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NEWSLETTER | DECEMBER 2015

INSIDE THIS EDITION

CHRISTMAS PERIOD OFFICE CLOSURE:

From 12noon Wednesday 23 December & re-opening 8.30am on Wednesday 6 January.

MURRAY RIVERINA CHAMBER AWARDS: EXCELLENCE IN BUSINESS ETHICS

We have had a successful year at Johnsons MME entering both the Albury Wodonga Chamber and Murray-Riverina Chamber Business Awards and taking out awards at both.

Earlier this year in June, we were named ‘Employer of Choice’ and ‘Most Outstanding Business’ at the local Chamber Business Awards.

In October we were awarded the distinction of ‘Excellence in Business Ethics’ at the regional Chamber Awards up against businesses across the Murray and Riverina areas. Pictured above is Johnsons MME Managing Partner, Gary Essex collecting the award from the new Murray-Riverina Regional President, Wendy Cooper.

We would like to acknowledge the dedication and commitment of our staff and the loyalty of our clients as both have played a major role in Johnsons MME’s Awards success.

We also would like to commend the Awards to our clients as a great opportunity to review and benchmark their businesses. Should any client be interested in entering the Awards in 2016, we would be happy to assist with the application process.

BUSINESS AWARDS 2015 STATE FINALIST | NSW Business Chamber

Albury Northside | wodonga | Chamber Business Awards 2015 WINNER

INCOME - EXPENSES = PROFIT

with Paul Goonan, Partner - Business Services

It looks like a simple formula, however it is often difficult to achieve a profit figure that is sufficient to cover the risk and effort you put into running your business.

When there is a desire to increase profits, often the first reaction is to focus on increasing income. Whilst this is a valid means for achieving higher profits, it is the other part of the equation, the expenses, that are often overlooked.

Another thing that is often overlooked is that $1 saved on an expense will flow through to $1 extra profit. Therefore, this is a great place to start when reviewing the profitability of your business.

The review should follow a structured process and cover the following steps:

Step 1 - Conduct a waste audit
Undertaking the waste audit provides a great opportunity to step back and look at the way things are being done in your business. Some common areas of waste in a business are:

Overproduction: Making more of something than is needed. This adds storage costs and holding costs to your business, puts pressure on cash flow and increases the risk that the extra items will not be sold for the required price.

Waiting: Waiting for supplies to arrive, for information, for staff to become available, for customers to return your call. These are all disruptions to an efficient production process that add costs to your business.

Transporting: Moving things from one place to another adds time to the process and exposes the item to potential damage or loss each time it is moved.

Inappropriate processing: Using the wrong tool/person/process for the job adds unnecessary costs to the item being produced.

Defects: Fixing errors cost time and money for no additional income. If the errors are not detected prior to being sold, they also risk damage to your reputation at a later date.

Step 2 – Prioritise the issues
It is likely that you will uncover many things that can be improved, however you won't be able to fix them all immediately. Prioritise the issues so you focus on those that will produce the greatest return on your investment of time/money.

Step 3 – Assign people to fix the issues
To ensure the actions are completed in a timely manner, you should assign a responsible person to each action, as well as a timeframe to address the issue.

Step 4 – Measure & report the improvements
To assess the success of your waste audit, you will need to measure the improvements that are achieved following the implementation of the actions.

The review should be undertaken continuously in your business throughout the year, constantly completing the four steps, then restarting the process again.

If you require assistance with undertaking a waste audit of your business, we'd be more than happy to assist.

Johnsons MME Office Closure & Renovations

Commencing during the period of our office closure (from 12noon on 23 December until 8.30am on 6 January), we are undertaking a renovation of our office. We will be modernising the office by installing more glass partitions which we believe will make the office lighter and more inviting.

What it means for our clients:

While works commence during the closure period, they will be ongoing throughout January. We don't anticipate that they will affect our normal business operations with you, but if you do happen into our office during January you might be in for a small surprise.

Hopefully by February works will be complete and we will be keen to show you the results!

THE MARKET OUTLOOK 2016: THE SEARCH FOR GROWTH

with Cameron Diffey, Director - Financial Advisory

The themes

Interest rates are likely to remain lower for longer. Investors are searching for yield. Recent privatisations of public sector assets demonstrates demand from governments attempting to pay for promises made and from investors demanding diversified cashflow. Residential construction is strong as is commercial property with properties changing hands at yields below 5%. Banks are restricting lending to residential investors and certain commercial property sectors.

Commodity prices: Oil, natural gas, copper, iron ore, coal are in a slump; it has been 3 long years and looks like it will continue in to 2016. Demand growth rates peaked in 2012, now there are a number of headwinds: global industrial production is slowing, industries are digesting a period of heavy capital investment that has now led to excess capacity and oversupply. The price response is evident.

In the Australian sharemarket the big four banks (ANZ, CBA, NAB and Westpac), BHP, Telstra, Wesfarmers (owner of Coles and Bunnings) and Woolworths represent 45% of the ASX200 and they have a big impact on our market. One of the advantages that the aforementioned companies have is their dominant market positions in their respective industries and how management adapts to increased competition is one of their biggest challenges.

