



**Chan & Naylor**  
Our People. Your Advantage.

## **Mr. Peter J. Locandro (CPA)**

Managing Partner - Chan & Naylor Melbourne



### **Topic – “Building Foundations for Property Investment”**

Webinar # 1 - Thursday 29<sup>th</sup> October 2020 @ 1.00pm

Webinar # 2 – Thursday 12<sup>th</sup> November 2020 @ 1.00pm



**Chan & Naylor**  
Our People. Your Advantage.

— Welcome

## □ Chan & Naylor Melbourne – 3 office locations in Victoria

**Moonee Ponds**      *Level 1, Suite 2, 38 Margaret Street*

**Wheelers Hill**      *Level 2, Suite 10, 622 Ferntree Gully Road*

**Melbourne**      *Level 5, 84 William Street (by appointment only)*



## □ Services

- ✓ Taxation & Accountancy
- ✓ Financial Planning & Wealth Creation
- ✓ SMSF Services
- ✓ Insurances
- ✓ Loan Broking
- ✓ Bookkeeping
- ✓ Xero & Cloud Accountancy Training...



**Chan & Naylor**  
Our People. Your Advantage.

## — Disclaimer

### □ General Advice Only!

*The information provided in this seminar/webinar has been prepared for general information purposes only and not as specific advice to any particular person or situation.*

*Any advice contained in this document is General Advice only and does not take into account any person's particular investment objectives, financial situation and particular needs.*

*Before making any decisions, it's recommended to seek advice from a qualified professional relevant to your particular needs or interests. This may include tax advice from an Accountant &/or Tax Agent, Financial Advice from Licensed Financial Adviser or other professionals where required.*



**Chan & Naylor**  
Our People. Your Advantage.

## — Agenda

### □ Webinar # Series 1!

*Thursday, 29<sup>th</sup> October 2020 @ 1.00pm*

- ✓ Why Invest In Property
- ✓ What type of Property should you Invest In
- ✓ What Tax Deductions are Available
- ✓ Tax Deductions – Clarity on a Couple
- ✓ Banks – Keeping them Honest




❑ Previous Webinars <https://melbourne.chan-naylor.com.au/webinars/>

✓ Access via our website:

- Watch & listen
- Download Slide Presentation
- Download PDF's

### Webinar Resources

You can find details as to how to download slides and links to slides or notes that you may find useful. Please note that the information is of a general nature only.




Chan & Naylor  
Mr. Peter J. Locandro (CPA)  
Managing Partner - Chan & Naylor Melbourne  
Topic - "JobKeeper Version 2.0"  
Date - Thursday 1<sup>st</sup> October 2020 @ 11.30am

**JobKeeper 2.0 | 1 October 2020**

View The Webinar

Download The Slide Presentation

JobKeeper 2.0 Fact Sheet




Chan & Naylor  
Federal Budget 2020/21 | Webinar Invite  
How this impacts you?

**Federal Budget 2020/21**

View The Webinar

Download The Slide Presentation



Chan & Naylor  
Webinar  
Building Foundations for Property Investment

**Property Investment Webinar  
29 Oct 2020**

View The Webinar

Download The Slide Presentation



**Chan & Naylor**  
Our People. Your Advantage.

## — Agenda

### □ Webinar # Series 2!

*Thursday, 12<sup>th</sup> November 2020 @ 1.00pm*

- ✓ Structuring – Importance of Getting this Right
- ✓ SMSF – How to Purchase Property within a SMSF
- ✓ Cash Flow Analysis – Why?
- ✓ Property Outlook – Next Year & Beyond
- ✓ Ready Set Go – What are the Next Steps?



