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EDITOR’S MESSAGE

TRUST

“When you believe in things that you don’t understand – Then you suffer…”

Stevie Wonder

There is a direct relationship between trust and knowledge – or at least there should be!

Our trust should be bestowed as a gift, only to those who have earned it, and the only way to determine that ‘earning’ of trust is through understanding.

In my 30 years of working with doctors in the areas of business and financial management, one of the greatest mistakes I have witnessed is decision making and actions or strategies embarked on, off the back of advice from consultants, without the doctor-client truly understanding the advice and what they were committing to.

If more of us used the following criteria when interviewing potential advisers for the job of joining our personal team of business and financial specialists, we would be less affected by the headlines in today’s papers:

• Experience, expertise and technical skills
• Willingness and ability to educate and communicate their knowledge
• Help you to make informed decisions
• Quality information
• Unbiased and tailored advice
• Strategy – not just ‘products’
• Pro-active and regular reviews
• Get things done

Only after continued and consistent experience of the above should we feel confident about and trust, our advisers.

Unfortunately, getting to this point takes effort and time, there is no easy solution to building the right team, but really when was anything worthwhile easy to achieve?!

The biggest threat to achieving our business, financial and lifestyle goals are not bad advisers but rather inadequate knowledge on behalf of the client that leads to poor or no decision making.

Education is crucial!

To this endeavour, we are proud to offer the expertise, experience, knowledge and wisdom of our specialist contributors to you via this, our Autumn 2018 edition of The Private Practice Magazine.

Happy Reading.

Steven Macarounas, Managing Editor
editor@theprivatepractice.com.au
EVENTS

23–25 February 2018, Sydney,
The Private Practice ‘Comprehensive’
Influencing metrics you should be aware of

Running a business without measuring its performance is like piloting an aircraft without instruments, you will likely get lost along the way.

This time we will talk about how successful medical corporates utilise and influence certain metrics to achieve growth.

Over the years we have met with several practice owners with the purpose of helping them find additional doctors, assist them through the process of selling their businesses or simply to help them grow their practice.

One big difference between the small and the larger operator is the way they see their clients. Most small operators are still seeing their clients as “patients” who are supposed to tolerate the service. On the other hand, corporates see their clients as customers who deserve the best possible service. This is one of the biggest fundamental differences that drives the disparity in the performance of both.

For quite some time corporates started to implement strategies widely used in other customer-focused industries such as retail.

For instance, in the clothing industry when a customer walks into a shop, the job of a well-trained sales staff is not just to make sure that visit results in a sale, but to always aim to upgrade the sale from one item to a multi-item sale. Not only because

Cesar Aldea explains the mindset required for practice growth.

Cesar Aldea is the Director of Aldea Consulting.
it is financially favourable to the business, but because those items were designed to complement each other.

By using the example above, we will concentrate on understanding what metrics are important to observe and influence in order to explore further growth without any financial investment.

Most practice owners tend to focus their attention on the number of patients as their main metric, something we call Total Number of Patients (TNP). Therefore, the strategies implemented aim to drive more clients to the clinic.

This strategy often results in a significant financial investment including; marketing (flyers, letter drops, websites, etc.), hiring more doctors (recruitment fees), building more rooms for those new doctors (construction fees), an increase in reception staff to handle the increased flow of clients, etc.

Another important metric, is customer loyalty. This is usually measured by the repeat business from the one client.

In today’s world, the concept of a loyalty card is well known and is there to influence customer’s behaviour by keeping them coming back to your business.

The intention behind rewarding loyalty is based on capturing the long-term value associated to the life of the individual as a client.

In general practice whilst time is your most precious commodity and the only way to run a profitable business is by being efficient; the quality of the service outside and inside the doctor’s room will dictate if that client will or will not return to your clinic.

When the job is to help our clients to grow their practice, the first thing we do is to understand what are the available strategies that are easy to implement and have a high return on investment (ROI).

The main strategy and usually untapped, is maximising the existing client base and concentrating on influencing what we call the Fee Per Client (FPC).

Let us show you how this process normally works:

Prior to implementing any strategies, we need to decide what metrics we are going to measure and how often you will measure them.

It is important to keep an eye on all main metrics since sometimes focusing on one metric alone could lead to positively influencing one whilst you could also be negatively influencing others and so the overall outcome is detrimental.

For example, before implementing the strategy you used to service 40 clients per day with an average FPC of $50, therefore your daily billings were $2,000 per day.

Now, after focusing solely on improving the FPC you have achieved a great result; $85. However, your treatment time doubled and now you can only service 20 clients per day, therefore your billings are now $1,700 per day.

Think about this concept as the core algorithm to your business:

 Revenue = FPC \times TNP

Let’s explain this concept through a business case:

You are the principal of a 5 FT GP Bulk Billing practice that operates 6 days per week 8-6pm.

Your Practice Stats:
- FPC: $51
- TNP (per week): 1,200 clients
- Weekly billings: $61,500

Individual GP Stats:
GP1.
- FPC: $65
- TNP (per week): 250 clients
- Billings per week: $16,250

GP2.
- FPC: $55
- TNP (per week): 250 clients
- Billings per week: $13,750

GP3.
- FPC: $50
- TNP (per week): 250 clients
- Billings per week: $12,500

GP4.
- FPC: $45
- TNP (per week): 200 clients
- Billings per week: $9,000

GP5.
- FPC: $40
- TNP (per week): 250 clients
- Billings per week: $10,000

As we can see, GP1 and GP2 are doing a great job (from a numbers perspective). Their FPC is $14 and $4 above the average.

On the other hand, GP4 and GP5, their FPC is $6 and $11 below average representing 12% and 22% under the average FPC.

What to do next? We drill deeper spending time in understanding what the doctors above and below average are doing different.

In terms of FPC the reason of the difference is usually associated to way they use the MBS.
Two questions we need to answer:
1. How many items on average these doctors are billing?
2. What are those items?

Returning to the retail example; if we extrapolate this case study into analysing the performance of a retail business under the same lens, we could find that the answer to those two questions would take us to a couple of conclusions:
• The best performers are better at making every sale a multi-item sale.
• The best performers are better at selling the most expensive items.

By knowing this, the strategy we want to implement will focus on influencing and training the underperformers in getting better at doing multi-item sales and getting better at selling the most expensive items.

Coming to these conclusions is not the hardest part, the most challenging part is influencing your doctors to wanting to change and improve.

By doing the above exercise, you have now identified the metrics you believe need to be influenced and the people that need to improve.

Next is to set up a very specific plan and execute it accordingly.

Remember, to achieve sustainable change you need to influence people so they want to change.

The person leading the motion must be someone who is an influencer within the practice. Amongst clinicians, preferably it should be a well-respected colleague.

The delivery of the message is fundamental and so we recommend the following way:

In your next doctor’s meeting, ask the practitioner you have chosen to be the influencer to talk about their billings, preferably focusing on one item per meeting.
• As a group, review the MBS and get familiar with the definition of the item.
• Ask your high performing doctor to talk about the circumstances in which they use it.
• Also discuss in what clinical circumstances they don’t use it.
• Offer the opportunity for further questions

Having offered access to the information, the next step is to meet with the underperforming doctors individually and offer assistance and support to help them improve their performance.

Finally, under the percentage model where you pay your contractors a percentage of their billings, you have less leverage as if they were your employees. Therefore, you fully rely on the willingness of the doctor to come on board and be ready to change and improve.

As a conclusion, your job must be focused on engagement.

SUMMARY
• To improve performance, firstly you need to decide what metrics you want to influence.
• Establish the frequency you will measure these metrics.
• Consider if other metrics will be influenced also and keep an eye on them too.
• Establish your starting point.
• Analyse your team as a whole and individually.
• Define your implementation plan.
• Find the influencer within your practice and use their experience to influence the rest of the team
• Work with the underperforming part of the team by tailoring a plan individually
• Measure and provide feedback 📊
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Are you ready for Single Touch Payroll?

Angela Stavropoulos and Kristy Baxter are Associate Directors and co-head the medical division at Pilot Partners Chartered Accountants.
We understand that running a practice is no easy feat. You spend all your energy looking after the needs of your patients and when you are operating a business at the same time, dealing with additional paper work with the Tax Office may be the last thing you want to be worrying about.

As an employer you will need to adhere to strict employer obligations imposed by the government and you are required to regularly report to the Tax Office with details of payments you have made to your employees.

To reduce the burdens of businesses, and to improve the quality of the information received, the government has introduced Single Touch Payroll, which is a simplified reporting system for employers.

**WHAT IS SINGLE TOUCH PAYROLL?**

Single Touch Payroll is a government initiative to assist employers with providing payroll information to the Australian Taxation Office (ATO). The aim is to streamline the business reporting obligations for employers, as well as ensuring that all relevant payroll information, such as Pay as you go (PAYG) withholding tax and superannuation for employees, are reported to the ATO in real time. This will also minimise potential errors or omissions that can occur in traditional reporting methods.

Single Touch Payroll will allow an employer to send the relevant payroll information to the ATO whenever a payment is made to an employee. This will be done automatically via the employer’s payroll software.

**HOW WILL SINGLE TOUCH PAYROLL WORK?**

Single Touch Payroll will work in conjunction with an approved business management software, for example, MYOB and Xero just to name the more widely used software providers.

Every time you process a payment to an employee, your software will generate a bank file for your bank to make the payment, and a payslip for you to issue to your employee. At the very same time, the employee’s salary or wages, tax withheld and super amounts will be sent directly to the ATO by your software.

Once the ATO has this information, they will collate the data for all your employees and automatically pre-fill your activity statements at labels W1 “Total salary and wages” and W2 “Amount withheld from payments”.

For employers who are large withholders, the ATO has removed these labels all together on the activity statements.

Another area that the ATO will use this payroll information is to ensure that employees’ super entitlements have been made correctly and in a timely manner by their employers. Data matching will occur when the employees’ super funds lodge their members’ contributions information to the ATO.

Single Touch Payroll is designed to work in the background to avoid additional forms and processes that you need to undertake subsequent to making payments to your employees, otherwise required under traditional reporting methods.
HOW WILL THIS CHANGE THE WAY I REPORT?

Traditionally, employers are obligated to report employee payment details as follows:

- Lodge monthly or quarterly activity statements to notify the ATO the total salary and wages paid to employees and the tax withheld for the period.
- Annual payment summary statement is required to be prepared and lodged to the ATO by the middle of August each year.
- Payment summaries have to be prepared and issued to employees soon after 30 June of each year.

By streamlining how employers are reporting their employee payment details, and storing all the relevant information in one central location, other users of the information will be able to benefit in the following ways:

- Employers can view their current PAYG withholding liability through the Business Portals.
- Employers will not be required to issue payment summaries to employees.
- Employers will not be required to lodge the annual payment summary statement to the ATO.
- For employers who are small to medium withholders, their activity statements will be pre-filled with the PAYG tax withholding information.
- For employers who are large withholders, they will no longer be required to report salary and wages information on their activity statements.
- Employees will be able to view their tax and super information via myGov.
- Employees will be able to access the annual payment summaries via myGov.

It should be noted that there are certain types of payments that cannot be reported under Single Touch Payroll. These types of payments are generally not paid as part of your regular pay run, or the recipients are not your employees, such as:

- Independent contractors
- Staff provided by employment agents
- Department of Human Services
- Investment bodies and managed investment funds

You will be required to continue with the existing reporting obligations to the Commissioner in relation to these withholding payments.

WHAT IF I MAKE A MISTAKE?

Single Touch Payroll allows employers to correct payroll information that has been previously sent to the ATO. For example, employers may have misclassified certain payments such as salary sacrifice amounts, or they may have under or overpaid an employee.

Fixing employee details with no additional payment

If you wish to correct an employee’s year to date amounts, where no additional payments are required (i.e. correcting classification of salary and wage item), you may do so in the next pay cycle within the employee record. Alternatively, your software will allow you to attend to the fix via an update event. This function is to allow the employee data previously submitted to the ATO to align with your records. This will be the only option if the errors were detected after the end of the financial year.

Fixing employee payment subject to withholding

In situations where additional or reduction in payment to an employee is required, the ATO will allow you to make this adjustment within the employee’s next pay, even though it may not fall within the same reporting period. Should this be the case, manual adjustments will be required to the pre-filled amounts at labels W1 and W2 of your activity statements.
WHO NEEDS TO USE SINGLE TOUCH PAYROLL?

Employers with **20 or more employees** are required by law to report via Single Touch Payroll from **1 July 2018**.

For employers with **19 or fewer employees**, the requirement to use Single Touch Payroll will commence on **1 July 2019**. However, you are not restricted to commence on this date if you wish to implement Single Touch Payroll before this date.

If you commence part way through the financial year, there are a number of methods available to support the transition process.

The timing of the activity statement pre-fill function is yet to be confirmed but it is expected to commence in July 2019.

If your software provider currently does not support Single Touch Payroll and requires more time to implement this function, they will need to submit a Deferral Evidence Package with the Commissioner.

If you are not covered under such deferral request, you or your tax agent will be able to request for a deferral directly with the ATO.

HOW DO I PREPARE FOR SINGLE TOUCH PAYROLL?

To make sure that you will be ready for Single Touch Payroll, we recommend you undertake the appropriate steps to prepare for the implementation:

**Speak with your software provider**
- Check if they offer Single Touch Payroll.
- Check if they have a deferred start date if this function is not yet available.
- Check what support they offer for clients transitioning to Single Touch Payroll.

**Speak with your tax professional**
- Ask how can they help with your implementation.
- Check if they can assist with applying for a deferral or an exemption.

**Review your business processes**
- Head count your employees on 1 April 2018 to check if you are required to start the implementation on 1 July 2018.
- Educate your payroll staff to ensure they are aware of the changes.
- Check if you can consolidate payroll duties and processes due to less reporting requirements.
- Identify any payments that cannot be reported under Single Touch Payroll.

