

# HAVEN

money+lifestyle+home

March 14

**TP** TONGPARTNERS  
PROPERTY FINANCE • RESIDENTIAL • COMMERCIAL

BUYING  
OFF THE  
PLAN

Investing -  
Commercial vs  
Residential?



A good egg



win  
\$1,000  
CASH

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# MASTERPLAN

New home sales are back on the rise, fuelled in part by many investors and owner-occupiers buying off the plan. The concept is straightforward: put up a deposit (usually 10 per cent) to help the developer fund construction and pay the balance when the build is complete.

Apartments are now springing up at a rapid rate in capital cities and popular holiday locations with the confidence that property prices will rise, handing buyers a tidy capital growth when they eventually take possession.

Developers sell off the plan to entice as many sales commitments as possible to then secure from their lender the finance they need for the build. Because buyers are essentially handing over their deposit for the promise of an apartment they won't see for one to two years (or more), prices are set at current market rates with incentives often offered to entice buyers. This adds to the capital gain potential, but price rises are never a sure thing as we have seen in past years.

In exchange for your deposit, the developer should provide a contract that outlines the details of your particular purchase, the completion date for the development and the deadline for when a decision must be made as to whether the development will go ahead. That decision usually hinges on whether sufficient finance has been secured. If the developer pulls the pin or passes the decision deadline, you should be entitled to a refund of your deposit, but this depends on the conditions of the sale contract. It is imperative that you read all documents carefully, and ensure you get professional legal advice on any contract before you sign on the dotted line. Full payment for the property is not required until settlement, which is usually one to three months post completion.

While buying off the plan looks great on paper and can reap rewards, getting in on the ground floor of a new development is not always a fast track to making money. Haven looks at how you can make the most of the opportunity and avoid some of the common pitfalls.

## Time on your side

One of the biggest advantages of buying off the plan is time. Unlike traditional property purchases with relatively

short windows to round up the total finance, you will have at least 12 months, if not longer, to settle. Savvy buyers will take advantage of this extra time to save their pennies and reduce their borrowings.

## New home, no hassles

If you dream of a new home but have nightmares at the thought of building one, an off-the-plan purchase may be the perfect compromise. Although you will not get to design everything as you would with a custom-built home, most off-the-plan developments allow some customisation of finishes and fixtures. Make sure your contract outlines what you can tailor and that you are clear on any additional costs.

## First-home-buyer advantage

Various incentives are still being dangled in front of first-home-buyers, which may add to the appeal of buying off the plan.

Concessions vary across Australia and some have been curbed since January 1, so visit your State or Territory web site for the latest information on grants and exemptions. You can also research your eligibility for stamp duty concessions on new properties at [www.stampdutycalculator.com.au](http://www.stampdutycalculator.com.au)

## Investment incentive

Off-the-plan apartments are often pitched heavily at investors due to the tax\* benefits that come with depreciation on new properties and rental assurances. Tax savings will depend on your individual circumstances, but generally the newer the property, the higher the depreciation allowance for the building and fixtures.



Investors may also be offered attractive rental returns for a limited period. Make sure you do your homework on rental returns on similar properties in the area before accepting the developer's terms. Be wary of over-inflated rental figures. Builders will sometimes promise a high-rent yield to lure investors, build the cost into the property price and then subsidise any gap themselves for a short period. When the rental guarantee expires, you may find the actual market rent falls well short of what you originally pocketed. If investing, make sure you have the option to manage the property yourself or with your chosen property manager from the time you take possession.

### Beware a boom

Many buyers get swept up on a wave of rising property prices when they hand over their deposit in exchange for a floor plan. Historically, property is a consistent long-term performer, but property prices can plateau and even wane at the mercy of economic factors.

Buyers also need to be wary of over-supply, which may devalue their property. Queensland's Gold and Sunshine Coasts are carrying a glut of apartments on the back of many years of off-the-plan sales, while the skylines of capitals such as Canberra have real estate commentators urging caution.

Make sure you consider the bigger picture if buying off the plan. Research how many other developments are planned in the area and whether any increase in apartment numbers is justified by new or improved infrastructure, such as transport corridors, business precincts, universities or hospitals.

### Be discerning about the developer

Make sure you purchase from a reputable builder and take the time to research their previous projects. Do they use quality contractors? Do they deliver projects on time? Make a point of visiting some of their projects so you can assess the finished product first-hand.

