Tax Time

With June 30 fast approaching, it pays to start getting your paperwork in order for tax time.

You might dread the prospect of sorting through old bank statements and boxes full of receipts but if you can achieve a decent tax refund then it is time well spent!

Knowing what to claim is essential to lodging a good return and getting the deductions for your relevant costs and expenses. The unfortunate reality is that with so many deductions and offsets available for different sectors it's easy to miss out on allowable claims. Here are some of the ones that might be relevant to you, however, you should consult your accountant.

Capital gains

Capital gains on the sale of shares, property and other investments can be reduced by ensuring all eligible items are included in the cost base of the assets sold including the purchase price, capital improvements, stamp duty, legal costs, advertising expenses, commission fees, and by applying any available capital losses.

Investment property deductions

Rental property owners can generally claim deductions for advertising, bank charges, body corporate fees, cleaning, council rates, electricity and gas, gardening, insurance, interest on loans, land tax, lease preparation costs, legal costs, pest control, postage and stationery, property agent fees and commissions, repairs, secretarial and bookkeeping fees, security patrol fees, telephone calls and water rates.

Depreciation

Depreciation on investment properties is a commonly overlooked allowance. The Australian Tax Office allow deductions for depreciation on the main building itself, any structural improvements and fixtures and fittings such as kitchen appliances, floor coverings, hot water systems and airconditioning units.

Depending on the age, size and quality of the property, these deductions range from $20,000 to $100,000 over a 10-year period for a residential property.

Work expenses

Up to $300 for work related expenses can be claimed without a receipt, but the claims must be for items necessary for your work and you must have incurred the expenditure. Typically, these expenses include uniforms, business telephone costs and subscriptions.

Consult the Australian Taxation office website for further information on tax matters at www.ato.gov.au

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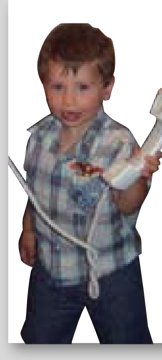

"Need a Great Home Loan?"

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With so much talk of a recession you might think there'd be no good news stories to report, but surprisingly the Australian economy and property market are not all cause for despair.

In fact our economy is in better shape than most others in the developed world and there is hope the global crisis won't have the same bite here. That we haven't gone down the path of our American counterparts has been largely thanks to Australia's conservative lending standards, which – as our page 2 article outlines – have just become even tougher.

On page three we look at the housing market and the growing opportunities it offers to both first home buyers and investors.

Our last article is a reminder of tax time approaching – have your receipts ready!

Enjoy this newsletter and feel free to pass it on to family and friends.

Economy Scores Top Marks

It's not just swimming and cricket that Australia does well at, it seems our economy scores top marks against the rest of the world.

According to the Reserve Bank, the Australian economy is in "better shape than most" and "will remain one of the better performing economies in the developed world".

Compared to the United States and the UK, where cash rates sit at a range of 0-0.25% and 0.5% respectively, Australia still has significant room to move with monetary policy. While there is no guarantee this will insulate us from the worldwide recession, it does put us in a good position to benefit from the renewed global expansion when it comes.

Experts are now predicting 2010 as the year most likely to bring about the start of the global upswing. The International Monetary Fund and the US Federal Reserve anticipate that fiscal measures put into place now by the world economies will go a long way towards stimulating this turnaround.

G20 Summit leaders recently agreed on a $US1.1 trillion plan for recovery and reform, which adds up to a staggering $US5 trillion spent in stimulus measures this year and next. Australia's own stimulus plan and recent injection of cash bonuses is well underway, and when coupled with the positive impact of interest rate cuts, many are hopeful that our economy may well hit a home run.

Quote for the month... ***"Your living is determined not so much by what life brings you, as by the attitude you bring to life; not so much by what happens to you as by the way your mind looks at what happens".*** Lewis L. Dunnington, Author

Lending Criteria Tightened

Last year you could take out a home loan without so much as a deposit. This year you need money in the bank and a good credit history at your disposal.

The financial crisis has seen mortgages with Loan-to-Valuation Ratios (LVRs) of 100 per cent withdrawn by banks and building societies across the developed world, with Australia more recently following suit. Commonwealth Bank and ANZ are among the big lenders who now require a maximum of 90 per cent LVR, while most major lenders have introduced genuine saving requirements around the 3 to 5 per cent mark.

What this means as a prospective home buyer is that instead of borrowing up to 95 or 100 per cent of the value of the property, you will now require a deposit of at least 10 per cent or more. Lenders will also be looking at your ability to service your repayments, so your disposable income, savings and credit history will come under increased scrutiny.

