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My Say

with **Scott Patterson**

Given the world, and even some local events, that have occurred during 2011 it is probably little wonder that when it comes to business and financial matters many people are feeling less than confident. The United States economy has been struggling and the sovereign debt issues that have been plaguing Europe combined with the natural disasters that have rocked Japan and New Zealand mean that from a global perspective, 2011 has certainly been a challenging year. At a domestic level there have been the natural disasters of last summer, a State government that has been less than convincing and a minority government at Federal level. It seems that around every corner there is another testing situation that shakes both our resilience and our confidence.

The way that we react to these testing times and deal with the situations that we face is often a real test of character. Many people react in times like these by minimising all risk and looking for the safest harbour possible. In financial terms that might mean getting rid of all risky assets like property and shares, and leaving all their money as cash in the bank. We may even question which bank is the safest for fear of them failing. Given the events of the GFC (global financial crisis) this is probably not an unreasonable question. Should we however be this concerned and scared? When we are fearful we tend to act like "rabbits in the headlights", that is we can almost become paralysed for fear of making the wrong decision. Many different factors impact upon how we cope with risk and uncertainty. How old we are, our financial situation, our personal confidence and our appetites for risk are but a few. Everyone is different and it is not for me to judge how you should feel in times like these.

My personal view however is that while recent times certainly have been challenging, we need to take a lead from the famous Monty Python line and "look on the brighter side of life". Times may be challenging but there are also things happening around us that should give us great cause for optimism. At a local level, the development that is starting to happen as a result of the mining and gas industries is substantial. The spin off from last summer's floods is that water storages and soil moisture levels are at premium levels for agriculture. With a weakened La Nina weather pattern still with us, the forecast for this summer is looking positive rather than devastating as it was last year. Interest rates have dropped marginally which helps all of us with bank debt.

While it is always prudent to be cautious in uncertain times we also need to be positive enough in our outlook to see and take advantage of opportunities that come along. Remember the drought always seems the most devastating just before it breaks. A severe storm always seems darkest just before it clears. As with most challenges in life, it will be those who stay positive and continue to look for opportunities that will benefit the most when business and financial confidence returns.

We wish all our clients and friends a very merry Christmas and may 2012 be a year of renewed confidence, fun and prosperity.

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Retirement Accommodation

The Financial Complexities

with **Philip Saal** from **RBS Morgans**
Authorised Representative (267882)

RBS Morgans

As our population ages, most people focus on the lifestyle aspect surrounding the choice of accommodation in retirement. But with increasing choice in accommodation comes increasing complexity with fees and bonds impacting on retirees' income and assets. Focusing on the financial planning aspects of retirement accommodation should be an important aspect of any final choice for accommodation.

Phased Retirement Villas offer retirees an incredible choice of conveniences and facilities with the social aspect of being in a community with their peers. Many of these facilities have a phased aspect of living, which allows for increasing health care help as the client ages. Each of these phases has varying fees and bonds which in many cases are linked to the Age Pension, income and assets of the residents.

Due to pension reforms and the differing fee structures of various retirement accommodation, the complexity makes it virtually impossible for retirees to understand the full impact their choice may have without some level of assistance.

While lifestyle choices are important, care needs to be taken before committing to any choice to ensure you are able to afford the ongoing care and access the maximum amount of government assistance available to you.

A summary of payments for the differing facilities is listed below:

