Welcome to our Quarterly Newsletter

Each quarter we will provide information that details the different products and services that we offer and provides informative articles that are both business and consumer related. We welcome your feedback and trust you find the newsletter useful.

As 2015 draws to a close on behalf of all of us at Esdale Sinclair and Associates we wish you and your family best wishes for a happy Christmas and a safe New Year. We look forward to being of service to you in 2016.

Please note that our office will be closed from 25th December 2015 and we will return on the 4th January 2016.

In this edition we take a look at how technology is helping rural clients. We also take a look at the latest legislative changes - If you are a business that hires or leases equipment these changes will affect you. It's also that time of the year when car dealers are offering ridiculously low interest rates - what are the pitfalls with these offers? We also look at some strategies that businesses can put in place to help manage concentration risk. And finally, we take a look at the ever expanding range of equipment we can now finance.

Until next quarter enjoy the read!

We provide a wide range of finance for:

- Equipment and Motor Vehicles
- Insurance Premiums
- Cash Flow Requirements (Debtor Financing)
- Commercial Property purchases
- Residential and Investment Property purchases
- Imported Equipment
- Banking requirements

Satellites and Drones to Revolutionise the Agricultural Industry.

A remote Livestock Management System is now being trialled on three cattle stations across Northern Australia. Precision Pastoral Management Tools combines a weighing platform with RFID ear tag readers and auto drafting gates all set up along watering points. The cattle walk through trap yards to drink then exit over the weighing platform, allowing each animals daily weight to be recorded. Pastoralists can set parameters for the cattle. For example by weight range to be drafted off into separate adjoining yards as they exit ready to be trucked.

Meanwhile the potential use of remote piloted aircraft systems aka “Drones” is quite amazing. A Drone is capable of monitoring every inch of a property 24/7, assisting with such things as weed and pest control, sowing seed, checking on cattle, Irrigators/bores to monitor water flow, fertilize and moisture and dry matter changes in pastures etc…..the list is endless.

Car dealers are throwing around cheap finance rates in the lead up to the end of the year to move stock. But is it all that it is cracked up to be?

If you have agreed to buy a vehicle from a dealer you will often be introduced to the Finance and Insurance Manager who can handle the finance “on the spot’. And to make it even easier they have a special low rate offer on at the moment. But is dealer finance all it is cracked up to be?

So how are the dealers offering reduced interest rate finance?

Typically these finance arrangements are over selected vehicles with a set term and a set balloon value (payment due at the end of the term). To obtain this reduced interest rate usually a factory incentive is paid by the factory (or dealer) to the financier who can then promote the lower interest rate.

In this article we provide some items to consider before you enter into one of these offers.

Firstly let's use the following assumption that can easily be applied to other terms and offers:

The financier is offering finance over a 48 months term with a balloon of 50% (payable at the end of the term based on the amount financed) and the interest rate quoted is 2.5% (comparison rate)

Questions to consider:

How often do you change over your Car?

- If you change over your car every 36 months then does the finance term being offered suit you?
- What are the penalties if you want to pay out your finance early? Usually if you want to exit these finance structures early the payout can be very high.

What payment amount should you have at the end of the term?

- Is the payment due at the end of the term roughly what the value of the car will be at the end of the term? Loan repayments are lower if the balloon value is higher but at the end of the loan term you'll need to find more money to pay out the loan. In some cases this can be more than the value of the car at the end of the term. Is the offer of 50% relevant for the vehicle you are purchasing?

What do your repayments include?

- It’s not uncommon to have finance offers including costs like servicing, insurance and maintenance. Your repayments might include these costs however you will be paying increased fees and interest on the total amount that is financed.

Extended warranties

- Due to generally low margins on the sale of vehicles car dealers will offer you a variety of “add-ons”. The reason they do this is to increase the margins earned. Typically these are expensive and include things like extended warranties and insurance. Be sure you understand exactly what the loan or finance agreement payment covers and the costs.
- Ask yourself do you need an extended warranty and will you get any benefit? They are a way of the dealer adding to the cost of the car without possibly any benefit to you.

So what are the key things to watch out for based on the above?