The move towards tighter lending criteria may make it more difficult for some home buyers to enter the market, but on the flipside it is widely considered as a responsible way to avert a US-type property disaster. With record low interest rates and the increased First Home Buyers Grant bringing more buyers into the market, lenders now want to be certain that as the borrower, you have the ability to repay your loan.

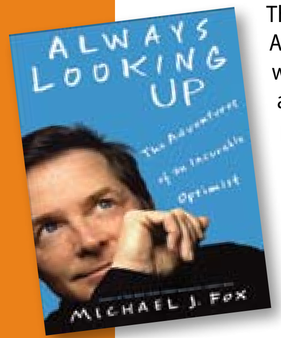
More conservative lending is also expected to slow down activity at the lower end of the property market and safeguard against a blowout in housing prices – which are already among the highest in the world relative to income.

As your mortgage broker, I can offer advice and expertise on how to negotiate your way through these more stringent credit requirements. Here are some tips to get you started:

- **Think carefully about the amount of money you wish to borrow.** Make sure it is realistic and can suit your means. Take into account future interest rate rises and make sure you allow a margin in your budget.
- **Check your credit record**. You could be refused a loan if you haven't paid your bills, had your power cut off, skipped payments or exceeded credit card limits.
- **Don't skip jobs.** Employment stability shows your income stream is secure.
- **Keep saving.** Lenders want to see evidence of a regular savings pattern of three to six months.

Book Review

Always Looking Up - Michael J Fox



There are many words to describe Michael J. Fox: Actor. Husband. Father. Activist. But readers of Always Looking Up will soon add another to the list: Optimist. Michael writes about the hard-won perspective that helped him see challenges as opportunities. Instead of building walls around himself, he developed a personal policy of engagement and discovery: an emotional, psychological, intellectual, and spiritual outlook that has served him throughout his struggle with Parkinson's disease. Michael's exit from a very demanding, very public arena offered him the time-and the inspiration-to open up new doors leading to unexpected places. One door even led him to the centre of his own family, the greatest destination of all.

Always Looking Up is a memoir of this last decade, told through the critical themes of Michael's life: work, politics, faith, and family. The book is a journey of self-discovery and reinvention, and a testament to the consolations that protect him from the ravages of Parkinson's.

With the humour and wit that captivated fans of his first book, Lucky Man, Michael describes how he became a happier, more satisfied person by recognizing the gifts of everyday life.

Did you know?

The cost of renting in Australia's capital cities is not far off the cost of owning a new home and paying a mortgage.

The QBE LMI Half Yearly Property Update compiled by BIS Shrapnel, shows that by June 2009 the cost of renting in Sydney and Melbourne will be closer to the cost of paying off a median priced house than at any other time in the last decade.

Weekly median rents in these cities are now more than 66% of median home loan repayments. The ratio is even closer in Canberra, Brisbane and Perth – where it is expected to approach 80% - and 75% in Adelaide.

Housing Market Grows

If there's a good news story to come out of the gloom of a recession, it's that Australia's property market may no longer be under the hammer.

Record low interest rates and the First Home Buyers Boost have done their job in re-energising the market, with strong signs that people are once again confident about buying property. First home buyers now represent over a quarter of all borrowings, with investors tipped to be the next growth market.

Investors make a come-back

Rising rental yields, low interest rates and an improvement in home values are expected to encourage property investment. As the gap between mortgage repayments and rents continues to shrink, the amount investors will have to dip into their own pockets to cover borrowing costs is diminishing.

According to the latest QBE LMI Half Yearly Property Update, compiled by BIS Shrapnel, the differential between rental yields and interest rates is only 2 per cent. Residential rents are continuing to rise strongly, spurred by the low vacancy rate of less than 2 per cent in most capital cities.

The report shows that conditions for investors are at their best since the late 1990s. Stagnant property prices combined with low interest rates has made it significantly more affordable to purchase a property, with overall rents predicted to rise by another 10 per cent this year, according to BIS Shrapnel property analyst, Jason Anderson.

Buying becomes more affordable

A dramatic improvement in housing affordability has taken place in recent months.

According to the Housing Affordability Report from the Real Estate Institute of Australia (REIA), released March 09, the cost of buying a home improved by a record 6.4 per cent in the December 08 quarter, compared to the September 08 quarter.

The percentage of family income needed to service a home loan decreased to 32.4 per cent from 38.8 per cent over the same period. This is the largest quarterly change recorded by the REIA since calculations of this affordability measure were first introduced in 1995.

With so much positive research available, there are plenty of good reasons to buy into property right now. It is our role to guide you through this process to ensure an easy transition to home ownership so please call us to discuss your borrowing or refinancing needs.