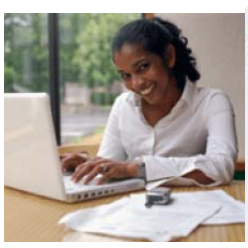
Parcus Group

PERSONAL FINANCE ASSOCIATE

V.2007.04

USER GUIDE 2007





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Introduction

The Personal Finance Associate User Guide 2007 is a manual provided to help better understand the functions and some of the terminology used in the software. This guide covers all aspects of the software; Budgets, Balance Sheet, Financial Plans, Shares, Real Estate, Insurance and Tax. Each part is given a brief overview of what the program does and how it benefits you, the user.

There is a step-by-step instruction on how to use each program and what data you are to enter and where, visual example and tables of information are shown to ease the learning process. Figures explain how they are calculated and where you can obtain them from. Certain calculations are done automatically, however we provide and explanation on it too for your personal understanding of how the figures are obtained and there are explanations for it as well.

1. Budget (Monthly & Weekly)

1.1 Budget (Monthly & Weekly) Overview

The budget is a financial statement in which you record your incomes and expenses. This section is divided to 3 parts: monthly budget, weekly budget and also a bank account management. It gives an overall view of what percentage of your income you are spending on certain expense categories, to help you manage your finance effectively. It is also a guide for you which suggests how much you should spend.
Take note that you have to adjust the budget frequently to match the correct income and expenses.

1.2 Monthly Budget

The monthly budget is where you record all your available incomes and expenses for the month. The total income available for the month will be calculated by adding them up.

Then the expenses are recorded below the income statement and are totaled up. The following are some of the categories for expenses:

- Household Expenses
- Motor vehicle/Transportation Expenses
- Food and Personal Expenses
- Investment Expenses
- Financial Expenses
- Donations

After both totals are obtained, we then do **Total Income** minus (–) **Total Expenses** to obtain the **Amount Available for Investment (PLANNED).**

You are also able to enter the **actual amount you have invested** in a given month which should give you a good view of are you actually spending more then you think.

A graph is available for your view to inform you of the total expenses you have spent up-to-date on each category.

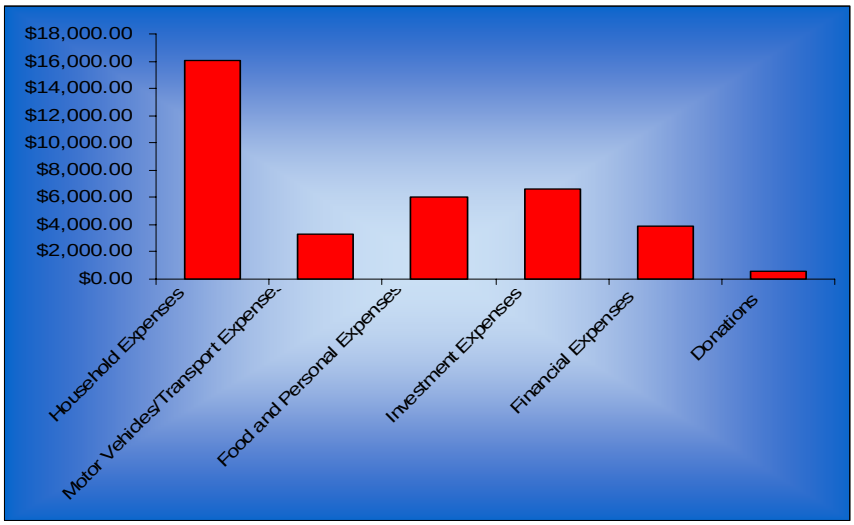

Figure 1.2.1 Example of graph showing total expenses.

To enter data

1. Select the cell of the month which you want to enter your data.
2. Click on the selected cell.
3. A dark border should appear on the cell you selected.

Monthly Income	**YEAR:** Jan	Feb
Your Net Salary/Wages (after tax)		
Partner Net Salary/Wages (after tax)		
Bonus		
Rent		
Dividends		
Bank Account		
Tax Refunds		
Other		

Figure 1.2.2 Example of select a cell.

4. Enter the amount desired.
5. After you have finished entering all the data, total up the amount.
6. Select the cell on the **Total Income/Total Expenses** row under the same column.
7. Enter **=Sum** and click on the cell of your first data.
8. Then by holding down the left mouse button, drag it down until the last cell of the entered data and press the Enter key.

Monthly Income	**YEAR:** Jan
Your Net Salary/Wages (after tax)	$ 5,000.00
Partner Net Salary/Wages (after tax)	$ 1,000.00
Bonus	
Rent	$ 700.00
Dividends	$ 50.00
Bank Account	
Tax Refunds	
Other	

Figure 1.2.3 Example of selecting several cells.

9. Then release the left mouse button. This is what you should get (highlighted in yellow).

Monthly Income	**YEAR:** Jan
Your Net Salary/Wages (after tax)	$5,000.00
Partner Net Salary/Wages (after tax)	$1,000.00
Bonus	
Rent	$700.00
Dividends	$50.00
Bank Account	
Tax Refunds	
Other	
Total Income:	$6,750.00

Figure 1.2.4 Example of a monthly budget income statement.

1.3 Weekly Budget

This is where you record all your incomes and expenses for every 1 or 2 weeks depending on your pay cycle. This way you can manage you cash-flow easier based on the actual money coming in.

Spreadsheet records how much comes in (income) and from where, and how much goes out (expense) and where to. The totaled difference is the extra that you will still have to spend or invest.

The following is an example of a weekly/fortnightly budget.

12-Jul-06

	in	out		=
Visa	$10.00	$500.00	BILLS	
		$500.00	Property Loan - L2	Every Xth of the Month
Saved	$100.00	$500.00	Property Loan - L1	
Your Salary	$1,000.00			
Partner Salary	$1,000.00	$200.00	Food	
		$100.00	Petrol	
Other Income				
Rent	$250.00			
		$200.00	Insurance	
		$200.00	**SAVE**	
	$2,360.00	$2,200.00		$160.00

Figure 1.3.1 Example of weekly budget.

