

# A GUIDE TO HELP BUSINESS TRADIES GET PAID

## ***NEW ADDITION:***

By Kim Radok - Revised March 2020

## Protecting Your Vehicles, Trailers And Tools From Theft



## **CREDIT MATTERS**

Your Cash Flows Defence Against Profit Robbers

## About the Author – Kim Radok

With 45 years in the workplace, Kim has been a bank officer, debt collector, a national credit manager, consultant, lecturer, public speaker and business owner.

Kim has qualifications in credit management, fraud investigation and adult education.

The purpose of this guide is to help you minimise risk. It can be downloaded to your phone or tablet so you can carry it with you on the job as a useful support if you encounter an unfamiliar problem.

Please also share this knowledge with other tradespeople considering going in to business for themselves.

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## Introduction

If you are a tradie contemplating going out on your own, or currently working in your own business, I suggest it is important to understand the key factors in running a successful business.

This guide is NOT a manual on how to run your business on a day to day basis, or how to achieve your goals. It has been prepared with the intention of introducing you to the key factors required in running a successful business. You are certainly entitled to operate your business as you believe appropriate for your circumstances and create your own processes as you develop your business.

There is no guarantee of success in any business. However, history shows by understanding the key factors of business, you will have a greater chance of success. It is by understanding these key factors that I will be sharing with you, which allows your business to stand out from other business tradies. History is littered with examples of business failures, caused by business owners failing to understand and failing to implement these key factors in their business.

Many business tradies lose money to devious customers who are either outright dishonest or who can find ways of not paying. Unfortunately for many tradies, many of their customers come from the most difficult customer groups; *building/construction* which has a dreadful history of non-payment and *by consumers* who are the most protected and regulated of all customer groups.

Another way of looking at running a business, is to think about when ships leave harbour and head off to sea. Even with the best captain, crew and maintenance programs, there is never a guarantee that the ship will reach the next port. When the captain and the crew are less able, and/or the ship poorly maintained, their chances of survival are further reduced.

Furthermore, when a tradie goes in to business they wear two hats, first as a business person and the second as a professional tradie. To wear both hats successfully, the business tradie needs to have the tools and knowledge to succeed.

You may not be aware of a number of the topics mentioned in this guide. Therefore, explanations are simple and brief so as to not overload you with information. I have also tried to write in plain English to help you understand what this information means for the success of your business.

I cannot emphasise enough, going in to business is not without risk. Furthermore, you are risking all your money, assets, and your emotional wellbeing when you go in to business.

The purpose of this guide, is to help you minimise risk. It can be downloaded to your phone or tablet, so you can carry it with you on the job as a useful support if you encounter an unfamiliar problem.



## Before Starting Your Business

Prior to starting a business, it is important to identify and create the correct business structure to protect you, your assets and your business.

It is wise to have an ACN (Australian Company Number) which means you have a trading entity, which usually has Pty Limited, or Proprietary Limited following the name of the business. Trading under your own name as a sole trader or only a business name, is less desirable. For example, if your business fails, an ACN trading entity, which is a separate trading entity, can help to keep the assets of your business separate from your personal assets.

Working under an ABN (Australian Business Number) is not recommended for many reasons. One reason is that if your business is ever sued, none of your personal assets are protected.

Developing a good business relationship with an accountant, solicitor and credit or accounts receivable professional, bookkeeper or insurance agent is important. These professionals should be able to answer any questions you have about running a business in their respective fields of expertise.

Preferably you will approach professionals in each category which have been suggested by trusted acquaintances. It is always best to speak and meet with several professionals to see which ones you are most comfortable with and best suits your needs.

Operating a business is not for the fainthearted, no matter what you read about the successful few who started with \$10.00, a credit card and/or a great idea. These winners are few and far between as many businesses fail within the first 5 years. You rarely read about the people who have lost their business. After all, who enjoys reading about failure? In reality however, these are the very people you should be

speaking with in order to try and understand the pitfalls of business. Hopefully after listening to their stories, you will learn to avoid making many of the same mistakes.

