

Client Newsletter – December 2014

To all our valued clients - **THANK YOU**



Here's to a successful 2015!

It's tough being a small business – don't we know it because we like you are a small business.

So what are some strategies that might make for a successful (and profitable) 2015?

By successful we don't mean making lots of money necessarily (although that can be a measure of success); we think of it in a wider sense.

So, here we go:

One: Have a plan – any plan To be successful it helps to have a plan of how you are going to get there. A plan doesn't need to be fancy or long – there just should be one. We recommend you know what you need to do to break-even, a budget (preferably showing a profit) and a cash flow so you know when you expect your money to come in and when you think it will go out. This way you can manage your cash needs and work with the bank to cover the timing

shortfalls. Cash is king for a business and a sale is not a sale until the money is in so careful planning is necessary.

Two: Know how you will make a profit While cash is king, without profit any business is hardly a success! Now is a good time to review your costs and work out how much you need to sell to make a profit. We know of a business that recently halved its telephone costs saving \$200 a month and stationary and postage costs by a similar amount. That's a saving of \$100 a week! It all helps the cause! Why not try to match those savings?

Three: Use your own money One of the biggest causes of failure amongst small business is debt. Large companies have capital which they obtain from investors. Generally, the only investor in your business is you! As such, the more you can fund your business rather than the bank the less chance the business will buckle under debt, you lose your house and/or your shirt. Another way to boost your businesses financial strength is for you to take less from the business than it earns.

Four: Don't spread yourself to thin! Taking on new contracts, new products, new angles can be very tempting and profitable. Don't get us wrong, we are all for growing your business. However, stick to your knitting, trade in what you know and expand only within your capabilities and product knowledge. While an opportunity may be tempting, it may take your focus off your successful core business and may even undermine your success.



Five: Find the right staff and look after them

There is a saying in management – “the successful manager is the one who hires staff more capable than themselves”! So, don’t hire the first person that comes in off the street - find the motivated, energetic, capable person with the personality that will fit in with you and your business. When you find that person it is worthwhile treating them well, rewarding them handsomely and developing them as replacing them is costly and a capable loyal employee is one of your most valuable assets.

Six: Get it in writing

There was a time when business done on a handshake was acceptable and (mainly) even reliable. Those days are long gone. In the modern world you can’t beat a written contract. This should include written quotes, sales terms on invoices, signed terms (just like our Letter of Engagement with you) and credit term agreements. Money spent with your lawyer getting these things in place can save much angst and money later. And don’t forget, you must have employment contracts with your staff!

Seven: Are you protected?

The simplest form of business operation is to trade as you (sole trader) or as a partnership of husband and wife. While that is simple and has merit it means that you are exposed to all liability for debts, accidents, disputes etc. Creditors can (and do) go after sole traders and partners who don’t pay. It can be worthwhile considering measures that provide you with at least some protection from personal liability. We are happy to talk to you about forming a company and the use of trusts. These are not necessary for all business people and are not a total answer but are useful tools in the toolbox.

Eight: Protect your competitive advantage

Most small businesses have an “edge” somewhere over their competitors. This may be knowledge, an invention, service, profile or contacts – amongst others. It is important to protect that “edge”. This protection can be in the form of confidentiality agreements, trademarks, patents, fair trading challenges or good old service and hard work. Whatever can help to protect your “edge” is worth investing in. Keeping out/at bay competitors (both old and new) is a value investment.

Nine: Look after your customers

The cheapest, most effective and most profitable marketing is customers that shout your praises, return for more

and pay on time. We bet that you have been grumpy at some point when you have seen a phone company or bank offer something cheaper to attract a new customer but not to you – the loyal one! Your clients will feel the same. Invest some of your marketing in your existing customers – it is economic and rewarding.

Finally -

Ten: Look after yourself You are no good to your business. yourself, your partner, your kids, friends, staff or customers if you are tired, sick or worse – dead! Just as your staff take holidays and time off when sick – we strongly recommend that you also balance your business with time for rest, reflection on your business, recreation, family and friends. Time well spent!

The Taxman

Do not underestimate the activity and knowledge of Inland Revenue. Just as the GCSB gathers information on terrorists - Inland Revenue gathers information on you.

It matches tax data from various sources to identify potential targets for inquiry.

It has recently re-launched its investigations of hospitality businesses where it has had significant success over the last few years.

It is also continuing to review land sales and subdivisions of all sizes. There is a misperception amongst kiwis that they can buy, do up and sell houses or buy sections, build and sell houses tax free as long as they live in them – but this is not necessarily the case.

Inland Revenue has also recently commenced a programme reviewing and auditing the motor trade. It’s very easy for them to access and look into the various computer programmes match parts and WOF information with sales and identify shortfalls.

TRADING HOURS OVER THE HOLIDAY SEASON:

The Office will close on Tuesday 23 December 2014.

THE LAST WORD

“Your success depends mainly upon what you think of yourself and whether you believe in yourself”

William J H Boetcker

Business & Tax Advisors Ltd

11 Hardley Street | PO Box 15428 | Hamilton 3243

Phone: 07 846 0007 | Fax: 07 847 0008

Email: info@atw.co.nz | Website: www.atw.co.nz