## □ Structuring – Importance of Getting it Right!

### 4 Major Considerations:

1. Legally minimizing your tax liability
2. Protection of assets from creditors
3. Borrowing capacity
4. Wealth Strategies – control vs ownership





**Chan & Naylor**  
Our People. Your Advantage.

## — Structuring

### ❑ Structuring ... continue!

- ✓ Small cost – why don't people investment some time & money in this;
- ✓ Speak to an expert – property vs brother-in-law;
- ✓ Property Ownership – not just for 1 year, so look at total ownership period;

### ❑ Recommendation – ideally do it before you sign a contract;







**Chan & Naylor**  
Our People. Your Advantage.

## — Structuring

### □ Structuring ... continue

#### Types of ownership:

1. Personally,
2. Joint,
3. Company,
4. Trusts, and
5. SMSF's





## □ Structuring ... continue!

### Personally

- ✓ Your name on title,
- ✓ Any profit or loss is included on your personal tax return,
- ✓ Great for negative gearing purposes for those on high incomes,
- ✓ CGT discount available for ownership period greater than 12 months,
- ✓ CGT could cause problems for high income earners, and
- ✓ Not so great for asset protection.



as Individual



**Chan & Naylor**  
Our People. Your Advantage.

## — Structuring

### □ Structuring ... continue!

#### Joint Names

- ✓ Generally, multiple names/entities on the title,
- ✓ Any profit or loss is included on your personal tax return,
- ✓ Great for negative gearing purposes for those on high incomes,
- ✓ CGT discount available for ownership period greater than 12 months,
- ✓ CGT could cause problems for high income earners, and
- ✓ Not so great for asset protection.





**Chan & Naylor**  
Our People. Your Advantage.

## — Structuring

### □ Structuring ... continue!

#### Company

- ✓ Company being the legal owner of the property,
- ✓ Company financial statements & income tax return required,
- ✓ No recommended for negative gearing purposes as losses captured,
- ✓ No CGT discount available,
- ✓ 100% of any CGT taxed at company tax rate, and
- ✓ A lot better for asset protection.





Chan & Naylor  
Our People. Your Advantage.

## — Structuring

### □ Structuring ... continue!

#### Discretionary Trusts

- ✓ Trustee being the legal owner of the property (*individually or personally*),
- ✓ Trust financial statements & income tax return required,
- ✓ No recommended for negative gearing purposes as losses captured,
- ✓ Vesting date – generally up to 80 years,
- ✓ CGT discount available as long as it passes through to individual beneficiaries,
- ✓ Land tax surcharge generally applicable, and
- ✓ Great for asset protection (*especially with company trustee*).



## □ SMSF's – How To Purchase Property Inside of SMSF?

### Self Managed Superannuation Funds (SMSF's)

- ✓ Trustee being the legal owner of the property,
- ✓ SMSF financial statements, income tax return & audit required,
- ✓ SMSF's can borrow,
- ✓ Invest using super monies,
- ✓ Great for business real property, and
- ✓ Great for asset protection.





**Chan & Naylor**  
Our People. Your Advantage.

— SMSF's

## □ SMSF's ... continue!

### Case Study

- Joe & Jill Biden - \$300,000 in super,
- Personally - highest income tax bracket,
- Warehouse - \$800,000,
- Rental – 7% or \$56,000 & no expenses,
- Borrowing – 550,000 @ 5.00%, and
- Capital Growth – expect 5% per annum.





## □ SMSF's ... continue!

### Case Study

	SMSF (Accumulation Mode)	SMSF (Pension Mode)	Personally
Rental	\$56,000	\$56,000	\$56,000
Interest	\$27,500	\$27,500	\$27,500
Taxable Income	\$28,500	\$28,500	\$28,500
Taxes	\$4,275 (or 15%)	\$Nil (or 0%)	\$13,965
Market Value (after Year 1)	\$840,000	\$840,000	\$840,000
Market Value (after Year 10)	\$1,303,115.70	\$1,303,115.70	\$1,303,115.70
Capital Gains Tax	10%	0%	\$24.5%



## □ SMSF – How to Purchase a Property Inside of SMSF?

### □ Step by Step Process to follow

- ✓ Financial Planning exercise – best interest provisions,
- ✓ SMSF set up fees,
- ✓ Insurance considerations,
- ✓ Custodian Companies/Bare Trusts,
- ✓ Yearly/Running Fees, and
- ✓ Self Control/Trustee Obligations.



## □ Structuring ... continue

<https://melbourne.chan-naylor.com.au/selfmanaged-superfunds/>

Want to learn more about SMSF?



