

## OCTOBER 2009 UPDATE ISSUE 11 CONTENTS

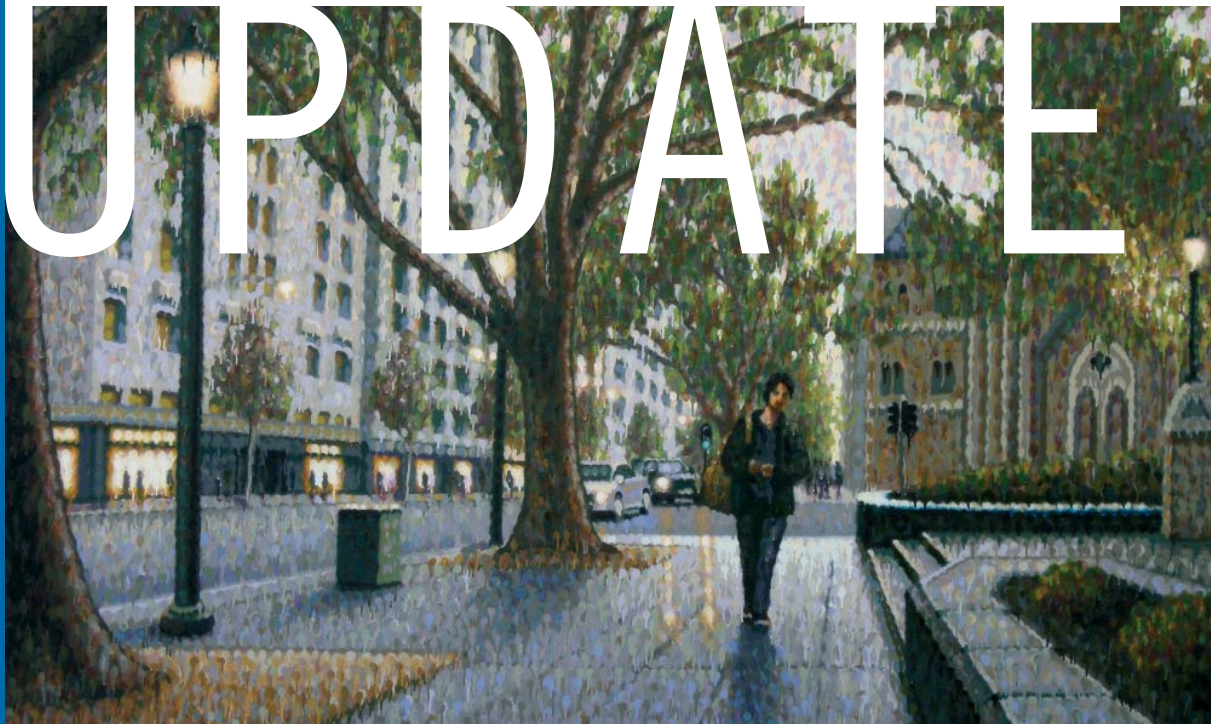
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### Our Services

We are a complete accounting, investment and business services firm. This provides you with the comfort of knowing that all your needs can be met by McCormack Reynolds.

We tailor growth and development strategies for our clients. The practical and diverse experience of our team means that we can provide expert and timely advice in the complex fields of:

- Growth and Profit Solutions
- Taxation
- Strategic Business Planning
- Finance
- Asset Protection
- Budgeting and Cash Flow Forecasting
- Financial Performance Diagnosis
- Self Managed Superannuation Funds
- Business Valuations and Appraisals
- Estate Planning
- Retirement and Succession Planning
- Financial Forecasting
- Business Systems and Processes
- Management Reporting and Control
- Statutory Accounting



## SUPERANNUATION UPDATE

**FOLLOWING THE ROLLER-COASTER RIDE WE HAVE EXPERIENCED OVER THE LAST FEW YEARS, COURTESY OF THE GLOBAL FINANCIAL CRISIS, MENTIONING THE WORD SUPERANNUATION ELICITS A RANGE OF EMOTIONS.**

We are hoping that the pullback from the abyss over the last 6 months has eased some of the pain and the topic can now be discussed again!

