



## MCP GROUP NEWS

### MCP GROUP AFL APPROVED FOOTY TIPPING COMPETITION

With the start of the Home and Away Season only 3 weeks away it's time to join the MCP Group Footy Tipping Competition.

Entry fee is only \$25.00 and tips are placed through the link on our website [www.mcpgroup.com.au](http://www.mcpgroup.com.au) – how easy is that! Tippers are listed by their alias which makes the competition more interesting.

We have spot prizes for those tippers who pick 8 in a round and great end of season cash prizes.

\$5.00 of your entry fee is matched by MCP Group and donated to charity. The money raised from our footy tipping for Season 2005 is currently sponsoring two high school students via The Smith Family's Learning for Life Program.

To enter the competition please click on the Sherrin on the MCP Group website [www.mcpgroup.com.au](http://www.mcpgroup.com.au) and follow the instructions. Payment can be made by forwarding a cheque to MCP Group or by completing the Credit Card payment form on the website. Any question re the competition can be forwarded to [s.nixon@mcpgroup.com.au](mailto:s.nixon@mcpgroup.com.au).

### MCP GROUP WELCOMES TWO NEW EMPLOYEES

MCP Group would like to welcome Tegan Fisher and Melina Elia to our business and hope that they have a fulfilling and professionally rewarding career with our company.

Melina Elia will be assisting our legal team with paralegal work, supporting Michael Poynter and Shane Frost with the construction of Wills and Probates, maintaining client records and other important legal duties as required.

Additionally, Tegan Fisher has recently joined MCP Group as a receptionist/administrator after working a similar role in a busy medical practice. We hope that Tegan and Melina enjoy their new roles and wish them all the best at MCP Group.

## QUESTIONS AND ANSWERS

The MCP Group team will answer a

selection of our clients' queries in each edition of our monthly newsletter.

To submit your query to our office please contact our Group by phone on (03) 9620 2001 or via email at [enquiries@mcpgroup.com.au](mailto:enquiries@mcpgroup.com.au).

## FINANCE

**My owner occupied establishment with no debt owing will be used to secure the purchase of another property which I plan to rent out. Will the interest on the loan be tax deductible even though I'm using my home as security?**

All specific advice relating to personal taxation issues should be referred to your accountant or an experienced taxation advisor. Our alliance accounting firms tell us that the ATO (Australian Taxation Office) conducts a purpose test to determine expenses are deemed to be tax deductible.



*The Australian Taxation Office generally applies a "purposes test" to determine whether interest on a loan will be tax deductible irrespective of what type of property (investment or owner occupied) is used as collateral.*

All expenses incurred to generate income, including interest on investment loans, are allowed to be deducted from your total assessable income. Other deductions may include depreciation on fixtures and fittings, maintenance and gardening services for your investment property.

## LEGAL

### What is a power of attorney?

Put simply, a power of attorney is a document that allows a person to do something for another person when they are not able to do it for themselves. There are different types of powers of attorney that fall under three broad categories: general, enduring, and a power of attorney for medical treatment.

A general power of attorney allows another person to act on your behalf only when you are incapable of doing so. This type of power is rendered null and void in the event that you become mentally incapable of managing your own affairs. An enduring power of attorney suggests that the common power of attorney remains effective even if you become mentally incapable of making your own decisions.

A medical power of attorney pertains to what medical treatment you should receive if you become physically or mentally ill and unable to make concerted medical conditions for yourself.



## THE LEGAL ASPECTS OF COPYRIGHTING

### WHAT IS A COPYRIGHT?

The Copyright Act 1968 (Cth) which applies throughout Australia sets out how copyright applies for material created. The Act deals with copyright rights, performers' rights and "moral rights" of individual creators.

### COPYRIGHT PROTECTED?

There are large range of materials which are copyright protected. These include textual material, compilations, artistic works such as paintings, dramatic and musical works, cinematograph films, sound recordings, broadcasts and published editions.

Something that is a literary, dramatic, musical or artistic work for copyright purposes will be protected if it is "original".

Copyright does not protect ideas, concepts, styles, techniques or information. In some cases, however, people taking your ideas or information or styles could be in breach of other laws.

