
Gatherum-Goss & Assoc

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Merry Christmas and Happy New Year to you all! Can you believe that the year is over already... where has the time gone!?

We have all been working really hard to get as much work as we can out the door before we break for Christmas so if we haven't managed to finish yours we apologise and will get to it as soon as we return from our break.

Once again we wish you all a safe and happy Christmas and a prosperous New Year. Please take it easy, drive safely and most importantly, have fun!

Bec Mackie
Managing Partner

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A FEW THINGS WE HAVE NOTICED LATELY...

We want to take a few moments to brief you on some issues we have seen arise lately.

- Personal use of company monies: You cannot simply withdraw money from a company as drawings. There can be major taxation and regulation issues; please speak to your accountant before you consider doing this!
- Applying for loans: Mortgage Brokers will almost always require an up to date copy of ALL of your entities tax returns, so please ensure that we have your information well in advance of you requiring them to be completed.
- Tax payable due dates: if you have tax payable for the 2010 financial year, the money will be due to the ATO at the same time no matter when the return is lodged, so don't delay!
- Self-education regarding investment properties: if you have properties in your individual name, don't assume all seminars etc are fully deductible. They will only be deductible to the extent that they relate to your current investments. Please speak with your accountant if you are unsure.
- Investment allowance: the deadline is approaching, business assets where the 50% deduction was claimed must be installed by December 31, 2010.

DIFFERENT MODES OF INVESTING

Our clients invest in a very wide range of products that extend way beyond investment properties. A lot of clients invest in property and shares, but there are other, lesser known areas of investment that we often receive queries about, so perhaps now is a good time to explain to a larger range of clients just what some of these products are and what they entail.

PROPERTY RELATED

WRAPS

A wrap, or wrapping, has become a popular term for selling property using Vendor Finance. The concept has been around for a long time.

Investors using Property Lease Options to sell properties may often be helping home buyers with little or no deposit monies, but those buyers will eventually still require normal finance to exercise their option to purchase. Investors selling via vendor financing aim to help home buyers who not only may not have a sufficient deposit, but also those who may have difficulty qualifying for normal finance (i.e. as is the case with many self employed people).

Typically, the investor will obtain the necessary finance and negotiate to purchase a property below its market value. He will then on sell this to a home buyer for market price on vendor finance terms, but with his own mortgage still existing. The interest rate paid by the home buyer to the investor will typically be slightly higher than that paid by the investor on his mortgage, so the home buyer's interest effectively "wraps" that of the investor. The investor makes a margin on the sale price as well as a margin on the interest rate.

FLIPS

To 'flip' a property means buying a property and quickly reselling it for a profit. Often, the property is distressed in some way, and you'll be reselling it to a renovator who will revamp the property. The renovator will then sell the fixed-up property to a new homeowner.

STOCK RELATED

CFD's (Contracts for Difference)

CFDs are the flexible way to trade on thousands of financial markets. The concept is simple: you are quoted a price, you buy if you want the market to rise and sell if you expect it to fall.

A Share CFD is an undated contract that captures every aspect of share trading. You trade at the underlying market price, but you don't actually own the shares and do not have to put up the full contract value.

You are quoted a two-way price. You buy at the top end if you think the market will rise, or sell at the bottom end if you think it will fall.

CONT...

To open your trade, you do not need to pay the full amount for the position. You trade on margin, a deposit starting from 5% for equities, and pay a small commission of 0.10% per transaction. Share CFDs have no fixed expiry date, so you can close your position whenever you like.

While your position remains open your account is debited or credited to reflect interest and dividend adjustments. When your position is open you pay or receive daily interest adjustments depending on whether you have a long or a short position.

For Long Positions your account is debited to reflect interest adjustments and credited to reflect any dividends. This mirrors the effect of buying shares in the normal way, where you no longer earn interest on the funds used to buy the shares, but receive dividends instead.

With Short Positions your account is debited to reflect any dividends and credited with interest adjustments, unless LIBOR is less than 2.5%, in which case short positions will incur a debit. This mirrors the effect of selling shares, where you earn interest on the proceeds of the sale, but cease to receive dividends.

WARRANTS

A warrant is a financial instrument issued by a bank or other financial institutions, which is traded on the Australian Securities Exchange's equity market. Warrants may be issued over securities such as shares in a company, a currency, an index or a commodity. Warrants cover a wide spectrum of risk and return profiles, and investment objectives. In broad terms, warrants can be classified as 'trading-style' warrants or 'investment-style' warrants. Some may fall into both categories.

FUTURES

Futures markets have been described as continuous auction markets and as clearing houses for the latest information about supply and demand. There are two types of futures contracts, those that provide for physical delivery of a particular commodity or item and those which call for a cash settlement. The month during which delivery or settlement is to occur is specified. Thus, a July futures contract is one providing for delivery or settlement in July.

OPTIONS

There are two types of options, a put and a call. A call is the right to buy a stock at a certain price by a certain date. A put is the right to sell a stock at a certain price by a certain date. However, there is no obligation to sell or buy the underlying security. The advantage of an option over a stock is that one option contract controls one hundred shares of stock at a fraction of the price. The disadvantage is that the option expires on a given date at which point it is either exercised or expires useless.

The first step in trading options is to find an option chain. This can usually be done at an online broker by selecting "trade option" and putting in a stock symbol, then requesting the option chain. The basic chain includes: strike price, bid price, ask price, last price, volume, and open interest.

ABN's & BUSINESSES

Lately we have seen an increase in the number of clients involved in business activities of some form or another and we understand that when registering your business, things can get confusing and tricky.

When it comes to ABN's for business (Australian Business Numbers), it is essential to remember that an ABN belongs to an ENTITY and remains with that entity. Whether the entity is a sole trader, trust, company or partnership—the ABN belongs to them and NOT the actual business.

An entity may have a number of businesses within their structure, but they will always have one ABN.

Also, should a business be sold, the ABN does not go with the business, it remains with the original entity. The business will adopt the ABN of the entity that it is being transferred to or bought by.

If you are in doubt, please call us. Business registration can be a small headache for many clients and a 5 minute conversation with your accountant can save you time and money!

ATO DELAYS

Despite introducing a new 'faster' system last January, the ATO are still experiencing delays with the processing of some returns, so please be patient and rest assured that as soon as your tax return has reached the 14 day lodgment time period—we will chase your money for you!

LOANS TO TRUSTS

Now that the credit crunch is lessening, lending to trusts or all kinds is far more common and accessible.

If you are having difficulty obtaining finance for property within trusts, please call us as we have access to a number of lenders that have no issue with this.

CLIENT DETAILS

Our Christmas cards were posted recently, we hope you didn't miss out because you hadn't advised us of an address change! The same goes for email and phone numbers, if yours has changed, please do let us know immediately!

CHRISTMAS BREAK

Our office will close on Thursday December 23rd and reopen for business on Monday, January 10th.

Please be patient with us upon our return as we will have a lot of work (and news!) to catch up on.

A TOTAL FINANCIAL SOLUTION

OUR RANGE OF SERVICES INCLUDE:

Tax advice * Accounting * SMSF loans * Property warrants * Mortgage broking * Financial services

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