

## 2013 Q2 UPDATE



July 2013

The great start to the year continued and came to an abrupt halt with School holidays! Property continues its recovery with many Clients reporting that it's very hard to get a Contract on 1<sup>st</sup> choice because they haven't been quick enough. Many are coming back with their 3<sup>rd</sup> or 4<sup>th</sup> choice. Further digging reveals though that if the property is priced correctly, it will sell quickly – if not, then it will hang around for a while. It appears to be one or the other at the moment.

★ Please note that if you are thinking of dipping your toes into the Investment market, please speak with us! We have had quite a few Clients who have had meetings with 'Investment' Groups, and then sought our opinion afterwards. In all cases, our Clients proceeded with purchasing an investment property with our assistance & guidance. We don't care where you buy or who through – and we do not charge you a fee for our services. We can assist you though in all aspects of the purchase process, and can recommend other independent professionals if required. So please, speak with us first... it's what I specialise in! ★

Interest Rates are at their lowest levels in modern times – with some fixed rates very tantalising! 3 year rates <5.00% with most Lenders (under Pro Packs) – yes please! While not a fan of fixing, even I took the plunge and locked our Wynnum Investment property in at sub 5% for 3 years. If you're interested, please let me know and we can discuss options. I know some of you are waiting for an even further drop... ANZ just dragged their 3 year rate back up over 5% recently.

We have just completed a full revamp of our 'look' in our Marketing material, with the final piece of the jigsaw being our website. Stay tuned in the coming month or 2... If anyone is after a fantastic Graphic Designer who is also awesome value for the work he produces, get in touch...

In this Update, we take a look at how little you need to dip your toes in the water for an Investment Property; our recent Voting Intentions Survey results – don't think there's anything too surprising in the results; and we have our Annual Tax Tips courtesy of Mark Poulsen from Poulsen Partners.

### **HSL Footy Tipping**

The claims of corruption, dodgy-ness & favouritism continues in our Inaugural Comp, with 'Drugs in tipping' now added to the list! We are an equal opportunity tipping comp - we encourage drug taking if you feel it actually helps your tipping performance... Clearly, some need to consider this. At the Conclusion of Week 18, Allan Greig leads the pack Overall, with Bill Taylor heading up the NRL (& a big chasing pack), & Rob Shiels well in control of the AFL! Rebecca McLeod is having a great battle with Tony Goller for the Anchor Overall while Rebecca has well & truly secured it in the NRL and Brendan Gill just over Tony Goller in the AFL. Still plenty of time left and plenty of Bonus Tips to score.

## Residential Property Update

Bottom is in – property on the way back! And that pretty much describes it in a nutshell. Don't get me wrong, I'm not suggesting for one minute that we are about to bask in a sea of Capital Gain good times again right now, but the positive is that the bleeding has well and truly stopped, and some competition has returned to the market. This is evidenced by what I stated in my opening spiel.

Numbers wise, RP Data reports that Capital City Home Values have increase 3.6% YTD and the Annual Change is running at 4.3%. Brisbane (inc Gold Coast region) is sitting on 0.9% & 1.9% respectively. Not big numbers, but I'll take positive over negative any day!

So where do you stand if you want to buy an Investment property? I'm going to run through some numbers of how much it would take to dip your toes in for the first time, or simply the cost of adding a minimal risk property to your portfolio.

A Client recently purchased a 'Mortgagee in Possession' property at Waterford for \$275k. This property was a tidy 3 bed low set brick <10yrs old on a 600m block of dirt. Rental income \$310/wk! Great little property, easily tenanted, and minimal risk should the unforeseen occur. Let's use this as our case study.

### Purchase Costs

Some Banks will lend to 95% of the value of the property (inc LMI) for Investment. Assuming this:

Deposit including LMI:	\$20000
Stamp Duty:	\$ 8050
Registration of Tfr:	\$ 455
Registration of Mtge:	\$ 157
Conveyancing:	\$ 1200
Misc Bank Fees:	\$ 500

**TOTAL CASH REQD: \$30362**

Please note that this amount could also be available in equity in any existing property you have.

### Loan Repayments

Loan at 95% of PP= \$261250

Loan Repayments - 5.45% Interest Only:	\$1187/mth
Proposed <u>Net</u> Rental Income (@ \$310/wk):	\$1236/mth

You actually have \$49/mth remaining to cover Rates & Insurance etc. Effectively, your Monthly outlay is close to \$0.

As you can see above, it actually is not that difficult to get yourself into the investment market. You can bring your monthly commitment down even further by fixing in for say 3 years at circa 4.95-4.99% (IO Repay \$1086/mth).

