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Making a financial difference

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Talking Concepts

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Rich Vs Wealthy: Is There A Difference?

Source: Australian Property Investor

When I was younger, I thought I wanted to be rich, only to discover that in fact what I wanted was to become wealthy. So what's the difference? Obviously, the terms rich and wealthy are often used interchangeably. You may have heard the term "stinking rich" as opposed to "stinking wealthy", so maybe the wealthy just smell better? Who knows?

But let's go a bit deeper…

Some believe that wealthy people know how to make money — while rich people only have money. For example, someone wins the lottery or comes into an inheritance will become rich, but may lack the knowledge and skills to even hang on to their money — let alone grow it. There is a list of people a mile long who had sudden riches thrust upon them, hitting the wall soon afterwards.

In 1985, Will Smith teamed up with DJ Jazzy Jeff to produce what would turn out to be a multi-platinum album in 1989. Smith became a millionaire almost overnight and went on a spending spree. But the Internal Revenue Service (IRS) soon came knocking, handing Smith a $2.8M tax bill. Smith had to sell practically everything and agree to pay the IRS 70% of his future earnings until his debt was repaid. As luck would have it, he then landed the gig on *The Fresh Prince of Bel-Air* and managed to pay off his tax debt in around 3 years. He has of course since gone on to even bigger stardom over the years.

Mike Tyson earned over $400M over the course of his 20 years in the ring. However, his earnings didn't last very long, with Tyson filing for bankruptcy in 2003.

And rapper MC Hammer earned an estimated $33M in 1990. By 1996, Hammer had filed for bankruptcy protection with at least $10M of debt. Apparently, employing 200 people to work in his mansion was not such a smart move.

Unlike these examples, wealthy people understand how money works and how to create it, even if they lose it all. There is no shortage of wealthy bankrupts who came back stronger than ever after losing it all.

For example, Henry Ford went bankrupt twice before building the Ford Motor Company. Walt Disney's first company was an animation and film studio in Kansas City that went belly up in 1921. Steve Jobs, who co-founded Apple at age 21 and was worth millions by age 23, was then sacked from his own company by his board at age 26. Even President Donald Trump went bust in 1990, following on from former US President Abraham Lincoln, who filed for bankruptcy in 1809.

I have heard others argue that rich people believe that money is the reward for working; whereas wealthy people see money as simply the byproduct of following their dreams, purpose and passion.

But for mine, the major difference between being rich and being wealthy is time. That is, how long would your money last should you stop working today? You might be on a high income, for example; but if you stop working, how long will your wealth last you? So for rich people, it might be measured in months or years, whereas wealthy people would answer in decades or even centuries.

The trick to becoming truly wealthy then is in converting the income you produce over the course of your working life into as many high-quality assets as you can acquire. See, if you have a number of high performing assets capable of generating a serious income for you, work becomes a choice, not a chore. In other words, you stop trading your time for money and instead have your assets making you money and therefore freeing up your time.

Deductions for employers

Source: ATO newsroom/smallbusiness

Tax time is upon us. As an employer, here are some things you can get organised now so you don't miss out on claiming what you're entitled to.

Deductions for salary and wages

If you're in business as a:

- company or trust - you can generally claim a deduction for any salary and wages paid to yourself or other employees
- partnership or sole trader - you can only claim the salary or wages you pay an employee, not what you pay to yourself.

Deductions for super contributions

Super contributions can be claimed as a deduction too, providing they were paid to a complying super fund or retirement saving account for your employees. To get this right, you'll need to know the amount your employees earn for their ordinary hour of work called 'ordinary time earnings'.

Ordinary time earnings include commissions, shift loadings and allowances, but not overtime payments.

By getting your records ready early, making payments on time and reporting accurately will mean this year will be done and dusted in no time.

Remember if you have any questions about getting tax ready, call our office on 9569 5676 and speak to your adviser

New Credit Reporting Changes

From 1 July2018 comprehensive credit reporting means your credit report will contain more information that will affect your ability to borrow money or get credit. If you are applying for a credit card, a loan, or to buy goods or services on credit, your credit report can make or break your application.

When you apply for a loan or credit, credit providers will check your credit report. Created by a credit reporting body, this document records your credit history – from how many times you applied for credit and which loans were opened to missed repayments, defaults and how much debt you have available.

Credit reporting bodies or credit providers may condense your credit report into a credit score.

Your credit score compares you to other borrowers and assesses your creditworthiness to help credit providers decide who to lend to and how much to charge for interest. Credit providers will use your credit report or credit score, any information you provide during the application process and other details to determine if they will lend to you, how much they will lend and on what terms.