Details	Retirement Village	Hostel (low level care)	Nursing Home (high level care)
Who can live there?	Primarily for persons who are 55 or older. Residents' health requirements may vary from needing daily assistance to none at all.	In need of support or care (low level) as assessed by ACAT.	In need of support and care (high level) as assessed by ACAT.
Funding of a place in the residential facility	Mostly self-funded through the purchase of a unit, a loan or a donation.	Government subsidy but residents may also be required to contribute.	Government subsidy but residents may also be required to contribute.
Initial payment	Entry Contribution (EC): - varies according to the village and type of accommodation required - is a private contractual agreement - can range from a few thousand dollars to the full purchase price of the unit, depending on the agreement made with the village - some villages offer rental units for retirees who can't afford to pay the entry contribution.	Accommodation Bond: - is negotiable between the resident and the facility - has no limit on the amount of the bond, however the resident must be left with no less than $40,500 in assets - can be paid as a lump sum, periodic (fortnightly or monthly) payment, or a combination of both. - payment is generally determined by the individual's level of assets at the time of entry to the care facility.	Accommodation Charge: - is negotiable between the resident and the facility - does not apply if assets are $40,500 or less - by agreement, payment can be deferred (interest is charged) or paid from the person's estate - based on status of the individual and their level of assets at entry. - the maximum daily rate for both a pensioner and a non-pensioner is $32.38 - people, who move from a hostel where they have paid an accommodation bond, may be able to transfer it instead of paying the charge. - Extra service facilities may require payment of an accommodation bond instead of the charge.
How is the initial payment treated by Centrelink/ DVA?	Centrelink treats all amounts paid by or on behalf of the resident as an entry contribution (EC). The EC is used to determine a person's home ownership status, which in turn determines eligibility for rental assistance. The EC amount is also used to determine whether the EC will be assessed as an asset. If EC ≤ the extra allowable amount, the resident is assessed as a non-homeowner and their EC will count as an asset. Otherwise assessed as a homeowner with EC as an exempt asset. Note: the entry contribution is not a financial asset and is therefore not subject to deeming.	The accommodation bond is not an assessable asset and not subject to deeming. Where some or all of the accommodation bond is paid periodically and the former home is being rented, the rental income will not be assessable under the income test and the value of the home will not be assessable under the assets test.	Residents renting their home while paying or deferring the charge will not have the rent assessed under the income test and the value of the home will not be assessable under the assets test. If the accommodation charge is not payable, rent will be assessable under the income test under normal provisions and the former home will only be an exempt asset for two years. Where a bond is paid refer to hostels column for Centrelink/DVA treatment.
Ongoing fees and charges:	Vary with services.	Basic daily fee: > standard maximum rate is 84% of the annual single basic Age Pension ($41.34 per day). Income tested fee: > full pensioners are excluded > maximum amount of income tested fee is equal to 5/12 of 'total assessable income' (includes Centrelink/DVA payments) above the 'income tested fee threshold per fortnight'. > fee capped at $66.43 per day.	Basic daily fee: > standard maximum rate is 84% of the annual single basic Age Pension ($41.34 per day). Income tested fee: > full pensioners are excluded > maximum amount of income tested fee is equal to 5/12 of 'total assessable income' (includes Centrelink/DVA payments) above the 'income tested fee threshold per fortnight'. > fee capped at $66.43 per day.

Retirement accommodation has become a complex topic and requires careful consideration and early planning.
This will ensure that you, or your family, are not rushed into any decisions that will have long term financial impact at a time when you may also dealing with a health crisis.

Fifty, Fifty, Five Hundred

with **Kymberlee Naumann** from
Wealth Experience Superannuation Solutions

From 1 July 2012, superannuation investors who are aged at least 50 will have a concessional (taxable) contributions cap of $50 000 if they have less than $500 000 in super fund assets. The precise details of how this policy will work are unknown. The current unknowns are as follows:

1. When is age 50 determined – at the start, during or end of a financial year?
2. At what point and how will the $500 000 in super assets be assessed?

The Government is currently assessing three different alternatives for how the $500 000 will be measured. There are also numerous discussions in place as to the fairness of this proposal. Until we know the precise design features of this policy, it is difficult to determine the best way to work around it.

One super strategy which may be useful if this policy is to proceed is contributions splitting. Super contributions splitting (SCS) allows a member to transfer contributions made during a financial year to their spouse. The relevance of such a strategy, however, will be totally dependent on the final policy details.