- Obtain finance for the term that you want that suits the term that you usually change over your vehicle.
- Ensure your final payment is roughly the value that the vehicle will be at the end of the term. You don’t want to be in a position where you need to find additional money at the end of the term.
- Ensure you understand how your repayments are structured and do you really need any extended warranties, insurance and services built into the repayments?

- Don’t sign with a Finance and Insurance Manager at a car dealership unless you fully understand what you are signing.

And finally speak to us. We can review what repayments you are being quoted and provide various options. With externally approved finance you may be able to negotiate a lower cash price on the vehicle.

Business Article – Does your business have a Concentration Risk?

Have you asked yourself what if one or two of my major customers falls over? What if my popular item becomes redundant by technology? What if my financier will not provide funds for my growth? Or what if my supplier falls over? Every business has some form of concentration risk and it is probably something that is often considered but often can be overlooked as a key risk in a business. In this article we examine some of the ways that clients that we deal with are managing their concentration risk.

Risk Management Plan

It is recommended that all businesses have a Risk Management plan in place.

It doesn’t need to be complicated and can be as simple as going through a 4 step process such as:

Step 1 – Identify the risk
Step 2 – Analyse/Evaluate the risk (what impact does it have on your business?)

Step 3 – Determine how to treat the risk (what action is to be taken)
Step 4 – Monitor the risk

it is recommended that the plan should only include the company's five key risk areas. Although you may have less than five. These are customers, suppliers, access to funds, balance sheet or net profit and key geographic concentrations. It can be easy as brainstorming what the key risks are and it doesn't matter what size of business you are. Once the risk has been identified, think about how the risks are going to be managed and how reporting and ongoing management will be done.

So what are some key risks?

Customer concentration – The old adage of all the eggs in a small basket. Sometimes this is unavoidable as that is the way it is. Ideally no one customer should represent more than 10% of your income. If they do look at how payment terms with these customers are structured. Can they be altered to reduce your risk? Don't be afraid to run credit checks against your customers and in some case you can even obtain insurance (although this can be expensive).

Access to Funding – A simple strategy to diversify your risk is by having access to multiple funders. The ideal way to do this is to finance your Equipment Finance away from your Bank freeing up any security held by them to be used only for banking requirements.

Diversification – In who supplies your materials/products, in the products or services you sell or in the geographic area that you operate. This may not always be possible and is certainly something to consider.

How do you get help?

Your accountant or a business adviser is usually the best option. They can help you with the process. Of course we can help with the Funding side and therefore please do not hesitate to talk with us.

Latest Legislation changes - If you are a business that hires or leases equipment changes to the Property Securities Act from the 1st October have taken effect!

In previous editions of this Newsletter we have spoken about the Personal Property Securities Act (the Act that also applies to Businesses) and reminded those of you that hire or lease equipment to a third party for greater than 90 days to register your interest on the Personal Property Securities Register (PPSR).

Correct registration on the PPSR is to ensure that you don't lose your owned asset if you hire it to person whose business fails.

On the 1st October 2015 the Act was changed and common sense has prevailed with the 90 days being increased to 1 year. Therefore if you are a business which hires or leases out serial numbered goods for less than a year, you may no longer need to record these transactions on the PPSR.

It is however important and recommended that you seek advice on whether you should record an interest in your asset on the PPSR such as from your legal adviser. You can also seek advice from Edx Australia who specialise in registrations on the PPSR. There contact details are available here

Further information on the changes are also available from the Government's PPSR website here.

We can finance just about any type of equipment!

A lot of our clients don't realise that due to our access to wide variety of funders, in addition to standard pieces of equipment we can also arrange finance for the following equipment.

- GPS units in trucks (even those trucks under finance to other financiers)
- Telephone systems
- Solar Equipment
- Commercial LCD display panels & audio visual
- LED Lighting
- POS (point of sale) systems
- Commercial equipment for restaurants
- IT equipment
- Printers
- Gym Equipment
- Software
- Catering Equipment
- Office Furniture
- Commercial Cleaning Equipment
- Digital Photo Processing Equipment
- Electronics
- Portable Buildings
- Music Equipment
- Lighting Towers
- DVT Pumps
- Warehouse Racking, etc.

If you have a requirement to finance any of the above or have another piece of equipment you want to finance that isn't included on the list make sure you contact us to discuss.

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