

## Is it time to start investing?

### Margin Lending & Financial Year End

**Margin lending has become a buzzword or precursor for stories of investor suffering throughout the current financial crisis through margin calls being triggered as asset values fell.**

The use of lending to increase an investor's exposure to investment markets is not a new strategy and can be a great tool to build long term wealth if applied conservatively and within a person's appetite for risk. Given an investor's starting point would be very low at the moment this does limit the potential downside of any investment undertaken.

The interest repayments of a margin lending facility are fully tax deductible. A recommended strategy would be that investors prepay their interest in advance before the end of this financial year and decrease their assessable income and consequent tax liability.

For people on high marginal tax rates the deductible nature of the interest repayments can almost halve the cost of using borrowings to increase the exposure of their investment. This strategy could also be applied to people who have been recently affected by the halving of concessional contributions cap from \$100,000 to \$50,000. An approach using geared investments would provide an avenue for excess cashflows that were formerly being salary sacrificed into superannuation as well as providing a tax deduction lowering investors marginal tax rates.

Investing into funds which focus on fully franked dividends such as MLC Income Builder could further reduce an investor's tax liability on income earned by their investment through franking credits.

### Investment Options

**MLC Income Builder:** Solely focuses on investing in Australian companies that pay fully franked dividends with a consistent history of high dividend payout ratios. Such an investment suits clients looking for long term growth in the most tax effective way possible.

### MLC Vanguard Australian

**Share Index Fund:** This fund's mandate is to provide exposure to the entire Australian Sharemarket by aiming to follow to S & P 200 Index. For investors this means a low cost fund that is cheaper than actively managed funds as well as the highest amount of diversification available.

### The long term investment opportunity

The prices of equities in the Australian sharemarket and globally offers a substantial saving to investors looking to embark on their investment strategy. An example of falls in the region of 40-50% is very rare indeed, with comparable declines only to be found back in the 1930's when the Great Depression was in full effect.