**Chan & Naylor**

What is a **Self-Managed Super Fund?**

**A Self-Managed Superannuation Fund (SMSF) is a fund designed to hold and distribute retirement benefits for its members. These funds are controlled by their members, and may have no more than four members.**

**Why use an SMSF?**  
SMSFs currently hold 29.6% of all money invested in super by Australians.

The main attractions of SMSFs are that you have control over where your super money is invested, and they can help you create additional tax efficiencies and save on administration fees.

**What is the trustee's role?**  
The trustee is responsible for establishing the trust deed, setting and maintaining the fund's investment strategy, finalising reporting obligations, lodging tax returns, payment of levies and taxes, and

compliance with Taxation Office laws and regulations.

Trustees who are found to be in breach of these duties can be fined and, in extreme cases, jailed.

With a SMSF, there can be individual member trustees or a company acting as trustee.

With individual member trustees, every member must be a trustee and all trustees must be members.

Where there is a company acting as trustee, all company directors must be members and all members must be directors.

**How does an SMSF work?**  
A SMSF works much the same as a normal retail superannuation fund. It accepts

Personalise about client service  #OurPeopleYourAdvantage 01

## SMSF | A summary of what you need to know

We have produced a short summary to describe the key factors involved in establishing an SMSF. Please note that this summary does not constitute financial advice. If you want to know more about SMSF's you can find out more info here:

[Read The Brochure](#)



**Chan & Naylor**  
Our People. Your Advantage.

## — Structuring # Importance

### Structuring ... continuing

✓ Spend some money – get educated



Link - <https://melbourne.chan-naylor.com.au/investment-structures/>

□ Recommendation – “Which Structure - Cost vs Benefit Analysis”



**Chan & Naylor**  
Our People. Your Advantage.

## — Structuring

### □ Structuring ... continue

Want to learn more about property tax & structuring.

Brochure will be provided as a PDF resource.





**Chan & Naylor**  
Our People. Your Advantage.

## — Cash Flow Analysis

### □ Cash Flow Analysis

#### Importance

**Cash flow** is the inflow and outflow of money from any investment, including a property.

Cash flow is needed to settle debts, reinvest into the property or purchase the next one, return money to the investor, pay expenses, and provide a buffer against future financial challenges or needs.

Negative **cash flow** indicates that the particular investment requires further monies to be contributed.



## □ Cash Flow Analysis

### Considerations

- ✓ Once of costs; for example stamp duty, legal fees or initial repairs or maintenance,
- ✓ Cash Flow – you or the tenant to pay,
- ✓ Serviceability – banks, and
- ✓ Factor in worst case scenario.

<b>Rental property projection (5 years)</b>					
	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Income:</b>					
Rental Income	\$ 18,200.00	\$ 18,564.00	\$ 18,935.28	\$ 19,313.99	\$ 19,700.27
<b>Expenses:</b>					
Advertising for tenants	-	-	-	-	-
Body corporate fees	-	-	-	-	-
Borrowing costs	120.00	122.40	124.85	127.34	129.89
Cleaning	100.00	102.00	104.04	106.12	108.24
Council rates	1,000.00	1,020.00	1,040.40	1,061.21	1,082.43
Depreciation	-	-	-	-	-
Gardening	200.00	204.00	208.08	212.24	216.49
Insurance	500.00	510.00	520.20	530.60	541.22
Interest on loans	25,581.66	25,174.68	24,738.29	24,270.35	23,768.59
Land tax	-	-	-	-	-
Legal expenses	-	-	-	-	-
Pest control	-	-	-	-	-
Property agent fees	1,183.00	1,206.66	1,230.79	1,255.41	1,280.52
Repairs & maintenance	1,000.00	1,020.00	1,040.40	1,061.21	1,082.43
Capital works deduction	-	-	-	-	-
Stationery, telephone	50.00	51.00	52.02	53.06	54.12
Travel expenses	-	-	-	-	-
Water charges	350.00	357.00	364.14	371.42	378.85
Sundry expenses	-	-	-	-	-
<b>Total expenses</b>	<b>30,084.66</b>	<b>29,767.74</b>	<b>29,423.21</b>	<b>29,048.97</b>	<b>28,642.78</b>
<b>Net rental income/(loss)</b>	<b>(11,884.66)</b>	<b>(11,203.74)</b>	<b>(10,487.93)</b>	<b>(9,734.99)</b>	<b>(8,942.51)</b>
<b>Tax savings/(cost)</b>	<b>5,526.37</b>	<b>5,209.74</b>	<b>4,876.89</b>	<b>4,526.77</b>	<b>4,158.27</b>
<b>Net rental income/(loss)</b>	<b>(6,358.29)</b>	<b>(5,994.00)</b>	<b>(5,611.04)</b>	<b>(5,208.22)</b>	<b>(4,784.24)</b>
<b>Net income/(loss) per wee</b>	<b>(122.27)</b>	<b>(115.27)</b>	<b>(107.90)</b>	<b>(100.16)</b>	<b>(92.00)</b>
<b>Expect property value</b>	<b>346,500.00</b>	<b>363,825.00</b>	<b>382,016.25</b>	<b>401,117.06</b>	<b>421,172.92</b>
<b>Net growth (year)</b>	<b>16,500.00</b>	<b>17,325.00</b>	<b>18,191.25</b>	<b>19,100.81</b>	<b>20,055.85</b>
<b>Total return/(loss)</b>	<b>\$ 10,241.71</b>	<b>\$ 11,331.00</b>	<b>\$ 12,580.21</b>	<b>\$ 13,892.60</b>	<b>\$ 15,271.61</b>
<b>% return on cost</b>	<b>2.76%</b>	<b>3.08%</b>	<b>3.42%</b>	<b>3.78%</b>	<b>4.15%</b>
<b>Equity</b>	<b>- 15,870.29</b>	<b>7,491.40</b>	<b>32,155.73</b>	<b>58,197.56</b>	<b>85,696.19</b>



