

GNS GROUP

Profit Builder



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2008 - The Year In Review

Unless you have been hiding in Antarctica for the last 12 months, you must be sick of watching the news or reading the papers, there has been so much doom & gloom – I know I am. Everyone has an opinion on what has happened and where we are headed.

Most people recognise that the current global situation has largely evolved as a result of greed on the part of foreign banks, primarily in America, for throwing out the rule book on who can borrow money. Risk management was 'Old School' and the instant gratification of performance bonuses for signing up new deals became the norm – and now everyone is paying for this.

Most people are unaware that the banks lend money to each other to fund their operations. The current credit squeeze has been caused by the banks all but stopping their lending to each other, and to a lesser degree to consumers.

When Inter-Bank lending all but dries up, there are massive funding shortfalls - The Solution, Governments and Federal Reserve Banks have been providing cash injections into the market, and more recently, directly in the banks.

We have seen governments in the US, UK, Netherlands, Germany and Iceland basically take over the banks and guarantee deposit holder's funds. The Australian Government has guaranteed all Bank deposits for the next 3 years.

What was initially seen as a good move for Australian stability, has resulted in a run on financial institutions which are not covered by the Government guarantee. The main investments which are not covered by the Government include: Managed Funds, Superannuation and Cash Management Trusts.

The Government's guarantee, of up to \$1million without paying insurance, almost encourages investors to invest in more risky investments which do carry the Government backing, with no regard to the quality of the investment.

By way of example, the Macquarie Cash Management Trust, the largest managed fund in Australia, was not covered by the Government & instantly had investors pulling money out.

This fund has had, and continues to hold, the highest credit rating not only in Australia but the world, for this type of investment. Because Macquarie wanted their customers to feel the same level of Government comfort that other banks were able to offer, Macquarie have changed all of their underlying investments so that they are now 100% invested in assets which are 100% backed by the government. So indirectly, investor's money is now fully protected in the Macquarie CMT.

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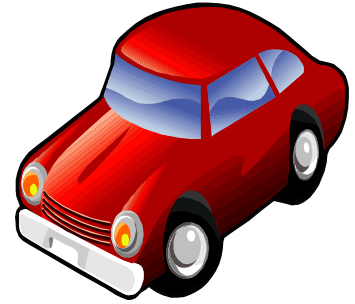
Lending & Leasing Update

Over the last 6 months, we have seen several lenders reduce & even completely stop lending for various items. Thankfully through our association with Count Financial, our clients have been able to continue relying on GNS Group to find a **competitive, diverse** and **reliable** provider of finance.

Competitive - We are not restricted to one provider, our panel of finance companies are as diverse as your personal needs. Through GNS Group, you have access to a stringently researched panel of some of Australia's top finance providers.

Diverse - In the last year we have settled deals for an aircraft, spray booths, vans, cars, computer equipment, shelving, plant & equipment - the sky is the limit. We are happy to sit down with you and look for solutions to help your business grow.

Reliable - As your accountant/financial adviser we know your affairs backwards. This saves having to hand over your personal tax return to a used car salesman. GNS has the tax knowledge and experience to arrange the best finance so that you are not disadvantaged come tax time.



Recently GE Money and GMAC withdrew from the Motor Vehicle finance market. A few months ago, we were able to negotiate a great deal for a client which was \$41 a month cheaper than the car yard's best deal.

If you think you may need to purchase a new piece of equipment or a vehicle in the coming months, or you just want an idea of what your repayments would be, please contact **Jenny** at our office to arrange a quote.

Your Christmas Party Obligations

What are your plans this Christmas?

Most businesses celebrate Christmas with their staff in some form or another and now is an ideal time to review a few issues to make sure that you are on top of the tax / legal requirements.

The last person you want turning up is the Tax Office or a Lawyer!

Occupational Health & Safety

Whether you are at your work premises or a restaurant/park/bar, as business owners, the behaviour of you, your staff and clients - is your responsibility. Guarding against a possible sexual harassment claim or drink driving offences could be worse than the morning after.

How can you minimise the risk?

Before the Christmas Party:

- Businesses should already have a documented policy covering workplace bullying, harassment and discrimination. It's a good idea to remind staff of this as Christmas approaches
- Unacceptable behavior should be clearly set out and potential disciplinary action for breaches discussed
- Choosing the location of your Christmas party is important, make sure the venue is safe and free from potential health & safety issues
- Brief the venue's waiting staff about limiting alcohol to people who are becoming intoxicated.



At the Christmas Party:

- Serve alcohol responsibly. Trouble can arise when alcohol is provided to intoxicated staff members
- Make sure there is a variety and plenty of food, low alcohol and non-alcoholic drinks available
- If you are outdoors, the weather is likely to be warm, so providing shade, sunscreen and plenty of water instead of alcohol for re-hydration
- Have at least 1 senior staff member refrain from drinking to address any problems or issues as they arise
- If you have any young staff members or apprentices who are under 18, remember that it is illegal to provide them with alcohol.
- Loose lips sink ships. Remember that some things are confidential and you are privy to sensitive information. Don't let a few drinks catch you off guard.

Your Christmas Party Obligations cont...

After the Christmas Party:

- Your responsibility doesn't end when the party does. Making sure that your staff get home in one piece and return safely in January is just as important.
- If people have had more than a few drinks, then they could be over the legal driving limit of 0.05. Remember that alcohol affects people differently!
- Making travel arrangements prior to the party is a good idea. Find out the details of the nearest public transport or the phone numbers for local taxis, Cab charge vouchers are also a good idea.