Whatever the current state of play, there is no doubt that reforms over recent years have led to its entrenchment as the preferred savings vehicle for most Australians. With that in mind we thought it timely to touch on, and in some cases re-visit, some recent changes.

### Pension Payments

For those SMSF members who are currently taking a pension from their fund, the economic downturn may have affected your ability to meet the minimum annual pension payments. This is especially the case if asset values have dropped significantly. As they did in 2009, the ATO has halved the minimum pension payment percentages to relieve the pressure to meet your obligations for the 2010 year.

### Opportunity

The decline in equity markets has had significant impacts on super account balances. Consequently, the timing of the commencement, or commutation, of a pension becomes important, especially when wanting to take advantage of any reductions in the taxable component of the member's interest. A reduction in the taxable component of a member's balance may lead to tax savings for those commencing a pension before the age of 60. Reduced taxable components may also provide opportunities to save tax in relation to your estate.

### Changes to Contribution Caps

From 1 July 2009 the concessional contribution cap (ie, employer contributions and member deductible contributions) has been halved.

For individuals under 50 years of age, the maximum contribution limit for the 2010 financial year is \$25,000 and for individuals over 50 the limit is \$50,000.

In addition, if the contribution cap is exceeded, the excess contributions tax is payable by you personally, not the SMSF. A detailed and easy to read table summarising these limits is available on our website:

[www.mccormackreynolds.com.au](http://www.mccormackreynolds.com.au)

### Reporting changes – Employers take note!

Changes announced in the 2008/09 Federal Budget to expand the definition of 'income' used for means-tested tax will apply from 1 July 2009. The definition of income now includes the amount of an individual's Reportable Superannuation Contributions (RSCs) for the 2009/10 financial year. The Government's intention behind these particular changes is to treat those who have the opportunity to redirect income towards superannuation on the same basis as those who do not.

Employers must include all RSCs (eg, salary sacrificed superannuation) they make for an employee on the employee's 2010 payment summary. If an employer makes a RSC, they must provide their employee with a payment summary even if they have not paid them salary or wages.

*Continued overleaf*

# McCormack Reynolds

accountants & business advisors

WITH YOU EVERY STEP OF THE WAY

OCTOBER  
2009  
UPDATE  
ISSUE 11

## Thank You

We are pleased that many of our valued clients are referring friends and colleagues to us.

Please accept our sincere thanks.

It is good to know that you recognise the effort we make to deliver service beyond your expectations. If we can be of help to any of your friends or business associates we would be very pleased.

## SUPERANNUATION UPDATE

Continued from cover page

**Warning!** As a result of these changes, employees that have previously been eligible to also make personal deductible contributions may no longer be eligible.

**Superannuation Guarantee – Parental Leave.** On 24 June 2009 the Government introduced new amendments to the *Superannuation Guarantee (Administration) Regulations 1993* (SGAR93) to ensure that employers do not have a superannuation guarantee obligation on paid parental leave and ancillary leave payments. These changes are in line with the budget 2009/10 announcements and have effect from 1 July 2009.

**Illegal early access to super – not worth it!** Superannuation funds receive special taxation concessions aimed at encouraging taxpayers to save for retirement. However, one of the main provisos is that the member's funds are preserved until the member retires or meets another condition of release, at which stage the benefits can be accessed.

If members access their benefits early, without satisfying an acceptable condition of release, heavy penalties could apply. There are limited circumstances (severe financial hardship or compassionate grounds) when small amounts of super can be released. Importantly, this should not be done without full consultation with your financial adviser. Beware of promoters who advertise early access to your super or those who charge a fee to do so.

**Maintaining compliance in difficult times.** A recent decision by the Administrative Appeals Tribunal (AAT), where a SMSF loaned fund assets to a member's company, has highlighted the need to keep the finances of your SMSF and your business completely separate. The AAT and the ATO are focusing their attention on trustees' compliance with regard to the in-house asset rules. Even in difficult financial times, trustees of SMSFs must operate within the compliance framework and must act promptly in rectifying any compliance breaches.