If you're interested in seeing whether you qualify, or wish to discuss the 'in's & out's' in more detail, please contact me. ☺

## Survey – Voting Intentions

Thanks to everyone (64 of you) that completed our survey – results fairly self-explanatory. Couple of things that stood out for me:

- If Malcolm Turnbull was an option... 'Decimation'!
- The Greens are facing a shellacking – good riddance!
- Humphrey B Bear is more popular than Julia & Bill...
- Regardless of personal voting intentions, nearly 80% still expect the Coalition to win.
- K Rudd came out this week and stated that Debts & Deficits don't matter... well 84% & 73% of you say it does! Reality Kevin reality...
- And finally, 23% don't know who Rob Oakshot & Tony Windsor are (maybe they should get a gig with Humphrey)...

If an Election was held on Saturday 06/07, which Party would receive your Primary Vote?	
Coalition	<b>56.3%</b>
Labor	32.8%
Independents	1.6%
Donkey	6.3%
Greens	3.1%

Who is your preferred Prime Minister?	
K Rudd	48.4%
T Abbott	<b>51.6%</b>

If you could choose someone else to be PM, who would it be?	
Malcolm Turnbull	<b>53.1%</b>
Other/Humphrey BB	20.3%
Joe Hockey	18.8%
Bill Shorten	6.3%
Julia Gillard	1.6%

How important are the following National issues to you?				
	CRITICAL	IMPORTANT	NEUTRAL	UNIMPORTANT/DON'T GIVE A STUFF
Budget Surplus	<b>22.2%</b>	<b>50.8%</b>	19%	7.9%
National Debt	<b>32.8%</b>	<b>51.6%</b>	9.4%	6.3%
Abolish Carbon Tax	<b>43.8%</b>	<b>25%</b>	18.8%	12.5%
Abolish Mining Tax	<b>35.9%</b>	<b>23.4%</b>	20.3%	20.3%
Asylum Seeker Solution	<b>42.2%</b>	<b>39.1%</b>	10.9%	7.9%
Meaningful Tax Reform	<b>37.5%</b>	<b>53.1%</b>	9.4%	0%
Gonksi Education Reform	9.4%	<b>39.1%</b>	<b>40.6%</b>	11%
Political Party Stability	<b>31.7%</b>	<b>42.9%</b>	7.9%	17.4%

Has the Labor Leadership woes impacted on your voting intentions?	
No	<b>64.1%</b>
Yes	35.9%

Notwithstanding your voting intentions, which Party do you feel is best qualified/suited to managing Australia effectively for the next 3 years?	
Coalition	<b>60.9%</b>
Labor	26.6%
Other	12.5%

Are you surprised Rob Oakshot & Tony Windsor have chosen NOT to recontest their respective seats?	
No	<b>68.8%</b>
Yes	7.8%
Who?	23.4%

Finally, who do you expect to win?	
Coalition	<b>79.7%</b>
Labor	20.3%

### **Comments** (a selection of)

Coalition must choose a better leader than Abbott. He lost them the election last time.

Elections always have a negative effect on business...and Julia Gillard called the election at the beginning of the year but not until September. Australian business will be in trouble until we finally have the election... The Labour party kicked Kevin Rudd out 3 years ago because the "he was on the nose" with the Australian People, now they have kicked Julia Gillard out because she was on the "nose" and now they are leaving in their droves before the election anyway! What a mess.

Democratic processes have been irreversibly spat and stepped on!

Rudd makes my skin crawl! His is a narcissist who is only interested in his own ego and is an arrogant, up himself dick! Lets not forget the very reforms he is now talking about abolishing are the ones he himself implemented that have had a shocking negative domino effect throughout a large array of Australian production and manufacturing businesses! But lets not forget "my name is Kevin and I am here to help" yeah help f#@% up our country!!!! Everyone needs to remember why his party gave him the flick in the first place! Because he sucked big time in his job!!!!

Kevin Rudd should stay as Prime Minister for the full term.

I hope people remember that Kevin Rudd was the first to bring down the country and Julia made it worst!!!!!!

Don't like some of the policies of both parties and abhor Tony Abbott's leadership style and personality, and their atrocious NBN alternative.

What about an option to vote for Clive and his PUP?

Fears for what policies that have not been discussed or are behind the 'counter' that the coalition may in their back pockets waiting to reveal if elected. Don't believe that Abbott would be a capable pm.

Majority of Australians just want someone with a bit of integrity to run the country, it's not hard. But what's the point in voting when the parties get to swap and choose whenever they feel like it? Aus politics are a joke

I am embarrassed that Julia Gillard was Australia's first female prime minister, what a disgrace. We have some amazing women leaders but JG is not one of them. As a woman, I am appalled that this is the best we could do.

