

End Game

By

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The biggest mistake that most investors, and nearly all their professional advisors, make is to look at investing from today's perspective alone. Very few consider the longer term issues; nor, how those issues may be managed.

For example:

- What income will that investment property produce in 10, 20, 30 or even 40 years from now? and,
- What will the property be worth in 10, 20, 30 or even 40 years from now?

All too often, the primary motivation for buying an investment property is a short term one, such as to take advantage of negative gearing for a high income earner. Whilst this is as good a reason as any to get started in investing, it does not take into account the fact that it is still the high income earner who will pay more tax when the property becomes cash flow positive (as it will); or is sold in the future.

It has long been my view that negative gearing is, in fact, a "sting" played by the Government to entice us to invest in property so that the Government does not have to.

Furthermore, buying in the high income earner's name was once upon a time a pretty safe thing to do in that we could always assume that the partner earning the high income would always continue to do so. However, in today's world with redundancies; people taking time off to look after family; people starting businesses and equal opportunities, the initial tax planning can become almost redundant when these circumstances happen. There is no flexibility and it is this lack of flexibility that creates problems in the future.

Smart investors always consider the end game and plan well ahead. They consider the income that their investments will produce in the future and how this can be received and managed without adverse tax consequences. They also consider whether the assets will be held forever, or sold, and in each case how this can be managed; and in considering all these issues, they make decisions about the best way to own these investments that will:

- Provide tax benefits both now, and, in the future;
- Provide asset protection benefits;
- Provide estate planning opportunities; and most importantly
- Provide flexibility to always get the best result regardless of changes to their personal situation.

It is this planning ahead for the future, along with having a wealthy mindset that, more than anything else, sets the successful investors apart from the average investor.

The most successful, and wealthiest, investors know what their financial goals are in specific details, such as:

- how much they aim at accumulating in the value of their gross assets; and
- by what date they expect to do this

In contrast though, those people who cannot see ahead will use just generic goals of being “financially comfortable” (*whatever that might mean!*) or “having enough to retire” that leaves them in a constant state of asking.....do I have enough?

So, do you see the game just as it is today? Or, can you see ahead as to what you want and need; and what may happen in the future and know that you can deal with just about anything and still achieve your goals?

If so, brilliant!!! If not, what will you do?

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Dale is a former CPA who specialised in working with investors across Australia. He retired at age 43, wealthy through his own investments. Dale is the author of the highly regarded book: “Trust Magic” and the financial planning product, “Wealth Sabotage!”