BUSINESS

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

ASK Noel

Noel Whittaker

asknoel@fairfaxmedia.com.au

WE have an investment property, which we have had for 15 years and is positively geared. My husband and I bought the house and land for $370,000. The bank valuation suggests our property is currently valued at $800,000. If we keep the property for life until we pass away and leave it to our children and grandchildren in our will, how is it calculated for capital gains tax?

Death does not trigger capital gains tax, it simply passes the liability to the beneficiaries of your estate. They would pay capital gains tax only if and when they disposed of the property. For capital gains tax purposes the beneficiaries' base cost would be the same as yours.

I have a property I am living in and want to rent it out. I have heard about negative gearing and that expenses including maintenance and strata are all claimable in your tax refund. I pay about $10,000 tax from my job each year and hardly ever claim more than $1000 a year. I estimate the difference between the outgoings mortgage and the rental income to be about $5000 a year. Is that all claimable?

All outgoings such as interest, insurance, rates and body corporate fees will be tax-deductible when the property is tenanted and there are also depreciation deductions that are hard to quantify because they depend on the age and condition of the property. I strongly recommend you engage a quantity surveyor who, for a tax-deductible fee of about $500, will prepare a detailed list which you can use when completing your tax return. This is a one-off payment and will certainly pay for itself very quickly in tax saved.

The Explainer

Can I contribute to super at my age?

In the budget, the Coalition promised that people aged between 65 and 75 would be able to contribute to superannuation without passing a work test.

I thought this only applied to the concessional contribution. Does it also apply to the non-concessional contributions? It would suit me very well if that was the case.

It applies to all contributions – but don't forget it does not take effect until July 2017 and will require legislation to be passed. This could be a drawn-out process given the present state of the federal parliament.

For shares held in joint trustees' names in a self-managed super fund (SMSF) what is the situation on the demise of one of the trustees? Does the holding revert solely to the survivor and/or is another trustee then required? Would it be of benefit to move the shares to a corporate trustee situation while both trustees are still upright?

It is good practice to establish an SMSF under a "corporate trustee" structure as all assets of the SMSF will be registered to the company that is acting as the corporate trustee. This means if there is a change in the directors of the company the legal ownership of assets do not need to be changed.

Also in a two-member SMSF (established under an individual trustees structure), if one member dies or leaves the SMSF, the remaining member cannot continue operating the SMSF by themselves. The remaining member would need to find another individual to act as the second trustee. Whereas, under a corporate trustee structure, the sole member can operate an SMSF as the sole director of the company acting as the corporate trustee.

I'm 55 and worked at the same employer for 35 years, but I have just accepted a job offer from a new firm. My payout (long service leave) will be about $100,000 gross (paid in the new financial year) and new salary $160,000 a year. Is there any way to minimise next year's tax?

Ensure you maximise your concessional cap, which should be $35,000 for the forthcoming financial year. Also, try to reduce your taxable income by holding income-producing assets in your partner's name if possible, or else contributing them to super. Any tax-deductible expenses may be brought forward into the year you receive your pay-out as your marginal rate then will most likely be the highest it ever will ever be.

Noel Whittaker is the author of *Making Money Made Simple* and numerous other books on personal finance. His advice is general in nature and readers should seek their own professional advice before making any financial decisions.

Going direct reduces costs when you give to charity

Mind Over Money

Caitlin Fitzsimmons

Caitlin Fitzsimmons is editor of Money.

A FEW months ago I was having dinner at home with my family when the doorbell rang.

I opened the front door and there was a woman fundraising for a charity. I listened to her pitch but politely declined to sign up for a regular donation, and she went on her way.

I went back inside and explained what happened to my husband and my mother, who was visiting. It was a good cause, I said, but I wouldn't sign up to a direct debit via face-to-face fundraising. This prompted friendly debate about the best ways for charities to fundraise and individuals to give.

My reasoning was that I preferred to do my own research into charities, rather than commit on the spot. I also believed that more of my money would reach the cause if I donated proactively and directly to the charity, so they didn't have to pay fees or commissions to paid fundraising agents.

My husband found face-to-face fundraising intrusive and resented it as almost a quality-of-life issue. He works in the city centre and encounters fundraisers out on the street – sometimes derisively called charity muggers or "chuggers" – almost daily.

I could relate to his frustration, though I supported the right of the charity to use the method. I knew many people would only donate if asked.

Meanwhile, my mother questioned our assumptions that the fundraisers were always paid, given that she knew people who went door-to-door for charities on a volunteer basis. I agreed to find out.

While I might be resistant, it turns out 200,000 Australians make regular donations to charity as a result of face-to-face fundraising. More than $100 million is raised via this method each year, according to the Fundraising Institute Australia (FIA).

These days, it's mostly through paid fundraising agents. "Gone are the days when charities were small and predominantly staffed by volunteers," says FIA chief executive Rob Edwards.

Paul Tavatgis, chief executive of the Public Fundraising Regulatory Association in Brisbane, says it's best practice for face-to-face fundraisers to wear ID badges that state if they are paid collectors or not. In some states, including NSW and Victoria, this is legally required. And in some states, including NSW and Queensland, the paid status also must be disclosed at the point of sign-up, either on the printed form or the iPad screen. In Victoria, it must be disclosed on the Consumer Affairs website.

The FIA's Edwards says face-to-face fundraising helps charities find new donors and is more cost-effective than some other fundraising methods such as television advertising. "The fact is most people don't wake up thinking they'll give to charity today," Edwards says. "Charities have to spend money to raise money." He says regular giving is more valued by charities than one-off donations.

Still, the fees charged by face-to-face fundraisers can be significant, equivalent to 19-25 per cent of the donor's gift over a typical period of three to five years, according to Edwards. It's not a simple skim off the top of a particular donation but part of the charity's annual marketing budget.

If you do want to give to charity then my instinct was right – you'll help reduce costs by going direct. Choose a charity based on the effectiveness of its programs, then make contact to pledge a regular gift. "If you want to make a difference, you can give directly, give generously and don't wait to be asked," Edwards says.