BEFORE YOU GET STARTED...

As Single Touch Payroll is a new concept, it is expected that there will be an initial period for teething issues for both the ATO and employers.

Employee payments can be quite complex once you account for salary sacrifice arrangements, allowances, reimbursements, and/or deductions. Therefore the integrity of the data in your payroll system must take precedence.

To ensure that the transition process is as smooth as possible and potential errors are minimised, we recommend that you engage an accountant to review your current payroll system before you change over to the new reporting method.

With more data becoming readily available, the ATO will be increasing their data matching activities. It is important that you also have an accountant review the superannuation taken up on employee payments, ensuring that your super obligations are met as an employer. Making sure your systems are correct before single touch payroll starts, will help mitigate the risk of an ATO audit.

Kristy Baxter and Angela Stavropoulos are Associate Directors and co-head the medical division at Pilot Partners. To find out more about Single Touch Payroll visit [pilotpartners.com.au](http://pilotpartners.com.au) or phone 07 3023 1300.
Don’t flub the form!

Justine Marquet explains the role of super nomination of beneficiary forms and discusses how to avoid making mistakes.

A person is unable to include directions in their will in relation to the distribution of death benefits by a superannuation fund trustee. Instead, a person may nominate a beneficiary or legal personal representative (LPR) to receive their superannuation benefits in the event of their death. Unfortunately, many superannuation fund members are not aware of this limitation – or opportunity.
For a superannuation fund trustee to accept a member’s nomination of beneficiary, the member must nominate either a beneficiary who meets the definition of dependant in the Superannuation Industry (Supervision) Act 1993 (SIS), or their LPR, who may then distribute the proceeds in accordance with the will.

SIS dependants include the member’s spouse (including de facto and same sex partners), child (of any age), financial dependant, and any person with whom the person has an interdependency relationship. The LPR will either be the executor of an estate with a valid will, or the administrator of an estate where there is no will.

A superannuation death benefit can be paid directly to ‘SIS dependants’ of the member, thereby allowing the distribution of the benefit to avoid the estate – a helpful strategy when there is risk of a challenge to your client’s will, or no will at all.

The death benefit can also be directed to the member’s LPR to deal with on behalf of the estate. Directing benefits to the LPR may be appropriate if there is a will, depending on your estate plans. This strategy may be beneficial for example if testamentary trusts are part of the plan, or where there are no SIS dependants to whom you wish to direct the benefits.

You may nominate an individual both as their LPR and as a dependant beneficiary in their own right, being careful to indicate in which capacity the individual is acting. Your will should line up accordingly.

METHODS OF NOMINATING A BENEFICIARY
You can direct or influence a superannuation fund trustee as to how they want their death benefits distributed by completing a non-binding, binding, or non-lapsing binding nomination of beneficiary form, a reversionary pension nomination, or in the case of an SMSF, executing a trust deed amendment. Note that not all funds will provide all options to their members, and completion of these forms is best done by clients in conjunction with their financial adviser and an estate planning lawyer, particularly in the first instance.

NON-BINDING NOMINATIONS
Where a non-binding nomination is used, the trustee of the superannuation fund has discretion to pay the benefit to one or more SIS dependants, or to the deceased’s estate. That is, the decision on who to pay and in what proportion rests with the trustee.

The trustee will make their decision in accordance with the sole purpose of superannuation (broadly, to fund for a member’s retirement or to support a member’s dependants in the event a member dies prior to retirement), after taking into account all of the matters it considers to be reasonable. These matters may or may not include the member’s nonbinding nomination, their will or any other evidence provided to the trustee – including that of claim staking dependants.

In contrast, a binding nomination which is valid at death must be followed by the trustee.

BINDING NOMINATIONS
A valid binding death benefit nomination provides certainty by requiring the superannuation fund trustee to pay the superannuation death benefit directly to the nominated beneficiary/s or their LPR.

A binding nomination is only valid if all of the following conditions are satisfied:
• it is in writing
• the proportion of the benefit to be paid to each beneficiary is readily ascertainable
• it is signed and dated by the member in the presence of two witnesses who:
  - are not a nominated beneficiary on the form, and
  - are at least 18 years of age
• it is within three years of the first nomination, last confirmation or amendment – unless the trust deed/governing rules fix a shorter expiry period
• the nomination has not been revoked by the member, and
• the beneficiary is the LPR or a SIS dependant, at the time of nomination and at the date of death.

A member may revoke a nomination at any time, in writing. The nomination can be accepted by the trustee if:
• each death benefit nominee is a SIS dependant, or LPR of the member
• the proportion to be paid to each nominee is certain or readily ascertainable, and
• the notice is in the approved format.
Note that while a trustee must clarify information provided in a nomination of beneficiary form, if it is not sufficiently clear to allow the trustee to pay the benefit, (as soon as practicable after receiving the form), this does not mean that the trustee, on receipt, will assess the validity of each individual as a SIS dependant or LPR as indicated by you. Often a nomination will only become evident as invalid once assessed following the death of the relevant member.

A particular nominated beneficiary may no longer be a dependant at the time of a member’s death. In this case, the governing rules of the relevant fund will determine if the entire nomination fails or if only the nomination of the non-dependant fails.

The governing rules and SIS requirements will determine if the benefit must be paid as a lump sum or if the trustee will offer a beneficiary the ability to receive the benefit as a pension or a combination of both.

NON-LAPSING BINDING NOMINATIONS
Some super funds offer non-lapsing binding nominations which can apply indefinitely (do not require updating every three years). Keeping these up to date is imperative as the nomination may remain valid despite changes in circumstance such as separation. On the other hand the nomination (or at least part of it) will be invalid to the extent that any nominated beneficiary is no longer a SIS dependant at the time of death.

REVERSIONARY PENSIONS
When a client commences a superannuation pension they may have the option to either nominate a beneficiary or to have a reversionary pensioner. A surviving reversionary pensioner will automatically continue to receive pension income payments (at least initially) upon the client’s death. However the reversionary pensioner may still opt to commute the income stream to a lump sum, subject to the trust deed and particular pension rules.

A reversionary pensioner is generally nominated at the commencement of an income stream and can only be removed in certain circumstances subject to the governing rules – generally the pension would need to be commuted and rolled over to a new income stream.

Due to the complexities of relevant legislation, most funds will restrict reversionary pensioners to individuals that are both SIS Act and Tax Act dependants, i.e. current spouse (including same sex or de facto), or dependent child that is under age 25 or permanently disabled.

NO NOMINATION
If no nomination is made, the death benefit will be paid in accordance with the superannuation fund’s rules, resulting in either the trustee exercising its discretion or automatic payment to the LPR, which again may be problematic either way.

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On the most fundamental level, biotechnology is defined as any product or technology developed using cellular and biomolecular processes. In today's world, biotechnology has expanded substantially, and those involved in it are making significant strides towards solving some of the world's greatest problems as a result of a growing and aging population. From increasing agricultural efficiency in order to feed the world's hungry to developing biofuels to reduce the energy required for manufacturing. The majority of biotech companies though are engaged in the long-term research and development of innovative medicines and medical devices. The industry is diverse and rapidly expanding, resulting in multiple opportunities for biotech investing.

PREVENTING, FIGHTING AND CURING DISEASE

The biotech industry is most broadly recognised for advancements and innovations to healthcare. Biotech advances have the potential to extend and save lives through the early detection of diseases, the development of preventative medications and the treatment of serious, life-threatening illnesses.

According to US based Grand View Research Inc, the global biotechnology market is expected to reach USD 727.1 billion in sales with the emergence of key themes including regenerative medicine and genetics in diagnostics. In 2015, according to an industry report, innovations from...
biotech companies comprised seven of the top 10 drugs in global sales.

According to the industry report Healing, Fueling, Feeding: How Biotechnology Is Enriching Your Life, the US spends approximately US$2 billion annually treating cervical cancer. At the time of compilation, the report estimated that a coordinated national vaccination campaign promoting the vaccines Gardasil® (Merck & Co.) and Cervarix® (GlaxoSmithKline) could save – in addition to thousands of lives – the healthcare system up to US$1.4 billion per year.

FEEDING AND FUELING THE FUTURE
All that said, healthcare isn’t the only sector that benefits from investment in the biotech industry. In fact, it’s helping farmers from all over the world become more efficient. For example, agricultural biotech helps farmers grow crops with fewer inputs, less chemicals and increased nutritional profiles. According to the Healing, Fueling, Feeding report, there was a 25-fold increase in the number of acres being farmed with biotech crops grown in 25 countries by 14 million individual farmers between 1996 and 2000. By 2009, this number increased to 330 million acres.

Biotech can also increase efficiency in manufacturing by halving the energy required in certain manufacturing processes and decreasing the steps involved in creating particular chemicals by up to 80 percent. These innovations will decrease dependence on fossil fuels by making a sustainable, bio-based economy a viable alternative.

WHAT ABOUT THE AUSTRALIAN BIOTECH LANDSCAPE?
No different from the rest of the developed world, the Australian population is ageing rapidly and longer life expectancy has brought a greater incidence of age-related illnesses such as Alzheimer’s disease, cancers, heart disease and diabetes. Biotech companies are developing new specialist therapies and boutique drugs in unmet areas as they seek to meet the demand for age-related diseases. Similarly, the rise of lifestyle diseases associated with obesity and stress has also created the need for new medicines. Ongoing technological developments are also driving demand for new biotech products, with converging technologies stimulating novel approaches to the discovery, design and production of biotech products.

So what does this mean for Australia? Are we too far removed from the big players like the US and Europe? The APAC market is anticipated to grow at the most lucrative pace due to changing health care infrastructure in the region which supports and drives demand for biotech products. How can we leverage the potential commercial reality resulting from an impending biotechnology explosion?

REASON 1
It’s fair to say that the end of the resources boom and the decline of traditional manufacturing has left Australia in a precarious economic position. Although our banking and professional services sectors are still tracking strongly, economic growth in other industries has been weak or negative.

Biotech’s domestic value-add (the measure of the industry’s contribution to the economy) is expected to grow by 2.6% annualised over the 10 years through 2022-23, slightly above the expected annualised GDP growth of 2.5% over the same period. This forecast suggests the industry is outperforming the wider economy.
REASON 2
Australia is also a highly attractive environment for R&D operations, with a potential cash refundable tax credit of up to 43.5% of eligible R&D expenses. The Government has a strong history of investment to support the infrastructure needed for a world-class healthcare industry. It has established a new Future Industries Fund targeting medical technologies and pharmaceuticals as one of several strategic priority sectors.

REASON 3
Demand is growing for products commercialised from biotechnology research. Rising incomes and wealth, and an ageing population will promote demand for biopharmaceuticals to improve quality of life, combat ailments associated with old age and extend life span. Key areas include regenerative medicines and those tackling lifestyle issues, such as obesity and diabetes.

For a country like Australia, with an educated, English-speaking population, world-class research and scientific institutions, an established political and regulatory environment, and a culture of entrepreneurial flair, biotechnology represents a unique opportunity for national economic transformation.

With the attraction to biotechnology growing, investor appetite continues to be strong as the sector outperforms against the ASX200 (as evidenced below with the S&P/ASX 300 Pharmaceuticals & Biotechnology index in blue and the ASX200 in purple) from December 2016 to February 2018.

Biotech offers the opportunity to invest in tangible solutions for national imperatives as diverse as public health, economic security and environmental sustainability.

All of those benefits make the biotech industry a popular choice amongst investors. Indeed, according to PricewaterhouseCoopers’ MoneyTree Life Sciences Report, the biotech industry was the second-largest investment destination in terms of dollars in 2014. With $6 billion invested in 470 deals in the past year, biotech investment appears to be a very promising investment in the future.

S&P/ASX 300 Pharmaceuticals & Biotechnology, Australia, W, Sydney

Source: Investing.com
WHAT TO THINK ABOUT WHEN INVESTING IN BIOTECH?

We understand the drivers for the biotechnology industry and we understand that Australia is pursuing the sector to contribute to future growth for the broader economy. The final piece is to understand what to look for in a biotech investment. There are some foundations that will help to isolate opportunity:

Innovative
• The asset in development needs to actually solve a problem. Whether its to cure a disease or help manage a disease to improve the overall quality of life for the patient, it has to be a new technology and it has to be innovative compared to the current way of treating or curing that certain disease.

Materially improve the quality of life for patients
• Unless this new method is materially better than what is currently available, patients won’t necessarily shift their existing treatment, will they?

Potential to reduce the public healthcare cost to government
• With the population there will be a huge cost burden to the healthcare system which in turn is a direct cost to public health expenditure.

As you can imagine, the government will be far more supportive of a technology/treatment/company that can efficiently and effectively mitigate costs over time.

Platform asset
• An asset that has multiple potential applications. This saves time and costs of development and speed to market.

Market size
• So, what is the current market size and what trajectory is it following? Is it growing? If it is forecasted to – such as the case with diabetes – the demand for the product will follow that trajectory.

A common misconception with biotech investment is that the only exit point is when the drug or device has regulatory approval for sale. The reality is completely different to that. As an asset goes through the development process it promotes through different stages – at each of these stage, its value increases. At strategic points along this development timeline, there are exit opportunities created which allow the realisation of investment over time rather than at some point in the distant future.

The theory is similar say for property development in that:
• You buy a block of land and then go through the phases of development until you have a building/house/etc.
• The value of the property increases at each stage of development. In addition, you have the ability to attract other investors at each point – thus creating exit points along the way.

Biotechnology is a field of endless possibilities. It holds the potential to cure cancer, solve world hunger, and potentially reverse climate change. Products resulting from biotechnology are already allowing humans to live longer, healthier lives; to be more environmentally sustainable; and to produce more with fewer resources. As a scientific field of endeavour, biotechnology is equivalent today to what personal computing was in the 1980s; sitting on the precipice of exponential growth. The question should not be “what is biotechnology?” but “how do I get access to it?”.