So how does SCS work? Firstly, contributions splitting is not a compulsory feature of all super funds. This means that you should check your fund's trust deed to determine if the strategy can be adopted. SCS is available for all spouses, including same-sex spouses. It should be noted that contributions cannot be split if the receiving spouse is 65 years or older, or if the receiving spouse is aged over preservation age (55 for those born before July 1960) and under age 65 and satisfies a superannuation 'condition of release' such as retirement.

SCS can only be done in the year after a financial year has ended. For example, contributions made during the 2011 year can only be split during the 2012 financial year. Once the 2012 year has finished, the 2011 year contributions cannot be split. There is one exception to this rule. Contributions splitting is allowed during a financial year when a member is rolling over or transferring their entire account balance.

The super splitting regulations only allow super funds to accept one member contributions splitting application per annum. The maximum that can be split is 85% of the taxable contributions made to the super fund. No part of any rollover benefit or benefit transfers can be split, nor can personal untaxed (non-concessional) contributions be split. Any contributions subject to a divorce settlement cannot be split. Additionally, only contributions made into a super fund's accumulation benefits can be split. This means contributions to a defined benefits fund cannot be split.

A member must apply in writing to have contributions split via a specific ATO form. A trustee who does not reject a contribution splitting application must action it within 90 days of receiving it. The split contributions can be rolled over or transferred to another fund, or the trustee permitting the split can create a member's interest for the receiving spouse. Split contributions must be preserved (cannot be withdrawn) unless the trustee is satisfied that the receiving spouse satisfies a relevant preservation condition of release such as death, permanent disability, or retirement. Additionally, as the split contributions can only be made from taxable contributions, they will transfer as part of the receiving spouse's taxable component.

Let's look at an example. Jim is aged 62 and has $350 000 in his super fund. He has a salary of $90 000 per annum. His total employer contributions of Super Guarantee and salary sacrifice will be $50 000 this financial year. In July 2011 he completes an ATO splitting application form and splits $42 500 (85 per cent of $50 000) with his spouse, who has minimal super. As a result, Jim keeps his super balance below $500 000 and his spouse receives some super benefits. He has also potentially retained access to the higher concessional contribution cap for one more year.

In the end contributions may not be a valid solution to enabling access to 50, 50, 500. This will depend on the final policy that is handed down. Regardless of this though, it is still a worthwhile strategy to explore.

Eco Tip - Lunch Time

It is easy to slip into the habit of regularly using cling wrap, sandwich bags or aluminium foil for our lunches. This habit, however, helps contribute to the amount of rubbish we as Australians create each year – which is over 28 million tonnes per annum! Instead, try using a reusable container and make your lunch litter free.

Mortgage Traps

You Can Avoid

with **Dan Cuthbert** from
Wealth Experience Leasing & Finance

Your search for the right home can be stressful enough without having to worry about finding the best mortgage. So being able to recognise and 'get around' some of the common pitfalls borrowers fall into should make your journey much less arduous. Here are my top 10 home loan traps to avoid.

1. Pre –approval is not a green light

Just because a lender gives you pre-approval doesn't mean you are OK to purchase a property unconditionally. A pre-approval is useful as it gives you an indication of how much a lender is prepared to let you borrow. Pre-approval is really only the beginning of the home buying and borrowing process. It enables you to identify the property price range you can afford so you can start to pinpoint the locations and types of property that fall into that range. Its other main purpose is to give you an insight into the level of monthly mortgage repayments you will be expected to meet and you can start to factor in the costs of buying and borrowing such as legal fees, inspections, stamp duty and lenders mortgage insurance (LMI). If you are at the stage where you've found the home you seriously want to make your own, you should go through the full, formal approval process. Prepare for this properly by making sure you meet all the lending criteria. Wealth Experience Leasing & Finance will guide you through all of this. You will usually need to have at least 5% of the purchase price in genuine savings. Some lenders will also consider the amount of rent you pay. All lenders will want proof your job is secure and that you could still afford the loan if the interest rates went up by 1% or 2%. If you meet these criteria, your lender will grant formal approval for 90 days. The best approval you can get is 'subject to valuation' (unless you are using an existing property as security, in which case you may already have unconditional approval). The lender's valuation will indicate whether the home is listed for a fair price. It also confirms the property is acceptable loan security (not dilapidated, run down, etc); and determines your LVR (loan to value ratio). Other issues can arise as a result of the valuation. For example, the property may be a warehouse conversion, be zoned for mixed use, be in a high density area, acreage or flood zone. This may mean the lender will not go ahead with the loan or may consider it at a reduced LVR (in which case the borrower may be required to tip in more savings).

