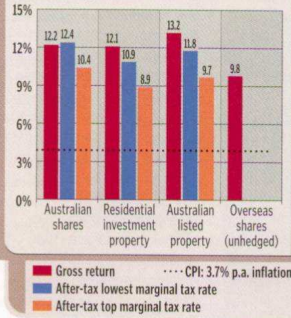


## TAX RATES

VARIOUS INVESTMENTS AT DIFFERENT TAX RATES (RETURNS P.A.)



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world and use many tools, called derivatives, to increase their returns or, if the market heads south, magnify their losses.

One type of investment, listed property trusts, is virtually a hybrid of shares and property. LPTs invest in property assets but they are listed on the ASX. They have been outstanding performers, achieving the highest before-tax but after-costs return of 13.2% a year of any asset class over the 20 years to December 2005, according to the ASX/Russell Long-Term Investing Report. And global listed property was the best performer over 10 years, showing a return of 14.6% a year.

**Q: Why do you think property is the best investment?**

**A:** 1. You can insure property for replacement value in case something unforeseen happens. Try getting an insurance policy to cover the loss of your shares based on poor performance of the board. Good luck!

2. You can improve a property, but you can't really do anything directly to improve the share price of a public company. I guess at best the only way you could improve Woolworths shares is to shop there a lot.

3. You can buy property at a discount. Imagine calling up the ASX and saying: "Look, I know NAB is trading at \$32, however I only want to pay \$28 today." They would just laugh at you.

**Q: What are property's top attributes for investors?**

**A:** 1. Capital growth is one of the many things that make property investment very attractive. Historically, property located close to the CBD or beaches in capital

cities tends to double in value every 10 years.

2. Property is not something you have to monitor daily. It can be a set and forget investment strategy, unlike stocks which often require regular monitoring, buying and selling.

3. The banks (who are quite risk averse) have a strong willingness to lend money to people to buy property and at much higher LVR than they will against shares. That also tells me shares are a more risky investment.

**Q: What are the negatives and how do you overcome them?**

**A:** 1. Damage by a tenant. For the cost of less than one week's rent you can take out an insurance policy to cover your property against damage and loss of rent.

2. Over-paying or getting ripped off when you buy. This is one of the biggest risks. If you research thoroughly you should be able to secure yourself a great property.

**Q: What are the top buying opportunities for the**

**year ahead and why?**

**A:** 1. I think for the year ahead well positioned residential real estate in Sydney and Melbourne will be the place to invest your money. I believe both markets have found their floor and well positioned, quality property has already started to increase. The outskirts, poorly positioned and poor-quality property are still slipping a bit. Within those markets you could choose to follow a buy and hold strategy.

2. If you have the time you could buy a rundown property and tidy it up, then re-finance and use the increased equity to buy again the following year.

3. It still might be a bit early to go for the buy, renovate, then sell strategy all within a 12-month period as the market is improving. However I doubt it will show double-digit growth figures for a little while yet.

**Q: What is your personal property investing success story?**

**A:** I bought my first property when I was in my early 20s - I worked a couple of jobs and saved hard for five years to raise the deposit. Since then that property has almost tripled in value. It was a couple of years after that I bought my second. Since then I essentially buy one a year, which is leveraged off the equity from the others with the purchasing costs funded by ongoing savings.

I buy each year regardless of what the market is doing, as I believe that a well positioned, desirable property in a capital city will double within a 10-year period. You will never pick the bottom or the top of the market, but if you buy and hold for 10 years plus you will enjoy the benefits of being in the market.

## EXPERT OPINION PROPERTY



**PATRICK BRIGHT**  
BUYER'S AGENT AND AUTHOR, HE  
BUYS A PROPERTY EVERY YEAR

"I buy each year regardless of what the market is doing"