

Welcome

Once again Christmas is fast approaching and I for one have not bought any presents yet!

Property owners - don't forget that a gift for your tenant or property manager is tax deductible. Business - you can take your employees out for a tax deductible lunch or dinner if you stick to the thresholds. Feel free to contact the office for more information on how to maximise the tax deductibility of your Christmas.

I would also like to take the opportunity to congratulate Navin and his wife on the safe arrival of their beautiful baby girl, Kiara, on October 12th. Kiara and Mum are doing well, but sleeping when its dark has not been her strong point!

Andrew has hit the ground running as manager and is enjoying taking on the client contact and ensuring the smooth running of the office. Andrew is available to answer all your questions so feel free to contact him for any issues or queries you may have.

Finally, I am enjoying part-time work, and the time I am spending with my amazing kids. They are enjoying having Mum around and the more laid back pace. Thanks everyone for your understanding and support, it has been lovely.

Bec Mackie

Managing Partner

Easing into retirement

More than ever before, Australians are now transitioning gradually into retirement, rather than abruptly ending full-time work. In fact, 48% of full-time workers aged 45 or over are planning to move to part-time work before retiring.

This can be driven by financial concerns or lifestyle goals, or a combination of the two. Many people like the flexibility of easing into the next phase of life after over 40 years in the workforce. The following case study shows how this can be achieved.

Michelle's goals

Michelle is one such person who wants to wind back her working hours gradually. At 59, she's keen to spend time with her first grandchild, but isn't quite ready to retire just yet as she'd like to maintain the social interaction and mental stimulation she gets from work. With this in mind, she decides to cut back to three days (24 hours) per week.

Confused about TTR?
Let us show you how TTR can work for you!



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GGA Facebook Competition for November

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“**LIKE US**” on Facebook and you will be eligible for our monthly prize. Encourage your friends and family to like us as well, and you will all be in the running.

The prize for the month of **NOVEMBER** will be **2 Village Gold Class Movie Tickets!!**

* Winner will be posted on facebook and contacted by facebook early December 2012.

She meets with her Financial Advisor to make sure she can maintain her current lifestyle, while structuring her salary in the most tax effective way possible.

Work-part-time without reducing income

After scaling back her working hours, Michelle's income drops from \$100,000 to \$60,000. Michelle has around \$400,000 accumulated in super and her Advisor suggests setting up a Transition To Retirement (TTR) pension as the income from this will replace her pay cut of \$40,000. This means she can maintain her after-tax income.

A TTR is a special type of income stream available for people aged 55 and over that lets you access your super benefits before your retire.

By implementing a TTR, Michelle can now: Invest some of her super in the TTR and use the regular payments from the TTR to replace the income she loses when moving to part-time work.

Michelle has now: Reduced her hours without reducing her income and replaced her salary with a tax-effective income stream.

It's important to note that limits apply to the amount of pension income you can receive each year and you can only make lump sum withdrawals in certain circumstances.

How does it work?

Michelle's TTR will provide her with an income each year, allowing her to maintain her current living standard. There are minimum and maximum income thresholds she needs to consider though, such as only being able to access up to 10% of her account balance each year.

For this reason, it's important to make sure she puts an appropriate amount of super into her TTR. The good news is Michelle will pay less tax on the income payments from her TTR than she does on her salary.

As a result, she won't need to draw down her full pay cut from the TTR. In fact, a pre-tax income of \$32,157 will cover her salary reduction of \$40,000 as she is entitled to a tax offset on taxable TTR payments.

	Before Strategy	After Strategy
Pre-tax salary	\$100,000	\$60,000
TTR income	N/A	\$32,157
Total pre-tax income	\$100,000	\$92,157
Less tax payable including Medicare levy	\$26,447	\$18,604
After tax income	\$73,553	\$73,553

What's more, when she turns 60 next year the income stream payments will be completely tax-free, meaning a TTR payment of \$25,400 will cover Michelle's \$40,000 pay cut.

Tips and traps

It can be tempting to focus on the short term and maintain your current lifestyle when you're working part-time. But be careful you don't draw down your super too quickly and fall short of income during retirement as a result. Your planner can help you determine your expected length of retirement and the income you'll need each year, so your super lasts as long as you need it to.

Once you purchase a TTR, you can transfer the money back to super at any time. This flexibility is a great option if you think you might return to full-time work at any point. However a TTR can still be a smart strategy when you're working full-time and want to boost your retirement income. Some super funds have a minimum account balance, so it's important to check if yours has a limit before you start a TTR.

A TTR isn't always the most effective strategy. If you have investments outside super, you may actually be better off keeping your super as it is and using your other assets to supplement your income. If you wish to discuss these options further, call the office on 8813 0162 to make an appointment.