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MARKETING

How important is digital marketing for doctors?

The data on digital marketing speaks volumes; Jason Borody from Vividus Marketing explains how private practices and hospitals can get the most out of their online presence.

We’re often asked, “Does Google marketing really work?”, “How can you get me to the first page of Google?” and “Can you guarantee results?”

Over the past 12 months, we have seen a number of developments in Search Engine Marketing (SEM) and Google Search Engine Results Pages (SERPs) have evolved significantly. Internet searches now provide traditional organic results as well as a mix of informational snippets, images, maps, and videos.

SEM has become a complicated science with Google’s algorithm becoming more sophisticated every week, new technologies, continually shifting content trends, and fiercely increasing competition. A recent study from SEMRush confirmed that measurements such as site traffic, time spent on your site, and links to your site from other reputable sites continue to have a significant impact on search result rankings.

So, where should medical practices and hospitals focus their digital marketing...
investment for the greatest return on investment? It seems that despite all the complicating factors, there are three main components that continue to underpin everything else.

1. **WEBSITE QUALITY AND TECHNICAL OPTIMISATION**

Who builds your website and how it is built makes a difference, not only to visitor usability, engagement and conversion, but also to Google. Google indexes and regularly scans websites, and technical elements make a difference to your site’s reputation and ranking with Google. Poorly built or maintained websites are not uncommon in healthcare, and we are often asked to correct and improve sites to increase their technical optimisation.

2. **RELEVANT CONTENT THAT PEOPLE WANT TO READ AND SHARE**

Ensure your content is written for the intended audience, and written differently for patients, doctors, and potential businesses who would like to link to or utilise your content. At Vividus, we often need to remind clinicians that they must put themselves in their audience’s shoes when reviewing web content drafted by our copywriters for their practice.

To get a better response, content should solve a problem or question comprehensively and yet be easily digestible. It should be different in scope and detail from other articles on similar topics, delivering superior customer engagement and create an emotional response in the reader through visual cues, images, and video. All these factors must also be balanced with a natural level and usage of SEO relevant keywords. We find the most linked-to content we produce includes pieces containing research results and statistics, case studies, in-depth guides, and controversial or fresh perspectives.

3. **SHOWING YOUR CONTENT TO THE RIGHT PEOPLE**

Passively placing content on your website’s news page and hoping for the best is not enough. With the plethora of digital avenues now available there are increasing methods for effectively presenting your content to people that are actively seeking healthcare information. Channels to consider might include email, social media, publications, advisory and association sites, and various advertising avenues – and SEM remains an important factor in the mix.

A 2017 study of 500,000 keyword searches on Google.com revealed the average search results page contains 8-9 organic links, and that 35% contain knowledge graphs, 23% contain images, 22% contain videos, and 16% direct answers. Google doesn’t write this content, it is all sourced from reputable websites containing content on the search topic – these are often private practice and hospital websites regarding health-related search queries. Obviously an important part of your SEM strategy should be to have Google re-present your content, and raises the question, “how else should you be re-purposing or re-targeting your brand messages?”

A 2017 study by Shareaholic saw search engines drive more traffic to websites (35%) than social media (26%) for the first time in three years across a range of industry verticals. While all five of the major search engines drive traffic, Google remains the dominant player with nearly 37% of traffic in late 2017, compared to less than 1% for the next highest player, Bing.

![Search vs. Social: Share of Visits](chart)
MARKETING

Perhaps the most important SEM strategy for doctors and hospitals is search advertising. These are the Google AdWords and other digital ads that appear on the top or side of the web page when you search for information online.

Do people really click on Google AdWords listings? Our experience is that people do, which is also consistent with the fact that in 2017 Google’s advertising revenue was the multinational giant’s greatest income stream at just under US$95.4 billion dollars.

Online advertising provides a number of opportunities for new practices that have not yet earned organic rankings through search engine optimisation (SEO), local awareness building, mobile marketing, and time-based promotions. The combination of well researched and selected keywords, effectively written ads, targeted landing pages, and expert testing and management can produce powerful results for doctors.

What kind of results you ask?

Earlier this year Vividus developed a digital advertising campaign targeting one specific medical condition for a Melbourne based specialist practice. In one month the campaign generated over 600 actions for more information on the advertised condition, over 30 phone enquiries, and more than $30,000 incremental revenue.

But how confident can we be that results like these are the direct result of SEM?

To help answer this question, we look to a second situation where we recently measured qualified new patient enquiries for a Brisbane based group practice with and without Google AdWords campaigns. After pausing their campaign, we observed a 37% decrease in new enquiry phone calls and over 70 missed new booking opportunities over a four-week period where no other significant changes to activity occurred.

Search Engine Marketing (SEM) certainly provides valuable opportunities for medical practices and hospitals when implemented effectively as part of your broader digital strategy. With the increase of options, complexities, and rapid developments you really need expert medical marketing help to implement your SEM effectively. Vividus can look over your website and digital marketing, and recommend the best digital strategy to raise practice awareness, manage your online reputation, and drive practice bookings.

For further information contact a Vividus medical marketing specialist on 1300 848 438 or visit www.vividus.com.au
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Winston Judd, Director
Disclosing a doctor’s experience and alternative treatments

Timothy Bowen is Senior Solicitor – Advocacy, Claims & Education at MIGA.
How much is a doctor to disclose about their experience and treatment options to a patient? If recommending a certain treatment, should you know if the doctor had not been trained in that procedure or had not undertaken it before? What should you know about a more conservative option, even if the doctor would not recommend that option? The Supreme Court of New South Wales grappled with these issues in a recent case involving catastrophic complications following surgery to remove a benign brain tumour.

A neurosurgeon was found liable in damages for failing to disclose to his patient that he had not performed the recommended surgery before, and for not giving appropriate advice about the option of monitoring and review before considering surgery. In particular, the Court thought it would have been “irrational” for the plaintiff to have chosen surgery which the neurosurgeon had never performed before given the comparative risks it posed as compared with conservative management.

Although this case does not support a general duty to disclose a doctor’s experience and detailed information about all potential treatment options, it does reinforce that the need to disclose this information depends on the circumstances, particularly those involving doctors with comparatively limited experience and where the risks and benefits of different treatments are more finely balanced.

DECISION TO UNDERGO SURGERY
The plaintiff had been referred to the neurosurgeon as a “happy, fit and active” 73 year old. Notably he had previously seen the neurosurgeon for carpal tunnel syndrome, the neurosurgeon advised surgery and the plaintiff opted against it. His recent symptoms included persistent, but intermittent headaches for some weeks. Imaging revealed a cranial mass, suspected to be a meningioma.

The decision to undergo surgery was made during a one hour consultation with the neurosurgeon on 2 March 2011, attended by both the plaintiff and his wife. The surgery was performed on 31 March 2011, estimated to require 7 to 8 hours.

Treatment options for the plaintiff included surgical removal of the tumour or conservative management, which involved regular monitoring. The neurosurgeon recommended surgery via an endoscopic approach, which he had not previously performed. He did have experience in other endoscopic procedures and tumour removal via craniotomy.

FACTUAL DISPUTE ON PRE-OPERATIVE ADVICE
The plaintiff’s wife had a clear memory of some aspects of the consultation, including advice which the neurosurgeon gave, but conceded she did not have a good recollection of others and conceded she was wrong about some things, including signing of consent forms and discussing imaging results. The neurosurgeon had a limited recollection of the consultation, relying on his usual practice. In cross-examination he recalled things which had not been covered in a statement prepared prior to trial.

The disputed aspects of the pre-operative discussion between the plaintiff, his wife and the neurosurgeon included:

- **Risk of stroke without surgery**
  - the plaintiff’s wife recalled the neurosurgeon mentioning the tumour posing a risk of stroke leaving the plaintiff in a wheelchair – the neurosurgeon thought it unlikely he would have said that;

- **Disclosing risks of surgery:**
  - The neurosurgeon believed he would have discussed a document on craniotomy surgery and its risks with the plaintiff and his wife;
  - He believed he would have disclosed that surgery posed risks of brain damage, stroke, seizures, impact on memory, blood vessel damage, infection, heart problems, pneumonia and death, that surgery would not remove all of the tumour and that the risks of endoscopy versus craniotomy for tumour removal were similar;
  - The plaintiff’s wife disputed these assertions – she said that the neurosurgeon explained the risk of conservative management, but had not gone through the risks of surgery;

- **Viability of conservative treatment**
  - there was no evidence that when the plaintiff and his wife later spoke to family members that they mentioned the conservative treatment option;

- **What the plaintiff wanted**
  - the plaintiff’s wife disagreed with the neurosurgeon’s recollection that the plaintiff said that he wanted the tumour removed.
The Court accepted the evidence of the plaintiff’s wife over that of the neurosurgeon on the pre-operative advice given. In doing so, it noted the following:

- Concessions by the neurosurgeon that he thought it unlikely the headaches would go away unless the tumour was removed and that he had a preference for surgery, which was consistent with the wife’s evidence that they accepted the neurosurgeon's advice that it was preferable to undergo the proposed surgery;
- The neurosurgeon claimed for the first time in cross-examination he told the plaintiff and his wife that this would be the first endoscopic tumour removal;
- It was “improbable” the plaintiff would have decided to undergo surgery for persistent, but intermittent headaches where surgery may not cure the problem and given the risks surgery posed as compared to conservative management;
- The decision on surgery was made at the consultation, without the plaintiff taking time to consider alternative options or seek another opinion; and
- The plaintiff had previously rejected the neurosurgeon’s advice to undergo surgery two years previously.

**EXPERT PERSPECTIVES – WHAT SHOULD HAVE BEEN DISCLOSED?**

The three neurosurgeons who gave expert evidence considered:

- The recognised complications of endoscopic surgery the plaintiff suffered occurred less frequently with experienced surgeons;
- The defendant neurosurgeon probably did not have the experience to perform the endoscopic surgery – he was not fellowship-trained in it, he had not observed it live and had not performed “a number of cases of intermediate complexity” other than pituitary surgery;
- The neurosurgeon ought to have disclosed his lack of experience to the plaintiff;
- There should have been further investigation into tumour growth rate and potential consequences prior to surgery and recommending surgery without further investigation fell below expected standards; and
- On the basis of the plaintiff’s wife's evidence about disclosure of pre-operative risks, inadequate advice was given about conservative treatment options.

**THE COURT’S DECISION**

Given the factual findings and expert evidence, the Court found the neurosurgeon had breached his duty of care in failing to inform the plaintiff about his lack of experience, offering to perform the procedure himself, in not accurately disclosing the relative risks of a conservative approach and in recommending surgery over conservative management.

On the issue of whether breach of duty caused harm to the plaintiff, the Court found that appropriate advice to the plaintiff would have led to his referral to an appropriate surgeon prior to making decision on any surgery. It rejected the neurosurgeon’s argument that disclosing his relative lack of experience would have led to the plaintiff choosing a craniotomy, given the risks that approach still involved when compared with conservative management, and where the neurosurgeon himself would not have recommended craniotomy.
IMPLICATIONS FOR FUTURE CASES

The plaintiffs’ successful claims are perhaps unsurprising given:

• The duty to inform patients of material risks, and
• The test for breach of duty being based on foreseeable and non-insignificant risks of harm which a reasonable person in the person’s position would have taken.

As the expert evidence emerged at trial, the risks associated with endoscopic surgical approach, particularly in the hands of the defendant neurosurgeon given his relative level of experience, suggested conservative management was the better approach.

Acceptance of the evidence of the plaintiff’s wife over that of the neurosurgeon on disclosure of risks pre-operatively illustrates the challenges of defending cases based on usual practice. It is inevitably less common for a doctor to have an independent recollection of particular risks disclosed. However the lack of contemporaneous evidence about discussion of conservative treatment (such as in clinical notes or communication to the referring practitioner) seems to have been telling. Important factors favouring the plaintiff’s wife’s evidence were the potential benefits of conservative treatment, the plaintiff’s earlier decision to opt against the surgery which the neurosurgeon had recommended in another context, and the degree of risk being influenced by the surgeon’s lack of experience in the procedure, which the neurosurgeon only asserted for the first time at trial was something he told the plaintiff and his wife about.

This case does not support a general duty on doctors to advise patients of their experience in a particular treatment. Whether disclosure is required will ultimately depend on the materiality of the risks in question, the degree of questioning of the doctor by the patient and the content of information given by the practitioner about risks to the patient. What this case does reinforce is that failure to warn and choice of surgery claims are inherently complex, requiring careful consideration of the individual facts, particularly competing versions, and how they interact with expert evidence.

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Lawyers
Should I take my super as a lump sum payment?

Hilary Troy outlines the various options available when accessing your super money.

You’ve spent your lifetime building your super balance – you owe it to yourself to choose the best way to access the money when you retire. It’s a good idea to start thinking about it a few years before retirement so you can make the most of your hard-earned savings.
WHAT ARE YOUR OPTIONS?

When you retire, you can choose to receive your super by making lump sum withdrawals, by commencing a retirement phase income stream or a combination of both.

If you choose to withdraw your entire super balance as a lump sum, you’re in for a big pay day because your balance is transferred to your bank account. If you decide on an income stream, a designated amount of money is transferred from your super to your bank account at regular intervals, such as fortnightly or monthly. The rest stays in your super and continues to earn investment returns, which are taxed at the concessional rate. You can also combine these options, drawing an income stream as well as making lump sum withdrawals from the remaining funds in your super.

Let’s take a look at some of the pros and cons of each approach.

OPTION 1 – TAKING A LUMP SUM PAYMENT

Generally, lump sum withdrawals are received tax free if you’re aged 60 or above and you could use the funds to accelerate repayment of debts with high interest rates, saving you money over the long term. You could also invest the money somewhere else, like a term deposit, or put it towards purchasing a downsized home to live in. And of course you could treat yourself to that overseas holiday or home improvement that has been on your to-do list for a decade (or two).