## It Is Better To Spend The Time And Money Upfront

There is a quote by Evelyn Waugh which says, “If a thing’s worth doing at all, it is worth doing it well”

These are wise words when building your business. A business needs good foundations to survive, just like building a house where solid foundations are essential. A good example on building a house with solid foundations, is the children’s story of the Three Little Pigs.

Building solid foundations for your business may sound costly in time and money. However, business history reveals it is better to spend money on building a solid business at the start. Over the long term, spending money and time to repair mistakes and chase non-collectable invoices will be far more costly.

Another fact is, many of your competitors will not spend the time and money to operate properly to protect their businesses. This is a false and risky strategy by them in an attempt to save money, especially if their customers do not pay or disappear overnight. If your competitors should lose their business because they are not prepared to build a business properly, this is sad for them. However, from a commercial perspective, it is good news for you.

## Understanding Your Strengths And Weaknesses

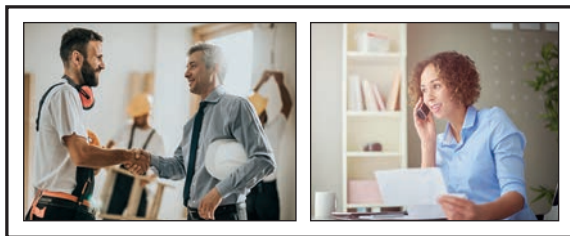
Once you have an understanding of the factors involved in running a business, it is also important to understand your personal strengths and weaknesses. None of us are perfect and we all bring our strengths and weakness in to our business.

In business, it is essential to do what you are good at and enjoy the most, whilst employing other people to complete the tasks you are not good at and don’t enjoy.

Your strength may be doing the “hands on work” aspect. Therefore, any time spent doing what you are not good at, means you are losing work, money and the pleasure of being your own boss.

By understanding your individual strengths, you can set up your business to maximise your strengths and minimise your weaknesses. My weakness was in bookkeeping. Once I employed a bookkeeper, I saved time, made more money and enjoyed working in my business again.

Employing the right people for the right job, also provides peace of mind. There is nothing worse than wasting time doing something badly that you hate doing.



## Insurance

Insurance is a necessary evil for the business tradie. You may be unhappy with the price of premiums. However, should you need to submit a claim, insurance can become your best friend.

As a business tradie, your work involves risk and possible injury, so income protection is a must have in case you are unable to work.

Insuring your tools and motor vehicles is essential, because you cannot work without tools and the means to get to work or to carry your tools and supplies.

You can obtain an insurance policy with a cheaper upfront price by going direct to an insurance company or going online. As in all things, you only get what you pay for and when a claim is required you are on your own with all the accompanying stress.

I suggest you consider going to a reputable insurance broker who has been referred by a trusted acquaintance. It is also equally important to know if the broker has supported them or a friend when a claim was made. The advantage of a broker is they can help you avoid a lot of wasted time and stress if a claim is required. It is a lonely, stressful and time-consuming job making a claim on your own, and any savings gained from going direct are soon lost.

Another form of insurance for your tools, motor vehicles and other business assets, is the PPSR which is mentioned later. Registration of your business assets under the PPSR in layman's terms, allows a business tradie to have a registered mortgage over their tools, motor vehicles and trailers. This type of mortgage has only become available in the last few years to help tradies and other business people protect their assets. It would be a shame to waste this protective measure.

The registration of a mortgage over your business assets is just like the bank taking a mortgage over your home for a home loan. In this case, you the business tradie is the bank protecting your business assets.

## To Borrow Or Pay Cash For Your Business Assets?

It is always best to pay upfront to avoid paying interest when starting your business and to avoid going in to debt if at all possible.

Unfortunately, I accept many tradies starting out in business might not have the necessary cash, and require finance. There are several reasons to avoid debt if at all possible, including the following.

