

NEW REFERENCE SHEETS

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- Business Health Check
- Internet Marketing
- Business Valuation Methods
- Cash Flow
- Superannuation
- Property Development / Construction Loan

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- START
- RUN
- GROW
- MOVING ON
- FINANCE

REFERENCE SHEET WEBSITE

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FEATURE STORY

Seven strategies for making extra-large super contributions

By Michael Laurence

Many super fund members face crucial decisions over the next couple of months about whether to make after-tax contributions of up to \$1 million before the arrival of the simplified super regime on July 1. Never before would Australian investors have felt under such time pressure to make decisions about how to invest such a large sum.

The Federal Government has prompted this sense of extreme urgency by allowing fund members to make these huge contributions between May 10 last year and June 30 this year – before restricting

after-tax contributions to as low as an indexed \$150,000 a year.

The big carrot for significantly building up super savings is that super lump sums and pensions become tax-free from July for those over 60. And, of course, super fund earnings are concessionally taxed during the saving phase.

Fund members should act with extreme care when deciding whether to make large after-tax contributions of up to \$1 million over the next few months and they should gain high-quality professional advice.

continue page 2

REGULAR

Business Outlook

BUSINESS SNAPSHOT

Overall Economy (GDP):	(Q1 +1%)	↑ 2.8%
Inflation (CPI):	(Q1 +0.1%)	↑ 2.4%
Unemployment:	(April)	4.5%
Retail Sales:	(Mar +0.9%)	↑ 6.3%

Percentage is Annual Rate of Change.
Data are latest figures as published by Australian Bureau of Statistics 1/2/2007

For more up to date Business and Market trends and analysis, visit your local Bendigo Bank branch and speak to your Branch Manager.

The Australian economy continues to perform strongly, despite a couple of short-lived periods of volatility in bond and equity markets during March and April. The first of these came amid a 9% fall in one day on the Shanghai bourse, at the same time as fears that the problems in the US sub-prime

mortgage market might spread to the rest of the US economy- but equity markets have recovered since, and the US economy does not appear to be suffering from contagion from the sub-prime market. The second hiccup came last month when the market became very concerned that our inflation rate was getting out of control, but all was resolved by a very low CPI reading for Q1 in late April, so the market is now apparently convinced rates are on hold for much of 2007.

With the release of the Reserve Bank's Statement on Monetary Policy, they paint a fairly positive picture of steady growth and a 'mild' tightening bias. Growth is forecast to be around 3.5% in Australia for the non-farm sector, although the drought is likely to shave 0.7% off 2007 growth. The RBA expect business investment growth and labour markets to remain strong, and consumer spending to be robust as a result. The tight

labour markets and other capacity constraints are still mooted as possible inflationary risks, but the forecast for underlying CPI for 2007 and 2008 is 2.75%. The global economy is still powering ahead with 'an upturn in Europe and Japan and ongoing strength in China and India'.

The release of the Federal Budget will be the focus of the domestic market - with a significant budget surplus thanks to the ongoing commodity boom, but how will the money be spent in a manner that avoids the risk of a rate hike before the next election? Meanwhile the Aussie Dollar has finally broken the crucial 80 cent barrier and the break has been decisive- the next big hurdle is 84 cents.

David Robertson
Senior Manager Financial Markets
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continued from page 1



Here are seven ways to raise the money to make large super after-tax contributions by the June 30 deadline.

1. Contribute a large inheritance

Potential opportunity: This would involve contributing an inheritance immediately into super rather than investing it outside the super system.

Points to watch: Alan Freshwater, co-principal of Bondi, NSW, financial planning group RetireInvest, says you should not overlook the need to adjust the asset allocation of your super portfolio when contributing a sizeable inheritance. (Ideally, your portfolio should be diversified to maximise returns within your personal tolerance to risk.)

Freshwater cautions against becoming caught up in the current sharemarket euphoria and putting all of a large inheritance into shares within your super fund at a time when many shares are considered fully priced. He also warns that you should be aware that an inheritance contributed to super will be locked away until you permanently retire after age 55.

2. Transfer shares into super

Potential opportunity: Listed shares are among the few assets that you are allowed to transfer from your own name into your self-managed super fund.

Points to watch: Particularly given the strong performance of the sharemarket since March 2003, the transfer may trigger a big capital gains tax (CGT) bill. Before undertaking this strategy, calculate when the CGT is likely

to be recouped in the concessional tax super system.