Kevin Rudd is a fantastic local member, he is a good guy but a bit naive. How he was knifed was atrocious and the labour party has lived to regret the idiot decision that it made. He has a huge job to do now if he is going to win the election, I think that he might just get there. The libs lost my vote last night when they came out firing with a smear campaign. Our politicians need to start behaving like responsible adults, we need responsible people to run the country and not the sand pit school yard that Julia has allowed to thrive.... Finally, Tony Abbott is not prime minister material.... now if Malcolm Turnbull was the LP leader.... game on...

Glad to see Gillard and Swan gone. The country will be better off.

Let's have an election ASAP and get the coalition in so we can get on with doing business. We at least need a majority government so there is a clear path and that at least can give some confidence, as a small business owner I have noticed lately that work seems to be very slow all most on hold and I wonder have much that is due to the current climate in politics?

The standard of politicians and politics in this country (on both sides) is abysmal.

Believe Coalition (lessor of two evils) will win by a healthy margin unless K Rudd can do some magical spinning as he is already doing and people believe it the bull@&#\$

I'd rather see Bob Katter as PM as most of his views and past time align with those of mine and my families.

Clive Palmer for PM

You should be asking who will vote for the Palmer United Party

## EOFY Tax Tips & Impending Changes

### **Private Health Insurance**

The 2012/2013 financial year is the first in which means testing of the 30% private health insurance rebate has applied. Refer below table for details:

<b>Singles Families (2)</b>	<b>&lt;\$84,000 &lt;\$168,000</b>	<b>\$84,001-97,000 \$168,001-194,000</b>	<b>\$97,001-130,000 \$194,001-260,000</b>	<b>&gt;\$130,001 &gt;\$260,001</b>
<b>Rebate</b>				
<Age 65	30%	20%	10%	0%
Age 65-69	35%	25%	15%	0%
Age 70+	40%	30%	20%	0%
<b>Medicare Levy Surcharge</b>				
All ages	0.0%	1.0%	1.25%	1.5%

(1) Adjusted income is taxable income + reportable fringe benefits + reportable super + net investment losses

(2) The families' threshold is increased by \$1,500 for each dependent child after the first. Families include couples and single parent families.

### **Medical Expenses Offset**

A 20% rebate is available for out-of-pocket medical expenses over \$2,120.

**NEW** Note however the Government is proposing to increase the threshold to \$5,000 and reduce the offset rate to 10% for higher income earners. These amendments are still before parliament, but if passed before the end of June may apply to the 2012/2013 financial year.

This would mean singles with adjusted income of more than \$84,000 and families with adjusted income of more than \$168,000 will only get a 10% tax offset on net medical expenses over \$5,000 **<these amendments have passed>**.

Also note that the government intends to phase out the offset: From July 1, 2013 those taxpayers who claimed the offset for the 2012/2013 year will continue to be eligible for the 2013/2014 year if they have eligible out of pocket expenses above the relevant thresholds. Similarly, only those who claim the offset in 2013/2014 will continue to be eligible for the offset in 2014/2015.

Eligible expenses include payments to doctors, nurses, dentists, chemists and optometrists, but excluding medical cosmetic procedures where a Medicare Benefit is not payable and cosmetic dental procedures.

### **Family Tax Benefit (FTB)**

Certain families are entitled to FTB. To get **FTB** you must lodge a claim with the Family Assistance Office.

Note that entitlement to FTB (Part B) will not be available where the principal earner has adjusted taxable income of \$150,000 or more.

### **Baby Bonus**

Currently the Baby Bonus is \$5,000. The bonus is paid in 13 fortnightly instalments. The baby bonus is not available where your family's combined adjusted taxable income is more than \$75,000 in the 6 months after the child is born or comes into your care.

You cannot receive Paid Parental Leave (See Item 30) and a Baby Bonus payment for the same child. If you are eligible for **both** Parental Leave Pay and the Baby Bonus, you can access the Paid Parental Leave Comparison Estimator to help you make an informed decision about which payment to claim.

**NEW** The Government has proposed to abolish the baby bonus as from March 1, 2014 and replace it with an additional loading on the payments received by families eligible for FTB Part A. The extra FTB Part A payments will total \$2,000 for the first child and \$1,000 for subsequent children.

### **Child Care Benefit (CCB) and Child Care Rebate (CCR)**

CCB and CCR are claimed through the Family Assistance Office. You can't get the CCR unless you are registered for CCB. CCR rebate covers 50% of out of pocket costs for approved child care (total fees charged for approved child care less actual CCB entitlement). A maximum rebate payable of up to \$7,500 per child per year can be claimed.

CCB is means tested. CCR is not means tested, but the Government has it in their sights.

### **Paid Parental Leave Scheme**

Eligible parents are entitled to receive paid parental leave (PPL) for 18 weeks at the minimum federal wage (currently \$606.50/week). To be eligible the nominated parent must work at least 330 hours in 10 of the 13 months before the child's birth or adoption and adjusted taxable income can't exceed \$150,000/annum. Recipients of the PPL will not be entitled to the baby bonus or Family Tax Benefit (Part B) during the PPL period.

