

In this Issue

7 ways to help your family business succeed

The importance of good customer communication strategies

Chose your internet service provider with care

How much rent should I charge?

Self correction of minor errors

New way to calculate milage rates

Contractors to labour hire firms

Computer backups

90 day trial periods – the devil's in the detail

Always check your ACC account

How to reduce bad debts

Trustees need to minute their decisions

Some contractors to choose their own tax rate

Cyber-security

Get the right flight

7 WAYS to help your family business succeed

Owning a family business can be a rewarding way to establish a legacy and help provide for future generations. But the dynamics of a family-owned operation can prove uniquely challenging. It pays to have very clear ground rules from the outset, and you'll need to keep on top of them if you want to maintain a successful family business – and we're not just talking about financial success.

1 Define Values

You need to understand what your family values are so that you can put appropriate structures in place with which to grow the business. So sit down with everyone involved, particularly in the early stages, and clearly define the role of the family in the business.

Family values will be especially important as the younger generation come through. It enables them to understand why you're here, how you got here, and where you want to the business to move forward to. Well defined values will also provide a stable foundation for the business.

2 Have A Succession Plan

A good business succession plan is the key factor in ensuring the business continues to thrive after you move on. Even if it's early days, it's important to have a plan for the future.

3 Open and Honest Communication

Don't let family matters get in the way of

business. Schedule regular time to strictly talk about business. Don't get side-tracked by personal family matters or petty disputes – stay focussed on discussions that are in-depth, strategic and business related.

4 Separate Home and Business

Keep business life and home life separate. This will help keep an objective view on the running of the business and improve the overall business environment.

5 Get an Outside Point Of View

If the decision-making gets tricky, an outside point of view from a qualified outsider can be invaluable. This is particularly appropriate when thinking about growing the business. A qualified outsider can shine new light on the problems and also ensure new ideas aren't lost in the tangle of family and relationships.

6 Family Strength

Ultimately the success of the family business comes down to the strength of the family unit. A number of family businesses have failed in the past because the family has failed. So just as you've scheduled time for strictly business discussions, schedule time to do the same with family. Organise a team-building event and remove yourself from the business environment and focus on building relationships within the family.

7 Get It On Paper

It's often the case in family businesses that the normal practices can be overlooked – often there are verbal agreements and assurances instead. This "trust me" kind of arrangement can be fatal. Not documenting everything in writing as to what's been agreed on can be a very costly mistake. For the sake of your family relationships, and your business, get everything clearly written down, clearly defining the terms of the arrangement or agreement. This may sound a bit over-the-top when

it's family – but it's actually more important than ever that the lines are clear when family is involved. It will save you and your business time, money, angst and perhaps even loss of family relationships, down the track.

Source: Full Focus Ltd



The importance of good customer communication strategies

There are many reasons to use a communication strategy in your business. The biggest one is of course, your customers – without whom you would have no business. It makes sense to ensure you're in regular contact with them. This helps nurture them, keep your business top-of-the-mind, and engender loyalty. You want your customers to keep coming back and bring their friends along to do business with you too.

Targeted Customer Communication

Employing a targeted approach means you won't be wasting time failing to meet the needs of your customers. You can make sure the products or services you offer match their needs. You can also develop a personalised approach to your marketing, and focus on those that give you the best result.

Targeting specific groups of customers or leads (potential customers) will help improve what you're offering. You will also get a much better return for the time and energy you've invested. This will help boost sales and growth, at the same time encouraging customer loyalty.

Improved Customer Experiences

Keeping in touch with customers will mean you are aware of your customers' experiences. You'll be able to react effectively to both positive and negative feedback. This will help build good relationships and your customers will enjoy a positive experience when dealing with your brand.

Every interaction with your customers is a chance to improve loyalty and enhance the good reputation of your business. It also gives you an opportunity to keep up-to-date with your customers' wants and needs. This will help you stay ahead of your competitors and offers

you the best chance for growth as well as making improvements.