The amounts on the left are the incomes and the descriptions for it, and on the right side are the expenses and the descriptions for it. Make sure you do enter the descriptions as they will give you a good historical information in terms of your spending & earning patterns.

To enter data

1. Select the cell of the month which you want to enter your data.
2. Click on the selected cell.
3. A dark border should appear on the cell you selected.

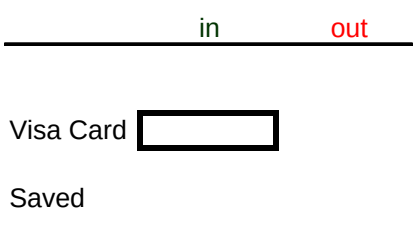

Figure 1.3.2 Example of selecting a cell.

4. Enter the amount desired.
5. After you have finished entering all the data, total up the amount.
6. Select an empty cell at the bottom and enter **=SUM**
7. Then by holding down the left mouse button, drag it down until the last cell of the entered data.

12-Jul-06

	in
Visa	$ 10.00
Saved	$ 100.00
Your Salary	$ 1,000.00
Partner Salary	$ 1,000.00
Other Income	
Rent	$ 250.00

Figure 1.3.3 Example of highlighting several cells.

8. Then release the left mouse button and press the Enter key. This is what you should get (highlighted in yellow).

12-Jul-06

	in
Visa	$10.00
Saved	$100.00
Your Salary	$1,000.00
Partner Salary	$1,000.00
Other Income	
Rent	$250.00
	$2,360.00

Figure 1.3.4 Example of obtaining total income.

9. Continue your entry with the OUT as well; following steps 1-8 again.
10. Select an empty cell and enter **=(cell number of total IN)-(cell number of total OUT)** and press the Enter key.

12-Jul-06

	in	out		=
Visa	$10.00	$500.00	BILLS	
		$500.00	Property Loan - L2 Every Xth of the Month	
Saved	$100.00	$500.00	Property Loan - L1	
Your Salary	$1,000.00			
Partner Salary	$1,000.00	$200.00	Food	
		$100.00	Petrol	
Other Income				
Rent	$250.00			
		$200.00	Insurance	
		$200.00	**SAVE**	
	$2,360.00	$2,200.00		$160.00

Figure 1.3.5 Example of a weekly budget.

11. You should get an amount like the one highlighted above.

1.4 Bank Account Management

Examples of typical bank accounts have been included in the application such as personal cheque bank accounts and loans. In the application you can keep track of all payments, interest, fees and loans which you have taken from the bank. You can have a clear picture of your account balance and can use it to verify with the actual bank statement which you

receive monthly from the bank. It makes it easier for you to know how much loan you owe with interest charges and deduction from payments made.

The following are examples:

CHEQUE Acc:		$95.00	
Date:	**CR:**	**DR:**	**Description:**
1-Jul-06	$100.00		Opening Balance
1-Jul-06		($5.00)	Bank Account Fee

Figure 1.4.1 Example of CHEQUE Account.

VISA:	$730.00	Available Credit	
Date:	**CR:**	**DR:**	**Description:**
1-Jul-06	$1,000.00		Opening Balance
5-Jul-06		($120.00)	Bill Payment
5-Jul-06		($150.00)	Food Shoping

Figure 1.4.2 Example of VISA Account.

Home Loan:	-$12,496.92
Opening balance	($20,000.00)
11/06/2006 (Interest)	($153.29)
11/06/2006 (Payment)	$170.00
11/07/2006 (Interest)	($148.41)
11/07/2006 (Payment)	$170.00

Figure 1.4.3 Example of a Loan.

To enter data

1. Select the cell of the month which you want to enter your data.
2. Click on the selected cell.
3. A dark border should appear on the cell you selected.

CHEQUE Acc:	
Date:	**CR:**
1-Jul-06	

F

Figure 1.4.4 Example of selecting a cell.

4. Enter the amount desired.

To get the total amount highlighted in turquoise for the CHEQUE Acc and VISA.

- Enter **=SUM(highlight all debit amount)-(highlight all credit amount)** into the cell at the top right corner and press the Enter key.

To get the total amount highlighted in green for the Home Loan.

- Enter **=SUM(highlight from opening balance to the last amount entered)** into the cell at the top right corner and press the Enter key**.**

2. Budget (Yearly)

2.1 Budget (Yearly) Overview

In the yearly budget section you are able to create an outline for your past, present and future cash flow. You will be able to view your income, expenses and disposable income to evaluate future outcome and by referring to the previous year's budget you are able to make certain changes to this year's budget.

This is useful when you are preparing for mayor changes such as job changes, new property purchase, new baby or any other major financial long term change, so that you can make sure you are at least prepared.

In this budget, you are to enter your monthly incomes and monthly expenses. It starts with the entry of figures from one of the 12 months, for example March 2000, and then the next entry of figures would be the figures from a year later which in the case of the example would be February 2001.

A graph is provided, which shows the total income, expenses and amount for potential investment for each year.

