

# THE BLACK ROCK DIGEST



Issue 67 Spring Edition September 2023



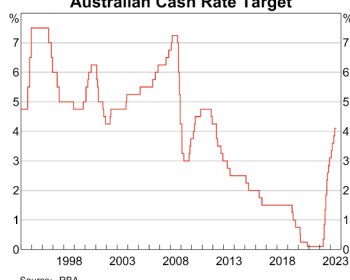
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## HIGHLIGHTS

- The Year So Far
- Testimonials
- Business Finance
- Commercial Property Update
- Estates and Wills
- Superannuation
- THECS Debt - Is this still a Good Debt?
- Residential Care : Reform in Aged Care
- How Flakus & Associates Can Help You
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Australian Cash Rate Target



Source: RBA

## THE YEAR SO FAR

At its September 2023 meeting, the Reserve Bank Australia has retained the Overnight Cash Rate which now remains at 4.10%.

The Reserve Bank Australia (RBA) has also recently announced changes to their monthly meeting program. From February 2024, the RBA will have 8 meetings per annum as opposed to the current 11 meetings per year.

The meetings however will be longer in duration than they are currently, commencing on Monday afternoons and continuing the following morning. The outcome(s) of the meetings will be announced at 2.30pm on the second day, and the Governor will hold a media conference at 3.30pm. The minutes of the monetary policy meeting will continue to be published for the two weeks following each meeting.

The Reserve bank board meeting schedule for 2024 are as follows:-

| FEB | MAR   | MAY | JUNE  | AUG | SEP   | NOV | DEC  |
|-----|-------|-----|-------|-----|-------|-----|------|
| 5-6 | 18-19 | 6-7 | 17-18 | 5-6 | 23-24 | 4-5 | 9-10 |

The Australian Prudential Regulation Authority (APRA) has announced the 3% serviceability buffer for home loans will remain citing “the potential for further interest rate rises, high inflation, and risks in the labour market”. These prevailing factors make the buffer essential.

However, various lenders have begun to adopt a lending buffer of 1% on customers seeking to refinance their home loans. Certain **CONDITIONS APPLY** which may include a minimum of 20% equity in the property being refinanced, principal and interest repayments, a good credit history and repayment record, and allowance of the lower of \$10,000 or 1% of the loan being refinanced to cover interest and fees.

Many borrowers who had entered into a Low Fixed Interest Rate during the past few years will now be preparing for the expiry of those “cheap” Fixed Rate loans.

Whilst media hype is centered around increased home loan rates and “shopping around for the best deal”, now is the time to contact **Flakus and Associates** to explore your options. Your finance broker will determine if you, the borrower, meet the lender’s serviceability criteria, to ensure a more successful application.

## TESTIMONIALS

I was looking for someone to help me with a fairly complicated financing situation, and Paul who was referred to me by a friend said he had great expertise, was very trustworthy and just overall a good person. I contacted Paul and after my first conversation with him I was definitely sold! He took time to understand my situation, provided excellent advice and kept me updated the whole way through the process. He was very happy to answer all my questions, no matter how silly they were, and always responded very quickly. I always felt like he was working in my best interests and cared about getting the best outcome for me - which he did! I can’t recommend Paul highly enough, and I will definitely be using him again for any other financing needs in future.

**Michelle Macaulay**

**PAUL FLAKUS - Your First Port of Call for all your Finance Options**

## BUSINESS FINANCE

Much is still being discussed about the Australian economy, mostly centering around skills shortages, soaring costs, rising interest rates, and dampening consumer confidence - all creating a challenging small business sentiment and environment.

For small business operators, it is always important to act quickly to help combat some of these issues and challenges.

Below are some warning signs that small business owners should be looking at carefully, especially in this economic climate :

### Poor Cash Flow

- Are your debtors paying on time (look at offering early payment discounts)?
- Are sales weakening?
- Are expenses increasing?
- Is there overstocking?
- Are you underpricing?
- Are your creditors following up on outstanding payments past their due dates?

### Compliance Obligations

- Are you up-to-date with BAS, tax, workers' compensation, superannuation payments for staff, and other statutory payments?
- Do you have updated and current accounting data and systems?

### Poor sales growth

- Is the market satisfied with your product and services?
- Could your competitors could be offering better products and services?

### Excess Stock

- Are you at risk of adverse cash-flow as stock turns could be dented?
- Could your excess stock become obsolete?
- Are you being pro-active? Consider selling slow-moving stock at discounts to strengthen cash-flow

### Staff

- How is the well-being of your staff? Are they happy? Low morale could lead to low productivity.
- Are you experiencing a high turnover of staff? This could mean that the business will need to spend more money and time in attracting, recruiting and training staff.

