

Using the equity in your home to build wealth



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.

Somewhere between your floorboards and the ceiling is the equity you have in your home. The value of this equity is how much of your home you have paid off and thus currently own. By making regular mortgage payments you are building equity. But you don't need to wait until you sell your home to access equity and use it to build wealth.

An equity loan is a loan amount borrowed against the equity you have built up in your home, using those funds as security for the loan. These funds can be used for any personal purpose.

If you use the funds to invest, your funds are geared. Gearing is simply borrowing money to invest. This is where an equity loan can differ from other loan types, such as a mortgage. A geared investment may bring tax advantages, whereas other loans, including a mortgage, do not.

If you use money to invest then the income from that investment is included with your annual tax return. However, as an investment, the costs of producing that income can be deducted from your tax. In the case of a loan to invest (gearing),

then these costs include the interest charged. Therefore, using gearing can be a way to build your wealth in a tax-advantageous manner.

Please note that there is some risk involved in borrowing against your home, and some risk associated with investing. Therefore, it is very important to consult your wealth adviser prior to making any investment decisions.

Some considerations are:

1. Gearing can magnify returns but can also magnify losses.
2. Reliable income is required to make interest payments.
3. Your house is on the line.

How can gearing increase your wealth and save you tax?

- The interest you pay on the loan is tax deductible, reducing the tax you pay on your investments and other income. Note that this is only for geared investments.
- If investing in Australian shares directly or in managed funds (which invest in Australian shares), you may receive franking credits that can further help your tax position.

What is wealth advice?

Wealth advice is support and guidance on the best way to manage all your finances. Whether it's adjusting your debts to minimise repayments, saving for a home or a holiday, investing money, planning for your retirement, maximising pension entitlements or ensuring your family is protected if something happens to you, the right advice from the right people will help you achieve your goals faster and more effectively.

- Interest can be paid in advance, which may be tax-effective.
- If you invest as an individual, you may benefit from lower effective tax rates on capital gains.
- Borrowing against an existing portfolio unlocks cash without creating capital gains liability.

How do you access your equity?

More and more financial institutions are offering equity loans, with application procedures similar to applications for home loans. Similarly, fees and charges may apply. Once you have been approved for a loan and made your investment, it is up to you to monitor your investment and the implications for your tax position. Again, consulting a wealth adviser is strongly recommended.

Your home can be much more than a comfortable place to live. With a home equity loan, your home can provide a significant 'head start' for building long-term wealth and security. However, it is not for everyone.

At Genesys, we want you to get the most out of life so you can take advantage of any opportunity and be prepared for any challenge – that's what wealth advice is all about.

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 using the equity in your home to invest, or to arrange a no-cost, no-obligation first consultation, please contact:

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