



DUNCAN DOVICO  
Accountants & Advisors

# The BOTTOM Line

EDITION 3  
2013



## WHAT IS IT ABOUT AUSTRALIANS AND PROPERTY?

Australians are passionate about property - it's in our DNA as we strive to achieve the Australian dream and secure our financial futures. The topic is almost as hotly debated as the state of the country's current leadership row.

Both topics are ubiquitously plastered across the news headlines, which reminds me of the historical relationship between the two themes. Trends show that property market performance is intrinsically tied to confidence in the economy, which is in turn impacted by political stability.

Issues with the current governance in our country in recent years has left many Australians feeling uncertain. However, with the Election now behind us there is a new air of confidence among constituents as they gain clarity.

For property, this has meant an increase in demand, combined with an increase in stock levels and importantly, capital growth in the marketplace, after several years of inactivity.

There is little doubt that once certainty is restored to our economy, property values will rise further. But, this change cannot be retained without a stable and consistent plan from the elected party.

Recognising the inevitable increase in property values, investors and homebuyers must make a move now. But, before doing so it's important to recognise that not all properties perform the same. Ensure you do your research to ensure you buy an asset, not a liability.

Article kindly provided by: Sam Spemat - Property Adviser, WBP Property Advisory

WBP Property Advisory | Valuations | Property Advisory | Property Management

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2007-08 BRW Fast 100 Company | MFAA Excellence Winner 2013 | BRW ANZ Private Business Awards Finalist 2011



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- Superannuation News for those over the age of 65

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- Antique Autoworks
- Comme Des Garçons 'Pocket'

# The **BOTTOM** Line

## BUSINESS OWNERS & BUSINESS SUCCESSION – WHERE IS THE RISK?

### Two minute scenarios...

It's important to remember there are two "entities" at risk when a partner leaves a business. The individual partners and the business...



### Scenario One...

**My business partner has passed away and now the bank wants to review our overdraft...**

**Scenario:** Glen and Paul had been running their manufacturing business for over ten years. Paul died suddenly four weeks ago. Fortunately they had insurance in place to cover the business value and a Buy Sell Agreement that meant Paul's executor handed over Paul's shares in the business to Glen.

**What's the issue?** Glen (& Paul) had not realised that in the event that one of the partners "left" the business that the bank has the right to review their debts. There is a \$500K overdraft and now Glen is worried he may need to organise alternative financing.

**Solutions:** When Glen & Paul insured themselves for their value in the business they could also have organised for the business to take out insurance to cover the business debt.

### Scenario Two...

**My husband passed away. I thought he had his business affairs in order...**

**Scenario:** Paul's wife Sally is executor of his estate. She has received \$1.3m from the insurance company, enough to cover his equity in the business and pay CGT. As a result of the Buy Sell Agreement Sally organised the transfer of Paul's shares to Glen.

**What's the issue?** Sally wants to wind up the estate and distribute the assets but she can't. Paul had signed a personal

guarantee over the \$500K overdraft needed for the business and it needs to be extinguished before she can finalise everything.

**Solutions:** The bank is under no obligation to extinguish a personal guarantee when someone exits a partnership. The only secure way to do that is to pay out the loan. So as above, if the business had taken out insurance to cover the debt both parties would have been better off.

### Scenario Three...

**But wait - there's more**

**Scenario:** Sally has just realised that not only can't she wind up the estate, the personal guarantee means her house (that she will inherit from Paul) is vulnerable.

**What's the issue?** The personal guarantees were joint & several. So if something goes wrong with the business the bank could force Sally to sell her home to pay down the business debt. Even though she has no connection to the business at all.

**Solutions:** As above, it's important to ensure that not only is your individual equity covered but that the business itself is covered as well. Third party debt insurance is an important part of a business succession plan. Don't get caught.

#### **Irongroup Lawyers**

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Irongroup Lawyers - estate planning & business succession planning.



## HANDY TIPS TO AVOID A CAPITAL GAINS TAX HEADACHE

### Do you have all of your historical investment records summarised and kept in the one location?

If not, we have a solution – A Simple Asset Register!

Authorised by the tax legislation and approved by the ATO, an asset register is the answer to all your record-keeping headaches. What's more, once certified by your DD accountant, you need



only retain your original supporting documents 5 more years after certification before you can safely and confidentially destroy them.

### So what is an Asset Register and how do I obtain one?

Put simply, it is a summarised record of each of your capital gains eligible assets. You must record the date, cost and description of the asset and any other adjustments affecting your cost base.

We have developed a complying asset register that can be used and adapted for each of our clients individual circumstances.

We can prepare your asset register from your original records and we will certify its accuracy and completeness retain a second copy on your file for further security then in 5 years time you can destroy those voluminous and bulky pieces of paper.

Just think of the relief in knowing that everything has been captured, summarised, certified and maximised and a duplicate exists and is retained by your Accountant.

For prompt and simple Taxation Solutions contact Richard Russell on 1300 883 122.

