

TIFFEN & CO

the mortgage detective 

Spring Edition | 2012

SPRING EDITION

Welcome to the Spring Edition of Our Newsletter!

Canberra's Commonwealth Park has once again been transformed into a sea of colour during the annual Floriade Festival as it heralded the end of what seemed to be a very long Canberra Winter. Every year more and more people visit Canberra specifically for the Floriade Festival and this year they would not have been disappointed.

In this issue we discuss the importance of income protection insurance and give you five top tips to ensuring your income is properly protected.

I hope you enjoy this newsletter. If you have any questions or would like us to research a topic of interest to you, please call the office on (02) 6260 7880.

Gerard Tiffen
Managing Director

**As mortgage brokers, we're
here to make a difference.**

We understand the mortgage broking industry, and we understand people.



AUSTRALIA'S MOST AWARDED BOUTIQUE BROKERAGE

WE WON!!

Our whole team are extremely proud to be associated with the Australian Broking Awards as they are the only industry awards focusing solely on brokers and brokerages.

The process is transparent and measurable and includes the insights and opinions of a team of judges, ensuring the awards are fair, accurate and unbiased.

To win a second ABA is a true testament of our hard work and dedication to the industry.

This award follows on from us being named No. 7 in the Adviser Magazine's Top 25 Brokerages in Australia – No. 1 in Broker Productivity and the No. 1 Non-Franchise brokerage in Australia. Up three places from last year, this award further solidifies our high standing in the Australian mortgage broking industry.

These recent accolades cap off an amazing few years for us. It really does highlight the exceptional work our team does.



National Mortgage Brokers 1st XI award recipients;
Patrick Bouquiaux, David Friend, Gerard Tiffen & Stephanie Brennan

TOP TIPS FOR SUCCESSFUL STRATA LIVING

As Canberra continues to grow with more and more new unit developments being sold, it's important to understand and be aware of the rules and regulations involved with living in a strata community. Here are a few useful tips:

1. Be aware

Know the strata rules for your state, and your scheme's by-laws so you're fully informed of your rights and responsibilities.

2. Be involved

Take an active interest in what goes on in your scheme. Attend owners committee meetings where decisions are made, and make your vote count.

3. If you don't like it, change it

If you believe the by-laws for your strata scheme aren't working, change them. You do this by putting a motion with the new by-law to a general meeting, getting over 75% to vote for it.

4. Budget for levies

Each quarter it is likely you will need to pay levies to fund your share of the annual running costs of the owners corporation and maintenance. Occasionally, additional special levies may need to be imposed to fund unexpected or especially expensive maintenance, or for other reasons. So ensure you make allowance for these in your personal budgeting.

5. Protect your investment

Maintain common property. If it's getting run down, put up a motion at a meeting for specific work to be done.

6. Be respectful

Seek approval before altering common property. It doesn't matter that it's your courtyard, if it's common property, it's owned by everyone.

7. Be empathetic

Understand that your neighbour may be on the other side of your living room or bedroom wall, so be mindful of others. Noise is annoying – as is taking up visitor parking with your vehicles.

8. Talk first

Talk to your neighbours if there is a problem. They may not realise their actions are causing a nuisance.

9. Don't let it fester

Pursue by-law breaches. If talking has not resolved a by-law breach, contact your owners committee or strata manager to issue a Notice to Comply with a by-law. You may also want to apply for mediation.

10. Be flexible

There may be times you need to give a little more leeway to accommodate different personalities.

I AM OFTEN ASKED IF I WOULD BUY A NRAS PROPERTY?

I can honestly say, I would rather stick a fork in my eye rather than buy an NRAS property. As a professional investor I would never consider a property simply because you receive some extra tax benefits

For those of you saying "What is an NRAS property" let me quickly explain... National Rental Affordability Scheme.

Let me go into "the scheme" a little further... You, the investor, buy a House and Land package that has been NRAS approved.

Mistake number 1,

you have possibly just been ripped off on price by your "adviser" as the developer pays kick backs to advisers, accountants and property companies for selling these types of houses. They can be as big as \$50,000 per house. This kick back falsely increases the median house price of the area as well.

Mistake number 2,

the property is let out to people who cannot afford market rent. Essentially you have people on pensions, welfare and/or very low-income earners living in your brand new property. We have tens of thousands of people with good paying jobs, wanting to get ahead in life that cannot afford to buy a new home to live in, yet these properties are let to people who cannot afford the basics in life. I am sure there are some genuinely nice people who need to be supported by our government & I do not have a problem with this, but why are they rewarded with a new house or unit?

Why wouldn't the government make it more attractive for home-buyers and investors to buy new properties, leaving the more established properties for those needing the assistance?