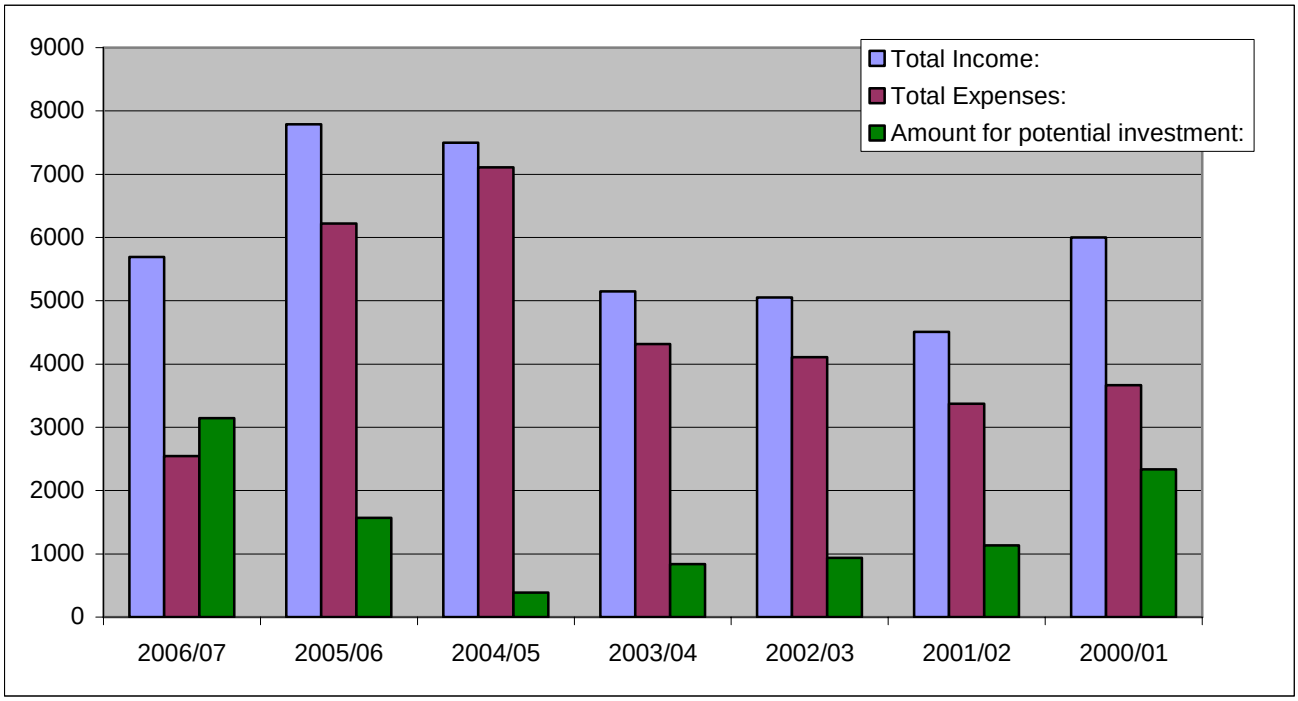

Figure 2.1.1 Example of a Graph for Yearly Budget.

Monthly Income	2006/07	2005/06	2004/05
Your Net Salary	**5000**	4600	4450
Bonuses			
Partner Net Salary		2600	2500
Rent	**540**	540	540
Trust Distributions			
Dividends (income from shares)	**150**	50	10
Interest			
Bank Account A			
Term Deposit A			
Family Allowance			
Pension			
Tax Refunds			
Other			
Total Income:	**5690**	7790	7500
Monthly Expenses			
Household Expenses			
Mortgage		2000	2000
Rent			
Land Rates/Taxes			
Council Rates/Taxes	**265**	265	265
Water Rates	**50**	50	50
Power & Heating	**100**	100	100
Telephone	**100**	100	100
Appliance Rentals			
Other			
Motor Vehicles/Transport Expenses			
Repayments			
Registration	**80**	80	80
Car Insurance	**70**	70	70
Petrol/Oil	**200**	200	200
Maintenance/Repairs	**50**	50	50
Fares - Transport		100	100
Other			
Food and Personal Expenses			
Groceries	**600**	600	600
Alcohol/Cigarettes	**50**	50	50
Clothing	**100**	100	100
Pharmacy	**50**	50	50
Doctor/Dentist/Optometrist	**30**	30	20
Private Health Insurance	**130**	130	130
Other (e.g. holidays, gifts/education)	**300**	300	300
Financial Expenses			
Investment Property Loan		900	900
Investment Property Costs (water, council…)	**100**	100	100
Magazines/Investing Costs	**50**	50	50
Superannuation			
Home & Contents Insurance	**100**	100	100
Life Insurance		400	300
2nd Loan		160	160
Personal Loans			1000
Credit Cards		15	15
Other		100	100
Donations to Charity	**120**	120	120
Total Expenses:	**2545**	6220	7110
Amount for potential investment:	**3145**	1570	390

Figure 2.1.2 Example of the Yearly Budget.

To enter data

10. Select the cell of the month which you want to enter your data.
11. Click on the selected cell.
12. A dark border should appear on the cell you selected.
13. Enter the amount desired.
14. After you have finished entering all the data, total up the amount.

To sum up the total

1. Select the cell on the **Total Income/Total Expenses** row under the same column.
2. Enter **=Sum** and click on the cell of your first data.
3. Then by holding down the left mouse button, drag it down until the last cell of the entered data and press the Enter key after the selection has been made. A figure would appear if it is correctly done.

To obtain Amount for Potential Investment

1. Enter **=(cell number of Total Income)-(cell number of Total Expenses)** and press the Enter key.

3. Balance Sheet

3.1 Balance Sheet Overview

An overall view of your cash flow and financial position as it lists the assets and liabilities that you own. This could be useful when you discuss your financial situation with lenders or banks because it provides a comprehensive view of your financial situation and it looks professional. There are even graphs for your convenience to view past information and to plan future actions.

3.2 Statement of Cash Flows (Consolidated Profit and Loss Account)

It shows your monthly income and monthly expenses. Instead of a long and detailed statement, it is more like a summary view of your cash flow. The amounts are total up and the amount invest able is obtain by deducting expenses from income. Note that you have to enter accurate figures.

Statement of Cash Flows (Consolidated Profit and Loss Account)

Monthly Income			Monthly Expenses:	
Earned Income After Tax:			Credit Cards:	$100.00
	Job (You)	$4,000.00	Home (Mortgage):	$2,000.00
	Job (Spouse)	$2,500.00	Life Insurance:	$200.00
Pasive Income:			Living Expences:	$2,500.00
	Real Estate	$500.00	Real Estate Investment Loans:	$1,000.00
	Business	$0.00	Other Expenses:	$300.00
Portfolio Income:			Car Loan:	$500.00
	Interest	$0.00		
	Dividends	$0.00	**Total:**	**$6,600.00**
Total:		**$7,000.00**	**Investable:**	**$400.00**

Figure 3.2.1 Example of Statement of Cash Flows.

To enter data

1. Select the cell of the month which you want to enter your data.
2. Click on the selected cell.
3. A dark border should appear on the cell you selected.
4. Enter the amount desired.
5. After you have finished entering all the data, total up the amount.

