



CRUNCH THE NUMBERS AND SAVE Want to be \$96 Per Week Better Off?

Want to be \$96 Per Week better off? Before walking away from purchasing a first or next investment property, make sure you crunch the numbers correctly. That next bargain may actually be affordable if property depreciation is claimed.

Astute investors will usually consider the potential rental return of the property, the property's location in proximity to local services and facilities, local employment drives and historical growth of properties within the area.

They should also work out the tax deductible costs and other deductions involved in owning the property such as property management fees, rates, interest, repairs, maintenance and property depreciation.

These deductions add to the investors net cash return and every deductible dollar comes back to the owner at their marginal tax rate.

More often than not, investors fail to consider the financial benefit of claiming depreciation prior to

making their purchase. The following example shows how one property investor identified an additional yearly cash flow of \$4,992 from property depreciation.

The property investor was considering purchasing a ten year old house priced at \$560,000. They did some preliminary research and asked their Property Manager for a rental appraisal of the property, which resulted in an expected rental income of \$530 Per Week, or \$27,560 Per Year.

The investor was also able to work out an estimate of the costs involved in owning the property. Expenses including interest rates, property management fees, rates, repairs and maintenance costs came to a total of \$36,060 Per Annum.

They contracted BMT Tax Depreciation for a free assessment of the likely depreciation deductions they could expect from the property and found that they would be able to claim approximately \$13,500 in depreciation in the first full year.

relax . celebrate . enjoy



Consider the depreciable value of items in your potential investment property



Depreciable items:

Asset	Value
Rangehood	\$650
Stove	\$1,250
Light Shades	\$750
Blinds	\$2,100
Smoke Alarms	\$250
Exhaust Fans	\$190
Floating Timber Floors	\$4,800

BMT Tax Depreciation
QUANTITY SURVEYORS

Ten Year Old House Priced at \$560,000

Scenario without depreciation claim		Scenario with depreciation claim of \$13,500	
Annual expenses	\$36,060	Annual expenses	\$36,060
Annual income (\$530 x 52 Weeks)	\$27,560	Annual income (\$530 x 52 Weeks)	\$27,560
Pre-tax cash floor (expense less income)	-\$8,500	Pre-tax cash floor (expense less income)	-\$8,500
Total taxation loss	-\$8,500	Total taxation loss (pre-tax cash flow & depreciation)	-\$22,000
Tax refund (total tax loss x tax rate of 37%)	-\$3,145	Tax refund (total tax loss x tax rate of 37%)	-\$8,140
Annual costs of the investment property (pre-tax cash flow + tax refund)	-\$5,355	Annual costs of the investment property (pre-tax cash flow + tax refund)	-\$360
Weekly cost of the investment property	-\$103	Weekly cost of the investment property	-\$7
Depreciation difference = \$96 Per Week			

Without claiming depreciation, the property investor would experience a loss of \$103 Per Week during the first year of owning the property. By claiming depreciation, the weekly cost is reduced to \$7, saving them \$96 Per Week or \$4,992 in the first year of ownership.

An investor who crunches their numbers prior to making a purchase will gain a better perspective on the affordability of the property and their future cash flow position. Once they purchase the property, a specialist Quantity Surveyor can be engaged to prepare a property in order to calculate a quick estimate.

Disclaimer

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