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**MEDIA RELEASE**

## Small business laws and regulations damaging Australian family businesses

A major study has revealed that many Australian family business owners have been forced to shelve retirement plans because of a dramatic fall in the value of their business and their retirement savings.

Because the aged business owners are working longer, succession planning in many Australian family business operations is in disarray.

Ms Sue Prestney, Principal, MGI and MGI Australasia Executive Chairperson, says it's not just the Global Financial Crisis (GFC) that's causing financial and management difficulties for small business – it is the laws and regulations that continue to be imposed by the government.

Ms Prestney called for all political parties to have a major re-think in their attitudes towards family businesses.

"It seems that the best family business can expect from their politicians is the perennial promise of reduced red tape when a much more substantial response is required," she said.

Australia has two million family business operations, worth $1.5 trillion, and these businesses have been badly bruised by the Global Financial Crisis , according to results of *The MGI Australian Family and Private Business Survey 2010.*

The survey was undertaken by RMIT University and supported by MGI, a leading international accounting firm specialising in advice to family and privately owned businesses.

Ms Prestney said that having seen a substantial reduction in the value of their businesses and their retirement savings as a result of the Global Financial Crisis, family business owners also have to deal with:

- Maximum deductible contributions to superannuation for intending self funded retirees over the age of 50 being reduced by 50% from $100,000 to $50,000 from July 2009 and will be further reduced to $25,000 from July 2013. "This comes at a time when business values and retirement savings have fallen and therefore substantially reduces the prospect of financial security for family business owners," Sue Prestney said.

- The Australian Taxation Office issuing a ruling in June 2010 that will substantially increase the rate of tax payable on earnings retained for business investment by family businesses that have chosen to operate through a Family Trust. This has retrospective elements for the businesses involved.

- The Reserve Bank policy requiring banks to hold substantially greater reserves of capital to support small family business loans than it does for housing loans. "The result of these regulations is to skew lending towards housing at a time when family businesses are crying out for support," Ms Prestney said. "The reduced pool of funds available is increasing the costs to those businesses lucky enough to get funds."

Major findings of *The MGI Australian Family and Private Business Survey 2010* were:

- In 2006 a total of 75% of owners were considering selling their operation if approached. In 2010 it's down to 61%.
- Previously 17% of owners said they did not have enough funds for retirement. This has increased to 31% on the back of reduced investment values.
- Concerns about the future financial performance of the company jumped from 31% to 54%.
- Just under half of owners said they would still be working beyond 65 years of age with one third saying they needed the ongoing income or to sell the business to fund retirement.
- Succession planning is now a major concern for 20% of businesses, a jump from 9%.
- 35% of sons are involved in the family business but fewer than 6% of daughters.
- Sons are five times more likely to inherit the business than their sisters.

MGI is represented by 283 offices in 82 countries and has been operating in Australia and New Zealand for 25 years.

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**For the full *The MGI Family and Private Business Survey 2010* visit [www.mgiaust-survey.com](www.mgiaust-survey.com)**

**For an mp4 file of Sue Prestney (MGI) and Professor Kosmas Smyrnios (RMIT) in conversation on the research, visit www.mgiaust-survey.com**

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