### TOP TIPS

- Investments like this are big decisions, so investing in the right professionals to have onside before you commit is money well spent. Ensure you get professional legal advice on any contract before you sign it and that you speak with your financial advisor or tax professional to make sure you've got the right advice from day one.
- Make sure your deposit will be refunded if the project doesn't go ahead by a certain date.
- Make sure the contract contains as much detail as possible about the finished product.
- Be clear on what finishes and fixtures you can customise.
- Find out if you can on-sell during construction in case your circumstances change.
- Ask if you can inspect the site during construction.
- Talk to your mortgage broker about the right loan structure for your circumstances.

\* The information contained in this article does not constitute either financial or taxation advice. We recommend you speak with your financial advisor, and as taxation legislation is complex, you should consult a tax advisor or contact the ATO for further details and expert advice in relation to your personal circumstances.



### BOOKWORM

Custom made with any word, number or symbol of your choosing, these unique folded book sculptures are hand crafted by the artist using recycled books. Names, initials, words, important dates – anything is possible. The perfect gift for the person who is impossible to buy for.

VISIT [www.etsy.com/shop/lucianafrigerio#](http://www.etsy.com/shop/lucianafrigerio#)



### HERBAL REMEDY

Ever bought a packet of fresh herbs from the supermarket only to have them turn to mush within a few days? This clever pod extends your herb's life for up to three weeks. Pop it in the fridge door for a fresh, flavour hit whenever you cook.

VISIT [www.prepara.com](http://www.prepara.com)

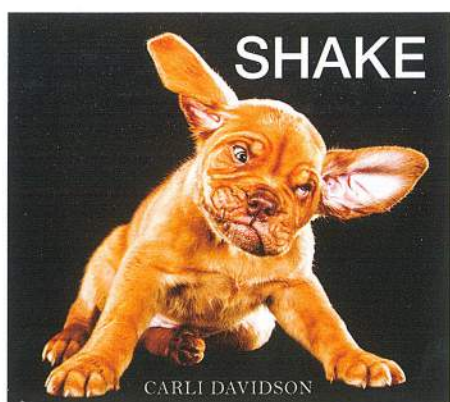


### AROUND THE WORLD

German designer Dirk Schaechter has married geography with typography to create this clever world map. With the world's nations constructed from type (Helvetica Neue black condensed for the type nerds), we think this would be a great poster for a kid's bedroom wall.

VISIT [www.typomaps.net](http://www.typomaps.net)





## Shake

This brilliantly documented book captures man's best friend in all their contorted, jowl-flopping, fur-flying, eye-bulging glory with 61 hounds caught at their most candid – midway through shaking water off their faces. The simple act of shaking when captured using high-speed photo techniques is brilliantly documented by this award-winning photographer. The photos are funny, unique and totally uplifting – and remind us how much we love viewing our pets in new ways.

Harpercollins RRP \$24.99



# COMMERCIAL APPEAL

When mum and dad investors consider property, most look no further than the residential market. While homes and apartments may be seen as simpler and safer options, many investors are prepared to defy tradition and set their sights on the commercial sector.

Commercial property differs to residential, but with the right understanding of the key drivers, it need not be more complex.

## How does commercial property differ to residential?

Firstly, commercial property attracts GST on the purchase price and the rent received, unlike residential real estate, which remains GST-free on both fronts.

An exception to this may be where the property is acquired with an existing lease in place. In this case, the vendor may be able to treat the sale as a 'GST exempt sale of a going concern' (refer [www.ato.gov.au](http://www.ato.gov.au)).

Commercial properties also usually attract higher yields – seven to eight per cent on average, compared to half that for the residential market. But the higher returns are often offset by the bigger risk of longer vacancy periods, which is why choice of property is paramount.\*

On the up side, commercial tenants tend to take much longer leases than domestic renters, providing a stable financial footing for your investment.

Another distinction is who pays for property upgrades. In the residential sector, owners foot the bill for maintenance, repairs and improvements, while tenants usually cover the cost of refurbishments to suit their particular enterprise.

## The right property

With retail outlets, offices and industrial estates all sitting at the heart of our economy, it can be hard to decide which type of commercial property to invest in.