Some "works" are too small or unoriginal to be protected as copyright works. For example, single words, names, titles, slogans and headlines are unlikely to be protected by copyright and is more likely to be dealt with in other areas of law, such as trademarks.

## REGISTRATION

To register a Trade Mark an application must be made to the Trade Marks Office. Once the Trade Mark has been examined, accepted for registration and fees are paid, the Trade Marks Office will issue a Registration Certificate. Once this is issued, you may use the symbol ®.

## COPYRIGHT PROTECTION IS AUTOMATIC

You do not apply for copyright in Australia, and there is no system of registration here. Nor are there any forms to fill in, or fees to be paid.

The copyright notice consists of the symbol ©, followed by the name of the copyright owner and the year of first publication: for example, "© Mike Poynter 2005". For sound recordings, the letter "P" (for Phonogram) in a circle or in brackets is used instead of the "C" in a circle.

The "Copyright notice" does not need to be on something to ensure that it is protected by copyright in Australia or in most other countries, but it does remind people that the work may be protected. It also lets people know who is claiming copyright. Copyright owners can put the notice on their work themselves; there is no formal procedure.

## COPYRIGHT AS AN ASSET

A Copyright is an asset, which adds to the value of a business. Owning a Copyright gives you the right to use, licence or sell it. A copyright protects the reputation and goodwill developed in association with your business.

## ASSIGNING AND LICENSING RIGHTS

Copyright owners can assign or license their rights. Assigning rights means someone else becomes the copyright owner; licensing means another person can use the copyright material.

Assignments and licences can apply to all the rights in the material, or to just one or some of the rights. For example, a writer can assign or license just the right to reproduce his or her story in a book. But keep all other rights. In addition, a copyright owner may restrict an assignment or licence in various ways: to particular countries, or to a particular period of time, or to a set number of copies, or

to a particular format (for example, hard-copy only, or in brochures but not in posters), for example. A copyright owner may also require certain conditions, such as payment, as part of their agreement to assign or license rights.



*There is a vast range of materials that may be subject to copyright protection including musical works and compilations.*

## INFRINGEMENT OF COPYRIGHT

Copyright is infringed when a person uses all, or a "substantial part", of copyright material in one of the ways exclusively controlled by the copyright owner without the express or implied permission of the copyright owner, where no defence or exception to infringement applies.

People usually need permission to use copyright material in any of the ways exclusively controlled by the copyright owner. Someone who doesn't get permission will usually be infringe copyright. Using part of a work without permission may also infringe copyright if that part is an important part-it doesn't need to be a large part. In this context, the issue is not whether you have changed or added something to the copyright material, but whether the part you have used is an important or distinctive part of the original material.

## CIVIL REMEDIES

Remedies the copyright owner may be able to obtain against a person who has infringed their copyright include "damages" or an "account of profits". "Damages" is a sum of money intended to compensate the copyright owner for money lost, or spent, in respect of the infringement and will vary with the circumstances. An "account of profits" is the profit made by the infringer in selling the infringing copies. An injunction may also be imposed. Courts may also order the infringer to "deliver up" all

remaining infringing copies, and may award an injunction prohibiting the infringer from continuing to infringe copyright.

## WINDING UP COMPANIES – THE AUSTRALIAN TAXATION OFFICE

The Australian Taxation Office (ATO) has initiated tighter control over the non payment of various taxes (including the GST), superannuation and individual PAYG tax. In a recent media release it was reported that the ATO was winding up anywhere up to 25 companies per day.

After a sustained period of using relaxed taxation collection methods the ATO is now pulling some "muscle" after allowing business units and personal individuals to become familiarised with various new taxes such as the GST/Business Activity Statements. One reputed insolvency specialist has claimed that the ATO is the largest Australian unsecured creditor; as they are owed monies when a business becomes insolvent.

While the ATO engages in methods for the recuperation of taxes owed it will still give business units and individuals a healthy grace period to pay for any taxes owed. We would advise all businesses and individuals to take all proper precautions and heed to ATO requests as soon as possible.



