



The Insider

Mortgage News and Tips for you

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Your self-managed Super Fund can now invest in real estate

If you have a self-managed Super Fund then we have some good news for you. Your self-managed Super can now borrow money to buy real estate.

Since September 2007 self-managed Super Funds have been allowed to borrow and charge their assets as long as a special structure is in place.

This gives investors the same flexibility to invest in real estate inside their Super Fund as they've enjoyed outside it.

However there are some essential steps your fund will have to take:

- The Trust Deed establishing your super fund must give the Superannuation Fund Trustee the power to buy real estate, borrow money and mortgage property.
- Your investment must comply with the Superannuation Industry Supervision Act including the sole purpose test, which ensures that Super Funds are obtained just for its member's retirement benefit.
- Your fund must have a written investment strategy to keep its real estate investment consistent with its overall strategy.



A property trust deed must be established. This essential document can help determine if there are adverse GST, tax or stamp duty consequences.

The trustee company should not be associated with the investor or their fund.

Purchasing the property

Purchasing a property for your Trust is the same as purchasing any other property, but residential property must be purchased from an "arms length" vendor. While non residential property can be bought for full value from related parties it must be let for commercial purposes.

The fund applies for the loan to purchase the property and its nominated solicitor or conveyancer acts on its behalf. It must be purchased in the name of the Property Trustee, which should be at "arms length" from the fund trustee and the members of the fund.

The fund pays the deposit, purchase costs and stamp duty.

When settlement occurs the Property Trustee mortgages the property to the lender - the property is owned by the Property Trustee and the beneficiary is the fund. The fund then manages the property as it would any real estate investment.

If you have any questions about how your self-managed Super Fund can borrow to invest in real estate make an appointment to see us today.

This is general information only and we strongly recommend you seek independent financial planning advice from your accountant and/or qualified financial planner before proceeding.

Very good news on stamp duty

There's some good news on the home front with the welcome announcement that the State Government has cut stamp duty on property transactions by 15% in this year's budget.

It's due to take effect from July 1 and is expected to reduce the conveyance duty payable on a median priced home by approximately \$3000.

In fact the news gets even better. Home buyers will also benefit from the abolition

of mortgage duty from July 1, a move expected to cut a further \$520 from the cost of purchasing a median priced home (assuming a 10% deposit).

Who says there's never any good news? Now if only those interest rates could start heading down!



Single first home buyers - what can you borrow?

If you don't qualify for a First Start loan there's no need to despair because there are other ways you can afford to buy your first home, including alternative private sector shared equity schemes.

The accompanying table, which applies to a single person with no liabilities and no children, will give you some idea of what you can borrow at various annual income levels. However, to explore all the options available to you it's important to arrange a meeting with one of our advisers.

\$60,000 annual income	-	qualifies for a loan of \$287,000
\$70,000 annual income	-	qualifies for a loan of \$346,000
\$80,000 annual income	-	qualifies for a loan of \$401,000
\$90,000 annual income	-	qualifies for a loan of \$451,000
\$100,000 annual income	-	qualifies for a loan of \$501,000

Subject to meeting Lenders serviceability and Lending criteria

The lender will normally require a 2% deposit. Remember that first home buyers qualify for the grant of \$7,000 and in addition do not have to pay any stamp duty on homes worth up to \$500,000.

WA ahead in mortgage broker regulation

The recent announcement that the Federal Government plans to introduce tough legislation to regulate the activities of mortgage brokers nationwide should have little impact in WA.

Why? Because mortgage brokers in WA have been subject to strict regulation for some years. However, in other states the industry has remained unregulated or only lightly regulated.



Why consider shared equity home ownership?

Did you know that if you're a first homebuyer earning up to \$50,000 as a single person or up to \$70,000 as a couple without children you can afford to buy your own home using the Government's shared equity scheme?

Couples with children can earn up to \$80,000.

With rising interest rates and increased property prices, shared equity schemes have

become an attractive alternative for lower income first homebuyers.

Today people interested in this form of home ownership have a choice of private or government shared equity schemes.

Under the government's First Start scheme, the local housing authority will take up to a 30% share in the home you intend buying if you're a single first homebuyer or a couple without children.

It will take up to 40% for couples with children. The maximum property price allowable under the scheme is \$375,000.

It's a scheme offering many benefits. In the first place the initial cost of entering home ownership is lower as you only need to make repayments on a loan for your share of the property.

If you choose, you can purchase the Government's share of

the property in one go or at your own pace.

As the Housing Authority will co-own the property with you, you may be able to afford to purchase a larger home. There are risks including the effects of interest rate rises and unfavourable fluctuations in property prices.

Also, because the portion of the property owned by the Housing Authority is secured by a Co-owners' Deed, any default on your part may entitle the Housing Authority to take any action specified in the mortgage.

So what do you have to do to qualify? For a start you have to be eligible for a First Homeowner Grant.

Your income has to fall within the bounds set by the scheme and you have to be an owner occupier.

You also have to be a permanent resident and over 18 and there are other exclusions relating to bankruptcy and indebtedness to the Department of Housing and Works.

In this article we've only touched on this form of ownership. To find out more call us at 9240 6770. And remember to talk to a financial adviser before entering any shared equity scheme.





Tax time

A depreciation expert could save you a packet

Everybody knows about the taxation benefits of negative gearing. However many investors fail to take full advantage of other substantial tax credits due to owners of investment properties.

One area where many investors miss out is depreciation.

So when should you ensure you're claiming the maximum allowable depreciation on your property? The short answer - when you buy the property. However, it's never too late to make sure you're getting it right.

To get the maximum tax benefit you should talk to people with particular expertise in this complex field, such as a recognised property tax depreciation expert.

