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'the personal touch'

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On The Money

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Are You Covered?

Despite rising interest rates, Australians are enjoying record levels of prosperity but at the same time, personal debt levels have reached record highs.

According to the Real Estate Institute of Australia's December 2006 quarterly report, the average new home loan in Victoria is now $235,236 with monthly repayments of $1792. The average personal debt in Australia is $14,000 and the cost to raise a child to age 20 (depending on your circumstances) is $448,000!

Despite these levels of debt, a recent study by Mercers of 802 working Australians found 63% of people who had a mortgage did not have income protection insurance. Incredibly, more than half of all respondents appeared confused about whether they actually had any life insurance.

Most people recognise the importance of insuring their house, car, belongings and their health yet more than one in five Australians have no life insurance. Industry statistics tell us that up to 60 per cent of Australian families with dependents will run out of money within a year of the primary bread winner dying.

If you are healthy and think you don't need insurance consider the following statistics:

- Heart, stroke and vascular diseases kill 50,294 Australians annually (37.6% of all deaths)
- Cancer affects one in three and kills more than 36,000 people annually
- One in three people will have up to three months off during their lifetime due to disability
- One in two people over 30 years of age will suffer asthma, cancer, heart disease, diabetes, injury, mental health or muscular/skeletal conditions

These facts and statistics highlight the importance of having insurances in place in the event your health fails. Government benefits such as the Sickness Allowance will help but they are generally inadequate. A single person will receive only $424.30 per fortnight whilst a couple is entitles to $382.80 each per fortnight.

Insurance forms an important part of any financial plan and as a guide we provide the following summary:

- **Income Protection Insurance** provides a monthly payment when you're unable to work because of illness or injury. Payments can be up to 75% of your current income and may be paid for the duration of your incapacity or for a period specified. A waiting period may also apply and cover may not be available to people over age 65.

- **Trauma Insurance** is another form of protecting your income also known as 'Critical Illness Insurance'. It pays a lump sum if you're diagnosed with a specific serious medical illness. There are about 30 to 40 medical conditions that may be covered under a modern trauma policy including cancer, stroke and heart attack.

- **Life Insurance** or term insurance pays a lump sum to your beneficiaries (or your estate) when you die. Typically the proceeds are used to eliminate debt or to generate replacement income. Life insurance is often provided through your superannuation fund but a review of your level of cover is recommended as your family circumstances and debt levels change.

- **Total and Permanent Disability Insurance (TPD)** pays a lump sum if you're totally and permanently disabled. It can be used to pay medical bills or modify a home to meet the needs of a disabled person. Some superannuation funds provide a TPD benefit for members, however, we again recommend a review for your policy.

Call us today to discuss your insurance needs and to calculate the level of cover appropriate to your situation.

Which Accounting Software Should I Use?

One of the most important decisions you need to make when starting a new business is your choice of accounting software. The biggest mistake small business owners make is purchasing accounting software beyond their business needs and level of accounting skill. This leads to considerable frustration and records that amount to nothing more than a 'computerised shoebox'.

With so many software options available it is easy to become confused. They range in functionality and sophistication with a price to match.

To assist you we provide the following guidelines:

- If you don't understand double entry accounting (i.e debits, credits and journal entries) then avoid the sophisticated accounting software programs. If you need to use such a program then consider a training course at a local TAFE that runs for around 14-20 hours at a cost of around $350.

- Don't buy software beyond your business needs. If you don't need inventory or a fully integrated general ledger system don't buy a 'Mercedes' when you only need a 'Magna'.

- Your software should be compatible with our general ledger system to allow easy transfer of electronic data. This can save time, money and assist with meeting lodgement deadlines.

Let's briefly have a look at the three most popular accounting software programs in Australia – MYOB, Quickbooks and Cashflow Manager.

If you simply need a 'cashbook' program to track your receipts, payments and GST we strongly recommend Cashflow Manager. It looks and operates like a manual cashbook complete with a spreadsheet or column layout and it requires no understanding of accounting, debits, credits or journal entries. At around $249 it represents excellent value for money.

CASHFLOW manager
The SIMPLEST Bookkeeping Solution on the Planet!

The program provides business templates that automatically establish columns for certain business types and reconciling your bank account(s) is also very simple. If you have internet banking you can download your bank statements and import the data to save even more time.

You can have multiple bank accounts and comprehensive reports explain your business results and make preparation of your BAS very easy. The program comes complete with 'Invoice Manager' that lets you generate Tax Invoices and track your debtors and produce customer statements. If you have staff you can add 'Wages Manager' to process pays, print payslips, PAYG Payment Summaries and track staff entitlements.

MYOB and QuickBooks are also very popular programs and could be ideal if your business needs stock control, a full general ledger or point of sale solution. Both MYOB and QuickBooks offer a range of packages with different features and functions. The MYOB product range stretches from Business Basics to powerful multi-user products such as Premier and Enterprise.

Business Basics gives you the ability to track job costings and profitability, prepare your BAS and automatically reconcile your accounts. You can also customise the content and look of reports to suit the needs of your business.

Similarly, QuickBooks also offers an extensive range of programs including general ledger, invoicing, basic stock control and a report generator. QuickBooks EasyStart is their entry level program and although the word 'easy' is part of the product name you might find that you need to have some basic book-keeping or accounting knowledge to use the program.

We do, however, urge you to contact this office regarding your choice of accounting software as experience tells us that the wrong choice of software often defeats the whole purpose of computerisation.

The greatest compliment we receive from our clients is the referral of their friends, family and small business colleagues. Thank you for your trust.

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