PIPA ADVISER

ISSUE #12

For members of the Property Investment Professionals of Australia

GOVERNMENT WILL LOSE BILLIONS BY CHANGING NEGATIVE GEARING

PROPERTY INVESTMENT PROFESSIONALS OF AUSTRALIA PIPA

PIPA *mission:*

PIPA (Property Investment Professionals of Australia) has been formed by industry practitioners with the objective of representing and raising the professional standards of all operators involved in property investment.

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PROPERTY INVESTMENT PROFESSIONALS OF AUSTRALIA PIPA

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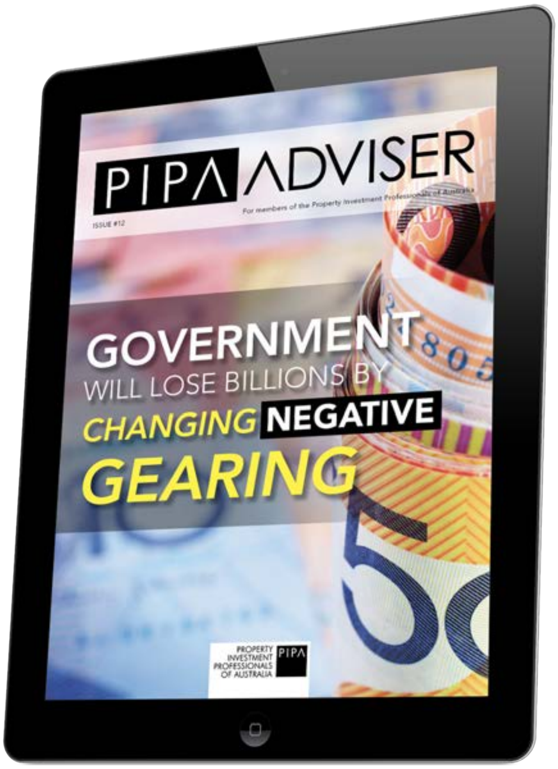

A challenging year comes to an end

Welcome to the latest issue of the PIPA Adviser. I'm sure plenty of our members are looking forward to the holidays – although I'm sure many of you will also be working hard for your clients making the most of fewer buyers over the break.

There is no doubt that it has been a challenging year for many of us, with market conditions negatively impacting consumer sentiment.

On top of that, the continuation of lending restrictions to investors has made securing finance far more difficult than it ever needed to be.

Plus, of course, revelations from the banking royal commission are not helping much either.

However, I am hopeful that the first six months of next year will herald positive change in the lending space in particular.

While no one wants to go back to the days of 107 per cent loans, there does need to be a rebalance because if sound borrowers can't access finance there is something wrong with the system.

One can only hope that calmer heads prevail sooner rather than later.

PIPA will be lobbying even harder for our members next year with Labor looking likely to win power, while still being stubbornly committed to their appalling negative gearing and Capital Gains Tax policy.

Together with other aligned industry associations, such as PICA, we will be vocal in our opposition to a policy that has the potential to decimate the market and the economy.

We will also be asking members to speak to their local MPs, so they have a better understanding of what negative gearing, in particular, is and what it is not.

As we look back over 2018, it has been a successful one for the association with membership numbers and QPIA enrolments growing.

The board is currently in negotiations to take the QPIA online, which will result in a course that is not only modern, but also one that is more easily accessible to students across the country.

This year we held successful breakfasts in Sydney and Melbourne which attracted record numbers of members.

I'm pleased to announce that the Brisbane breakfast will be held on Thursday 21 February so please keep an eye out for more information from us about that in the New Year. You can register here.

Likewise, we will be holding breakfasts in Sydney and Melbourne again next year, too.

As we close out this year, it continues to be an honour to be PIPA's chairman as we continue to work towards improved professionalism and educational standards in the property investment sector.

I look forward to meeting more of our members next year and wish you all the very best for Christmas and the New Year.

PETER KOULIZOS
PIPA CHAIRMAN

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Government will lose billions by changing negative gearing

PETER KOULIZOS
Chairman, PIPA

Many of you would be aware of the Federal Australian Labor Party's (ALP) proposed changes to negative gearing and Capital Gains Tax (CGT).

For those of you that are not, I have included some brief excerpts straight from the Australian Labor Party's website as to what is proposed.

Negative gearing
Labor will limit negative gearing to new housing from a yet-to-be-determined date after the next election ... This will mean that taxpayers will continue to be able to deduct net rental losses against their wage income, providing the losses come from newly constructed housing.

Capital gains tax
Labor will halve the capital gains discount for all assets purchased after a yet-to-be-determined date after the next election. This will reduce the capital gains tax discount for assets that are held longer than 12 months from the current 50 per cent to 25 per cent.

The Labor Party wants to bring in these changes for a number of reasons with improving the bottom line of the budget and housing affordability the main two.

I would like to look at these two issues separately and in this issue of the PIPA Adviser, I will detail why the proposed changes to negative gearing will have the opposite effect in relation to government revenue.

In fact, the government stands to lose billions of dollars in revenue by restricting negative gearing to new properties.

In the next issue, I will outline why the proposed changes could potentially cause more harm than good when it comes to housing affordability.

THE BUDGET

To put it simply, the ALP is saying that they don't want to subsidise property investor's losses on established property through negative gearing benefits.

According to the ALP, the government "can't afford" to give property investors tax benefits as the money would be better spent elsewhere.

If you take a very narrow point of view, they are right.

