

proactive

How I Lost a Client

[Read more inside](#)

SUMMER 2009

On the Run for Charity

Last year 7 ladies from the office ran in the Cancer Research UK "Race for Life" and raised over £550 for the charity. This year (on Sunday 27 July) 19 will be running in the race at Millfield School. If you would like to help them beat last year's total, Lesley Frost at our Taunton office would be delighted to hear from you.

Shaping the Future

Our reputation for utilising new technology has opened some interesting doors. We have helped the Inland Revenue test a number of new electronic and internet based services in recent years and at the end of May we were invited to join a two-day think tank session in London on the forthcoming internet PAYE service. E filing of PAYE returns will become mandatory over the next few years and by participating in the event, we were able to help the Revenue team understand practical concerns, especially those of smaller employers whom we fear will face additional compliance costs. Being involved in this way gives us a unique opportunity to help shape the future for the benefit of our clients.



Another Success

For the second year running, our tax team was rated in the UK's top three in its category in the Lexis Nexis tax awards.

Tax partners Paul Aplin and Paul Kingdom together with team members Amanda Gunter, Christine Gimblett, Andrea Lindley and Jane Patten attended the awards evening at the London Park Lane Hilton on 10 June. Ex Chancellor of the Exchequer Kenneth Clarke, who presented the awards, said that the judges had been impressed by A.C. Mole & Sons continuing use of cutting edge tax technology and by the testimonials given by our clients.

The tax team's aim is to provide proactive tax advice to all of the firm's clients, irrespective of

size. Whether the advice relates to simple personal tax planning or complex company reconstructions, we have the expertise to help. We have clients across the UK and in many overseas countries and our use of technology makes distance virtually irrelevant. By building strong personal links with our clients we are able to provide practical and commercially focused advice rather than "one-size-fits-all" solutions.

And next years awards? We are already working on our entry...

How I Lost a Client

If you think this is an odd subject for a newsletter, read on...

It is often said that you can be too busy running your business to make money. Constant telephone calls, e-mails and a pile of sales orders may look like evidence of a healthy, thriving business, but the accounts may paint a different picture – falling margins, increased bank borrowings, and reducing profits. When I see these trends it is sometimes tempting to impart the good news that at least the tax bill will be less this year and move swiftly onto the next file. But that would not be fulfilling my role as a business adviser.

Sometimes the owners may know that all is not well, but be unable to identify the precise problem. In such cases a new pair of eyes and a detached and objective view may pinpoint the issue quickly and effectively.

All too often though the owners know precisely what the problems are but may not be prepared, or easily able, to face them. This can frequently happen in companies and partnerships, where raising difficult issues can strain personal relationships; the temptation is to ignore them in order to avoid confrontation. As an adviser to the business as a whole, I can say things and address problems directly or indirectly in ways the proprietors cannot.

Sometimes, however, the problems cannot be solved easily and hard facts have to be faced. Plain speaking is essential and I believe I fail my clients if I only tell them what they want to hear.

I was recently asked to advise a business that had been refused bank funding for further capital expenditure. The proprietors told me that the problem was their accounting system – it needed upgrading and our assistance was sought. We did what was asked but saw an underlying problem. Rapidly increasing turnover was seen as justification for the proposed capital expenditure. The new business was however all very low margin. I suggested a review of the customer base and development of a business plan that would focus on generating profits and cash rather than simply volume and extra workload. My advice was not taken and new accountants were appointed.

It may seem odd to relate a story relating to client loss, but it highlights the difference between a business adviser and a traditional accountant. At A C Mole & Sons we believe that simply to prepare accounts and to tell our clients nothing about them, or only what they want to hear is to fail them. We believe that our task is to use our experience and impartial viewpoint to help identify problems and improve business performance. This is perhaps the most important – and the most satisfying – part of our work. Many clients see their relationship with us as a partnership and that is certainly the relationship we aspire to.

Recognising the need for constant review is an essential part of running a modern business. Having an independent sounding board can be a huge help. Whether our advice is palatable or unpalatable it is always independent and professional. Whether we advise change or simply endorse your approach, we stand with you.

And do I wish I had told my clients seeking the bank finance only what they wanted to hear? The fee would have been very nice, but knowing that the business would have continued on its downward path as a result of my silence would have been to fail in my aim. So no, no regrets.



Steve Golby with Toffee "Relaxing and away from my desk I have time to think creatively about clients' problems"

Steve Golby is A C Mole & Sons Managing Partner and is based at our Bridgwater office.

This is the last Will and Testament

Where there's a will...

Nobody likes to think about their own demise, but we should all be conscious of our mortality. When the time comes we do not want to leave any extra problems and costs for our families.

Dying without leaving a will or with an outdated or poorly drafted will can cause many problems, both practical and tax related.

Inheritance Tax can have a reverse Robin Hood effect – robbing the poor (or at least those of modest means) but allowing the wealthy to escape scot-free. The very wealthy can afford to pass most of their assets to their beneficiaries during their lifetime and, providing they survive seven years, leave little or no tax to pay. However, someone owning little but their home and some modest savings will need to keep their assets to support them during their lifetime and as a result their estate may attract a sizeable tax bill.

