Bright Wild & Thomas

IS YOUR SUCCESSION PLAN VIABLE?

Succession will affect every business at some point. It is completely inevitable, and yet so many businesses don't have adequate plans in place. As our baby boomers reach retirement age and the mass exodus of skilled young workers continues, succession will remain an important issue.

Whether you're planning an exit or not, succession planning gives you the best chance of being financially independent at your desired retirement age, to carefully pass your clients on to a successor, to prepare for catastrophes and to realise maximum value in all scenarios. If managed properly this is your opportunity to create wealth in your business.

A succession plan generally consists of two important parts: legal agreements and a business continuity plan.

The business continuity plan should tackle management and ownership plans to ensure your business remains a success and continues to service your clients' needs. Legal agreements such as a shareholder agreement and buy and sell agreements manage the business dealings ➤

The Benefits of Succession Planning:

- Choose when you wish to retire
- Minimise disruption for your clients
- Maintain continuity of employment for staff
- Maintain suppliers' credit terms
- Retain the confidence of banks and financiers
- Manage lease and loan liabilities properly
- Reduce the pain of a forced retirement
- Avoid conflict with your partners
- Maximise the value of your business
- Ensure adequate funds for yourself and your family
- Increase the number and quality of potential successors

Succession Planning: Factors to consider

- What, when and how is the plan going to be implemented?
- What is the selection process for finding a successor?
- What development training does the successor require?
- Who will mentor and coach the successor going forward?

Christmas Closing Period

The Team at Bright Wild & Thomas wish you a happy festive season and a bright and prosperous New Year.

We trust you can take the time to relax, unwind and celebrate with family and friends.

Our offices will be closing for a break this summer from Friday 21st December until Monday 14th January.

Is your succession plan viable?

and transition of business interests come succession time.

Insurance can be an important factor. In the event of sudden death or disablement the remaining owners may buy the estate out. Insurance can help fund the purchase upon a forced exit, avoiding the need for the remaining partners to use their own capital.

You need to consider the type of insurance and level of cover you require, also who holds the responsibility for paying the premiums, how to deal with shortfalls and surpluses, policy ownership issues and how you'll treat the termination of the policy. David Cutfield in our office can assist you with your insurance needs.

Managing succession

Succession is a management issue that should be addressed at least 3 – 5 years in advance of implementation. Plan for a number of possible scenarios, to enable the departure of an owner or partner, whether through forced and unexpected events or by retirement.

Often the emotional aspects form the initial barriers to a succession plan, including personal relationships, family concerns, issues of relinquishing control, and beliefs that the owner will keep working beyond retirement.

Succession planning can be seen as a threat to security and status.

It can be difficult for partners to suggest to a colleague that it's time to start thinking about retiring, but transparent and open discussions always result in fairer solutions. If a plan is established well in advance then emotional issues can be reduced.

Key employees need to understand their position throughout the process, so they're less likely to exit when most needed, and could often be potential successors.

The process for succession planning needs to manage both the emotional issues and technical issues to ensure the happiness of all involved and the enduring success of the business.

Succession in family businesses

Did you know that only 30% of family businesses survive the transition to the second generation? And only 12% survive transition to the third?

It seems failure to recruit and develop the right successors is a big challenge.

Other contentious issues and common mistakes are:

- technical mistakes
- planning in a vacuum
- leaving the business to the surviving spouse
- and the challenge of treating children equally.

Business owners need to be critical but constructive

Would the chosen successor be a contender if they weren't a family member?

Whether you're running a family business or not, now is the time to act. Be proactive, not reactive. Succession planning is a management necessity and vital to minimise risk management issues. It's something that everyone should plan for and that every team member should be aware of.

We're happy to discuss your succession plan with you, to arrange a time please contact the office.

IRD COMPLIANCE FOCUS 2012–2013

The IRD released their annual Compliance Focus document for 2012–2013 to 'help you get it right'. It outlines how Inland Revenue will focus its energies to net the correct amount of tax.

This year their focus is on:

1. **Receiving the right information at the right time.** If your circumstances change remember to let us (and necessary government agencies) know. Also make sure you have the right amount of tax deducted at source and if you're an employer that you're deducting the right amount of tax from payments you are making.

2. **Filing and paying on time.** If you think you'll be unable to meet your tax obligations let us know as soon as possible so we can work with the IRD to manage your situation. Penalties can often be avoided by getting an installment arrangement in place with IRD before the due date has passed.

3. **Paying and receiving the right amount.** IRD are focusing on individuals who try to reduce their tax liabilities or increase their entitlements to tax credits.

4. **Providing confidence and certainty.** The IRD are trying to clarify what they expect from taxpayers and provide more information – so keep an eye out.

The IRD has implemented several campaigns to educate the community and minimise accidental tax avoidance. They're also forging better relationships with external agencies, strengthening reporting systems and encouraging open communication to proactively influence voluntary compliance.