So to make this "scheme" attractive, the government allow you to claim more deductions on the property than you could normally, approximately \$10,000 per annum.

The break up is made up of the following:

- \$7486 Tax offset per annum – now note that this is not a net number, it simply reduces your taxable income by this amount. The net figure you receive depends on what income tax threshold you are paying.
- \$2495 cash rebate per annum

The property must be approved to be an NRAS property and let out to a government-approved tenant for a 10yr period. The rent charged is calculated at 20% below market rent and adjusted with CPI.

Some thoughts fly into my mind straight away:

- Rents in Australia have generally increased a lot faster than CPI of 3%.
- What happens if they don't pay the rent? How do you get them out? Tenancy Laws are tough enough to get bad tenants out let alone government backed tenants.
- What are the capital gains prospects of an area drowned in NRAS properties? Potential buyers would run for the hills rather than live in this area.
- If you decide to sell before the 10 years is up, then you are limited to selling to investors only, limiting your potential buyers to about 30% of the market.
- Of all the NRAS advisers I have spoken to, the majority of them own one NRAS property. If they are such a good investment, then why don't they own 10 each?

Now if that doesn't make you change your mind, how about this good news story...

In a medium density development in Sydney where almost 60% (around 40 units) of the development was sold to owner occupiers and investors, the developer then became cash strapped and had to sell fast so a property company came in and struck a deal with the developer. The remainder of the units were approved for NRAS and sold 20% cheaper than the earlier sales and investors snapped them up with NRAS approved tenants moving in.

As a consequence, the sales price of those units are now down another 25% in value.

Don't let me deter you from exploring this as an option, I just like to make sure that as investors and readers of our newsletter, you have my honest opinion.

Gerard Tiffen
Managing Director

COMMUNITY SPIRIT

At Tiffen & Co we have always been big on community spirit and supporting our friends. We have decided to start sharing our stories on who we are currently supporting.

2012 Autism Asperger ACT Gala Dinner

An extremely worthwhile cause brought our Team out in high spirits, for what was a fantastic evening. Held at HotelRealm on Saturday 4th August, we were treated to a gourmet three course dinner and entertainment from the Kokoloco dancers and X-Factors Declan Sykes.

Future2 Wheel Classic

As Gerard Tiffen departs on his epic 1200km, 9 day cycle ride from Sydney to Melbourne, he has the whole team behind him. With months of hard training under his belt, we are certain that Gerard will conquer any challenge thrown up by the long ride.

SunSuper Ride to Conquer Cancer

As training ramps up for the teams two day ride for the Chris O'Brien Lifehouse at RPA, there's an air of excitement throughout the whole office. As nerves give way to excitement, the ride is sure to be a fantastic event. Pictures and updates will be posted as we go!

THE “SHE’LL BE RIGHT” ATTITUDE OF AUSTRALIAN’S CAN PROVE COSTLY

Many people don't bother with buying income protection insurance, which provides cover if you fall sick or are injured and allows you to still receive what many of us couldn't survive without - a regular wage.

However, latest insurance industry statistics show that in 2011 there were 34,056 income protection claims worth more than \$1 billion.

The Financial Services Council's Lifewise awareness campaign spokeswoman, Holly Dorber, says Australians are too laid-back when it comes to covering their income, but without a regular wage coming in they would be unable to make ends meet.

“In Australia, 95% of people don't have the right levels of cover across all types of insurance,” she says. “People just don't think it will happen to them.”

“The thing to be careful or aware of with all types of insurance, particularly income protection and insurance through super, is to understand the benefits and features of the policy that you actually have.”

Income protection insurance policies can differ greatly.

Our risk insurance specialist Katherine Hayes says there are several factors that will determine the cost of your income protection cover.

“It will depend on whether you're male or female, what sort of job you do, your age and how much cover you're after,” she says. Jeremy Gillman-Wells, Bravien Financial adviser and long time income protection advocate, says Australians should make an

“informed decision” as to whether they need income protection cover, but ideally it should be separate to super.

“We put income protection inside super if there's a cashflow difficulty; we will have that policy paid by the person's super account if this is the case,” he says.

“But because the premiums are tax deductible, it should be separate to super and often the policy contracts are better.” Gillman-Wells says if you have debt, children or any type of gearing with property investments, you're “mad” if you don't have income protection.

“There's a lot of variables and that's where you need to see an insurance specialist.”

FIVE TOP TIPS TO ENSURE YOUR INCOME IS PROTECTED

1. Check with your super fund to see if you have income protection cover.
2. Be honest when you take out a policy.
3. Carefully choose a waiting period with your cover (this ranges from 30 to 90 days before your policy starts paying).
4. Take into account your leave balances including long-service and sick leave.
5. Remember that income protection premiums are usually tax- deductible.

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