### **Paid Paternity Leave**

Under an extension to the Paid Parental Leave Scheme known as Dad and Partner Pay, eligible dads or partners are able to claim 2 weeks paid leave at the minimum federal wage (currently \$606.50/week) from January 1, 2013 for children born after that date.

## **Individual Tax Rates**

### **Current Rates (applicable for 2012/2013, 2013/2014 and 2014/2015)**

0-18,200	NIL
18,201 – 37,000	19.0
37,001 – 80,000	32.5
80,001 – 180,000	37.0
180,001 +	45.0

The above rates do not include the Medicare levy (currently 1.5% of taxable income).

**NEW** The Government is seeking to increase the Medicare levy by 0.5% to 2.0% as from July 1, 2014 to help fund Disability Care Australia.

## **Schoolkids Bonus**

The education tax refund was replaced by the Schoolkids Bonus due to the poor take-up of the ETR. From January 1, 2013 the schoolkids bonus will be paid in January and July. For primary students, \$205/payment and secondary students, \$410/payment. There is no need to keep records or make a claim.

These measures are only available to families of primary or secondary students receiving Family Tax Benefit (Part A).

## **Idle Bank Accounts**

**NEW** Under new rules passed by legislation last year and effective as from May 31, 2013, any bank account that lies idle for more than 3 years can have its funds automatically claimed by the Government. In other words, accounts with anything from \$1 upwards that have not had any deposits or withdrawals in the past three years will be transferred into the Governments own coffers. Interest payments are not considered to be deposits and bank fees are not considered withdrawals.

So if you have a special account in which you've put aside money for your kids' education, or just for a rainy day, beware this cash grab. The money can be reclaimed through ASIC but apparently the process can take months.

## **Work-Related Self-Education Expenses**

**NEW** From July 1, 2014 the Government will place an annual cap of \$2,000 on deductions for work-related self-education expenses. Deductible self-education expenses are costs incurred in undertaking a course of study or other education activity, such as conferences and workshops, and include tuition fees, registration fees, student amenity fees, textbooks, professional and trade journals, travel and accommodation expenses, computer expenses and stationery, where these expenses are incurred in the production of your current assessable income.

## **Rental Property Deductions**

Don't forget you may be eligible for capital write-off deductions on rental properties.

Deductions include depreciation of furniture and fittings (outright deduction available for items costing less than \$300) and a special building write-off on construction costs (including subsequent improvements). You will require a quantity surveyor's or builder's report for rental properties to be able to do this. Call us if you would like us to arrange a depreciation report.

## **Record Keeping**

At least five (5) years, but you should keep for as long as space permits any records to do with capital assets (including shares), tax returns, accounts and legal documents. This also extends to computer transaction files.

## **Capital Gains Tax**

The ATO ruling (TR 2008/1) relating to "wash sales" may mean that crystallising capital losses so as to offset capital gains will not be effective for tax purposes, particularly if you immediately re-acquire those assets in your name or the name of an associate.

Talk to us if you propose to sell loss creating assets to offset other gains.

Remember that the general CGT discount is only available on assets held (contract to contract) for at least 12 months, and arrangements such as option agreements to artificially extend the period of ownership are ineffective.

Capital losses can only be offset against capital gains made during the loss or subsequent years.

## **Land Tax**

For those of you subject to land tax the old methodology of "Unimproved value" for determining taxable value has been replaced with "Site value" which is effectively the value of the land including site improvements such as clearing, earthworks, filling, drainage, reclamation and retaining walls.

## **Home Sweet Loans**

**Home Buyer Guides** - The Home Buying Essentials and Property Investment Essentials. These 24 page colour booklets are packed with information for those who haven't purchased a home (ever or in a long while), or anyone considering dipping their toes in the Investment pool. If you would like a FREE copy, or know anyone that could benefit from them, please email me or request from the HSL website...



Please note that we are here to assist during the Application process, and post Settlement. If you require any assistance whatsoever once you have your loan in place, please call us at anytime. This alleviates any issues that you will encounter dealing directly with your respective Lender, especially when it comes to Product switches and Discharges/Releases.

## **We Value Your Thoughts!**

Gift Vouchers, Movie Tickets, a night at the Footy, lunch/dinner at sumptuous Restaurants – the more of your family & friends you refer, the greater your rewards! We also conduct a regular competition through our Quarterly Magazine. Throughout the year, we conduct several competitions that are exclusive to our 'Email Alert' members & Facebook 'Likers'.

**Take Care!**  
**Tarek**

**So what does everyone think of us?**

**55% 'wished every business was like ours' and 39% were 'very happy' with our service.**

\* Based on the Survey conducted of HSL Clients in Dec 2012.

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