**Flakus and Associates** is well versed in business finance having successfully assisted clients with :

- obtaining business finance, whether that be for purchasing an established business (including franchises)
- refinancing
- restructuring

- Paying taxation arrears to meet your business finance requirements.

Some loan solutions that **Flakus and Associates** have assisted clients with over the past 3 months include :

- Purchase of existing businesses and/or franchises
- Financing for debtor/invoice funding
- Asset finance for trucks, trailers, excavators and specialized equipment
- Short-term working capital
- Refinancing and purchasing commercial/industrial property
- Self Managed Super Loans for acquisition of commercial properties

Most business owners are far too busy to deal with the banks. Additionally, banking business hours aren't usually convenient and possibly discreetly conducted.

Engaging the services of a professional finance broker with flexible hours enables the finance broker to become the conduit between client and lender, to help steer the navigation of the process in a discreet manner, and provide peace of mind that all bases are covered.

**Contact Paul to discuss your current business financial position or any future business and equipment finance requirements you may be considering.**

## COMMERCIAL PROPERTY UPDATE

The Victorian State Government has recently abolished stamp duty for commercial and industrial properties, replacing it with a Property Tax.

From 1<sup>st</sup> July 2024, commercial and industrial properties will transition to the new system as they are sold, with the new annual property tax to be payable for 10 years after transition date. This arrangement will not apply to current owners, or any commercial or industrial property purchased before the middle of 2024, when the new system commences.

The Annual Property Tax, which will replace the Stamp Duty, is set at a flat rate of 1 percent of the property's unimproved land value.

In addition, the state government will also reduce the tax-free threshold for land tax from \$300,000 to \$50,000 from 1<sup>st</sup> January 2024. Owners who pay land tax will also incur a temporary fixed-rate charge commencing at \$500 for properties up to \$100,000 in value, and \$975 for owners whose property are valued up to \$300,000.

**Contact Paul today to discuss your financial position or any future commercial property finance requirements you may be considering to ensure you are positioned to take advantage of these changes.**

## ESTATE AND WILLS

This topic is becoming more and prevalent. Dying intestate (without a will) may cause issues for the next-of-kin. And, if you die without a single living relative, your “unwilled” estate may be disbursed in ways you would have not anticipated.

With more young and middle-aged borrowers seeking debt, it is worthwhile to consider preparing a Will. Whilst this may be considered a “do later job”, borrowers need to consider the fall-out of not doing so in the event of a mishap and what impact this would have on the family unit. If you die without a spouse or partner, everything you own (with exceptions such as super) forms your estate, and what you do with it in your Will is up to you. Super is not automatically a part of your estate and does not necessarily go to the beneficiaries according to your Will. Your superannuation funds are held in trust by super funds, whose trustees decide where it should go. You should ensure that you have executed a “binding death nomination form” so that your superfund is aware of where your superfunds are to be distributed.

Also, consider if there is a need for a Testamentary Trust. Ensure that this is discussed with your lawyer, especially if there are “blended marriages” or parents who had gifted their children for house purchases, or any other worthwhile acquisition.

When preparing a Will, make sure that your Accountant, Lawyer and Executors all receive a copy of the Will. Borrowers should always have Powers of Attorney executed and kept in a safe place for peace of mind. If you have a current Will, maybe it's time to review and update as their may have been recent life changes. You do not wish to be caught out with an passé Will.

**Contact Paul to discuss this as Paul has associates who will assist with estate and wills.**

## SUPERANNUATION

**Increasing the payment frequency of the Superannuation Guarantee (SG) and investing in SG compliance.**

As previously announced, from 1 July 2026, employers will be required to pay their employees' Superannuation Guarantee (SG) entitlements on the same day that they pay salary and wages.

Currently, employers are only required to pay their employees' SGs on a quarterly basis. By increasing the payment frequency of superannuation to align with the payment of salary and wages, this measure will both ensure employees have greater visibility as to whether their entitlements have been paid, and better enable the ATO to recover unpaid superannuation.

Increased frequency of payment will also support better retirement outcomes. As of the 1<sup>st</sup> July 2026 commencement date, this change will allow the ATO, payroll service providers and superannuation funds time to make the necessary system changes, and for employers to adjust their cash-flow practices to ensure smooth transition and implementation.

## HECS DEBT Is this still a Good Debt?

The once considered “good debt” is now indexed at 7 percent on existing HELP loans.

Borrowers need to realise that this so-called “good debt” impacts their mortgage loan serviceability.

Whilst these loans, now known as Higher Education Loan Program (HELP), are interest free, they are subject to indexation, with the outstanding balance adjusted each year in line with inflation.

While the HELP debt is forgiven upon death, lenders do include the debt into their serviceability requirements. Often overlooked, this is another liability that borrowers need to be more aware of.