2. You've just changed jobs

A recent job change, even if it is a handsome promotion, could be seen as a problem by some lenders. Most lenders generally don't like to write loans for borrowers who are on probation with a new employer. A probation period does not represent the most stable and secure employment status. Most lenders will assume you're much more difficult to dismiss from the position once you've made it through probation. Some lenders may also have minimum employment period requirements. There are exceptions and ways around these barriers but the important thing to do is to discuss with your broker before you actually make that great career move. If you don't, it may turn out to be a barrier to home ownership, even if it is that dream job.

3. You've decided to become a contractor

Changing your work status from salaried employee to contractor can also have unforeseen consequences in terms of your ability to get a home loan. Again, your motives for making this change may look right on the surface – the most common reason is it puts more money in your pocket at the end of the work week. It also effectively takes you out of the Pay As You Go (PAYG) tax system and reclassifies you as self-employed. That's where things start to get a little more complex on the home loan front. This usually means you will need to show two years' worth of tax returns to qualify for a home loan. You risk missing out on the loan or having to delay purchasing a home until you can demonstrate the required self-employed tax history.

4. One too many applications

Take as much time as you need to research and compare home loans before lodging an application (one of the benefits of using Wealth Experience Leasing & Finance for your next loan is we do this hard work for you). Applying for more than one loan at a time may also adversely affect your credit rating. It's much better to do your window shopping, get answers to any questions and crunch your numbers – find the best loan for your circumstances – and then start the application process when you're certain you've got the best deal going. Take your time and speak to us about the best options for you.

5. The genuine article

If you're a first homebuyer, most lenders will require that you hold 5% of the purchase price as genuine savings held for at least three months. Most lenders have quite strict rules about what they mean by 'genuine savings'. If, for example, the savings are held in an account in another name – such as your business account or your partner's account – then they won't qualify. The 5% savings must be in an account in the name of the borrower.

6. Give yourself enough time

Be certain about the quality of your 'pre-approval'. Some people say they have called a lender and been given approval over the phone. Your loan can't be formally approved unless you have completed an application and signed a privacy form. You want to be confident that your approval means something. Where possible,

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Mortgage Traps You Can Avoid

with **Dan Cuthbert** from
Wealth Experience Leasing & Finance

sign your contract to purchase a home 'subject to finance'. Give yourself enough time to get the loan approved before settlement. Agents know that many lenders are back-logged. Check with us to get a reasonable idea of how long it will take to get your loan approved. We currently recommend that you try and obtain 21 days for finance when signing a purchase contract.

7. Below contract price

Be prepared for the possibility that the lender's valuation may come in at below the contract price – that is, lower than what you're being asked to pay for it. Danger areas are off-the-plan purchases and developments where rebates are offered. Financiers and mortgage insurers are wise to this and discount their valuation accordingly. It is essential to do your homework before you bid at an auction. Check on the prices achieved by other, similar properties sold in the same area and be very cautious not to bid too far above those recent sale prices. If you do go crazy and there are no other properties of a similar nature in the area that have achieved an equivalent price tag, the lenders' valuation may come in at below the price you've bid. You would then have to find extra funds to keep the LVR at the required level or risk missing out on the loan.

