ALWAYS USE A REAL ESTATE AGENT TO SELL YOUR HOME

Emi Berry says you have more control as a private seller

If you're the organised, flexible, confident type with time to spare, there's no reason why you can't sell your own home. Over the past 10 years we've privately sold property with a realised total value of $3.32 million and saved $77,000 in real estate agent commissions. Each home sold over the agent's valuation. We also saved a further $6000 by carrying out the conveyancing ourselves.

So where to start? Be realistic about your price guide. Gather as much information about your property as you can. Research what your home is roughly worth by jumping on property websites such as www.onthehouse.com.au and get free property reports from sites such as www.homeguru.com.au. Check how many similar properties have sold in the area by going to www.realestate.com.au.

Signboards are a must. Two of our properties were sold to people driving around the area, wanting to buy in that particular street or suburb. Use an online site that doesn't charge a commission, such as forsaleforlease.com.au or www.sellingmyhouse.com.au, to advertise your home. Both have packages that include marketing essentials such as signboards, professional photography and brochures. Using these sites will also give you valuable exposure to other sites such as realestate.com.au and domain.com.au.

As a private seller, you have control over a lot of things, such as follow-up calls. I've lost count of how many times agents haven't returned my calls when inquiring about a property. It's crucial you return every call, as it could the one you've been waiting for.

The biggest advantage you have over an agent is that nobody knows the property better than you do. So take advantage of the knowledge and really sell those high points.

Emi Berry is a Money magazine writer

YOU CAN'T CLAIM DEPRECIATION ON AN OLD PROPERTY

Tyron Hyde reckons this misconception tells only half the story

There is a common misconception in the property market that you cannot claim depreciation on old properties. This is wrong and I can prove it!

The origin of this myth centres on the fact that you cannot claim building depreciation on residential properties where the construction commencement date is before July 18, 1985. Put simply, it means you can't claim depreciation on the "structure" of the building – the brickwork, concrete, etc.

Although it's a true statement it tells only half the story. The other half relates to the

plant and equipment – such as carpet, ovens, dishwashers, blinds, etc – that you purchase as part of the building. These items can easily add up to $10,000 in an old apartment and can be claimed irrespective of your property's age.

The best way to test how much you can claim with an old property is to use the depreciation calculator at www.washingtonbrown.com.au. It draws on real data from all the properties we inspect and for which we prepare reports. For example:

- Purchase price of the property, $400,000
- Nearest capital city: Sydney
- Standard of finish: Standard
- Type of property: House
- When it was built: before July 1985

I press calculate – and, hey presto, it tells me I can claim $4000 in year one as a tax deduction and $9000 over the first five years. Not bad!

And a final tip: if your property was built before 1985 but renovated, you can claim the renovations even if the previous owners did the work. So if you buy a 100-year-old terrace with a new kitchen, the kitchen is treated as new and can be depreciated over the next 40 years.

Tyron Hyde is director, Washington Brown

INVESTING IN A LOT OF PROPERTIES MEANS A BIG LAND TAX BILL

Maria Bekiaris explains some of the ways you can trim the bill

One of the expenses you'll need to budget for as an investor is land tax, which is charged on investment properties and holiday homes. The size of the bill will depend on the land value of the property and the state and territory. Naturally, the more properties you have the more land tax you can expect to pay. The good news is there are legal ways to minimise this impost.

One option is to invest in units, because its land tax will be much less of a hit than if you invest in a house. If you worry that a unit is not as good an investment as a house, see page 38, where Chris Gray busts that myth.

Another strategy is to look further afield and buy properties in different states. You can choose to target states or territories that charge less land tax. Most states have a tax-free threshold so you can take advantage of that in each state.

If you're investing as a couple, you might also consider splitting the properties into each person's name so you both get the tax-free threshold. Of course, you need to consider any other tax implications.

You can find information about land tax charges at the different state revenue websites.

Make sure you don't make your decisions on the basis of reducing tax. The investments should stack up on their own, so do your homework to make sure you're getting a good buy.

Maria Bekiaris is deputy editor of Money *magazine*

YOU SHOULD ALWAYS PAY OFF YOUR HOME LOAN BEFORE INVESTING IN ANOTHER

There are many other financially efficient choices, says Sam Saggers

Let's take a closer look at this concept by setting up a common scenario. Brad is a smart fellow in his mid-20s who chose to follow the same pattern of wealth creation as his parents: he secured a property as his own home in a well-established area, then began spending his wages towards paying down his home loan.

After 10 years, through economic highs and lows, redraws and reductions, Brad has not only paid a sizeable $101,000 off his home loan, but the market has also been kind, virtually doubling his property value, increasing it from $300,000 to $500,000.

In the same 10 years he withdrew $42,000 in equity to pay for a well-deserved holiday, a car deposit and some house improvements.

On the surface, while I would agree that a $258,000 gain over a decade is a reasonable outcome, it's unlikely it will be enough to support Brad in retirement. Looking at a typical 30-year home loan, we know it's not tax-deductible and that the compounding effect of interest means the first 20 years of the loan pay off virtually nothing.

In fact, an average home loan of around $300,000 at a 7% interest rate will cost a whopping $718,000 in total to eventually pay it off over 30 years. Paying off your home loan debt this way is absolute madness and there is a much better way to beat the banks.