As your business grows, it may be hard to keep track of customer interactions. It's important to have systems in place to ensure communication is not dropped out.

New Leads

Communication strategies should not just be about nurturing existing customer relationships. Of equal importance is communicating with new leads. You can't just rely on your existing customer base. Implementing communication strategies to be in touch with leads regularly always pays dividends. Engaging these prospects with effective communication will go a long way to winning them over.

What Methods Will You Use?

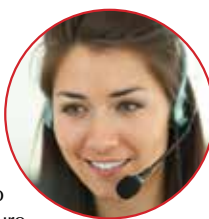
The number of ways you can communicate with your customers has grown dramatically. There are now many different ways to communicate with your customers, both offline and online.

More communication channels is a good thing. But sometimes the array of offerings seems so vast the choices paralyse the busy business owner. This makes the ability to interact with customers something of a challenge.

You'll want to look for strategies that fit with your style of doing business. They need to be cost effective, practical and simple to run.

Whatever system you choose, it needs to be workable for you and your business. If it's not – and it becomes arduous, time consuming and frustrating – then it's doomed for failure.

Source: Full Focus



How much rent should I charge?

It is always difficult to know, if you own a rental property, how much to charge. Go to www.tenancy.govt.nz/rent-bond-and-bills/market-rent/ you will get some figures of average rents in various areas throughout the country. We hope this helps.

Self correction of minor errors

From 1 April 2017, it will be permissible to correct minor errors in the following tax return where the amount of tax involved does not exceed \$1,000.

New way to calculate mileage rates

The new system, which comes in from the start of the 2018 tax year, is going to be two-tiered. There'll be a higher rate for the first 10,000 km and a lower rate thereafter. Taxpayers are going to have to keep a logbook for three months every three years and base their business running claim on this. The Inland Revenue Department says the new method is optional, which presumably means we are going to be able to make our claim as usual up to the limit of 5000 km for the self-employed, if we choose this option.

Contractors to labour hire firms

If you contract to a firm hiring labour, from 1 April 2017, the withholding tax deducted from your income will be at the rate of 20%. This will mess up your provisional tax payments from 28 August 2017 and the next two payments. Even if you are trading as a company, you will still have withholding tax deductions from income. You will be allowed to choose your own rate so long as it's not less than 10%.

Computer backups

Here's a checklist to help you keep your data safe.

- Are you backing up your computer at least daily?
- Are you sending data off-site to protect against fire?
- How do you know if you can retrieve information from your backup? Do you test your backups regularly?
- Are the files you keep in your email system also being backed up?

Choose your internet service provider with care

A couple of months ago some horrendous stories were published in the daily papers about businesses unable to function because they could not get their internet connection repaired.

One firm in Auckland was without the internet for five weeks. One supplier said: "The average time to fix the fault has increased to more than 60 hours, with some customers waiting considerably longer."

Before selecting your internet service provider, check the firm out as best you can. The internet is a great resource for this purpose as are your friends, particularly on Facebook. If the service provider has a bad reputation, avoid it, even if

the price is a bit lower.

If you've got a couple of minutes, try checking out your existing internet service provider. It could be time for a change.

Recently, Ken was approached by a power company with an offer for cheaper power and a free ultrafast broadband connection. He found communicating with the company was very difficult and it was almost impossible to talk to the supplier of the ultrafast broadband connection.

For this reason, he cancelled his arrangement. It later transpired that the broadband supplier was none other than the one who failed the Auckland business described above.



90-day trial periods – the devil's in the Detail!

The 90-day trial period has been part of NZ's employment landscape for a few years already and it has been used by countless employers to end the employment of new recruits who would have not worked out for one reason or another. Thankfully there are some who have done this successfully and without any repercussions.

However there are many others who have found out the hard way that dismissing someone is never simple, even when they thought they were meant to be protected by the Law itself!