- 1 You have no record of sales and do not know if you will earn enough to pay your operating expenses, have a profit to live off and pay back the debt, plus interest.
- 2 Any money borrowed is not your money and therefore belongs to somebody else. They will want their money back, plus the interest.
- 3 Whilst the interest paid is an expense, as my first accountant said, the ATO will only give one third of the cost back as a tax deduction. Your business will still need to fund the other two thirds.
- 4 It is no good blaming others, or the business environment if you cannot pay your debts. It is always your responsibility. In addition, there are laws which will hold you to your responsibilities.

You may obtain credit through a credit facility offered by your suppliers. If you are granted a credit facility, make sure you pay your accounts promptly. The last thing you need is to be classed as a poor payer.

### *Director or Personal Guarantees and Indemnities*

Whilst talking about finance, as a business owner, you need to understand the basic concepts about Director or Personal Guarantees and Indemnities.

I suggest, due to the many issues involved, you ALWAYS consult your solicitor BEFORE signing any sort of guarantee or agreeing to any Indemnity. Especially in the business setting, signing Guarantees that you do not understand can become very costly and may cripple your business's future success.

Likewise, if you ask a customer to sign a guarantee, make sure you have a process where you have done everything possible to ensure the customer understood the Guarantee and it was signed properly. Taking a guarantee only protects your business if it is completed properly and the customer has the assets to pay you if the guarantee is required.



## Having Decided You Still Want To Go In To Business - Obtain The Tools Of Business

You will already have the tools of your trade. However, you may not have the tools to run a business. Now is the time for you to stock up on your business tools, these include the following.

### *Terms and Conditions*

Before you set up your website or prepare any working documentation such as an order pad, you need terms and conditions to protect your business. These terms and conditions **MUST** be suitable for your particular business.

Legislative changes to contract requirements involving insolvency and the ability to charge for costs etc. occur frequently. With every change, there are traps for the unwary. It is strongly recommended you periodically check that your terms of trade and conditions are still valid. A good time to review these would be when you need to print a new set of order books, reviewing your business strategies or taking on new customer groups.

Working with a lawyer who specialises in commercial issues and disputes to prepare the best terms and conditions for your business is essential.

Some business people will copy another business's terms and conditions in an attempt to save money. This is a very dangerous practice as you have no way of knowing whether the terms copied from the other business are out of date, or unsuitable for your business. In any case it is high risk and inevitably, a waste of time and money in the long term.



### *An Order or Project Pad*

A professionally prepared order pad, with the right sort of terms and conditions which are applicable for your business and structured correctly, is worth dollars in the bank.

In addition, there is less stress when selling your services, especially if you are hesitant to stand-up for your rights. There is nothing more frightening for some business tradies than to insist they want to be paid and when they want to be paid. A properly signed off order, helps to avoid a lot of problems later as it should clearly set out the scope of the job, products and services to be provided, payment deadlines and dispute measures.

The days of preparing a quote on a scrap of paper or the back of an envelop are long gone. Proper evidence in writing is now essential to protect the rights of your business.

### *A Change of Quote Pad*

Whenever the customer wants to change the dimensions of a job part way through a project, do not make any changes or do the work until new paperwork has been prepared and signed off.

Too many business tradies get caught out by their customers who ask "... can you just do this little extra job" or "I have decided this change is now required" etc. Inevitably, when there is no paperwork to confirm if the change was authorised, the additional costs or issues which may affect time overruns etc., can leave the tradie out of pocket.

Remember, you are running a business. You are not running a charity. Of course, if it is a very small change with minimum lost time or cost, you may decide to do the extra free of charge, as a good strategy for future business. However, always be careful, because the number and cost of small changes can creep up, as some customers are very good at asking for these small changes during the job.

### *Backup Files with Paper and Digital Formats*

I cannot stress enough, the importance of backing up your working information in both digital and paper formats. This information will include the preparation of quotes, changes to quotes and changes once the work has commenced etc.



I suggest you keep all records for at least 12 months after the completion of the work, as a minimum.

This information is essential for debt collection of unpaid invoices, or a defence against unfair claims or in the case of disputes.