The few billion dollars spent on tax refunds to property investors could be spent on health, schools, etc., but that is a very simplistic viewpoint.

What about the revenue the government earns from CGT? This amounts to tens of billions of dollars, which I illustrate in this article.

If the government took away the benefits for negative gearing for established property, you would assume that there would be fewer investors buying property.

According to the ALP and even PIPA's own survey, property investors are far more interested in buying established property than new property, which would result in less CGT revenue in the future when the investment properties are sold.

Isn't the government better off having some short-term expenses (paying negative gearing benefits)

> ***The government paid out $18,965 but received $77,557.***

for long-term financial gain (CGT revenue)?

When we talk in billions of dollars it can lose some relevance, so what I have below is illustrated examples of what it might look like for individual investment properties.

I have deliberately kept the examples uncomplicated to illustrate my points.

For example, they don't include all the finer details such as expenses in buying and selling the properties, which would impact the CGT payable and the exact rate of depreciation for each property which would impact on depreciation benefits.

ESTABLISHED $500,000 HOUSE

In the first example, the established house is valued at $500,000, which rents for $450 per week.

The property investor borrows the full amount at an interest rate of five per cent and is on a marginal tax rate of 37 per cent.

The house is fairly old so there are not many depreciation benefits.

The established house value is assumed to grow at seven per cent per annum, rent increases at four per cent per annum, cash expenses directly related to the property increase at the rate of inflation of two per cent and it is an interest-only loan.

Have a close look at the "Total Tax Benefits" over this 10-year period, which equates to $18,965.

In other words, the property

ESTABLISHED $500,000 HOUSE (BUILT 1975)

Year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Property Value	$500,000	$535,000	$572,450	$612,522	$655,398	$701,276	$750,365	$802,891	$859,093	$919,230
INCOME										
Rent ($450 per week)	$23,400	$24,336	$25,309	$26,322	$27,375	$28,470	$29,608	$30,793	$32,025	$33,305
Tax refund	$3,922	$3,509	$3,083	$2,644	$2,190	$1,722	$1,239	$740	$224	-$309
Total Income	**$27,322**	**$27,845**	**$28,393**	**$28,966**	**$29,565**	**$30,192**	**$30,847**	**$31,533**	**$32,249**	**$32,997**
EXPENSES										
Property expenses	$6,000	$6,120	$6,242	$6,367	$6,495	$6,624	$6,757	$6,892	$7,030	$7,171
Interest (5%)	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000
Depreciation	$3,000	$2,700	$2,400	$2,100	$1,800	$1,500	$1,200	$900	$600	$300
Total expenses	**$34,000**	**$33,820**	**$33,642**	**$33,467**	**$33,295**	**$33,124**	**$32,957**	**$32,792**	**$32,630**	**$32,471**
Profit/Loss (37% tax rate)	-$10,600	-$9,484	-$8,333	-$7,145	-$5,920	-$4,655	-$3,349	-$1,999	-$605	$835
Cash Profit/Loss	-$3,678	-$3,275	-$2,850	-$2,402	-$1,930	-$1,433	-$910	-$360	$219	$826
Total Tax Benefits	**$18,965**									
Capital Gains Tax	**$77,557**									
Total Govt. Benefit	**$58,593**									

investor received $18,965 from the ATO in the form of tax refunds.

Now have a close look at the "Capital Gains Tax".

If the investor sold this property in 10 years, they would qualify for the CGT discount of 50 per cent and pay $77,557 in CGT.

In short, the government paid out $18,965 but received $77,557.

From the government's point of view, isn't this a pretty good result for their bottom line?

If I was running a business and needed to spend $18,965 in return for $77,557, I would do it every day of the week!

In the proposed changes, the ALP only wants to provide negative gearing benefits for new dwellings so let's see how the numbers stack up with new property.

In the new property example below, I have used an apartment to illustrate the situation because, compared to a house, there is a higher proportion of depreciation benefits.

This is because a higher percentage of the value of the property is in the building, which is the depreciating asset, compared to an established property where the higher percentage of the value of the property is in the land, which is the appreciating asset.

NEW $500,000 APARTMENT

The apartment is valued at $500,000 and rents for $550 per week, which is more than the old house as most tenants prefer new to old.

The property investor borrows the full amount at an interest rate of five per cent and is on a marginal tax rate of 37 per cent.

The apartment is brand new so there are many depreciation benefits.

The capital growth of the brand-new apartment is lower than the older house because, as mentioned earlier, a significant proportion of the $500,000 has been spent on the building, which is losing value every year.

The apartment is assumed to grow at half the rate of the older house, which is 3.5 per cent per annum.

The rent increases at four per cent per annum, cash expenses directly related to the property increase at the rate of inflation at two per cent and it is an interest-only loan.

Have a close look at the "Total Tax Benefits", over this 10 year period, it equates to $36,713.

Now have a close look at the "Capital Gains Tax".

If the investor sold this property in 10 years, they would qualify for the CGT discount of 50 per cent and pay $33,568 in CGT.

Do you notice something odd?

In the brand-new apartment scenario, the government is the loser in this 10-year period as they have paid out more in negative gearing benefits than they received in CGT!

If I was running a business, I certainly wouldn't be paying out $36,713 just to receive $33,568!

If the property investor holds this property for longer than 10 years, the government will be better off as the investor is no longer negatively geared and the capital gain (and CGT) will be greater.

This is a similar situation to the established house scenario.

The government budget would be better off by continuing to provide negative gearing benefits for established houses as these have a better capital gain than new properties, which means once it is sold, they will collect more in CGT.

