

INVESTMENT GEARING CALCULATIONS .. Using 2012-13 tax rates

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Enter Your Assumptions Here

INVESTORS TAXABLE INCOME (Before Gearing)	\$90,000	Inc
DETAILS OF THE INVESTMENT PROPERTY OR ASSET		
Cost of Investment Property or Asset (Incl associated acquisition costs)	\$650,000	"Cost"
Assumed Capital Growth per annum % (compound)	2%	per annum
Assumed Investment Horizon	15	years ("Y")
Assumed CGT rate on the investment value gain (optional)	15%	cgt
Loan Amount Borrowed	\$400,000	= LVR of 62%
Loan Interest Rate % per annum	7%	p.a. ("Int")
Income per week (e.g. rent)	\$400	p/week ("R")
Number of Weeks Income Received in each year	48	weeks ("W")
Investment Expenses per annum (assumed 100% deductible)	\$5,000	p.a. ("B")
Depreciation deduction (if any)	\$1,500	p.a. ("D")

Result: Annualised Profit and Loss Profile

Investment Income	\$19,200	A = R * W
Investment Expenses	\$5,000	B
Interest (Interest Only basis)	\$28,000	C
Depreciation (non-cash expense)	\$1,500	D
Total Deductions	\$34,500	E = B+C+D
Net Loss	(\$15,300)	F = A - E
On a Cash Basis This Is Negatively Geared >>		(\$13,800)
		F + D

Result: Single-Year Cash Flow ("Before and After" Comparison)

"BEFORE" acquisition of geared investment		
Pre-Tax Investor's Taxable Income as assumed	\$90,000	Inc
Tax Payable calculated thereon	(\$22,597)	
BEFORE => AFTER-TAX Cash Available	\$67,403	Bef
"AFTER" acquisition of geared investment		
Pre-Tax Income Inclusive of Investment Loss	\$74,700	Inc + F
Non cash expense	\$1,500	D
Tax Payable	(\$16,945)	
AFTER => AFTER-TAX PLUS INVESTMENT Cash Available	\$59,255	Aft
NET ANNUAL CASH COST	(\$8,148)	N = Aft - Bef
Over the assumed period of 15 years, this amounts to...	(\$122,220)	P = N * Y

Result: Investment Projection - over your assumed time frame of 15 years

Projected Investment Value Over 15 yrs from \$650,000 to	\$874,814	@ 2% p.a. ="Proj"
Therefore: Gain In Investment Value before CGT is	\$224,814	= Proj - Cost
Include CGT at Your Assumed Rate? (15%) <input checked="" type="checkbox"/> Include CGT	(\$33,722)	CGT estimated
Accumulated Annual Cash Costs (as above)	(\$122,220)	P = N * Y
TOTAL = Overall Result (Positive)	\$68,872	

This spreadsheet provides a simple arithmetic calculation of the effects of a geared investment based on your input assumptions. For simplicity all calculations are linear, and not adjusted for inflation. Loan is assumed to be interest-only, with the interest fully deductible. Income Tax calculations are based on the resident rates for the 2012-2013 financial year inclusive of basic Medicare Levy only (1.5%) and exclusive of ANY offsets or concessions. Including CGT in the calculation is optional. This is done by entering an estimated percentage rate in the "Assumed CGT rate.." assumptions box above, and tick the "Include CGT" box in the Results table below. To ignore CGT, untick.

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