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Housing affordability is never far from the news headlines. In these times of economic uncertainty, buying, owning and selling a home presents some unique challenges.

In this issue we look at these challenges, including the factors that influence housing affordability and what the government is doing to help more people into home ownership.

If you decide it's the right time to sell, we provide some tips for making your home the best on the block in our article 'Going, Going, Gone ... at the right price'.

We also help property investors maximise their tax deductions in our last article 'Tax Returns for Investors'.

Every cloud has a silver lining, and we hope these articles demonstrate there is hope amidst the housing gloom. We urge you to contact us should you need personal advice about the best course of action for your financial situation.

Enjoy this newsletter and feel free to share it with family and friends



**BORROW
THROUGH SUPER**



**GOING, GOING, GONE
...AT THE RIGHT PRICE**



**THE PRICE
OF HOUSING**



**TAX RETURNS
FOR INVESTORS**

Borrow Through Super

Investing your superannuation in direct property could now be an option in your retirement strategy, thanks to recent changes to the laws governing self-managed superannuation funds.

The changes provide an opportunity for a self managed super fund (SMSF) to borrow money to acquire a beneficial interest in an asset, i.e., property. Otherwise known as gearing, it is a wealth creation strategy that enables you to invest more money than you could if you had to rely solely on your own resources.

Prior to this reform, property could be purchased within a super fund but it usually had to be bought outright as the fund was not allowed to borrow a portion of the total cost. For this reason, many investors with self-managed super funds have up until now primarily focused on the share market or indirectly invested in property via property funds or trusts.

As its name suggests, a self-managed super fund gives you control of your super destiny, but its complex rules can be daunting to



the uninitiated. Expert advice is necessary and will help facilitate a smooth set-up, as well as ensure any borrowing and investment falls within the rules of the fund.

It is expected the new opportunity to borrow will entice more people away from employee or industry funds in favour of setting up a self-managed super fund.

If you are considering any type of borrowing for investment purposes, we are happy to provide information and referrals to other professionals to help get you started.



The Mortgage and Finance Association of Australia is the peak industry body for the mortgage and finance industry. Members are bound by a code of ethics to ensure the highest levels of service integrity and professionalism.

"WHAT'S HOT"

Pacific home loans has launched their website.

www.phls.com.au

Visit our website and register your details in "Contact Us" to **win a trip for TWO to Fiji.**

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Going, Going, Gone... At the Right Price

When selling your home, the difference between making a disappointing return or earning a tidy fortune can be as simple as knowing how to stand out from the crowd.

Property figures show the number of homes being put up for sale is on the increase, yet potential buyers are staying away from the market due to concerns about rising interest rates.

With more properties on the market and fewer buyers, it is more important than ever to outshine your competition. Here's a few suggestions:

1. Make a good first impression

Your home needs to make a prospective buyer feel confident and excited right from the start. This means repairing whatever you can both inside and out, from chipped paint and wandering weeds to dirty windows and dripping taps.

Cast a critical eye over your home and make a list of ways you can smarten it up. Ask a friend for their objective suggestions or hire a home stylist to help with the presentation.

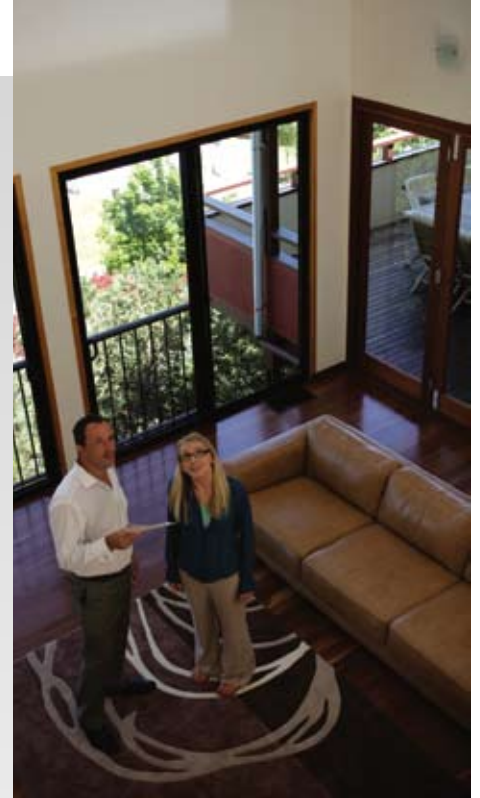
To gain the maximum interest in your home, stylists advise it should be spotlessly clean, full of light, free of clutter and smelling good. Some even recommend displaying vases of fresh flowers around your home or baking a batch of cookies before your open house!

