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Crystal Ball Gazing – What 2014 Will Mean To You

What a strange few years we've had. A two-speed economy meant that the day-to-day experiences of many people were not matched by Australia's outstanding headlines. But right now, consumer sentiment appears to have picked up with retailers expecting over $15.1b to have gone through the tills pre-Christmas, the housing market is hotter than ever and, flowing from that, household wealth was at record highs rising by 6% across 2013. So, as Paris Hilton would say, we're totally hot right now.

On the downside, the divide between rich and poor is greater than ever. Not everyone is riding the wave, and those not on it are drowning not waving as the cost of living increases. More than 8,000 people lost their jobs in December 2013, and more have dropped out of the system as older workers and the disenfranchised stop trying to find work (according to Westpac the actual unemployment rate would have been 6.8% not 5.8% if the participation rate had not fallen over the last six months). The Government has also stated that it will not be popular this year with Deputy Prime Minister Warren Truss saying "you cannot reduce expenditure without having an impact on people". Hmmm.

For employers, almost all economic and business surveys are showing that confidence is up, but this has not translated into jobs growth.

So, what can we expect in 2014?

What's Changing?
The Treasurer, Joe Hockey, has flagged that a structural overhaul of the economy is required to prevent a "decade of deficits." The Mid Year Economic and Fiscal Outlook released in December stated that the budget wouldn't get back into surplus "even if there are no tax cuts for the next 10 years". At the very least, you should expect the May budget to be more like a renovation than a refresh with all options on the table. Welfare is a likely target, and so are any concessions or benefits out of alignment with the overall tax system.

In addition to the big picture tax changes flagged during the election to repeal the mining tax and carbon tax (both Bills are currently before the Senate), you can expect a focus on: how money moves between individuals, companies and trusts and the tax paid; non-residents; and a renewed attempt by the ATO to try and recover the almost $18b of tax that is currently owed.

Your Business
While there will be a heavy focus on revenue raising over the next few years, there will also be structural change. The Abbott Government has pilfered the American concept of a 'repeal day', and plans to axe more than 8,000 redundant Federal laws to reduce red tape.

The repeal day is scheduled for the House of Representatives on 26 March, following the introduction of an omnibus red tape reduction bill and a series of specific deregulation bills on 19 March.

The repeal day follows the scrapping of 71 unlegislated and unresolved tax and super announcements late last year. Among the items scrapped were the Gillard/Rudd Government's announcements to cap self-education expenses at $2,000, remove the statutory method for car fringe benefits and change tax on earnings on super assets.

For small business, many of the concessions encouraging you to purchase motor vehicles or invest in business assets have either already gone, or are likely to go. If the mining tax is abolished, a number of small business tax concessions will also go. For example, the immediate deduction for depreciating assets costing less than $6,500 will be reduced back to the old rate of $1,000. The start date for this was intended to be 1 January 2014.

Looking After No.1 – Protecting You
If you plan on quitting smoking then you are part of a nationwide trend. According to the Australian Bureau of Statistics (ABS), the smoking rate decreased from 22% in 2001 to 16% in 2011/2012.

Weight loss is another New Year's resolution for many. However, despite the fact that we are all conscious of our weight, the ABS tells us that the proportion of adults who are overweight or obese in Australia rose to 63% in 2011/2012.

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Your weight and whether or not you smoke not only have a major impact on your health, life expectancy and wallet, but these two factors often determine what you pay for insurance.

The strange thing about life is that we live as if life is consistent. The reality is that it isn't - accidents, illnesses and social issues always seem to come as a surprise despite the fact that we know problems commonly occur - just not to us. So, to protect yourself in 2014, here are our top five things you should do:

- **Get your insurance sorted** – at the very least you should have life insurance. Insurance for total and permanent disability and income protection is even better. If you have an SMSF, your investment strategy needs to consider life insurance for fund members. If you own or invest in a business, it is important to consider what might happen if you, or one of your fellow directors, dies or is permanently or temporarily incapacitated. There are some clever structures that can be put in place to manage all these eventualities.
- **Make a will or make sure it is updated** - as life changes so should your will. When was the last time you reviewed it? Enduring Powers of Attorney are also a major issue right now, particularly for those with SMSFs.
- **Plan ahead** - while it seems that most personal financial planning strategies are all about retirement, this isn't really the case (it's just where the money is). There is a wide array of strategies that you can employ to help build and maintain wealth when you're coming into and in your best income producing years.
- **Protect your personal health** - your diet and exercise patterns make a difference. Exercise reduces your risk of heart attack, diabetes and unexpected disease. If that's not enough, *The Guardian* also reports that there are some indications that exercise makes you smarter!
- **Invest in good advice** - major personal, financial, life or business decisions deserve attention. Yes, we know coming from us this might sound self-serving, but good advice can make the difference between a good and not so good result. You need to know what to look for when it comes to structuring, tax, planning, and strategy.

Easy Come, Easy Go: the PPSR and Your Business

31 January 2014 should be seared into the brains of business owners and operators.

When the *Personal Property Securities Act* (PPSA) came into effect in January 2012, it provided a two year grace period to register security interests on the Personal Property Securities Register (PPSR). The PPSR is a national register of who has security over different forms of property (other than land and buildings). If you sell goods under retention of title or consignment arrangements, if your business hires or leases goods or equipment to others, if you buy or sell used goods, you need to register your security interests by midnight on 31 January 2014 or risk losing that property.

Imagine this ... you are in business and have supplied stock to a retailer. You haven't been paid for the stock, but continue to supply to the retailer under normal terms of trade. When the next delivery arrives at the retailer it can't be delivered because the store is closed and chained up. Your business hasn't been paid yet. You sold the goods on a retention of title basis so the stock belongs to you until the retailer pays you, right? The answer is: not necessarily. If your security interest in the stock is not on the PPSR, then your rights may not be recognised even if you can prove you have legal title. One business has learnt this lesson the hard way when they lost the rights to assets they held legal title over because they did not register their security interest on the PPSR, but a financier did (see *Maiden Civil v QES [2013] NSWSC 852[1]*).

The PPSA is one of the most important changes to business in many years. It means that ownership is no longer king if you get into a stoush about who owns what. It's important to review whether or not your business is affected and, if necessary, register quickly.

If you are buying assets or entering into agreements, it's also important to check the register to find out who has a security interest over the property involved.

The PPSR is not just for business. If you are personally buying anything valuable that is second hand, e.g. a car, you should check the register.

See www.ppsr.gov.au for more information and to access the PPSR.

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If expert assistance is required, professional advice should be obtained – please contact our office.