8. Watch your plastic

Lenders don't just look at how much you actually spend on your credit cards. They will assess your creditworthiness on your credit card limit, not your outstanding balance. So even if you have a low outstanding balance (or always pay your card off during the interest-free period), if you have a high level of credit available on the card, this could adversely affect your ability to get a home loan. If you think your ability to service a home loan may be tight, get your cards in order before you apply. Consider reducing your credit limit because lenders will assume your full credit limit is used up when you apply.

9. Old loans hit home

If you are refinancing an existing property to release funds to contribute to the purchase of a new property, make sure your existing mortgage is in order. You will need to show your last six months' loan repayments and that they are in good order. If you have missed a payment or been late in making a payment (even by a couple of days), be aware this could make the difference between getting approval for the new loan or not.

10. Cash poor

Having a high level of equity in your current home does not necessarily guarantee that you will get a mortgage for a subsequent property purchase, such as for an investment property. You will still have to prove you have adequate income to make the repayments on the new loan. Many people think that just because they have an unencumbered home they can get a line of credit against that home to purchase a new property – without having to prove they have an income and can service the loan. Not only do you need to show your income is satisfactory to meet your commitments, but the lender may want to control the funds disbursement to ensure that the use of the funds is for the stated purpose. With the introduction of the Anti-Money Laundering and Counter Terrorism Financing Act, lenders have a responsibility to ensure the funds are used for the purpose stated.

Wealth Experience Charitable Trust - Donations to Charity

It's important to recognise that you can only claim a deduction for donations made to deductible gift recipients (DGRs). If you receive any form of merchandise – biscuits, teddies, balls or you buy something at an auction – then it's not deductible. This is simply because you purchased something rather than giving a gift. The same goes for charity balls and dinners. You cannot claim the cost of the dinner unless the organisers have arranged for part of the cost to be deductible and are able to provide you with a confirmation receipt.

The most (tax) effective way to give is to make a direct donation to a DGR. This way, you get a tax deduction for the donation and the charity does not have to spend time, money, and resources creating and supporting events.

The Wealth Experience Charitable Trust is a registered DGR so any donations to this are 100% tax deductible.

Compliance Program 2011

Australian Taxation Office

with **Sharon Baldwin** from **Power Tynan**

Target areas

On 1 July 2011, the ATO released its compliance program for the 2011-12 income year.

Each year, the Commissioner sets out in the compliance program the ATO's views on the most significant tax compliance risk areas for individuals, small to medium enterprises, high net worth individuals, large businesses and the not-for-profit sector.

An overview of the areas that are likely to affect you is set out below for your information.

Notably, these are the ATO's areas of focus only. Falling into one of these areas does not mean you have done anything wrong, or will be required to pay additional taxes.

However, at the ATO's discretion, one or more of the items on your tax return may be queried and you may be required to substantiate one or more claims on your income tax return.

This year, the ATO will be focusing on a range of areas in relation to individuals, including the following:

Employees v contractors

The ATO will be checking to make sure employees and contractors have been correctly classified as such, from an employer as well as service provider/employee perspective. The ATO is of the view that persons inappropriately classified as contractors may be under-reporting income, but may also be missing out on entitlements such as superannuation, leave and worker's compensation.

Specific industries being watched by the ATO include:

> Building and construction
> Call centres
> Cleaning
> Security
> Logistics
> Retail
> Tourism and hospitality
> Education
> Aged care
> Health
> Telecommunications.

The ATO is also concentrating on the following industries to make sure employers are fulfilling their superannuation guarantee surcharge obligations:

> Cafes and restaurants
> Real estate
> Carpentry
> Computer systems design
> Accommodation
> Accounting.

If you are concerned about your classification or suspect that relevant factors may not have been taken into account when determining your classification with your "employer", you should contact us to discuss.

Personal services income

Income earned primarily through the provision of personal services or exertion is taxed in the hands of that person regardless of the entity that derives the income, pursuant to specific personal services income rules.