2. Find the right price

It is said that a mispriced home often sits on the market longer and eventually sells for less than a similar, correctly priced home. When finding out how much your home is worth, do your own research as well as asking for a valuation from a number of real estate agents.

Online services like Australian Property Monitors (www.apm.com.au) or Residex (www.residex.com.au) are a great resource for up-to-date property information. For a fee you can receive property reports which will help you evaluate how much your home is worth, how much it will be worth in 12 months time and the sales history of your street and suburb.

You can also pay professional property valuers to come to your property and give you an independent valuation. The Australian Valuers Institute (www.valuersinstitute.com.au) can recommend a valuer.



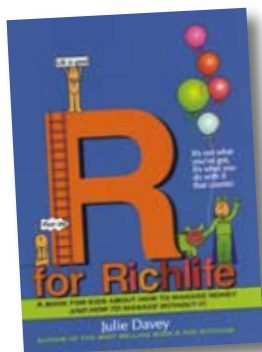
3. Choose an expert agent

You want a real estate agent who will work hard to sell your home, preferably for more than the market price!

Rather than simply choosing the agent who tells you your property is worth the highest price, look for their ability to negotiate and work the best sale.

When it comes to not giving your property away too early, experience and negotiation skills are a must. A sound knowledge of the local area, a track record of selling and a good marketing program are essential criteria.

Book Review



by Julie Davey
RRP \$19.95

R for Rich Life by Julie Davey

R for Rich Life is a bright and colourful book designed to help children learn how to get what they want from life. It shows readers how to get 'rich' in every sense of the word. It asks kids to work out what 'richness' means to them: relationships, health, hobbies, a new bike - and then helps them develop positive mindsets so they can move towards their goals. The book presents financial matters such as saving, investing and budgeting in fun ways that children will relate to, while providing them with skills that go far beyond the monetary. Recommended for 10 to 14 year olds or younger children with parents guidance.

It is available in bookstores or online at www.aforattitude.com.au



Did you know?

SOLD

A number of housing affordability measures have been introduced by the Rudd government:



For investors, there is a new National Rent Affordability Scheme that funds tax incentives to build up to 100,000 low-cost rental properties.



For new home buyers, there is a housing affordability fund designed to help with infrastructure and council costs.



For aspiring home buyers, there is a \$850 million policy for low-tax First Home Saver Accounts to help you save for a deposit.

The Price of Housing

Australia's most expensive Capital City

Buying a home in an Australian city could cost you more than it does in London or New York. That's the surprising finding of a recent study of international housing affordability by American public policy consultancy, Demographia. From the 227 cities throughout the world surveyed, 18 Australian cities were ranked in the top 50 of severely unaffordable markets.

The increase in house prices in Australia has pushed housing affordability to an all time low. Demographia rated urban markets as 'severely unaffordable' when house prices were more than five times the household income. In Australia, housing prices were found to be 6.3 times annual household earnings, compared with 5.5 for the UK and 3.6 for the US.