I'm obviously not saying that new property shouldn't attract negative gearing benefits, as new property has a significant role to play in the property market and general economy.

For the government to only allow negative gearing benefits on new property results in far less total revenue received from CGT.

NEW $500,000 APARTMENT (BUILT 2018)										
Year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Property Value	$500,000	$517,500	$535,613	$554,359	$573,762	$593,843	$614,628	$636,140	$658,405	$681,449
INCOME										
Rent ($550 per week)	$28,600	$29,744	$30,934	$32,171	$33,458	$34,796	$36,188	$37,636	$39,141	$40,707
Tax refund	$7,178	$6,444	$5,694	$4,928	$4,145	$3,343	$2,524	$1,685	$826	-$54
Total Income	**$35,778**	**$36,188**	**$36,628**	**$37,099**	**$37,603**	**$38,140**	**$38,712**	**$39,321**	**$39,967**	**$40,653**
EXPENSES										
Property expenses	$8,000	$8,160	$8,323	$8,490	$8,659	$8,833	$9,009	$9,189	$9,373	$9,561
Interest (5%)	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000
Depreciation	$15,000	$14,000	$13,000	$12,000	$11,000	$10,000	$9,000	$8,000	$7,000	$6,000
Total expenses	**$48,000**	**$47,160**	**$46,323**	**$45,490**	**$44,659**	**$43,833**	**$43,009**	**$42,189**	**$41,373**	**$40,561**
Profit/Loss (37% tax rate)	-$19,400	-$17,416	-$15,389	-$13,319	-$11,202	-$9,036	-$6,821	-$4,554	-$2,232	$146
Cash Profit/Loss	$2,778	$3,028	$3,305	$3,609	$3,943	$4,307	$4,703	$5,131	$5,594	$6,092
Total Tax Benefits	**$36,713**									
Capital Gains Tax	**$33,568**									
Total Govt. Benefit	**-$3,145**									

A POLICY FOLLY

If the government disallows negative gearing benefits on established property, they will be shooting themselves in the foot.

Why would you incentivize people to only buy new property, which depreciates (loses value) at a greater rate and requires greater negative gearing benefits to be paid out?

At the same time, the new property has less capital growth, which means less CGT revenue for the government.

As illustrated in the first example, the CGT revenue that they would have collected in the established property far outweighs the tax benefits they would pay.

If the government wants to increase revenue through property taxes (negative gearing and CGT) it needs to maintain the status quo.

That is, continue to provide negative gearing benefits to all property, regardless of the year built.

In this article I haven't even touched on the impact of the decrease in the CGT discount.

In the next issue, I will outline how the combined changes to negative gearing and decrease in CGT discount will cause more harm than good for housing affordability and that there are better ways to encourage first home buyers into the property market.

PIPA

marketupdate

KIERAN CLAIR
Editor, PIPA Adviser

The mouse that roared

Take a bow Tasmania – you've won 2018. Look back five years and most commentators were shaking their heads at the thought of an Apple Isle investment.

Despite affordability and a waterfront-and-wilderness lifestyle driving many retirees to our country's southern-most state, there wasn't much excitement for Tasmania during Sydney's hot price run.

It's amazing how that flipped in 2018, with Hobart having become a fast finisher in the race to year's end.

The CoreLogic November Hedonic Home Value Index revealed Hobart achieved an impressive annual 9.3 per cent gain in home values to reach a median price of $451,039 while Sydney's fell 8.1 per cent and Melbourne's dropped 2.6 per cent.

In their December Month In Review release, property valuation and advisory firm Herron Todd White said their February 2018 predictions of continued strength for Tasmania came to the fore in its major centres, while regional areas also benefitted from the 'ripple effect' of capital city price rises.

"The surprises for the year (outside of the main regions) have been the recovery in George Town where both volume and prices are well up with no obvious employment growth reason," Herron Todd White director Andrew Peck said.

"There has also been the swing back to holiday houses along the east and north coasts as buyers are taking advantage of their new equity to buy that shack b y the beach," Mr Peck said.

The strong results were no revelation to Simon Pressley, head of research at Propertyology either.

He said Tasmania had been a quick study in success, coming off what was once a disappointing position.

"An unemployment rate which was 2.5 percent higher than the

> ***Hobart achieved an impressive annual 9.3 per cent gain in home values to reach a median price of $451,039.***

national average, zero vision or entrepreneurial spirit, local confidence in the toilet, people leaving the state in droves, and flat line property markets – that was Tasmania in 2014," Mr Pressley said.

"Four years on, all of this has been tipped on its head. It would have to be the best economic success story that Australia has seen for a generation.

"If ever there was a poster child to show the world how to really maximise opportunities from the phenomenon known as the 'Asian Century' it is Tasmania. Tourism, education, agriculture and advanced manufacturing continue to go from strength to strength.

"The most recent ABS data shows Tasmania leading Australia in wage growth and second (to Victoria) in retail trade," he said.

Mr Pressley said past resistance to investing in Tasmania, and more specifically Hobart, had more to do with 'preconceptions' than hard facts for many buyers and commentators.

"Hobart had the key elements for victory, but entrenched thinking among most observers who believed investment success could only be achieved via large capital cities blinded them to Hobart's potential," Mr Pressley said.

"Hobart also had economic pillars to build upon. It's reputation for excellence in tourism, manufacturing and agriculture combined with an enviable lifestyle to help see its numbers swell – and it's not going to stop anytime soon."

