ence and increase their flexibility for future investing. Investors who are stuck with a bad loan structure will either incur expensive costs fixing it up or hit glass ceilings where they can borrow more on paper but the bank won't approve any additional lending.

- *TIP: See an investment-savvy mortgage broker who is familiar with the optimal finance structure for property investors as an alternative to approaching your bank directly.*

Key person risk. While the building of the property portfolio is important, it can all be placed at risk if one or more of the income earners were unable to earn an income for reasons outside of their control – sickness or disability – so it's equally as important to protect the income earners.

- *TIP: Seek the advice of a suitably qualified financial planner on how you can get some risk protection.*

Steep learning curve. Just because you live in a property doesn't mean you will know how to invest in property. There are a number of things to consider over and above the bricks and mortar – finance, tax and tenant implications, to name a few – and the learning curve is steep on that first investment.

- *TIP: Look to create a team of professionals who are specialists in their fields and are experienced in building property portfolios rather than simply facilitating transactions. The key is to make sure they have no conflicts of interest.* **M**

Empower Wealth is a property advisory firm that develops personalised financial plans for property investors.

EXPERT TIPS FOR THE INVESTOR

How can I minimise capital gains tax on an investment property? Mark Chapman, head of tax with Taxpayers Australia (www.taxpayer.com.au).

When you dispose of an investment property you might have to pay capital gains tax (CGT) on any profit. What can you do to legally minimise your tax?

Claim all your costs. The capital gain is worked out by taking the sales proceeds and deducting the cost base. The cost base is not just the cost of acquiring the property but also includes many incidental costs (such as stamp duty, legal fees, agent costs), costs of ownership (e.g. interest on borrowings, repairs), improvement costs and title costs. Make sure you claim these. The higher your cost base, the lower your gain.

> A high cost base lowers the gain

Claim the discount. If you held the property for more than 12 months, the capital gain can be discounted by 50% for individuals and trusts or by 33⅓% for certain superannuation funds. There's no discount for companies.

Held the property since 1985? It could be tax free. If the property was acquired before September 20, 1985 (when CGT was introduced), there would generally be no CGT.

Lived in the property? If the property was your private residence at some point during your ownership, the gain covering that period might be excluded.

A number of small business concessions are available where capital gains on business assets are incurred. So long as the conditions are met, you can apply for as many concessions as you're entitled to until the gain is reduced to nil. Check whether you're eligible.

CGT is a complex subject – consult your tax adviser for more detail.

What type of property will give you the best depreciation benefits? Tyron Hyde, director, Washington Brown

Buying new property will always result in the highest tax depreciation benefits. And, generally speaking, the higher the building, the higher the depreciation. Why? Because taller buildings have more services such as lifts, gyms and fire services. And these services attract higher rates of depreciation compared with bricks and concrete.

But it's also important to remember that purchasing a new property can sometimes cost more than buying a three- to five-year-old property. The difference in depreciation benefits between these options is not necessarily as substantial.

Purchasing a "newish" property can mean paying less stamp duty and might mean a higher depreciation deduction relative to the purchase price.

Washington Brown's online tax depreciation calculator shows a first-year deduction of $18,000 for a brand-new high-rise unit costing $650,000 in Sydney. It also shows that paying $650,000 for a unit built in 2011 would still attract a first-year deduction of $17,000.

> Resales give a realistic view of value

That's only $1000 difference over the whole year – not enough to make or break the deal, in my opinion!

Another thing to consider is that when you buy a secondhand property you can often get a more realistic view of the real value by researching any resales that have occurred in the building since it was completed.

That's only way to find out the true value of a property.

In summary, you don't necessarily have to buy brand-new to get the best depreciation. Sometimes almost-new property (at three to five years) will still get you more than enough depreciation benefits.