



SMART MONEY



Photo Illustration
Suzanne White

YOUR GUIDE TO THE PERFECT HOME OFFICE

It may be the right time to move the business into the spare room, writes **Debra Cleveland.**

Adrian McCowage took a retrenchment package from an IT position with one of the Big Four banks about six years ago. Little did he think he'd end up running his own business from home organising other people's lives – anything from getting documents authenticated in Australia for a client in China to repairing the solar hot water system of a rental property owned by clients in London.

He is one of a growing number of corporate employees who have been forced to think outside the square because of changing

economic and employment conditions.

"I'd been in IT and corporate life for 20 years and was fairly sure I didn't want to go back," McCowage says. A friend's lament over choosing a new hot water system gave him his first assignment.

"A lot of what I do now is project management, like I was doing in corporate life – but instead of organising computer installation and software development, I'm getting wardrobes installed or helping clients move home."

The biggest change for anyone working from home is a big drop in back-up – no big back office support and infrastructure.

In McCowage's case, his laptop is the powerhouse of his lifestyle management business and his home office is compact enough for him to swivel easily from desk to filing cabinet. But for many others – particularly those likely to meet clients in situ – that may not be enough.

So how do you go about setting up an ideal home office environment and why is setting up

It's all about storage and creating a neutral space that is separate from your family life.

a trestle table or cobbling together bits and pieces just not good enough? It's all about storage and creating a neutral space that is separate from your family life, says interior designer Beverley Gibson of Gibson Interiors.

She should know. She's used her home office as a base for many years. Facing onto a lush, tranquil courtyard framed by potted murrays, her workspace is a good blueprint, designed around a small space and combining readily available Ikea pieces with custom-made cabinetry.

She's built knee-high cupboards around two walls to go under the Ikea cubed square bookcase – creating more height, archive storage under the bookcases and plenty of space in the shelves for other storage.

"If you've got white bookcases, white ringbinders and boxes can hide a lot and look neat," Gibson says.

On the third wall, she's built in a unit with tambour or roller doors that recede into the cabinet because it's neater than having

office equipment on display. Storage is key, both for better organisation and keeping out of sight the usual paraphernalia.

"A built-in desk is better than one that's freestanding because otherwise all your cords are exposed," Gibson says.

"The best way is to build in a workstation all around the room, with drawers underneath and shelves above so you free up more floor space."

"If your room's big enough, create a conversation area with a couple of chairs and a small coffee table."

You can cut costs, as she has done, by combining existing pieces with custom-made carpentry. Use a kitchen company, they're much more efficient, Gibson says.

If you need help from an outside eye to see a room in your home differently and you can afford it, hire an interior designer – about \$350 will pay for a consultation and a raft of good ideas.

Or ask a local kitchen company to give you quotes. Try to have a **Continued next page**

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PROS AND CONS OF CLAIMING EXPENSES

Making tax claims for depreciation of computers, telephone costs and running expenses such as heating and lighting is pretty straightforward. It's only when you start to claim "occupancy" expenses such as rent, mortgage interest and building insurance that you can run into capital gains tax problems later on.

"You need to be careful because if you are claiming a portion of your mortgage for your home office, that portion will not get the full capital gains tax exemption on the family home," says Heather Schache, general manager of not-for-profit education group Taxpayers Australia.

So if you've been claiming, for example, 10 per cent of those costs as expenses, 10 per cent of the profit from eventually selling the family home will be subject to CGT. "With the 50 per cent CGT discount, many people still end up in a good situation anyway [from claiming the expenses over the years] but it's something you have to be careful of," she adds.

Occupancy expense claims are made on a pro-rata basis – as a portion of total expenses based on floor area and time worked.

But remember you can claim these occupancy expenses only if you satisfy tax rules that your home is a place of business rather than just having a home office, says Frank Brass, regional director of H&R Block.

Schache says this is much clearer when there's a designated part of the house for work, such as rooms for a doctor or vet or a hairdressing salon. By contrast, she says, a study is just part of your home where you have a desk – typically a small room or a lounge room with a desk rather than somewhere with a separate entrance and work set-up. Another area of differentiation is if you have clients coming to your home, in which case it's much easier to make the distinction that your home is a place of business.

