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Stick with the plan for a winning 2012

AUSTRALIANS love to make New Year resolutions about their weight, their health and their relationships.

The new year is also a time for business owners to evaluate the year and decide on how the next 12 months is going to unfold.

Margins: resolve now to make a discipline of your margins. Many business owners find their quarterly profit performance is inadequate, usually because they are concentrating on sales volumes rather than margin per sale.

In a tough operating environment, business owners naturally default to a business model where they try to out-sell the competition.

But when you lose profit margin to push your sales volume, you can end up going backwards.

Quality: resolve now to tweak your business to always be improving the quality of your customers.

One of the anchors around the neck of even well-regarded, successful firms is having too many slow-paying or non-paying clients in the receivables.

I advise you spend the first quarter of 2012 either sacking or reducing your exposure to your bad clients: they take too much of your time and they mess with your cash flow.

You don't have to be aggressive: perhaps simply change your credit policy, and inform all your clients in writing.

The quality argument develops into the next point:

Pareto: the rule of Pareto was that a business will make 80 per cent of its income from

20 per cent of its clients. Your resolution for 2012 should be to find out which 20 per cent of your customers are producing the bulk of your revenues, and then do two things: find a way to keep them as clients and get them using you more; and having profiled these clients, make a plan for how to get more clients just like them.

more valuable to you than those who just punch a clock.

But you have to work with them and invest in them to make this happen.

Hire one expert: an excellent resolution for any business owner is to engage the services of at least one new expert.

In business we so often

you with an outsourcing opportunity, allowing you to avoid wasting resources on building your own expertise.

A good example of this is insurance brokers: they allow you to be properly covered at the best rates, without having to research the market.

The plan: hands up those who have a business plan? Now hands-up those who have read their business plan lately? Business plans are like the blueprint for a machine or the architect's plans for a building.

They should offer a map and a framework for how your business operates and where it's trying to go. I suggest a good resolution for 2012 is to pull out the business plan and read it cover to cover, have a look at your assumptions and your goals.

Give it a reality check but also remind yourself of what you once wanted to achieve.

Then either change the business plan to what it should say, or alter your operations to get back in line with what you originally planned for.

Leadership: you should resolve now that in 2012 you'll review your leadership style and make the adjustments you need to get the business running properly.

All too often, business owners become bogged down in problems and they forget about their leadership role.

In 2012, resolve to remember: the business owner is the leader and he or she gets to set the tone.

If you want 2012 to be a winning year, you'll have to lead the way.



Staff development: 2011 was a tough year and perhaps you pulled back on development of your employees. But in 2012, resolve to see your employees as assets who create revenues for your business and who can help you expand.

To do this you need to develop these people not only into what you and the business need them to be, but into the people they want to be.

Learning, growing employees who feel they are making a contribution are

become engrossed in our own little circle of partners and employees, kidding ourselves that our problems are unique and have never been encountered by another business.

Using an expert — whether for legal, marketing, IT, creative etc. — is not only useful to get a project off the ground, it's also a fresh perspective and the perspective of someone who has seen your business issues many times before and knows how to address them. Experts can also provide

Don't let that debt hangover spoil entire year

HELEN POW

AS well as nursing a hangover, many Australians will be waking today with a mountain of festive credit card debt.

Australians spend around \$2.7 billion on their credit cards in December alone — 15 per cent more than any other month of the year.

But as January 1 dawns, so does the realisation that the Christmas excess needs to be paid for.

Debt assistance services are bombarded with extra calls in January from desperate Australians trying to get a handle on what they owe.

"January to March is our busiest time of year when the first credit card bill since

"Christmas drops through the letter box," said Debt Mediators senior consultant Ben Paris.

"We double our staff to

cope with the demand. It's when everyone puts their head in the sand — you know: "We'll just buy the Christmas presents and all the food and we'll go out to dinner a couple of times and take the kids somewhere fun and we'll deal with it next year."

"But by then there's nothing they can do: they won't be able to dig themselves out by themselves — they need help."

