your existing clients giving your business a referral; this entices them to spend money at your business.

It's valuable to your business because it's cheap (or free in some cases!) and because your customers have already established a trusting relationship, they are confident to 'sell' your product to their friends. This means the potential consumer can focus on the product/service information without the normal apprehension they would feel when talking to one of your sales people.

This is 'poetry in motion' for a business owner! Not only are they coming to you first, they are already confident in your business and therefore are more likely to buy. Because WOM relies heavily on referrals, the question remains: How do I generate more referrals?

Here are some great ways to get referrals:

- Ensure you give outstanding customer and quality service. People expect good service, make yours outstanding!
- Make sure you acknowledge every referral you get. Send your client a thank-you card or movie tickets. Give them a discount. This will encourage more referrals and the customer will feel great!
- Create a referral system and promote it to your clients. Make sure your staff are briefed and know how it works.
- Take time to employ the right staff for your business. Treat them fairly and train them properly. A staff member who leaves in dodgy circumstances can generate a lot of negative feedback.
- Handle customer complaints promptly and empathetically. Sometimes you might have to waive a policy or go out of your way. **BE WARNED:** Always use common sense and remember your financial situation. The customer is always right; unless they are wrong. In which case they may not be worth the trouble.

Above all, when it comes to creating a referral system, be different and don't be afraid to get creative.

Business Plans – Some Questions To Consider

We are finding an increasing number of requests for business plans from financial institutions. For this reason and your own good management it is important to keep your business plan current. Think about where you are now and where you want to go. Sounds simple, doesn't it? But have you thought about:

Business Overview:

Where is the business now?

- Structure?
- History?
- Competitors?
- Intellectual Property?
- Suppliers?
- Customers?
- Team Members?
- Management/Directors?
- Succession Strategy?

Business Objectives:

What are the objectives for your business?

- Sales?
- Profitability?
- Debt Position?
- Market Position?
- Technology?
- Team Members?
- Customers?
- Sale of Business?
- Retirement?

Take a few minutes over the Christmas break to reflect a little.

How to Stay in Business

EVERYONE is hunting for new business when times are bad. Why join the rat race?

You need an advantage over competitors. One of the best is having done work for the customer before. Your work is known to be good.

Get your customers coming back. Stay in touch with them after your work is completed. We send you regular newsletters for just this reason. The better the customer, the more often you need to make contact. This is why wining and dining is important.

Other tips for staying in touch include:

- **A card** on the anniversary of when you completed a job with a little note like "I hope you are enjoying your"
- **Christmas cards and Christmas gifts.** But, perhaps make your Christmas at a different time of the year, such as June. Be different and stand out from the crowd. You could send out getting-back-to-work greetings when business starts in the New Year.
- **References and testimonials,** which are a fantastic way of convincing people to deal with you. We all have delighted customers, hopefully. If you can show copies of letters from your happy customers, you will get more work.

If a customer tells you they are delighted, ask if they would mind giving you a written endorsement. If nothing happens, draft something and ask if it would be OK if you were to email it for their approval and printing on their letterhead.

Gift Duty and Trusts

Recent newspaper articles may have alerted some of you to the proposed changes in gift duty. Subject to legislation gift duty is to be abolished on 1 October 2011. However, there may be a price associated with the removal of the duty.

An IRD discussion paper, which is the focus of proposed legislation, reveals a change in official attitudes that could tear the veil of trusts apart. The abolition of gift duty will end the requirement for gifting assets into trusts at the rate of \$27,000 per year for each person gifting, instead allowing for example the gifting of an entire home to a trust in one gift.

There are fears that there could be changes in the Ministry of Social Affairs increasing the use of existing powers to rule people out of receiving long term residential care subsidies and their administrative rulings being amended. The Law Commission has also recently released a discussion paper on reforming the law of trusts. This reform is expected to become part of the process under which gift duty will be abolished.

Some commentators are also concerned about the impact of over gifting and there then being no assets to which a settlor may have access.

