



NEGOTIATOR eNEWS

June 2008

www.negotiator.com.au

“Education is not preparation for life, education is life itself” – John Dewey

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

Interest Rate News

Home owners will be relieved this month as the RBA has decided to keep rates on hold as economic growth slows. The central bank is hoping that a slowing economy can cool inflation, rather than more interest rate rises.

Don't forget, this is the time where you should have your tax variation for the next financial year done, if you have investment properties.

Feature Articles

Perth's Rental Market

With the increasing population growth in Western Australia, this is creating an increased demand for rental properties while the supply is decreasing and rents keep rising.

Residential vacancy rates for properties at the moment stand at less than 2%, which is the lowest it has been for over two decades. It looks like this figure may reduce further over years to come with the impact of people migrating into Western Australia as well as the issue of homeowners being priced out of the market.

The rental market continues to be strong with continuing strong prospects for the foreseeable future and property investors are experiencing better returns compared to years ago. In regards to Landlords, they are enjoying more favourable returns as well as few or no vacancy periods and longer leases.

The trend appears to be: increasing rental return, as no significant increase in supply or decrease in demand appears evident for at least the next couple of years.

Sooner Is Better Than Later

When is a good time to buy an investment property? I believe the sooner the better.

How many times have you heard someone say that they should have entered the market much sooner than they did? Many investors are worried that they have started investing too late. But if you understand the power of compounding, the growth

potential of well-chosen property, the effect of gearing and leverage, and the sizable tax breaks, this will work together over time.

Some people ask “What if I am in my late 40s or 50s and only have one property, won't I need more properties which would take a few years to accumulate?” While it is true that wealth building through property isn't a get rich quick scheme - with the right factors in place, a foundation of wealth can be built at quite a consistent rate.

Rather than asking “Have I started too late to invest in property for retirement?” it might be more useful to say “Given where I am now in life, how can I make property work for me in a way that yields the best results for a fulfilling retirement?” It's pointless to look back with regret - you need to focus from this day forward. Property will get more expensive and less affordable and as property should be considered a long-term investment, trying to pick the exact right time to purchase can prove futile. Hesitation can be a costly strategy.

It is comforting to know that whatever your stage of life, property has both the flexibility and the wealth-building power to provide an earlier, more secure retirement.

Ask The Negotiator

Email gregg@negotiator.com.au if you have any topics you would like to see in future newsletters.

Helpful Product/Tips

Personal Tax Record Keeper

The Personal Tax Record Keeper is a free software program that is used to record income, expenses and asset details, including details for capital gains tax, throughout the year.

The Personal Tax Record Keeper:

- helps you work out what records you will need for your tax return.
- lets you bring important tax information together in one convenient place.
- shows you running totals of expenses that you might claim against tax..

You can download the software from the Taxation Office website at:

<http://www.ato.gov.au/individuals/content.asp?doc=/content/59828.htm>

Concerns About Tenants

Some investors worry about losing their tenant or finding a new one once the lease runs out. A few preventative measures can help to alleviate any concerns:

- Make sure the property is well presented.
- Use a good Property Manager with experience in the areas your properties are located in.
- Advertise well in advance – around 3 weeks beforehand.
- Adjust your rents according to the rental demand. If you need to lower it initially, you can always raise the rent once the conditions improve.
- Respond to tenant inquiries in a timely fashion.

Buffer Zone

For those unforeseen circumstances, it's advisable to have a buffer amount on top of your investment loan to help you if needed. A buffer is a sum of money that sits in reserve in case you ever need to draw on it. It can be any amount to suit individual financial situations.

This is a good strategy to incorporate in any investment loan.

Joke Of The Month

Income Tax Deductions

The owner of a small deli was being questioned about his tax return by the Tax Department. On his return, he had reported a net profit of \$75,000 for the year.

"I don't understand why you people don't leave me alone," said the deli owner. "I work like a dog, everyone in my family helps out, the place is only closed three days a year, and you want to know how I made \$75,000?"

"It's not your income that bothers us," the agent replied, "it's your deductions. You listed five trips to the Bahamas for you and your wife."

"Oh, that," replied the smiling owner. "I forgot to mention....we also deliver."

If you found this newsletter helpful, why not forward this email to a friend or colleague.

Check out previous Negotiator eNews newsletters at: www.negotiator.com.au

Disclaimer

The information, statements and opinions expressed in this email are only intended as a guide. Although we believe that the statements are correct, they should not be taken to represent investment, accounting, taxation or legal advice and you must obtain your own independent advice from an appropriately qualified professional. Neither the publisher nor any people or organisations involved in the preparation of this material give any guarantees about its content or accept any liability for any loss, damage or other consequences that may arise as a result of any person acting on or using the information and opinions contained in this email.