When working out running expenses – claimable whether it's for a place of business or home office – you can either use the apportionment method or a set

rate from the ATO, says Brass.

If you're using apportionment for claims on electricity, heating, furniture and carpets, make sure you keep detailed records of expenses and hours worked. If that's too difficult, the ATO allows a flat rate of 26¢ an hour.

You can claim occupancy expenses only if you satisfy tax rules that your home is a place of business rather than just having an office.

You can claim telephone expenses but make sure you go through your phone bill and highlight work calls, says Brass. If this is too difficult, says

Taxpayers Australia, work out the portion of work calls by keeping a four-week record and claim them as a proportion of the total bill. Or run a separate phone line.

If your computer and other equipment such as a printer are used solely for your business, it's straightforward. If you share these with other members of your family, says Brass, keep a logbook for 30 days to work out the ratio for tax purposes.

Another advantage of claiming your home as a place of business is the travel expenses, says Schache. "This is very relevant for rural salespeople," she adds. "The home office is where they're making all their calls and is their centre of work, they don't have another office, and they travel from there for work for extensive hours so they can often claim all their travel."

You'll also need to get set up with an Australian Business

Number (ABN) which is easily done online via www.ato.gov.au. Otherwise anyone paying you will have to withhold tax of 47.5 per cent. You will also need to register for general sales tax if you believe turnover in the first year of your business will exceed \$75,000.

If you do register for GST, says Brass, make sure you remit it back to the ATO when lodging your quarterly Business Activity Statements (BAS) otherwise you can face interest of 11 per cent on what you owe as well as penalties ranging from \$110 for every 28 days you're late to \$550 a year.

"Most small businesses get into trouble because this is not their forte," says Brass. "They don't do [the bookkeeping] properly or they're too busy earning an income." If you're able to keep proper records and provide your accountant or bookkeeper with a spreadsheet or small MYOB program, the quarterly charge for BAS is about \$80. Otherwise bookkeeping charges are about \$100 an hour from H&R Block. **Debra Cleveland**

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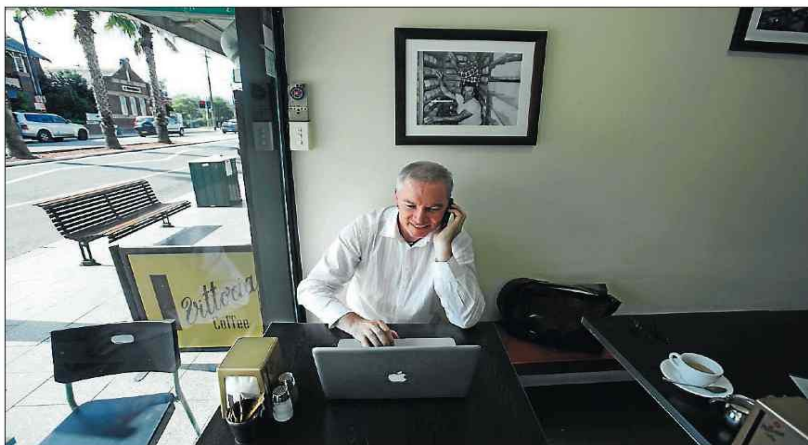
separate entrance that doesn't invade your family space and creates a more professional feel.

"[Clients] may feel awkward coming into your home on business, otherwise," Gibson says. "For example, if you've got windows at the front of the house, turn them into french windows and use that entrance."

It's also important to work in a space that's quieter and separate from the rest of the family, so if you can't have a separate entrance, at least be able to close the door.

Also think about creating a powder room or bathroom, Gibson advises, if you're going to have clients or co-workers at the house. Systems like Saniflo can avoid costly redirection of plumbing.

Before you commit yourself to new kit-outs, "camp" in the room to see how you work in it. And be open about which room you use.



