Price of endeavour

Polls highlight bosses' juggling act

BUSINESS OWNER
CLAIRE HEANEY

ONE in two business owners say there is no such thing as work-life balance and 40 per cent say they have little social life.

As Christmas looms, two surveys paint very different pictures of the demands of business on family life.

The Take Back Your Time survey by small business lender OnDeck asked 300 small business owners how they managed their time.

In addition to the lack of social life, nearly three out of 10 said they worked long hours and 22 per cent said work came before their health, diet and fitness.

Undertaken by internet-based market research company YouGov, the survey reveals one in five small business owners won't be taking a holiday over summer.

A further one in four said they would only take the public holidays off. OnDeck chief Cameron Poolman said while running your own business had many upsides, there were long hours, red tape, paperwork and lack of time to devote to growing the business and for a personal life.

"Small business owners want to spend more time with the people they care about, but administration eats into that time significantly," he said.

When asked what they would rather be doing if they were given an extra 20 hours of time, 40 per cent said they would spend the time with family and friends, 19 per cent would take a holiday and 13 per cent said they were unsure.

However, a separate survey, by cloud accounting company Xero, found parents running their own small businesses were more likely to get time off with their children — a week more, on average, than those working for employers.

Survey respondents also cited child care arrangements among their biggest stresses over the holidays.

Xero Australia managing director Trent Innes said the company's Working Parents' Report found the desire for a better work-life balance was a key reason for people deciding to go it alone in a small business.

"Australian parents are increasingly being drawn to small business ownership and becoming their own boss so they don't have to sacrifice family time for work," he said.

Galaxy Research surveyed nearly 1300 people for the report.

claire.heaney@news.com.au

VAN PLAN BECOMES AN EXTRA BIG SERVE

CLAIRE HEANEY

Scott Kilmartin with his ice cream van, Grace. Picture: JOSIE HAYDEN

SCOTT Kilmartin says he is 13 months into what he thought would be an eight-week project.

The entrepreneur has been running the Short Batch ice cream company for three years, selling from carts.

But he decided to take it up a notch, and set about finding a vintage ice cream van. He found "Grace" on the Gold Coast.

She had started life as a Myer delivery truck in Adelaide and more recently was used to sell shaved ice treats.

Mr Kilmartin said the hint that it was not going to be such an easy project appeared early on.

"We ran out of petrol three times on the drive home because the petrol tank is so small," he said.

While Grace looked passable, closer inspection showed the floor was rotten and it was a rebuild project.

The 1967 Morris van is getting closer to completion.

Mr Kilmartin's day job is e-commerce for medium-sized businesses but the ice cream venture came after he became inspired by the food truck industry.

He took an extended break and travelled overseas to train in the finer art of gelato making and visited New York, Cuba, Paris, Madrid, London and beyond to see how as many as 180 shops, carts and trucks operated.

He has launched a crowdfunding campaign to cover the nearly $13,000 cost of freezers and fridges and to market the business.

Mr Kilmartin said the project ticked a lot of boxes for people. "Remember the feeling when you heard an ice cream truck in your street as a kid?" he said.

Under the crowdfunding model, Mr Kilmartin is offering a range of packages including private events.

"On *Grand Designs*, Kevin (McCloud) always asks how much they have spent building the house. I'm almost scared to add up this box of receipts," he said.

The project will cost $100,000 not including his own labour. The crowdfunding campaign closes in just over a week and as of yesterday Mr Kilmartin was 80 per cent funded.

indiegogo.com/projects/grace-the-vintage-ice-cream-truck-food-design#/

Be quick, says NAB, but not too quick

JEFF WHALLEY
BANKING

BANKS need to ensure they do not swamp customers with technology upgrades as they move to fend off lean online challengers, a senior banker says.

National Australia Bank general manager of home lending Meg Bonighton told *Business Daily* that, while banks needed to innovate, they should avoid flooding the market with products before there was demand for them.

Ms Bonighton was speaking after NAB launched a 15-minute online application process for home loans, allowing customers who meet the bank's criteria to receive conditional approval and make an offer on a property the same day.

Each application is subject to a credit assessment processed by NAB's database.

Ms Bonighton said similar systems used by other banks to provide pre-approval or an indicative borrowing capacity generally did not include credit assessments.

NAB chief Andrew Thorburn is trying to create a culture of speedy and constant innovation at the bank — in contrast to the extensive but cumbersome system overhauls that previously characterised the bank's approach to technological upgrades.

Banks are increasingly taking such an approach as they compete with online start-ups with smaller operating costs.

Ms Bonighton said banks needed to keep pace with customers' needs but had to be sure there was demand for the products they launched and strike the right balance.

"We always want to keep pace but there are also dangers of moving too far ahead," she said.

From concept to launch, NAB took about a year to develop the home loan application system, called goAHEAD 24-7.

Danger in holding low-growth big caps when music stops

THE SHORT CUT
with ROGER MONTGOMERY

HISTORICALLY low interest rates have not worked.

Hoping that it would increase consumption, central banks first cut short-term interest rates to zero (or below).

After failing at spurring consumer activity by cutting short-term rates, the central banks then worked in concert to drive long-term bond rates lower, trusting that such a move would trigger a rush into other assets, driving those asset prices higher and in turn awakening the 'wealth effect'.

It was then thought, that with everyone flush with new wealth from rising property and stock prices, the newly minted rich would go out and spend. They didn't.

Instead all that happened is record high asset prices being achieved — and a great deal of debt accumulated.

In Denmark, where interest rates have been negative for the longest period of time, savings are rising and spending is declining.

Albert Einstein defined insanity thus: doing the same thing over and over again and expecting different results.

Economist Herb Stein observed that if something cannot go on forever it must stop.

Eventually the 30-year-long trend of declining bond rates will end.

When rates start going up, the 30-year trend of rising asset prices might also change.

Aside from those who have accumulated immense debt, investors most at danger will be those who have been buying and holding the shares of companies with little or no growth.

They have been buying shares for the attractive dividend yield not realising those dividends have been funded by an increased payout ratio.

A higher payout ratio means less profits are being retained for future growth.

In other words, investors have paid record high prices for the shares of companies with less growth.

Another way of looking at it is that they have accepted bond-like returns while taking on equity market risk. History suggests this doesn't end well.

In a rising interest rate environment, the 'P' (price) in the P/E ratio falls and the 'E' (for earnings) in the P/E ratio must rise to compensate. If the E doesn't grow, the investor can lose permanent capital.

Meanwhile, the companies with wonderful growth prospects have fallen significantly.

Companies such as Vita Group (down 45 per cent), Healthscope (down 30 per cent), Altium and Isentia have fallen by high double digits. By any measure they have crashed.

Investors who are holding high-yielding, low-growth companies have avoided much of the slump that the small and mid-cap high-growth companies experienced in the past two months.

But value has now emerged in those latter names and investors are still looking at the prospect of higher interest rates and low growth in the big cap mediocre companies their portfolios are heavily weighted towards.

While you need to speak to your adviser, now might be precisely the right time to consider reducing exposure to companies whose dividends will be no higher in five or 10 years' time and increasing exposure to companies offering strong growth in profits, cash flow and income.

ROGER MONTGOMERY IS CHIEF INVESTMENT OFFICER AT MONTGOMERY INVESTMENT MANAGEMENT