

Financial Review

Interest rate and rent rises over 2011: a comparison

The great debate: to be a tenant or a home owner?

Low rental vacancy rates, rising rents, healthy levels of immigration and robust competition between tenants are perfect market conditions for the one in seven Australian tax payers who own an investment property.

On the flipside, it is a highly undesirable situation for tenants. Many have gone through or are in the process of inspecting rental property after rental property as one of scores of hopeful applicants, bidding fiercely for a roof over their head, enduring regular rent rises and preparing for the increasing cost involved with not being their own landlord.

Local Mortgage Choice franchise owner Rob Lees says, "RP Data recently reported capital city rents increased by 4.2% in 2010 and commented that they are expected to rise by 7% this year*. To put this into real terms, in the Blue Mountains it equates to an extra \$23.10 on the average weekly

rent of \$330 for a house and \$17.50 on the average weekly rent of \$250 for a unit**."

"Then consider that it looks likely we'll see interest rate rises of around 0.5% by the end of 2011. For a 30-year \$250,000 principal and interest home loan at 7% - by no means the lowest rate available - this means \$19.56 extra on the required weekly repayment of \$383.58.

"No wonder Mortgage Choice's studies show rising rents are greatly influencing many Australians to become property owners. It was the number two motivation for our 2011 NSW Future First Homebuyer Survey respondents, all of whom were planning to buy before February 2013. 47% of our 2011 NSW Recent First Homeowner Survey respondents agreed, having bought in part because increasing rents made owning a property more attractive than renting.

Is your business running you?

Do you run your business looking ahead or looking back?

Backward looking business people wait for the end of financial year (usually later) to lodge their figures and wait for their accountant to tell them the good or the bad news. Good news brings the inevitable sigh of relief while bad news can mean regrouping and changing strategy in the new financial year, which - by the way- has already begun.

Forward looking business people take an active role in the results of their business and the funny thing is that this happens by default just by the act of planning. Sure there are detours and setbacks and with experience you will plan for these too.

Planning to increase sales or number of clients gets you thinking about how this might happen, how much advertising will you need? How much more stock or time? Do you have the staff to cope with expansion or even the right staff?

How you organise your account keeping will determine whether you look ahead or backwards every year.

To plan ahead you will need to equip yourself with a monthly or at least quarterly basic Profit & Loss (P&L) statement so that you can easily see where/if you are making money and what expenses you are incurring. If this is too daunting ask your

accountant to go over it with you or call in a bookkeeper to spend an hour with you helping you to set it up or just understand it. Most accounting software will have a P&L report you can run at the click of a mouse. Even if you run your accounts on an Excel spreadsheet take the time to group your expenses into some simple categories, start with advertising, motor vehicle, insurance and add other ones appropriate to your business.

Take the challenge - try it for 3 months and you will start getting used to reading the figures and anything you don't understand take to your bookkeeper /accountant.

If you feel too embarrassed about asking just remember that bookkeepers or accountants are unlikely to be skilled at what you do - I know I can't fix light switches or build houses.

It's not too late, there is still time until the end of June and if you start now you will already have some ideas for your business going into this new financial year. Wouldn't it be great to be ready for any opportunities that come up?

Don't let your business run you - take control today - start running your business.

Supplied by Evelyn Green from Biz-e-Books, contact 0407709286

enjoy retirement

Australian School of Business at the University of New South Wales also came up with \$1 million, so how's that for a good guess?

The index shows the cost to a man aged 65 of an annuity paying \$50,000 a year, after taking inflation into account, until he dies.

Never mind how they know when you'll die, although the life expectancy of a 65-year-old is 18 years for a man and 21 years for a woman, the point is that you need \$1 million at retirement.

"If you divide the \$1 million by \$50,000 you end up with 20 times income," the national technical manager at OnePath, Graeme Colley, said.

Considering an annuity doesn't grow, he said having 13 times your last year of wages will probably do, although that rises to 17 times for a 55-year-old man or 18 times for a 55-year-old woman.

But do you need \$50,000 a year? Strictly speaking no. Your overall spending declines as you age. So does your tax bill. Remember super is tax free, including any capital gains in the fund, once you retire at 60.

The Westpac ASFA retirement standard benchmark shows a single person can live what it calls a "modest lifestyle" on \$21,132 a year or \$30,557 for a couple. It says this is "better than the age pension but still only able to afford fairly basic activities". A "comfortable lifestyle" costs \$39,302 a year or \$53,729 for a couple.

Few will rely entirely on their super for that, anyway. Other savings, an investment property, an inheritance, or downsizing the home all go in the mix.

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ma in the near future, as has been evident in the past.

"This could be the perfect opportunity to get into another bull run. Support appears to be strong at \$325, and this would be a wise place to set your exits.

"This is not investment advice, just education," said Woodland.

If you would like to learn about understanding the share market, call Chris on 0411 565-813, and book your place in one of the upcoming courses in Penrith.

o Hunt?



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