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CUT STRAIGHT TO YOUR NEWS

Research key to protecting investment

A lack of research and education is leading many investors to make some fundamental mistakes, writes **Rachel Espiner**

INVESTORS who don't do their homework before launching into the property market risk running out of cash and being forced into early sales.

Many of the common mistakes made by first-time investors could be avoided with education and research, according to managing director of BMT Tax Depreciation Brad Beer.

"Investing in property is about wealth now and in the future," Mr Beer said.

"Investors need to understand what will drive future capital growth and what will maintain cash flow."

Mr Beer said he heard a lot of stories about bad investor experiences and as a result 60 per cent of investors only ever bought one property.

"In most cases, it's simply that people haven't done their research or had enough education to understand the risks involved," he said.

Investors should research what they are buying and crunch the numbers sooner rather than later while getting advice from experts.

Mr Beer said tax advantages should always be considered, as well as what would drive growth in certain areas, including population increases, infrastructure changes and proximity to services.

"Investors need to think about specific areas and what would increase property values there," he said.

"Investing is a long-term decision. It's about looking for a place that is about to boom and somewhere that will drive growth of 10-15 years, not just 12 months.

"Don't always follow the herd – if everyone buys in the same place, it will drive prices higher than they should be."

Mr Beer said many investors got themselves into a situation where their cashflow was depleted and they were forced into selling.

"Sometimes it's a case of tenants trashing the property, then the investor has to pay for damage and can't find another tenant, so they reduce the rent and that hits the cashflow," he said.

"A lot of these fundamental problems can be mitigated to some extent, particularly if people know how to control their finances and it is set up correctly from the start with an adequate amount of buffer money."

Mr Beer's area of expertise is depreciation and he said many investors did not fully understand its implications.

"It's related to wear and tear of the building and the items in it," he said.

"As a non-cash tax deduction, it effectively helps with cashflow for the investor."

A depreciation specialist could help maximise the overall tax return, Mr Beer said.

"It dispels the myth of leaving it to the accountant to look after everything," he said.

He said even older properties could benefit from depreciation.

"Commonly, investors think older properties cannot claim depreciation. It's less than on a newer property, but it's still worth asking the question."

"Don't always follow the herd – if everyone buys in the same place, it will drive prices higher than they should be

GOOD ADVICE: Tax depreciation specialist Brad Beer.