



# esdalesinclair & ASSOCIATES

*...your local finance specialists*

Welcome to our quarterly newsletter.

In this newsletter we take a look at what options are available if you are looking at [purchasing a car](#) before the end of the year including access to a car buying service that could save you money. We also look at the advantages with [split banking](#) and not having all your eggs in one basket. We discuss what to look for [when engaging a Valuer](#) for a valuation of Equipment and we also take a detailed look into the important topic of [business succession](#). We finish off with some [memorable political quotes](#) in our horsing around section.



**With days to go before Christmas we can still help you with all your finance needs.  
Please feel free to call us to discuss.**

As 2016 draws to a close on behalf of all of us at Esdale Sinclair and Associates we extend you and your family best wishes for a happy Christmas and a safe New Year.

Please note that our office will be closed from 26th December 2016 and we will reopen on the 3rd January 2017. We look forward to being of service to you in 2017.

**Enjoy the read!**



### **Purchasing a Car? Don't finance it until you have spoken with us. Plus we have access to a Car Buying Service that could save you money!**

It's on again! That traditional advertising campaign promoting low interest rates in order to generate car sales before the end of the year. Car Dealers are wanting to sign up the finance for the "special offer" straight away to secure the deal. As we have mentioned in previous newsletters there are often pitfalls to financing via a special offer.

Please give us a call before you sign on the dotted line. We can then run through with you what they are offering and provide other options that may be better suited and save you money in the long run.

We may also be able to assist you to reduce the purchase price of your new vehicle. We have teamed up with an independent car buying service that can assist in obtaining competitive pricing. In the past you may have contacted or visited a car dealer and received a quote. Then contacted another dealer to see if you can do better. In some cases you still don't know if you are receiving a good price on the purchase and if applicable the trade in.

The good news is there is no charge for the use of the car buying service that provides unbiased advice and has access to a comprehensive dealer network.

If you are in the process of buying a new car it's as easy as providing us with the vehicle details being the make, model, fuel type (petrol or diesel), transmission type (auto or manual), your colour preference and details of any accessories together with details of your trade in (if applicable).

We will forward your details to the Car Buying service who will make contact with you to discuss.



### **For our Business Customers - Should you be putting all your eggs in one basket?**

If you are a typical small to medium size business you will have your daily transaction account with one Bank and will probably use them for your funding facilities such as an overdraft. The Bank will usually hold a Fixed and Floating charge (now known as a General Security Agreement) over your company and in addition will hold security over assets such as the family home and/or a commercial property to support your financing with them.

Your Bank will want to be your "one stop shop" for all your financing needs. Whilst this option suits some small to medium sized businesses there can be some pitfalls to this approach that can constrain a business moving forward.

When a business has its eggs in one basket a situation can arise where their Bank has enough security to support their financing requirements right now but this may not be the case if they need an urgent increase in their Overdraft facility or other facilities.

Most Banks have prudential limits around the amount they can lend against the security they hold, the type of industry or

exposure to a particular industry.

### **So what should you consider?**

- Spread your Finance risk. Where you require finance that falls outside of core operating facilities with your Bank consider placing these with another financier or financiers.
- Track record - By having finance with other Financiers over time this will provide them with history on you and this may be handy in the future if you wish to change Banks or your Bank cannot assist with your requirements

**If you want to talk with us about spreading your finance risk please give us a call. We can also help if you are looking at changing Banks.**



### **[How do you pick a Valuer to value your Equipment?](#)**

Often we have our clients asking us about how they obtain a valuation of their equipment and how they go about finding a reputable Valuer.

With a number of Valuer's being able to offer this service we thought we would provide some information in this Newsletter about the process of appointing a Valuer and what should be considered.

In our experience depending on the type and complexity of the Valuation required will then determine which Valuer or Valuation Firm is best suited to undertake the Valuation. This is where we can help.

We have dealt with a number of Valuer's and Valuation Firms over the years and can discuss what options might be

available.

**When we look at recommending a firm or a Valuer within a firm we consider the following:**

The experience and qualifications which a Valuation firm and its individual Valuer's have is of the utmost importance. As a minimum they should be member of the Auctioneers and Valuers Association of Australia ("**AVAA**").

If the Valuation is being completed for a Financier (who will then use this to provide funding) it is important to make sure that the Valuer is an approved Valuer with that particular Financier.

**What type of Valuation is required?**

Typically a formal written valuation is addressed to the party requesting the Valuation. These valuations include an asset inspection by the Valuer and detailed written assessment.

The formal valuation should include:

- Full description of the assets and the accessories with Market Value and Auction Value.
- Market research information;
- Unit or component value depreciation;
- Market feedback and adjustments; and
- Reference to comparative sales data. It is important to know that the true value of an asset is only what a buyer is prepared to pay after a proper sales process has been undertaken.

A common error is to confuse a valuation as a definite market value. A valuation should only ever be considered as a best estimate and used as a guide.