Currently, all individuals are exempted from tax on the first £255,000 (the 'nil rate band') of their estate. This is in addition to any gifts made direct to the spouse, which are tax-free. If everything passes to the surviving spouse on the first death there is no IHT to pay, but on the second death everything over £255,000 is potentially taxable; the exempt band of the

first to die will have been lost at a tax cost of £102,000.

A professionally drafted will incorporating a simple discretionary trust to utilise the nil rate band on the first death can avoid this trap. Many people think that trusts are only for the very wealthy or else that they are very complex and expensive to run. This is not necessarily so.

Although the surviving spouse can continue to benefit from the trust assets, they will not ultimately be taken into account for IHT on his or her death.

If you have not made a will or, in the case of a couple, have wills that leave everything to the survivor on the first death, you should seek advice. You may well be contributing over £100,000 to the Exchequer when it could be retained within your family.

If you would like to discuss Inheritance Tax planning, contact Paul Apth at Taunton, Paul Kingdom at Bridgwater or your usual A C Mole contact

Beyond will power

The other article on this page highlights the benefits of using a discretionary will trust as a means of ensuring that a couple make effective use of their nil rate band. By this means a joint estate of £510,000 can potentially pass free of Inheritance Tax. But what can be done about assets in excess of the nil rate band?

A couple with a joint estate of £760,000, even using a trust, can still leave an IHT liability of £100,000. There are a number of ways of covering this tax.

One way is to take out insurance against the tax liability. A Whole of Life policy written in trust can pay - immediately on production of a death certificate and prior to Probate being granted - enough to cover all or part of the IHT.

Another way is to raise equity on the family home, retaining some capital for additional income and using some to fund a life policy. It may be possible to cover the amount raised by equity release, and in this case both the Chancellor and the family are happy!

There are also more complex schemes such as Gift and Loan Trusts, Discounted Gift Schemes or Estate Planning Bonds. These typically

use the 7-year Potentially Exempt Transfer (PET) rules but immediate reductions in inheritance tax liability may be achieved in some circumstances.

By planning ahead to cover long term care needs, perhaps via insurance, individuals can gain peace of mind that they will not be a burden to their family. This may then allow them to gift some assets to make use of the PET rules.

These are only some of the ways in which sums in excess of the nil rate band can be covered. If you would like further information, contact John Brown, of A Wills & Co Ltd, at our Taunton office or email j.brown@awills.co.uk. Meetings can be held at our offices in Taunton, Bridgwater or Wells.

A Wills & Co Ltd are Regulated & Authorised by The Financial Services Authority.

Somerset County Cricket Club

Somerset County Cricket Club must rank amongst the best known of our clients. Our association with the Club has assumed many guises over a period stretching back at least to the 1920s. For the last 20 years our role has been that of auditors and tax advisers, with partner Ian Pinder heading up the team. We also sponsor the A C Mole Women's Cricket League, supporting the county's women's clubs.



The Club remains a members club at heart, but today, under the direction of a dedicated Committee and Chief Executive Peter Anderson, the Club can boast a degree of professionalism, both on and off the field, that befits a 21st century cricket business. It was not always so.



The A C Mole signboard at the SCCC ground is regularly seen on TV

In 1969 A C Mole & Sons partner John Every was invited to become the Honorary Treasurer. His first job was to convince the members and the general public that the Club faced a dire financial crisis. John introduced many (then radical) innovations including budgeting, forward cash planning, target setting for fund raising, and the encouragement of outside commercial involvement. The first two advertising boards went up at this time as visible signs of the new business focused approach.

To their horror, John even asked the Test and County Cricket Board to provide estimates of the club's likely income from the various sponsorship and Test Match funds over the coming three years. When they recovered from the shock they invited him to Lords to lecture the other county treasurers on the benefits of sound financial disciplines.

John retired as Treasurer in 1974 but stayed on as chairman of the Finance Committee for a further five years to see the Club win their first ever trophy, the Gillette Cup in 1979.

In the days before Twenty20 cricket and membership swipe cards had been dreamt of, the Club's accounts relied on little more than a bookkeeper and a cashbook. It now has an excellent internal financial reporting system embodying the basic elements John Every introduced all those years ago. In today's world of sports sponsorship and television rights, the figures are bigger than ever and reliable financial information is essential.

While we are no longer involved in the production of management accounts we are always on hand to give proactive financial and taxation advice. With our support, the Club is amongst the first of the county clubs to report its financial results to its 7,000 members at the end of every season.

We wish the Club well in their 2003 Appeal Year and many successful seasons on the field in the future.



Taunton Office: Stafford House, 10 Bliffield, Taunton, Somerset TA1 3NL T: 01823 251311 F: 01823 336338

Bridgwater Office: Riverside House, Riverside, Business Park, Wylds Road, Bridgwater, Somerset TA6 4BH
T: 01278 446088 F: 01278 450027

E: info@acmole.co.uk www.acmole.co.uk