The big four banks face some challenges including reductions in their leverage ratios and the fact that Australian banks have a return on equity near double that of their global peers. Who pays for that return? Woolworths has faced increased competition from a revived Coles and the emergence of Aldi. The once enviable profit margins of Woolworths are falling and the share price has followed.

BHP is weathering the storm of the commodity price cycle and we have no doubt that under $20 there will be investors looking to buy the shares for a number of reasons. The reality is that mining companies are a cyclical business, long live the cycle, and they are now responding by cutting capital expenditure and operating costs which will keep commodity prices lower for a while longer.

The chart below shows the BHP share price relative to the oil price. BHP is not just iron ore, it has significant oil and gas assets. We cannot predict the bottom and turnaround. Demand for oil is less volatile than that for iron ore and the supply-demand balance usually returns quickly. There is clear evidence that US shale oil production is starting to decline, while OPEC keep pumping because they have to; most OPEC members are heavily reliant on oil revenue to manage their economies. In iron ore the supply demand balance could take decades.

We do know that China is in a transition from high capital investment to consumption. The growth in Chinese consumption is a major investment theme and in part explains the agribusiness 'food bowl' push that you hear about. A lot of foreign investors are looking for ways to invest into the Chinese consumer theme and the food supply chain is one approach.

Another major investment theme that is likely to continue is the ageing population and growth in healthcare demand in various forms. Blackmores, the vitamin company, this time last year traded around $30 and at time of writing $188. We are simply living longer and will demand more healthcare services and products that will keep us healthier. The private hospital operators (Ramsay Healthcare and Healthscope), pathology provider (Sonic Healthcare) and more specialised companies (CSL) are all worth considering, preferably on a pullback in their current share prices.

A third theme is premium smartphones and their operating platforms. Think Apple and its iOS platform and other companies that are involved in 3G/4G wireless patents. There is strong growth in demand for wireless connectivity. Not many predictions above, just observations on the current state of play.

Another year passes by, wishing you well over the upcoming holiday period.

The information in this brochure is general in nature and does not take into account your personal goals, objectives or financial situation. Personal Advice should be sought prior to making any investment decisions. Johnsons MME Financial Advisory AFSL 353848 ABN 30 141 828 033

What is financial planning?

with Grant Lewis - Manager Financial Planning

What is a financial plan?

A financial plan is a process that involves looking at where you are now, planning what you want for the future and then working on a strategy to ensure that you meet those future goals. Ultimately you end up not only with a document outlining these goals and strategies for you, but clarity on the financial path you will take and the destination at the end.

Why is it so important to have one and what age should you be when you set one up?

The one thing that we as advisors can work with is time. The longer the time frame, the more likelihood a savings/retirement goal can be reached. Everyone is different. Planning can happen at any age. For those in their 20's it is normally about savings, for those in their 30's & 40's it's managing mortgages and personal insurances. Retirement planning typically starts when a person reaches their 50's. We look at reaching a retirement capital target and the longevity of that capital throughout a person's retirement. Retirement planning advice will often extend into aged care planning and estate planning advice.

How will a financial plan impact daily spending habits?

It depends on the advice provided. In many cases there can be no impact at all particularly when looking at tax minimisation strategies such as transition to retirement. For those who are looking for specific budgeting or savings advice then preparing a personal budget can provide them with clarity making them feel more in control. We find that once a plan is up and running the bigger picture takes over.

Why do I need a financial planner to help me develop a financial plan? What does the financial planning process look like?

You don't necessarily need an advisor to help you develop a financial plan. However, if you do, advisors have knowledge in the areas of superannuation, tax and investments that will help you get the most out of the planning process. The planning process is about the advisor getting to know your current situation and wishes and working with you to develop the most appropriate strategy for you. Once the strategy is developed then specific investments can be considered. The plan is then implemented and if appropriate an ongoing review process is agreed, where the strategy and investments are reviewed to ensure the plan remains up to date with changes in your personal situation, legislation and the investment environment.

What would you say to someone who thinks they can't afford a financial planner to assist them with the process?

The benefit obtained from seeking advice should be over and above the cost of the advice provided. Whether there is a tax benefit, investment benefit or it's someone having greater certainty about their affairs. If the benefit is not there, then an advisor should decline the engagement.

How is JMME different from other financial advisory services?

We are very proud of having our own financial services licence. This allows us a degree of independence and to act in the best interests of our clients in offering strategies and investment products based on their merits and without commissions. Johnsons MME Financial Advisory was established with the mantra of helping our clients build, maintain and preserve their wealth.

What is one of the most satisfying client outcomes you have achieved?

With a recent client, we first met them when they were selling their business. It was taking a long time, they were unsure on the price they were being offered and it was causing them some stress. We assisted as a consultant to them during the negotiation of the sale price and the terms, provided a strategy to minimise tax and prepared a full retirement plan looking a capital longevity risk and the ability for them to pass their wealth onto their children in the future. We caught up for a review just the other day. They were relaxed after having just returned from holidays and looking forward to the future.

Lake Hume Cycle Challenge

Are you up for the Challenge? Saturday 27 February 2016

*** Johnsons MME Corporate Challenge**

*** Register a team * Four routes to cater for all rider abilities**

*** For more information: johnsonsmme.com.au**