*Please contact your accountant at McCormack Reynolds to discuss any aspect of the above information.*



## MCCORMACK REYNOLDS SEMINAR SERIES - THE BUSINESS LIFE CYCLE

**THE NEXT SEMINAR IS THE GROWTH PHASE.** IF YOUR BUSINESS BEGINS TO FLOURISH, YOU ARE LIKELY TO EXPERIENCE A PHASE OF RAPID GROWTH, BOTH IN SALES VOLUMES AND PROFITABILITY.

As part of our ongoing support of small to medium businesses, McCormack Reynolds have established a series of four seminars, each corresponding to one of the four phases of the Business Life Cycle. The first seminar, The Start-up Phase, was held in August. It was a very successful evening with many interested participants and numerous experiences shared. A number of issues were discussed and questions were put to the presenters relating to the problems experienced at this Start-up Phase.

The next seminar is the Growth Phase. If your business begins to flourish, you are likely to experience a phase of rapid growth, both in sales volumes and profitability. The challenge here is to grow sustainably without overstretching your resources – time, money and people. Does this sound familiar to what you are currently experiencing?

**“I think I am making a profit but I always seem to be playing catch up with the bills. It is a constant juggle.”**

**“Everybody and everything is reliant on me as the business owner. I seem to be spending all my time on customers and staff issues and very little time in growing my business. I do not know where I should even start.”**

There are many more problems that business owners are confronted with during their business growth phase. At the seminar we will address many of those issues and help you to start managing the growth of your business.

### McCormack Reynolds Seminar Series - The Business Life Cycle

**The second workshop will be: The Growth Phase**

**Where:**  
Vileroy Restaurant  
27 Kensington Road, Norwood

**When:**  
Tuesday 17th November at 7:15pm

**Presenters:**  
Tim McCormack and Chris Fox

At the conclusion of the presentation there will be a light supper.

There is limited room for a maximum of 25 guests. Please contact Justin Hogan to reserve your seat.

The seminar is free to attend but booking is essential.

**If you know of anybody who is in business and is at this Growth Phase, please inform them of the seminar and they can phone Justin Hogan on 8161 1000.**

# CLIENT PROFILE



Painting Titles:  
(Clockwise from top)

“Street Man 3”

“Into the City”

“Metro Dreaming”  
(Self portrait)

“City Souls 2”

Photo at left:  
James Cochran  
in his studio.

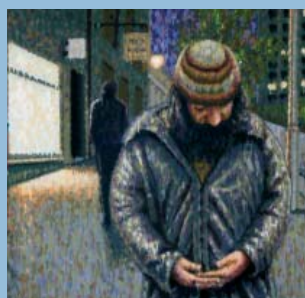
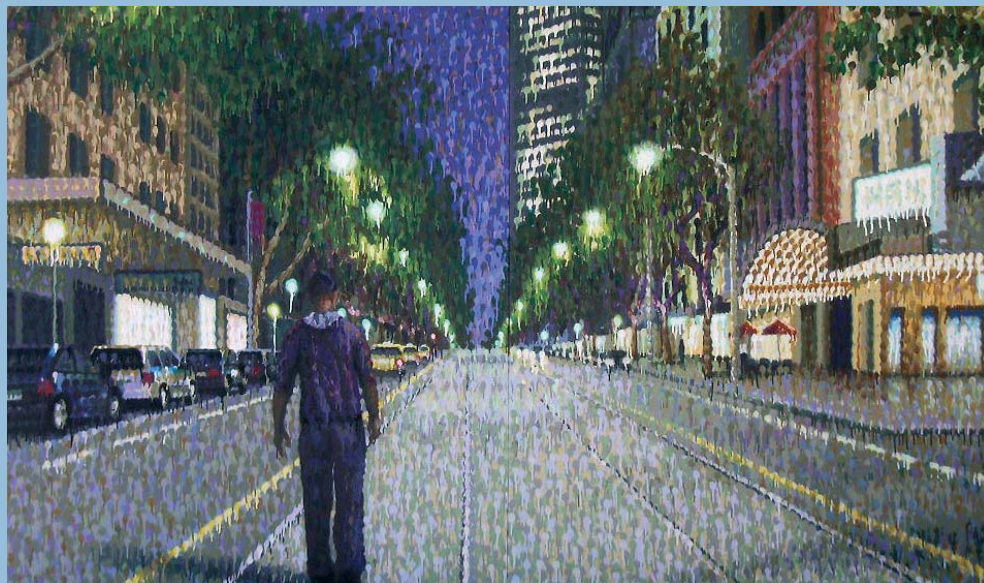


