

# Gearing up for share investment



*We see creating and looking after your wealth as a lifelong commitment. That's why we offer regular wealth advice and guidance throughout the different stages in your life. Together, we can build the financial wealth that lets you enjoy the truly important things in your life.*

While the concept of negative gearing for property investment is well known to Australians, more people are now using gearing strategies to invest in shares as well. Gearing for investment purposes is a useful wealth-creation tool for all investors.

## What is negative gearing?

Gearing involves borrowing money to buy income-producing assets.

Negative gearing occurs when the interest on the loan is greater than the investment income in any one year, providing a net tax reduction.

Investments can also be positively or neutrally geared. The main difference is cash flow. When your annual net cost of borrowing is less than the investment income you are positively geared. Neutral gearing means your interest bill is equal to your investment income.

## Why gear for shares?

Two very simple reasons:

- greater potential for portfolio diversification; and
- long-term wealth creation.

## How can you gear a share portfolio?

Some available options are:

- margin lending facilities, using shares and/or managed funds as security;
- investment loans, or revolving line of credit, using the equity in your home as security; and
- specific products, such as protected loans, which minimise the downside risks associated with a falling market.

Investors can use gearing to purchase shares directly or through a managed fund.

## Is gearing right for you?

Naturally this will depend on your specific circumstances, which is why it's crucial to discuss the matter in detail with your wealth adviser before making a decision. In broad terms, investors need:

- an aggressive risk profile as losses can be magnified;
- a stable income;
- a strong cashflow; and
- a detailed plan to invest for significant capital growth over the medium-to-long-term (five years minimum).

**Note:** Advice contained in this flyer is general in nature, and does not consider your particular situation or needs. Please do not act on this advice until its appropriateness has been determined by a qualified adviser.

For more information about gearing or to arrange a no-cost, no-obligation first consultation, please contact:

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