



## NEGOTIATOR eNEWS

December 2008

[www.negotiator.com.au](http://www.negotiator.com.au)

### **If you want the rainbow, you have to put up with the rain – Unknown**

Welcome to the December issue of Negotiator eNews – the free newsletter with Tips, Strategies, Articles and News related to Wealth Creation.

#### **Interest Rate News**

Well we have an early Christmas present, the RBA at its monthly meeting decided to reduce the cash rate by another full one percentage point. Individual lenders will decide exactly how much they will pass on. Along with falling fuel prices we will have a healthier wallet/purse this Christmas.

The huge revival in housing prices during the 90's was prompted by lower interest rates and all things indicate that we have a similar situation about to occur once again.

The doubling of the First Home Owners Grant for first home buyers and a tripling for those who purchase a newly built home, along with the recent cuts in interest rates, are expected to create an increase in activity in the Australian housing market. Due to the Government's First Home Owner's Grant initiative the Housing Industry Association expects that there will be an increase of up to 15,000 new dwellings constructed over the next 12 months.

Falling interest rates is considered to be one of the main indicators that the property cycle has reached its bottom, and with further interest rate cuts on the horizon it would appear that the property market has passed through this phase of the cycle.

I would like to take this opportunity to wish all our valued clients and friends a happy and safe festive season and happy new year. It's been an absolute pleasure working with you in 2008. Looking forward to a prosperous 2009.

#### **Feature Articles**

##### **Understanding Capital Gains Tax**

Capital Gains Tax (CGT) is a tax on capital 'gains'. If when you sell or give away an asset it has increased in value, you may be taxable on the 'gain' (profit).

Properties that are subject to Capital Gains Tax include rental properties, holiday homes and vacant land. You do not pay CGT on your own home unless it was used to make assessable income and then you may only get a part exemption. There are also special rules regarding dwellings that passed from deceased estates. For properties that were bought before September 1985 (pre CGT) will generally continue to be tax-free. However there can be exceptions, such as substantial renovations that have been made to the property.

You are not liable for CGT until you sell the property so you can grow your property gains as much as you like and not pay tax until you decide to sell.

There is a 50% CGT discount for investment properties and this applies when the seller is an individual or trust and the property has been owned for 12 months. The date of disposal is generally the date of contract and not the date of settlement. This is relevant in determining whether the 12 month period has been met and also could determine in what year the gain (or loss) has to be included in your tax return.

If the value of your property drops and you have a loss, this loss can only be used to reduce capital gains and is not deductible against your other income such as salary and wages. Unutilised capital losses can be carried forward to later years to offset future capital gains.

Other assets exempt from CGT include collectables such as Artwork, jewellery, coins, stamps, antiques etc worth less than \$500 when acquired. Cars and motorcycles are exempt unless they are used as part of a business or to produce assessable income.

### **Apartments versus Houses**

When it comes to investing in property, if you focus on assets that will deliver strong capital growth, it doesn't matter so much whether you buy an apartment or a house. It's a personal choice.

The most important thing is location and to find properties that are limited in supply and have experienced consistently strong demand over a number of years. Usually, more often than not, these properties are within shorter distance of the CBD in major capital cities where a scarcity of available land drives up property values.

In terms of research, look at recent sales results with comparable properties – those in the same area, with a similar land size, style and degree of renovation. This will make sure you have a realistic purchase price in mind and don't overpay for the property. Understanding capital growth is what all investors should focus on. Well located property will always produce the greatest growth.

Generally, the 'right' time to buy is when the right opportunity presents itself – that is, when you find the asset that's most likely to help you achieve your

goals. Just remember – “when everyone else is panicking, I’m accumulating”. In times like these, this is where wealth exchanges hands.

## Ask The Negotiator

Email [gregg@negotiator.com.au](mailto:gregg@negotiator.com.au) if you have any topics you would like to see covered in future newsletters.

## Helpful Product/Tips

### Tips On Selling Your Home

As it is a ‘buyers’ market at the moment and is taking longer for a home to sell compared to a year ago, sellers need to be a step ahead and look at the presentation of their property. I have seen a number of properties not properly presented which means it takes longer for the property to sell and often is sold for less than the asking price.

If you are considering selling your home, then you should consider the following tips:

- Check the state of your property. Quite often a coat of paint can make an instant improvement. Check to see if anything obvious needs repairing or cleaning.
- Keep the garden and lawns looking neat. Pay attention to weeds and dead plants.
- Clean out the garage and garden shed.
- Oil hinges and repair any catches on gates.
- De-clutter – remove unwanted items to make the property feel more spacious.
- Keep the kitchen spotless especially the cooktop, sink and oven.
- Remove unnecessary fridge magnets.
- Keep the bathroom spotless especially the toilet and grout in the shower. Remove all mould.
- Be aware of any odours such as pets, smoke etc and if possible, create a pleasant aroma.
- Maximise the use of natural light in the home by opening the curtains or blinds when there are home inspections.

## Joke Of The Month



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