LANE O'CONNOR
ACCOUNTANTS & TAX CONSULTANTS

Lane O'Connor Newsletter

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Do you have enough to retire?

The idea of retirement can be an attractive one when you're stuck in traffic on your daily commute for what seems like the millionth time or you miss yet another family occasion because you are working late.

When you sit down in the cold light of your computer screen and you examine your finances, however, it can be difficult to figure out: How much you will need to live in some kind of comfort. How you will go about funding your departure from the world of work.

> **"Someone's sitting in the shade today because someone planted a tree a long time ago."**
> Warren Buffett

How Much Will You Need?

Deciding how much you need to retire depends very much on your concept of what constitutes an adequate income in retirement. Be warned that providers of defined contribution pensions may incorporate a rather generous figure in their pension calculators to encourage prospective customers to invest more.

In fact, your expenditure is likely to fall considerably in retirement, given that your mortgage may be paid off, any children should have completed their education, and most pensioners' health remains good until late age. Nonetheless, housing costs such as property taxes, water charges, maintenance, and—in some cases—rent must still be paid.

Based on the table on page 7 of "Guidelines on a reasonable standard of living and reasonable living expenses" (updated July 2015) released by the Insolvency Service of Ireland http://www.isi.gov.ie/, a single adult with a car needs €1,050.48 per month to maintain a basic standard of living, and a couple with a car needs €1,486.62. This basic level of expenditure works out at €12,605.76 for a single person per annum or €17,839.44 for a couple.

You can work out your own specific expenses using the online calculator developed from the Minimum Income Standards Research and available at http://www.misc.ie/

How Much Would You Like?

Bear in mind that the figures available from the Insolvency Service of Ireland allow for a modest standard of living, so you may want to add an extra €5,000 a year for contingencies, €5,000 extra a year for a holiday, €3,000 a year for health insurance (over-70s are entitled to free GP care), and a possible €3,000 a year for household upgrades. This amounts to an additional €16,000 per annum, before you even thinking about luxuries such as golf club membership or regular meals out.

You will need to strike a balance between the amount you will need to survive and the funds required to live it up, while allowing for the fact that you cannot predict how long you will live, how your investments will perform, or what unforeseen circumstances may arise.

How Much Will You Get?

Now that you have calculated what you need to maintain your desired standard of living in retirement, you

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need to figure out how it will be funded. Consider three main sources of finance: State pension, private pension and alternative income.

State Pension

Based on current rates, a couple with an entitlement to one contributory pension and one qualified adult pension will receive a weekly income from the Department of Social Protection of €230.30 + €206.30, which adds up to an annual equivalent of €22,780 per annum. That said, if your projected age of retirement is some way off, you may need to factor in the possibility that these rates may change before you are eligible for a state pension. The state pension is payable from age 66, but this will change to age 67 in 2021 and 68 from January 1st, 2028, and it may rise further in the future.

Private Pension

When you join a pension plan, managed either by the company you work for or an alternative provider, the amount you need to save will depend on how close you are to your projected retirement age. If you have a company pension plan, your member schedule will detail the proportion of your salary that both you and your employer have agreed to contribute.

Unless you were very young (under 25) when you started the plan, it is likely that you will need to contribute extra to achieve your desired retirement income. These extra contributions are called Additional Voluntary Contributions (AVCs). Refer to your Member Schedule to determine how much you will need to add to your employer's contribution to attain your desired pension amount. If it seems like a lot to be putting away, remember there is tax relief available. The level of tax relief is age-related.

A Note on PRSAs

A PRSA or Personal Retirement Savings Account is a long-term personal retirement account that allows you to provide for your retirement if you don't have a company plan. The PRSA is contracted between you and the PRSA provider as an investment account, allowing you to switch employment without having to change PRSA. You can move to a different PRSA at any time without incurring charges.

Alternative Income

As well as the various forms of pension, there are other sources of retirement income available to you. These include the potential for part-time work, possibly in a consultancy role.