## WILL YOU AND YOUR BUSINESS CUT IT WHEN FINANCE IS REQUIRED?

The day invariably comes when a business requires funding from a financier. Whether the business is a start-up, looking to expand or wanting to merely purchase their premises, the question remains the same! What are banks and other financiers looking for when they fund a business?

The answer is what a banker calls the four C's of credit (Character, Capacity, Collateral, Capital); a relatively simple methodology that can also be applied when deciding to provide terms to the debtors of your business.

**Key points**

- Commercial loan providers look for businesses credit history, collateral, capacity to service debt and capital when assessing applications.
- A well written proposal and business plan will gain an assessor's belief in the business.
- Non quantitative factors such as business character are vital.

**CHARACTER**

Financiers often ask for a copy of your bank statements when assessing credit quality of your finance application. Essentially the purpose of this is to determine your integrity and willingness to repay, the two fundamental elements of character in credit assessment. Bank statements riddled with loan arrears and account excesses may incite a financier to question an applicant's credibility.

Your ability to impress your potential financier in regards to your trustworthiness and honesty is paramount. An indication of your past and present business, professional and credit relationships, supported by references, will undoubtedly assist as will a well prepared loan application. The question a financier will be asking is "Is this business worth backing?" A well thought out business plan supported by realistic projections can aid to provide a persuasive case.

**CAPACITY**

A bank will only lend an amount of money for which the applicant has the ability to repay. Your intention as to how the loan will be repaid will need to be clearly stated in writing. This may occur via a total loan repayment at the end of a defined term of through a mutually agreed series of payments over a fixed term. The financier will consider not only your ability to repay principle but also your ability to fund interest. They may also "sensitise" the interest rate (add a margin to the rate to cover of potential for interest rate movements) to ensure you can afford the loan in a worst case scenario.

The financier will request historical documentation in support, such as personal tax returns of directors and company returns of the business. The lender may also consider the

future cash flows from the business and the timing of the repayment. Payment history of existing credit relationships both personal and commercial may be considered as an indicator of future payment performance.

Capacity is the most important of the four C's and is often referred to as the "first way out" for the financier.

**COLLATERAL**

In planning for the potential of default, a financier will look towards available collateral to secure the debt. The financier will want to know that they have a confirmed "second way out" in the event that a borrower does not have the ability to repay the loan. Assets provided as security can be sold by the financier for cash as a possible source of repayment. Assets that may be utilised include "bricks'n'mortar" security such as the family home or other commercial or residential property. Further, the financier may also be satisfied by business assets such as equipment, buildings, accounts receivable (debtors) and inventory.



*A business may use a vast array of tangible business assets as security, including an inventory (stock).*

**CAPITAL**

A financier will take into consideration the amount of capital you have invested into the business when considering finance applications. Financiers mostly likely will require you to have invested some of your own funds as an indication of how much you have at risk should the business fail. This is based on the assumption that if you have a significant personal investment in the business you are more likely to do everything within your abilities to ensure the business successful.

*The article was provided by Phil Cooper of the ANZ Business Bank. Phil is a commercial loan specialist with extensive commercial lending experience.*

**FINANCIER NEWS****ANZ BANK (RESIDENTIAL)**

The ANZ Bank has recently introduced a non genuine savings loan policy. The term "genuine savings" refers to monies accrued evenly over time which is desired by banks because it assures them that you'll be able to meet loan repayments on a regular basis. ANZ's new policy allows you to source funds from the sale of personal assets, family, friends and via capital gains on investments etc. This policy may be most fitting for the first home buyer market.

**COMMONWEALTH BANK OF AUSTRALIA (RESIDENTIAL)**

The Commonwealth Bank of Australia is offering a discount for their 3 Year fixed rate loan which will be priced at 6.65% per annum for a limited time only. Members of their Mortgage Advantage Professionals Package will also be privy to a 0.15% for all fixed rate loans, bringing the Three Year Fixed Rate Loan to 6.50% per annum under this package.

In a bid to compete with other top tier lenders they are also offering a 0.7% discount for the above mentioned, Mortgage Advantage loan package. Please contact our office if you require any further information.