Depreciation specialists use their construction costing skills and their

intimate, up-to-date understanding of tax laws to precisely determine what credits you're entitled to.

They'll ensure that the maximum number of depreciable items is identified - anything from the dwelling itself to capital works such as fencing, paving and even the garden shed.

And they'll come up with a schedule which clearly sets out what you're entitled to claim for each depreciable item. In all likelihood, you'll be able to increase your depreciation tax deduction. It may surprise you, but in many cases the tax benefits from depreciation could be as substantial as the rental income, particularly with a recently constructed home.

What's more, you'll save yourself a lot of time and will avoid having to answer persistent queries from our friends at the tax office.

Is your fixed interest loan about to expire?

Make sure to review your future options

When your fixed interest loan reaches the end of its term your lender will notify you by letter.

If you don't take further action, your fixed loan will automatically be converted into a variable loan at the lender's chosen interest rate.

This is obviously not desirable since you should have the opportunity to review your future loan arrangement.

Unfortunately some of us just let the matter slip and only later find out that we're paying a variable interest rate which may be nowhere near the best available.

Our advice therefore is to come in and see us a month or two before your fixed loan is due to reach full term.

We also highly recommend that you have a "Home Loan Check Up" every 12-18 months - call your Accrete Finance Consultant so we can make sure you are still receiving the 'best deal'.

By exploring various options we may be able to help you save money.



It's a great time to buy an investment property

If you've been considering investing in a rental property then there's never been a better time to do it.

Right now the housing market is taking a breather following the dizzying pace of growth of a couple of years ago. There are a lot of houses on the market and buyers have plenty of time to shop around for a good home in a good location, and bargain over price when they find it. In short, it's a buyer's market.

But it won't stay that way forever. Market analysts expect the property market to start picking up again in about 2009, putting upward pressure on prices once more. Buy now and you'll be well placed to gain from the next surge in capital growth.

But the other thing making property investment well worth your while is soaring rents. Perth's vacancy rates are extraordinarily low, as would-be-tenants

chase too few rental properties. That's driving up rental prices, which is very good news if you're a landlord, not so good if you're a tenant.

If you're interested in taking advantage of this favourable investment climate then it's crucial to get the finances right, so make an appointment to see us today by phoning 9240 6770. It could be one of the best investment moves you'll ever make.



Budget 2008 Snapshot

The 2008/2009 Budget has been developed at a challenging time.

Widespread turbulence in the global financial markets stemming from the US sub-prime crisis, in conjunction with the sharp slowdown in the US economy is affecting countries around the world, including Australia.

However, despite the weaker outlook for the world economy, strong growth is expected to continue in emerging economies, particularly in China.

This growth is expected to drive large increases in Australia's trade through strong rises in Iron Ore and Coal prices.

This increase in trade will support domestic growth, but it comes at a time Inflation in Australia is currently at a 16yr high.

In response to these price pressures the Reserve Bank has repeatedly tightened monetary policy, and Banks have further increased borrowing costs as a result of the global credit crunch.

The budget is a vital component of the Governments plan to tackle inflation and interest rate pressures.

The Australian dream of owning your own home has turned into a nightmare for many.

Interest rates are the highest they've been in over a decade and around 575,000 families are experiencing 'housing/mortgage stress' with more than 30% of their income going towards housing costs.

However, It's not all doom and gloom. Both the State and Federal Governments have

brought in a number of initiatives which will hopefully relieve some of the Housing/Mortgage pressures.

- To encourage first-time buyers to save a deposit for a house the Government has rolled out it's superannuation-style Bank Account. The first \$5,000 saved in a "First Home Saver Account" each year will attract a 17% contribution from the Government. Earnings on the account will be taxed at 15% and any withdrawals from the account will be tax free - if used to buy or build a first home.

This promises to make quite a difference, especially when the budget's income tax cuts are also added to the mix.

- One of the key contributors to housing affordability is the nationwide housing shortage.

Australia needs around 190,000 new homes built each year to cope with demand, which is considerably more than the 150,000 homes built per year.

- The "National Rental Affordability Scheme" will encourage and subsidise the construction of 50,000 new affordable rental properties by 2011/2012 at a cost of \$623m over 4 years.
- The 'Housing Affordability Fund' will provide \$500m to local and State Governments to cut the red tape for development projects which will hopefully reduce the cost of new housing.

STAFF NEWS

Lorrelle McCormack moves on

After almost 3 years Lorrelle McCormack has called it a day as Director of Accrete Financial Solutions to pursue other interests. We wish Lorrelle the best of luck with her new endeavours.

It will be "business as usual" at Accrete and we'll be continuing to look after all of our clients financial needs with our usual friendly and professional service. There will be some slight 'reshuffling' within the office, but all changes will revolve around us providing the best quality of service to our clients - it's onwards and upwards at Accrete!

Narelle has the experience to meet your financial needs

Narelle Williams has recently completed her Certificate IV in Financial Services (Finance and Mortgage Broking), and will be our newest broker and financial consultant.

With 20 years in loans and banking, her wealth of experience will guarantee you get exactly the advice and service you need.

She's been with us for 12 months now, and is specialising in self-managed Superannuation funds and lending for self-managed Superannuation.

It can be a complicated area, so if you would like any additional information or clarification why not make an appointment to speak to Narelle and get the benefit of her two decades of financial experience?

Sharon Cocklin continues to rise

We mentioned in our last newsletter that Sharon had completed her Certificate IV in Financial Services and was in the process of applying for her Finance Brokers Licence. Sharon has now been granted her B Class Finance Brokers Licence. Congratulations!

New baby on the way for Kylie Symonds

Kylie has recently announced that she is expecting a "bundle of joy" in September. This is an exciting time for Kylie and her family and we all wish her a healthy & happy pregnancy.



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