To sum up the total

1. Select the cell on the **Total** row under the same column on the income/expenses side.
2. Enter **=Sum** and click on the cell of your first data.
3. Then by holding down the left mouse button, drag it down until the last cell of the entered data and press the Enter key after the selection has been made. A figure would appear if it is correctly done.

To obtain Investable

1. Enter **=(cell number of Total Income)-(cell number of Total Expenses)** and press the Enter key.

3.3 Statement of Financial Position (Balance Sheet)

This statement consists of assets and liabilities. The assets and liabilities are categorized into investment and lifestyle.

- Investment assets/liabilities
  - Assets/Liabilities that resembles capital investment such as:
    - Securities – bonds, common stocks, etc.
    - Special funds - superannuation, insurance, etc.
    - Fixed assets – real estate, land held for sale, etc.
    - Loans taken for investment purposes
    - Businesses you own
  - Usually not intended to be disposed in the near future and are to be held for many years.
  - These are items which you do not necessary have control of.

- Lifestyle assets/liabilities
  - Assets/Liabilities which are more related to your personal way of life, such as:
    - Home/Car loans
    - Credit card
    - Home contents/value
    - Cash Savings Reserves
  - These are items which you own and you have control over it.

The assets and liabilities are totaled up and the differences are calculated to get Total Equity that you have. Graphs are generated for an easy overall view of your assets and liabilities based on the figures which you have entered and calculated.

Statement of Financial Position (Balance Sheet)

Assets:		**Liabilities**		
Investment Assets:		Investment Liabilities:		**Balance Sheet - this is where you can monitor your 'net worth'. Here you can monitor you assets growth.**
Shares & Bonds	$5,000.00	Other Loans	$0.00	**ENTER YOUR OWN ACCURATE FIGURES**
Investment Property Value	$200,000.00	Investment Property Loan	$150,000.00	
Superannuation YOU	$40,000.00			
Superannuation SPOUSE	$30,000.00			
Life Insurance (cash value)	$2,000.00			
Other	$0.00			
Lifestyle Assets:		Lifestyle Liabilities:		
Home Value	$300,000.00	Home Loan	$200,000.00	
Car	$20,000.00	Credit Cards	$5,000.00	
Home Contents	$100,000.00	Car Loan	$10,000.00	
Reserves (Cash)	$5,000.00			
Total Assets:	$702,000.00	Total Liabilities:	$365,000.00	Total Equity : $337,000.00
Net Assets (Investment):	**$277,000.00**	**Net Liabilities (Investment):**	**$150,000.00**	**Equity (Investment):** **$127,000.00**
Net Assets (Lifestyle):	$425,000.00	Net Liabilities (Lifestyle):	$215,000.00	Equity (Lifestyle): $210,000.00

Figure 3.3.1 Example of Statement of Financial Position

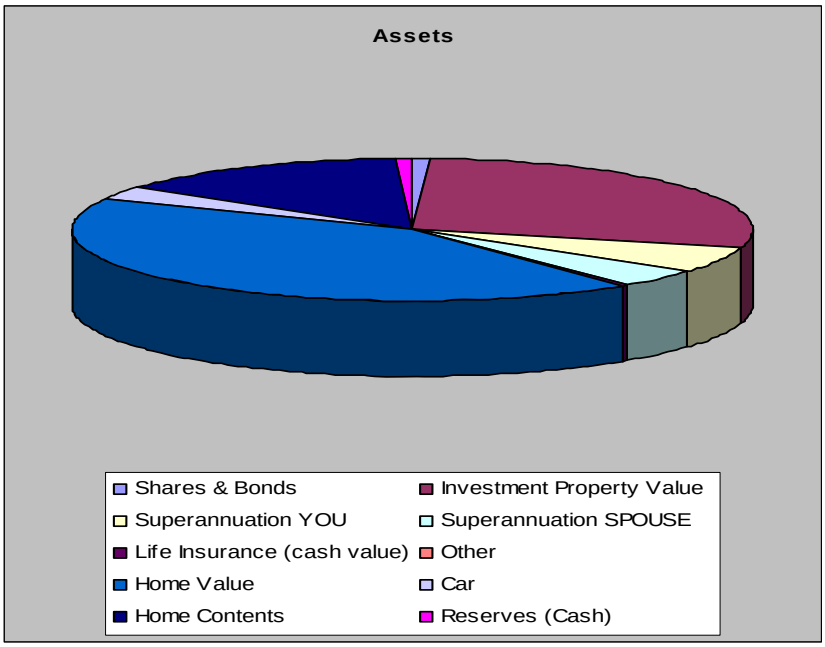

Figure 3.3.2 Example of Assets Graph

To enter data

1. Select the cell of the month which you want to enter your data.
2. Click on the selected cell.
3. A dark border should appear on the cell you selected.
4. Enter the amount desired.
5. After you have finished entering all the data, total up the amount.

To sum up the total assets/liabilities

1. Select the cell on the **Total** row under the same column on the assets/liabilities side.
2. Enter **=Sum** and click on the cell of your first data.
3. Then by holding down the left mouse button, drag it down until the last cell of the entered data and press the Enter key after the selection has been made. A figure would appear if it is correctly done.

To sum up the total assets/liabilities Investment

1. Select the cell on the **Total Investment** row under the same column on the assets/liabilities side.
2. Enter **=Sum** and click on the cell of your first figure for assets/liabilities investment.
3. Then by holding down the left mouse button, drag it down until the last cell of the assets/liabilities investment figure cell and press the Enter key after the selection has been made. A figure would appear if it is correctly done.

To sum up the total assets/liabilities

1. Select the cell on the **Total Lifestyle** row under the same column on the assets/liabilities side.
2. Enter **=Sum** and click on the cell of your first figure for assets/liabilities lifestyle.
3. Then by holding down the left mouse button, drag it down until the last cell of the assets/liabilities lifestyle figure cell and press the Enter key after the selection has been made. A figure would appear if it is correctly done.