On the downside, spending big when you retire reduces the funds available to support your future income stream. Additionally using the lump sum to invest outside super may attract higher levels of tax. The other risk in taking a substantial lump sum when you retire is that your circumstances may change later in life. When we compared the experiences of 2,700 Australian retirees with the plans pre-retirees were making, we found there were some interesting discrepancies between plans and reality in areas like travel.

OPTION 2 – SECURING A RETIREMENT INCOME STREAM

This involves transferring all or part of your super to a retirement phase income stream, such as an account-based pension, from which you receive income payments at regular intervals. Think of it as your monthly pay cheque in retirement with the added flexibility of choosing the amount of income you receive. There are compelling tax benefits to this approach because your investment...
earnings on assets supporting these income streams stay within the super system. This means they are tax free, and for most people aged 60 or above, the income payments you receive are also free of tax. Your money may last longer if you keep it in the super system rather than taking it out as a lump sum payment, which will assist you to maintain your standard of living over the longer term.

As we’ve discussed in other articles, the Federal Government introduced a ‘transfer balance cap’ last year of $1.6 million, limiting the amount you can transfer from your super to a retirement phase.

OPTION 3 – A LITTLE BIT OF BOTH

You also have the option of withdrawing a portion of your money as a lump sum, but transferring your remaining super balance to a retirement phase income stream. This approach would allow you to clear debts or take that European holiday when you retire but keep the rest of your super in a tax effective environment for the long term, withdrawing a regular income.

WHICH OPTION IS THE BEST FOR YOU?

It really depends on your personal circumstances – the age at which you retire, how much you have in super, your level of debt and plans for the future. It may make sense to withdraw a lump sum from your super so that you have immediate access to these funds – for planned activities like holidays and unforeseen circumstances like medical expenses – and keep the rest in a retirement income stream with a regular payment you can rely on.

Everyone’s circumstances are different and an experienced financial adviser will take these into account when they offer advice on super as part of your broader investment portfolio. That’s why we strongly recommend you start thinking about your super in the years leading up to retirement and seek financial advice early.

You’ve spent your lifetime building your super nest egg – don’t let it fall from the tree.

Understand your options

A financial adviser can help you understand your options and determine the right strategy for your personal circumstances. For an introduction to Perpetual Private and referral to a Perpetual Specialist Medical Senior Adviser, please send an email to perpetualprivate@perpetual.com.au or phone 1800 631 381.

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#Women in Business

Hanya Oversby, Director
Health Business Network
interviews Dr Raelia Lew – Women’s Health Melbourne.
As a business woman in the medical specialist field, I’m sure that this has come with its’ own unique challenges. Raelia, can you tell me about your journey from the decision to study medicine to starting and growing your private practice, Women’s Health Melbourne?

Hanya, I started studying medicine when I was a teenager. I was only 18 and I thought it was a good idea. I had 6 years to decide which direction to go in and it was a field where I could help people and express myself scientifically. I always felt that it was really exciting to gain knowledge in the area of human anatomy, biochemistry and physiology and to apply that clinically to help my patients.

I very quickly decided I wanted to do fertility medicine and IVF in particular, and from very early stages of my career I strove to go in that direction. So, medically speaking, starting my practice was a natural end point. I had absolutely no training whatsoever in business management or how to run a small business or how the small business side of things might fit into the medical paradigm, so I really learnt that on my feet starting my practice.

To some degree I ‘winged it’.

Initially where did you seek knowledge on the business of running a medical practice? Did ‘winging it’ work well for you?

It did, actually, initially, in that it allowed me to step outside of any expectations and ask myself what did I want from my business. I generated my business in the way that I wanted it to, but certainly in terms of ‘reinventing the wheel’ and finding efficiencies I had a lot to learn and when you’re running a practice that’s steadily getting busier and busier you really do find that you reach a point where you’re no longer coping with that strategy, of lack thereof!

What have been some of the key advantages that came from working with a business consultant?

It allows me to focus on what I’m best at, which is my clinical role and allows me time to do things that I’m interested in in terms of exploring areas outside of medicine. It can become all-consuming when you have to run your business, work your fulltime job, maintain your relationship and your family and commitments to things outside of work all the while trying to achieve the ever elusive ‘balance’. So firstly, in terms of optimising my business strategy and making my business as effective as it possibly can be, I recognised that I did need help and assistance and guidance. But also, to free me from the day to day tasks that do become very onerous in addition to my clinical role, I’ve found your help extremely useful and rewarding! So, thank you!

It’s been my pleasure!

Through the experiences of starting a new private practice, what were the keys challenges that you faced from a business and personal perspective and what strategies helped you through this?

‘Challenges’, I suppose, is another word for ‘opportunities’ and in starting my practice my goals were to create a very different environment where patients felt very well cared for, where

Dr Raelia Lew is the director of Women’s Health Melbourne in Malvern, Fitzroy and has a new practice location in Caulfield, North Victoria. Raelia is a Reproductive Endocrinologist, Gynaecologist and comprehensive Fertility specialist working with Melbourne IVF. She holds a FRANZCOG, a Master degree in Reproductive Medicine, a RANZCOG CREI subspecialty qualification, a clinical academic appointment at the Melbourne University Medical School and a PhD in Reproductive Genetics. It has been my pleasure to work with Raelia in strategic business planning and implementation for her growing private practice. As a woman in business, it has been very exciting to work with Raelia, a highly qualified and driven professional, whose goal is to achieve the very best in the clinical outcomes for her patients and also in her business achievements.
I could express my personality through my work and create a very boutique practice setting, which is quite different to what I’d experienced prior to going into private practice, working in the public hospital sector.

In terms of challenges, as a practice grows, what can start very organically has to become more systematised and one of my challenges was developing systems in order to allow my practice to grow and not hit a ‘ceiling’. These systems were crucial in assisting me to be more organised and more effective and more efficient in my work and be able to maintain my goals of having the ultimate in patient care, whilst my practice grows in volume. Also, as my practice has grown I’ve had to consider taking on more staff and to create a work culture and a group culture that is compatible with our aspirations and the feel of our practice – to keep it a warm and happy place to work, but at the same time being effective and giving patients the best experience possible.

Which leads well into the question of leadership...

As a new business owner, you would have noticed that there was a need to take on a leadership role. What was this journey like?

I’ve enjoyed it, I think it’s a natural evolution for me. I’ve always sought to excel in each area of my life as best I can and I’ve found it enjoyable to be able to create my own business, my own way and to be able to work in that environment, so that I get a lot of job satisfaction.

In terms of leadership roles, I’ve had other leadership roles in my professional sphere, but taking that on in business adds a new dimension for me and it’s another way to extend myself as well and to learn new things, which is something I always like to do. So, I’ve relished it, really.

Having to employ a new and growing team for Women’s Health Melbourne is a big step for a new business owner. What do you feel have been the triumphs and challenges in this process?

I never really appreciated how much effort and momentum it takes to find compatible staff and grow relationships to grow my business and I’m humbled by the experience! I think that the challenges are to find staff that embrace the culture and engage in and feel some ownership of their relationships with patients and their role within the business. Something I’m trying very hard in my business to engender, is a culture of workplace satisfaction - where my staff enjoy their roles and have room and scope to grow in them, which will hopefully lead to a happy workplace into the future.

What is your vision moving forward as a practice?

As my practice evolves, I feel my vision will also evolve. My vision now for my practice is to create an environment where I can work effectively and help as many patients as I can to achieve happy and healthy families, to be that in pre-conception health promotion, via strategies such as egg freezing or through using fertility treatment strategies that are right for each individual.
I realise that moving forward with these goals, one woman can’t do it all. I would love to bring together a group of clinicians, allied health practitioners, support staff, and nurses working together under one umbrella to deliver the very best care to my patients.

As a woman in business, what do you find you stand for and how is this reflected in your brand? Can you tell me more about this?

When I started to develop my brand, I wanted it to reflect my personality. I thought to myself, “If I was going to seek help from a doctor in this situation, what would I want in terms of the care that I were to receive?” and that’s really what I want my brand to engender – that women, men and families receive the kind of care that they consider to be the absolute ‘gold standard’.

I want my practice to reflect my values of patient confidentiality, creating a boutique practice setting where patients feel comfortable, giving my patients the certainty that they have enough time spent with them to truly understand their problems and to find solutions that are tailored to their needs.

For me to be able to this, I wanted my practice to work effectively, to deliver clinical excellence with flair.

What is the best thing about being the Director and owner of Women’s Health Melbourne?

Well, I suppose I don’t answer to anybody at the moment in terms of the direction of my practice, and that’s a good thing. But that means I also shoulder a lot of the responsibility. A lot of situations have double edges to them, but so far, I’ve really enjoyed the road.

If you were to have the opportunity to speak to Dr Raelia Lew recent graduate – what advice would you give yourself?

I would probably be very enthusiastic and encourage myself to follow the dream and to choose the area of medicine that I was most passionate about (which is what I’ve done), because there are highs and lows in every profession. It’s really the love of your work and the satisfaction you gain from helping people in a given field, that at the end of the day when you’re tired and worn out and feeling a bit down in the dumps, which happens to us all on occasion, really keeps you going and gets you through those hurdles of exams, difficult times, night shifts and conflicts and gets you through to the light at the end of the tunnel. ☺️

With an established reputation within the medical industry, Hanya is considered an expert in medical specialist business consulting. hanyaoversby.com.au

Fertility & Gynaecology | Women’s Health Melbourne
Women’s Health Melbourne is a fertility clinic offering specialist women’s care. We offer IVF solutions, egg freezing and a number of other fertility services. womenshealthmelbourne.com.au
The Family Law Act (Act) gives the court a power to deal with matrimonial/de facto property disputes in two primary ways – by adjusting the parties’ respective property interests, and by making an order that one party pay “spousal maintenance” to the other party either in a lump sum or in periodic amounts.

Spousal maintenance is often awarded in circumstances where one party’s income and earning capacity is insufficient to meet their reasonable living expenses, and where the other party has the financial capacity to make maintenance payments after taking into account their own reasonable living expenses.

Spousal maintenance orders are often designed to be limited in duration, and may contain an express “sunset” provision. Section 81 of the Act provides that “court shall, as far as practicable, make such orders as will finally determine the financial relationships between the parties to the marriage and avoid further proceedings between them”.

However, the court has the power to make an order for the payment of periodic spousal maintenance, in perpetuity. In such cases, pursuant to section 82 of the Act, the maintenance obligation persists until the death of either party, or the re-marriage of the recipient of maintenance.

The court has power to vary or discharge a maintenance order, pursuant to section 83 of the Act. However a spousal maintenance order can be difficult to discharge, if the recipient continues to demonstrate a financial ‘need’. Furthermore, a recipient’s needs may increase over time, causing a maintenance order to potentially increase over time.

Discharging, varying or suspending a spousal maintenance order

In certain circumstances, a court may be asked to discharge or to vary a spousal maintenance order.

For example, a person may be ordered to pay spousal maintenance at a time when his or her income is high. However, that income may subsequently decline.

A different issue can arise where the bona fides of a recipient’s ongoing financial needs are called into question - that is, the recipient has failed to disclose that his or her financial position has improved and he/she is able to adequately support him/herself.

Recourse may then be had to the provisions of section 83 of the Act, which empowers the court to suspend, discharge or vary (up or down) a prior spousal maintenance order, if it is satisfied that:
• Since the original maintenance order was made or last varied, there has been a change in the circumstances of the payee or the payer as to justify the suspension, discharge or variation of the prior order; or
• Since the original maintenance order was made or last varied, the cost of living has changed to such an extent as to justify its doing so; or
• If the original or most recent order was made by consent, that the amount ordered was not proper or adequate; or
• Material facts were withheld from the court at the time of the making of the original or prior order, or material evidence previously given was false.

Sometimes, a court may be asked to vary a maintenance obligation downwards, but instead decide to increase the amount of maintenance payable of justified on the findings of fact.

Reasonable need, reasonable living expenses
In considering an application for spousal maintenance, the court is often tasked with engaging in a mathematical analysis of both the applicant’s reasonable maintenance needs, which is calculated by deducting from his or her income, his or her reasonable living expenses. A similar exercise is carried out when assessing the respondent’s financial capacity to pay maintenance.

When considering the applicant’s income, under section 75(3) of the Act the court must disregard any entitlement to an “income tested pension, allowance or benefit”. Most payments by the Department of Human Services are income tested, including Family Tax Benefit. Presently, NDIS benefits are not income tested.

In analysing the quantum of “reasonable” living expenses of both the proposed payer and payee, the court may have regard to the standard of living which was enjoyed by the parties during the marriage or de facto relationship. Whilst most separating parties experience a natural drop in their standard of living due to the duplication of household expenses, the courts are loath to adopt a “breadline” standard of living for a recipient who enjoyed a comfortable lifestyle during the marriage.

At the extreme of what is reasonable, payees may legitimately argue that large expenses for cosmetic treatment, clothes, travel or sporting equipment are all justified on the basis that they were regularly enjoyed during a marriage. On the other hand, a payer who argues that he or she cannot afford spousal maintenance due to his or her large discretionary expenses will face an uphill battle in court.

Importantly, a payee’s expenses incurred on behalf of children are not properly included in any assessment of his or her living expenses, for the purposes of spousal maintenance. In most cases, those expenses should be met by child support payments through the Child Support Agency.

Income versus earning capacity
Medical practitioners continue to enjoy levels of income which are high in comparison to other fields of employment in our community.
It is therefore difficult for a doctor to argue that his or her employment does not afford him or her a financial capacity to pay maintenance.

But what of a doctor who reduces his or her income, when facing a maintenance claim? In this case, the reason for any drop in income will be closely examined. Under section 75(2)(b) of the Act, the court can take into account both a party’s income and also his or her earning capacity, when assessing the ability to pay maintenance.