### *Protecting Your Assets and Tools – the PPSR*

All tradies should seek to understand the basics of the PPSR Legislation. In layman's terms, this legislation provides business tradies with an opportunity to place a mortgage over their business assets. It is another form of insurance if your business fails or your assets are left on a property where that business owner (your customer) becomes insolvent.

This legislation is far too complex to explain in this guide and you will need to approach a commercial lawyer, or an organisation that specialises in helping tradies protect their assets via PPSR Legislation.

As an initial guide you can visit <https://www.ppsr.gov.au> to gain a basic idea on the concepts of this legislation. Again, it is suggested that a professional should be consulted to help you protect your business assets.



## Protecting Vehicles, Trailers And Tools From Theft

I added this section “protecting your vehicles, trailers and tools” in late March 2020 due to the general consensus that we are heading for a national and global recession.

As a risk management professional with a large number of associates and acquaintances who are tradies or business owners, I worry about their survival and well-being as the forecast of the recession appears accurate. The world dynamics are changing dramatically, and with it, so will human behaviour. It is therefore inevitable that we are about to witness the best and worst of human behaviour.

Whilst the full effects of recession are yet to appear, we have already seen numerous stories on Facebook of tradies vehicles, trailers and their tools being stolen. As the effects of the recession worsen, we can expect, due to further hardship, this situation will only get worse. The fact is that each vehicle and trailer contain a gold mine of tools and materials which are largely untraceable, which makes them an obvious attraction to thieves.

The following suggestions are to assist in minimising the damage to tradies financial and emotional well-being. Note: even these suggested measures may not be effective enough if the thieves are really determined. The truth is, the more difficult you make it for thieves, the more likely it is they will move on and seek easier targets.



### *Protecting your vehicles and tools*

Make sure each of your vehicles and trailers have GPS trackers or some other tracking mechanism installed. Whilst these mechanisms may not stop the theft, they will enable you to trace your possessions as soon as you realise of the theft. As we are all aware, time is of the essence for effective recovery.

It would probably also be sensible to attach similar tracking mechanisms to your most valuable tools.

Security signs are used to deter burglars from entering houses and/or factories, A sign or sticker alerting the fact of the presence of security devices may have a similar effect to deter thieves from stealing your possessions.

You may also find insurance companies will discount premiums for implementing such measures, or are more willing to pay out your claims in the event of theft.

### *Protecting your trailers*



You may want to consider the use of immobilising and/or trailer hitch locking devices which will make the thieves' job much harder to steal them. In addition, always try to park your vehicles in high-visible areas, well-lit at night and if possible, in view of camera surveillance.

Don't forget to also secure your possessions whilst you are on the job. Many minor losses, particularly of valuable tools, actually occur when tradies are on the job working

### *Four important survival strategies reinforced*

With the negative effects of recession in mind, it is timely to draw your attention again to the following four important survival strategies.

- 1 Check that your insurance is up to date and re-check that it covers all possible contingencies. Have this assurance from your insurance company or broker/agent in writing. A verbal confirmation is not proof enough should a claim dispute arise. The last thing you want is a rejected claim, through a technicality after paying years of, or even one premium.

If possible, pay the extra upfront cost of using a reputable insurance broker. The cost in lost time and emotional trauma trying to deal directly with insurance companies on your own is more than compensated by using a professional and reputable insurance broker.

- 2 As I have mentioned previously in The Tradies Guide, the PPSR (The Personal Property Securities Register) is more likely, perhaps even more an essential protection strategy now for your business assets. I cannot emphasise the value of using a seasoned professional with experience of the PPSR helping you get the process and documentation right.

Provided you register your assets properly under the PPSR, it provides an element of security by reaffirming the ownership of your assets in case any, or all, are lost due to theft.

- 3 I believe an order pad, with a properly prepared and documented set of terms and conditions, and set up correctly, is a wonderful aid in protecting your work. Yes, you should use a properly qualified lawyer which specialises in this area of the law to prepare your terms and conditions of trade.
- 4 The offer to take over a part complete job is one of the most dangerous temptations that a tradie will ever face in the coming months and years. As I have advised in The Guide, the reason for the job being half completed is usually because of poor workmanship or the owner ran out of money.