Mr Pressley remained bullish about Hobart's continued success and the flow through benefits to smaller centres in 2019.

"Affordability and the significant improvement of Tasmania's economy will continue to drive housing demand while supply tightens," he said.

"A number of large infrastructure projects is likely to further swell job numbers."

Mr Pressley said an extension to Hobart Airport which will allow direct flights from Asia will help drive tourism industry further.

"The Museum of New and Old Art (MONA) will continue to top visitors' 'to do' lists with a planned hotel and high-roller Casino further boosting its attraction.

"Macquarie Point is also earmarked for a multi-billion-dollar redevelopment while a $700 million upgrade of the state's biggest hospital, a new university, and a $400 million technology hub in the CBD are all on the cards."

Mr Pressley said the future looked bright with low vacancies and high demand from investors certain to boost prospects for the future with those areas away from the capital set to impress.

"Property markets in regional Tasmania have also taken off.

"Launceston produced 17 per cent price growth over the last 12 months and is currently the strongest market in all of Australia. Burnie and Devonport have now also entered their growth cycles. Vacancy rates are tightening. The state's energy is electric!".

> ***Launceston is currently the strongest market in all of Australia.***

PIPA

pipa profile

Sebastian James started his property investment career in London about 15 years ago and now heads up Hunter James in Sydney.

CAN YOU PLEASE TELL US MORE ABOUT YOUR BUSINESS?

Hunter James is a Sydney-based buyers agency and property advisory firm that exists to make the buying process simple and rewarding, giving clients a competitive edge and the guidance to make the right decisions from the very start.

As a boutique business we have a unique advantage of being able to fully immerse ourselves in the needs of each and every client, creating a bespoke solution with their best interests at the forefront of every decision.

We pride ourselves on being dramatically different from any other buyers agency, leveraging deep professional networks and proprietary technology to ensure we deliver only exceptional results and a truly holistic solution.

HOW LONG HAVE YOU BEEN A PROPERTY INVESTMENT PROFESSIONAL AND WHAT WAS YOUR PATHWAY INTO THE PROFESSION (INCL. OTHER CAREERS)?

15 years and counting. Straight out of university I gained my first role as a trainee property negotiator for one of London's most recognised agencies where I was promoted through the ranks to being a senior property negotiator and then valuer.

After being headhunted by a rival agency, I began working in the prestige sector of Central London where I transitioned to working exclusively on the buying side for a few more years prior to relocating to Australia in 2008.

Very early in my career I understood I had a deep connection to all aspects of property and felt this innate passion needed to be channelled both on a professional level but also on a personal level where I began to build my own investment portfolio.

Whilst relocating to Australia was a major challenge, given it meant I was essentially starting from scratch, coming in with fresh eyes provided real perspective, and having also worked for CoreLogic (then RP Data) followed by a couple of other emerging agencies, it became clear to me that there was huge opportunity to leverage the unique skillset I had developed over the years to fill a gap in the market for high quality professional property buying advice.

Ultimately my own success in investing gave me the start-up capital and confidence to launch Hunter James, but more importantly the understanding of what clients truly need to succeed as a property investor.

HOW DID YOU FIND OUT ABOUT PIPA WHEN YOU FIRST JOINED?

I first became aware or PIPA via Margaret Lomas, who I have a great deal of respect for and so wanted to look into.

YOU RECENTLY RE-JOINED PIPA. CAN YOU PLEASE OUTLINE THE REASONS WHY?

I've always identified with many of the values PIPA promotes, however. whilst I feel the association is still developing, there appears to be new-found momentum and positive steps in the right direction.

Importantly there has been a more

conscious effort to enable members' contribution, an area I felt was previously lacking.

As the NSW state rep for REBAA and a buyers agency chapter committee member for REINSW, I am someone who actively likes to be involved and stimulate change for the greater good of fellow professionals but most importantly the end consumer.

WHAT ARE SOME OF THE MAIN CHALLENGES OF BEING A PROPERTY INVESTMENT ADVISER COMPARED TO A BUYER'S AGENT?

Whilst the two roles when applied effectively as part of a holistic process can complement each other very well, there are of course challenges.

For example, to be a great buyer's agent, it's crucial you know all micro factors such as your primary suburbs, streets, dwelling types, values and agents inside out, as this insight will ultimately help you find your clients their desired property more efficiently, but also enable you to negotiate more favourable deals through the leveraging of existing relationships.

As a property investment advisor your role is to objectively weigh up opportunity cost and therefore a macro perspective needs to be taken to ensure your clients can remove emotion and focus on which location and dwelling type will be the most effective vehicle to achieve their goals.

As a buyer's agent this would ideally be in your area of coverage, but with different parts of the country at different stages of the property cycle it is clear that this will not always be the case.

In this instance, it is important to put the client's best interests first and have a wide network of trusted buyer's agents you can refer to.

DO YOU CHARGE FOR YOUR PROPERTY INVESTMENT ADVISORY WORK?

Yes, we operate on a fee for service basis, depending on the unique needs and requirements of each client.

HOW DOES PIPA SUPPORT YOUR BUSINESS AND ITS GROWTH?

PIPA plays an important role in serving to monitor and help increase professional standards throughout the industry and through its accreditation helps set a benchmark that consumers can look to and trust.

WOULD YOU RECOMMEND OTHER PROPERTY INVESTMENT PROFESSIONALS TO BECOME MEMBERS OF PIPA? WHY?

Yes, the greater the numbers the more likely we are to achieve our common goals.

