

*This newsletter has been designed to keep you updated on what is happening within the industry and our Real Estate Office*

**From the desk of the  
Asset Manager**

**Properties  
recently rented**

**Keeping you updated on the  
local rental market**

**HOUSES**

Julia St, West End \$450  
Large 3bed home in quiet position

**UNITS**

Smallman St, Bulimba \$380  
Executive lge 2bed 2bath big balc

Little Jane St, West End \$220  
1 bed quiet st close to the action

Thomas St, West End \$210  
Modern fully furnished studio unit

Thorn St, Kangaroo Point \$510  
Modern 3bed loft unit pool & gym

**TOWNHOUSES**

Richmond Rd, Morningside \$330  
Large modern 3bd 2bath p/courtyd

Wilson St, West End \$460  
Large 3bd 2bath walk cafes shops

# Negative Gearing

The term “negative gearing” is classic jargon that can often be misunderstood.

So what does “negative gearing” really mean?

An investment property is “negatively geared” when the mortgage interest and other tax deductions, such as management fees, rates and maintenance costs, are greater than the rental income.

This results in a net loss that may be offset against your other income (such as your salary), which then lowers your overall tax bill.

In this way, the taxman as well as your tenant helps you pay for your investment property. While hopefully at the same time, your property is steadily appreciating in value.

**An example of how negative gearing works:**

Mrs Smith, a property investor, buys a unit for \$300k, puts in \$50k of her own money and borrows the remaining \$250K. The annual interest calculated at 7% is \$17,500\* and the weekly rent is \$300 or \$15,600 a year.

Interest = \$17,500  
Rent = \$15,600  
Difference = -\$ 1,900 (loss)

(\* Example figure only, will vary with daily interest charges and frequency of mortgage payments)



**Expenses**

Ongoing costs including rates, water, insurance, maintenance and depreciation allowances are \$2,600 each year.

When you factor in the expenses to own the property and the difference in interest charged and rent, you have a loss of -\$4,500.

In this example, the investor can reduce the tax liability on their other assessable income by the investment property’s loss of \$4,500.

*Continued Over...*

**IMPORTANT:** This is not advice. Clients should not act solely on the basis of the material contained in this newsletter. Items herein are general comments only and do not constitute or convey advice per se. The newsletter is issued as a helpful guide to clients and is for their private information. Every effort is made to ensure the contents are accurate at the time of publication. We take no responsibility for any subsequent action that may arise from the use of this newsletter.

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The loss on the investment property is then deducted from the taxable income.

If Mrs Smith received and paid tax on \$40,000 income for the year, her new taxable income would be reduced to \$35,500 (taking into account the deduction of the \$4,500 property loss). This would result in a tax refund benefit on the difference of \$4,500. If Mrs Smith's tax rate was 30%, this would result in a refund of \$1,350.

Obviously, the higher the tax income bracket and property loss, the greater the tax benefit will be.

Most people accept a loss in income because they believe it will be more than compensated for by a capital gain (increase in property value) down the track. But you need the financial flexibility to fund a cash-flow deficit while the property gain accrues. You don't want to get 18 months into a property investment to find the cash deficit is intolerable.

If you are looking to reduce your tax paid, we recommend that you discuss this further with your accountant. ■

## End of Financial Year Checklist

**Don't forget to claim all expenses!**

- Make an appointment with your accountant
- Ensure that you have all of your rental statements

Ensure that you have all invoices for expenses\*:

- Insurances
- Rates & Council Charges
- Water charges
- Cleaning
- Repairs
- Managing agent fees
- Stationery & postage
- Telephone calls
- Bank charges
- Advertising costs

- Pest control
- Tax-related expenses
- Servicing costs (i.e. Pool, spa, heaters)
- Electricity and gas supply
- Gardening & lawn maintenance
- Legal expenses
- Interest on loans
- Land tax
- Travel expenses to inspect the property
- Depreciation on fixtures and fittings
- Capital depreciation (building)

(\*This is a guide only and does not cover all claimable expenses)

We strongly recommend that you consult your accountant or financial advisor to assist you with claiming your maximum allowable tax deductions. ■

## Properties of the Month

### HIGHGATE HILL



**GROUND FLOOR REFURBED 2 BRM 2 BATH!**

Here is a great opportunity to buy an entry level 2 bedroom 2 bathroom modern apartment in a great Highgate Hill position.

Located in an attractive complex on the river this first floor refurbished apartment comes with all the necessities of an inner city apartment. Timber floors, freshly painted, new carpets, security screens, granite bench tops, balcony off the living and balcony off the 2<sup>nd</sup> bedroom, large master bedroom with ensuite, secure lock-up garage, pool in the complex,

bus at the door, walk to Boundary St and city.

Rental return forecasted at \$350pw, body corporate \$2200pa, rates \$1300pa, plenty of visitor parking, very private, perfect for the first home buyer or investor.

**Be Quick! \$369,000**

### WEST END



**ATTRACTIVE 3 BEDROOM QUEENSLANDER!**

Here is a great opportunity to buy an attractive Queenslander in a quiet Highgate Hill position.

This partly renovated 3 bedroom home comes with polished timber floors, modern kitchen, open plan living area, double car accommodation and plenty of off street access. With a rare wide frontage enjoy the benefits of easy landscaping and potential for that inner city swimming pool.

The home is located on an elevated block and close to bus and train, local cafes, Universities and a short walk to Southbank and the City. **\$625,000**

## Recently Sold

Ganges St, West End \$729k  
Modern 3bed + granny flat & views

Western Ave, Chermside \$385k  
Near new 3bed 2bath t/hse + c/lyrd

Vulture St, West End \$280k  
Great 1bed unit walk cafes & shop

Pearson St, Kangaroo Point \$309k  
2bed 1bath small complex quiet st