Many first-time commercial investors are business owners looking to end the rent cycle and acquire an asset at the same time. If you don't own your own business, a good starting point is to consider the same principles that apply to residential investment. Look for properties in growth sectors in areas with



## WIN \$1,000 CASH

Last year a journalist used Twitter to share a memory of his most monumental work blunder: putting a client in a cab to Heathrow for an important flight, when the flight was leaving from Gatwick. Before long hundreds joined in Tweeting their most horrifying work gaffes. Liking a good story as much as we do here at Haven, we're inspired to hear about yours. In 50 words or less, let us know about your most spectacular workplace mistake to go in the running to win \$1,000.

**How:** email your story in 50 words or less to [havencompetitions@aifgonline.com.au](mailto:havencompetitions@aifgonline.com.au) placing 'Work blunder' in the subject line.

**Include:** your name, address, email, phone number and the name of your mortgage broker.

**Dates:** opens on February 17, and closes on April 16.

**Winner:** will be decided on April 17 and notified by telephone after this time.

**Terms and conditions:** email [havencompetitions@aifgonline.com.au](mailto:havencompetitions@aifgonline.com.au) to request terms and conditions.





## Sugary shocker

low vacancy rates. A drive around any light industrial estate, CBD or retail strip will quickly reveal the 'for rent' signs and give you a pulse check on local supply and demand.

You should also consider local infrastructure, such as transport, and even commercial entities that may be a drawcard for others. In the retail sector, a big brand name with a long-term lease (called an anchor tenant) can be the attraction for smaller operators looking to cash in on the high foot traffic the big name will generate.

Commercial tenants also look for properties with high visibility, easy access and plenty of parking, especially if there is no public transport nearby.

If looking at a light industrial property or office complex in a commercial estate, check it is not in a flood zone. Some commercial complexes are built in low-lying areas at risk of riverine or flash-flooding. Flood cover is not always offered on commercial properties and can be costly when available, so assess the risk thoroughly before you invest.

Commercial property agents will happily help you with the property hunt. Keep in mind their job is to sell, so make sure you do your own homework on values, vacancy rates, average rents and potential tenants for any property put forward.

Another helpful starting point is your mortgage broker. They can help you work out your budget based on your existing loans and financial arrangements and find a loan product suitable for your circumstances.

### The right tenants

Attracting the right tenants is the key to successful commercial investment. Concerned by the potential for long vacancy periods, commercial property investors often snap up the first tenant who comes along. Take time to research whether the applicant is in a viable sector with strong demand or a waning one. While you can lock any tenant into a three-year lease, an insolvent business will not be able to pay the rent, no matter how many demands you place on it.

On the other hand, a flourishing business with a strong track record may request a longer term lease – in some cases up to 10 years. You may even be able to request a bank guarantee for the term of the lease.

It's estimated that two thirds of Australian adults and a quarter of our children are either overweight or obese. It's clear that obesity is a leading risk factor for cardiovascular disease, diabetes and some cancers, not to mention the general stress it places on the human body. Of course there is no single cause to our obesity problem. It's a combination of factors. But science definitely puts soft drinks and other high-sugar beverages such as energy and sports drinks on the list of contributors. Australia is in the top 10 countries for per capita consumption of soft drink and our intake has increased by 30 per cent in 10 years. These beverages are targeted because the massive amount of sugar they contain is considerably more than your body needs in a day. The excess energy is stored as fat. A 600ml bottle of soft drink contains 16 teaspoons of sugar. Imagine putting 16 teaspoons of sugar onto your breakfast cereal or stirring it into a coffee – it's extreme when you consider it like that. To add insult to injury, soft drinks have no nutritional value.

So if you're trying to avoid sugary drinks, does it make sense to turn to artificially sweetened versions? Evidence is inconclusive, but a 2010 study showed that aspartame, the most common artificial sweetener used in diet soft drinks, can trigger insulin peaks in the body, which may lead to overproduction of insulin and ultimately diabetes. Diet soft drinks have also been associated with overeating and weight gain. Why this is so isn't clear. One theory is that chemicals in artificial sweeteners might stop you feeling full. Regardless, artificially sweetened soft drinks, like regular soft drinks, contain preservatives, colourings and flavourings which shouldn't be a part of a healthy daily diet. Diet or not, soft drink is firmly in the junk food realm.

While sugar is a perfectly acceptable part of a well-balanced diet and by no means should be excluded, moderation is key. Enjoy your favourite sugary drink occasionally, but it shouldn't be on the daily menu.