Sydney receives the dubious honour of being Australia's most expensive capital city, where buying a home

will cost 8.6 times the average annual household income. Not far behind is Perth (7.6), followed by Melbourne (7.3), Adelaide (6.5), Brisbane (6.4), Hobart (6.3), Darwin (5.9) and Canberra (5.3). Mandurah in Western Australia receives the distinction of Australia's most expensive urban area, where houses cost 9.5 times the average annual household income. Queensland's Sunshine Coast rates not much better at 9.3, and the Gold Coast ties with Sydney at 8.6 times the average household income, although the QLD data may be distorted by the large number of retirees who have relocated to these areas over recent years.

The Demographia study and those like it leave little doubt that Australia is in the midst of a housing affordability crisis. What is not so clear is why house prices are so high. On one side of the debate are those that argue high prices are the result of government policies restricting

the supply of land. By easing up on land-zoning regulations that restrain growth on the outer fringe of our cities, it is believed that the increased supply will cause house prices to fall. Others argue that heightened demand is to blame. A decade of low interest rates is thought to have played an important role in fueling demand for housing. Other factors like the halving of capital gains tax, economic growth and strong immigration levels are thought to have encouraged more people into home ownership. Whatever the reason for Australia's housing affordability crisis, it is agreed there are no magic bullet solutions. The Rudd government has announced a number of housing affordability measures (see above), which it is hoped will go some way towards easing the crisis.

Please call our office if you need any further information on the government schemes available. Our door is always open to help our valued clients like you.

Tax Returns for Investors

With tax return time getting closer, there is no better time to tidy up the office, organise all your receipts and start looking for all your allowable deductions for your investment property. If you are due a tax refund getting organised before the end of June may mean you could have your tax cheque in your hand before the end of July.

The most obvious tax deduction is the interest on your investment loan. This can be deducted in the year it is paid. Other expenses that can be claimed in the same year as paid include council rates, insurance, renovation costs and repairs. Be aware the common error of claiming as a deduction a repair that is actually an improvement to the property. A repair must directly relate to damage that occurred as a result of renting out your property. Replacing a part of a fence damaged in a storm is classified as a repair, for instance, but replacing the whole fence is seen as an improvement to the property.

While property improvements, alterations or extensions cannot be claimed as immediate deductions, you can still make your money back by claiming them as capital works depreciation. This involves writing off the cost of the item over a set number of years – the effective life of the asset. You can also claim depreciation of items

such as dishwashers, carpets and furniture. New items will have a greater impact on your tax claim. Older items may have already used up their "effective life" and not be eligible for a tax claim.

You may want to consider employing a property surveyor to prepare a depreciation schedule that your accountant will use each year to maximise your depreciation claims. The largest and most important component of the depreciation schedule is the historical cost of the construction of the property. The construction cost typically comprises 90% of the tax savings available. For residential investment properties, construction must have commenced on or after July 18, 1985.

Where construction commenced between 18 July, 1985 and 15 September, 1987 depreciation is applied at 4% of construction costs and is claimable for 25 years. Where construction commenced after 15 September, 1987 depreciation is applied at 2.5% of construction costs and is claimable for 40 years. In both cases substantial tax savings are possible. Guidance about what you can and can't claim can also be found in the Australian Tax Office free guide 'Rental Properties' at www.ato.gov.au.



Profile

With over a decade of mortgage brokering experience and with over 35 lenders, we will find you the most suitable and cost effective loans. We strive to become the personal banker for life for all our customers by making the application process as hassle free as possible. We are also about facilitating your financial goals and plans for the future. We provide an efficient and honest service to all our customers.

We have a reputation for tailoring loans to all types of borrowers including newly arrived migrants, customers with no savings, Lo doc loans for self employed customers etc.

Depending on your particular situation we can usually arrange ongoing interest rate discounts between 0.5% to 0.8% off the standard variable rate.

Pacific Home Loans is a Full Member of the Mortgage and Finance Association of Australia (MFAA) and a Member of Credit Ombudsman Service Limited (COSL).

Our main strength and the reason for its continued success is loyalty to you, the client and the capacity to handle all your needs.

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