The Morning After:

- Plenty of water and a Panadol.
- Clean up the mess & then start to think about any potential Fringe Benefits Tax issues

Fringe Benefits Tax

FBT is the last thing you want to think about as Christmas approaches, but an ATO audit could be far worse. As a general rule, **if you don't pay FBT, then NO tax deduction can be claimed.**

The Minor Benefit Exemption

This is the easiest exemption to satisfy. An exemption from FBT is available when the value of any benefit is **less than \$300**. If the cost of the Christmas party is \$120 a person, then there is no FBT to pay.

Minor benefits could include Christmas parties, hampers, gifts, cab charges etc

Exempt Property Benefits

Christmas parties held on a working day on your business premises for current employees only, are exempt from FBT. This includes costs such as food and drink, which are all exempt property benefits.

Under both options, you can avoid paying Fringe Benefits Tax, but because no FBT is paid, your tax deduction for the actual expense is also denied. Businesses are generally better to avoid paying FBT and miss out on the tax deduction, than to pay the extra FBT tax just to get a tax deduction.

Entertaining clients is not subject to FBT & is Not Deductible. Please contact **Anthony** for more information.

News at GNS Group

November saw the launch of our new website — www.gnsgroup.com.au

There is a lot of new content and a completely different layout—the feedback so far has been really positive, so please check it out & let us know your thoughts—we are always looking to improve how we do things and welcome your feedback. If you would like to add a testimonial or case study, please contact **Anthony**.

Our site was designed by one of our clients, **CSV Web**. Sam has done a great job designing not only our website but also some of our clients' — if you would like Sam to have a look at your own site, please contact **Jill** at our office for Sam's details.

In October we finalised the installation of our new Computer Server - after some teething problems with our MYOB programs, we are now back up and running—sorry for any delays this may have caused clients.

As many clients know, GNS was a part owner of GAS PEX Australia, one of the largest wholesalers of plastic gas piping in Australia. Gas Pex has grown significantly over the past few years and further opportunities are being explored all the time. Gavin Shaw has been integral to this success and growth through his advisory and consultancy roles with Gas Pex, but as a result, this meant that he spends significant periods of time out of the country on Gas Pex business.

Gavin's involvement with Gas Pex has grown to such a degree that the majority of his time both here and overseas is on Gas Pex business. This has allowed Anthony to grow and be primarily responsible for the Accounting / Financial Planning operations of GNS for the last few years.

Recently Anthony and Gavin agreed that a formalisation of this arrangement was in the best interest of the practice and all our clients. And the result is a WIN-WIN for everyone.

As a result, Anthony, who has been responsible for running the accounting and financial planning side of GNS for over 2 years, will become the sole partner of GNS Group. Everyone at GNS is excited and focused on growing our business and offering new services to our clients. So its business as usual.

Gavin has now become an employee of Gas Pex. But the great news for all GNS clients is that Gavin will still be working from the GNS office and will continue to be available to assist and consult with our clients in growing and planning their businesses, just the same as before. So its business as usual.

One thing that's not business as usual, are our **office hours over Christmas**.

Our office will close at 5.00pm on Friday 19 December, and re-open at 9.00am on Monday 12th January.

We wish you & your family a very safe & Merry Christmas and we will see you in the New Year.

2008—The Year In Review cont...

Volatility

Another common trend this year has been volatility. Gone are the days of Australian and Global share markets moving up or down by 30pts. Now its rare to have days where markets move by less than 100pts or 3%.

It hasn't all been one way traffic though. There have been days & weeks where the market gets swept away with a good news story. But the press only like bad news stories. Markets are expected to still have volatile swings in both direction for a little while longer, but for long term investors, its important to own good quality investments when the market does swing up as the average 1 year gain following a bear market is 32%!

Most people set long term plans and invest in long term assets
But when things go off course in the short term, they throw out the plan

We know of 1 person who has sold their good quality Australian Share fund, and has purchased US Government Treasury Notes at a return of 1.75%, and that's not even considering exchange rate movements.

This year, all asset classes, besides cash, have shown negative returns. Yes, even those people that say property, good old Bricks & Mortar, never falls in value, have been mistaken. But is cash a good option?

Lets take an example — You have \$100,000 to invest:

Asset	Income Return	Tax at 30%	CPI	Real Rate of Return
Cash	6.2% = \$6,200	\$1,860	4.5%	= \$-160
Australian Shares	5.5% = \$5,500	\$0	4.5%	= \$1,000

Cash based investments only give certainty over the return that you will receive. No growth, just income. The after tax and after inflation returns from cash, by any measure are pretty lousy over the long term. Sure shares go up and shares go down, but the long term history tells us that things always recover to a new high. And for those people that think they can time the market – good luck. As a general rule, long term investors who have a buy and hold strategy, or set & forget mentality, do much better than those who chase last years best performance.

The best example of a long term investor who does not sell up is Warren Buffett of Berkshire Hathaway - Share in Berkshire Hathaway are now worth over \$125,000 EACH!

If you haven't seen it, please contact **Debbie** at our office on 9499 7444 for a copy

Dates for your Diary

- 21/11/08—October 2008 Monthly PAYG Withholding Tax payments & Lodgement due
- 19/12/08—GNS Group office closes for Christmas
- 21/12/08—November 2008 Monthly PAYG Withholding Tax payments & Lodgement due
- 25/12/08—Santa comes to all those that have been good this year
- 12/01/09—GNS Group Office re opens

- 21/02/09 – January 2009 Monthly PAYG Withholding Tax payments & Lodgement due
- 28/02/09 – December 2008 Qtr BAS/Instalment Activity Statement payment & lodgement due
- 28/02/09 – New (07/08) Super Funds & Companies due for lodgement & payment

- 21/03/09 – February 2009 Monthly PAYG Withholding Tax payments & Lodgement due
- 31/03/09 – End of the 08/09 Fringe Benefits Tax Year

