

Cash flow is king in property stakes

BRICKS&MORTAR
with *Peter Gianoli*

Leveraging property to finance additional investments is key to successful property investment. However, it is important to use the correct type of finance to ensure you achieve the right balance of leveraging for maximum potential return, and have an adequate risk buffer in place. It is also worth seeking professional advice on property finance arrangements and your after-tax cash flow, because everybody's situation is different. Being able to manage your loan repayments throughout the financial year is absolutely critical. There are a number of strategies you can use to improve your short-term cash flow position. These include retaining a cashflow buffer, reviewing your rental yield, carrying out renovations that can boost rental yield, and being aware that you vary your pay-as-you-go tax instalments if your cash flow is expected to be impacted. If cash flow is a risk, be mindful of the type of property you are purchasing. A vacancy could be disastrous if you have only one property in an expensive suburb, with a

PROPERTY CASH STRATEGIES

- Retain a buffer:** Plan ahead for managing the cash-flow gap and understand the implications of rate rises on your cash flow. Retain a buffer by borrowing less than the maximum you are able to access through your lender.
- Review rental yield:** If you have secured a good tenant for your property, you may be reluctant to ask for a higher rate of rent. However, it is essential to review your yield every year, to ensure you are meeting your own needs and that you are charging fair market value.
- Vary your PAYG instalments:** If ongoing cash flow becomes an issue, consider a pay-as-you-go variation. This allows you to project your losses for the financial year and have your income varied downwards appropriately, thereby claiming more income throughout the year and effectively claiming your tax refund ahead of time.
- Renovate for cashflow:** Renovations are typically used to increase capital growth, however smart renovations on the right types of properties can be conducted quickly and result in a significant boost to rental yield. These can also be financed using equity in a property.



correspondingly large mortgage. A portfolio of several cheaper properties will alleviate the cost of a vacancy. It is worth remembering that while the family home should be paid off as a principle and interest loan, investors should typically choose an interest-only loan for their investment properties.

Peter Gianoli is the general manager at Investor Assist and ABN Realty

Detail call to selfies

Monica Rule and Neale Prior

The Australian Taxation Office has warned trustees of self-managed superannuation funds to get ready for the new employer contribution payment system SuperStream. The tax office says DIY super fund members should provide details of their accounts to their employers at least 30 days before the end of the financial year so there is plenty of time for payroll systems to be updated. Tax office director Nathan Burgess said trustees must provide their employer with their DIY super fund's bank account and electronic service address details, as well as Australian business number, well before June 30. The new federally supervised payment system for employee superannuation contribution takes full effect on July 1 after the end of a 12-month grace period for large and medium businesses to get their system ready. SuperStream program manager Philip Hind said early notification would ensure the SMSF met its obligations and that the flow of contributions was maintained. DIY super funds must be able to receive employer contributions electronically via SuperStream when the system becomes fully operational from July 1. The employer may send contributions to their default fund if details are not provided in a way compatible with SuperStream.

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Ben Harvey, Group Business Editor

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Bookings: thewest.com.au/events

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PROGRAM

Session 1

Intros, how it all works, getting ready for retirement

- a** The usual approach, the common mistakes
- b** When to pull the pin
- c** Lifestyle considerations
- d** Dead stop or transition over the years
- e** What will it cost
- f** Tax and how that works, investment returns, the difference between income and growth

Discussion

In a short post-lunch discussion Ben Harvey and Nick Bruining outline some tips and traps to consider when trying to find a financial planner

Session 2

Investments and how they work

- a** Deposits
- b** Real estate
- c** Shares
- d** Costs of platforms
- e** Asset allocation
- f** Research and how it works

Session 4

Centrelink

- a** The system
- b** Benefit types
 - Income support
 - Concessions
 - Age pension (rates)
 - Means tests
 - Tips to improve your Centrelink position

Session 3

Super and account based pensions

- a** What is super
- b** Tax explanations
- c** Conditions of release
- d** Self-managed
- e** What's an ABP
- f** Investments inside the ABP

Session 5

Bringing it all together and then what?

- a** Estate planning
 - EPA operation
 - Wills
- b** Case study 1
- c** Case study 2