To obtain Total Equity

1. Enter **=(cell number of Total Assets)-(cell number of Total Liabilities)** and press the Enter key.

To obtain Equity (Investment)

1. Enter **=(cell number of Net Assets Investment)-(cell number of Net Liabilities Investment)** and press the Enter key.

To obtain Equity Lifestyle

1. Enter **=(cell number of Net Assets Lifestyle)-(cell number of Net Liabilities Lifestyle)** and press the Enter key.

3.4 Historical Data & Asset Planner

Think of it as your personal journal for your assets. Historical figures and current figures are entered here for your convenience to evaluate how your assets are performing. You can observe the growth of your assets from year to year. All this is to help you better plan your following years assets. Having a plan would increase the chances of success for the next year.

Figures which are to be entered are:

- Total Assets
- Total Liabilities
- Total Equity
- Investment Assets
- Investment Liabilities
- Investment Total
- Planned Investment Equity

All the figures except for Planned Investment Equity are obtained from the Balance Sheet and entered every year (once the financial of calendar year is completed you enter the data into planner and start a new year fresh with all relevant details still remaining from the earlier year).
The Planned Investment Equity for each year is calculated by multiplying the previous year's figure with 1+ the percentage desired (example used 1.25 meaning that you wish to grow you assets by 25% year on year – you enter your own target growth rate).

To enter data

1. Select the cell of the month which you want to enter your data.
2. Click on the selected cell.
3. A dark border should appear on the cell you selected.
4. Enter the amount desired.
5. After you have finished entering all the data, total up the amount.

To obtain Total Equity

1. Select a cell in the column of Total Equity.
2. Enter **=(cell number of Total Assets)-(cell number of Total Liabilities)**
3. Press **Enter** and a figure will appear in the cell.

To obtain Investments Total

1. Select a cell in the column of Investments Total.
2. Enter **=(cell number of Investment Assets)-(cell number of Investment Liabilities)**
3. Press **Enter** and a figure will appear in the cell.

To obtain Planned Investment Equity

1. Select a cell in the column of Planned Investment Equity.
2. Enter **=[cell number of previous year's Planned Investment Equity]*1.25**
3. Press **Enter** and a figure will appear in the cell.

	Total Assets:	Total Liabilities:	Total Equity:	Investment Assets	nvestment Liabilitie:	**Investments Total**	Planned Invest. Equity:
2003-04	$300,000.00	$200,000.00	$100,000.00	$150,000.00	$120,000.00	**$30,000.00**	$50,000.00
2004-05	$350,000.00	$200,000.00	$150,000.00	$200,000.00	$120,000.00	**$80,000.00**	$62,500.00
2005-06	$600,000.00	$400,000.00	$200,000.00	$220,000.00	$120,000.00	**$100,000.00**	$78,125.00
2006-07	$702,000.00	$365,000.00	$337,000.00	$277,000.00	$150,000.00	**$127,000.00**	$97,656.25

Figure 3.4.1 Example of Historical Data & Asset Planner.

The figures from the Historical Data table is use to generate a graph which allows you to view your assets' performances.

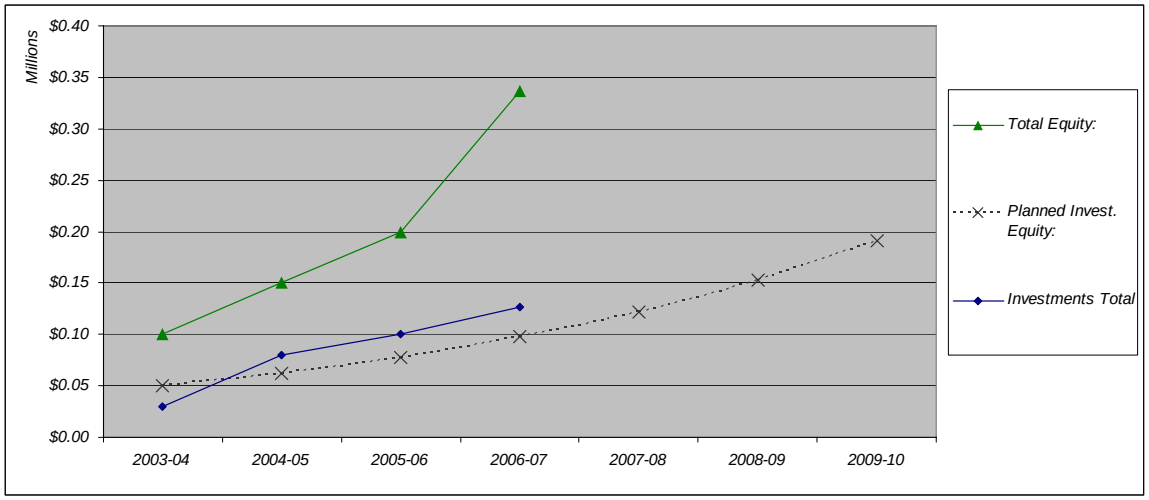

Figure 3.4.2 Example of Performance Graph

4. Financial Plans

4.1 Financial Plans Overview

Before you invest in share market or put your money in the bank, you better to get a good plan. When you have understood your budgets & financial positions, you can create your own financial plan.

This spreadsheet will help you keeping track of you progress as well as serving as a powerful reminder of your vision.

It will cover 4 variations of plans from 10, 15, and 20 to 35 years as well as projections of incomes & performance of various assets classes such as cash, shares, superannuation, and real-estate. Duration of plans is adjustable to over 35 years depending on your age and desired retirement.

The difference in plans is due to 2 factors. Investment risks and amount of savings required. The secure plan (35 years) only requires a savings amount of $1,200 per year, as well yields a lower rate of returns on shares (7%). The lower yield comes from investing in safer but lower returns yielding stocks.
A high investment plan (15 years) will require you to have an annual savings of 9,600 as well as a more risky choice of investments in shares to give an average return of 12% on shares to leave you with a similar return.