Creditor protection will also become a focus of any changes to gift duty with some consideration being given to existing provisions of the Property Law Act that restrict the ability to gift when there is a liability to a creditor.

No doubt as 2011 unfolds there will be further discussion and information on the proposal to remove gift duty. We will keep you informed as information comes to hand.

Getting the Writing Right

BE TIGHT with your writing. Here are some suggestions for better writing, whether for newsletters, correspondence, advertisements and other promotional material:

- Make your main point early. Readers don't have time to work out what you are trying to say if you don't tell them at the beginning.
- Avoid unnecessary words, especially adjectives which don't sound sincere.
- Use short words in preference to long ones. You will find Winston Churchill always preferred short words.
- Keep your sentences short. If a sentence gets long, have another look at it. You can usually chop it up.
- If you use a picture, "it is worth a thousand words". A story works like a picture. That is why we use stories in our newsletter.
- Write for your reader. When we write this newsletter, we focus, in each article, on some benefit for the reader.
- Identify your reader and target your stories appropriately.
- Get your grammar and spelling correct.
- Check before printing or emailing. Get someone else to check also, if possible.



GST mathematics—the GST fraction GONE...

is the simple divide by 9 multiply by 8 of the 12.5%.

NOW the ways you can calculate figures are:-

1. To find the amount of GST take the GST inclusive amount—multiply by 3 and divide by 23 or divide by 7.66666666.
2. To find the GST exclusive amount of a GST inclusive price—divide by 1.15.

(confused—yes—you almost always need a calculator)



Spreading ACC payments

IF YOU can, pay ACC by the due date. It's very expensive to spread payments.

- The charge at 10% per month is effectively an interest rate of about 18%.
- When we prepare your annual accounts we need to get details of unpaid ACC and incorporate the debt in the books.



The Tip for the Month Don't crisscross entities:-

A CLIENT owned some rental properties in a company (an LAQC) and some other properties in her own name. She paid for some of the company costs out of her personal bank account and for expenditure on her own properties out of the company bank account. Another client regularly paid bills for her family trust out of her own money. These situations cause extra work for us.

If you can't pay bills from the correct bank account, never pay them yourself. Instead, lend your money to the entity which is short of cash, so it can pay the bills.

If you pay small bills for your business out of your own pocket, reimburse yourself, regularly.

Please do not hesitate to contact us if you have any questions.

OFFICE NEWS

Rod and Betty

The end of the calendar year sees some changes in the office staff with Rod continuing his consultancy work for the practice but on further reduced hours and remotely. Rod will be available for interviews in association with Rebecca in the office, but he will primarily be working from home.

Betty Wong finishes at the office of 23 December. Betty is the longest serving member of staff. She was initially employed in Gray Caldwell & Oakly in the late 70's and stayed with the firm on merger in 1985. Betty will be sorely missed by staff, directors and clients but we wish her well in her retirement.

Outside Appointments

Leanne Southey stood in the recent Local Body Elections for the Masterton Trust Lands Trust and was successful in her bid. Leanne is looking forward to her role on this historical local institution.

Leanne has also just been appointed Deputy Chair of the Wairarapa DHB, by the Minister of Health. An interesting and challenging role!

Student Staff

Our usual influx of students has occurred with Emma returning to work for Rebecca and Vynessa returning to work for Allan. Also Abigail, who has worked part time for Allan, is working fulltime over the holiday period whilst not studying extramurally at Massey University.

Wedding Bells

If you cannot find anybody in the office on Friday 17 December it is because a reasonable number of the staff are out enjoying a special day for Rebecca and Troy. Rebecca is getting married on Friday 17 December and we know you will join us in wishing her and Troy every happiness.

'Working on your business, rather than in your business will become the central theme of your daily activity, the prime catalyst for everything you do from this moment forward.'

The E-Myth Revisited, Michael E. Gerber

'And in the end, it is not the years in your life that count. It's the life in your years.'

Abraham Lincoln

An Important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.