### Tips on cutting down

- Learn how much sugar is in your favourite drink. This might help you think twice – visit [www.rethinksugarydrink.org.au/facts](http://www.rethinksugarydrink.org.au/facts)
- Have a water bottle close for when you're feeling thirsty – water has zero sugar, no acid, doesn't contain colourings and flavourings and is the best thirst quencher. Your body will love you for replenishing it with mother nature's best beverage.
- Stay away from the supermarket soft drink aisle. Apply the theory of what you don't see, you won't want.

\* The information contained in this article does not constitute either financial or taxation advice. We recommend you speak with your financial advisor, and as taxation legislation is complex, you should consult a tax advisor or contact the ATO for further details and expert advice in relation to your personal circumstances.



Thank you to everyone who entered our bad hair competition. The winner was clear and her unsolicited accompanying story so entertaining we just had to include it. Congratulations to Anna who wins \$1,000 for sharing her 80's hair crime.



“ To some, 1986 will be remembered as the United Nations designated International Year of Peace. A year when Halley's Comet visited the solar system and radioactive fallout killed and affected many after the Chernobyl power plant disaster. The year when the stolen Weeping Woman by Picasso was found in a locker at Melbourne's Spencer Street station and Oklahoma's Patrick Sherrill inspired the phrase 'going postal' after gunning down 14 of his co-workers at the US Postal Service. To others, it will be remembered as the year that Desmond Tutu became the first black Anglican bishop in South Africa, Prince Andrew married Sarah Ferguson and Janine Haines became the first woman to lead a political party in Australia.

But to me, it was a year when Wa Wa Nee, Bananarama, The Bangles, Samantha Fox, Cyndi Lauper and Bronski Beat were ruling the charts. In an ill-advised yet gallant attempt to stand out from the crowd of insipid banality reigning the pop charts, yet really not having any idea about my declared punk roots, I headed down to Todaro Hair Salon in the leafy northern suburb of Eltham and came out with what can only be described as a leafy suburban pineapple-topped crown of glory. Yes, those pink, green and purple coloured bits are not, I repeat not, amateur wash-out colourings. Oh no, I was a professional, and my hair was my CV. Emulating the styling of American band Wall of Voodoo in the half-hearted and confused way that only a 15 year old can, I mixed this with the never-out-of-fashion 'bricks' shaved into the side of my bonce. Oh what a vision of fashion, framed rather sterlingly by the school photo backdrop akin to the offerings of any quality shopping centre. As the saying goes, what doesn't kill you makes you stronger and I am entering this competition in an attempt to bear witness to the extreme cruelties of the 80's and act as a role model to all the other casualties of the era. Say it loud: 80's teenager and proud. ”

## Time to take cover

Summer once again highlighted the extremities of our harsh Australian weather. In addition to Dorothea Mackellar's "droughts and flooding rains", communities too often contend with bushfires, cyclones and severe storms; stark reminders of the need for adequate home insurance cover.

But wild weather is not to blame for every home insurance claim. Break-ins, fire and unfortunate accidents can all lead to property and contents damage or loss.

Although often considered a grudge purchase, most home owners are prudent enough to have some building and contents cover. Unfortunately though, the Insurance Council of Australia reports more than one in five households – many of them renters – still have no home contents insurance, leaving them without any financial footing should the worst happen.

Additionally, many of us with home insurance may not have enough. According to the Australian Security and Investments Commission, up to 80 per cent of Australian households are under-insured by 10 per cent or more.

Adequate home insurance cover should be part of your personal financial plan. Very few people have enough savings to get back on their feet if they lose their home and contents. Insurance is an investment in 'what if' and the best way to ensure you are prepared for life's mishaps.

Here are our top tips to make sure your household is covered.

### Sum up your home and contents

Your home insurance premium (the fee you pay each month or year) is calculated using a range of risk factors, such as weather, building materials and security, and your sum insured (the amount for which your home is covered). But slicing your sum insured to save on the premium could cost you severely in the long run if you experience a significant or total loss.

Make sure you have a high enough sum insured on your building policy to rebuild your entire home from the ground up. That includes all fixtures and fittings, such as cabinetry, lighting and floor coverings, plus fencing, landscaping, garages and sheds. Most insurers ask you to determine your sum insured while others will provide a full-replacement policy, based on their determination of your cost to rebuild.

While home building cover only applies to property owners, contents cover should be taken out by both owners and renters. Many households make the mistake of calculating the second-hand value of their items, when they should be looking at what it would cost to buy the same items today. Others only count big-ticket or expensive items, such as furniture, televisions and



technology, overlooking clothing, cutlery, linen and other daily needs, which soon add up if all is lost.