It is therefore essential that you insist on being paid BEFORE you even start an inspection of the job and before giving a quote. After all, you don't know what you are going to find once you start the job or whether the owner has the funds to complete the job and pay you.

Finally, I can fully understand if you are put off about the upfront cost and complexity of these protective measures. The truth is, these protective components are now unfortunately very necessary. The dollars you spend therefore are definitely not for another day-to-day discretionary expense which can be ignored or replaced by cheaper options. The dollars spent on these protective components in these risky times, are an investment in protecting your business assets.

Putting it in another way, these are your choices. Spend the dollars up front for the best products and services you can afford now, plus peace of mind, to reduce any the costs later if the worst happens. The alternative is to despair over lost property and wasted time spent trying to deal with insurance claims whilst losing even more business and money.

Unfortunately, operating a business often involves making tough decisions about costs and benefits. These decisions can at times challenge even the most experienced business person. The upside of making the right decision however for the long term and peace of mind, is dollars in the bank.

## Understanding The Business Environment Today

Business has always involved an element of risk, even in the good times. Today however, we live in complex times where a multitude of issues, not all good, are facing the business tradie on a daily basis.

I believe it is fair to say, the next recession is here now, although it has not yet been declared. It is not only myself which believes this state of affairs. You would be wise to assume we are likely to see the effect of recession sooner rather than later. Any further delay, will be a bonus.

In addition, when you do not get paid upfront, you are in fact spending your money on somebody else. In other words, as explained earlier, you are spending your money to provide the customer with what they want, in the hope they will pay you later.

Today, your customers have many ways to avoid paying the business tradie. I could give you many examples and explain why, although it is far too time consuming to put simply in this guide. I will say however, the customer today has more rights than you and your business.

Finally, we know that when bad times occur, people steal to survive. In good times; people steal because they can. Other people will steal all the time because they are better at stealing than business people are at protecting their money.

### *Family, Friends and Fraudsters*

Family and friends can rip you off just as quickly as a fraudster or other customers. In time you may learn from experience how customers and fraudsters operate to avoid paying you.

The hardest person to spot who may not pay you, are your family and friends. You only have to speak with experienced tradies who have been in business for a few years. They will tell you stories and help you understand what I mean.

You may have also heard stories from within your own family or from other families of how one family member ripped off other family members.

In business and in life, you will find people will do some terrible things to other people because of money. Family and friends unfortunately, are no different.





### *The Part Completed Project or Job*

Irrespective of whether we are in good or bad times, a business tradie may be asked to take over a job which has not been completed. Take care when being asked to complete another tradie's project.

I suggest you never take over a part-completed job or project without completing due diligence on the work already done. What I mean is; there was a reason why the job was not completed. That reason is usually because of a lack of money or bad workmanship. Asking the customer why the job is only part completed, may not result in a truthful answer.

In either case, I suggest you work out the time it will take to inspect the previous work and then charge an upfront fee, payable before doing the inspection. The reason for this strategy is to ensure you:

- ❁ Get paid for your professional review of the current state of the work;
- ❁ Understand the complexity and time required of completing the work and to prepare a properly costed quote;
- ❁ Find out if the customer has the money to do the work and is not just after free work;
- ❁ Protect your professional reputation, time and money against any problem customers and/or previously completed shoddy work.

### *Always Obtain Written Authorisation or a Purchase Order*

**NEVER**, I repeat, never start a job or pay for any goods or services until the customer provides written authorisation.

When working with a larger business, it is preferable to obtain a purchase order or another form of written authorisation to start a project or change any current work not covered by the original job order.

In addition, ask the question or seek written evidence that person is actually authorised to authorise the work required or any changes to the work first agreed upon. It is not unusual for larger businesses to try and fob off business tradies by saying the person authorising the work or change of work, was not authorised to do so.