Darren Foster is an Authorised Representative of Capstone Financial Planning Pty Ltd – AFSL 223135.





GGA Client Q & A

You have questions...we have answers!

Over the course of the year we get asked hundreds of questions by you, our clients. We thought it would be a great idea to have a regular GGA Client Q&A section in our newsletter. If you have a question, let us know!

Q. A mate and I want to develop and sell a block of land he has. I will put in the capital for the buildings and he will put in the land. How should we structure this and what taxes do we need to consider?

A. As you already own the land (well your mate does), then the best structure moving forward will be a Joint Venture (JV). The JV agreement is what determines the treatment of the properties or profits at the end of the development, so is the most important part of this structure. As you are planning to sell all the properties within the development, you don't need the agreement to cover who gets which properties, you will simply sell the lot and split the profits. You can have a JV between your mate and a trust (on your behalf), a trust will enable you to distribute the profits far more tax effectively. From a tax perspective, the new properties will be subject to GST, however, depending on the original purchase contract you may be able to apply the margin scheme to reduce this amount. The profits will also be subject to income tax, rather than capital gains tax—as the development is being built to sell (not hold).

Outdoor Appreciation Increases Depreciation Claim deductions on outdoor structures and save

When it comes to claiming depreciation on investment properties, many investors are unaware of the deductions available on outdoor structures, fixtures and fittings.

Items outside a building can add value to a property. Rather than ignoring the street appeal, investors can include items in the yard or outdoor area to help attract potential tenants. The investor can then maximise their deductions by claiming depreciation on the eligible items in the front yard, backyard and balconies of their properties.

Deductions can be claimed on these outdoor assets as either capital works allowance or plant and equipment depreciation.

Capital works allowance, also known as building write-off, is based on the historical cost of a structure, excluding the cost of plant and non-eligible items. Outdoor structures which qualify for the capital works allowance include:

Outdoor Item	Approximate Cost	1st Full Year Deduction
Retaining wall	\$10,000	\$250
Fencing	\$5,000	\$125
Sleepers	\$3,000	\$75
Concrete slabs	\$6,000	\$150
Patio	\$4,520	\$113
Clothes line	\$400	\$10
In-ground pool	\$45,000	\$1,125
Above ground pool	\$20,000	\$500

Plant and equipment items, including removable or mechanical assets, are also eligible for depreciation deductions. Each plant and equipment item has an effective life set by the Australian Taxation Office. The depreciation available on each item is calculated using the effective life. Some depreciable outdoor plant and equipment items commonly found outside a property include:

Outdoor Item	Approximate Cost	1st Full Year Deduction
Outdoor furniture	\$4,000	\$1,600
Garden shed	\$950	\$178
Garden hose	\$80	\$80
Solar lights	\$250	\$250
Pool filters & pumps	\$3,000	\$750
Garden watering system	\$800	\$150

Assets outside a property can be worth thousands of dollars. Investors should take special notice when old assets including retaining walls, garden sheds and driveways are removed and replaced during a renovation. They may be entitled to claim 100% of the unclaimed value as a deduction. A specialist quantity surveyor is qualified to calculate values and construction costs of these items and can ensure that investors are not throwing dollars away!

(Source: BMT Tax Depreciation)

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An option for renting your property privately

Over the years we have seen a number of clients who prefer to rent their investment property privately rather than use a real estate agent. To this end, we have seen great success and great problems alike.

There is a new product on the market called **eezirent**, this is an online service which provides landlords with all the tools they need.

Some of the tools and services **eezirent** provides are:

- National Tenancy Database search access
- Access to realestate.com.au to list your rental property
- Access to all the rental forms you may need during the lease
- **Eezirent** is compliant with all state legislation

- Rental affordability calculator, to be sure your future tenant can afford the rent
- Online receipting and ledger tools
- Comprehensive fact sheets to guide you through the lease cycle
- Access to qualified property managers via their support desk

We stress that renting your precious rental property out yourself is not for everyone, in fact, it's not the right option for most people. However, for those of you out there who are interested in self managing their rental property, this product may well worth a look.



Avoid the holiday rush - get your tax information in now!

The end of the year is fast approaching. Be sure to get your information to us as soon as possible to ensure there are no delays. Currently the ATO turnaround time is approximately two weeks.

Our office will be closing over the holiday period

The office will be **closed from midday Friday 21 December 2012 and reopen on Monday 14 January 2013.**

We wish all our clients a happy and safe holiday season and look forward to seeing you in the new year.



Seasons Greetings
from the

Team at Gatherum-Goss & Assoc



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