## Introducing James Cochran

When one thinks of artists that are selected as finalists for the most prestigious portrait prize in Australia, The Archibald Prize, one does not think of a former homeless person and street artist being selected. In 2008 James Cochran was selected as a finalist for his unique and extraordinary style of “Drip” painting of Akira Isogawa, one of Australia’s most celebrated fashion designers.

James’ path as an artist began as a young child drawing naturally and then found his identity as an artist doing street art. He describes his painting style as initially being influenced by European artists after a trip to Europe in his second year of studying Visual Arts at University. He was awarded First Class Honours and later completed a Masters of Visual Arts. James identifies his first solo exhibition in 1996 as his validation as an artist. From there he spent the next 10 years learning the commercial reality of being an artist and the great uncertainty that goes with it. During this period James worked as an art teacher as well as being employed by councils throughout Adelaide and regional South Australia to design and coordinate painting projects for schools and community centres with an emphasis on the development and education around aerosol art. James worked on community art projects, mural works, and collaborated with regional art centres, Indigenous groups and generally engaged with a broad cross-section of Australian society.

As James said, “this period greatly influenced me. It allowed me to gain great experience and develop new ideas and skills, ultimately working towards achieving my dream of painting full-time.”



It was during this time working and collaborating with Indigenous groups that James started painting with dots. This collaboration inspired new thought processes which resulted in James combining the dot painting with Western Impressionism. From the dot painting James developed a “Drip” style which then became his signature style. James describes this Drip painting style as “Aerosol Pointillism” using squirts of aerosol enamel more commonly associated with street art to render his images. The individual marks give a powerful impression of the effects of light, especially in the nightscapes. James is the first and only artist to apply small, distinct drips of colour with spray paint in this way.

It was not until 2006 that James was able to achieve his dream of being able to support himself to paint full-time.

It was unfortunate that it took the French to first acknowledge his brilliance as an artist but Australia soon followed. James was invited to exhibit in Paris and also spent six months painting in Paris. This exhibition was the catalyst for his artistic recognition. A Melbourne gallery saw his work in Paris and he was soon invited to exhibit in both Melbourne and Sydney.

The subject matter of James Cochran is an analysis of life on the streets of Melbourne, Paris and Tokyo. In a foreword to the 2008 catalogue of James’ exhibition titled “City Soul”, Chris Reid described James’ subjects in the following way. “These ordinary, anonymous individuals – commuters, travellers and the homeless underclass, who could be our neighbours or even ourselves – are dispassionately observed as they go about their business.” More importantly, there is a strong social and humanistic aspect to James’ work. The subjects in his artworks are often marginalised but James gives them humanity and a simple human dignity.

James explained to me that he is interested in many questions relating to the pressure of just living one’s life, especially living in cities. “How does the individual find meaning in their life in the context of the contemporary city?” James should know. After having sadly lost his mother at 12 years of age, followed by a three month period of homelessness at age 16, he knows what it feels like.

James has now come full circle in his life. When James walks the streets of some of the busiest cities in the world, seeing a city as an outsider with a fresh vision, he often finds the marginalised subjects that make up his art. James approaches them and explains that he is an artist, asking their permission to photograph them. Once given permission James takes the photos and gives them some money as thanks. When a painting is sold, which takes an intensive 2-3 weeks working six days a week, James donates a percentage of the sale to the Melbourne based St Mary’s House of Welcome.



St Mary’s House of Welcome seeks to further social justice by standing with disadvantaged people offering support, solutions and hope.

There is no doubt that James is an extraordinary Australian, having led an extraordinary life, and who has followed an extraordinary path. While James’ story is still being written, and apart from being a world renowned artist, his legacy is such that he has been a strong influence on many people’s lives in making them aware of those marginalised, and those others, who deserve our greater respect.