A decline in income may be justified, if a doctor is at the “retirement phase” of a career, or has health issues. Some people wish to increase their parenting involvement after the breakdown of a relationship, and work hours may be reduced to facilitate that wish. Similarly, a doctor may legitimately wish to engage in a different, and less financially rewarding, area of practice, such as community medicine.

The key ingredient in having a court approve a decrease in a payer’s income, notwithstanding his or her ongoing earning capacity, is to demonstrate that the circumstances leading to the income reduction are bona fide and genuine.

However, should a payer’s income ‘coincidentally’ improve after a reduction in the maintenance obligation, the payee may have recourse to section 83 of the Act.

**INCOME VERSUS CAPITAL - THE RETIREMENT DILEMMA**

Consider the following situation:

- A doctor (the wife) meets a tradie (the husband) in 1985. They fall in love and marry.
- The husband has been diagnosed with Multiple Sclerosis prior to meeting the wife, but he is able to work during the marriage.
- During the marriage, the wife acquires a share in a medical practice.
- In 1995, the parties separate – their marriage subsisted for 10 years.
- As part of a wider matrimonial property settlement, the wife agrees to pay the ex-husband a small amount of spousal maintenance, in the sum of $200 per week. The wife retains her share in the medical practice, and the husband retains other matrimonial property. Court orders are made in 1996.
- In 2000, the wife remarries. She has 4 children, who are primarily cared for by her new husband. The wife is the main breadwinner in her new family.
- In 2006, the now ex-husband’s MS progresses and his physical ability to work is compromised. Contemporaneously, the wife’s income increases.
- In 2007, the ex-husband makes an application to vary the maintenance order upwards, pursuant to section 83 of the Act. He is successful – the wife is ordered to pay him $1,500 per week.
- By 2012, the medical practice in which the wife has an interest has expanded significantly, and her income has increased dramatically.
- In 2013, the ex-husband’s health has further deteriorated, and he makes a further application to vary the maintenance order upwards. He is successful – the wife is ordered to pay him $2,500 per week.
- In 2015, the medical practice is sold and the wife receives several millions of dollars as consideration for her share. The wife remains employed in the medical practice, at a healthy market rate or remuneration.
- In 2016, the wife experiences mental health issues, and is advised by her psychiatrist to limit her work to 3 days per week. Accordingly, her income drops. She has significant capital reserves to fund the ongoing lifestyle enjoyed by
her family, including the private school fees and associated expenses for her 4 children which exceed $150,000 per annum.

- In 2018, the wife makes an application to vary the revised maintenance order downwards, pursuant to section 83 of the Act. She argues that she can no longer afford to pay maintenance at the level ordered, due to her reduced income. The ex-husband argues that the wife can use her capital reserves to fund his ongoing maintenance.

In summary:
- The parties have been separated for 22 years.
- The ex-husband’s MS pre-dates the marriage, but is still relevant to the question of spousal maintenance.
- The wife’s capital reserves, from which the ex-husband seeks a continuation of his maintenance payments, emanate from the sale of her interest in a medical practice, which was retained by her as part of the parties’ matrimonial property settlement many years earlier.

It is a contentious question as to whether, and to what degree, the wife should have recourse to her capital reserves in order to fund a maintenance order, in circumstances where the parties have already had a final property settlement. The wife will argue that whilst the court has the power to make such an order, it should not do so because the result would be that the ex-husband would “double-dip” on his property settlement entitlements.

This issue, in a different fact scenario, is presently being ventilated before the Family Court. It highlights the serious risk to a financially stronger party, of being subject to a periodic maintenance order.

PROTECTION

In many cases, a property settlement will include the parties entering into a Financial Agreement to terminate or regulate each party’s right to ongoing spousal maintenance without reference to a Court.

Better still, a Financial Agreement entered into prior to or during a relationship can be used to regulate both property and maintenance, in the event of any future separation.

Where the specific circumstances of a case preclude the parties from entering into such a Financial Agreement, there are a number of other legal mechanisms by which a degree of protection from such claims may be afforded.

The ramifications of entering into a family law and maintenance arrangement without proper advice are significant. As with any matters of complexity and technical demand, please seek expert advice before committing to any legal position.
PROPERTY

“SMART MONEY” INVESTORS

Josh Master is a Buyers Agent at BuySide.
Josh Masters explains why the “smart money” investors are now looking to buyer’s agents for their property purchases.

There’s a saying that you make your money when you buy, not when you sell, and buying well is fundamental to increasing your wealth as you build your investments in property.

Most investors chose not to engage a professional at this level, deciding instead to take a DIY approach to researching, searching and negotiating their own property purchase. It’s little wonder that buyers found the process confusing, frustrating and time consuming, especially when faced with pushy sales agents in an aggressive market.

Until now, that is. Buyer’s agents are starting to take the property industry by storm, offering services to the buyer rather than the seller of a property.

To shed some light on the profession, a buyer’s agent acts in the same capacity as a stockbroker does for the sharemarket. If you’re looking to buy shares for example, you call a stockbroker for advice about the stockmarket, advice on the best strategy, help with executing the deal and even managing your portfolio.

A buyer’s agent will do the same thing in the property market - they locate suitable properties that are available through both public and private sources and they negotiate the best property deals on your behalf. A buyer’s agent will represent you when dealing with professional selling agents, going head-to-head with sales agents who are doing their best to get top dollar for their vendors.

Buyer’s agents get paid in much the same way as a selling agent – typically 1% to 2% of the property transaction, however many are paid a flat fee so the client can be assured that there is no vested interest in paying a higher price.

The benefits of using a buyer’s agent are now becoming more mainstream and the results of agencies like BuySide are speaking for themselves.

Josh Masters, a buyer’s agent with BuySide, specialises in sourcing and securing the best investment properties based on his clients’ budget.

After beginning his investing at the early age of 22, Josh saw the power of investing in property, and after establishing his own successful portfolio, he now works as a full-time buyer’s agent.

Josh highlights 3 main advantages of using such a service:

1. ACCESS TO “OFF-MARKET” DEALS

While you may have limited time to peruse the property market, buyer’s agents spend most of their time inspecting properties and talking to selling agents. This gives them the privilege of being able to establish good relationships and gives them the inside edge when it comes to finding properties before they hit the market. They can secure quality properties before the general public has even had a chance to see them.

You may wonder why anyone would sell a property before taking it to market. This can happen for a number of reasons.

• The seller may not want people coming through their home for the next four to six weeks and may find it quite nerve-wracking and inconvenient.
• The seller may not want to outlay advertising and other costs associated with selling a property through a real estate agency.
• The seller may want to keep the sale of their property private.
• The property may not be fit to advertise due to its condition.
• The seller may be in tight financial position or may be going through a divorce and need to sell quickly.

For those buyers who do have a track record of buying quickly and for a fair price, the situations above can provide an opportunity to be shown a property without necessarily having to go through the full sales campaign to buy it. In this case, a buyer’s agent with good relationships with selling agents is the perfect solution.

Josh says that they buy nearly 25% of their stock off market and says it can yield some great results.

“One of our clients was based overseas for work had found the...
buying process incredibly difficult to co-ordinate and engaged us to secure an investment for them before they were due to have their first child.”

“Because of our relationships with some of the sales agents in the area, we managed to grab an off-market deal in a beachside suburb that was $100,000 under valuation. A massive bonus for the client with their first child on the way.”

2. SAVE TIME

It’s no surprise that engaging or outsourcing to a professional for one of the most time-consuming and critical tasks of purchasing is a no-brainer. Who has the time to scour the market and educate themselves on market prices only to then have to tackle the market every weekend, travelling from one property to another only to find that the property looks nothing like the photos in the sales material?

Josh is often dealing with clients who are frustrated with missing out on deals.

“A client delayed buying for 3 years before biting the bullet and hiring us to get the job done. They no doubt missed out on years of growth in that time. You can imagine how shocked he was when we purchased for $30,000 under valuation, more than paying for our fee – and all within 2 weeks!”, Josh said.

Getting your valuable evenings and weekends back (and avoiding those high-pressure sales tactics from agents) is often reason enough to engage a professional to do the job so that you don’t have to.

3. PROVIDING EXPERTISE

The market is littered with investors who invested in the wrong place at the wrong time for the wrong reasons.

Quality buyer’s agents who specialise in the investment market are experts in up and coming growth areas, which properties rent well and which don’t, market trends and fluctuating demand levels. They recognise value even after the selling agents’ spin has wained.

Not all clients have huge budgets either. BuySide recently purchased a property in Brisbane for a Sydney-based client who was looking for something more affordable under $350,000.

“Brisbane is a real emerging market for growth”, Josh said. “We managed to buy for only $310,000. You wouldn’t expect much at this price point but we picked up a 3 bedroom, double brick home that was only 4 years old – great for depreciation! The owner was over the moon and what was even better, they received $350 a week on rent, making this property cash flow positive.

With these sorts of advantages, it’s no wonder the industry is taking off. While some investors may look at the cost of using a buyer’s agent as unnecessary and may opt to tackle the property purchase themselves, others will realise that the experience and expertise of a buyer’s agent will provide them with a property that will typically outperform the market and make them far more money than they thought they could save by not using one.
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UPDATE IN A NUTSHELL

Medical Billing
Early 2018

Loryn Einstein updates us on the latest changes in the ‘billing’ landscape.

With health funds merging, insurers changing policy inclusions, new insurance regulations around the corner and new procedures for handling data breaches, there are plenty of things specialists, practitioners and medical administrators need to remain aware of in the industry right now. As the changes are likely to directly or indirectly affect the entire industry, let’s dive in with the update.

HBF & HCF MERGER: What You Need to Know

West Australian based HBF and East Australian based HCF not-for-profit insurers have announced a merger to position themselves as a major competitor for Bupa and Medibank. Once the merge is complete, they will have 2.5 million policyholders and $4 billion in assets.

The merger needs to be approved by HBF’s 22 elected and appointed councillors as well as by their counterparts at Sydney based HCF. The HBF councillors are expected to vote on the merger by the end of April. If approved, the merger is expected to be completed by the middle of 2018.

The initial press releases have stated that HBF and HCF will retain their existing fee schedules. Between HBF and HCF, there are several price schedules currently in use:

- Since HBF joined AHSA last year, HBF uses the AHSA fee schedule and gap rules for every state except WA
- HBF WA uses the historical HBF schedule and gap rules
- HCF has a no-gap fee schedule and a separate known-gap fee schedule
How fee schedules will be managed in the long term is not yet known. Almost every other fund merger in recent history have held their independent fee schedules for approximately six months before making major shifts. The question is whether these two companies will follow the status quo or do something different.

**What this means for your billing**

Whilst HBF and HCF have expressed an intent to keep their current fee schedules, keep an eye on announcements made during and after the proposed merger to ensure that you are billing HBF and HCF patients using the correct fee schedule.

**Shifts in Minimum Cover**

The Turnbull government is requiring a three-tier health cover rollout by all health funds in 2019. To remain compliant, health funds will be restricted to offering a maximum of three levels of cover, marketed as ‘Bronze, Silver or Gold’. The minimum cover requirements in each category will be finalized sometime this year with the new product categorization taking effect from April 2019. In anticipation of these changes, we have seen some shifts to the more basic health insurance offerings.

Bupa have found themselves with somewhat of a mass exodus after announcing reductions in their basic cover. From 1 July 2018, Bupa’s minimum benefits are being downgraded with hip and knee replacement, cataract and eye lens procedures, renal dialysis for chronic renal failure, pregnancy and birth related services, IVF and assisted reproductive services, and obesity related procedures and surgeries all to be classified as exclusions.

According to The Sydney Morning Herald in an article published on the 7th of March 2018, insurance comparison site iSelect reported 6,400 Bupa policy holders searched for alternative funds in the seven days following the Bupa announcement. iSelect Chief Executive Officer Scott Wilson also claimed that nearly a thousand of these people actually switched health funds away from Bupa over the seven day period.

Within days of Bupa’s announcement, Western Australian fund HBF announced they would also be increasing exclusions on their basic policies and will not be covering weight loss surgery, dialysis, psychiatric care, insulin pumps and other items on those basic policies. Chief Executive Officer, John Van der Wielen said “We believe it is fairer to ask for those members who need to claim for certain services to move to that next level of cover” and that the company was trying to limit future premium increases as affordability is a major concern.

**What this means for your billing**

Changes in minimum covers will have an increasing impact on health fund claim rejections. Make sure that your informed financial consent process includes agreement by patients to pay claims that are not covered by their insurer. Also encourage patients to check whether procedures or surgeries are covered prior to booking.

“Contracted Facility”

Reins Tightened by Bupa

In the firing line again, Bupa has faced concerns voiced by industry bodies regarding Bupa’s scheduled changes as they announced that their gap cover scheme would only pay benefits if they were treated at a Bupa-contracted facility. Bupa will still pay 25% of schedule fee for patients treated in non-Bupa contracted facilities. This will result in doctors in these facilities being paid schedule fee instead of the higher Bupa Medical Gap Scheme amount.

In the first iteration of the 1st August 2018 change, Bupa announced that private patients who are treated in a public hospital would not be covered by their Bupa Medical Gap Scheme as no public hospitals are Bupa-contracted facilities. Changes like this have been in private health industry debate since it was revealed that billing health insurers generated $1.136 billion for public hospitals in 2015 to 2016.

After fierce opposition to this plan, Bupa modified their 1st August 2018 policy change to allow patients admitted to public hospitals on a planned basis to access their Bupa Medical Gap Scheme. As a large proportion of admissions to public hospitals are on an emergency basis, the debate on this particular issue may be far from over.

**What this means for your billing**

If Bupa commences this change on 1st August 2018 without further revisions, doctors working in day hospitals (many of which do not have a Bupa contract) or who see private patients in public hospitals will experience a large reduction in their income. The Bupa benefit for these patients (including the Medicare contribution) will be 100% of schedule fee instead of the Bupa Medical Gap Scheme amount.