The biggest mistake is just deciding on the spare room because it's available, says Amanda Sarden, who runs workplace efficiency company Organising Place. It's now in Sydney's CBD but she started it from home.

"The room may be too small, too noisy, not have enough natural light. I've seen home offices in hallways with filing cabinets in another room and in garages where there's not enough natural light," she says.

Take into account cabling,

electricity needs, ventilation and whether you can work there for hours every day.

"When I first started working from home, I painted the spare room yellow because I loved the colour but it gave me headaches after sitting in there for hours,"

Adrian McCowage often works from a local coffee shop. Photo Michele Mossop

Sarden says. Also, take measurements when ordering office furniture and make sure you're buying equipment you will actually use.

Think about where you'll take deliveries and whether your business is likely to generate a lot of mail. Consider whether it's worth hiring a post office box to cope with bulk and security.

If a study doubles as a spare room, Gibson says, invest in a pull-down bed, then build in wardrobes and shelves along walls to free up space.

A recent design she completed incorporated a wardrobe on one wall, a pull-down bed on the second wall and desk space under the window. "It made the whole area very compact and full of storage," she says.

If your home can't incorporate a whole separate workroom, be creative with other spaces – for example, turn a linen cupboard into a computer area and home office. "You can convert the opening door into two retractable doors so you can hide things away or open them up," Gibson adds.

GOOD HABITS PAY OFF

Don't rest on your laurels. You may be working from home but you are not strictly at home. This is work time – make it work for you.

Keep boundaries

Make family and work life separate. Just as you're not available for babysitting duties while you're working, try not to take work calls when you're involved in family activities. Ideally keep a separate work phone that you answer only in work time. Don't fall into the habit of checking emails constantly when you're not in work mode.

Manage your time

It's all too easy for family and friends to drop in while you're working. Set limits, advises Amanda Sarden of workplace

efficiency firm Organising Place, and tell them you're working but could meet at 1pm for lunch at the cafe down the road or for coffee after work.

Master procrastination

Part of the benefit of working from home could be to make the best of non-corporate pursuits such as surf at lunchtime or a mid-afternoon yoga class.

So the longer you take to complete work tasks, the more you're limiting your own leisure time. Set time limits for tasks, suggests Sarden, and plan how you're going to finish them.

Make sure there are no interruptions by putting the phone on voicemail and getting rid of distracting incoming email alerts. "At the end, have a little treat, go for a walk," says Sarden. "When

working from home, you set the limits and set your own pace."

Create a routine

If you are self-directed and don't need external cues, you're unlikely to have a problem staying on track, says organisational psychologist Peter Cotton. If not, it helps to establish a routine parallel to what you'd do in an office situation. "Have a regular starting time, have designated breaks. If you struggle with this, try putting it down visually on paper so you can try to adhere to it and monitor yourself."

Organise paperwork

Have a system and ensure you've got the right tools. If you're organised, think through your needs and work out a plan. If you're not, ask others who are.

Courses are offered by organisations such as stationery outfit kikki-k and Organising Place. Organisation solutions guru Carolyn Verhoef of kikki-k runs a "paper flow" workshop that uses "stations" aimed at keeping things moving.

First, there's an "entry point" or inbox. From there your incoming paperwork moves on to manila folders kept in step files in front of you so you can't ignore them. Called the "action station", it's organised into folders that need immediate action and others that are pending. Anything that needs to be kept is filed in binders. Verhoef says filing cabinets are "graveyards for paperwork" and binders are much easier to access.

Make time for filing

Don't be what Verhoef calls a "serial organiser" by having

massive organisational purges and then lapsing back into bad habits. Establish and maintain good habits by scheduling time "to be in the business of paperwork".

"Often people are so busy in the business that they forget to schedule a time to do the paperwork," says Verhoef. "That's where people fall down, invoices are not sent out in time or paid in time."

Go with the flow

When you're filing, Verhoef suggests setting up a flow chart with subheadings so you document what you are filing where. "You may file only one type of work once every three months, for example, and it may be difficult to remember where it should go," she says.

Finances, for example, may be filed under income and expenses. **Debra Cleveland**