NEWSFLASH

Visit us at www.bantacs.com.au
For website technical support email technicalservices@bantacs.com.au
For all accounting & tax support contact one of our offices or just go to www.bantacs.com.au/QandA/index.php

BAN TACS Accountants Pty Ltd

BAN TACS Accountants Pty Ltd is a CPA Practice

Issue Number: 260 Pages: 4 Date: December, 2012

Queensland

Gold Coast ***PNA***
Phone : (02) 6736 5383
E-mail: goldcoast@bantacs.com.au

Mackay ***CA***
Phone: (07) 4957 8340
E-mail: mackay@bantacs.com.au

Ningi ***CPA***
Phone: (07) 5497 6777
E-mail: ningi@bantacs.com.au

Stanthorpe ***PNA***
Phone: (07) 4681 4288
E-mail: stanthorpe@bantacs.com.au

Toowoomba ***CPA***
Phone: (07) 4638 2022
E-mail: toowoomba@bantacs.com.au

New South Wales

Burwood ***CPA***
Phone: 1300 367 688
E-mail: burwood@bantacs.com.au

Central Coast ***MNIA***
Phone: (02) 4390 8512
E-mail: centralcoast@bantacs.com.au

Tenterfield ***PNA***
Phone: (02) 6736 5383
E-mail: tenterfield@bantacs.com.au

Victoria

Geelong ***CPA***
Phone: (03) 5222 6962
E-mail: geelong@bantacs.com.au

Melbourne ***CPA***
Phone: (03) 5222 6962
E-mail: melbourne@bantacs.com.au

South Australia

Adelaide ***CPA***
Phone: (08) 8352 7588
E-mail: adelaide@bantacs.com.au

*Visit **Bantacs.com.au** About Us section to view office location details and information about BAN TACS practitioners.*

Welcome to the BAN TACS News Flash. Our aim is to provide short but succinct updates on all tax issues

Christmas Break

This is our last Newsflash for 2012, who knows what date it should be, we got out of sync due to technical difficulties, dropping out completely in December because of Julia's mother being terminally ill. This newsflash is mainly being published so that you have the dates our offices will re open after the Christmas break. We will be back with the newsflash on time Mid-January 2013 and with some very interesting articles on capitalised interest and the problems clauses in contracts to buy property can cause ill-advised purchasers.

I hope you all had a lovely Christmas and a good break. I also hope Santa brought you a copy of Noel's and my new book, Winning Property Tax Strategies.

Over the Christmas break the day's our offices will be closed are:
Bribie Island Rd Ningi – closed from 22nd December to 6th January re opening Monday 7th January
Burwood – closed from 22nd December to 9th January re opening Wednesday 10th January
Central Coast - closed from 22nd December to 6th January re opening Monday 7th January
Geelong - closed noon 21st December to 6th January re opening Monday 7th January
Gold Coast – closed from 1pm 21st December to 6th January re opening Monday 7th January
Mackay – closed from 2pm 19th December to 6th January re opening Monday 7th January
Melbourne – closed noon 21st December to 6th January re opening Monday 7th January
South Australia – closed from 22nd December to 13th January re opening Monday 14th January
Stanthorpe – closed from 1pm 21st December to 6th January re opening Monday 7th January
Tenterfield – closed from 1pm 21st December to 1st January re opening Wednesday 2nd January
Toowoomba – closed from 21st December to 6th January re opening Monday 7th January

Column by Noel Whittaker

Last year we celebrated the 25th anniversary of the stock market crash of October 1987. It seems like ancient history now, and its effects have been overshadowed by the rise and fall of the tech bubble, and the global financial crisis.

It was the largest one-day change in stock market history. The Dow Jones Industrial Average dropped 22.6% (or US $500 billion) while our own market plunged 500 points – or 25% – in a single trading session.

The crash followed a worldwide stock market boom. A five year bull market had got underway in 1982 in America, and was driven by strategies that became known as financial engineering. The trick was to buy a company with a lazy balance sheet, then strip out the cash and use it to expand by takeovers and mergers.

In Australia the banking system had just been deregulated and the banks fought each other for a chance to lend to the new breed of entrepreneurs. Fuelled by all the activity, our share market leapt from 600 points to 2300 points between 1983 and 1987.