WHAT DO YOU ANTICIPATE FOR THE SYDNEY MARKET IN THE YEAR AHEAD AND HOW CAN INVESTORS BENEFIT FROM THE CONDITIONS?

I think Sydney in early 2019 will start with a degree of renewed optimism as is often the case following the seasonal summer break and lack of new stock creating a relative back log.

As clearance rates drop with the market settling, however, stock levels will likely again rise creating further dilution and pushing conditions back firmly in favour of buyers.

Shrewd investors need to be wise that prices are likely to correct a little further in most parts of Sydney before plateauing, but that there is considerable opportunity to take advantage of minimal competition, negotiate well and manufacture a buffer well in excess of the likely correction which, if adopting a long-term approach, will allow them to secure high quality assets with minimal competition.

WHAT'S NEXT FOR YOUR BUSINESS IN THE NEXT 12 MONTHS AND BEYOND?

Our goal is simply to continue growing organically by helping our clients achieve success in their property investment journey.

With proptech becoming increasingly prevalent, we will also continue to invest and evolve our proprietary technology and processes to be inclusive of platforms we feel will resonate with our client base without losing sight of the fundamentals of high quality-personalised service.

INTERESTED IN BEING A PIPA MEMBER PROFILE IN THE PIPA ADVISER? EMAIL US...

nicola@bricksandmortarmedia.com.au

How to prioritise and complete projects like a pro

MARK CREEDON
Director, Red Monkey Coaching

The end of the year is fast approaching, and it is often the time when most of us in business are starting to wind down and focus on a well-deserved break. It is also a great opportunity to plan.

A lot of coaches start talking about planning around this time of year, about the importance of getting the next year off to a great start with a clear plan for the year ahead.

I'm actually one of them but at this time of year I like to look at planning from two aspects.

Firstly, starting to plan for the coming year and secondly, sprinting towards the end of the year.

LAST MINUTE SPRINT

In Red Monkey Mastermind we look at the last six weeks of the year as a real opportunity to sprint to the finish line.

There are always projects that we started earlier in the year which have, for one reason or another, languished.

And here is a little fun fact for you, it's not because you've run out of time, it is simply that the project that languished simply wasn't enough of a priority.

That doesn't mean you have the priorities right by the way, we are all guilty of spending time on unproductive projects but, for some reason, the project lost its priority or its shine and so has slipped away from you.

Now is the perfect time to get it not just back on track but actually finished so come the end of the calendar you, too, can feel that smug elation that those far more organised people around us often happily rub in our face as they proudly display their completely ticked project list.

One of the reasons the project may have languished is that it seemed too difficult or too complex and so you let it slip down the priority list as you tackled projects which seemed way easier to actually get a start on and finished.

This is where a cheat sheet becomes an invaluable tool.

You see, the secret to successfully getting through a project, especially one that has some barrier to starting, is to break it into bit-sized chunks.

You've heard it before, you know, the only way to climb a mountain is one step at a time.

I've heard it, I've even said it, but the one thing I always thought was missing from that statement was the "how".

How do you actually successfully break a project into chunks and how do you stay focused and motivated to complete it?

OUR SPRINT PLANNER HAS THREE ESSENTIAL COMPONENTS:

1 First you have to be brutally honest about the possible outcomes. Set yourself a range from the very best to the best you can live with. This step will take a bit of pressure off the outcome and remove the "outcome block: which often prevents us from actually starting a project in the first place.

2 The second component is to clearly determine the criteria by which you will measure the success. For example, if you had a project to increase your pipeline, how are you going to be able to sit back and give yourself a pat on the back if you don't have a very clear and specific picture of what that

> ***The project that languished simply wasn't enough of a priority.***

"increase" looks like? So, the idea is to come up with a few very specific criteria by which you can measure the success of your plan.

3 Finally, you can then break the project into chunks by putting into place logical steps toward success, one step after the other.

The Sprint Planner helps to simplify the process and gives you real structure to your project planning.

Treat the next few weeks as a challenge, set yourself up for a sprint to the end of the year by clearing those projects which you'd love to be able to tick off the list.

The Sprint Planner is the perfect way to get that done.

NEW YEAR PLANNING

If you can have a simple way to sprint to the end of the year, then how about a simple way to make the most of the coming year?

Our Red Monkey Mastermind members find planning far less daunting with the help of some very simple tools.

HERE ARE FIVE STEPS YOU CAN TAKE TO CREATE A PLAN FOR YOUR BUSINESS FOR THE COMING YEAR.

1 Start with your three-year plan. What will your business look like in three years, what are the big picture goals, and what do you want the business to be doing by then?

2 Determine your five main drivers. These are the five aspects which, if worked on, will bring you success. They may be entirely about your business, such as gross revenue, numbers in the pipeline, numbers of listings, or they may have some personal aspects such as free time or even time to actually work on the business. Work out what they are and note them. Remember these are the five things which, if you had them at maximum achievement, then you'd have a hugely successful life.

3 Once you have determined the five drivers, rate yourself on how well you are doing on each by giving yourself a score out of five.

4 This scoring process will make where the gaps are quite real for you, so the next step is to list some projects you need in order to move each score.

5 Finally, transfer the projects across to a plan and break them down into bit-sized chunks, exactly the way we did the sprint for the end of the year.

Adopting this simple five-step process will set you up for success for the year ahead.

That way, not only will you have clear plans, but you will also stay focused on the things which are actually going to further your success and not get distracted along the way.

