BUSINESS

Each week, financial adviser and international bestselling author Noel Whittaker answers your questions.

ASK Noel

Noel Whittaker

I'M lucky enough to have a fully paid-off investment property. Is there any way to withdraw equity from it to buy a home to live in, besides selling? It would be great to take advantage of negative gearing, but I assume using the investment property as security for a home loan wouldn't allow me to do that.

For the interest on a loan to be tax deductible, the purpose of that loan must be to buy income-producing property, so your proposed strategy would not work. However, if you're keen on investment, you could always borrow against the equity in the investment property to buy another income-producing asset such as a share portfolio or another property.

MY wife and I are aged 70 and 75 respectively. We have a self-managed super fund and wish to save our children (non-dependent) the 17 per cent tax when we die. The taxable component is very hard to work out and I believe the tax man requires a reasonably accurate figure. Could you please advise if it is based on the untaxed income of the SMSF? Does it go back for a certain number of years?

Your fund should be preparing annual audited statements and these should include a detailed breakdown of the components. If this is not being done, I suggest you take advice urgently. The books of your SMSF should show the actual components of the money originally rolled into the SMSF from the Retail Public Offer fund. Each year, as the SMSF is audited, the annual membership statement of each member should detail the components of the member's benefits.

I AM 44 and earn $75,000 a year. I salary sacrifice (cap limit of $9010) into my $280,000 mortgage, and make extra mortgage repayments of $1200 a fortnight – I wanted to pay off my mortgage quickly and perhaps buy another property. I also salary sacrifice an additional $65 a fortnight into super, and the balance is $190,000. Should I increase my salary sacrificed superannuation to $200 a fortnight given my age, or should I use that money to invest in another property, or both? I am not sure if my best option is to stay in my home, which I will soon own outright, and negative gear a new property, or rent out my home and positively gear it.

You are doing extremely well for a person on your income. I suggest you allocate most of the money you have in super to both local and international shares – all your funds outside super are in the residential property basket. As long as you are happy to live in your present residence, the best strategy may well be to keep it, pay it off and borrow against it.

I MANAGED to preserve my super balance of $750,000 by moving from high growth to capital guaranteed on July 30, before the downturn. To maximise this opportunity now, during the downturn, should I switch back to high growth, my theory being that I end up with more, cheaper units than I had before July 30. My industry fund doesn't advertise asset class unit prices. Can you explain how I calculate comparative unit costs from their crediting rates?

History tells us that nobody can consistently forecast the direction of markets. Therefore I am unable to tell you whether this is the perfect time to re-enter the market. You can always use the proven method of dollar cost averaging, whereby you invest a set amount into growth investments each month. .

■ Noel Whittaker, AM, is the author of Making Money Made Simple and numerous other books on personal finance. His advice is general in nature. Readers should seek their own professional advice before making decisions.

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THE EXPLAINER

Couple may need 30 years of growth

I am 66, my wife is 62 and we are both working. We have $400,000 in blue chip shares and $460,000 in an industry super fund. As we have 50 per cent of our savings in shares, should we choose a balanced or even a conservative option for our superannuation? This would limit exposure to shares in the super funds, and provide a buffer if the share portfolio drops in value. The conservative option would have slow growth, so the balanced option seems much better as it includes shares. What is your opinion?

Keep in mind you may well have another 30 years to live, so you need a substantial growth component in your portfolio. Provided you keep enough cash on hand to meet two or three years' planned expenditure, and don't panic when the market has one of its normal downturns, it would seem a good strategy to retain the share portfolio you have and maybe move to a more conservative mix in your superannuation fund. You are both eligible to contribute to super as you are working, so you could consider investing the dividends from the shares into super as a non-concessional contribution – this would reduce your tax liability outside super.