You could also consider downsizing to a smaller home and accruing rental income from your main property. Investment vehicles such as managed funds, shares, and bonds are other options open to you. Whatever form of income you choose to target for your retirement, however, consult a trusted professional to discuss the array of choices available to you.

Maximise Tax Relief as Retirement Approaches

Tax relief available on pensions makes saving for your retirement the logical option. Tax relief increases as you age, so boost your contributions accordingly if you can. The generous tax breaks offered are delivered in three phases:

1. Tax Relief on Contributions

Contributions to approved personal pension arrangements qualify for tax relief, which increases as you age, making it a prudent option to put more into your pension as you approach retirement. Since 1st January 2011 you pay PRSI and the Universal Social Charge on your pension contributions. Earnings of more than €115,000 do not qualify for tax relief.

The Standard Fund Threshold (introduced in the Finance Act 2006) sets a limit to the value of an individual's pension fund which may attract tax relief. It currently stands at €2 million, but may change annually. If your fund exceeds the limit, tax at the higher rate (40% in 2015) will be charged on the balance when it is drawn down from the fund.

Your Age	Proportion eligible for tax relief
Less than 30 years	15% of net relevant earnings
30 to 39 years	20%
40 to 49 years	25%
50 to 54 years:	30%
55 to 59 years	35%
60 and over	40%

2. Tax Relief on Returns

Your pension fund manager invests your pension contributions in pension funds, which are not liable for tax in Ireland. As a result, your pension fund benefits from the potential for reinvestment of the non-taxed returns to drive higher returns in the future.

3. Tax-free Lump Sum on Retirement

Once you reach your retirement date, you are entitled to draw down 25% (up to €200,000) of your pension fund tax free. The rest of the fund can be used to either buy an annuity, remain in your pension fund, or invest in an Approved Retirement Fund (ARF). Consult your financial advisor for further details.

Ditch Your Pitch: A Better Way to Sell

When was the last time you heard the words "sales pitch" and thought "Great!"? Exactly. Nobody likes having a product or service shoved in their face, but that's the approach the traditional sales pitch takes. Even the word "pitch" makes you think something is being thrown at you. So, instead of thinking in terms of pitching your product or service to prospective customers, approach the selling process as a problem-solving exercise. Here are some tips to get you started:

Do your homework

The first step of preparing your sales presentation is to do your research. Find Facebook, Twitter, Google+, and LinkedIn profiles for the relevant individuals in your target company and extract any information that might be useful. Look at tweets and LinkedIn profile updates, search for connections in common, and scan social media news feeds and streams for news that gives you a conversation starter and/or supports your presentation.

Define the problem

Even if you think you've done all your research, there is always more that you can learn. In fact, some experts believe a salesperson should speak for only 20% of the time, and spend the other 80% listening. Your aim is to uncover the target's needs, giving you an opening to show them how whatever you're selling can help them achieve their objectives or address their problems.

Don't assume understanding

It's all too easy to slip into business jargon or assume a level of understanding that is not there; this is the easiest way to lose your audience. You will need to communicate effectively to get your message across. Consider your message at its most basic level and build up the elements from there.

Be concise

Your aim is to solve a problem that the target company has, so cut to the chase when giving your presentation. Don't use overcomplicated slides or overload your audience with complex data. Once you start to bore them, they will switch off, and your message will fall on deaf ears. Once you have said what you need to say, wrap up.

Stay on point

Remember that your target audience is overloaded with information, so it is unlikely that anyone will remember more than about three things that you say, so decide what the most important three things for your audience are and stick to them. Once you have given your prospective customers the most important points of your presentation, you can expand on each point, but don't stray from your message.

Don't get lazy

If you've been in the sales business for a while, and especially if you've been selling the same product, it can be easy to slip into the same routine. You're probably bored churning out the same presentation over and over, so imagine how bored your audience must be? Look at your presentation with fresh eyes, and if you can't tear it up and start from scratch, at least mix it up.