The 90-day Trial Period provision states, in sections 67A and 67B of the Employment Relations Act, that if an employer dismisses an employee within the first 90 days of employment, the employee cannot raise a personal grievance for unfair dismissal, although they can still raise a grievance on other grounds such as discrimination or unfair disadvantage.

In a nutshell this means that the employer would not need to go through the same process when dismissing someone on a trial period as they would for anyone else. The employer could essentially dismiss the employee in a manner and for reasons that would not be seen as 'fair' for any other employee.

Some of the Members of the Employment Relations Authority have made it very clear that they do not like this provision and are looking at every minute detail to be able to find in favour of an employee

who challenges a 90-day trial dismissal. They see it as a means for the employer to by-pass good faith and natural justice and have expressly said that if an employer wishes to make use of their legislated right to deprive an employee of the right to take a Personal Grievance for unfair dismissal, then that employer would be well advised to ensure that they follow that same Legislation to the letter!

The devil really is in the detail and new details seem to come up every time a 90-day trial case is brought in front of the Authority.

We all know that recruiting and inducting a new employee and then training them to perform to an acceptable level is very expensive and time consuming.

As an employer you should always aim to get this right and make good use of those initial weeks of employment to build trust and faith in the new employment relationship and to clearly convey your likes and dis-likes and your targets and expectations to your new team member.

Just like using a parachute, the 90-day trial period should only be necessary to use as a last resort - always be certain to have one but also make really sure that all your knots are tied properly and your lines are strong enough if you really wish to trust it!

Source: www.eipm.co.nz

Trustees need to minute their decisions

IF you have a family trust, be fussy about recording trustees' decisions.

One problem that arises is taking money out of the trust for your own use. This can be:

- a reduction of money owing to you
- a distribution of some of the trust income
- a payment out of the capital of the trust
- reimbursement for trust expenses paid by you
- a beneficiary loan

It's important to clarify these withdrawals. This is done by means of a trustee minute. If there could be any doubt about the reason for a transaction, be sure to prepare a trustee minute and make sure all trustees sign it **before** it is actioned.

Some contractors to choose their own tax rate

From 1 April 2017, the Government is proposing to allow contractors whose income is subject to withholding tax deductions, to choose their own tax rates.

Those who have typically been over-taxed might want to choose a lower rate. The minimum for New Zealand residents has been set at 10%. Others, who have a lot of year-end tax, might be more comfortable having higher deductions.

The maximum number of times you will be entitled to change your rate during the year is twice. After that, the payer will have to agree to your request to make the change.

If you haven't been complying with your tax obligations, you might not be allowed to choose your own tax rate.

Always check your ACC account

Your ACC account could easily be wrong. Always check it.

Typical areas where the wrong premium can be charged include:

Selecting the wrong industry for your type of work.

Levying ACC payments in excess of the maximum threshold. Currently, you should not be paying ACC on earnings of more than about \$120,000. Sometimes, people receive a PAYE salary and then a non-taxed salary on top of this. These are the type of people who can be overcharged.

Some activities are what is known as passive. However, the income from them sometimes sneaks into ACC files and is treated like earnings.

Rental income from a partnership is an example. If it is recorded in the tax return as partnership income, it can get through to ACC and be levied by mistake.

We read in a recent publication that 30% of clients in a sample were paying too much ACC.

How to reduce bad debts

Prevention is better than cure when reducing the number of bad debts.

Avoid giving credit to a stranger, without undertaking a credit check.

If you have to give credit without doing a proper check, be sparing.

Giving credit can help you gain customer loyalty, but be careful.

There is no obligation to give credit to anyone. Try to make it a habit, if your type of business will permit, to assume you will be paid on the spot.

If it can't prevent bad debts then:

Jump on new customers who start to abuse your credit arrangement.

Make notes of **every** conversation you have with a debtor.