## SUPERANNUATION NEWS FOR THOSE OVER THE AGE OF 65

### Here are some handy key points for those over the age of 65 regarding superannuation contributions:

- Funds Members can make contributions into their super fund up to the age of 74, and these can be Concessional Contributions (Taxable) or Non Concessional Contributions (Tax Free).
- The Concessional Contribution Cap (Tax Deductible Amounts) for members who are 59 and over have been increased to \$35,000 in 2013/14 year.
- Members who want to make Non Concessional Contributions (Non Tax Deductible-after Tax Amounts) can contribute to the maximum cap of \$150,000 in 2013/14 year. The only requirement is they should satisfy the work test. As per the Australian Taxation Office rules, to satisfy the work test, a member should work at least 40 hours in 30 consecutive days in a year. Volunteer work does not count towards the 40-hour work test. Any member who is under the age of 65 can make super contributions without having to satisfy the work test.
- Unfortunately members over the age of 65 cannot take advantage of the bring-forward rule when making Non-Concessional Contributions or after tax contributions. The bring-forward rule allows members to make \$450,000 in Non-Concessional Contributions in a single year representing the current years cap and the next two years cap. Any amount above this cap will incur an excess contributions tax applicable at 46.5%.
- From 1 July 2013, regardless of age, members are eligible to receive Superannuation Guarantee Contributions from employers as long as the individual continues to work and earn a minimum wage of \$450 per month.



For further solutions to any of your Superannuation Taxation and Accounting matters, contact Nasr Hussain at DD on 1300 883 122.

## ANTIQUE AUTO WORKS

Based in Thomastown, Graeme Marshman owns and operates Antique Auto Works. He specialises in restoring vehicles. As testament to some of Graeme's finest work, we asked him to talk about his story of his 1952 F1 Pickup Truck. Graeme is pictured to the right outside the DD offices at Heidelberg, alongside his pride and Joy ....



Graeme writes – "The vehicle started as a pipe dream of mine and was the culmination of several years of acquiring parts and putting them all together."

"The chassis came from Werribee, the cabin and front guards from Kerang, the rear guards and tub from Queensland, the front bumper traded for parts with a customer in Hawthorn, the dashboard was an ebay purchase from South Australia. The seats came out of a Mustang plus there were many assorted parts accumulated over the six years that it took to build. Most parts

are extensively customised and it is almost unrecognisable as the vehicle it originally was - a 1952 F1 Pick Up Truck. As for the Antique Auto Works Story I became interested in restoring vintage cars and trucks part time in the late 1970's, got a few 1930's cars of my own and restored them during the 1980's, then started Antique Auto Works as a full time operation in 1990. We have had a queue of vehicles waiting to come in for treatment for many years, despite the economic times we are still booking cars two to three months ahead."

"During the 23 years we have been going I could only guess at the number of cars, trucks motor bikes and assorted parts thereof that we have restored/repared." "The number would be into the hundreds for sure. Although most of our work is from Victoria, we often have had cars and parts sent to us from all over Australia for repair."

For more information about Antique Autoworks call Graeme Marshman on 9464 4522 or check out [www.carrestorationmelbourne.com.au](http://www.carrestorationmelbourne.com.au).

## COMME DES GARÇONS 'POCKET'

Based in Melbourne's CBD, our client Chistine St Clair provides us with her story about her life in the fashion industry and her new business venture.



"I always knew that I wanted to work in the fashion industry. It was my strong passion from an early age and led me to study fashion design. I started my career as the assistant designer for a large national jeans company. After six months I was promoted to head designer. After several years working in jeans, I joined Dowd Corporations National as Wardrobe Co-ordinator. I was responsible for promoting and selling uniforms for staff at two of Australia's leading banks (ANZ and NAB). This role took me around Australia and overseas.

From there I joined department store David Jones as a fashion stylist. In 2009 I was asked to join the fashion store 'Left'. This position took me overseas twice a year to buy in Paris. It was during this time that I formed a wonderful relationship with the

fashion company Comme des Garçons.

Restless and looking for a challenge I resigned from Left and travelled to Paris. It was here that I caught up with a friend from Comme. He suggested I open the first Comme des Garçons store in Australia.

'Pocket' opened on 8th December 2012 (Pocket meaning a 'little' piece of Comme). The store sells clothing, wallets, and perfume.

It has been a real learning curve. However, I can honestly say I love being my own boss. The long hours I put into the business never feel like work. I am passionate about the product, the business, and my staff. In time, I would like to look at expanding to more stores.

One step at a time..."

For more information about Christine's business check out [www.cdgmelb.com](http://www.cdgmelb.com) or call 9670 1607 - 2 Rankins Lane, Melbourne, 3000.

Opening Hours: Mon-Fri: 10-5.30 | Sat: 10-5 | Sun: 12-5

For all of your Business Taxation and Accounting requirements contact our Business Services teams at either of our Heidelberg or Ringwood offices.



Our specialist Taxation and Accounting service to the Equine Industry recently announced that former VRC CEO Dale Monteith joined the team in a Consulting role. Brad Purvis talks with Dale Monteith about his role and the niche service that we offer at [www.ddvic.com.au](http://www.ddvic.com.au)



## MEET THE TEAM

### Nasr Hussain

SMSF - Senior Accountant  
(Heidelberg Office)

**Married to:** Sarvath Hussain  
**Children:** 2 girls Aasiya 3 & Sumayya 18 Months)  
**Sporting Interests:** Cricket, Soccer & AFL  
**Other interests:** Spending time with my two beautiful girls who keep me on my toes.



## SELF MANAGED SUPERANNUATION CLIENT UPDATE & WINE TASTING

On 31st July 2013 the DD Team hosted a Self Managed Superannuation Fund ("SMSF") client update which also included a wine tasting session, proudly supported by Gordon Cope-Williams of Cope-Williams Winery at Romsey. In addition to being provided with the latest SMSF news our guests enjoyed sampling some of Gordon's finest wines and were educated on a few tasting tips. Further similar events are planned during this financial year.



## CLIENT'S CLOSE UP

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- To read full story please refer to our website

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