Ask for the Sale

You cannot expect people to buy from you if you don't ask them to. Once you've finished your stellar presentation, you need to prepare some closing questions for which "no" is not a possible answer. Mention a benefit of your product that your research has revealed that your prospective client needs, and ask if this is something they would find useful. Confidently ask the question: "What, if anything, would prevent us from going ahead right now?"

Whatever your approach, once the customer says "yes," stop selling! The decision is made, so continuing your presentation only creates an opportunity for challenge or doubt.

How to Make Debt Work for You

It's natural to want to avoid debt where it is at all possible - natural, but wrong. Not all debt is created equal, and, whereas a credit card charging 20% is something you wish to avoid, a business loan on favourable rates may be just the thing your company needs to turbocharge its growth efforts.

When Debt is a Good Idea

Deciding whether to take on debt (and what kind) is influenced by the cost of its capital and the purpose of the loan. Corporations often leverage low interest rates by issuing large amounts of debt, which they can use to repurchase shares of their own stock. You may not be a large corporation, but you can use low-interest loans to buy stock or assets, using the cash you saved to invest in a fund that has a higher rate of return than the interest you are paying on the loan.

When You Should Avoid Debt

Even if you have secured a favourable rate of interest on your debt, don't take on too much. A relatively minor interest-rate increase can make your repayments balloon, impacting your future cash flow negatively. If you are unable to service the debt, your credit rating will be affected. And it's not just the interest rate you should consider: An economic downturn can reduce the value of the assets used as collateral. Debt is certainly a useful financial tool, but use with caution, and consult a financial advisor.

Creating a New Role in Your Business

Maybe your staff are overworked and exhausted because of the amount of work they have to do, or perhaps your company projections suggest that sales volumes will skyrocket in the next year and you won't have sufficient staff to handle the workload. Are these good reasons to create a new role in your business? We'll show you what to consider before deciding to hire:

When You Should NOT Create a New Role

If you decide to recruit a new member of staff for the wrong reasons, it could be a very expensive mistake. Circumstances that do not justify a new hire include seasonal increases in workload, one-off projects, or staff sickness. These situations can all be addressed with temporary staff. If your staff are constantly overworked and failing to meet deadlines, you should also invest time in ensuring they are managing their time effectively and have the resources they need to work efficiently.

When a New Role May Be Necessary

Once you have determined that your staffing difficulties are not temporary in nature and cannot be addressed with better time management, it's time to consider whether you need new, permanent team members.

If, for example, your staff are consistently overloaded, or you are always depending on temporary staff, you may

need need a new, permanent team member. A permanent staff member may cost less per hour than a contractor, but there are costs involved in letting them go should they not be required any more. Consider the hidden costs as well as the obvious costs of permanent versus temporary staff.

Think of your own role: Are you wasting time on tasks that could you could delegate to a new team member? The cost of a new hire could be justified if your productivity or revenue is boosted as a result.

How to Address Team Growth

Taking the initiative and hiring a new staff member before your team gets swamped is a risky move if the projected growth does not materialise, but it also means you'll have time to train the new staff before workloads increase. Then again, if you delay the hire until your work volumes rise to an unmanageable level, you'll have to recruit while you are busy and introduce a new staff member to team members who are already overworked and under stress.

A compromise option is to hire somebody part time. This means you can expand your team more gradually, but if the part-time team member is interested in working part-time only, you face difficulties should the workload increase. If this happens, you could recruit an additional part-time person.

Conclusion

Explore the potential for your company's growth, and if you are not sure that you are going to get much busier and for a long period of time, then delay creating a new role in your business and invest effort in streamlining your staff's time management, compensating for busy times with part-time staff. If you believe you are about to experience ongoing, sustained growth, then think carefully about the timing of your new hire. It's vital to choose a route that suits you, your team, and your business.

Is Your Business Environmentally Responsible?

Everyone knows the long-term advantages of adopting environmentally sustainable business practices. Safeguarding our natural resources for future generations is a goal we can all believe in, but operating in a sustainable business environment brings benefits for your company too, in terms of reduced costs and enhanced reputation. Here are easy tips any small business can follow to create a greener office:

Rely on Emails

Many of us are communicating electronically now instead of posting documents. This is great - just don't be tempted to print out your emails!

