

STEP BY STEP WITH MONEY

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Last week, I shared about cash losing its value and how governments can limit the amount of cash we withdraw from our bank accounts so that they can pay their debts. This is scary, we are learning to work smarter with our money so that we can be 'Saving Money'. We are working day/night and after paying 50% or more in taxes we are still disciplined enough to save money and now we learn that the little that we save can be taken away from us. This week (21) I want to start with something that the Romans may have said 'Non Illegitimi Carburundum', loosely translated 'Don't let the bastards grind you down'. To save a lot of money we have to be abnormal, not weird. The following may seem simple and normal but it is abnormal as not many people do it.

We may use our business to increase our savings. As business owners' we are now preparing our income tax returns. (This is the ideal time to review our business systems and records. Having great systems and record keeping tells the universe that we are organised to receive income.) At a simplistic level, there are two parts to our income tax return, income and expenses. Our business income consists of commissions. Employees earn wages or salary. If a business owner and an employee each earn \$80,000 per annum, the income tax implications will be different. This is where business owners can make great savings. Governments like employees, but they love business owners. Just look at their actions.

The employee who earns \$80,000, pays income tax at 33%, i.e., \$26,400 (plus GST on goods and services purchased during the year but let us keep it simple and stick with income tax). The employee who cannot survive on \$53,600 (\$80,000 - \$26,400) per year decides to increase their salary by learning more about their industry so that they can become a better employee. The employee purchases an industry membership for say, \$2,000. This membership is purchased with after tax money and although it is purchased to increase taxable income, it is not tax deductible to the employee. Our employee buys a ticket to attend an industry conference to learn new techniques, rub shoulders with those in the know and increase their income. Again, this is not tax deductible. We may think that the employer will see the benefit and pay for it. We will be mistaken, in general, employers see this as improving the employee who will leave for another position. Employees have nominal tax deductions, such as fees to maintain their bank account.

As business owners, we can deduct business expenses, provided we satisfy all requirements. Expenses such as **regular contributions to our local events**, office expenses, mortgage interest/rent expenses, telephone expenses and travel expenses. We may have purchased a printer to print our flyers to in-home or local events or information to provide to potential business partners or customers. The full costs of the printer (including mobile phones and laptops) is also tax deductible, provided certain conditions are met. Like our enthusiastic employee, we purchased a membership to network marketing international and we attended their annual conference in the USA. The costs of our membership and our overseas travel are tax deductible, provided certain conditions are satisfied.

Let's say over the year our expenses are \$40,000. We deduct these expenses from our commission income of \$80,000 and our net income is \$40,000. We will pay income tax on \$40,000 at the tax rate of 17.5%, i.e., \$7,000. We earned the same amount of income as our employee and we travelled overseas but paid \$19,400 (\$26,400 - \$7,000) less in income tax. Government loves us.

We may review the above and think how does this help us with saving money. Stick with me here and we may have to re-read this to get the point. We may be new to network marketing and the above may seem abnormal, especially as we are around employees who pay for their expenses with limited tax deductions. With our use of tax deductions, we should be taking on an abundance consciousness. This is because we have now seen how with the help of the government we have the resources to run our business, contribute to local events and attend conferences. We are starting to see how we can work within the broader financial system to keep our savings and grow our wealth.