The ATO is watching for taxpayers who ignore these rules and report such income in the hands of a company, trust or another person where the personal services rules would apply to tax the income in the hands of the primary service provider.

Work-related expenses

The ATO continues to focus on claims for work-related expenses (which continue to climb) and will be especially focusing on workers in the following industries:

> Real estate employees
> Carpenters and joiners
> Earthmoving plant operators
> Flight attendants.

We have noted increased ATO interest in work related allowances and associated claims.

Overseas income

The ATO continues to use data-mining techniques to make sure taxpayers are reporting all of their overseas income.

Remember – Australian tax residents are taxed on their worldwide income, i.e. income derived from all sources. Where tax has been paid in a foreign jurisdiction, you will likely get a rebate or offset so that you may not be required to pay top-up tax in relation to your overseas income, but you still need to report it!

Pre-filling

It is essential that you double check information that is pre-filled into your tax return. Australians are increasingly reliant on pre-filled information to complete their income tax returns, but the ATO is reminding taxpayers that this information may not be absolutely correct in all instances and should be checked against primary sources prior to lodgment.

Split loans

Split loans (for example, where one loan is used for two or more purposes, especially where at least one purpose

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Australian Taxation Office Compliance Program 2011

with **Sharon Baldwin** from **Power Tynan**

is business-related, and at least one is personal) are again under the microscope. If you have such a loan, make sure costs in relation to the loan are apportioned correctly. If you are unsure, please contact us.

Refund fraud

The ATO has gone to a lot of effort to build fraud detection tools into their data-checking systems, but it is still important to be wary of potentially fraudulent transactions in relation to your tax file number.

If you receive any correspondence from the ATO that relates, for example, to a return that you haven't lodged, make sure you contact your tax adviser or the ATO as soon as possible.

Executives, directors and other highly paid individuals will have their tax affairs watched more closely by the ATO, with a specific focus on:

> Large deductions
> Incorrect calculations of net capital gains or losses
> Deductions for contributions to SMSFs
> Large revenue loss claims
> Appropriate disclosure of partnership or trust income
> Personal services income
> Loans with related entities
> Employee share schemes.

Default Assessments

As part of the continuing audit activity being undertaken by the Australian Taxation Office, they have shifted their focus to non-lodgers and have implemented a process of issuing Default Assessments. The first step in this process will involve a letter being sent to you entitled 'Default Assessment Warning' – do not ignore this letter. Where no action is taken to lodge the overdue returns by the date specified in the letter, the Australian Taxation Office will automatically issue default assessments for clients which will be based on the estimated taxable income included in the letter, and penalties and interest may be charged.

If you receive any documentation from the ATO in relation to a risk review or audit, you should contact us immediately.

Subdividing the Family Home

with **Gilda Brisotto** from **Power Tynan**

Do you need to pay capital gains tax when you subdivide your family home from one block into two or more blocks?

Subdividing a block into two or more blocks does not, in itself, lead to a capital gains tax event. It is considered for capital gains tax purposes that the new blocks were acquired on the same date as the original block and that no disposal has occurred.

The original purchase price of the one block is then apportioned across the number of new blocks you have created. This apportionment can occur on either an area basis, relative market value basis or any other reasonable method.

For example Tom and Jane purchased their family home on 13 September 2000 for $500,000 and then decided to subdivide the one block into two blocks. The original block was 1,000 sqm and the two new blocks will be 400 sqm (Block One) and 600 sqm (Block Two) in size. Their home resides on Block Two. It would be reasonable for Tom and Jane to apportion $175,000 to Block One and $325,000 to Block Two. At the time of subdivision Tom and Jane will not have a capital gains tax liability.

What happens if Tom and Jane sell the subdivided block?

There will be a capital gains tax event when Tom and Jane sell the family home and the subdivided blocks. There is however a 'main residence exemption' for their private home.