The IRD state that taxpayers 'can have greater confidence that they are paying the right amount of tax when the advice and support their tax agent provides is based on complete information.... Recent research shows a clear correlation between the use of tax agents and increased voluntary compliance, particularly when the tax agent belongs to a professional organisation.'

TOP HONOUR TO BWT

Winners of the Grosvenor Financial Services Group "Adviser of the Year" award

As we hope you know, we run a separate Financial Services division offering KiwiSaver, Investments in diversified portfolios, life and health insurance, and assisting with funding applications.

This division was started over ten years ago at which time we searched for a reliable Financial Services provider who could assist us with research, portfolio construction and a sound IT platform.

We are pleased that we partnered with Grosvenor Financial Services back then as they have provided us with reliable and consistent service. Their portfolios have withstood the stresses of the Global Financial Crisis.

A privately owned Company, Grosvenor Financial Services Ltd was incorporated in March 1998. Being privately owned and not aligned to any fund managers, Grosvenor has the advantage of being able to offer independent service and support to over 200 of New Zealand's leading advisers who have partnered with them. They also offer a similar range of services in Australia through their sister Company, Tranzact, which is listed on the Australian Stock Exchange (ASX). Grosvenor and Tranzact administer over $2billion in assets across NZ and Australia.

For NZ operations, Grosvenor employ 40 staff in their Wellington office as well as an internal Investment committee of 7 including an independent external consultant.

BWT Financial Services Ltd day to day operations are run by **David Cutfield** (Nominated representative of Grosvenor Investment Management Limited Qualifying Financial Entity), and **Tim Wild** (Authorised Financial Adviser).

At the recent Grosvenor conference and awards dinner, Tim and David where honoured to receive jointly the Grosvenor Financial Services Group "Adviser of the year" award. This award is assessed on professionalism, compliance, community service, and communication, as well as growth.

A VISIT FROM XERO

The champion online accounting software

Our IT guru Martin recently had a visit from Rod Drury, the Founder and CEO of Xero.

Xero is a fast growing NZ technology company that has recently had a dual listing on the NZX and ASX, and is quickly making inroads internationally.

This was a useful meeting, gaining an insight into the future development of the cloud based software, and recent third party add-ons.

The main benefits of cloud accounting are low transaction costs, and the ability to access our clients' financial transactions at any time, so we are all working on the same common ledger. This way we can add value and report on a real time basis.

If you are interested in finding out more about Xero and how it can benefit your business, please feel free to contact Martin or Jordan at our office. Our website www.brightwildthomas.co.nz also has information on the Online Accounting Software.

KiwiSaver
Poua he Oranga

Trans-Tasman Portability One Step Closer

A Memorandum of Understanding to establish a trans-Tasman retirement savings portability scheme was signed by New Zealand and Australia in July 2009.

The Trans-Tasman portability of super arrangements are to be implemented from 1 July 2013.

The ability to consolidate an individual's New Zealand and Australian superannuation funds under the scheme will be both financially and administratively beneficial for the large number of individuals who cross the Tasman.

Key features include:

- individuals may transfer their retirement savings between an Australian complying superannuation fund and a New Zealand KiwiSaver scheme without being taxed;
- participation is voluntary for members and for superannuation funds and schemes;

  - amounts transferred from a KiwiSaver scheme to an Australian superannuation fund are treated as after-tax personal contributions subject to the annual Australian non-concessional cap (currently A$150,000 with the option to bring forward two years' worth of contributions allowing a maximum tax-free transfer of A$450,000).

  - Australian sourced savings transferred to a KiwiSaver fund can be accessed on retirement at, or after, the age of 60 (earlier than the KiwiSaver retirement age of 65);

  - New Zealand sourced savings held in an Australian Superannuation fund cannot be accessed until the individual reaches the KiwiSaver age of retirement of 65;

  - An individual permanently emigrating to Australia will no longer be able to withdraw their accumulated KiwiSaver savings and instead will only be able to transfer these funds to an Australian superannuation scheme.

What Should you do now?

If you have previously lived and worked in Australia and may have lost touch with your Australian Superannuation Account(s) it may be worth tracking it down. You can do so by using Grosvenor's Free Super Tracker Service. You can request a lost super search form from David at our office or by visiting www.nzkiwisaver.co.nz

Mixed use assets

gearing up for change

With summer set to sizzle no doubt you'll have serviced the motor home and prepped the launch or bach to reap the seasonally high rents.... Let's consider the proposed new rules around mixed-use assets and how they could affect you from 1 April 2013.

As previously signalled:

You'll be required to apportion deductions based on actual income earned and private use of the asset, instead of based on the availability to produce income.

Expenses relating to the asset such as power, rates, insurance, maintenance and interest on debt will also be apportioned to the number of days it was actually rented.

If annual rent received for assets exceeds $60,000 then the owning entity is required to be GST registered - this may affect the tariffs you charge and if you sell the asset you may have to account for GST.

It's complicated and we suggest you get into the habit of diarising the days you (plus family and friends) use assets. If you're concerned, do call us to discuss your situation.