



Going it alone

THE DECISION TO LEAVE STEADY EMPLOYMENT AND GO IT ALONE SHOULD NOT BE TAKEN LIGHTLY, WRITES JOHN CORIAS.

So you've been thinking about going into business or have been presented with an irresistible opportunity to go it alone. While those who do often seem to think that it's just a matter of doing the work (the 'fun stuff') and the rest will take care of itself, let me tell you here and now to be very careful if this is you.

All too often, we have individuals coming to us seeking our help and guidance because they have taken the brave step of going into business without really knowing what is involved in running one on a daily basis.

Yes, that's right, running a business will require your daily attention. So be prepared to allocate time to just running the business, which is separate to actually doing business.

GETTING STARTED

Having an understanding of your own motivations and business personality will go a long way towards achieving your ultimate long-term goals.

The three main business personality types are a 'Lifestyle Seeker', 'Business Builder' and 'Passionate Professional'. If you take some time to think about these three categories I honestly believe that you will get a clearer picture of what you are aiming to achieve in small business.

Now that you've thought long and hard about going into business, no matter if you go into the residential technology installation business or into hospitality, there are many areas that you need to educate yourself in.

One of the first aspects you will need to concern yourself with is establishing the correct business structure. This can have a significant impact on all areas of the business, but is most important from a tax minimisation and



asset protection standpoint. Having the proper structure in place before you start your business is vital for the following reasons:

- Effective tax minimisation;
- Asset protection;
- Succession planning;
- Selling your business/retirement.

ATO REQUIREMENTS, OBLIGATIONS AND OPPORTUNITIES

I'm sure you've heard the old saying "there are only two certainties in life, death and taxes".

Well we can't do much about the former, that's in your hands; but the fact that the Australian Tax Office (ATO) must be dealt with and taxes paid cannot be denied. Of course, how well you handle your taxes will have a major say in your ability to live a relatively stress-free business life.

The amount of tax you pay is reliant on so many factors. Tax office requirements, obligations and concessions seem to be changing at an ever increasing rate, often as a result of politics, rather than good economic sense, and no small business person can be expected to keep up to date with the ATO.

To be fair, in recent years the

ATO have certainly stepped up their efforts to work with small business and this, combined with changes being made by successive governments, has resulted in a number of concessions that are generally available to businesses with turnover less than \$2 million per annum.

INSURANCE

Insurance is often seen as a necessary evil and should not be treated lightly. Contemplate for just a second how you would get your small business back to operating status should you be affected by flood, fire or major theft of critical data or stock. Do your business insurance policies provide adequate cover and are they all up-to-date? Do they cover stock or other valuable items of equipment?

Other insurance that is actually compulsory is worker's compensation insurance for your staff. You may also need to consider personal insurance such as life insurance and income protection insurance, should you be personally affected. This is especially vital for those of us with partners. Other policies that may need to be considered are key person insurance and public liability and indemnity policies. Again,

these are issues that should be in place before business commences, you just never know when you might need to call on them.

Overall, in the residential technology sector with the expensive materials used, it is quite important to be insured.

EMPLOYING STAFF

One of the biggest expenses of any business is going to be your staff. Ignoring this aspect of your business can result in disgruntled, under-performing employees who can actually do a lot of damage to a small business either directly via theft and fraud, or indirectly through the loss of your hard won reputation.

You should carefully check the awards in place with Fairwork Australia to make sure that staff are being paid the correct amount of wages, especially take note of some awards that specify various allowances and conditions relating to shifts, breaks and leave entitlements. Any underpaid staff can and will take you to the Fairwork Australia ombudsman.

CASHFLOW

Cashflow is often treated as one of the dark arts by many small business operators, as they are invariably failing to understand how vital it is to the ongoing success of any business. It is important to try and start with a cash buffer as businesses in the first phase of their life cycle will often not yet be strong enough to sustain themselves.

Keeping cash flowing through the business is dependent on a steady stream of income into the bank account. This doesn't just mean keeping work coming in, it means focussing on your debtors on a weekly basis and having a clear and definite strategy to prevent any debts from blowing out to the point where your business suffers. Having this job allocated to one specific person in your business is a good start.

On the flipside are the expenses of your business. Keeping a firm control of these is also vital, as all the cash in the world will not help you if expenses are being left to run out of control.

FINANCING YOUR BUSINESS

When we talk of finance, people often only think of the interest that loans and leases end up costing them. It is my experience that finance is not a dirty word and by purchasing costly items on hire purchase agreements and even operating leases it can free up your cashflow and create opportunities that will more than outweigh the cost of any interest.

Even the initial outlay of capital to either buy or start a new business from scratch can be financed, if your credit record allows. By doing so, you may just prevent some of the issues previously discussed from arising, namely falling behind with the ATO due to a lack of cashflow.

Establishing and running your own small business can be one of the most rewarding challenges in life if handled properly. Seeking out a core group of trusted advisers will ensure that you get off on the right foot and hopefully hit the ground running. It will never be all plain sailing, but for businesses that can survive the tough times be assured that you will invariably see greater successes over the long term. **CH**

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