2015
Q2 Update

June 2015

The year is half gone (eeeeeeek), and before you know it, the fat man will be ho ho ho'ing through our bank accounts!

Business continues to flourish and we've certainly pumped out some big hours in recent weeks, especially leading into the end of the Financial year. APRA though has finally become the party pooper with Investment Lending tightened right up. Owner Occupied lending has also had some tightening in the past week and the question is… is this it or will there be further tightening in the next few months?! Interest for Owner Occupied Lending is as best as we've seen with lots of 'under the table pricing' for 'new' business. More in 'Interest Rates/Lending'.

On a staffing note, we lost Amelia a few weeks back unfortunately. While we have appointed Alanna on a part-time basis, we're still searching for the ideal person to eventually fill Rachel's role.

The Real Estate Market continues to move steadily in Brisbane while talks of a 'bubble' continue to fester however this is more targeted at the Sydney/Melbourne markets. More later…

As usual for this time of the year, the EOFY Tax Tips courtesy of Poulsen Partners Accountants (please see Page 4)

On a personal front, my new O35's Team sits in 4th (out of 12) at the half way point of the season having sat in 2nd in recent weeks – 2 losses in the last 2 games sees us slip to 4th. No matter which way you view it, it's still a wonderful achievement in our 1st season together. The Boat continues to gather cobwebs in the Garage and with Ramadan in full swing, not likely to touch water for a while yet. Lucky I have some good friends who are thoughtful and caring <insert sarcasm> in constantly sending me pics of their fish on a weekly basis!

Interest Rates/Lending

While interest rates appear to be in for a period of stability, Lending has tightened up considerably in the past few weeks (as alluded to in the last Update).

Interest Rates first… While Rates for Investment Loans are no longer discounted ie beyond the standard 'carded' rates, Rates for Owner Occupied lending is HOT! Predominantly in the 20% or more deposit/equity space where new lending >$250k, though some good rates are available in the 10-20% deposit/equity space. We're seeing between 4.20% - 4.50% Variable in this space at the moment but it is very dependent on your individual situation. **If you want to discuss where you may sit and/or what options you might have, please call or email me to discuss.** Please note though that not every situation will warrant a 'better' rate than what you are currently on, especially if Lenders Mortgage Insurance is required to refinance (not financially viable for you in this instance).

Fixed Rates remain static with one Lender offering 4.19% fixed for 2 years with 3yr Rates starting at 4.24% & 5yr Rates from 4.59%. If you're thinking of fixing, it would be wise to split your loan and fix a portion while leaving the remainder on Variable.

Lenders have finally wielded to the whims of APRA with some game changing tightening of Lending policies. Investment Lending has copped the biggest whack with LVR's reduced ie Max 90% while some of the smaller Lenders capping Investment at 80%. No discretionary discounting, removal of Negative Gearing benefits and capping of Rental yields in assessments amongst some of the major changes. What this means is that you'll need a bigger deposit and you're unlikely to borrow as much.

Owner Occupied lending has also copped some stick with some of the changes made include minimum Benchmark Rates & reduction in % of overtime/allowances/bonuses/commissions used in Serviceability calculations (ie qualify for less), loading of other existing Home Loan debts, and in CBA's case, no capping of LMI above 95%! This leaves very few Lenders that will cap LMI >95%. My gut feel is that all Lenders will likely follow suit in this regard in the not too distant future. The inevitable outcome here is that 5% deposit won't be enough as you'll also need the LMI in full in addition to your deposit. Back to GFC days…

Property

With continuing talks of a 'Property Bubble' by the 'doomsdayers', one could be forgiven for thinking we're in for a national catastrophe! Where are we sitting…:

Index results as at June 30, 2015

	Change in dwelling values			Total gross	Median dwelling
Region	Month	Qtr	YOY	returns	price
Sydney	2.8%	3.1%	16.2%	20.6%	$772,200
Melbourne	2.9%	1.9%	10.2%	14.0%	$560,000
Brisbane	1.7%	1.4%	3.4%	8.2%	$455,000
Adelaide	0.4%	1.8%	4.5%	9.0%	$405,000
Perth	-0.4%	-0.2%	-0.9%	3.3%	$510,000
Hobart	1.8%	0.6%	0.9%	6.3%	$315,500
Darwin	-3.9%	-3.1%	-2.9%	2.9%	$515,000
Canberra	0.6%	0.5%	2.4%	6.9%	$535,000
Combined capitals	2.1%	2.0%	9.8%	14.1%	$565,000
Rest of State*	0.0%	-0.4%	1.9%		$355,000

* Rest of state change in values are for houses only to end of May

It is hard to argue that Sydney & Melbourne aren't at risk of a bubble and as RBA Governor commented: "Yes, I am very concerned about Sydney. I think some of what's happening is crazy," he told a business lunch in Brisbane recently.