If Tom and Jane sell the family home and the subdivided blocks at the same time then they will be able to apply the main residence exemption to the subdivided blocks to the extent which the adjacent land is used for private and domestic purposes in association with the dwelling. The maximum area of land that will be covered, including the family home, is 2 hectares.

However the main residence exemption does not apply in relation to the subdivided adjacent blocks if the blocks are sold separately to the family home. The family home will be eligible for the main residence exemption, but not the subdivided block. This also applies even if you sell the family home and the subdivided block at the same time but to different purchasers.

Benchmarking for your Business

with **Scott Patterson** from
Wealth Experience Business Solutions

Most business people have heard of benchmarking even if they have not personally used it as a management tool. This is not a new concept. Until now however, benchmarking has generally been used in one of two ways.

The first is to compare the performance of your business against published performance figures for your industry across Australia. This can be a valuable exercise but it does have some shortcomings. Firstly there is often a significant time delay until all of this data is gathered and published which tends to make it less relevant, particularly in a changing economic climate such as the one we are experiencing at the moment. The second issue with widely published benchmarking data is that it is sometimes difficult to know if you are actually comparing your business with a truly similar or like business. This being the case is the exercise really meaningful? Industry categories can often be quite broad and can encompass businesses that are not really the same at all.

The second way that benchmarking has been used in the past is for business people to physically form a group of like businesses that are happy to share their performance figures for comparison and openly talk about methods of improvement. This can work quite well. The difficulty however is getting that group of like businesses together who are happy to share all their figures. Many people tend to be quite guarded about opening up their information for others to read and compare.

In spite of this, we now have a better way of making benchmarking really work for you. We have access to, and actively participate in, a really valuable benchmarking database. This database is active and online. That is, financial information on business performance and also business values is continually being added. This information applies to a range of industries and businesses. We can give you industry reports that show both average performance as well as the performance of the top 20% of businesses. We can enter your data in order to get a direct comparison. This is an innovative tool that can give you valuable and timely information about your business. It can also be used in a very real way to help you improve the value of your business.

Make your Business More Profitable & Valuable

Introduction

Your industry benchmark report lists 18 key performance benchmarks, to help you to firstly identify and then plan your priorities to change your business' strengths and weaknesses for increased profit and value. We encourage you to analyse these industry benchmarks and then compare your business performance with your industry average as well as top benchmark performers.

ABOVE BENCHMARK PERFORMANCE	You are a top performer, minimal improvement is required.
AVERAGE TO BENCHMARK PERFORMANCE	You are achieving above industry average performance, but improvement is still available to achieve benchmark performance.
BELOW AVERAGE PERFORMANCE	You are performing below the industry average; substantial improvement is required.

Property Investment

Why It Doesn't Work

We've all heard the adage 'As safe as bricks and mortar', but according to Property Analyst and NPA Property Group CEO Craig Whaley, buying and selling trends are proving contrary to this adage in many cases.

According to Mr. Whaley, many people are falling victim to the largest mistake made by Property Investors.

"Irrespective of whether the investor is from Sydney, Melbourne, Perth, Adelaide or Darwin, this same mistake is made over and over and over again". The mistake being made is not understanding and utilising Property Cycle data to their advantage".

To explain this, we must first look at history. Over two hundred years of recorded data has shown quite conclusively that Australian Property Markets have generally doubled every 7 – 10 years when averaged out over this period.

On the other side of the equation, research now suggests that between 50-60% of property investors in many areas are selling their property between year 2 and year 7 of ownership. Mr. Whaley refers to this period of time as 'The Grey Zone'.

So here we have a massive quandary. One side of the equation represents the historical nature of property price movements and the other side of the equation represents in alarming numbers why a lot of investors are failing to capitalise on this growth because they have sold their property to someone else.

Why this is occurring?

According to Mr. Whaley it is easy to explain why. "A lot of property investors are not understanding the nature of Property Cycles and buying and selling at the wrong time."