Credit reporting bodies are businesses that give credit reports to credit providers to help them decide whether to lend you money or sell you something on credit.

The new credit reporting changes will provide a fuller, clearer picture of your credit history. These changes may make it easier – or for some people, harder – to get credit or a loan. At the moment, your credit report mainly shows your ‘bad’ credit behaviour such as defaults and other credit infringements and bankruptcies. Shortly, your credit report will also include new information like your repayment history.

This is good news…

If you have been paying off your credit card and loans on time, this will count towards your credit worthiness - as you have been demonstrating your ability to responsibly manage debts. Credit providers can check if the credit you applied for is right for you. Better still, they may offer a loan with an interest rate and repayment schedule that is tailored to your unique circumstances.

…but there could be a downside for some

With a clearer picture of your financial health, credit providers are in a better position to see if you should be given credit. A poor credit history will be more obvious and you may not be approved for credit. But all is not lost. Under the new system, if you pay off your overdue payments and continue to pay your debts on time, credit providers will be able to see that you are now managing your loans (however, defaults will continue to stay on your credit report for five years).

Making repayments on time

The new credit reporting system means it is more important than ever to make your repayments on time, as late or missed payments will show up in your credit report. If you are finding it hard to make repayments or if you have lost your source of income, contact your credit provider right away. They may be able to help you restructure your repayment obligations.

If you need assistance with obtaining a loan, or have any queries regarding this article, give our office a call on 9569 5676 and speak to one of the team in Results Home Loans

Trading Names vs Business Names

The Australian Securities & Investments Commission (ASIC) introduced a new business name register on 28 May 2012, replacing state and territory registers.

From November 2018, all **trading** names, including the trading name listed against your Australian business number (ABN), will be removed from ABN Lookup. Registered **business** names will continue to be listed on ABN Lookup.

A grace period has been in effect to allow businesses time to transition over to the new business name register.

You don't need to register a business name if you trade under your own name ('John Smith'), but you'll need to have a business name if it's anything else ('John Smith Plumbing').

You can register a business name at http://www.asic.gov.au/for-business/registering-a-business-name or if you would like our office to register your business name, please give us a call on 9569 5676.

Dates to Remember

30 Jun	End of Financial Year
30 Jun	Superannuation Guarantee contributions for June quarter must be paid if you want to claim a tax deduction for the 2018 year
1 Jul	Financial Planning Annual Service Agreement Packages renewal
14 Jul	Issue PAYG payment summaries to employees
28 Jul	Superannuation Guarantee contributions for June quarter final date for payment
14 Aug	Lodge PAYG Summary Payments Statements with ATO
1 Sep	Audit Insurance Policy Renewal

My Gov account

Do you have a McGov account?

Did you know that your Income Tax Notice of Assessments is available and can be accessed via this account?

https://my.gov.au/

Your myGov account gives you:

- Secure access to a range of government services using one username and password
- A single inbox for your messages from Centrelink, Medicare, Child Support and the Australian Taxation Office.
- A quick and easy way to advise selected member services about changes to some of your personal details

ATO Spam Emails

There are a lot of spam emails and some are very clever and look like that are genuinely from the Australian Taxation Office. Things to look out for:

- The ATO will never email you regarding a refund or amount payable.
- Check the email address – if the name is odd, then it is not the ATO

Do not click on any links in the email or open any attachments. Delete immediately from your mail provider.

Never give any personal information to anyone unless you instigated the email and know exactly who you are emailing

The Australian government have a website with the latest information on scams. You can also report a scam via this website.

Tax Man Travels

Are you going away soon? Next time you’re in the office, ask for a Tax Man and take him on an adventure! Send your photos to scampbell@cr.com.au for a chance to win a prize.

Wineglass Bay Tasmania with Sue Campbell

Single Touch Payroll

Source: ATO Business

Single Touch Payroll (STP) aligns your reporting obligations to your payroll processes.

You will report to the ATOs each time you pay your employees. Your pay cycle does not need to change. You can continue to pay your employees weekly, fortnightly or monthly.

The information you send the ATO will include your employees' salaries and wages, allowances, deductions (for example, workplace giving) and other payments, pay as you go (PAYG) withholding and superannuation information.

Employers with 20 or more employees:

- You need to start reporting to the ATO through STP from 1 July 2018 if your software is ready
- Some payroll software providers have asked the ATO for more time to update their products – check if your product has a deferred start date
- If your software will be ready by 1 July 2018 but you won't be ready, you will need to apply for your own deferred start date

Employers with 19 or less employees:

- From 1 July 2019 STP will be mandatory, subject to legislation passing in parliament
- You can choose to report through STP before 1 July 2019 if your software is ready

What will change with Single Touch Payroll

Each time you pay your employees, you will report the tax and super information to the ATO from your Single Touch Payroll (STP)-enabled payroll solution.