Download your cheat sheet here

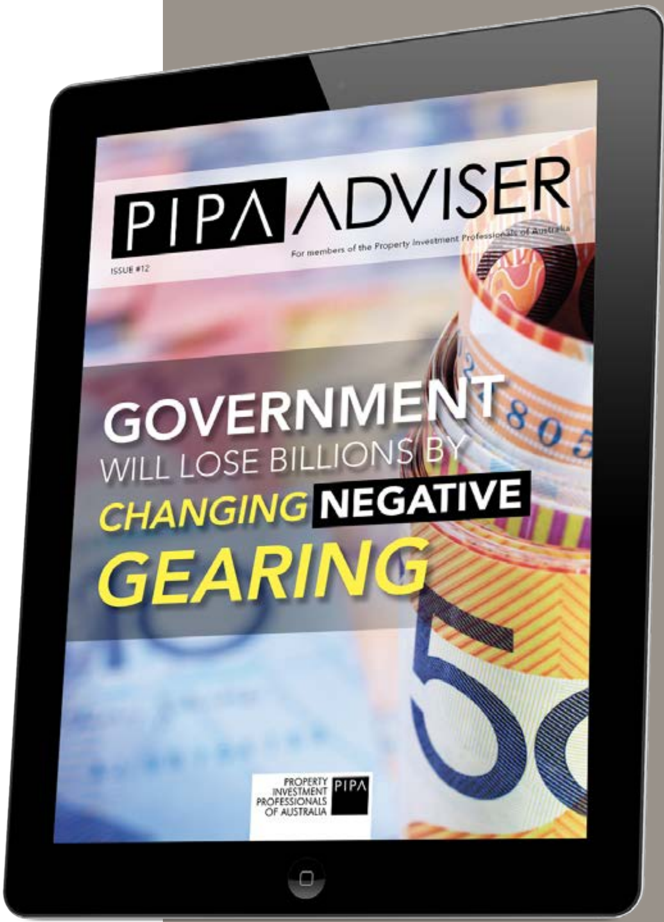
PIPA *media*kit

The Property Investment Professionals of Australia (PIPA) is the peak national property investment industry association. Our members subscribe to a Code of Conduct which considers all consumers and commits to disclosure and a high standard of best practice.

The ***PIPA Adviser*** is a bi-monthly industry e-magazine that features the latest industry news, research and state market analysis as well as PIPA happenings including upcoming events and media mentions.

Delivered to hundreds of PIPA members every two months, the ***PIPA Adviser*** has a potential reach of thousands of property investment professionals across Australia.

As the only e-magazine dedicated to the property investment advice sector, the ***PIPA Adviser*** offers advertisers the unique opportunity to reach a dedicated and sophisticated audience of property investment professionals.



Membership of PIPA is open to all professionals working within the field of property investment advice and can include:

- Qualified Property Investment Advisers (QPIAs)
- Mortgage brokers
- Tax accountants
- Buyers' agents
- Financial planners
- Conveyancers, solicitors and lawyers
- Education and research providers
- Property managers
- Building and/or pest inspectors
- Licensed builders
- Developers
- Quantity surveyors
- Real estate sales agents
- Licensed valuers.

ADVERTISING DEADLINES AND PUBLICATION DATES:

ISSUE	ADVERTISING DUE	DISTRIBUTION
February 2019	1 February 2019	28 February 2019
April 2019	5 April 2019	26 April 2019
June 2019	3 June 2019	28 June 2019
August 2019	2 August 2019	30 August 2019
October 2019	4 October 2019	31 October 2019
December 2019	29 November 2019	20 December 2019

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PIPA in the news

PIPA is a regular commentator and expert source in property-related stories across the nation. Below are a selection of articles from the past two months.

What the federal election means for property investors

Policy relating to and impacting property investment in Australia is front and centre to the campaigning of the major parties. We take a look at what this means for you as an investor. .

http://bit.ly/PIPA-012-19A

Report claims there's 'no evidence' negative gearing changes will spark 'slump'

IT'S one of Labor's biggest policy proposals and is shaping up to be one of the defining issues of next year's federal election.

http://bit.ly/PIPA-012-19B

Airbnb rebuts latest 'deeply flawed' disruption report

Airbnb Australia has been quick to rebut a new report on how the short-term rental industry is unhinging the Australian housing market, the latest in a long list of them, calling it "deeply" flawed.

http://bit.ly/PIPA-012-19C

Property Spruiker Rick Otton Fined A Record $18 Million

Rick Otton has been fined $6 million and his company We Buy Houses fined $12 million for misrepresentation. Both are record amounts.

http://bit.ly/PIPA-012-19D

One-third of first-time buyers choose to invest

According to new research released today, around one-third of first-time buyers are opting to "rentvest" rather than be owner-occupiers.

http://bit.ly/PIPA-012-19E

new members

***PIPA** welcomes our newest members and QPIAs...*

CORPORATE MEMBERS

- NICHOLAS MOUSTACAS, *Strategic Wealth Management*
- PAUL DAVIS, *Education IQ Pty Ltd*
- NICK VINER, *Buyers Domain*

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- KYLIE DAVIS, *Real Content*
- GEORGE ASTUDILLO, *Property Quarters*

QPIA

- ANDREW WEGENER
- STUART BARTRAM
- ANDREW GRINSELL, *Cooee Wealth*

How to increase deductions sooner using the low-value pool

BRADLEY BEER
CEO, BMT Tax Depreciation

When it comes to claiming depreciation deductions for qualifying plant and equipment assets*, property owners should be aware of certain tactics which can increase their deductions sooner.