History has shown that generally 60-70% of the growth in a given property cycle happens in about 30% of the time. If we were to look at a property cycle historically as a 10 year period, this would conclude that 3 out of every 10 years is the exciting time and unfortunately 7 out 10 is relatively boring. It's this 7 out 10 years that leads to the problem. As investors get caught in this slump they don't necessarily know when or if the property they are investing in will go up in value. Unfortunately the longer the slump goes the more people sell. They question their purchase or get disillusioned and sell their property.

In reality the longer the slump goes the closer they are to the next upturn, but unfortunately a large number of investors won't have exposure to the market at that time as they have already sold their property.

For those investors that do get caught up in the upturn or boom in the market in which they invested another problem can occur. An Investor will see a price movement and not necessarily see the value of this growth unless they sell their property to crystalise their profits. Their profits could then be diminished as they sell well before the end of the upturn, missing out on further growth and also encounter sales fees and Capital Gains Tax to further diminish their gains.

Craig Whaley's DVD on "How to avoid the two largest Mistakes made by Property Investors" is available online at www.npapropertygroup.com.au .

Craig Whaley is a Property Analyst and CEO of NPA Property Group.

About NPA Property Group

Owned and managed by CEO Craig Whaley, NPA Property Group is a national property analyst company specialising in market research and building property portfolios. NPA is a market leader with a trusted reputation for client service and sound property advice.

The Wealth Experience Group has recently partnered with NPA Property Group to provide clients with the full range of financial services from one organisation, including direct property investment.

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Staff Spotlight

New Faces

Since our last edition of WE Inform, there have been several additions to our Wealth Experience team.

Judy Clanchy is based in our Roma office as an administration officer and receptionist.

Craig Uys will be working in the Toowoomba RBS Morgans branch as a Trainee Adviser/Technical Support.

We extend a warm welcome to all of our new staff members.

Christmas Party

On November 18, the Wealth Experience Christmas Party was held at the Queensland College of Wine & Tourism (Stanthorpe), with a mock Twilight Racing theme. The staff featured as the jockeys in the horse races, and there were also prizes awarded to Best Dressed Male and Best Dressed Female during Fashions on the Field.

An enjoyable night was had by all who attended – thank you to Trish and the organising committee for planning such a wonderful event!

Engagements

We would like to congratulate Shari Winter of our Toowoomba office on her recent engagement to her partner Nathan, as well as Annalisa Bryen of our Stanthorpe office on her recent engagement to her partner Frank.

BRW Top 100

For the third year running, Wealth Experience has been named in both the BRW Top 100 Accounting Firms as well as the Top 20 Fastest Growing Regional Firms. This year we were placed 60th in the Top 100, and are the 8th fastest growing regional firm in Australia. Thank you to all the staff within the firm – without the consistent effort from all of you, this achievement would not have been possible.

University Grades

Due to our successful scholarship program, we have many undergraduates employed at Wealth Experience. We would like to congratulate each and every one of these employees for passing all their university subjects last semester – this is a great achievement, as understandably it can be quite difficult to undertake study whilst working full time.

Staff Achievements

In October at an awards ceremony held at the University of Southern Queensland (USQ), Nicole Rametta from our Stanthorpe office received academic recognition and was inducted into the 'Golden Key International Honour Society' for constantly achieving marks in the top 15% of the faculty of Commerce/ Business. Congratulations Nicole on this outstanding achievement!

In January 2012, Edna Hurtz of our Stanthorpe office will have been employed with our firm for 40 years! This is an enormous effort, and as a result, Edna was nominated for and received a Workmanship Award with Stanthorpe Rotary Club and Mission Australia, which was presented to her on 7 November at a dinner at the Queensland College of Wine Tourism. We would like to thank Edna for all her time and dedication over the past 40 years, and congratulate her on receiving this award!

We would like to wish you and your loved ones a Merry Christmas and a prosperous New Year

Please note our office will be closed from 5:00pm Friday 23 December 2011, and will reopen at 8:30am Tuesday 3 January 2012.

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