## □ Property Outlook – Next Year & Beyond

- ✓ Governments – have spent a lot of money (*JobKeeper, jobseeker, cashflow boost, grants*),
- ✓ Crystal Ball ??? Different States will have different recovery timelines,
- ✓ Credit Card Spending – CBA data shows spending is up 11.4% on a year ago – gut feeling is that some people are spending Govt handouts, not their hard-earned – will most likely cause problems in future, and
- ✓ Media – extensions to JobKeeper & JobSeeker.

## □ Property Outlook – Next Year & Beyond

- ✓ Builders & Council Permits – will be one the biggest indicators – already down,
- ✓ Retail spending – confusing, but up,
- ✓ Loss of Jobs & Income – Certainly, but how long will it last, and
- ✓ Debt - can mortgages & other debt continue to be paid and how long for?

## □ Property Tip – “Cash is King”





## LVR # Correct Amount

Considerations:

- ✓ Salary/Wages & other income, for example, investment
- ✓ Expenses/Liabilities – what are they currently
- ✓ Interest Rates – fixed vs variable, increase vs decrease
- ✓ Cash Reserves/Buffer – in place



Brochure - “Fixed vs Variable Interest”

Link - <https://melbourne.chan-naylor.com.au/fact-sheets/>

□ Property Tip “Have Less LVR Rather Than More”.



## □ Keep the Banks Honest

✓ Hungry for the right client now

Lender	Description	Initial Rate	Revert Rate	Comp Rate	LVR	Upfront Fees	Monthly Fees	Annual Fees	As Of
resimac	Prime Flex 70% - 80%	2.39%	2.39%	2.76%	80%	\$330.00	\$0.00	\$299.00	27-Oct-2020
AdelaideBank	SmartFit Variable Special SmartFit <=80% Owner Occupied	2.49%	2.49%	2.73%	80%	\$199.00	\$15.00	\$0.00	27-Oct-2020
ING	Orange Advantage \$150,000+ <=80%	2.54%	2.54%	2.89%	80%	\$299.00	\$0.00	\$299.00	27-Oct-2020
me	Flexible Home Loan FHB Special Offer <=80%	2.58%	2.58%	2.60%	80%	\$400.00	\$0.00	\$0.00	27-Oct-2020
AMP	Pro Pack Owner Occupied <=80% Owner Occupied \$100,000 - \$500,000	2.59%	2.59%	3.00%	80%	\$295.00	\$0.00	\$349.00	27-Oct-2020
MACQUARIE	Offset Home Loan Package \$150,000 - \$750,000 70% - 80%,	2.64%	2.64%	2.91%	80%	\$363.00	\$0.00	\$248.00	27-Oct-2020
citibank	Standard Variable <=80% Owner Occupied	2.69%	2.69%	2.84%	80%	\$649.00	\$8.00	\$0.00	27-Oct-2020