You will not need to provide payment summaries to your employees for the payments you report through STP:

- Employees will be able to view their payment information in ATO online services, which they will access through their myGov account. Your employees can also request a copy of this information from the ATO
- To be exempt from giving payment summaries, you will need to make a finalisation declaration

From July 2019 the ATO will pre-fill activity statement labels W1 and W2 with the information they have received from you. If you are a small to medium withholder, you will continue to lodge an activity statement as you do now.

Summary of legislative changes

Current law – till 30 June 2018

- Employers are required to withhold amounts from an employee's salary or wages at the time it is paid. They notify the Commissioner of Taxation of the amount withheld at a later date, remit these amounts to the Commissioner, provide each employee with an annual payment summary and provide an annual report to the ATO
- Employers are required to report superannuation contribution information to funds on the same day they make a contribution to the fund (through SuperStream). Employers are not required to report this information to the ATO
- However, employers must lodge superannuation guarantee (SG) statements to the Commissioner if they have a SG shortfall for a quarter, or if required to do so by the Commissioner under the *Superannuation Guarantee (Administration) Act 1992*.

New law – from 1 July 2018

- Employers with 20 or more employees are required to report to the Commissioner through Single Touch Payroll-enabled software
- The following information must be reported on or before the day you withhold from a payment (the pay day):
  - payment information, including salary or wages, allowances, deductions, etc.
  - withholding amounts
  - superannuation liability information or ordinary times earnings (OTE)
- Employers who fully report all the information required through Single Touch Payroll will not have to comply with a number of other reporting obligations under the existing law. This includes providing certain payment summaries and the corresponding payment summary annual report (PSAR). They will need to provide a finalisation declaration with the ATO.

How to report

You can report through Single Touch Payroll (STP) in one of the following ways:

- Report from your current payroll solution when it is STP-ready.
  - A payroll solution is the accounting, business management or payroll software you use to run your payroll and pay your employees.
- Report from a new payroll solution which is STP-ready
- Ask a third party, such as your registered agent, to report through STP on your behalf

Report from your current payroll solution

Talk to your payroll software provider to find out how and when your current payroll solution will be ready for Single Touch Payroll (STP).

Your payroll software provider may offer STP reporting in one of the following ways:

- An end-to-end solution, which allows employers to report and send the file directly to the ATO
- A solution which allows employers to report through their software and send the file through a third party, which is integrated into the software.
- A solution that offers STP reporting only. Employers will need to send the file to the ATO separately through a third party, such as a sending service provider (SSP)

Your provider can let you know which solution they offer.

You can also refer to the Australian Business Software Industry Association (ABSIA) product catalogue for details of STP-enabled products and third-party solution providers.

Choose a new payroll solution

You may need to choose a new payroll solution if:

- you currently report to the ATO on paper
- your existing payroll solution will not offer Single Touch Payroll (STP) reporting
- you want a product that better suits your business needs.

You should make sure your new payroll solution offers STP reporting. You may want to speak to your registered agent to find out which payroll solution best suits you.

You can ask a third party, such as Concepts & Results to report on your behalf.

If you do use a third party, it is your obligation as an employer to make sure they will be reporting through Single Touch Payroll.

Raising resilient, passionate children

Source: LaTrobe financial Quarterly Insight Enews November 2017

Continuing on from our March 2018 edition……..