Nobankruptcy.com CEO Christian Oey said his service's inquiry rate doubles, if not triples, in January.

"Credit card debt is up there with quitting smoking and losing weight as the number one thing people want to get on top of in the New Year," he said.

"Christmas is more the trigger. Normally we find our clients have been struggling for a while."

Anyone with savings should transfer that cash on to their credit card, Mr Paris said.

"We see a lot of people who have liquid savings as well as a mountain of debt, which is just ridiculous; it makes no sense at all," he said.

"Maybe the bank will pay you 6 per cent interest if your money is in a term deposit but you're going to be paying 18.5 per cent on the credit card."

Mr Oey said debt-laden Aussies should pay off the credit card with the lowest balance first.

"The idea is to knock off your debts from smallest to largest," he said.

"If you have five credit cards, which is typical these days, you pay the smallest balance first, say it's \$3000.

"Then cut it up and don't use it again and start paying off the next one. Then you can't be tempted just to top

them back up." But both experts insisted that people whose New Year's resolution was to get rid of their credit card debt had to really want to change their behaviour to be successful.

The Australian Securities and Investments Commission has put a new budget planner on its MoneySmart website to help people start 2012 with a fresh financial outlook.

MoneySmart's Delia Rickard said: "Our new budget planner can help New Year's resolutions come true.

"It reveals exactly where your money is going, whether it's being spent on the things that are important to you, and if you're spending more than you can afford."

MoneySmart also has a credit card calculator designed to help you work out the fastest way to pay off credit card debt: moneysmart.gov.au

Ask Mark

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Advice is intended for guidance only

Allocated pension a winner

MY wife and I are in our early 70s, retired, draw a part pension, have two annuities that will run out after we reach our early to mid 80s as well as having a reasonable share portfolio. We feel we have a very good living standard. We are to receive an inheritance of over \$250,000 soon. Our financial adviser has suggested that we invest it in an allocated pension. Can you please explain the pros and cons of this type of pension with regard to the possibility of longevity and the security of such an investment?

- P. K.

Mark says: Investing your inheritance into an allocated pension is definitely a great idea. Just be mindful that as you are over 65, you must satisfy a work test to make super contributions. It is also important to ensure that you do not go over the non-concessional cap of \$150,000 per annum for those aged under 75. Allocated pensions have significant tax benefits and offer retirees a simple and flexible way of receiving their superannuation balance as an income stream. As you are over 60, all earnings and payments from your pension account are tax-free. Allocated pensions allow you to control your retirement income by varying the amount (subject to required minimum drawings) and frequency of income paid. You can also draw a lump sum when you need to. The longevity of the pension is based on how your money is invested by your chosen pension fund provider. Fund managers offer different options to suit your investment strategies. Your financial planner can provide you with more details and also guide you through the process.

Downsizing a safer option

I am on disabled pension. Some time ago I put my mortgage payments to interest only, but now I'm thinking of moving over to a reverse mortgage or selling the property and getting something smaller and mortgage free. I know paying interest only isn't the best option but I feel I don't have the best understanding of a reverse mortgage. What can I do that will give me the best option to lessen my debt?

- L. V.

Mark says: It is always the better option to clear your non-deductible debt if you can. That's why I believe that selling your existing home and using the funds to downsize will be a safer option; as you will ultimately be debt free. There are many evident pitfalls when considering a reverse mortgage. First, the property title must be given to the lender as security for the loan. Second, the loan balance will increase over time as monthly repayments are not made. Reverse mortgages also run the risk of your property value falling. Furthermore, any beneficiary's inheritance or Centrelink entitlements may be affected. Most importantly, there may not be sufficient equity for aged care costs in later life.

TOP FIVE MONEY TIPS FOR 2012

- 1 Create a budget
- 2 Pay off your credit cards (start with the smallest balance first)
- 3 Set up a direct debit to put even a little money into a savings account
- 4 Pay extra off your mortgage while interest rates are low
- 5 Switch loans if you can get a better deal