**Chan & Naylor**  
Our People. Your Advantage.

## — What To Do Next

### Keep the Banks Honest ... continue

- ✓ Hungry for the right client,
- ✓ Loan should start with a 2.00%,
- ✓ Loan broker – we regularly/annually review our client's loans, and
- ✓ Contact Lucy Ramunno @ [lucyr@chan-naylor.com.au](mailto:lucyr@chan-naylor.com.au) or 9370 4800.

### Objective – go shopping to save money, it's a free service to you!





**Chan & Naylor**  
Our People. Your Advantage.

— **Be Aware**

## ☐ **ATO Reviews/Audits!**

- ✓ Like anything, the Government is looking closely,
- ✓ Many wrongful claims by property investors, and
- ✓ These questions/reviews/audits will continue and will increase.

➤ **Be Careful, They are Watching!**





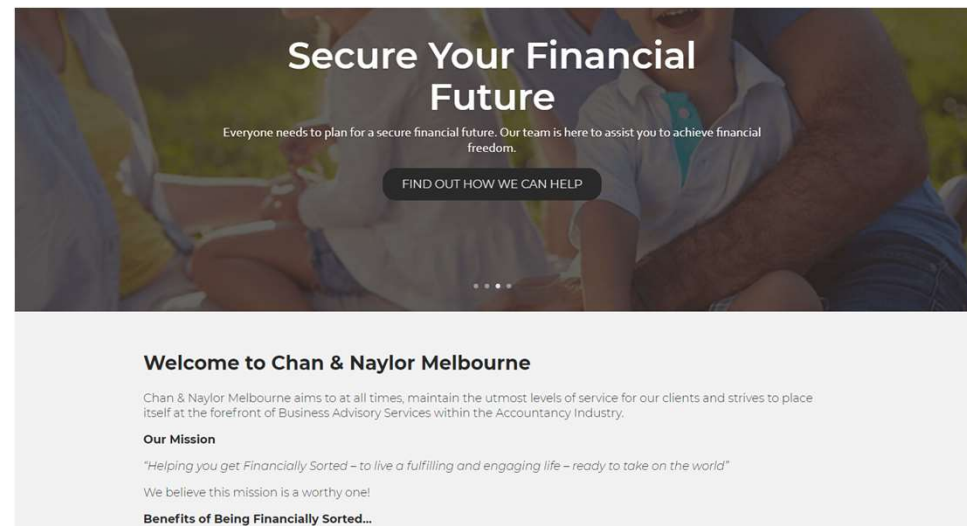
**Chan & Naylor**  
Our People. Your Advantage.

— Website

## □ Website

✓ Brand New!

✓ Webpage <https://chan-naylormelbourne.com.au>





**Chan & Naylor**  
Our People. Your Advantage.

## — What To Do Next

❑ **Our Focus - it's all about education of our clients!**

*(proactive, webinars, marketing, seminars, newsletters, consultations)*

❑ **Your Focus – it's all about investment in yourself!**

*(read books, speak to the right people, attend seminars & webinars, discover opportunities available)*



**Chan & Naylor**  
Our People. Your Advantage.

## — What To Do Next

### □ Property Tip

*"Property is like a seed – it doesn't provide fruit immediately; sometimes it takes years after being planted".*

You wouldn't plant a seed and then dig it up every few hours to see if it has grown.

So why keep questioning yourself, your decisions, and your hard work?

Stop overthinking, have patience, and keep watering your seeds.

### Take Homes...

- ✓ Talk to us for assistance – earlier the better
- ✓ Make sure all compliance is up to date with ATO – ITR's, BAS's, Super, etc.
- ✓ It's time to get Financially Sorted!

Contact      **(03) 9370 4800**

Webpage      **<https://chan-naylormelbourne.com.au>**

Email      **[peterl@chan-naylor.com.au](mailto:peterl@chan-naylor.com.au)**