This will increase their annual cash flow and allow them to realise the benefits from their investment property sooner.

One of the simplest ways to do this is to claim immediate write-off or to place low-value or low-cost assets into a low-value pool.

Certain assets may qualify for either an immediate write-off or the low-value pool, depending on the value of the asset at purchase.

For example, if an asset is valued at $300 or less, the owner will be entitled to write-off the full amount in the first year.

If the asset is valued at $1,000 or less, increased rates of depreciation can be applied through the low-value pool.

LOW-VALUE POOLING

Low-value pooling legislation allows owners to group qualifying depreciable assets in a pool which will depreciate at an accelerated rate.

Assets normally depreciate at a pre-determined rate set by the ATO, which varies between assets.

Property investors who acquire low cost assets and choose to place them in the low-value pool can claim them at a rate of 18.75 per cent in the year of purchase, regardless of how long the property has been owned and rented.

> ***A low-cost asset has an opening value of less than $1,000 in the year of acquisition.***

From the second year onwards, the remaining balance of the item can be claimed at a rate of 37.5 per cent per year.

LOW-COST ASSETS

A low-cost asset is a depreciable asset that has an opening value of less than $1,000 in the year of acquisition.

This can include things like cooktops, range-hoods, exhaust fans and blinds.

LOW-VALUE ASSETS

A low-value asset is a depreciable asset that has a written down value of less than $1,000.

That is, the value of the asset is greater than $1,000 in the year of acquisition.

However, the residual value after previous years' depreciation is less than $1,000.

Assets meeting this classification are placed in an itemised, low-value pool.

An example could include a hot water system acquired with a value of $1,100.

In the second financial year of ownership, the asset would have depreciated to a written down value less than $1,000, which would make it eligible to be placed in the low-value pool. ▲

* Under new legislation outlined in the Treasury Laws Amendment (Housing Tax Integrity) Bill 2017 passed by Parliament on 15th November 2017, investors who exchange contracts on a second-hand residential property after 7:30pm on 9th May 2017 will no longer be able to claim depreciation on previously used plant and equipment assets. Investors can claim deductions on plant and equipment assets they purchase and directly incur the expense for. Investors who purchased prior to this date and those who purchase a brand-new property will still be able to claim depreciation as they were previously. To learn more visit www.bmtqs.com.au/budget-2017 or read BMT's comprehensive White Paper document at www.bmtqs.com.au/2017-budget-whitepaper.
Visit www.bmtqs.com.au/co-ownership-example to see how a split report increases deductions for two owners.

What if we expected financial services to be more like health services?

PAUL KOFMAN
Professor of Finance,
University of Melbourne

CARSTEN MURAWSKI
Associate Professor in the Department of Finance and co-director of the Brain, Mind & Markets Laboratory,University of Melbourne

Earlier this year the chief of a financial planning firm collapsed in the witness stand during Australia's ongoing royal commission into misconduct in the financial services industry. He had to be taken to hospital in an ambulance – some would say a fitting metaphor for the state of the industry.

Fortunately for him the health care system doesn't operate like the financial planning industry. If it did he might have been "treated" according to what was most profitable for the ambulance service rather than what was best for his well-being.

The Financial Services Royal Commission is exposing abundant evidence of unethical misconduct. Customers are being charged fees for services they never get or ever need, getting inappropriate advice, being offered irresponsible loans and sold worthless insurance contracts. It shows up an industry riddled with conflicts of interest and obsessed with extracting profits from customers in any way conceivable.

Sound familiar? The 2007-09 Global Financial Crisis was in large part caused by the same "profit at all costs" culture. It fuelled high-risk home lending to ordinary people who couldn't afford it. Why haven't things changed?

Despite the lessons of the GFC and a regulatory crackdown, the central problem with the global financial services industry is that, unlike the health industry, it has long stopped caring about its customers' well-being.

Financial services, such as payments and basic forms of credit and insurance, are now essential for the economy and society to function. For this reason, the large financial services firms often receive privileges such as market protection and implicit government guarantees worth billions of dollars, underwritten by taxpayers. So how has the bar been allowed to sink so low?

THE MINDSET BEHIND THE SCANDALS

At the heart of the problem lies the mental model that the finance industry applies to itself and the world around it.

This thinking is dominated by the neoclassical model of economics in which people are "rational actors" who always do what is best for them. And they supposedly interact with each other through perfect markets, leading to the efficient allocation of resources.

While everyone understands this as an idealised abstraction, the impact of this working assumption is profound. It has led to an "input-oriented" model. Banks and other financial services companies are exclusively concerned with providing whatever inputs – financial products and services – their customers demand.

Bewildering arrays of products are sold using state-of-the-art marketing techniques, irrespective of whether the customers actually need them.

Undesired outcomes are often considered to be the customer's responsibility. If the customer ends up with too much credit card debt, possibly as a result of aggressive marketing, don't blame the bank.

> ***It is beyond the capability of the average person to work out many financial decisions on their own.***

Regulatory and public policy responses are also premised on this model. The dominant approach in financial regulation focuses on disclosure, requiring firms to provide more and more information about their financial products.

Product disclosure statements are now often hundreds or thousands of pages long. These are littered with legal and financial jargon that is often incomprehensible even to experts. Rather than clarifying the nature of financial products, disclosure requirements have only made them more opaque.

This rationalist approach has led the industry and regulators to promote financial literacy education as a solution to the problem. The idea is to educate consumers about financial products and services to help them navigate the financial system and make good decisions.