### **What are some of the factors that should be considered by a Valuer when undertaking valuations?**

- Demand – demand for the item;
- Condition – area utilised, hours/km's of an asset;
- Availability – the popularity leading to availability of an item;
- Regulatory environment – what regulatory restrictions are associated with the asset E.g. Aircraft, marine surveys, environment emissions, safety mine certifications etc.;
- Existing contracts – working contracts that require a particular asset type; and
- Attachments – any accessories or specialisations.

### **What is the Cost?**

Formal valuations are invoiced based on time taken, or on an asset by asset basis.

### **What are the Valuation pitfalls and limitations?**

Some of the key considerations you should look for when engaging a valuation professional are:

- A Valuer's technical knowledge and understanding of a particular asset or market;
- Ensure the assurance standards of a valuation are listed and adhered too. (AVAA);
- Adequate comparative sales data should be referred to and recorded; and
- Lack of availability of sales data reflecting true market values.

If you do need assistance in obtaining a Valuer please do not hesitate to contact one of our team.



## Planning for Business Succession

In Australia it is widely known that Family businesses account for around 70% of all businesses. We help thousands of these businesses with their finance each year and we know a lot of these business owners (you may be one!) are reaching the age where they will be looking to retire in the short term.

A recent report indicated that 81% of business owners are planning to retire in the next ten years generating a wealth transfer of a staggering \$3.5 trillion. 41% of these intend to hand the business to family members and less than 30% of businesses have a formal succession plan\*.

If you are looking to sell your business here are some key issues that you should plan for before you sell.

**Timing** – Have a clear understanding and plan in place on when you aim to leave the business. From our experience (and it depends on the size of your business) you need to have someone or a team that can effectively run the business in your absence. Have you got a suitable person or management team in place? If not what strategies can you put in place now to achieve this? An easy question to ask yourself is can I take a holiday for a month and the business can still operate?

**Financials** – It goes without saying that having a chat to your Accountant about your plans well in advance can assist in maximising returns on the sale of the business. A good Accountant will be able to work with you on structuring your financials for a planned exit. Strategies can include identifying cost reductions and operational efficiencies that lead to an increase in profitability.

Also talking with your accountant about developing timely financial reporting processes (if not already in place) including budgets and monitoring these with timely financial reporting. A prospective buyer will be looking at this aspect of your business

and this can often influence a buyer's decision to purchase.

**Family Issues** – Also having a chat with your Accountant on how best to plan for a sale by looking at Shareholder Loans and Shareholder expenses. Doing this in advance may help in clearing any issues that may arise for a prospective buyer.

When it comes time to sell:

- Have prepared a realistic forecast of future cash flows with assumptions. If you provide a prospective buyer with this information it can assist in demonstrating the value of the business.
- Ascertain who is best to advise you and arrange the sale of the business on your behalf. Your Accountant should be able to assist in providing information and the business.gov.au website provides useful information on how to prepare for a sale and who you can also talk too. Click here for the website link  
<https://www.business.gov.au/info/exit/sell-your-business>

If you are one of the 41% intending to hand over the business to a family member or family members what are some of the key issues that should be considered?

- Have you decided which family members will be actively involved in the business? What are their roles and responsibilities? (In this regard who is best suited to a particular role? How will you avoid conflict between the families over who will have ultimate control?).
- Does your successor need training (such as courses available through the Australian Institute of Management ([www.aim.com.au](http://www.aim.com.au)), CEO Institute ([www.ceoinstitute.com](http://www.ceoinstitute.com)) or Insead ([www.insead.edu](http://www.insead.edu))).
- How will you determine a sale price and what is an effective way from a taxation and accounting viewpoint to transfer ownership (How will the sale price be paid

such as payments upfront or a progressive buyout) (In this regard it is best to speak with your Accountant first. We can also assist with access to Accountants that may be able to assist as well as Asset Valuers (see separate article in this Newsletter) who can assist in valuing the assets of the business).

- Will you retain an ownership share or will ownership be equal among the family members or more to some family members?
- Will any family have non-active ownership?
- Will the changeover be on a set date or will you have a mentoring role for a period and/or will you act as an adviser once the transfer to family has occurred?

If we can assist with any aspect of the above please feel free to give us a call.

*\*Source – Family Business Australia Survey.*



### **A bit of fun – Famous Political Quotes**

**In our last quarterly newsletter we had a fun look at some famous golf quotes. This quarter we take a look at some famous political quotes**

"My fear is that the whole island will become so overly populated that it will tip over and capsize." — **Hank Johnson expressing concern during a congressional hearing that the presence of a large number of American soldiers might upend the island of Guam**

"Facts are stupid things." — **Ronald Reagan**

"We had no domestic attacks under Bush; we've had one under Obama." — **Rudy Giuliani, Mr. 9/11, forgetting 9/11**

"We know there are known knowns: there are things we know we know. We also know there are known unknowns: that is to

say we know there are things we know we don't know. But there are also unknown unknowns -- the ones we don't know we don't know." — **Donald Rumsfeld**

"They underestimated me." — **President George W. Bush**

"I think that gay marriage should be between a man and a woman." — **Arnold Schwarzenegger**

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