**ING BANK (RESIDENTIAL)**

The ING Bank are discounting a vast suite of their loan products including their Action Equity Loan, Lo Doc Smart Home Loan, Smart Home Loan and their Mortgage simplifier product. The discounts range from 0.09% to 0.16% per annum and are available for a short time only.

**MACQUARIE BANK (COM.)**

The Macquarie Bank are tendering substantial savings to their Macquarie Mortgage Saver Products for new business borrowings. The rate discounts will apply until 31 May 2006. Products start at 6.80% per annum for loans below \$250,000 and are as cheap as 6.55% per annum for business loans secured by

residential property which are above \$1 million.

**OXFORD FUNDING**

Oxford Funding is an innovative provider of niche lending products including debtor finance. The financier has recently introduced an accelerator product which lends up to 90% of the value of your debtors while offering credit protection.

Additionally, Oxford Funding have become only the second member in Australia to obtain official international accreditation with Factors Chain International for their international debtor finance product offerings.

**FIXED RATE, STANDARD VARIABLE RATE AND LINE OF CREDIT LOANS COMPARED**

Standard variable loans, line of credit loans and fixed rate loans are three dissimilar loans products which have their own advantages and disadvantages.

Standard variable loans are generally featured products which allow the attachment of an offset account while allowing, in most circumstances, the

**Case scenario**

**Peter is married with two children. He works in the real estate industry and earns a retainer with a fluctuating commission component. He seeks financial stability and is unsure about the future direction of interest rates.**

A split loan is generally the best option for Peter (70% fixed and 30% variable or 60/40 etc). It allows him to budget and also lets him contribute any commission payments received without incurring penalties. He is also hedged against a rising or falling interest rate as he is partially advantaged if rates increase or decrease.

borrower to contribute any additional payments to their loan without incurring penalty fees.

Alternatively, fixed rate loan products are most fitting for consumers who wish to budget and make consistent loan repayments for the duration of the fixed rate period.

However, unlike their standard variable rate counterparts, fixed rate loans generally don't allow the consumer to attach an offset account

or make additional loan repayments without incurring penalties. (Some financiers like the Commonwealth Bank will allow you to contribute \$10,000 per annum without charging penalties while others won't.)

At the moment there are some very good specials on in the fixed rate market, with loans starting at well below the standard variable rate for the 1-5 year fixed rate products.

An equity line of credit loan is a facility which can be used to purchase items at your discretion, including personal effects. It is a facility which has no set term (evergreen) and only charges interest on monies used. Consumers generally contribute their salary directly into the loan to reduce interest charges.



*Line of credit loans are not recommended to consumers who find it hard to budget. If care is not taken the equity in your home can be significantly reduced as debt can be built up very rapidly.*

The table provided is meant to be a guide only and may not incorporate all of the advantages and disadvantages associated with that particular loan product. Please contact our office to speak to one of our accredited mortgage consultants for further information.

	Standard Variable	Fixed Rate Loans	Equity Loans
Adv.	Your repayments will be reduced if interest rates move downwards	Repayments will not increase if rates go up in the fixed rate loan period	The facility can be used to purchase items, including personal effects, at your discretion
Adv.	You are allowed to make extra repayments without incurring an additional fee	Regular repayments associated with fixed rate loans allows you to budget better	Your income may be transferred directly into the account, reducing interest costs
Adv.	Flexible type of loan which generally allows redraw and portability	Peace of mind knowing that the applicable interest rate will not change	You can use the money as you need it (an equity loan is an evergreen product and has no set term)
Adv.	May allow the attachment of an offset account	There are currently some well priced fixed rate loans in the market (well below the standard variable rate)	You are only charged interest on what you use
Disadv.	There are cheaper loans available that you may be better suited	You may lose out in periods where interest rates are decreasing because your rate is locked in	You can amass debt very quickly
Disadv.	The benefits of an offset account can be overestimated	Most fixed rate loan products don't allow you to attach an offset account, or have severe restrictions if they do	Using the equity in your home to secure a line of credit can extend the time taken to own your own property
Disadv.	If interest rates rise you will have to make higher repayments.	Most fixed rate loans don't allow you to contribute additional lump sum payments without charging a fee	It may complicate your banking structure

*The main advantage of a fixed rate loan is financial security. Each repayment period your rate is guaranteed which allows you to budget better.*



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## INDICATIVE INTEREST RATE SCHEDULE

A selection of our financiers' most competitive Interest Rates. Rates displayed are generally discounted and may not apply to your situation. This is an indicative guide only. Comparison rates are available upon request. Please speak to MCP Group for further information.