Then in October 1987 the music stopped – and so did the lives of over geared companies like Qintex, Bond Corporation, Ariadne and Adsteam.

Even though the markets have had their ups and downs, long-term investors have still done well. If you had invested $100,000 in the All Ordinaries Accumulation Index in January 1987 you would now have $872,000 – a compound return of 8.7% per annum.

And despite all the doom and gloom in Europe it's been a good year to date. For the year to date the Australian market has returned 17% including dividends.

In the New Year we will discuss many other strategies that will enable you to build wealth in a tax effective way. In the meantime have a wonderful Christmas.

Noel Whittaker is the author of Making Money Made Simple and numerous other books on personal finance. His advice is general in nature and readers should seek their own professional advice before making any financial decisions. Email: noelwhit@gmail.com

The Mindset of Successful Investors

By RUN Property CEO Rob Farmer

Have you ever read about a 24-year-old on an average salary who owns four investment properties? Or the single mum who bought her first property out of desperation for a better life and accumulated a $5 million portfolio within a few years?

How are some people able to achieve what so many others can't? Why have they been successful beyond the wildest dreams of many in the same situation? Have they been gifted a large sum? Or earn a huge salary?

Chances are, their circumstances probably give them no unfair advantage, but there are several factors which create a successful investors' mindset.

Data from the Australian Tax Office shows that more than 1.2 million people own an investment property, but the number of investors who own six or more properties drops dramatically to 14,500 and a few own more than 50 investments.

RUN Property is Australia's largest metropolitan real estate agency managing properties valued at more than $10 billion. Surveys of our database show that investors own an average of 1.2 properties each.

Despite more than 90 per cent of investors saying they thought property was a good investment for them, most have been unable to focus on expanding their portfolio.

Why?

How do I avoid being average?

Create a burning desire

Whether you are an aspiring Olympic athlete, an artist or property investor, desire is an intriguing aspect of the ability to achieve greatness. Some people are born with extraordinary natural talents, but on the whole, I believe that if the desire is strong enough, anything is possible.

I love the saying, "necessity is the mother of all invention" and I think this can be applied to wealth creation. If your need is strong enough you will find a way to change your circumstances.

The reverse is also true. If you are comfortable in life with a fair paying job and food on the table, it can be difficult to create a strong desire to get out and take action.

Many people I speak with who have successfully built large property portfolios have either had, or been able to create, a burning desire for success. It might have come from a need to urgently generate enough money to retire comfortably, from hating their 9 to 5 job or because something rumbling within them wants them to be able to buy an expensive house or a fancy car.

The first and most important step in setting a path to create wealth is to determine what will fuel your desire. You must be able to clearly visualise and describe what success looks like for you and not let go of that picture. The stronger your emotional responses to this vision, the greater chance you have of being able to break through and achieve it.

Get a mentor and support network

Years ago there was shame associated with seeking support. It might have been seen as failing or being unable to achieve success on your own. Today, personal trainers, business coaches and counsellors help people achieve their goals every day.

A professional property mentor or simply someone who you know can support and encourage you and keep focus on your goals is invaluable. Make sure they understand what is driving your desire and how you will measure success. Your mentor will also need to be able to get tough with you if you veer off course.

Develop a plan

To fail to plan is to plan to fail.

More than 1.2 million Australians own investment properties. Many of them are what I call “accidental investors”. You could argue they are not investors at all – they just happen to own an investment property. It is remarkable how many Australians own an investment due to circumstances. For example, they may have got married and their partner also owns a property so they rent out one and live in the other. Or they might have inherited the property.

There is nothing wrong with being an accidental investor. In fact, it can be a great opportunity to turn one property into many more. But if you plan to use property as a vehicle to create wealth then you need to develop a plan to achieve your investment goals.

The plan needs to cover:

What is your current reality? (i.e. what is your current net wealth, passive cashflow, lifestyle and how much time is devoted to aspects of your life?)

What is your desired outcome? (i.e. what is your desired net wealth, passive cashflow, lifestyle and how much time is allocated to achieving your goal?)