4.2 How To Use Financial Plan Templates

Firstly you enter the years; adjust the rates (in blue text)

Year	Income P/A	REAL	PROJECTED
	Inflation 3.00%	**Cash**	Cash
		$500.00 p/m	
	Cash Rate		**1.055**
	Shares Rate		**1.07**
	Super		**1.0675**

Figure 4.1.1 Example of Financial Plan Templates.

Enter your own financials in the projected cash column, and then enter amount of cash you can save per year, you will see the accumulated sum of your investments plus interest for each year for next 35 years.

REAL	PROJECTED
Cash	Cash
$500.00 p/m	
	1.055
	1.07
	1.0675
$5,000.00	$1,200.00
	$2,466.00
	$3,801.63
	$5,210.72
	$6,697.31

Figure 4.1.2 Example of projected cash and real cash.

The red number is the amount of cash that you can save per year

Secondly, same with cash column, enter amount of shares you can buy per year, since you have entered the shares rate, you will get the total sum of how much you earn from your shares for each year for next 35 years.

REAL Shares	PROJECTED Shares
	200.00 p/m
$10,000.00	$2,400.00
	$4,968.00
	$7,715.76
	$10,655.86
	$13,801.77

Figure 4.1.3 Example of projected shares and real shares.

The red number is the amount of shares you can buy per year.

For the super column, enter your super contribution per year (std 9% of salary), as super is subject to inflation, the interest compounded will be the values on the right side of the column, which is salary which is adjusted for inflation.

REAL Super	PROJECTED Super	Salary Adj. For Super Calc.
	$500.00 p/m	Inflation 3%
$30,000.00	$6,000.00	$6,000.00
	$12,585.00	$6,180.00
	$19,799.89	$6,365.40
	$27,692.74	$6,556.36
	$36,315.05	$6,753.05

Figure 4.1.4 Example of projected super and real super.

The forth column is the equity; you can put the value of equity for the first year (make and estimate based on the purchase of a single property, capital growth & loan repayments)

REAL	PROJECTED
1 Property	1 Property
Equity	Equity
$0.00	$0.00
	$8,000.00
	$14,000.00
	$20,000.00
	$26,000.00

Figure 4.1.5 Example of projected property and real property.

Projected – Finally, we come to the projected possible income. The projected possible income is 5.5% of the consolidated amount of projected earnings from cash, shares, super and property (assuming you were to sell all your assets and convert those to cash). This is because 5.5% is the current percentage cash rate given by the banks on cash held in bank.

Real – The Real possible income is calculated the same way, but will take its values from the column of real figures rather then the projected or target ones. Only after the time period for a year has passed will the real possible earnings be known. The percentage earned in cash flows will also be 5.5% of the total earnings.

If the interest rate change you can adjust the cash rate as well as other assumptions such as inflation & investment earnings estimates.

Status compares the projected income against real income. This figure is computed by taking real possible income minus the projected possible income. If it is negative, it shows that you are over projecting your possible income and have actually earned less than expected. If positive you are doing well meaning that you are meeting your planned goals.

If you are constantly over or under performing, you should revise your projections for the following years. Under performing could mean loss of investment opportunities and potentially insufficient focus on the plan, where over achieving can mean that you are overspending your living budget towards investing or maybe your income has grown so it's allowing you to meet the goals with relative ease.

Current Income Per Annum (REAL - PROJECTED): **$1,722.00**

PROJECTED Possible Income (5.5%)			REAL Possible Income (5.5%)			Status (+/-)
$9,600.00	→	$528.00	$45,000.00	→	**$2,250.00**	$1,722.00
$28,019.00		$1,541.05	$0.00		**$0.00**	
$45,317.28		$2,492.45	$0.00		**$0.00**	
$63,559.32		$3,495.76	$0.00		**$0.00**	
$82,814.14		$4,554.78	$0.00		**$0.00**	

Figure 4.1.3 Example of projected vs. real.

5. Shares

5.1 Shares Calculations Overview

This component is for customers who want to invest their money in the share market. It will provide you with the information you need to improve your investing skills and also ability to keep track of all the share transactions you made.

5.2 Share Portfolio Tracker

Share portfolio tracker is going to help you keep track of the shares you own. You can always have visibility of what shares give you in term of profit or loss. Program will also calculate & keep track of your total buy cost, total market value, total % change and total dividends that you have received from your holdings.

SHARE PORTFOLIO TRACKER:

Total Buy Cost
$70,008.24

Buy Date:	Code	FPO Units	Buy Price	Buy Value
21-Jan-05	XYZ	2650	**$3.75**	$9,937.50
27-Jan-05	ABC	3350	**$1.20**	$4,020.00
31-Jan-05	ABC	4650	**$1.27**	$5,905.50
09-Feb-05	XYZ	2350	**$3.75**	$8,812.50
20-Apr-05	XYZ	1000	**$3.55**	$3,550.00
20-Apr-05	ABC	2000	**$1.035**	$2,070.00
04-May-05	ABC	2000	**$0.93925**	$1,878.50
04-May-05	ABC	5355	**$0.65**	$3,480.75
07-Jun-05	XYZ	5000	**$3.24**	$16,200.00
03-Oct-05	XXX	330	**$3.3636**	$1,109.99
04-Nov-05	ABC	6675	**$0.82**	$5,473.50
07-Nov-05	XYZ	2000	**$2.85**	$5,700.00
09-Jan-06	XXX	680	**$2.75**	$1,870.00

Buy Date → the day that the shares have been purchased

Code → Share stock market code

FPO Units → total units bought/own (number of shares in a company)

Buy Price → the value per share when we purchase them

Buy Value → total value of the shares when we purchase them
(one type of share) = buy price x FPO Units

Total Buy Cost → total cost of all the shares that we purchase
(All the shares) = sum of all buy values

	Total Market Value	Total Profit/Loss	Total % Change
	$78,962.00	**$8,953.76**	12.79%

