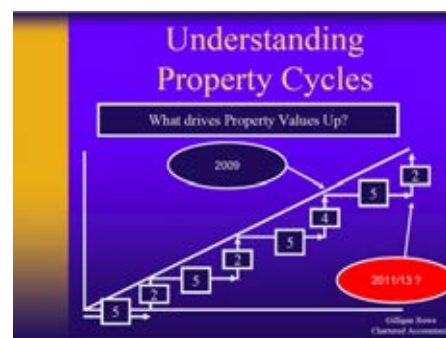


# THRIVING IN A RECESSION – TAX, LEGAL AND ECONOMIC IDEAS

Mathew Gilligan  
Gilligan Rowe



Notes:



## The Financial Crisis OPPORTUNITY KNOCKS

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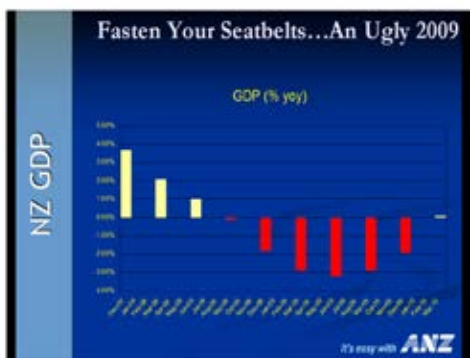
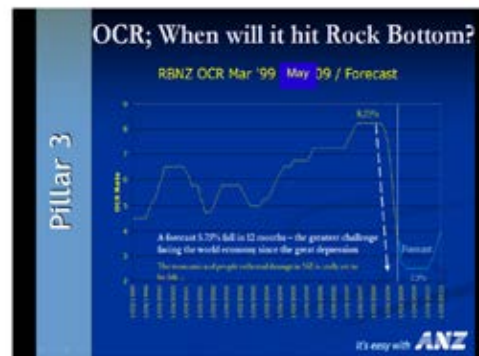
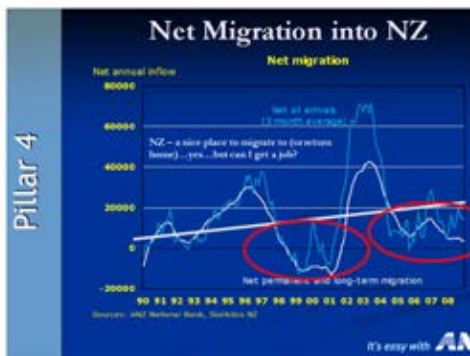
## In adversity there is opportunity

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## NZ Economy MAY 2009

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### What is the exchange rate doing ?

- ♦ USA – Kiwi Cross rate went to 48c, then back 62A
  - low exchange rate is good for exporters / export led recovery
  - OCR is supposed to drop the Kiwi...
  - But limited affect until our trading partners strengthen
  - Bad news in the USA opposite effect – we need more bad news in the USA !
  - USA printing cash, devaluing currency

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### Low interest rate implications

- ♦ Household budgets improving
  - Lower credit and fuel costs
- ♦ Some investor confidence returning
- ♦ 1<sup>st</sup> Home buyer market as fired up with cost of ownership near renting
- ♦ Now is the time to buy distressed sales...

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### Effect Of Low Exchange Rate

- ♦ Encourages foreign investors into NZ
- ♦ Improves exporters margins / grows economy
- ♦ Brings immigrants in long run and reverses brain drain / student market

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Notes:

## Interest Rates

- ◆ OCR Affects local cost of borrowing
- ◆ Short term yield curves are down – floating rates will be low in 2009
- ◆ Long term interbank borrowing rates (3-5 years) are up – long term fixed interest rates will likely go up

Go borrow some money while its cheap and invest it

## Calculating Break Costs

- ◆ Should you break your fixed interest contracts ?
- ◆ Short run loss v long term saving
- ◆ Long term saving is the difference between the 10 year average and the current fixed rate

## Calculating Break Costs

- ◆ Use our spreadsheet – email me
- ◆ You need to look at cost benefit
- ◆ **Free** to GRA clients
- ◆ Go to free resources at [www.gra.co.nz](http://www.gra.co.nz)



## Managing Cashflow – Recession Rules

- ◆ Sales up, costs down, reduced overheads
- ◆ Reduce inventory if it is not profitable – Return v cost of funds
- ◆ Reduce unnecessary capacity - sell land / stock

## Managing Cashflow – Recession Rules

- ◆ Collect your debtors before they turn bad
- ◆ Get your credit lines open before you need them
- ◆ Your bank manager is an employee of the bank first...be careful what you tell them

## Financing Structures

Don't cross secure the banks to the Trust

Split loan structures







## Financing Structures

# 111 RULE

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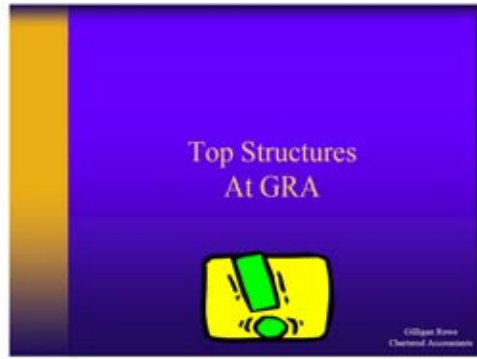
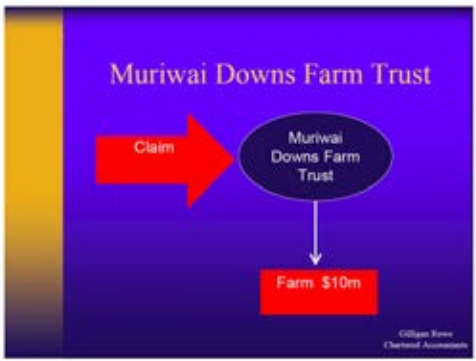
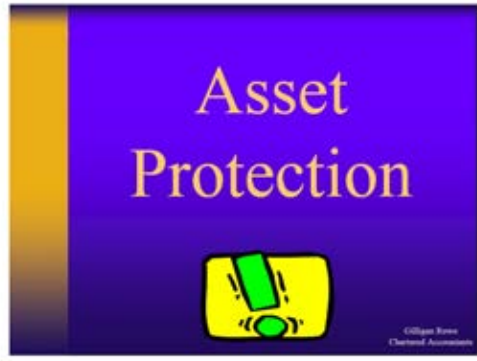
## GSA's

### Advanced asset protection concept

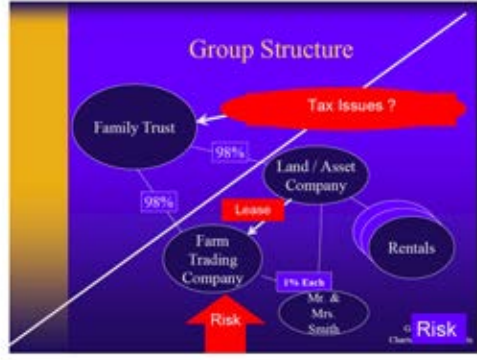
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Notes:



- ## Fundamentals Of Good Structure
- ◆ Strong asset protection
  - ◆ Tax losses and profits offset without asset protection issues arising
  - ◆ Estate plan in place
- 





# Estate Planning

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# Depreciation Issues

A timely discussion with people deleveraging

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Notes:

