



## VETERINARY NEWSLETTER

November 2015

### **Saving Money on Health Insurance**

Did you know:

- The President of the Australian Dental Association has noted that health funds skim 22% off the top of ancillary/extras health insurance cover.
- The Medibank Private prospectus revealed that the funds pay only 52% of the cost of ancillary treatment.
- Recent press reports indicate that 12% of health insurance policies are churned annually.
- Health insurance averaged 6.18% premium increases this year, well above the rate of inflation.
- On average, health funds cost 8.5% of extras cover to administer.
- Choice spokesman Tom Godfrey indicated that people are better off keeping extras/ancillary premiums in the bank and paying for their own ancillary health bills.
- Private Health Insurance Administration Council Chief Executive Shaun Garth was quoted in the Age on 30 March 2015 saying that extras cover was an irrational purchase and 'probably doesn't make sense'.

### **Important to know**

1. Don't confuse extras/ancillary cover with hospital cover, which is generally better value.
2. High income earners only need hospital cover to avoid the tax surcharge.

### **What to do:**

#### **Choice of health fund**

It is best to avoid BUPA, which remits its profit to its UK parents, and to avoid nib and Medibank Private, both of which need to run at a significant profit level to satisfy their listing on the Australian share market. The smaller mutual funds are likely to give the best hospital cover deal.

Very few people get value for money out of extras/ancillary cover over any prolonged period, but check recent claims and rebates on dental, optometry, physiotherapy and podiatry claims. Basically half the expenditure on extras is on dental and the biggest portion of the rest is on optometry.

### **Remember**

There is a reason why the large health funds advertise ancillary/extras cover heavily on television. The reason is they make far more money out of it than they do on hospital cover, where they have great difficulty in controlling costs, whereas they can ration benefits in extras tables and guarantee themselves a profit.

- Check whether you have extras/ancillary cover and what the fund paid in benefits. If it's a bad deal, then before you cancel make a dental appointment and have your eyes checked, as dental care and optometry are the two biggest items. If you/your family have got good teeth and good eyesight, you are almost certainly wasting your money on extras/ancillary cover, and only need hospital cover.

### **Veterinary Partnership Agreements**

No two veterinary partnerships are identical. A good partnership agreement can save a lot of grief and angst in the future.

Questions: what happens if one partner wants out? What happens if one partner suffers a serious injury or illness, meaning they cannot practice as a vet? What happens if there is a dispute? What decisions require all partners to be consulted? Up to what amount can a partner purchase replacement equipment in the absence of another partner on leave? How are disputes solved without expensive legal involvement?

### **Bad agreements vs good agreements**

Usually the bad agreements come from a lawyer who copied the contents of a partnership agreement between two butchers or two greengrocers, and it proves wanting when applied to veterinary practice.

If you're buying a practice in partnership you need to have an agreement which will satisfy your needs in the long term, and you need to be assisted in the process by people with the experience of assisting many vets in the early phases of their career. Telephone Graham Middleton on 03 9843 7777 for further guidance.

### **About Synstrat Practice Valuations and Accounting Services**

Synstrat maintains an active, continuously updating database of veterinary practice benchmarking performance. This is essential in assessing features of a practice. As accountants and advisers to many

veterinarians, we also witness the purchase and sale agreements for practices, and this is a critical tool in assessing the market. We have data on practice valuations and practice sales extending over many years. Synstrat also provides valuations for the parties seeking family court endorsed property settlements. Telephone David Collins or Graham Middleton on 03 9843 7777.

### **Synstrat Publications**

For those vets up to the challenge of sustaining a veterinary career, Synstrat's two publications, ***50 Rules for Financial Success as a Veterinary Surgeon*** and ***Buying and Selling Veterinary Practices*** are available free of charge. Email your postal address to [annie@synstrat.com.au](mailto:annie@synstrat.com.au) and additionally, if you wish to receive Synstrat's Veterinary Newsletter via email, please indicate.

### **Independent Financial Planning and Life Insurance for Vets**

Synstrat is experienced at providing financial plans for vets. These take into account veterinary practice profitability and benchmarks, as well as ownership of premises and other family assets and other financial issues. Telephone Graham Middleton, Cameron Darnley or Roger Armitage, each of whom are experienced financial planners, on 03 9843 7777. Cameron can also assist with life insurance. Synstrat Management Pty Ltd holds its own licence. It is not obliged to recommend the products of a particular bank or insurance company.

### **First World War – Australian Army Results**

In the period in which the Australian corps of five divisions was brought together under General John Monash until it was withdrawn from the front line, i.e. 27 March to 5 October 1918, it represented 9.5% of the whole of the British Army engaged on the western front. It captured 23% of the prisoners captured by the entire British Army, 23.5% of the guns captured and 21.5% of the territory captured or, putting it another way, the ratio based upon pro rata relative strengths of the five Australian divisions and the whole of the rest of the British Army was as follows: Prisoners 2.42X; territory 2.24X; guns 2.47X. Monash was the first general to successfully integrate infantry, tanks, artillery and air power coordinated in battle. The German Army studied his tactics between the wars and gave it a new name, *blitzkrieg*.

### **Is Your Practice Up to the Mark?**

Do you wonder where the expression came from? It came from the London prize rings of boxing governing the bare knuckle contests of the 19<sup>th</sup> century. A line or mark was drawn on the ground. The two pugilists came up to the mark and when the bell rang, began to box. When a man was knocked down he was allowed 30 seconds to come up to the mark or be declared to have been knocked out of the contest.

### **More Information by Email**

We can send out more information to vets than we can fit into the Veterinary Newsletter, but for you to receive that information you need to advise your email address

to [annie@synstrat.com.au](mailto:annie@synstrat.com.au) and advise the postal address we currently send your newsletter to.

### **VetShare Ltd 2015 Annual Result**

VetShare results make disappointing reading. It recorded an operating loss of \$777,091 of which \$156,548 represents adjustments for the impairment of assets associated with the outsourcing of logistics to Clifford Hallam Healthcare Pty Ltd, including write-off of stock not suitable for sell-back.

VetShare's net assets to 30 June 2015 were down to \$1,501,616. There are 5,936,000 shares on issue, so net tangible asset per share was 25.3 cents at 30 June 2015. The original issue price was \$1. We note that VetShare financials signed on 30 September 2015 arrived by mail on 5 November. Shareholder relationships are poor.

The directors have stated they believe the going concern basis of preparation of financial statements is appropriate based on the trading forecast prepared for the company and the ongoing increase in sales activity as the business becomes more established. We hope they are right, as shareholders can do with some good news. Shareholder vets should order from VetShare, provided service standards and price are competitive.

### **Are You Practicing in the Dark?**

If you're practicing in the dark and want accounting services supported by real benchmarking data, and advice from people who speak to vets on a daily basis, then please telephone Graham Middleton or David Collins on 03 9843 7777.

### **The Best and Worst Time to Buy Houses**

The best time to buy a house is when interest rates are near their zenith and are likely to fall. Falling interest rates lift home values.

The worst time to buy a house is when interest rates are at the bottom of the cycle and likely to begin to rise in the coming months. As rates rise, they dampen the market.

Visit [www.synstrat.com.au](http://www.synstrat.com.au) for more information on these topics.

THE SYNSTRAT GROUP ARE AUSTRALIA'S MOST EXPERIENCED VETERINARY PRACTICE BUSINESS ADVISERS, ACCOUNTANTS, PRACTICE VALUERS AND LICENCED FINANCIAL ADVISERS

For further information on these subjects, please call:

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