

# MONEY MATTERS

by Shane Storey



## INTERNATIONAL FINANCIAL CRISES: HOW DO THEY AFFECT NEW ZEALAND?

**You may have read about the financial crises in Europe and America this year and thought they wouldn't have an impact on you. Wrong.**

This kind of situation can definitely affect the trade industry.

For several years New Zealand banks have used European and American banks as a source of HOT money - short term funding, up to 90 days.

If Greece defaults on its government loans it will cause a cascade, as almost all European banks will have insolvency issues. American banks are also affected as they have insured these sovereign debts.

This would then lead to less money being available to New Zealand lending institutions, which could lead to further liquidations of finance companies in New Zealand.

### What does this all mean?

In this situation, there may be less money available to borrow, so people who have been able to get funding in the past may no longer be eligible due to credit restrictions. There may also be a decrease in some short term funding from funding institutions other than banks.

This will have a big impact on the trade industry as it could potentially lead to less money available for construction and renovations. The money that will be available will have a bigger pool of trade people vying for it.

**“The money that will be available will have a bigger pool of trade people vying for it.”**

### What can you do?

Some things you can do to help yourself in this kind of situation include:

- Provide outstanding service and highlight that point of difference in your marketing.
- Be on time every time. Not too early or late.
- Show your attention to detail and service - clean up after all jobs.
- Be renowned for keeping promises, i.e. cost and completion date.
- In tough markets, as much as pricing plays a factor, word of mouth and your past references are what can seal you a job versus the other party.

### What can you do to protect your business?

- Ensure you get paid for the work you do.
- Have a detailed Debt Management Plan - your accountant or debt collection agencies can help with this.

- Complete pre-work Credit Checks. Veda Advantage is the biggest credit reporting agency. Also ask for credit references from your clients.
- Ask for Personal Guarantees.
- Consider pre-payment options with your clients.

**“Ensure you get paid for the work you do.”**

- Follow up on overdue accounts the moment they become overdue not some time in the future. The longer you wait the harder it is to get paid.
- Keep track of the markets, including politics. You may need to anticipate their impact on your business.

Even though this article has a tone of caution we believe that things could get better for the trade industry. There is currently a shortage in new building and at some stage this will need to be readdressed either through new building consents or complete building renovations. This could take anything from six months to two years to start coming through.

### GOT A MONEY QUESTION?

Email it to: [tradeleader@carters.co.nz](mailto:tradeleader@carters.co.nz)

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