**1st March 2018 MBS**

Changes to urgent after-hours item numbers

A review of urgent after-hours item numbers by the MBS Review Taskforce noted that the use of urgent after-hours items had increase by 157...
percent between the 2011 financial year and the 2017 financial year with no identifiable clinical explanation for the increase. Instead, the task force identified corporate advertising as the driver for the rapid increase in the usage of these item numbers.

On 1 March 2018, two urgent after-hours item numbers were removed from the Medicare Benefits Schedule (items 597 and 598) and four new urgent after-care item numbers were introduced:

585 Professional attendance by a general practitioner on one patient on one occasion—each attendance (other than an attendance in unsociable hours) in an after-hours period if:
(a) the attendance is requested by the patient or a responsible person in the same unbroken after-hours period; and
(b) the patient’s medical condition requires urgent assessment; and
(c) if the attendance is at consulting rooms—it is necessary for the practitioner to return to, and specially open, the consulting rooms for the attendance

**Fee:** $129.80  **Benefit:** 75% = $97.35  100% = $129.80
Replaces item 597

588 Professional attendance by a medical practitioner (other than a general practitioner) on one patient on one occasion—each attendance (other than an attendance in unsociable hours) in an after-hours period if:
(a) the attendance is requested by the patient or a responsible person in the same unbroken after-hours period; and
(b) the patient’s medical condition requires urgent assessment; and
(c) the attendance is in an after-hours rural area; and
(d) if the attendance is at consulting rooms—it is necessary for the practitioner to return to, and specially open, the consulting rooms for the attendance

**Fee:** $129.80  **Benefit:** 75% = $97.35  100% = $129.80
To be billed by doctors in metropolitan areas who do not hold either vocational registration or vocational recognition and are not working as GP registrars.

591 Professional attendance by a medical practitioner (other than a general practitioner) on one patient on one occasion—each attendance (other than an attendance in unsociable hours) in an after-hours period if:
(a) the attendance is requested by the patient or a responsible person in the same unbroken after-hours period; and
(b) the patient’s medical condition requires urgent assessment; and
(c) the attendance is not in an after-hours rural area; and
(d) if the attendance is at consulting rooms—it is necessary for the practitioner to return to, and specially open, the consulting rooms for the attendance

**Fee:** $100.00  **Benefit:** 75% = $75.00  100% = $100.00

To be billed by doctors in metropolitan areas who do not hold either vocational registration or vocational recognition and are not working as GP registrars.

594 Professional attendance by a medical practitioner—each additional patient at an attendance that qualifies for item 585, 588 or 591 in relation to the first patient

**Fee:** $41.95  **Benefit:** 75% = $31.50  100% = $41.95

(See para AN.0.9, AN.0.19 of explanatory notes to this Category)

Whilst previously urgent after-hours services could be organized two hours before the after-hours period commenced, the two-hour booking option has been removed from items 585, 588, 591, 594, 599 and 600.

Changes to Colonoscopy Services Description/Item Numbers

The changes to colonoscopy item numbers that were scheduled to commence on 1st March 2018 have been postponed. Existing MBS items (32090 and 32093) should be used until further notice.
Notifiable Data Breaches Scheme – is your data breach response plan in place?

From 22nd February 2018, under the Privacy Act 1988 all doctors and medical practices will be required to comply with the Notifiable Data Breach Scheme. This means that doctors and medical practices must notify individuals whose personal information is involved in any data breach that is likely to result in serious harm. The notification must include recommendations of the steps individuals should take in response to a breach.

Not all data breaches are notifiable as only those data breaches that are an “eligible data breach” require notification. An eligible data breach arises only when the following three criteria are satisfied:

1. There is unauthorized access to or unauthorized disclosure of personal information, or loss of personal information that an entity holds;
2. This is likely to result in serious harm to one or more individuals; and
3. The entity has not been able to prevent the likely risk of serious harm with remedial action.

In addition to the individuals whose personal information was involved in a data breach, the Commissioner must also be notified as soon as possible through a statement including:

- The identity and contact details of the organization
- A description of the data breach
- The kinds of information concerned and;
- Recommendations about the steps individuals should take in response to the data breach.

What this means for your billing

It is highly recommended that all medical practices have a data breach response plan to ensure that if something were to occur, it is addressed as quickly as possible and in compliance with the Act to ensure minimal impact.

Victorian Transport Accident Commission makes positive changes for service providers

The Victorian TAC rolled out administrative changes on 14th February 2018 that have streamlined the claims process. A number of treatments and services are now pre-approved and reports and clinical notes are no longer required unless the TAC specifically request them. These changes will bring the TAC in alignment with most other state motor accident bodies who require no more than standard payee, client and service details to be provided when invoicing.

In addition to these changes and in contrast to most other state bodies, patients are no longer required to pay a medical excess prior to treatment as the TAC will cover the cost with no out-of-pocket expenses.

Quality Improvement PIP Delayed Again

Department of Health has delayed the Practice Incentive Program Quality Improvement Incentive (PIP QI) for another year to allow practices adequate time to prepare. It will not begin until May 2019. The five incentives originally planned to cease on 1st May this year (asthma, quality prescribing, cervical screening, diabetes and GP aged care access) will now continue until the new QI incentive commences.

Keep an eye out for the next Medical Billing Experts article to make sure that you stay up to date with medical billing news and updates.
BUYING A MEDICAL PRACTICE?

Brendan McGrath explains why you should make sure you’re giving diligence its due.

Buying a medical practice is a significant and often stressful endeavour for a medical practitioner and can come with significant financial and legal risks.

As with many other types of purchases, a medical practice purchase is typically conducted on a “buyer beware” basis and so a targeted and thorough due diligence process should always be conducted.

In this article, we highlight some of the questions which are often overlooked by buyers and which are essential to undertaking such an important purchase.
1. WHAT AM I ACTUALLY BUYING?

The first thing to consider is what assets are actually being bought. Typically they include:

- The practice’s goodwill, including patient lists and records, reputation, brand exposure and patient relationships;
- The practice’s plant and equipment. A detailed schedule of plant and equipment should always be provided as a part of the sale agreement, detailing whether the items are owned or leased. The seller should also confirm good title to these items and that they are not subject to any charge or other encumbrances that restrict their sale;
- Intellectual property, including trademarks, business names, copyright in manuals and marketing materials;
- Medical supplies and other supplies; and
- The premises or a lease of it.

2. CAN THE SELLER ACTUALLY SELL YOU THE BUSINESS?

While it seems like a simple question to answer, often times identifying the seller is not as easy as merely asking who runs the business.

Medical practice sales typically involve the transfer of different classes of assets (as mentioned above) each of which may in reality be legally owned or held by different entities.

As a buyer, it is important not only to identify the assets being transferred, but also to identify each party comprising the seller of those assets. This will ensure that they are all subject to and ultimately bound by the business sale agreement.

Failure to do so could render certain rights unenforceable and result in some business assets not being transferred at completion – meaning you may not get what you thought you were buying.

3. ARE YOU BUYING THE BUSINESS OR THE COMPANY?

It is typically not advisable to suggest that a buyer purchase the shares of a private company that carries on a small business such as a medical practice.

In such a situation, not only are the assets of the company being bought, but also the existing liabilities of the company, including potential liabilities to third parties under existing contracts.

The buyer would also assume any tax and workplace related obligations, without any recourse against the seller other than contractual indemnities.

The more common approach is for the business to be transferred in its entirety to a new entity operated by the buyer. This creates a result with respect to liability, whereby only future liabilities attach to the buyer.

It is important for buyers to understand though that where they continue the business under the name used by the seller, the risk of reputational damage still exists as a result of pre-existing liabilities and disgruntled patients.

4. CAN I RUN THE BUSINESS FROM HERE?

You need to ensure that you have the right to use the premises for the business after settlement. This is critical to any medical practice purchase.

Without secure tenure, a buyer risks not only financial loss in the business, but also the possibility of not obtaining finance from a financier or being found in a position where they need to negotiate a new lease with the landlord shortly after settlement as a last resort.

Tenure can be provided to a buyer in a number of ways. These include:

- Assigning the seller’s rights under an existing lease;
- Negotiating a new lease with the landlord prior to settlement; and
- If available and financially appropriate, buying the premises.

It is always advisable for a purchase contract to be made subject to the finalisation of one of these options to the satisfaction of the buyer. This will ensure that the buyer is not without premises from which to operate the business for any period.

5. EMPLOYEE ISSUES

One of the biggest challenges for a buyer of a medical practice is taking on the employees engaged by the seller.

In addition to adapting to or adopting the workplace culture and practices which exist, the logistical aspect of the sale can create some significant challenges, including:

- Are all existing staff required?
- Will all staff need to be offered employment?
- Are new contracts needed?
- Who pays for existing leave entitlements?
- What happens if a staff member resigns?

Typically, a buyer will be obliged to offer all existing staff employment on terms no less favourable than those under which they are currently...
employed and on the basis that all leave entitlements carry over.

Whether or not an employee accepts such an offer will determine who assumes the liability for their accrued entitlements, with those rejecting an offer being the responsibility of the seller and those accepting an offer, the responsibility of the buyer.

 Normally, an apportionment can be made under a business sale agreement for the seller to allow a percentage of the cost of entitlements to the buyer at settlement. For this reason, a buyer should always take steps to ascertain the value of any entitlements prior to settlement.

 A buyer should also take steps to identify any key people in the business, without whom the medical practice may not operate as effectively. In such a situation, a buyer should consider the inclusion of a condition that settlement will not proceed unless that particular employee accepts the employment offer.

6. HOW CAN I STOP THE SELLER STEALING MY PATIENTS?

One of the biggest risks to the value and goodwill of a medical practice is where a seller opens up or joins a competing business after settlement.

Patients of a medical practice are typically among the most loyal of business customers and will often follow a practitioner that they are familiar with. There is also a risk that even though a seller may not directly approach an existing patient, news of their departure and new practice will almost certainly find its way to loyal patients.

 A restraint of trade clause is therefore an essential part of any agreement to purchase a medical practice. This can help to protect the goodwill generated in the business and prevent a seller from stealing patients in the short term.

The restraint of trade clause should put in place a reasonable restrictions on the seller of the medical practice regarding each of the following:

- type of activity restricted;
- geographic area restricted; and
- time period restricted.

Each of these restraints must be reasonable, as courts have long been reluctant to enforce any restraint which prevents someone from earning a living. What constitutes “reasonable” is not always straightforward, but a long term, blanket prohibition over a large area will almost certainly be unenforceable.

WHAT ELSE DO I NEED TO KNOW?

Apart from the legal considerations set out above, the purchase of a medical practice requires a buyer to consider numerous financial and practical questions to ensure that they are making an informed decision.

Here are some examples:

- Is the price reasonable? Do I need a valuation?
- Are the books and current contracts in order?
- What about marketing? How much of this will I need to do?
- Who will notify the patients?
- What are the projected revenues? Are they realisable?
- Have I spoken to an accountant?
- Have I spoken to a solicitor?

Despite many of these and the other questions referred to above often having different answers, targeted and tailored professional advice is always key to ensuring a successful purchase and a smooth transition of the business.
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How to Design and Build a Medical Practice to Achieve Targeted Revenue

Tracey Incau takes us through the relationship between practice design and practice revenue.

It’s no secret the inherent purpose of every business is to attract and maintain revenue, and Medical Practices are no different. Our experience, as a design and construction company, prefaces our understanding that whether you’re operating as a standalone venture or seeking to expand through investor support; consistency in achieving targeted revenue provides all stakeholders with comfort knowing the company is sound, possessing a trajectory of growth and expansion business.

Whilst we agree the sense of loyalty to the basic virtues of the Hippocratic Oath is worthy and admired, we do endeavor to encourage a balance between the sincerity to cause and the ultimate objective of a Practice.

It’s important to remember that determining your required revenue target is not selfish, but rather integral to the continued viability of your venture. Furthermore, it’s a question that needs to be asked prior to any kind of first steps, as the answer will allow you to steer your decision making along the most appropriate path to turn your initial Vision into a built reality.

By assessment and planning in the early stages, you will remove the stressors associated with unforeseen budgetary constraints or disappointment in the final result; making the entire project the exciting journey you are hoping to experience.

Although there are no hard and fast rules or formulae associated with defining a revenue figure that would best facilitate your future plans, there are common considerations which can guide you to define the most appropriate targets for your business.

ESTABLISH YOUR FINANCIAL CAPACITY

The priority of finance is to align your forecasted revenue with your revenue goal, taking into consideration various influences. Such influences include: Community demography, size of facility, access to amenities, any established market presence and the presence of key infrastructure. The analysis and comparison of these measurable items will provide an accurate picture of the strengths of your current business plan, as well as any changes needed to achieve your objective.

In addition to the more commercial aspects inherent to any business case implementation, Medical Practices attract additional costs due to the nature of the operation and the resulting necessities like specialist equipment and required approvals. The presence of these non-negotiable expenses necessitates a solid, researched plan for obtaining the required revenue to, not only, meet these expenses but exceed them in order to create a profitable venture designed for future growth.

Researching and fact-finding in order to create a solid financial plan and expectation may not seem like the most exciting way to start your new project. It may even seem daunting in the extreme; however, by breaking the end goal (aligned target
& forecasted revenue) into smaller, achievable steps, you will be far more likely to create this significant blueprint. This will, in turn, generate momentum and streamline the remaining project steps leading to the successful establishment of your Medical Clinic.

For those who find formulae helpful in breaking down the components required for success, Ben Walker from Inspire (2018) states a Practices’ revenue is made up of the “average transaction value” x the “average number of transactions per client, per year” x the “total number of clients.” This formulae can also be further broken down to integrate the total number of clients required.