3. Sell investment property to contribute

Potential opportunity: Given the long-running residential property boom, which is still running in some states, the sale of investment real estate will typically raise large sums to contribute to super.

Points to watch: The transaction costs – CGT and stamp duty – are likely to be high and you should calculate when these are likely to be recouped into the concessional tax super system. The strategy of selling an investment property to make a super contribution will not be rewarding in every case; much depends on personal circumstances. Keep in mind that time is running out to put a property on to the market and conclude the transaction by June 30.

4. Borrow to contribute

Opportunity: This strategy is beginning to be widely promoted by some fund managers and should be treated with particular caution, although it can be appropriate in some circumstances.

Points to watch: Interest on a loan to finance a super contribution is not tax deductible, a crucial point if a particularly large amount is borrowed. And anyone with employer super support is not entitled to tax deductions for personal super contributions. Another critical point to watch is that some fund managers are promoting the borrow-to-contribute strategy using unrealistically high returns from super in their assumptions. The big superannuation returns of recent years will not keep going forever.

5. Downgrade your home to contribute

Potential opportunity: On the face of it, this seems an excellent way to raise a large sum to contribute, particularly if you want a smaller home for your retirement.

Freshwater says you may be nearing retirement and have long been planning to move to a smaller home in, say, your 60s. It may have been in the back of your mind before the new super regime was announced.

Points to watch: Expect transaction costs on the sale but no CGT because of a main residence's CGT-exempt status.

6. Transfer business property into super

Opportunity: Business real estate is one of the few assets that fund members are permitted to transfer from their own names into their self-managed funds.

Points to watch: Carefully consider the effect that the ownership of a costly business property by your fund will have on its diversification. Also keep in mind that business property is relatively illiquid and can take a long time to sell if a super fund needs to pay a member's retirement benefits.


7. Contribute proceeds from sale of small business

Potential opportunity: Vendors of small businesses have a special opportunity to make after-tax super contributions of up to \$2 million.

Points to watch: Tight eligibility rules apply to CGT concessions for small business vendors. Meg Heffron adds: "While Government announcements have implied that small business owners will be able to place the proceeds arising from the sale of their businesses into superannuation without being penalised by the new [contribution] caps, this is clearly not true." She says this only applies to those who had owned their businesses for 15 years.

This is an edited extract; for the full article refer to the reference sheet

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More in  **Seven strategies for making extra-large super contributions** Reference Sheet.

ARTICLE

Franchise – kick start or rip off?

By Andrew Kent

The Franchise industry is the fastest growing industry in Australia, and has been for several years. But the question that any would be business owner needs to ask is whether owning a franchise is a good business decision, and this is not as clear cut as it might seem.

What makes a franchise different from any other business

A franchise is essentially an arrangement between the franchisor (the organisation issuing the licence) and the franchisee (the organisation using the licence). The arrangement varies markedly between different franchises and it is essential that if you are looking to own a franchise business that you fully understand the agreement.

The key points of the agreement are:


- Allocation of responsibilities
- Allocation of costs and revenues
- Licence term
- Licence transfer / options

How to choose a franchise

The right franchise partner for you may be completely different to the next person. When selecting a franchise the first thing to look at is your compatibility. Assuming you can find a suitable franchise partner, the next consideration is the family you are joining - the quality of the rest of the franchise operators. While they will be of little consequence to your day to day operation, they will have a significant impact on how the public, and therefore your

customers, perceive the brand overall. Once you have identified your potential partner, the courtship begins in earnest. It is at this juncture that it is very important to get down to business. You need to fully understand where the money is going to come from, where will it need to be spent, how much control you will have, and most importantly how much will end up in your pocket in good times and bad.

Next step, assuming the business can deliver what you need financially, is to make sure that the legal agreement is consistent with your understanding, and to ensure that it provides you with the flexibility and long term position you are seeking. Once again professional advice is extremely valuable at this juncture.

More in  **Franchise - Kick start or rip off?** Reference Sheet.

ARTICLE

Marketing your business online

By Talitha Savige & Ellie Deane

Promoting your business effectively has always been a cornerstone of business success. Today marketing your business online is an essential component of business promotion. Fortunately it is easier than many people think. It is essentially a two step process. First you need to develop a website. Then you need to get your website seen.

Step One - Developing a Website

Regardless of what business you are in there are four key components to a successful website. What will differ between businesses is the manner in which these things are implemented.