Cloud Storage

Moving your IT system to a shared data network can cut your carbon footprint by nearly 50%. Storing your business data remotely means every team member can access documents from anywhere, encouraging greater productivity and less paper usage.

Switch Off

Turn of all computers and lights before leaving the office at night. Don't leave chargers plugged in, as they still draw energy even when the device is fully charged.

Source Energy-Efficient Equipment

Check the energy ratings of all PCs, printers, kitchen appliances, and any other electronic equipment you buy. Use fluorescent and energy-saving light bulbs.

Recycle

Make sure you have clearly labelled receptacles for office waste everywhere so that it is easier for employees to put waste paper, plastic etc. in its appropriate place. Consider a compost bin for kitchen waste if you have a gardening enthusiast on your staff.

How to Write Great Product Descriptions

In order to write descriptions that sell products, you need to engage your potential customer and persuade them to buy. Before you get to that stage, however, you need to know precisely who you want to buy your product.

1. Define Your Buyer Persona

A buyer persona is more than a vague idea of what kind of person your product might attract; it is an imaginary person for whom you have developed your product and who represents your target audience. You know exactly what makes him laugh or cry, what films he likes, which websites he visits, and what makes him click.

2. Develop an Exhaustive List of Your Product's Features & Benefits

Your potential buyer does not care what your product does; He just wants to know what it can do for him and how it can make his life better.

3. Decide on a Tone of Voice

Your tone of voice gives you a personality and distinguishes you from the competition. Use it to express your business personality and culture.

4. Make Your Description Scannable

Most people read only 20% of what they see on the web, so make your descriptions easy to skim for relevant information. Think about a readable font, plenty of white space, subheadings and bullet points. Images are a good way of breaking up excessive text.

5. Create a First Draft

When you are feeling enthusiastic and positive, write your description, highlighting your product's biggest benefits to your target customer.

6. Edit

Polish up your first draft, ensuring it contains no typos, grammatical errors, or cliches.

7. Optimise

Write using terms your target customer would use to search for your product. Avoid jargon and incorporate keywords in a natural way. Remember to write for your reader first and search engines after.

5 Advantages of Home-Based Businesses

Working at home may require an iron will, but the benefits can be well worth the self-discipline demanded, particularly in the initial years of your business.

1. No Commute = More Time to Work

All that time you used to waste stuck in traffic can be spent far more productively in your home office. Being able to work at night or first thing in the morning is a great plus for those entrepreneurs who are managing other responsibilities such as child care.

2. Flexibility

Renting or owning office space can limit the size of your business, but working from home means you can upsize more easily, or simply work longer or shorter hours as your business operations demand

3. Offset Home Costs Against Income Taxes

The tax benefits of operating a home office can be attractive. If your business is eligible, you can deduct a portion of your home's expenses, including housing costs, heat, lighting, telephone and broadband against your business income.

4. Low Overheads

Operating your business from home cuts down on overhead costs such as rent and utilities. You also save on travel and all the costs associated with working in an office, including buying coffees, work wear etc. You can use these savings to reduce your prices or boost your profits.

6. Trial Business Ideas

With more than half of all new businesses failing, starting a business from home is a pragmatic choice. If things do go wrong, at least you have not invested in office space and other fixed costs.

Changes to Rules for Subsistence Cost Claims

While many people were enjoying their summer holidays blissfully unaware, Revenue introduced changes to the rules covering tax-free reimbursement of subsistence costs. From July 1st, 2015, you can only claim an overnight allowance if the location you must travel to for work purposes is at least 100 km away from both your home and your usual place of work. Furthermore, the standard day allowance payable for absences of at least five hours will not be paid if the employee is working somewhere that is less than 8km away from both their home and their normal place of work.

Implications

The first change means that if you live and work in Castleisland and have to catch a 6AM flight from Cork Airport, you cannot claim an overnight allowance for a hotel stay at Cork Airport because the locations are only 99.5km apart.

