

# The ProLoan Newsletter

January 2009

Established 1976

## ABOUT PROLOAN

Founded in 1976, ProLoan has established a close working relationship with two major banks and leading financial institutions to ensure that you, the client, continue to receive the very best service and advice. We also have the ability to offer a **complete finance solution for both your personal and business requirements.**

Meet with your financial adviser now and plan your 2009 Strategies.

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Or Check out our website;

[www.proloan.com.au](http://www.proloan.com.au)

## DEPOSIT ASSISTANCE FOR KIDS

The deposit gap is a hurdle many young people find hard to clear. However divorce and separation are common and, if parents want to keep their money in the family, they must establish the terms on which they are handing it over.

**Pre-nuptial agreements** — A person can protect a parental gift by entering into a binding financial agreement under the Family Law Act, more commonly known as a pre-nuptial agreement.

There's a limited scope of agreement, which will just deal

with how the gift is going to be dealt with in the event of a separation — such as whoever receives gifts retains those gifts. There are equivalent types of agreements that can be drawn up in de facto relationships.

**Loan Agreements** - For the parents, a loan agreement is often the best option. A **loan is more clear-cut** and will tend to give the parents greater security against a claim by their daughter-in-law or son-in-law.

Just calling it a loan is not enough because if there's no documentation or requests for repayment, a court may find there really was no expectation that it be repaid.

That doesn't mean parents have to demand interest payments from their child. The key thing is to establish the money is "a loan that's repayable in certain events".

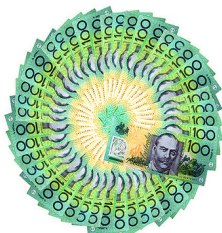
**Caveat on the title** - Another option to secure the loan is for the parents to lodge a caveat on the title, which **stop dealings with the property to the extent they're inconsistent with the caveator's interests.** This can be a good option if the bank is worried about the



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**Caveat on the title** – Another option to secure the loan is for the parents to lodge a caveat on the title, which **stop dealings with the property to the extent they're inconsistent with the caveator's interests**. This can be a good option if the bank is worried about the serviceability of the loan with a second mortgage on the property.

Be careful if this is the path you want to go down that you don't submit to pressure from banks to characterise the parents' money on bank documents as a gift when it's intended to be a loan.



## Effective loan structures

ProLoan Australia offers an integrated personal finance services package, with special emphasis on tax consideration and effective loan structures.

In recent years there have been a number of tax rulings that assist us with loan structures.

However it is important to seek financial and accounting advice to ensure they are correct and appropriate to your individual circumstances.

## Repayment clause

It's important to consider the possibility the parents might need the money back one day, particularly when facing a user-pays old age. It's a good idea to have a default provision in there regarding repayment, either on the sale of the property or within 90 days of a demand by the lender.

## Buying the property yourself

Parents can also buy property for their kids. It is then at the parents discretion to charge rent. That makes it quite specific that the de facto hasn't got a claim. However, that leaves the parents liable for capital gains tax and the child may be ineligible for the first-home owner's grant and other benefits.

## Joint applications

Parents choose to be joint applicants on a loan to boost a child's serviceability.

This would mean though that the parents would have a financial interest in the property and have their names on the title. Again, this could disqualify the child from the first-home owner's grant and mean capital gains liability for the parents.

Parents also need to be aware they'd be 100% liable if the child fails to meet their loan obligations.

**Guarantor**—that is also true of going guarantor on your child's loan. This can also be set up in a way that enables a limited guarantee.

*The golden rule for parents is to get legal advice and document precisely the conditions under which they're providing the money. Also consider the possibility the parents may need the money back one day!*

Warren Buffet once said:

*"The market is an incredible efficient environment and it takes money from the impatient and gives it to the patient."*

## What's hot and new in Financing?

### **FIRST HOME BOOST - Victoria:**

First home buyers will be eligible for the new additional assistance for contracts entered into from 14 October 2008 to 30 June 2009 on their principal place of residence.

Conditions	Victoria				
	First Home Owner Grant	New First Home Owner Boost	First Home Bonus #	First Home Owner Regional Bonus #	Total Grant
Established homes only	\$7,000	\$7,000	\$3,000	\$0.00	\$17,000
Newly constructed homes in Metropolitan Victoria only	\$7,000	\$14,000	\$5,000	\$0.00	\$26,000
Newly constructed homes in Regional Victoria only	\$7,000	\$14,000	\$5,000	\$3,000	\$29,000

Conditions	SA			
	First Home Owner Grant	New First Home Owner Boost	First Home Bonus #	Total Grant
Established homes only	\$7,000	\$7,000	\$4,000	\$18,000
Newly constructed homes in Metropolitan	\$7,000	\$14,000	\$4,000	\$25,000
Newly constructed homes in Regional	\$7,000	\$14,000	\$0.00	\$21,000

Conditions	NSW			
	First Home Owner Grant	New First Home Owner Boost	First Home Bonus #	Total Grant
Established homes only	\$7,000	\$7,000	\$0.00	\$14,000
Newly constructed homes in Metropolitan	\$7,000	\$14,000	\$3,000	\$24,000
Newly constructed homes in Regional	\$7,000	\$14,000	\$0.00	\$21,000

Conditions	WA & QLD		
	First Home Owner Grant	New First Home Owner Boost	Total Grant
Established homes only	\$7,000	\$7,000	\$14,000
Newly constructed homes in Metropolitan	\$7,000	\$14,000	\$21,000
Newly constructed homes in Regional	\$7,000	\$14,000	\$21,000



# **Additional Condition:** To be eligible to receive the Bonus and Regional Bonus, the value of the property must not exceed \$500,000. ## Subject to approval by each State Revenue Office.

**QLD:** First Home Buyers are also eligible for waiver of contract stamp duty on established property purchases up to \$500,000.

**SA:** No stamp duty concessions are available for first home buyers.

**WA** There is also a scheme through the real estate agents board that clients can apply for fee assistance up to \$2,000—but this is means tested and subject to value of the property too.

**NSW:** No stamp duty up to \$500k and it is prorated down on properties up to \$600k. NSW are currently waiting for Federal approval to limit the FHOG to \$750k if they are successful this would be from 1/7/2009—but there are no further details on this yet!

**VIC:** Stamp duty concessions are available on houses under \$500k but First home buyers must choose between the First home bonus or the duty concession—they can't have both.