But what about the rest of the Nation? Here's a great article by Terry Ryder:

Here's the most remarkable statistic to emerge from the residential real estate industry this year: 32% of people think there's a bubble.

The remarkable thing is that so few believe in the bubble BS. Media has been running bubble stories daily. Recently a new B word has taken up headline space: bloodbath, now a popular word to describe predictions from the lunatic fringe who subscribe to bubble theories.

But, according to an Investor Insight Survey, 55% of respondents said there was no property bubble and 13% were unsure. Media, being the strange twisted animal that it is, chose to highlight the 32% who do apparently believe there's a bubble, with the inference that this number is significantly high. My reaction was quite the opposite: that it's amazingly low, given that media constantly tells us that one exists.

Among the many unworthy things that Nazi propaganda guy Joseph Goebbels gave to the world was the notion that "if you tell a lie big enough, and keep repeating it, people will eventually come to accept it as the truth". That principle, if that's the right word, is alive and thriving in Australian media today. Most of what consumers believe to be true about real estate – the affordability crisis, the chronic housing shortage crisis, the bubble, the Great Australian Dream is dead, etc – are lies that have been repeated so often that many people accept them as truth. This week the Australian Bureau of Statistics published its Residential Property Price Indexes, which are the latest figures to demonstrate the lie in the boom/bubble/bloodbath nonsense much beloved by tabloid media.

Sydney's price index is up 13% and the next best is Melbourne's 4.7% annual rise. Brisbane has managed 3.9%, Canberra 3%, Adelaide 2.5% and Hobart 1.9%. The price indexes for both Perth and Darwin have fallen slightly. The weighted average rise for the eight cities is 6.9%, but seven of the eight cities are well below that average.

I've scrutinised these figures, and similar data from other sources, from lots of different angles and directions. I've turned them upside down. I've looked at them in a mirror. I've examined them through a magnifying glass. And I cannot find a national property boom there. And without a boom, there is no bubble. And without a bubble, there is no prospect of a bloodbath. Few media outlets reported the ABS figures, as they don't fit with the pre-conceived story line of runaway markets, blistering price surges and world-shattering bubbles. Goebbels also gave us the idea, much utilised by journalists today, that you never let the facts get in the way of a good story.

The latest "bloodbath" forecast has come from a couple of attention-seeking conspiracy-theory twits who have put in a submission to yet another parliamentary inquiry in an attempt to drum up a bit of publicity for their consulting business. They've predicted a bloodbath. Naturally media had a field day with it. If someone is silly enough to predict a market crash, journalists will be delighted to recycle it as news, regardless of how outlandish it is or how often the forecasters have been wrong in the past.

I've added this to the very large list of people who have predicted bloodbaths, bubbles bursting and markets collapsing in Australian real estate over the past 15 years. I have a heightened awareness of such predictions because I recently conducted a research exercise for a client on the predictions newspapers and other media outlets have made about real estate prices since the start of the century. Over 15 years there has been a constant barrage of articles making doomsday predictions about the housing market. Subsequent outcomes have proved them all wrong. Not one has been correct.

I recently published a Top 20 list of worst predictions about property prices. For example, in January 2012 visiting US spruiker Jordan Wirsz, seeking to drum up some free publicity, predicted a bloodbath in which house values would fall 60% in 2013. He forecast land values would fall 90%. Not surprisingly, this did not happen. There is no precedent, not in Australia nor in any other nation on planet Earth, for such a calamitous decline in values. The actual outcome? Capital city prices, on average, rose 9% in 2013 and 8% in 2014, with most of that growth occurring in Sydney.

But Wirsz's ludicrous prediction, which should not have been published by any credible media organisation, was just one of numerous doomsday forecasts made over the past 15 years, and all of them have been proven false. They have come from US spruikers, Australian economists and the lunatic fringe brigade of anti-real estate campaigners.

But if Wirsz lobs in Australia again next month and predicts our property values will fall 100% - in other words, every property will be worth zero - newspapers around the nation will publish it, television will rush to do interviews and politicians will call for a parliamentary inquiry.

Home Sweet Loans

It's certainly been a busy year for us so far but I'm not complaining. My biggest challenge right now is replacing Rachel who is off for 5 weeks shortly to volunteer in an orphanage in Nepal. Rach is back until December before she flies out again to France for 12 months… what happens after that is in Rachel's hands!