Most insurers offer online building and contents calculators to help you with your sum insured, as does the Insurance Council at <http://www.insurancecouncil.com.au/for-consumers/calculators>

### Review your cover regularly

Make sure your insurance cover stays in step with your life. Marriage, children and renovations can all add to the value of your home and contents. Take stock each year of new purchases, such as jewellery and expensive technology, and increase your sum insured if needed.

### Check you have the right cover

The Victoria and Queensland floods of 2010 and 2011 left thousands of households high and dry financially because most insurance policies did not cover flood. Since then, most insurers have built flood cover into their policies either as standard or optional. All households should check with their council if they are at risk of flood and whether their home insurance policy covers it.

Generally, other natural disasters, such as bushfires, cyclones and storms, are covered as standard in home insurance policies and are not optional. You will, however, pay a higher premium if your home is considered at higher risk.

You should also check whether there are limits on the value of what your insurer will cover. Most insurers, for example, only cover jewellery up to a certain amount, unless you nominate specified items.

### On the go

With the popularity of portable technology, it is worth considering cover for your valuables when you are away from home. Policies vary but most insurers offer portable valuables cover for items such as cameras, laptops and jewellery. Some insurers will cover items that are lost or stolen away from home as standard while others will offer it as an option for an extra premium.

### Read your policy booklet

The best way to find out what your policy covers is to take the time to read your product disclosure statement (PDS). Most insurers make them available online if you have misplaced your paper version. Insurers are also required to present the information in plain English. You will find most spell out quite clearly what you will and won't be covered for. If in doubt, pick up the phone and ask.

## Ways to save

- Combine your home and contents policies and bundle in other policies, such as car and health insurance for multi-policy discounts.
- Ask about years-of-insurance or loyalty discounts for sticking with an insurer for a number of years.
- Pay your premium annually rather than by the month.
- Increase your excess (the amount you pay upfront to make a claim) to reduce your premium.
- Look for ways to reduce your risk, like home security.
- Shop around.



## A good egg

Whether you like them runny and just begging for toast soldier dipping, or hardboiled, follow this step-by-step guide to achieve the perfect boiled goog.

### Tips

- To help prevent the shells cracking, bring the eggs to room temperature before cooking. The following timings are calculated using a room temperature egg.
- It's a good idea to use a kitchen timer rather than your watch or a clock, so that the timing is accurate.
- Cooking eggs in hard-boiling water makes the whites turn rubbery – the trick is to always simmer them.
- Never boil eggs longer than necessary, this is when the yolks turn rubbery and dark.

To begin, carefully place the eggs into a small saucepan (so they don't have too much room to move) and cover with cold water, with the level about two centimetres above the eggs.

### Soft boiled

Bring to the boil over a medium heat and then immediately reduce heat to a simmer:

- For runny, soft-boiled eggs, cook for two to three minutes once simmering.
- For medium eggs with a semi-firm yolk, cook for four minutes once simmering.

Remove eggs from the water or they will continue to cook. Serve immediately.

### Hard boiled

- For hardboiled eggs, bring to a simmer over medium heat, then cook for seven minutes once simmering. Once cooked use a slotted spoon to remove and cool them under cold, running water.

**What you need to know:** any advice contained in this newsletter is of a general nature only and does not take into account the objectives, financial situation or needs of any particular person. Therefore, before making any decision, you should consider the appropriateness of the advice with regard to those matters.



*hello*

Welcome to the autumn edition of Haven.

Do you have investment property purchasing on your agenda for 2014? While most of us automatically think of the residential market when the time comes to invest in property, have you considered investing in commercial property instead? We take a look at some of the primary drivers in this space to help give you a basic understanding of what is involved when investing in commercial property.

In this edition we also investigate buying off the plan. This way of making a property purchase can certainly reap rewards, and we'll run through the pros and cons and suggest some of the things you might like to keep in mind if this type of purchase appeals to you.

Last year we gave away lots of cash to our readers through our Haven competitions, and 2014 will be no different. We love a good story, so make sure you check out Haven Win to see if you've got a story that could tickle our fancy.

I hope the start to your new year has been a good one. Please don't hesitate to make a time with me so I can run through what's happening in your financial landscape, I'm always here to help.

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ACCREDITED MEMBER