The second one means that if you are attending a work-related course in Ranelagh, and your office is based in Drumcondra, you cannot claim the standard day allowance because the two Dublin suburbs are just 7km apart.

Capital Gains Tax Concessions for Small Businesses

Budget 2014 introduced Capital Gains Tax (CGT) relief for entrepreneurs, in an effort to encourage jobs and growth. The new relief applies to anyone who has already paid CGT in Ireland on the disposal of assets, and afterwards invested a minimum of €10,000 in a new business in the period from 1 January 2014 to 31 December 2018. You receive the relief if you dispose of the new asset no earlier than three years after making the investment.

The level of CGT reduction payable on the sale of the new asset will be reduced by the lower of the following:

- the amount of CGT paid by the entrepreneur on a previous disposal of assets on or after 1 January 2010
- 50% of the CGT due on the disposal of the new investment

The capital must be either assets used entirely for the purposes of a new business conducted by an individual, or new ordinary shares issued on or after January 1st, 2014, over which the investor exercises control and in which he or she is a full-time working director. The company must also conduct a new business. If the investment is made in company shares, the company must be a micro, small or medium-sized enterprise.

Avoid CGT on Inherited Property

Planning in advance is the only way to limit your liability in relation to CGT on inherited property, or at least to generate funds in a tax-efficient way to cover future liabilities. Here are five useful tips:

1. If you make gifts while you are alive, you can reduce the value of your estate, and hence the liabilities relating to inheritance tax. When you make a gift, however, it is treated as asset disposal for Capital Gains Tax purposes, so you will need to compare the Capital Gains Tax liability with the Gift Tax liability. Indeed, both taxes can apply in both cases, as can Stamp Duty.
2. There is special relief available for residential property transferred to children (but not children-in-law).
3. If you include children at an early stage of buying investments, they share in the growth of the asset's value and limit their future benefit. The tax-free threshold is thus exhausted during your lifetime, ensuring that future equity growth accrues to your offspring.
4. Defer tax liabilities for longer by bequeathing all your assets to your spouse, who then leaves the entire estate to your family, thus capitalising on the tax exemption for transfers between spouses.
5. Take out life assurance policies that pay out at your death to cover any applicable inheritance tax liabilities. Their value is not considered part of your estate.

5 Pinterest Tips for Time-Pressed Marketers

Pinterest has become a highly effective visual marketing tool, but using it can take a considerable chunk of your day if you don't organise yourself properly. We're assuming here that you have already set up your business on Pinterest, but if you have not, sign up for a Pinterest business account (http;://business.pinterest.com/) and fill out your profile. It is important to upload the appropriate profile image. Verify your website with your Pinterest account and add Pin It and Follow buttons, as well as widgets.

1: Take a Few Minutes a Day to Repin

Start by entering keywords for your industry in Pinterest search. Pinterest will suggest extra search terms, so it's easy to find the best content to share. Pin and repin regularly to get noticed on Pinterest. Make sure the links on any pin you are re-pinning are still active before you share them. Aim to create 10 boards and then focus on 3 boards each weekday, re-pinning 2 pins on each per day. That should only take about 15 minutes a week.

2: Schedule Pins for the Weekends

Keep your Pinterest account active by spending five minutes on a Friday scheduling posts for the weekend. Tools such as Buffer and Tailwind for Hootsuite allow you to schedule Pinterest posts.

3: Follow Pinners in your Industry

Effective Pinterest marketing demands that you follow relevant pinners. Use Pinterest search to find them, reviewing their profiles and Pinterest activity to check their relevance. Aiming to follow up to five new pinners every day.

4: Comment

As you keep an eye out for appropriate pins, add comments to the ones that inspire you. Aim to add at least one comment every day, but make sure it's relevant – and does not plug your product or service! If you can add something of value, feel free. For example, you could add a link to a relevant article or other Pin.

