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Newsletter 2016
Directors Susan Cooper & Natalie Cooper

OCTOBER Newsletter

Negative Gearing Explained

Negative gearing relates to the relationship between the income an investment produces when considered against the expenses from that same investment.

In property investing terms, if the rent being received is less than the expenses attributable to the property such as bank interest, council rates, property management fees etc., then the investment is said to be negatively geared. Let's illustrate this example

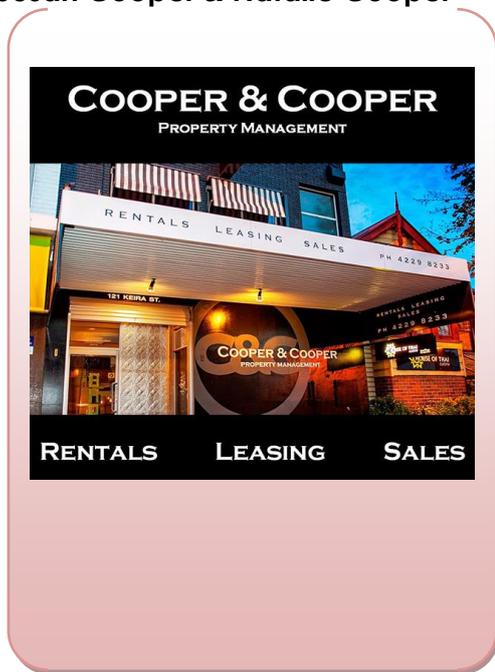
Income		Expenditure	
Rent pa	\$20,800 (\$400 per week)	Bank Interest	18,750
		Rates	\$2,500
		Water	\$1,500
		Main Fees	\$1,600
Sub-Total:	\$20,800	Sub-Total:	\$24,350

Under this example, this investment property would be considered negatively geared as the expenses are greater than the income from the property.

The up-side of this is you could be in-line for some tax breaks and therefore saving you on tax. The downside might be that you need to contribute some funds from your own resources to cover these property running expenses until such time as the rent can be increased further to help cover costs.

By definition, Neutrally Geared means that the properties income and expenses are pretty much at a status quo, and

Positively Geared means the income from the investment property is greater than the expenses so it's putting money in your pocket.



What is Labour Day?

Labour Day is an annual public holiday that celebrates the eight-hour working day, a victory for workers in the mid-late 19th century. The argument for the eight-hour day was based on the need for each person to have eight hours labour, eight hours recreation and eight hours rest.

In the early 19th century, most labourers worked 10- or 12-hour days for six days each week. The 1850s brought a strong push for better conditions. A significant part of the push began in 1855 in Sydney. On 21 April 1856, in Melbourne, the stonemasons workers staged a well-organised protest. They downed tools and walked to Parliament House with other members of the building trade. Their fight was for an eight-hour day, effectively a 48-hour week to replace the 60-hour week. The government agreed to an eight-hour day for workers employed on public works, with no loss of pay.

The win was a world first but did not end all labour problems. Many working conditions were harsh and demanding, and women were paid a lot less than men. But the victory for the eight-hour day was significant and several hundred building workers marched in a parade in May 1856 to celebrate their win.





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Depreciate and appreciate

Investors who own income producing properties are eligible for significant taxation benefits. The Chief Executive Officer of BMT Tax Depreciation Bradley Beer says **“research shows that 80 per cent of property investors are failing to take full advantage of property depreciation and are therefore missing out on thousands of dollars in their pockets.”**

Depreciation is often missed because it is a non-cash deduction – an investor does not need to spend money to be able to claim it.

What is depreciation?

As a building gets older, items wear out – they depreciate. The Australian Taxation Office (ATO) allows property owners to claim this depreciation as a deduction. Depreciation can be obtained by any property owner who obtains income from their property.

Depreciation facts:

- Investors can adjust previous year's tax returns – claim missing deductions from the ATO
- An investment property does not have to be new – older properties also have good depreciation potential.
- By claiming property depreciation on an income producing building the client will pay less tax
- Obtaining a depreciation schedule that maximises deductions may result in an investment property returning a positive income.

Quantity Surveyors are qualified under the tax legislation ruling TR97/25 to estimate construction costs for depreciation purposes and are one of select few professionals who specialise in providing depreciation schedules. Ensure a depreciation specialist like BMT Tax Depreciation is used to prepare a depreciation schedule.

The fee is 100 per cent tax deductible

BMT Tax Depreciation specialise in tax depreciation deductions for property investors Australia-wide. To learn more about depreciation visit the BMT Tax Depreciation property investor's page on their website [here](#). For obligation free advice, speak with one of their expert staff on

1300 728 726. Article provided by BMT Tax Depreciation.

Bradley Beer (B. Con. Mgt, AAIQS, MRICS, AVAA) is the Chief Executive Officer of BMT Tax Depreciation.

Please contact 1300 728 726 or visit www.bmtqs.com.au for an Australia-wide service.



Financing Your Property Purchase

Unless you're one of the fortunate ones, when buying your first home you will need to borrow money. It seems simple right? You borrow a sum of money and then pay it back to the lender, with some additional interest, over a period of time.

Unfortunately, borrowing money is anything but simple and there is a lot of homework involved when you're looking to finance your property purchase. What many buyers don't realise is that you need to consider many other items as well as the interest rate of the loan.

There are a number of potential additional fees to consider: account keeping fees, loan application fees, mortgage insurance, valuation fees, mortgage registration fees, and even an early repayment fee!

Some home lenders will give you the opportunity to lock in some or all of the principal amount at a fixed interest rate, so that if interest rates go up your repayments for the fixed portion of the loan remain the same.

The catch is that you will probably have to pay above the current market interest rate to lock this in. If you take on a variable interest rate loan then it is important to remember that interest rates can go up, so to be safe you should allow for that in your budget.

My advice for buyers looking to finance their property purchase is do your homework and compare loans, or to engage the services of a mortgage broker to help you.

Comparing loans isn't easy because of all the variables, but time spent here can save you big money over the term of the loan.