Furthermore, Adam C. Uzialko from Business News Daily (2018) suggests implementing a ‘pro forma,’ which is populated by all your financial data as well as including non-traditional budgetary items; such as where your customers are being sourced from and other factors tailored directly to your clinic.

FIND THE RIGHT PROPERTY AND LAYOUT
At Interite Healthcare Interiors, we firmly believe securing the best-fit property to house your Medical Practice is integral to your initial and ongoing success. As a design and construction company, our extensive experience has generated our professional opinion that the layout of your property should include a waiting area for patients, an administrative area, amenities, and one or more consulting, procedure or treatment rooms. Also, the optional extras include a recreational area for staff and a breakout area for to administer to distressed patients.

Additionally, it’s important to weigh up the property’s structure and shape against your desired design and construction options. Specifically, how the property framework could restrict useable space due to in-built structural components such as staircases. There could also be restrictions specific to the healthcare related nature of the business such as provision for a sterile environment, or temperature specific rooms to house specialist equipment.

A key property consideration is the staff capacity, specifically the number of useable consulting rooms as they will often house 1-1 earning medical practitioners, immediately boosting your profit margin.

It is worth noting that Commercial Property search and lease agreements can be complex and can benefit from the guidance and assistance of an experienced professional in the field. These professionals often have strong networks within the property community, as well as local knowledge on factors which may affect property pricing or viability into the future; such as council zoning regulations and legislative changes, and the value of their advice will often neutralise the cost of accessing their services.

UNDERSTAND THE MARKET
The commercial property market within Australia has experienced a number or challenges in recent years, however mid 2017 saw initial signs of improvement which have continued to date.

According to Reiwa.com commercial (2018), the current average pricing of a Medical Office within Western Australia with a land area of 1807m² starts from $1,400,000. As per Realcommercial.com.au (2018), similar properties located in New South Wales are asking far more with 180m² in Menai asking from $1,650,000 and 387m² in Tuggerah currently seeking $1,700,000.

Evidently there is a strong correlation between location and pricing, a factor which must be taken into consideration when looking into the market to find a property that reflects your vision whilst meeting the criteria to achieve your financial goal.
CONSIDER INDUSTRY CONDITIONS

The Australian Health Services includes a wide range of health facilities and services, with Ibis World (2018) stating general hospitals are the greatest drivers for revenue growth, providing over half of Australia’s revenue for health services. Other significant contributors to Australia’s revenue are the general practitioners, clinical specialists and dentists to service Australia’s constantly expanding population. Combined with the growing private health insurance cover, it is clear that Australia can be expecting larger and stronger demand for health services within the next year and beyond, especially considering the higher expectations of consumers in regard to quality care and their willingness to pay for it.

On top of the growing demand for health specialist, there are growing resources. Technological advances within the modern day and age are affecting employability and creating various new positions with Medical Practices in receipt of this growing skills-related expansion.

The new technology and equipment requirements have triggered an increase in the demand for consultants as it becomes more advanced and sophisticated. This is an opportunity for the industry to realise the potential of having more staff to create a larger business, and in turn, a larger profit.

LEVERAGE THE DESIGN

Interior design creates functional, safe, and aesthetic working environments, assessing and leveraging the ‘usable space’ requirements and using products, colours and objects to reflect the business values and vision.

Working within the industry of design and construction, we have discovered various aspects that we believe makes a ‘good design.’ One of these aspects is staying ‘human centred.’ The Human centred approach to designing and constructing a Medical Practice articulates the importance of you; you, meaning the staff and clients alike.

A great design will appeal to the staff and clients and it will lead to greater, more effective productivity within the Practice. A smart and human focused design takes into account the workflow and routines of employees when creating an effective space and amplifies the attractiveness of the business in order to attract and retain skilled and valuable staff members. This is accomplished by recognizing human needs in the workspace, such as: Excellent updated technologies, being inviting and warm, staying child friendly, and implementing ergonomics.

By creating a stimulating, tactile and fit-for purpose environment which caters to user needs, you reduce stress and increase productivity and results across the board. Not only so, the digital age allows people to share good their experiences more than ever before, resulting in a strong image boost and increased referrals through word of mouth alone.

SUMMARY

Now, ask yourself again, “How do I design and build a clinic to achieve my targeted revenue?” We have broken down this question into the key components of establishing your financial capability, finding the right property, understanding the market, considering industry conditions and leveraging the design of your medical practice. We’ve also cemented the fact that despite the caring role of medical practices, they are no different to any other business in the need to be established on strong business objectives including a clear vision, a sound strategy and a concise analysis of your financial targets vs your capabilities.

As discussed, finance truly determines the extent of what you can do and achieve. As a Medical Practice, you must be aware of your financial target in light of your specific constraints and commercial costs, breaking down the larger goal into achievable steps to form your financial strategy.

Finally, although there is no rule book on how to create your ideal revenue targets, there are guidelines to most accurately assess your financial capabilities and how your medical practice can compete and thrive in an ever-growing industry.
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Rachel Leong urges us to protect the financial health and ownership of our businesses.

Safeguarding your medical practice and livelihood

Rachel Leong is Product Technical Manager at BT Financial.
Becoming a medical practitioner requires intellect, determination, as well as compassion for other people. The driving force is likely to be a desire to help others to achieve their optimal health, however it takes many years to be in a position to be able to do so.

Typically, a Doctor of Medicine (MD) or Bachelor of Medicine and Bachelor of Surgery (MBBS) will take between four and six years to complete. Depending on what area of medicine entered into; the length of time to finish a subsequent internship, residency and vocational training is between three and ten years.

For those that go into business for themselves, success is critical, as it is likely to be the main source of income and play a big part in meeting retirement goals. Preserving an established business is just as important as protecting its future. Medical practitioners spend a great deal of time and energy taking care of others, and need to ensure they are taking care of themselves and their loved ones too.

Running your own business can be very challenging, particularly in the early years. The focus is likely to be on cash flow management and market exposure. Unfortunately, many businesses don’t succeed:

Out of all reported corporate insolvencies in 2016/17:
- 79% involved businesses with less than 20 employees
- 43% involved businesses with debts of $250,000 or less
- The top reasons being:
  - inadequate cash flow or high cash use (47%);
  - poor strategic management (46%);
  - and poor financial control, including lack of financial records (35%).

To give a business its best chance to survive over the long term and succeed, a financial plan should include protection. No matter how small or large the business, or how it is structured, each business will face a number of risks. These risks could relate to the economy, competition, or changing consumer behaviour and can be very hard to control. However, one type of risk that can be controlled to a degree is people risk – that is, the financial impact to a business if the unthinkable occurs and a key person becomes disabled, suffers a specific medical condition or dies.

Moreover, protection is not just about guarding the financial health of the business, it’s also about protecting the ownership of the business – that is, helping to achieve a smooth transfer of business ownership should one of the business owners suddenly exit due to sickness, injury or death.

It is a human trait that we want to avoid thinking about illness, injury and early death; even when faced with it every day. No one more than a medical professional better understands the risks to Australian’s health:
- A 35 year old male has a 40% chance of suffering from an accident (12%) or illness (28%) that lasts three months or longer prior to age 65
- Around 54,000 Australians suffer a heart attack each year
- It is expected 1 in 2 Australian men and 1 in 3 Australian women will be diagnosed with cancer by the age of 85
- It is estimated that more than 44,000 people died from cancer in 2013
- Almost 2 million adults aged between 25 and 64 have had a disability.

There are several ways to reduce the financial impact of these risks on a business using life insurance, as discussed below.

A reduction of business revenue due to the permanent loss of a key person

A business may rely on one or more key people for its day to day operations and continued profitability. Their death, disability or diagnosis with a specific medical condition will have a negative personal impact and could also affect the revenue of the business.

Having the right insurance in place can be critical soon after the loss of a key person, and in the months that follow. If a key person dies or becomes permanently disabled, the business may need to find a replacement. In the meantime, however, revenue could fall significantly. A sudden reduction in revenue can affect the ability of a business to pay its day-to-day expenses and could ultimately threaten its survival.

A reduction of business revenue due to the temporary loss of a key person

Lump sum cover does not generally address the risk that a key person could be out of the business due to a temporary disability. In many cases, the key person in a business may suffer a temporary rather than a permanent disability. This could be from any cause, including a physical injury, early stage cancer or a minor heart attack. Suffering from a disability and being unable to return to work temporarily is more common than suffering from a permanent disability which prevents someone from working again.
The absence of a key person due to temporary disability can place a business under the same significant stress that occurs in the event of the key person’s death or permanent disablement. Often there is uncertainty as to when (or if) the key person will return, which makes it difficult for the business to make decisions about whether to hire a replacement and general business planning.

Having an income stream to replace revenue after the loss of a key person and in the months that follow could mean the difference between survival and business failure. Key Person Income insurance provides up to 12 monthly benefits to help cover lost revenue of the business, in the event that the key person insured under the policy is unable to work due to sickness or injury.

Uncertainty about transfers of ownership

Where the ownership of the business is shared by two or more people it may be important to consider what would happen to the ownership of the business if one of the owners died, became disabled or had to exit. Without a plan, neither the departing or remaining business owners have any clarity about what should happen if one of them leaves. The plan will also determine how the purchase of the business share can be funded, with life insurance being one option.

Business owners will sometimes establish a legal agreement, such as a business succession (buy-sell) agreement in order to provide more certainty if this happens. A buy-sell agreement is a document which commonly sets out the wishes of the business owners should one of them die, become incapacitated or trigger any one of a range of specified events. It can be drafted in a number of ways to suit individual circumstances, and those in the business. For example, if a business partner dies, a buy-sell agreement can be structured to give the other owner/s the legal right to buy their share of the business, for a specified amount. The agreement could also give you (or your beneficiaries) the right to sell your share of the business to the other business owner(s), should one of these events happen to you. The purchase can be funded by life insurance policies, taken out on the lives of each owner.

A loss of business or personal assets

At some point, many businesses will borrow money from a financial institution or a director – this may be to provide a business with capital for a major purchase or improvement, or simply to provide a source of working capital. Such loans could include a business overdraft, a secured loan from a bank, or a loan from a Director. Sometimes the loan may involve the provision of a personal guarantee by a business owner.

On the death or disability of a key person, a business could experience financial difficulty and may find it hard to continue meeting all of its loan repayments. A default on loan repayments could result in a demand for a loan to be repaid in full. Alternatively, the lender may call in a loan if the key person was a guarantor or was specified in the loan agreement. Such events could force a business to sell some of its assets, or for a business owner to sell their personal assets (eg. their home), in order to repay the loan at short notice.

The solution to protecting your business

As outlined above, there are certain business risks that can be controlled. Those that are most relevant to life insurance are where there is potential for financial loss or uncertainty upon the death or disability of a key person or business owner.

Insurance cover for a commercial purpose will be, on average, higher than the amount of cover required for a personal purpose.
Therefore, higher sums insured may be needed above what is offered under traditional cover. For example, some policies offer up to $15 million TPD and $10 million Trauma insurance.

Business insurance is for the purpose of covering loss of revenue, loans, or the value of a business share and therefore should be flexible and easily varied as needs change. A policy that includes a Future Insurability benefit (FIB) allows the sum insured to be increased when certain business events occur, without further medical underwriting. These business events may include the value of a key person in a business increasing (for example, they are responsible for generating more revenue than before), the value of a loan has increased, or the value of the business itself has increased. Generally, evidence will be required to support the increased level of cover, however some FIB events include a periodic increase to cover every three years, which does not require any supporting documentation.

The value of an expansive FIB is that cover can be increased without having to consider any changes to the business owner/key person’s health. Generally, an increase to cover is medically underwritten, which can occur at a time the business owner or key person is older and has experienced a deterioration in health, which under normal circumstances, could result in exclusions being applied to policies, or additional premium charged. Therefore, the FIB is one of the most important features of a life insurance policy.

The higher the expiry age of the FIB, the more value the policy will provide long-term. A generous FIB expiry age is 65 for Term Life, Total and Permanent Disability (TPD) and Trauma (also known as ‘Living insurance’) policies. The FIB expiry age can vary widely across the industry.

If the business is in its early stages, and significant growth is anticipated, thought could be given to the Business Cover benefit. While the purpose of business insurance may be the same, the Business Cover benefit will allow increases to cover without medical underwriting, that are much greater than what is allowable with the FIB. For example, where the value of the business has risen, the FIB may limit expansion of cover to the lower of the increased value of the business share, 25% of the original level of cover, and $500,000. With the Business Cover benefit, the increase can be up to 50% of the original level of cover, and $2 million.

While business insurance may appear to be complex, an experienced financial adviser is well-practised in creating a financial plan tailored to individual needs. They are also adept at working together with other professionals such as accountants and a business succession solicitor, to ensure that businesses and the livelihood of those invested in them are protected now and in the future.
The cost of SEO
Many clients have told us they’ve had an amazing website built to then discover they are not able to find it on Google! Unfortunately, this is because ‘SEO’ is now a vital component of any website, new or old.

**SEO or Search Engine Optimisation**

Optimisation is the name given to any activity that attempts to improve search engine rankings. Here in Australia this mostly refers to the order in which Google provides links to pages, as a result of a search term you have entered into your Google search engine.

No matter how well a website is designed and developed; whether it looks good, engages with the target market or encourages engagement – this is only the beginning.

If the website does not rank well on search engines then it won’t be easily found online. SEO focuses on website content and involves the ongoing process of on-page optimisation, key-phrase analysis and link building. These help improve your website ranking within the organic listings in the search engine results pages.

Google displays links to pages it considers relevant and authoritative, depending on the search term you have entered. How it makes this decision for each of the 40,000 search queries it handles every second, now what drives a whole new industry.