5: Adopt a Bulk Approach to Pinterest Image Creation

Spend about 30 minutes a week creating five images for your daily posts. You can create images using tools such as Canva, which even has a Pinterest graphics layout for you to create your own design. The ideal Pin size is 735 x 1102 pixels.

5 Tips for Managing Cash Flow

Cash flow is quite simply the lifeblood of your organisation. Whatever product or service you provide, if you are not in control of the money coming in and out of your business, you are destined for failure. Here are some tips to make it easier:

1. Have a Clear & Timely Invoicing System

It's pretty obvious really—the sooner you issue your invoice, the sooner you are likely to be paid. Make your payment terms clear and try to keep them within 14 days if possible.

2. Have a Long-Term Financial Plan

Draw up a detailed tracking system for funds coming in and out of your business, so that you know in advance what expenses you are facing and how you are going to cover them. Your accountant will help you to create a plan and make changes when necessary. Develop a plan to keep track of the money coming in and going out. Have a clear understanding of what expenses are coming up and how you'll cover them.

3. Adopt a Prudent Approach to Debt

A loan can be a pragmatic tool for obtaining start-up funding, new equipment, or commercial space. You must decide that the return will outweigh the investment before you borrow, however. Consult your accountant for advice on the best source of loan funding.

4. Examine Your Expenses

Efficient cash flow relies on a regular review of your costs. Look at your reports for profit and loss, accounts payable and receivable, balance sheets, and depreciation and discuss them with your accountant.

5. Assess Your Spending Habits

Could you save money by buying at different times or in different amounts? Could you trade products or services with a supplier? Review your payment methods: Services such as credit cards may cost you initially, but the additional sales and improvement in customer service may justify the expense.

Current Trends Your Small Business Should Know About

Businesses of all sizes are becoming increasingly focused on data when making decisions to drive sales, profits, and market share. So-called business intelligence can really give your organisation a competitive advantage. Here are five recent trends that may apply to your small business:

Increased Accessibility of Business Intelligence

You don't need a degree in data analysis to use it, as technology is moving toward the gathering of information from multiple sources to provide you with the data you need.

Business Users are Getting More Value from Data

The increased accessibility of business intelligence makes it easier for small business owners to extract insightful results from it. The software does not require coding to use it, so nontechnical experts can generate reports of value for making future business decisions.

A Shift to Mobile Devices

Both business owners and consumers are accessing online services in new ways. Many people now rely on their smartphones and tablets to maintain their company's online presence. This mobile shift is also true for business intelligence software.

Cloud Technology

Cloud technology is becoming the data storage option of choice for many businesses. It frees up space, centralises communication, and permits access to information from any location. Although business intelligence has not yet exploited cloud technology fully, this is likely to change in the near future.

Increased Collaboration

Software developers are starting to add more social and collaborative features to business intelligence software, which may lead to a better range of options for sharing and analysing results, and for working with multiple employees or business partners.

Identifying Customer Needs

You run a high risk of failure if you don't invest considerable time and energy in determining your customers' needs. It is impossible to tailor your offering for your market if you don't know what your market wants.

1. Research

Methods of carrying out customer research can range from conducting surveys to studying published research to visiting your customers' websites. Your aim is to identify opportunities for refining or adapting your product or service so that it offers benefits for your target audience.

2. Customer Feedback

By encouraging customer feedback, you can identify how well you are meeting their needs. Create a forum on your website or on a social media channel where they can post reviews or leave comments. Make sure you respond to all feedback promptly, and resist the urge to become defensive if you receive negative feedback: Welcome it as an opportunity to improve.

3. Social Media

Make social media an integral element of your communications strategy. It allows you to monitor discussions of your products and those of your competitors. Engage with your social media followers and create a sense of community among them.

4. Collaboration

Bring your customers in at key stages of product development so that the end result reflects their needs. Establish focus groups and customer panels to test or evaluate new product prototypes.

5. Customer Relationship Management

CRM systems gather information on all interactions between the customer and you, including buying history, product enquiries, complaints, and feedback on marketing campaigns. You can use an efficient CRM system to create an accurate picture of each customer's needs and wants.

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