- The right domain name
- Link with current promotional material
- Make a good first impression
- Email

If you have any concerns about any of the issues outlined above, relax, Bendigo Bank offers Web Partner™ website solutions for all types of businesses.

Once you have developed a website and addressed all of the issues outlined above the next step is to make sure your website gets seen.

Getting your Website Seen.

One of the easiest and often forgotten ways of getting your website seen is to promote it to your existing customers. This not only provides an opportunity to cross promote your full range of products and services, it also makes it much easier for your customers to promote you to their friends and colleagues. When attracting new customers via the Internet it is important to remember that the WWW stands for World Wide Web, and that you may not be able to provide your goods and services to the whole world. With this in mind it is important to ensure that your website and promotional activities focus on the potential customers you will be able to satisfy. There are two ways of doing this, through search engines like Google as well as online advertising. The cost of online advertising is

small compared to traditional forms of advertising, if you are particularly targeted with your sponsorship, you could be paying less than 10 cents to attract each new customer to your website. The important thing is to be smart about it. After all there are some search terms in high demand – the most expensive keyword relates to an asbestos disease and US law firms are reported to be paying in excess of \$US50 for each click through to their site.

Bendigo Bank established the Web Partner™ range to help its business customers take advantage of the opportunities that the Internet has to offer.

More in  **Online Marketing** Reference Sheet.

ARTICLE

Cash flow – early warning signs

By Robert Lamers

The early warning signs of potential cash flow problems vary markedly across different industries, as do the solutions. The key thing to remember is that the underlying cause of cash flow problems is the need to pay creditors sooner than debtors are paying you. In some industries like labour hire where employees are paid weekly and customers pay monthly, this is part of doing business. In other industries it may take something out of the ordinary, and it is often the surprise factor that can trigger disaster.

For many businesses the first realisation that they have a cash flow problem is that the overdraft is not fully fluctuating. That is,

the overdraft which is intended to provide a buffer for fluctuations in cash flow does not return to a zero state over a period of time, and more worryingly is fluctuating between 80 and 100% of the limit.

Possibly the most common symptom a cash flow problem exists is not paying the company's statutory obligations on time. When money is tight businesses will pay their staff to ensure they can open for business, then suppliers to ensure orders can be filled, but they will postpone paying the tax office, superannuation and work-cover because this will not prevent them doing business in the short term. Once a business starts stretching its trade creditors

beyond normal terms then its cash flow problem is usually quite serious.

So how can you detect that a cash flow problem might be around the corner? The first thing is to understand what causes cash flow problems so that you can see how this might relate to your business. There are two main causes of cash flow problems; business growth and disruption to the working capital cycle.

More in  **Cash Flow** Reference Sheet.

ARTICLE

Property Development/Construction Loans

By Dean Holwill

The financial requirements for a residential or commercial construction project or land subdivision are very different to your standard mortgage or business loan.

One of the key differences is that the loan is drawn recognising the borrower's funding request, but also ensuring that there are sufficient funds retained to complete the project. This "cost to complete" structure involves engaging external independent specialists such as valuers and quantity surveyors.

Bendigo Bank, via its subsidiary Victorian Securities, has a professional experienced team of financial specialists in project specific development and construction. Victorian Securities can work with your Bendigo Bank Business Manager and be your contact point from the early enquiry through to loan repayment. This

provides you with the benefit of partnering with financiers that specialise in property and construction. The added value that Victorian Securities brings to the relationship enhances your experience and the likelihood of a successful outcome.

Victorian Securities' development/construction lending products are tailored based on a full understanding of construction requirements and issues that developers encounter. The focus is on flexibility and competitiveness with dedicated relationship support.

We bring our experience and knowledge to the table and assess the viability of the project. We will discuss our assessment with you. Where we have concerns we will look for ways in which the project can be improved. If we don't think the project is viable, we will tell you why. If you are considering purchasing a property to

develop we can undertake assessments prior to purchase and provide conditional approval for project finance. Victorian Securities stay involved through the entire process.

We understand that sometimes there will be unexpected problems and it is times like these that our customers are pleased they chose us. We also understand that the project does not end with the last lick of paint or roll of carpet. We make allowance that you may need time to sell your completed development.

Next time you need to finance a property development, talk to your Business Banking Manager for an introduction to Victorian Securities.

More in  **Property Development / Construction Loans** Reference Sheet.

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