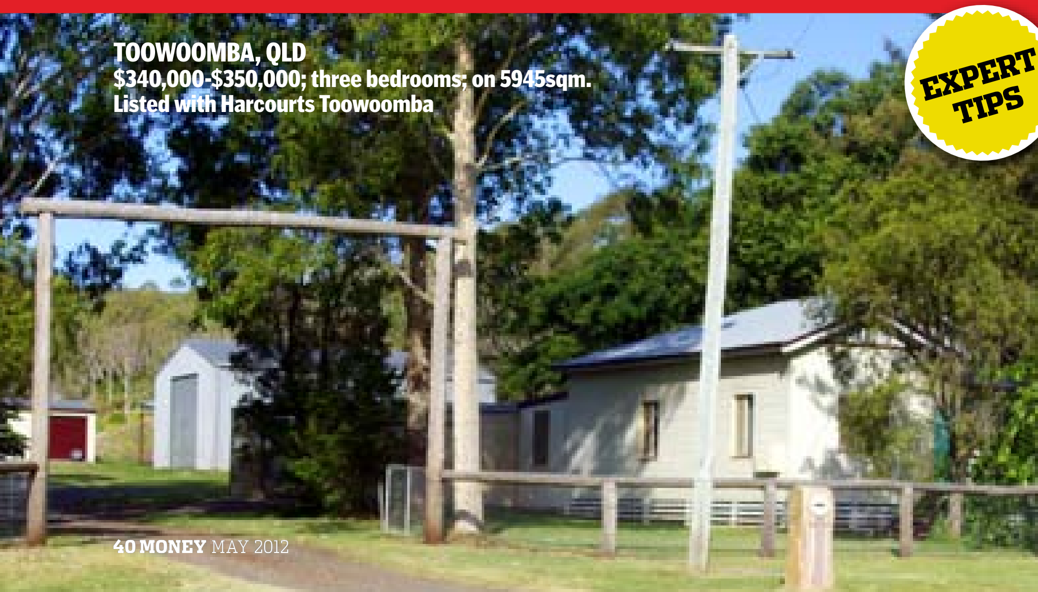
Brad could make an array of more financially efficient choices. For instance, rather than spending the past 10 years simply paying down his debt, he could have put his accrued equity to better use elsewhere by servicing real estate and making his money work harder for him.

By accessing the equity in his home, Brad could have purchased three good positive-cash-flow properties, which would have fed or provided serviceability for one high-capital growth property.

This in turn would have created excess cash flow and the capital growth property may have doubled in value in 10 years, which Brad could have fed back into his owner-occupier debt and paid off his home loan faster. Then Brad could have kept accessing the equity in his home to buy more investment properties and again reduce his debt down to zero, in addition to building a substantial property portfolio for his future.

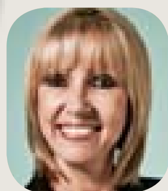
The reality is the equity Brad gained from his home over the past 10 years could be used to invest in numerous properties throughout Australia, increasing his portfolio's worth to the millions, improving his market exposure with more room for balance, diversification and faster debt reduction on his home loan.

Sam Saggers is CEO, Positive Real Estate



TOOWOOMBA, QLD
$340,000-$350,000; three bedrooms; on 5945sqm. Listed with Harcourts Toowoomba

MARGARET LOMAS'S 5 HOT SPOTS



Bathurst, NSW (houses)
Bathurst has what I like to call the triple whammy: education, with its large university; health, with nearby Orange playing host to a substantial health precinct; and a mining "influence", with the nearby Cadia goldmine. I'd choose a house of at least three bedrooms in the outer suburbs, like Kelso, where a large logistics centre is being built and prices are low. Expect to pay under $250,000 with a yield in excess of 6%.

Morwell, Vic (houses)
Morwell is another semi-rural location. While brown coal was the original reason for its existence, improved transport and low prices have seen it assumed to be part of greater Melbourne. Residents commute for work and choose the fresh country air for their lifestyle. Choose a house with at least three bedrooms and see a nice 6.5% yield.

Toowoomba, Qld (houses)
Bringing up my rural trifecta, Toowoomba has a super-council, after the merger of nine local councils, and the mayor is keen on growth. Nearby the Surat basin provides a strong mining influence, but this area has a diversified industry base. A large block with duplexing potential should provide a great income today and development potential tomorrow.

Onkaparinga shire, SA (houses)
South Australia's rural areas aren't yet ready to boom so I'm staying with the suburbs. My favourite is the Onkaparinga shire, 30 minutes from the city and brimming with infrastructure development. New town plans allow subdivision into much smaller blocks. It's a great chance to buy a block of at least 600sqm, take the great income of up to 7% now and later add a dwelling, at affordable prices, to double your income. Look for houses in the less desirable Hackham West and Huntfield Heights, which share a border with the more expensive Christies Beach and Seaford.

Western suburbs, Sydney (houses)
The outer western suburbs of Sydney have been waiting for a boom for years and the unaffordability of much of Sydney is bringing attention. Ample service provision and excellent transport options exist, and the population is growing along with the median household income. Blacktown and Merrylands are my favourites. I am bearish on units in any area right now, so again it's definitely a house.