James Cochran’s work can be viewed at his website [www.akajimmyc.com](http://www.akajimmyc.com)

## EDIBLE BLOOMS 2009 TELSTRA SOUTH AUSTRALIAN BUSINESS OF THE YEAR.

### CONGRATULATIONS TO EDIBLE BLOOMS

WHO HAVE BEEN VERY SUCCESSFUL AT THE 2009 TELSTRA BUSINESS AWARDS HAVING ALSO BEEN AWARDED THE 2009 NATIONAL WINNER MYOB SMALL BUSINESS AWARD.

#### Special congratulations must go to Kelly Baker and her team for such a wonderful win.

Edible Blooms offers a unique twist on traditional flower and gift delivery, offering "bouquets" of gourmet chocolates, home-baked cookies, fresh fruit and even "beer cakes". From its beginnings as a sole owner-operator business in 2005, Edible Blooms is one of the most popular and fastest-growing gifting websites in Australia and has developed a cult-like following by offering a unique range, easy online access, speedy delivery across Australia and the "wow" factor the blooms provide upon arrival.

From humble beginnings, Edible Blooms has grown exponentially with current growth at 30 per cent, a database of 50,000 clients, stores in four states and 15 employees providing a national delivery service. A combination of technology in packaging and sophisticated courier networks has enabled delivery to include regional Australia, greatly increasing the market potential for the company to continue expansion into regional areas.

**Photo Below:** (Left to right) Desiree DeBrenni (Manager - SA), Tara Hall (Marketing Executive), Bronwyn Voss (Manager - QLD), Tim Reed (CEO, MYOB), Kelly Baker, Maria Russo (Manager - VIC), Ashleigh Stewart (Manager - NSW).



## PEOPLE POWER

On Saturday 5th September, **Tom Carr** married **Corrina Grossi** in her father's home town of Rimini, Italy. Tom and Corrina exchanged vows in San Fortunato and celebrated with 65 relatives and friends, including many visiting from Australia, at a restaurant in Villa Verucchio, called Casa Zanni. Tom and Corrina then spent their honeymoon on the Amalfi Coast which is certainly a great start to their married life. We are very much looking forward to seeing the photos and hearing some wonderful stories. On behalf of everybody at McCormack Reynolds and our clients we wish them both a great life together.

There will be another McCormack Reynolds wedding with **Yan Ma** recently getting engaged to **Ash Khan**.

We wish them both every happiness for the future.

**Campbell Milne** and **Rebecca Surace** have both recently completed their Commerce degrees. **Oleg Bakaev** recently passed his third exam, and **Tom Carr** his first exam, as part of their post-graduate Chartered Accountant qualifications. Congratulations must also go to **Ben Reynolds** who recently was awarded his law degree. Well done Campbell, Bec, Oleg, Tom and Ben.

McCormack Reynolds welcomes new team member **Brett Thompson**. Brett completed his studies to become a Chartered Accountant in 1985. Shortly thereafter, Brett joined a large national accounting practice, becoming a Director in 1996. During that time he worked primarily in the taxation and business advisory areas addressing the needs of small and medium sized businesses. Brett would be delighted to assist you with your accounting and business needs. He specialises in professional practices, in particular the medical, dental and legal professions.

#### Photographs Below: (Top to Bottom)

Tom Carr and Corrina Grossi exchanged vows in San Fortunato, Italy.

New team member Brett Thompson.

New team member Chris Fox will be heading up newly formed McCormack Reynolds Finance.

The McCormack Reynolds sponsored Grange SLSC surf boat photographed at West Lakes.

Tom Carr contemplating the Slowdown football match upon his return from the Amalfi Coast.



McCormack Reynolds also welcomes new team members **Chris Fox** and **Wayne Sullivan**. Chris is a Fellow of the Financial Services Institute of Australasia and has had over 20 years experience in the Finance / Finance Broking industry. Chris will be heading up the daily operations of the newly formed McCormack Reynolds Finance. Assisting Chris is the experienced Wayne Sullivan and between Chris and Wayne they have nearly fifty years experience in the Australian finance industry. For further information on any finance issues please contact Chris Fox on 8161 1000. He would be delighted to assist you with your finance needs.

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Please contact your accountant at McCormack Reynolds for advice on specific matters.