	Variable Rates (Inclusive of Discounts)				Fixed Rates					Commission Rates (%)	
	Offset	L.O.C.	Basic	Low Doc	1 Year	2 Year	3 Years	5 Years	Upfront	Trail	
<b>MAJORS</b>	ANZ Bank	6.72%	6.72%	6.62%	6.85%	6.79%	6.65%	6.79%	0.60%	0.20%	
	CBA	6.62%	6.62%	6.62%	6.70%	6.64%	6.50%	6.64%	0.70%	0.25%	
	NAB	6.82%	6.97%	6.62%	7.32%	6.85%	6.79%	6.62%	0.60%	n/a	
	Westpac	6.62%	6.77%	6.74%	7.32%	6.85%	6.79%	6.65%	0.60%	0.25%	
	AMP Bank	6.62%	6.82%	6.76%	7.06%	6.69%	6.69%	6.59%	0.50%	0.25%	
	Adelaide Bank	7.32%	7.42%	6.79%	7.32%	6.75%	6.75%	6.55%	0.60%	0.25%	
<b>OTHER LENDERS</b>	BankWest	6.65%	6.85%	6.65%	7.24%	6.75%	6.75%	6.85%	0.50%	0.25%	
	Citibank	6.61%	6.71%	6.62%	7.25%	6.85%	6.55%	6.79%	0.65%	0.25%	
	GE Money	N/A	N/A	6.89%	6.99%	Not Available	Not Available	Not Available	1.00%	0.50%	
	HSBC Bank	7.03%	7.03%	6.69%	6.87%	6.85%	6.85%	6.75%	0.60%	0.25%	
	ING Bank	N/A	7.24%	6.65%	7.24%	6.65%	6.65%	6.75%	0.50%	0.25%	
	Macquarie	6.80%	N/A	6.80%	6.98%	6.69%	6.89%	6.85%	0.60%	0.25%	
St George	6.62%	6.62%	6.74%	6.82%	6.85%	6.85%	6.69%	0.60%	0.25%		
Suburban Management	N/A	N/A	6.74%	7.24%	Available Upon Request	Available Upon Request	Available Upon Request	0.60%	0.25%		

Must be fully secured by Residential Property - Rates are Indicative Only. More lenders available upon Request (Selection provided only).

	Variable Base Rates			Fixed Rates				
	Standard	Overdraft/L.O.C.	Standard	1 Year	2 Year	3 Years	5 Years	
<b>LENDER</b>	ANZ Bank*	7.67%	8.60%	7.24%	7.27%	7.31%	7.46%	
	ING Bank	7.60%	8.70%	7.45%	7.50%	7.55%	7.60%	
	Citibank	7.70%	8.45%	7.45%	7.69%	7.39%	7.69%	
	BankWest*	7.40%	8.50%	Available Upon Request	Available Upon Request	Available Upon Request	Available Upon Request	
	Members Equity	7.49%	N/A	Available Upon Request	Available Upon Request	Available Upon Request	Available Upon Request	
	St George	8.30%	8.67%	7.25%	7.35%	7.40%	7.50%	
Westpac	7.65%	7.95%						

\* ANZ Bank Commercial Loan Rates (Standard) must be secured by residential property. All commercial loan rates are a starting guide only. A buffer may be added to the above rates depending on the underlying strength of the commercial loan application. All rates are based on borrowings of \$500,000. The displayed Citibank commercial rate applies only to new business.

Nominal interest rates may be misleading in some instances (the rates we quote are subject to specific criteria being satisfied). Comparison Rates are provided upon request, tailored to your specific scenario for any number of products. Please contact our office for further information regarding comparison rates.