## *Raise an Invoice Quickly and Follow Up Promptly*

Do not delay in raising an invoice. Whether you raise a paper or digital invoice, raise it quickly and send it correctly to the customer in the format demanded by the customer.

Sending invoices late and incorrectly gives your customer an excuse not to pay you promptly.

Once sent, check to see the invoice is paid within agreed terms.

If the invoice is not paid, you need to follow up promptly. Whether you make the contact or somebody else you have appointed to complete the task is immaterial. There are times when it is far better to have another person make contact for the unpaid invoice because they are not emotionally involved as is the business tradie.

Besides, if you are following up on unpaid invoices which you hate doing, you are also not doing what you are good at; earning money.

## *The Legal or Official Looking Letter*

Occasionally, you will receive a legal letter or official correspondence from a lawyer, insolvency administrator or government agency, e.g. the ATO. **NEVER** ignore the letter or put it aside to read later. Be brave and open it and read the contents.

If you do not understand what the letter says, don't ignore it, ask for help.

Avoidance is the best way to get in to trouble for no good reason. Just like ensuring you have up to date business records, pay your creditors on time and submit your tax returns, most matters can be dealt with relatively easily. It is when you ignore the letters, or don't understand their contents, that you run in to the most and often unnecessary trouble.

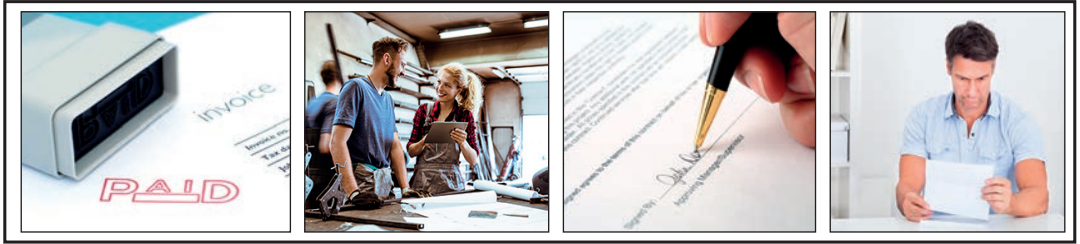
## *Protecting Your Reputation*

Everything in this guide is designed to help you protect your business assets, the survival of your business and good reputation. Reputation along with cash and the quality of your work, are the keystones of business survival and growth.

The easiest thing to lose in business is your reputation. The hardest thing to recover is your good reputation.

By consciously working on keeping your assets safe, delivering quality work and protecting your reputation, you have the potential to survive for the long term and maximise your profits.





## Conclusion

Building a business is not without risk. The business tradie needs to prepare themselves properly to run a business. The key to surviving in the short-term and the long-term business, is to spend the time and money at the very beginning. It is also wise to remember on the example at the beginning of this Guide about ships going to sea. When a ship leaves port, there is never a guarantee the ship will end up safely at its destination.

A business tradie that has built their business with strong foundations and support from the appropriate business professionals, has started in the right way. The next step is to have the right business tools and learn how to run a business on a day-to-day basis.

Finally, you have to understand the economic climate in which you are operating and the games people play to avoid paying you. Get these factors right, and success is possible.

When going in to a business, you are risking your future, money and wellbeing. Therefore, it is worth taking the time and money to build your business properly. At the end of the day, Evelyn Waugh's quote "If a thing's worth doing at all, it is worth doing it well" makes sense.

If you want to know more, you can always visit [www.creditmatters.com.au](http://www.creditmatters.com.au) or contact Kim at [kim@creditmatters.com.au](mailto:kim@creditmatters.com.au)



# CREDIT MATTERS

Your Cash Flows Defence Against Profit Robbers

48 Guinevere Parade, Glen Waverley  
Victoria 3150 Australia  
Ph: +61 3 9886 6707  
[info@creditmatters.com.au](mailto:info@creditmatters.com.au)  
[www.creditmatters.com.au](http://www.creditmatters.com.au)