What actions do you need to take to move from your current reality to your desired reality? These need to be specific, measurable, realistic and set against timeframes.

How are you going to measure and report on your overall success?

What support, education and resources do you need to meet your plan?

Enliven your strategy

Investors with large portfolios follow their investment strategy vigorously. Some go for capital growth properties and others prefer positive cashflow properties or a blend of both. Whatever your approach, stick to it.

Buy on mathematics, not emotion. Do the numbers on each potential investment and be prepared to walk away if the property does not match your criteria. There is a saying in real estate, “The deal of a lifetime comes up every week”.

Hold properties long term. Do not be pushed into a short-term decision that could damage your portfolio. Hasten slowly, but be flexible enough to move quickly if the right opportunity comes along.

Learn from your mistakes. Consider them not as a cost but as an investment in your future success. Be determined to make up for mistakes with future decisions that will more than compensate for the earlier failure.

View finance as a tool, not a burden. Property is a product and financial arrangements and the ability to leverage through equity help you to use it to maximise your advantage.

Work to your strengths. If you find a property sector that works for you, stick with it and don’t listen to the doomsayers if your experience says what you are doing works for you.

Exploit your risk profile. If you are an aggressive investor, maximise your borrowings with a clear conscience, but make sure the “sleep at night” factor is balanced with the reality of your cashflow.

Look and listen. Not all successful investors were a success when they started but they learned how to improve their chances of winning while reducing their risks.

Get off the couch and take action

Too often I hear phrases such as: "I would never invest in the current property market", "interest rates are going up", "I don't have enough time", "some people have all the luck" and "I should have bought that property five years ago".

These phrases are commonly used by people who don't really want to take action and like to blame everything other than themselves.

Some of my favourite sayings are: "There is no time like the present", "Nothing ventured nothing gained", "If you want something done, give it to a busy person", "Create your own luck", "You miss 100 per cent of the shots you never take" and "The best time to plant a tree is 20 years ago. The second best time is now".

If there is one action I urge you to take, it is to set some time aside each week to focus on your property investing activities. Ensure you block out this time in your diary. If something totally unavoidable comes up, make sure you reschedule. View property investment as a business, not a spare time hobby.

The only person who can create the life you want is you. There is no magic or massive secret. The only thing between you and a property portfolio that can provide you with financial freedom is you.

RUN Property is Australia's largest metropolitan real estate agency which manages property valued at more than $10 billion and has a dedicated team of sales specialists in Victoria, NSW and Queensland. RUN Property – sales, leasing and management. For more information visit www.run.com.au

Is Your Spouse Insured?

Anthea O'Sullivan-Kovacevic is an insurance broker who has just started advertising on our web site. She tells me what matters more than anything to families in a health crisis is keeping things as normal as possible for the children. People don't think of this when they first insure, but when disaster hits Anthea has noticed just how important that is to people who claim, every time without exception. She also told me a very emotional story about a family on the Sunshine Coast; if you would like to hear their story or donate please go to www.affiliates.bantacs.com.au/aok-risk-solutions.php.

All of this has got me back up on my soap box again about life and trauma insurance for primary care givers. This particularly affects miners, as it is not a matter of replacing the income of the low income spouse. If he or she gets too sick to look after the children or dies then the remaining spouse will no longer be able to work in the mines. Insuring the primary care giver is just as important as insuring the primary earner!

Anthea tells me how it almost seems more devastating to have to pull your children out of their school, sell up their home and give away their pets to live in rental accommodation, just when you want more than ever to reassure your children it will all be ok.

Do I need to say anymore? Everyone with responsibilities needs insurance whether they earn an income or not. The trouble in the latter case is there is usually very little cover or even no cover, were as a full time worker normally has at least some life cover through their superannuation. Nevertheless, life cover isn't all you need; you might survive the disaster, that is where you need trauma cover, to keep the household feeling as safe as possible.

Where is Julia?

Still in Sydney, she will get back home to SEQ early in January, 2013.

Ask BAN TACS

For $59.95 at www.bantacs.com.au/QandA/index.php you can have your questions regarding CGT, Rental Properties and Work Expenses answered. We will include ATO references to support our conclusion.