MISTAKE 4: We try to be friends with our children and treat them all 'equally'
We're cool. Our kids are cool. We're finally becoming great friends. Only problem is, your child doesn't need a friend in you, they need a parent. We may want them to like us so much that we try to avoid making the tough calls that may disappoint or frustrate them.
With multiple kids, when one does well, we feel it's unfair to praise and reward them unless we also praise and reward their sibling/s. This is unrealistic and misses an opportunity to enforce the point to our kids that success is dependent upon our own actions and good deeds.
STRATEGY: Parent your children don't befriend them
Remember: your child does not have to love you every minute. Sometimes they need to be disappointed and frustrated by you in order to understand that conflict and boundary-setting are part of any healthy relationship. Your kids will get over the disappointment of not going to the hottest party or buying the latest gadget, but they won't get over the effects of being spoiled. So tell them "no" or "not now," and let them fight for what they really value and need.
Be careful not to teach them a good grade is rewarded by a trip to the shops. If your relationship is based on material rewards, kids will experience neither intrinsic motivation nor unconditional love. The only context appropriate for parents and kids to be 'friends' is on Facebook!
STRATEGY: Parent each child according to their needs
Your children have different shoe sizes, different wants and needs and different personalities from their siblings, so you can't parent them as if they were the same person. When we mistake 'fair' treatment for 'the same' treatment, we actually increase siblings rivalry. Treat each child as an individual and celebrate their uniqueness.
MISTAKE 5: We don't give them permission to fail and strategies to bounce back
Healthy teens are going to want to spread their wings and fly. But like Icarus, they may get too close to the sun and burn their wings in the process.
Privileged kids often feel added pressure not to fail as they have been given opportunities that others don't have. We may want to stop them from making the mistakes we made but we should be mindful not to prevent them from finding their own paths.
STRATEGY: Share, don't impair
Help your child navigate their challenges by sharing approaches that you found useful. Prepare them to encounter slip-ups and face the consequences of their decisions. Share how you felt when you faced a similar experience, what drove your actions, and the resulting lessons learned. Be careful not to preach and avoid sharing negative "lessons learned" to do with smoking, alcohol or drugs.
Because we're not the only influence on our kids, we must be the best influence.
MISTAKE 6: We privilege IQ over EQ
With many of our children at high-achieving private schools, it can be easy to focus on IQ and ATAR rather than emotional and social intelligence. Intelligence is often used as a measure of a child's maturity. Parents assume an intelligent child is ready for the world. That's not the case. Just because giftedness is present in one aspect of a child's life, don't assume it pervades all areas. Developing a child's emotional and social intelligence is as important as focusing on their academic success, and will stand them in good stead in their future careers and relationships.
STRATEGY: Listen
Attune to your child's emotional needs. Just as you would help them if they were struggling academically, make sure you aren't neglecting what they need to emotionally thrive. Simply putting aside your agenda and actively listening to them can go a long way.
Teach your children about empathy by involving them in charities and volunteer work. Ask them to call an elderly relative and have a conversation with them. Encourage your child to make eye contact when talking to others.
MISTAKE 7: We don't practice what we preach
As parents, it is our responsibility to model the life we want our children to live. Children are very capable of pointing out the double standards we have and are the first to catch us out if we tell them to do as we say not as we do.
STRATEGY: Live in your integrity
If we want our offspring to be accountable for their words and actions, we have to be too. Watch yourself in the little ethical choices that others might notice, because your kids will notice too. If you don't cut corners, for example, they will know it's not acceptable for them to either. Show your kids what it means to give selflessly and joyfully. Work on your own passion and commitment and your kids will learn to be passionate and committed. Notice how you speak about work and relationships. If either is perceived as a chore, your kids will learn to dread both. Communicate clearly, respectfully and honestly. There is no point shouting at kids that they have no manners or respect when you are demonstrating the same trait. Leave people and places better than you found them, and your kids will do the same.
MISTAKE 8: We give our kids our money, not our time
This one is the trickiest. We work hard and we're time poor. There is always another email to answer, another phone call to make, another fire to fight. We may be doing all this hard work so our kids can benefit but when we rush from the chaos of the day to the structured holidays of a resort back to the madness of the year, we miss the sometimes-banal-sometimes-wonderful ordinary moments that our kids crave with us. We may compensate by buying them wonderful gadgets or throwing them great parties but nothing makes up for time. If we're constantly fobbing them off, our kids learn that they are last on our list and they start to devalue themselves and act out to get our attention.
STRATEGY: Prioritise time with each other
Schedule it in, if you have to. Turn the electronics off and have a real conversation. Speak about the highlights and lowlights of your day, ask them about theirs. Make your questions count, and listen to the answers. Ritualise family time so that everyone knows Saturday afternoon or Thursday evening is just for the nuclear family. Don't let them down and they won't let you down. The greatest gift you can give them doesn't come with Intel inside.

Haven't lodged in a while? – Your ABN may be cancelled

Source: ATO newsroom/small business

If you are a business that hasn't lodged an activity statement or reported income on the business labels on your tax return for more than two years, your ABN may be cancelled.
To maintain accurate data, the Australian Business Register (ABR) regularly checks ABN records and automatically cancels them if they appear to be inactive.
To avoid cancellation, you need to ensure your lodgments are up to date. Regardless of income, you need to lodge the following:

- individual tax return including the supplementary section
- business and professional items schedule for individuals.

If your circumstances have changed, you should consider whether you need to cancel your ABN. If your ABN is cancelled you are still required to lodge outstanding tax returns and activity statements.
It is important to keep your ABN details up to date so that other businesses can access and verify your information, for example, that you are operating a business or the status of your GST registration.
If you decide to start running your business again, reapplying is easy. Go to abr.gov.au/ABN-apply.
If you are not sure if you still need your ABN, want to cancel your ABN or have any questions, please call our office and speak to your adviser.

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