Last Price	Market Value	Profit/Loss	% Change
$4.20	$11,130.00	$1,192.50	12.00%
$0.90	$3,015.00	-$1,005.00	-25.00%
$0.90	$4,185.00	-$1,720.50	-29.13%
$4.20	$9,870.00	$1,057.50	12.00%
$3.40	$3,400.00	-$150.00	-4.23%
$0.90	$1,800.00	-$270.00	-13.04%
$0.90	$1,800.00	-$78.50	-4.18%
$0.90	$4,819.50	$1,338.75	38.46%
$4.20	$21,000.00	$4,800.00	29.63%
$3.50	$1,155.00	$45.01	4.06%
$0.90	$6,007.50	$534.00	9.76%
$4.20	$8,400.00	$2,700.00	47.37%
$3.50	$2,380.00	$510.00	27.27%

Last Price → Current value per share that we own

Market Value → how much is the share that we own worth now
(One type of share) = FPO Units x Last Price

Total Market Value → how much is all the shares that we own worth now = sum of all market values

Profit /Loss → this show us how much profit/loss that we have made since the day we purchased the shares until now
The green color is PROFIT (positive)
The red color is LOSS (negative)

Total Profit/Loss → this is show us the total of our profit/loss from all the shares that we own = sum of all profit/losses

% Change → show us how many % that the share is change since we purchase it
The green color means the shares going UP
The red color means the shares going DOWN

Total % Change → total % change from all the shares

Dividends Total: $2,517.55

	01-Oct-05 2005/06	01-Apr-06 2005/06	01-Oct-06 2007/08	01-Apr-07 2008/09	2008/09
	$172.25	$119.25	$185.50		
	$10.05	$6.70	$13.40		
	$13.95	$9.30	$18.60		
	$152.75	$105.75	$164.50		
	$65.00	$45.00	$70.00		
	$6.00	$4.00	$8.00		
	$6.00	$4.00	$8.00		
	$16.07	$10.71	$21.42		
	$325.00	$225.00	$350.00		
	$0.00	$18.18	$18.18		
	$0.00	$13.35	$26.70		
	$0.00	$90.00	$140.00		
	$0.00	$37.47	$37.47		
Total:	$767.07	$688.71	$1,061.77	$0.00	$0.00

Total Dividends → total of dividends that already been paid to us

Enter your dividend amounts as you receive them for easy tracking and historical view accuracy.

To use the Share Portfolio Tracker, all we need to do is:

1. put the name and date of the shares that you purchased
2. put how many units you bought
3. buy price
4. then the program will calculated our Buy Value and Total Buy Cost
5. when we enter the Last Price (the current price) then the program will automatically calculate the current Market Value, Profit/Loss we made and % Change since we bought the shares

Share average cost calculation:

In here, we basically enter the quantity and the price per share then it will calculate the AVG (average) price per share that we own.

NOTES:

	QTY	$ EA	Total
XYZ	0	$2.65	$0.00
	2000	$2.85	$5,700.00
	5000	$3.24	$16,200.00
	1000	$3.55	$3,550.00
	2650	$3.75	$9,937.50
	2350	$3.75	$8,812.50
	13000		**$44,200.00**
		AVG	**$3.4000**

5.3 Share Analysis

There are 4 steps to do the shares analysis. The following will show how to complete those 4 steps in order to asses the risk of the shares that we consider to purchase.

Once you have selected few stocks of interest you take them through the following analysis.
1. High Level (Buffett Tenets, Ben Graham, Pater Lynch & Phil Fisher)
2. Second you perform 'Bufetology calculations'
3. In depth look at the numbers (Margins, Owner Earnings, ROE, Value...)
4. At the end you compare results of all your analysis for each company

5.3.1 Buffett Tenets

Buffet Tenets is invented by Warren Buffett - Warren Buffett is the second richest man in the world and has mainly made his wealth from the stock market. Buffett plays bridge with Bill Gates but does not invest in technology stocks because he says that he does not understand how to evaluate information technology companies. Warren Buffett Tenets are also known as the basis of fundamental value investing.

Business Tenets:
* Is the business simple and understandable?
* Does the business have a consistent operating history?
* Does the business have favorable long-term prospects?

Management Tenets:
* Is management rational?
* Is management candid with its shareholders?
* Does management resist the institutional imperative?

Financial Tenets:
* Focus on return in equity, not earnings per share.
* Calculate "owner earnings" & growth of such.
* Look for companies with high profit margins.
* For every dollar retained, make sure the company has created at least one dollar of market value.

Multiply R/E with Profit Margin

Market Tenets:
* What is the value of the business? (use Book value as a start)
* Can the business be purchased at a significant discount to its value (i.e. current price)?

Premium or Discount Paid at current price
10 Year growth return at current rate of growth or 10% (if over 20%)

In here we need to answers questions provided based on the 4 types of categories. These categories are Business Tenets, Management Tenets, Financial Tenets and Market Tenets. In order to answers this questions, research need to be made based on the shares that we want (Customer's point of view).

Business Tenets → is about simple and understandable business, consistent operating history, favorable long-term prospects.

Management Tenets→ is about rationality allocation of capital in various stages of company life cycle. It also consist candor and correct financial reporting Institutional imperative to resist pressure from the market.

Financial Tenets → Focus on return on equity [value added], not earnings per share. Calculate "owner earnings" to get true reflection of value. [A company's net income plus depreciation, depletion, amortization, less capital expenditures and working capital]. Look for companies with high profit margins. For every dollar retained, company must create one dollar of market value.

Market Tenets → Determine the Value [calculated by the net cash flows expected to occur over the life of the business discounted at the appropriate interest rate]." thus all businesses, from buggy whip manufacturers to operator of cellular phones become economic equals." This mathematical exercise is similar to valuing a bond - the predictability of a company's future cash flow should take on a "coupon-like" certainty that is found in bonds.

- **Return on Equity (ROE)** is a measure of a corporation's profitability that reveals how much profit a company generates with the money shareholders have invested. The ROE is useful for comparing the profitability of a company to that of other firms in the same industry.

  Calculated as: ROE = Net Income / Shareholder's Equity

- **Book Value** is a company's common stock equity as it appears on a balance sheet, equal to total assets minus liabilities, preferred stock, and intangible assets such as goodwill. This is how much the company would have left over in assets if it went out of business immediately. Since companies are usually expected to grow and generate more profits in the future, market capitalization is higher than book value for most companies. Since book value is a more accurate measure of valuation for companies which aren't growing quickly, book value is of more interest to value investors than growth investors.

