



KNOW YOUR ENTITLEMENTS

GOVERNMENT ASSISTANCE

First Home Owner Grant (FHOG)

The FHOG scheme was introduced on 1 July 2000 to offset the effect of the GST on home ownership. It is a national scheme funded by the states and territories and administered under their own legislation.

Under the scheme, a one-off grant of up to \$70,000 is payable to first home owners who satisfy all the eligibility criteria.

Eligible first home owners can receive the grant regardless of their income and the area in which they are planning to buy, but the grant is not means tested and no tax is payable on it.

Because the grant varies from state to state, please check the following website for your eligibility: <http://www.firsthome.gov.au>

Stamp duty concessions

When you buy a home in Australia, the government imposes a stamp duty tax. This tax is added to the purchase price of your home and is assessed on the sale price of the property. Stamp duty and concessions vary from state to state. First home buyers may be eligible for rebates in the form of stamp duty rebates or exemptions. We will assist you to calculate your stamp duty if applicable.

First home saver account

If you are aged between 18 and 65,

- have not previously purchased or built a first home in which to live,
- do not have or have not previously had a first home saver account, and
- provide your tax file number to the provider

you can open a first home saver account.

This account provides a simple tax effective way for Australians to save for their first home through a combination of Government contributions and lower taxes. The Government will contribute 17% on the first \$5,000 (indexed) of individual contributions made each year. This means an individual contributing \$5,000 will receive a Government contribution of \$850. For further details, log on to:

http://homesaver.treasury.gov.au/content/fact_sheet/Account_Holders.asp

SAMPLE
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A HELPING HAND FROM PARENTS

Parents now want to assist their children to achieve the great Australian dream of home ownership. It is reported that 8 in 10 parents are prepared to lend a hand by providing some form of financial support in an effort to help their children enter the property market.

This financial support may be in the form of:

- Gifting at least part of the deposit to their children,
- Providing a supplementary loan in addition to the bank loan, typically interest free, and
- Acting as guarantor (although the drawbacks need to be considered here).

Gifted deposits

Parents providing assistance with the deposit must be aware that a gift is not repayable. The majority of banks will require parents to declare that the funds they have provided are a non refundable gift.

Supplemental loan

Parents who have available finances today but with future needs, may want to consider providing a supplemental loan to their children, potentially with low or no interest.

It is strongly recommended that this type of loan and its terms be documented between the parties. Remember, parents may have a good relationship with their children and their children's partners now, but who knows what might happen in the future?

As an alternative to providing a loan, parents can choose to buy the home with their children, allowing the child to enter the housing market and providing the parent with an investment property. In this scenario, it is a more common practice for the parties to be "tenants in common" rather than "joint tenants" and also allowing a different ownership ratio to the normal 50/50. However, with part ownership the child will not qualify for the First Home Owner Grant.

Acting as guarantor

Some lending institutions have what's called a Family Pledge. This allows family members with equity in their own property to help their children/grandchildren/siblings with additional security, thereby allowing them to borrow up to the full cost of the home. Some lending institutions allow the guarantor to nominate the specific amount to which the guarantee is limited rather than a traditional open guarantee for the entire amount. The guarantors are usually recommended or required to gain legal and financial advice in order for the lender to proceed with the guarantor's loan.

Please call the office for more information on any of the above topics.

