

"I want it... and I want it NOW!"

We are at generally at our most vulnerable when we are in the dealership, surrounded by shiny new cars, one of which we desperately want to own. The dealer knows this and some of the more unscrupulous ones will tell you anything to get you to sign the sales contract. Car dealers rarely build long lasting relationships with their customers; it is not the nature of their business.

They have a small amount of time to exert major amount of influence over you and they will use all of their skills to achieve a sale. The last thing they want is for you to leave the car lot without signing for the car and, if that means they must pretend to know all about the taxation treatment of vehicle finance, then so be it, they are not breaking any law nor do they have any professional indemnity insurance to consider.

The finance decision with regards to a forklift is a far less emotional one than for your next car.

When you originally finance the car, a five-year term with a 50% balloon at the end may seem perfectly reasonable. You are buying a car you have carefully chosen and, of course, you will be happy driving it for five years.

You don't abuse your car and you have thought carefully about your choice of car so yes, it will be worth half of its purchase price in five years. Then three years later when you have fallen in love again (or your pride and joy has been stolen or it has been in a major accident and written off) and you want to exit the finance contract, you find that the trade

in value or the insurance pay-out does not cover the debt still owing to the finance company, this is commonly referred to as "negative equity".

Many finance companies use what is known as the "Rule of 78" to calculate interest in their finance agreements. Whilst not illegal, this method of calculating interest does penalise you if you wish to change vehicles early. In fact it has been banned in at least 17 states in the USA because it was deemed unfair to the consumer.

BANKS: THE UNNECESSARY NECESSARY EVIL

In 1649, Oliver Cromwell urged his troops to remain vigilant by telling them to "Trust in God but keep your powder dry".

Whilst we wouldn't advise you place too much trust in the Almighty for day to day business decisions, keeping your financial powder dry can be a life and death decision as far as your business is concerned.

What we mean by this is that you should take care of the assets which form the collateral base for your business.

Banks will generally require a mortgage over hard assets to "secure" the funds which they lend to a business.

In the case of a business (and leaving aside any special structures which may be in place to hold real estate assets), this may include a mortgage over the owners home and/or over any real estate assets owned by the business.

DID YOU KNOW THAT MEDFIN IS NOW OWNED BY THE NATIONAL AUSTRALIA BANK?

WHAT TO DO?

- > **DON'T BE SEDUCED BY THE DEALER.**
By all means, get a quote from him in writing but use it to COMPARE with other alternatives.
- > **TALK TO A REPUTABLE AND EXPERIENCED BROKER** who has access to several sources of finance. In this way you can obtain a feel for what is available in the market place. A reputable broker will work with your accountant to achieve the best result for you and he WILL want to build an ongoing relationship with you.
- > **ASK WHAT WILL HAPPEN IF YOU WANT TO EXIT THE AGREEMENT** before it has run its full term. The lender or broker should be able to explain the method they use to calculate early finance terminations Do this BEFORE you sign anything and make sure you are not agreeing to pay excessive charges.
- > Talk to your accountant and **FIND OUT EXACTLY WHAT TYPE OF FINANCE IS RIGHT FOR YOU** and your tax situation. Make sure the quote the financier gives you fits with what your accountant has recommended.
- > A service provider who can **SOURCE YOUR VEHICLE CHEAPER** than the dealer is a good ally to have - look for help here
- > Look for an independent firm who can provide **COMPARATIVE COST ANALYSES** of the various payout methods.

For more information on any financing need, call your AMCL Relationship Manager, Rosie, at the CSA Group on 02 9499 5500.