In the meantime, Alanna Davis has joined us on a part-time basis. Alanna is an ex-CBA Employee and though she's been out of the workforce for 6 years, once she gets back into the groove she'll be a valuable addition to our business. We are currently trialling for Rachel's position so stay tuned for further developments on this front.

Congratulations to Bec Scott who scored the $100 in Scratchies in our last Update! Given its popularity, we're doing it again… The RBT (Reserve Bank of Tarek) is giving one lucky Reader another stash of Scratchies to the tune of $100 & 2 lucky HSL'ians will receive $50 worth of Scratchies each!! Good luck… and please remember me in victory!

Tax Tips 2015

Medical Expenses Offset

A rebate of either 10% or 20% is available for out-of-pocket medical expenses over certain thresholds depending on your adjusted taxable income and family status.

Singles with adjusted income of $88,000 or less and families with adjusted income of $176,000 or less will receive a 20% offset on net medical expenses over $2,162.

Singles with adjusted income of more than $88,000 and families with adjusted income of more than $176,000 will receive a 10% tax offset on net medical expenses over $5,100.
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.

This offset is being phased out. Only those taxpayers who claimed and received the offset for the 2013/2014 year will continue to be eligible for the 2014/2015 year if they have eligible out of pocket expenses above the relevant thresholds.

The final year that you will be able to claim the offset is 2014/2015 unless you have medical expenses relating to disability aids, attendant care or aged care – in this case, you can claim the tax offset for these expenses up to the 2018/2019 income tax year.

Private Health Insurance

The private health insurance rebate is means tested[1]. Refer below table for details:

Singles Families [2]	<$90,000 <$180,000	$90,001-105,000 $180,001-210,000	$105,001-140,000 $210,001-280,000	>$140,000 >$280,000
Rebate (1 July 2014 - 31 March 2015)				
< age 65	29.040%	19.360%	9.680%	0%
Age 65-69	33.880%	24.200%	14.520%	0%
Age 70+	38.720%	29.040%	19.360%	0%
Rebate (1 April 2015 - 30 June 2015)				
< age 65	27.820%	18.547%	9.273%	0%
Age 65-69	32.457%	23.184%	13.910%	0%
Age 70+	37.094%	27.820%	18.547%	0%
Medicare Levy Surcharge				
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.*

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.

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.

Parental Leave Pay Scheme

Eligible parents are entitled to receive Parental Leave Pay for 18 weeks at the minimum federal wage (currently $641.05 per 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 per annum.

Recipients of PLP will not be entitled to the Newborn Upfront Payment and Newborn Supplement during the PLP period. PLP is a taxable payment and may affect your FTB Part A & B.

Schoolkids Bonus

The Schoolkids Bonus is paid twice yearly, in January and July. The payments are $211 for primary students and $421 for secondary students. 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).

Repeal of the Schoolkids bonus: The Schoolkids bonus is being phased out, with the final instalment paid in July 2016.

Idle Bank Accounts

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 Government's 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.

Plant & Equipment

For Small Business Enterprise taxpayers, a new concession introduced during the 2014-2015 financial year was an increase in the instant asset write-off. Small business entities can now claim an immediate tax deduction for depreciable assets costing less than $20,000 (net of GST) which are acquired and installed ready for use between 7.30pm on May 12, 2015 and June 30, 2017. Assets purchased prior to 7.30pm on May 12, 2015 are subject to the previous threshold of $1,000. Note that computer software is to be depreciated over 4 years, not written off immediately.

Small Business Tax Rates

The Coalition Government confirmed in the 2015 Federal Budget that for small businesses (turnover less than $2m) which are incorporated it will cut the company tax rate by 1.5% to 28.5% from July 1, 2015.

In recognition of the fact that only around 30% of small businesses are incorporated, individuals who receive business income from an unincorporated business (sole traders, trusts and partnerships) with a turnover less than $2m will be eligible for a small business tax discount. The discount will be capped at $1,000 per individual for each income year, and delivered as a tax offset through their end of year tax return.

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.

Thanks to Mark Poulsen from Poulsen Partners for this valuable information! If you're in Business and want an exceptional Accountant & Business advice, Mark & the Team are your allies!

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'.

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.

Take Care
Tarek

Home Sweet Loans

Office 07 3907 0233 . Mobile 0414 727 349 . Fax 07 3907 0385 . PO Box 881 Wynnum QLD 4178 . ACL# 457272 .
WWW.HOMESWEETLOANS.COM.AU