



CORE
BUSINESS ACCOUNTANTS



CENTRAL TO YOUR SUCCESS

Core Cool Client – Aaron Peckitt

Background

We began advising Aaron Peckitt back in 2010. At the time, Aaron was a partner in First National Real Estate Beerwah, where he was also the leading salesperson. Unfortunately for Aaron and his business partners, were affected by the GFC which started in 2008 and the agency wasn't achieving the profit or, in turn, the personal earnings they had all hoped for.

Our assessment

Aaron met with Glen Palmer as he was concerned about the business and of course his own future, both financial and personal. Aaron was aware that continuing to shoulder the sales load had impacts on his time and family life.

At this stage Aaron was thinking about buying out his partners. We immediately recommended a review of the current state of the business, and our initial assessment indicated that it was not performing at a level that could comfortably support three partners. We agreed that a buyout was a valid consideration.

Aaron had bought out one of the partners in 2007, and he now felt he would like to pursue a course of action that would buy out the remaining partners. Our next step was to prepare business projections based on Aaron as a sole partner.

We found that the current level of sales and other income against operational expenses would provide a worthwhile return on investment for Aaron. We considered his plans for breathing new life into the business should he become the sole proprietor, and we also outlined opportunities that we ourselves had identified.

We recommended he take the idea to his business partners, and if they agreed in principle, we would provide assistance mediating the sales process and thereafter work with him to improve business performance and profitability.

Our process

Following negotiations, Aaron's business partners were in favour of the buyout suggestion, so we set about helping him to achieve a number of objectives.

These included determining the value of the business and helping prepare and present an offer that was affordable for Aaron, and reasonable for the partners to consider.

Our role in the mediation was to clearly outline the financial facts and process of selling the business in terms of how it would affect each party.

We also provided guidance around financing the transaction. This involved outlining options for restructuring current debt, assessing loan terms to determine the most appropriate deal, and providing lenders with the financial information they required.

Suffice to say, the sale transaction was completed and Aaron became the sole proprietor of the firm.

In the years since ...

In the years following the buyout Aaron, who is innately entrepreneurial, has made significant changes. Having been keenly aware of the issues relating to profitability and the direct impacts on his time and personal relationships, he recognised he simply could not do everything by himself. He formulated a plan and made key decisions, with our assistance, that have allowed both the business and Aaron to thrive.

We provided the support and financial confidence he needed for effective financial management in his early years as sole proprietor. This involved preparing income and expense projections ahead of his first year then for the next few years following. This provided financial insights that allowed him to develop his own understanding of financial management, particularly with regard to smoothing out his cash flow. This involved helping to determine the sales figures he needed to achieve throughout the year and planning for tax payments and various other outgoings as they became due.

Aaron also implemented changes to the way the business operated. He recruited a personal assistant to take care of sales administration. With Aaron's encouragement, this person moved into a sales role himself and has since become a leading salesperson. Later we provided the advice and services Aaron needed for the two to enter into a business partnership. The partnership has allowed Aaron to step back from sales and concentrate on managing and growing the business overall.

With his focus on growth, Aaron implemented numerous systems, particularly for the property management division of the business. These systems created back office efficiencies that significantly reduced costs and removed much of the time involved in areas such as payment processing.

This enabled the property management division to serve clients more effectively and his team to manage more efficiently. The flow-on benefit was a better performing division that generates greater profit.

Aaron's next venture was to implement a property maintenance solution. We helped him to structure the lawn and property maintenance business with a business partner who would also manage the business.

Aaron subsequently bolstered his property management division by purchasing an additional rent roll and at the same time, removing a competitor from his local area. Again, we assisted with advice for financing the deal and debt management. Aaron successfully absorbed the additional rental roll into his property management business, generating additional income with virtually no additional overheads.

Further leveraging his property management specialisation, Aaron commercialised the systems that had been created, forming yet another business. This business now provides industry peers with property management support and cost-effective back office systems including payment processing.

We provided company structuring advice, helped Aaron make the most of tax opportunities and ensured adequate asset protection was in place not just for this business but for all entities within his growing group of companies.

From a personal financial perspective, advance tax planning advice continues to be crucial in Aaron's overall financial management strategy. This has involved using tax efficient structures including family trusts.

Advance tax planning has been particularly beneficial in relation to cash flow, but it also provides opportunity to explore and execute other tax opportunities. Tax planning strategies devised and implemented by Core on Aaron's behalf have resulted in significant tax savings amounting to, in our estimation, 30% to 40% more each year than would have occurred in the absence of advance tax planning.

Further, Core advised Aaron on matters relating to structuring family money, providing advice for tax and financial management related to intergenerational estate planning matters and for financing Aaron's own family home. Our role involved laying out all the associated risks and benefits so that all family members were left in no doubt of any risks and obligations.

We also represented Aaron throughout a personal tax audit. Aaron had implemented our earlier advice to take out Audit Insurance, which funded the considerable time and documentation gathering required by the ATO. Importantly, while Aaron's personal financial affairs are complex, they have been carefully executed and stood up to scrutiny, with the ATO's satisfied that all was in order.

The outcomes so far...

After buying out his remaining partners in 2013, Aaron worked hard to take the business from a loss situation to significant profit in his first year. He then implemented long-held plans, creating a culture of continuing business growth, implementing quality standards and building a success-focused team.

Aaron says that Glen has been involved in just about every major business decision he's made since moving to Core Business Accountants in 2010.

We have assisted Aaron in areas relating to profitability and tax planning, with significant tax minimisation and tax savings outcomes as a direct result. Our work with Aaron on succession planning has, on many occasions, involved providing a professional sounding board for talking through his ideas and concerns.

This process has allowed him to think through, make decisions and implement key business strategies.

Aaron's short-term overarching goal is to be able to completely step away from the business for just two weeks. And thereafter to be able to do so for longer periods, confident that the team, systems and his wider professional support team (including us as his accountant) will enable the business to operate, deliver outcomes and be successful in his absence.

Long term, he has devised an ambitious business plan that will satisfy his entrepreneurial spirit for creating valuable businesses with depth and strong systems. Businesses that, importantly, do not rely on him or any other single individual, to be successful. Ultimately, the outcome is for Aaron to continue to enjoy 'doing' business while having the freedom to enjoy the other things he loves, which include being with his family, playing the drums and dirt biking.

What Aaron says...

Aaron understands that as his business interests become more complex, Glen and the Core team will become even more closely involved. This will most likely include increased financial leadership in the form of analysis, financial interpretation and monthly financial management meetings that aim to provide Aaron and his team with the financial intel necessary for continued growth and achieving his goals, both business and personal.