If you have to make follow up calls, quote back to the customer what he/she undertook to do.

Immediately after you have made a call, make a note in your diary of the day on which you will next call if the money has not been received and keep a record of what was said.

Discontinue giving credit to the

chronically bad payers. The time you put into them will destroy your profitability. You could be doing better things with the same time.

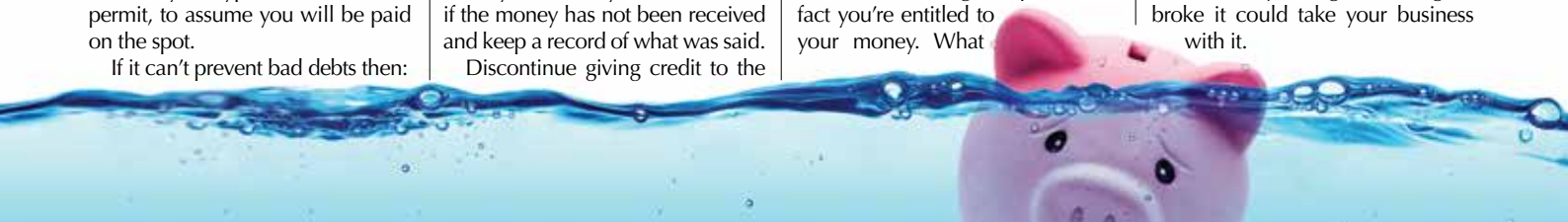
What about the big customer who will not pay on time?

Small businesses often find their biggest customer is their worst payer. You feel you can't afford to be too demanding, in spite of the fact you're entitled to your money. What

should you do?

The answer is not to have one major customer that dominates your business. You will **always** be vulnerable while you let this continue.

Set a maximum percentage of total sales from any customer and do your utmost to see this is not exceeded. If your big customer goes broke it could take your business with it.



Cyber-security

As a trusted advisor to individuals and businesses your security responsibilities are twofold.

On the one hand, you want to protect your own information and ensure that any technology, software or services you use to execute your tasks, are secured, available and uninterrupted.

On the other, you want to be certain that you don't cause any sort of security breach for your client. If you have access to their data, or even if you are merely exchanging electronic communications, you don't want that to be the route through which an information security breach occurs.

Many business owners make the mistake of assuming their IT provider has taken care of all their security needs. However, more often than not, this isn't the case and it's only when a breach occurs that they start to question how it could have happened, whether their security was up to scratch; and perhaps even worse – whether it was their fault.

Security is something that requires an 'always-on' mindset; and a full 360-degree approach. How do you do this? Here's some basic tips:

Be aware of the risks and the tactics used by attackers: Make sure the software on all devices has the latest updates installed – across your laptop, your smartphone and any other devices you use in the execution of your duties.

Ensure your devices are password protected: This is especially the case if you're working with sensitive content across a number of different clients. Mobile devices can be accidentally left in public spaces easily, which are often linked directly to emails and online accounts. While common sense would dictate otherwise, the majority of information security issues occur because of simple mistakes like this.

Treat customer information as you would your own private data: Where confidential information is concerned, basic rules apply whether it is digital information or hard copy. Breaches can occur through carelessness and you have a duty of care when dealing with confidential information.

Smartphones and applications are a particular area of concern. Many of these tap into information stored on your phone, like your contact details, GPS details, emails. While it's important to look after your personal details, protecting the details of any clients that you work with through your smartphone is crucial.

Ensure staff are aware of security protocols. Set up a meeting to discuss the rules when it comes to passwords, the use of BYOD, downloading files and opening attachments in emails. The majority of security breaches occur as a result of employee oversight so it's essential they are aware of the risks. Sites like Connect Smart provide some great educational tools that are free of charge.

Another key thing to note is it's also important to be aware of the security measures that clients you work with have in place as well. If their systems are subpar, it could cause a security-related issue for you. That might be disruptive, if for example, malware gets on your machine, or it could cause potential losses, if for example, a keylogger is installed via a Trojan that has come in through an insecure network.

While there is little you can do in terms of beefing up security at your client's end, you can ensure your own protection through proactive and robust security awareness.

www.kordia.co.nz/cyber-security

Gambitsis Crombie

www.gambitsiscrombie.co.nz

Directors

Tony Gambitsis
David Crombie

Contact

Rear Suite, Level 1
29 Kings Crescent
Lower Hutt

Phone: (04) 939-1975
Fax: (04) 939-1456

Email:
tony@gambitsiscrombie.co.nz
david@gambitsiscrombie.co.nz

Website:
www.gambitsiscrombie.co.nz

Members of NZ CA Limited

Accountants Hawkes Bay - Napier	(06) 843-4868
BM Accounting Limited - Hastings	(06) 876-7159
- Waipawa	(06) 857-8901
Bavage Chapman Ltd - Warkworth	(09) 425-9835
Brophy Knight Limited - Ashburton	(03) 308-5104
Candy Gillespie - Matamata	(050) 888-7089
Chapmans Chartered Accountants - West Auckland	(09) 831-0205
Duns - Christchurch	(03) 365-0768
Focus Chartered Accountants - Whakatane	(07) 307-1141
Gambitsis Crombie - Lower Hutt	(04) 939-1975
GS McLauchlan - Dunedin	(03) 477-8192
- Queenstown	(03) 477 8192
Gyde Wansbone	
Chartered Accountants Ltd - Te Awamutu	(07) 872-0585
Harris Taylor - Hawera	(06) 278-5058
Iles Casey - Rotorua	(07) 348-7066
Marshall & Heaphy Limited - Greymouth	(03) 768-7186
Martin Wakefield - Timaru	(03) 687-7122
- Christchurch	(03) 343-4012
McDonald Vague - Auckland	(09) 303-0506
McIntyre Dick & Partners - Invercargill	(03) 211-0801
Midgley Partners - Christchurch	(03) 365-6900
BW Miller Dean - Wellington	(04) 910-3340
Naylor Lawrence - Palmerston North	(06) 357-0640
- Dannevirke	(06) 374-5730
nsaTax Limited - Auckland	(09) 309-6505
RSM New Zealand Group Limited - Auckland	(09) 271-4527
- Auckland North	(09) 414-6262
- Auckland Central	(09) 367-1656
Strettons - Taupo	(07) 376-1700
Southey Sayer - Masterton	(06) 370-0811
Sudburs Limited - Whangarei	(09) 430-4888
Vazey Child Limited - Hamilton	(07) 838-2169
Whitelaw Weber Limited - Kerikeri	(09) 407-7117
- Kaikohe	(09) 401-0991
- Kaitia	(09) 408-1220

Changes in Particulars

Please remember to let us know of any changes in:

- Physical address • E-mail address • Phone and/or fax numbers
- Shareholdings • Directorships • Trustees

Or anything else that may be relevant.

Disclaimer

All the information published in Trial Balance is true and accurate to the best of the author's knowledge however it should not be a substitute for professional advice. No liability is assumed by the authors or publisher for any losses suffered by any person relying directly or indirectly on this newsletter. Views expressed are the author's own. Articles appearing in Trial Balance may not be reproduced without prior approval from the editor and credit being given to the source.

Get the flight right

BE careful when booking flights on line.

John and his wife were going from Wellington to Christchurch and had booked airfares there and back. It was late at night and John accidentally booked to go on 21 May and back on the 22nd instead of going on the 28th and back on the 29th.

The next day his wife discovered the

error and he rang the airline. The extra cost of changing the flights was \$200.

Another way of getting it wrong for overseas flights is to have a different name on your ticket from that which is on your passport. This applies particularly to married women who might have a passport in one name but accidentally book their airfares in their new name. The cost of correcting this is another \$50.