When applying for a mortgage loan, a discussion should be undertaken to include the HELP loan in the funding requirements over a short period, of say 5 years, subject to the lenders serviceability requirements.

## RESIDENTIAL CARE : Reform in Aged Care

The government announced in October 2022 that residential aged care facilities would be moving to a new funding model called **Australian National Aged Care Classification**, or **AN-ACC**.

**AN-ACC** is designed to align funding with costs of delivering care. The care component is based on your **AN-ACC** classification.

For those of you that have an interest in understanding the complexities of entering residential aged care you may find Rodney's recent podcast of interest.

For more information, please visit the following websites or visit the QR codes

<https://thesocialblueprint.org.au/tsb-media/>

<https://www.jpalmers.com.au>

This is a complex topic and Paul strongly recommends you make contact with an expert in this field. **Rodney Horin at Joseph Palmer & Sons (VIC) are aged care specialists who would be of great value and assistance.**



## HOW FLAKUS & ASSOCIATES CAN HELP YOU

|                                     |   |
|-------------------------------------|---|
| <b>REAL ESTATE VALUATIONS</b>       | Thinking of purchasing a property or just wanting to re-assess the value of your property? Engage the services of an experienced, proven and trustworthy property valuer. Our associates provide valuation services for commercial, residential and industrial properties in specialised locations and industries.  |
| <b>COMMERCIAL PROPERTY FINANCE</b>  | Available for clients who wish to purchase commercial properties for investment or their own owner-occupied business(es). There are a number of lending options available for this type of security and Paul has access to various mainstream and non-mainstream lenders and options.   |
| <b>SELF MANAGED SUPERFUND LOANS</b> | Lenders in this space is very limited. However, Paul has access to various funders for lending in this sector both for commercial and residential properties.   |
| <b>BUSINESS FINANCE</b>             | Includes equipment finance, debtor finance, import finance and cashflow funding. Business finance is still difficult to obtain and moving your business banking from one bank to another can be a ghastly experience and take many months and focus away from your business. Lenders also tend to occasionally review their industry risks and sometimes withdraw facilities if they consider the industry has become too risky. This may present a refinance opportunity so contact Paul today to discuss your options.  |
| <b>EQUIPMENT FINANCE</b>            | Includes motor vehicle, trucks, trailers, excavators, caravans, forklifts, office fit-outs, phone systems, audio and any IT equipment, medical equipment, jet skis, helicopter, boats and machinery. This is a highly specialised area and require many years of experience to successfully acquire finance for business clients to purchase equipment. There are various lenders in the market today who are not necessarily mainstream banks who only do Equipment Finance, and thereby able to provide attractive terms and excellent approval turnaround times. |

## PROFESSIONAL SERVICES

| Services Required                                       | Paul Recommends  | Contact Details  |
|---|--|--|
| Tax and Accounting                                      | Craig J. Allen,<br>Craig Allen & Associates                        | Tel : 03 9558 7316   |
| Quantity Surveyors                                      | Bradley Beer, Director<br>BMT Tax Depreciation                     | Tel : 03 9654 2233<br>Mob : 0413 271 777                       |
| Accounting Services                                     | Michelle Frey<br>Hermann & Associates                              | Tel : 03 9589 3521   |
| Law and Legal Services,<br>Wills, etc                   | Keith Hoban or Dita Kaye<br>D & K Legal                            | Mob : 0497 650 790   |
|   | Joanne Simmonds LLB, Director<br>Beaumaris Law Legal Practitioners | Tel : 03 9589 3205   |
| Insurance Services                                      | Richard Alford, Managing Director<br>HWA Insurance Brokers         | Tel : 03 9559 3302<br>Mob : 0403 338 306                       |
| Design and Marketing                                    | David Cheah, Abacus Mind   | Mob : 0403 979 986   |
| Property Conveyancing Services                          | Colleen Buck<br>Cheltenham Conveyancing Services                   | Tel : 03 9585 6222<br>Mob : 0416 246 617                       |
| Financial Planning,<br>Superannuation and Risk Products | Ian Henry<br>Brenton Henry   | Tel : 03 9521 0303<br>Mob : 0408 571 757<br>Mob : 0433 923 669 |
| Property and Advisory Advocacy                          | WPB Property<br>Greville Pabst                                     | Tel : 1300 302 581<br>Mob : 0419 326 361                       |

### Quotes & Wise Sayings

“Money often costs too much.”

*Ralph Waldo Emerson*

“The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have little.”

*Franklin D Roosevelt*

“Investing should be more like watching paint dry or watching grass grow. If you want excitement, take \$800 and go to Las Vegas.”

*Paul Samuelson*

“A wise person should have money in their head, but not in their heart.”

*Jonathan Swift*

“It is not the man who has little, but the man who craves more, that is poor.”

*Seneca*



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