This industry spends considerable effort in analysing and trying to interpret the over 400 Google algorithm changes annually, all carried out by Google to return the most useful search results to you, thereby remaining your favourite search engine. Not only does the SEO industry have to figure out what Google wants from day to day, but how to translate this into changes, updates, links and content on your website, which will result in it ranking as close to number 1 on page 1 of Google results as possible.

Whilst there is a myriad of software which helps this process, currently ‘content’ is still king for Google.

Content that has to be written well, be grammatically correct and provide information as its primary role. Google’s bots are so clever now, they not only recognise but will also penalise content that is written badly, copied, or written only for ranking purposes.

Hence why previously highly successful ‘overseas’ SEO agencies are now struggling to achieve results if they don’t have really good English copywriters on their staff.

In other words, there is no getting around it. SEO is expensive and good SEO even more so, so think twice about even having a website if you aren’t willing to pay for this.

Costs for SEO are dependent on the level of online competition for specific keywords and the number of keywords being targeted, as well as the website goals. On average, Australian SEO costs range from $600 per month to $2000 or more. Add another 0 to that if you are trying to compete in the insurance, car or tourism industries.

Whilst there is no magic formula to use to pick a good SEO company, there are some questions you should be asking them:

- Do they offer a guarantee if they don’t achieve the agreed results within a stipulated time frame? **The reputable companies will.**
- Is the work carried out locally by staff with a good grasp of the English language and phrases and spelling used in Australia? **If not, why pay the higher costs billed by Australian SEO companies?**
- Will they assist with offline methods and ideas of how to achieve backlinks to your website? **They should, if they are genuine about improving your rankings, Google loves quality backlinks.**

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Caroline Ucherek tells us why we should consider search engine optimisation.

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When Royden Mauger was offered the chance of setting up a Dutton Garage in New Zealand he chose Christchurch over Auckland. Not only was it his home town, but it has the best classic car culture in the country, he said. Many of the buyers are from overseas as well as Kiwis.

“In a business sense it doesn’t matter where I am. It’s global. We’d have the biggest collection of classic and luxury cars in the country. We can source them from anywhere and deliver them anywhere.

“We’re a bit different to your average car dealership because we’re not trying to turn over stock quickly.

“It’s an enthusiasts’ game. When I was working for Dutton Garage in Melbourne and we’d have auctions, about 30 per cent of the people were buyers and the rest were friends and family and people who loved cars.”

“These cars are a good investment and you can also drive and enjoy them. Quite a few buyers have cashed up some of their superannuation to purchase them and have an investment for the future.”

The familiar brands on sale at Dutton Garage include Ferrari, Porsche, Mercedes, Dodge, Chevrolet and Range Rover, and he believes the dealership has the largest group of Ferraris.

Recently, the Christchurch showroom had eight Ferraris for sale worth collectively more than $3 million dollars. It currently has many millions of dollars’ worth of stock.

Dutton Garage New Zealand is part of the Dutton Group, and buyers are constantly scouting worldwide markets to buy rare and classic cars.

Dutton Garage doesn’t use middlemen brokers. Mauger, whose uncle is World Champion motorcycle speedway rider Ivan, is one of the main buyers.

He travels the world buying classic cars, and last year was involved in one of the greatest “barn-finds” of a rare Ferrari.

Mauger travelled to Japan to find the aluminium-bodied Ferrari 365 GTB/Daytona in an elderly Japanese man’s barn where it had been parked up for 40 years.

The car was known to a few collectors but none had been able to negotiate a purchase.

The first thing Mauger did was confirm the model by running a magnet over the body to ensure it was aluminium, and subsequently had the find confirmed by Ferrari historian Macel Massini who also visited the barn.

Because the value of a “barn-find” is the condition a vehicle is found in, the car was sold at auction in the same dirt-encrusted state Mauger found it.

The car with 36,390 kilometres on the clock was auctioned for US$2.2m.

Dutton Garage’s main showroom is in Melbourne where Mauger has spent the past 20 years as a buyer.

Another recent purchase he made was a 1936 Mercedes from a Wellington owner. It had been imported to New Zealand brand new, Mauger said. ☺
Gearing for Success

Jack Meagher is a Director at MediPay Doctors.
Jack Meagher outlines some thoughts on debt.

What is your purpose for creating wealth? A common answer to this question is financial independence. Fundamental to achieving this requires planning, discipline and strategic advice including the ability to use debt effectively.

BORROWING TO INVEST
Using debt to build wealth may sound like a contradiction in terms but a robust debt strategy can be used to accelerate the process of wealth accumulation by enabling you to make larger investments than would otherwise be possible.

In financial terms, borrowing money in order to invest is called gearing. Gearing simply means there is some type of loan involved in the investment.

It is important to borrow sensibly because while gearing can amplify your gains, the type of investments suitable for gearing can be more volatile than others and also lose value. If this happens, gearing will magnify your losses. In other words, the more you borrow the more you stand to gain or lose and the higher the borrowings the higher the risk.

No matter how strong an investment opportunity appears to be, your gearing strategy should be prudent enough to offer protection from being forced to sell during a low point in the investment markets in order to obtain the benefits of long term growth.

Types of Gearing
Positive gearing is where you borrow money to invest and the income from your investment is higher than your interest costs and other expenses.

Negative gearing is where you borrow money to invest and the income from the investment is less than your interest costs and other expenses.

Neutral Gearing is where you borrow money to invest and the income from the investment is equal to your interest costs and other expenses – in other words you’re breaking even

How and whether you can use gearing will depend on your own particular circumstances.

Generally speaking, a geared investment:
• needs a reliable cash flow to cover pre-tax borrowing costs
• has an investment timeframe of at least five years to make the most of the investment’s potential to build wealth
• generates a reliable, long-term income
• generates capital gains, i.e. an increase in the value of your investments over time

USING DEBT EFFECTIVELY
The foundations of implementing a successful strategy firstly requires an understanding of the difference between efficient and inefficient debt.

Efficient Debt is used to acquire assets that have the potential to grow in value and generate assessable income. The loan interest is tax deductible and the income generated by the asset can help to repay the debt. This makes it more easily serviceable and a useful tool to accelerate the creation of wealth. An example of efficient debt is an investment loan to buy shares or property.

Inefficient Debt is used to buy goods, services and assets that generally don’t generate an income. You can’t claim the loan interest as a tax deduction and need to rely on your own resources to service the debt repayments. An example of inefficient debt is a personal loan to buy a car or credit card debt that is not repaid within the interest free period. These forms of debt can be draining on cash flow and offer no real long term benefits.

Home loans are generally less efficient and wherever possible you should try pay them off as quickly as you can. Increasing repayment frequency, increasing the repayment amount or even crediting your salary automatically into your home loan or offset account could save on interest costs and importantly, create equity in your home that could be put to work growing your wealth.
BORROWING AGAINST THE EQUITY IN YOUR HOME

There are many benefits to this approach, the most pertinent one being that you are able to invest across multiple asset classes at a lower rate of interest than other forms of debt. This is because you’re using your property as security, meaning you pose a lower risk for the lender. It also allows you to leverage the capital gain of the property, which you couldn’t otherwise do without selling it.

From a risk perspective it’s important to recognise that when you borrow against the equity in your property your overall level of debt increases. This means you have more financial responsibility and permits the lender to repossess the property should you be unable to meet the increased loan repayments.

DEBT RECYCLING

The concept of borrowing against equity in your home also allows for what is known as debt recycling. This involves replacing inefficient debt with efficient debt and thus establishing an investment portfolio to help build you long term wealth.

There are three basic steps to implement a debt recycling strategy:

1. Use your equity as security for a separate investment loan.
2. Use the investment income and any tax savings you receive from your investments (as well as any surplus cash flow) to reduce your outstanding home loan balance.
3. Throughout the year, re-borrow from your investment loan the amount you have paid off your home loan to purchase additional investments.

The benefits of successful debt recycling compound over the long term and include a reduction in personal tax and paying down your home loan quicker, while building additional investment assets and an income stream. On the other hand, you will still have debt (albeit deductible debt) and your level of risk is increased. This is a long-term strategy and one that you need to be prepared for short-term fluctuations and market volatility.

FINAL THOUGHTS

When taking on debt be sure to keep in mind the following:

1. Don’t over-extend yourself
2. Invest in quality growth assets which are able to deliver the higher potential returns required.
3. Invest for the long term to give your investments enough time to generate adequate capital growth.
4. Have adequate insurances in place to help meet any debt commitments should you be unable to work due to illness or injury.
5. Ensure you seek professional advice to understand whether gearing is an appropriate and viable strategy for you and your particular needs.

For a review of your existing debt, to discuss future requirements or to understand how you can obtain financial independence sooner contact Jack Meagher on 0456 964 339 or jack@medipay.com.au

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Why do you think Australians have such a love affair with residential property?

‘As safe as houses’ is the expression that comes to mind. There’s a strong narrative in Australia about the importance of buying a home rather than renting and ‘paying off someone else’s mortgage’. This psychology underpins Australians’ love affair with property. And of course the property price increases over the last decade have validated this view for many – particularly, if you live in Sydney or Melbourne.

From an investment perspective, I think Australians feel comfortable with residential property as an asset class. More so than they do with other forms of investment, like sharemarkets. It stands to reason because people live in homes and keep an eye on property prices. They think they know how much residential property is ‘worth’.

What makes a successful family home purchase versus an investment property?

This is a very important distinction and one
that is often blurred. You buy a home to live in so the success of your purchase is largely based on lifestyle factors. Is the house big enough for your family? What schools are in the area? How will you get to work? From a financial perspective, I think a key measure of success is how long you live in your home because this reduces a very real enemy in the property market - repeatedly paying stamp duty.

When you buy an investment property, you need to ask a different series of questions:
- What is the potential for future capital appreciation? (investment property price going up)
- What is the potential yield? (the amount of rental income, less all expenses: land taxes, maintenance, agent fees etc.)
- What level of mortgage could I comfortably afford when rates go up?
- How will the investment property fit within a broader portfolio? (and importantly will it diversify risk?)
- Has the illiquidity of the investment property been factored in? (It is easy to sell a portion of an investment portfolio but it is very hard to sell just one room of a house)

Property is such a tangible and seemingly familiar asset class that people often invest on 'gut feel' and an assumption that the trends of the past will continue in the future. Residential property investors are less likely to seek the level of financial advice they would when investing in other areas, like the sharemarket. It’s a risky scenario in my view.

What do you say to people who ask about investing in residential property?
I start by posing two questions:

1. Do low interest rates promote growth in residential house prices?
Yes, more people borrow in a low interest environment which increases demand for residential property and inflates prices.

2. Are interest rates near the bottom of the current cycle?
Yes, they are at historic lows.

These two questions are a useful starting point for a discussion about residential property. It is not about ‘timing’ interest rates or property cycles, but rather appreciating how they drive prices and recognising they are currently at record lows and how few people consider this as a risk.

If you analysed the property market as you would a stock, where would you see the risks to capital growth?
Let’s say all of the residential property in Sydney was represented by one stock on the ASX. Let’s call it RESY. Contrary to popular belief, historically strong RESY price gains are not reliable predictors of future growth. In fact, the more the price of an asset goes up, the lower the expected return, all else being equal.

The huge RESY price gains in Australia from the mid-1990s to the mid-2000s were a result of two mostly non-repeatable factors:
1. Financial deregulation which started in the 1980s, increasing household access to finance
2. Inflation targeting by the RBA starting in the 1990s, which has brought down inflation and also the cost of borrowing money

What did investors use their increased borrowing capacity for? You guessed it, buying residential property. And since the GFC, low interest rates have seen people continuing to fund residential property purchases. The worrying aspect in all of this is that low interest rates have underpinned the continuing growth of the residential property market, not an increase in household income.

Looking at our stock RESY again, the outlook for the stock to continue to go up will depend on two main factors – wage growth and the cost (and availability) of borrowing money. When we compare long term return data from the US and UK, their property markets suggest we should be more moderate in our expectations of future growth in residential property. Between 2.5–4% pa or 0–1.5% in real (after inflation) terms.

The two most obvious counter arguments are there’s a limited supply of property in Australia and offshore buyers have been driving demand in the absence of significant wages growth.

So let’s get back to an investment mindset when we look at the future of RESY. Given the recent rapid price appreciation and stretched valuations of RESY, the investment case would revolve around limited supply and demand from offshore buyers. Both of these are fickle, impossible to measure and certainly not reliable.
Investment properties also generate a rental return – just like a yield from shares. What factors determine the real value of rental return?

On the positive side, investment properties generate a rental return and have a significant tax offset. The current gross rental yield in Sydney is around 3.1%, but this is more than halved after land taxes, maintenance and debt costs. And don’t forget the likelihood of periods of rental vacancy. By comparison, the current yield on the ASX is close to 4%, without the cost of land taxes, debt and repairs.

Then there is (il)liquidity – when times are good all property feels easy to transact, we all read about houses selling in a matter of days. But when the residential property market is not so hot, shares are far easier to sell than bricks and mortar.

How should people think of residential property in the context of their broader investment policy?

The best way to lower risk in portfolios is through diversification. Given residential property is the largest asset that most people own, it is important to think in a whole portfolio context. You don’t want all of your eggs in the residential property market, just as you wouldn’t for any other asset class. The obvious answer is to look at other investment options like the sharemarket. But you can also invest in real estate outside the residential market through investment vehicles like real estate investment trusts (REITs).

A REIT is a company that owns and often operates income-producing real estate like office buildings, hospitals, shopping centres and hotels. My clients can’t walk off the street and invest directly in these sorts of assets, but they can by investing in the REITs that own them. This is just one way we help people to diversify their real estate investments across Australian and global markets.

Is your portfolio as balanced as it should be?

A financial advisor and investment specialist can help you create a balanced portfolio with a diversified approach to real estate investment. For an introduction to Perpetual Private and referral to a Perpetual Specialist Medical Senior Adviser, please send an email to perpetualprivate@perpetual.com.au or phone 1800 631 381.

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