The Australian government spends tens of millions of dollars on financial literacy programs such as its MoneySmart program. The Bank of England recently launched econoME, a program with very similar aims.

This approach ignores a core aspect of finance. Many financial problems that consumers face are highly complex. For example, determining a person's optimal lifetime saving and investment strategy to provide an adequate income in retirement is a formidable problem, even for a finance expert with a supercomputer.

It is beyond the capability of the average person to work out many financial decisions on their own, and we shouldn't expect people to do so – just as we don't expect the average person to perform brain surgery.

FOCUS NEEDS TO SHIFT TO FINANCIAL WELL-BEING

If we accept that many aspects of finance are hard, we will need to give up on the rationalist model. Instead we need to switch to an outcome-focused model in which, as with the health care system, the primary concern is for people to reach a set of outcomes or goals – a certain level of financial well-being, for example.

Services offered by banks and regulations imposed by governments would then be evaluated on the extent to which they offer to improve people's financial well-being. Banks would only offer services that have been shown to improve one or more dimensions of their customers' financial well-being, aligning their interests more closely with those of their customers.

Financial services and their regulation would look radically different. For example, fewer decision options and simpler products would be more effective in improving financial well-being. New technologies such as artificial intelligence could likely play an important role in this new world of finance.

Importantly, both the development of services and their regulation should be based on evidence and delivered under a set of professional standards monitored by an independent standards-setting body. This would be similar to the processes and institutions used in the health system. Providers of financial services would then be subject to both a fiduciary duty and product liability.

The future of finance doesn't lie in ever more regulation, or ever more sophisticated technology to squeeze higher margins out of legacy products. The future of finance lies in the rediscovery of what finance is for – to improve the financial and economic well-being of society.

Geelong tops regional property market performance

TIM LAWLESS
Head of Research, CoreLogic

A newly released report focusing on Australia's property market performance in larger regions outside of the capitals has found the Geelong region recorded the largest annual increase in median values for both houses (16.6 per cent) and units (11.9 per cent).

Townsville and Bunbury were the only regions to see both house and unit values fall over the 12 months to September 2018, and Latrobe-Gippsland and Wide Bay were the only regions where sales activity increased over the year to August 2018.

The regional analysis on rental properties found that Wide Bay was the only region where advertised rental rates remained unchanged year-on-year for both houses and units.

The largest increase in advertised rental rates for houses was found in the Gold Coast, whereas for units, the largest increase was seen in Newcastle & Lake Macquarie over the year to September 2018.

NEW SOUTH WALES

Sales activity was lower year-on-year across all three regions, with the biggest fall in sales volumes seen across Illawarra (-14.7 per cent) when compared to August 2017.

Advertised rental rates increased over the year to September 2018, with Richmond-Tweed recording the largest increase for houses (4.7 per cent), and Newcastle & Lake Macquarie recording the largest increase for units (5.3 per cent).

All three regions across New South Wales saw growth in home values over the year to September 2018, with the largest increase for houses seen across the Newcastle & Lake Macquarie region where the median house value increased by nine per cent.

The largest increase for units was seen across the Richmond-Tweed region, where the median unit value increased by 9.3 per cent.

QUEENSLAND

Townsville was once again the only region to see values fall for both houses and units, down -1.3 per cent and -3.9 per cent respectively.

The largest increase in house values was seen across the Sunshine Coast (7.7 per cent), followed by the Gold Coast (4.3 per cent), Wide Bay (1.7 per cent) and Cairns (1.4 per cent).

Looking at units, the Sunshine Coast saw the largest increase in

> ***Geelong region recorded the largest annual increase in median values.***

> ***The Sunshine Coast saw the largest increase in median unit value.***

median unit value (5.3 per cent), followed by the Gold Coast (2.8 per cent), while median unit values across Cairns (-0.7 per cent) and Wide Bay (-0.6 per cent) fell over the year.

Dwelling sales were down in four of the five Queensland regions over the year to August 2018 with the Wide Bay region once again the only location to see an increase in home sales (2 per cent).

Looking at the Queensland rental market over the 12 months to September 2018, advertised rental rates across the Wide Bay remain in line with one year ago for both houses and units, while Townsville houses have also seen no change.

The largest increase in rental rates for houses was seen across the Gold Coast (4.8 per cent), while for units, Townsville saw the largest increase (3.7 per cent).

VICTORIA

Sales activity was down nine per cent across Geelong, while the Latrobe-Gippsland region saw a six per cent increase in the number of homes transacting over the year to August.

Both regions saw home values increase over the 12 months to September 2018, with median values increasing by 16.6 per cent for houses and 11.9 per cent for units in Geelong, compared to the Latrobe-Gippsland region, where median house and unit values increased by 6.9 per cent and 6.4 per cent respectively.

Over the 12 months to September 2018, the advertised rental rate for units in Latrobe-Gippsland remained unchanged, while house rents have increased by 1.8 per cent.

In Geelong, advertised rental rates for houses increased by 2.9 per cent, while unit rents increased by 3.3 per cent.

WESTERN AUSTRALIA

The Bunbury region saw house values fall 4.6 per cent over the year to September 2018, while unit values fell 4.9 per cent.

Sales volumes across the region continue to fall, down three per cent over the 12 months to August, with current activity 11 per cent below the five-year average.

Rental rates in the Bunbury region fell 1.6 per cent for units compared to September 2017, while advertised rates for houses were unchanged over the same period.

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