* To Multiply R/E with Profit Margin is just simply multiply "Focus on return in equity, not earnings per share" with "Look for companies with high profit margins".

*To get Premium or Discount paid current price is simply a relationship of current price to the book value P/B value = Price / Book Value

5.3.2 Ben Graham Rules

Ben Graham has 10 rules on safe investing which focus on quantifiable aspects of security analysis (such as the evaluations of earnings and book value) while minimizing the importance of more qualitative factors such as the quality of a company's management. Ideally a your evaluation will take both factors into account.

The rules are:

1) An earnings-to-price yield of twice the triple-A bond. If the triple-A bond yield is, say 8%, then the required earnings yield is 16%. In reciprocal form, that's a price/earnings ratio of 6.25.

2) A P/E ratio down to four-tenth of the highest average P/E ratio the stock attained in the most recent five years. (Average P/E ratio was defined as average stock price for a given year divided by the earnings for that year.)

3) A dividend yields of two-thirds the triple-A bond yield.

4) A stock price down to two-thirds of tangible book value per share.

5) A stock price down to two-thirds of "net current asset value" or "net quick liquidation value." This figure is defined as current assets less total debt. Fixed assets are not included.

6) Total debt less than tangible book value.

7) Current ratio (current assets divided by current liabilities) of two or more.

8) Total debt equal or less than twice the net quick liquidation value as defined in No.5.

9) Earnings growth over the most recent ten years of 7% compounded - that is a doubling of earnings in a ten-year period.

10) Stability of growth in earnings, defined as no more then two declines of 5% or greater in year-end earnings (relative to the previous year) in the most recent ten years.

Our software uses the following:

Capital Rate Factors:
* General long term prospects
* Management
* Financial strength and capital structure
* Dividend record
* Current dividend rate %

Defensive Statistical Requirements
* Adequate size (min of 50 to 100 $mil of annual revenue)
* Sufficiently strong financial condition (current ratio > 2 : assets twice the current liabilities)
* Continued dividend for at least the past 20 years
* No earnings deficit in the past 10 years
* Ten-year growth of at least one-third in per share earnings
* Price of stock no more than 1.5 times net asset value (product of P/E & P/B <22.5)
* Price no more than 15 times average earnings of the past three years (P/E ratio < 15)

In here the questions ask are in the categories of Capital Factors and Defensive Statistical Requirements.

* To get the Price of Stock no more than 1.5 times net asset value (product of P/E & P/B < 22.5) is by multiply the P/E (Price to Earning Ratio) with P/B (Price to Book Ratio).

To get P/E & P/B:

P/E = Current Price / Current Earnings Per Share
P/B = Current Price / Book Value

5.3.3 Other Valuation Attributes

Peter Lynch:

1 - It sound dull or ridiculous
2- It does something dull
3 - It does something disagreeable
4 - It is a spin-off
5 - The institutions do not own it, and analysts do not follow it
6 - The rumors abound - toxic waste, mafia…
7 - There is something depressing about it
8 - It a NO growth industry
9 - It has got a niche
10 - People have to keep buying it
11 - It is a user of technology
12 - The insiders are buyers (directors own shares)
13 - The company is buying back shares

* Distinctive product percent of sales
* P/E Ratio (P/E = Growth per year) or (Growth + Yield) / P/E (1 bad, 2 OK, 3 Excellent…)
* Cash Position (Calculate cash per share value)
* The debt factor (Long Term Debt vs. Equity) - Less 10% Good, 10-20% Ok, More 20% Bad
* Dividends
* Dividend stability and payout ratio
* Book value - Real value
* Hidden assets
* Cash Flow (share price / (cash flow - cap spending)) - smaller the better
* Inventories - not to high
* Pension Plans - none is desirable
* Growth Rate
* Bottom line - operating margin

Peter Lynch attributes are typically used as additional information that help you review the shares and finalise the decision in case where 2 or more companies perform very similarly.

BUFET – Berkshire Purchase Rules

1 - Large purchase (min $10 mil net earnings)
2 - Demonstrated consistent earning power (no future projections or turnarounds)
3 - Businesses earning good returns on equity while employing little or no debt
4 - Management in place
5 - An offering price

Shares need to fulfill these rules.

Philip Fisher's 15 Points

1 - Does the company have products or services with sufficient market potential to make sizable increase in sales for at least several years?

2 - Does the management have a determination to continue to develop products that will increase sales when the current product lines have been exploited?

3 - How effective are the company's R&D development efforts in relation to its size.

4 - Does the company have an above-average sales organization?

5 - Does the company have a worthwhile profit margin?

6 - What is the company doing or maintain or improve profit margins.

7 - Does the company have outstanding labor and personnel relations?

8 - Does the company have outstanding executive relations?

9 - Does the company have depth to its management?

10 - How good are the company's cost analysis and accounting controls?

11 - Are there other aspects of business, which will give the investor important clues as to how outstanding the company may be in relation to its competition.

12 - Does the company have a short-range or long-range outlook in regard to profits.

13 - Will the growth of the company require sufficient equity financing so that the larger number of shares then outstanding will largely cancel the existing stockholders benefit from this anticipated growth.

14 - Does the management talk freely to investors about its affairs when thinks are going well but 'calm up' when troubles and disappointment occurs.

15 - Does the company have a management of unquestionable integrity?

If the shares fulfill this 15 points, then the shares is worth buying.

5.3.4 Buffettology Calculations

1 - Predicting earning at a glance (check EPS growth over the 10 years as a %) - aim for +12%
2 - Test to determine initial rate of return (EPS/Price) - aim for 8% and above
3 - Stock Value Relative to the Treasury Bonds (EPS/Bond Return Rate) = Share Value
4 - Projecting a Stock Value (EPS in 10 Yrs x Avg P/E in 10 yrs)
5 - 10 Year Share Price % Growth Estimate

Using the forecasts from the previous years in order predict the share price in the next 10 and 20 years.

To get EPS (Earning per Share)

The portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability.

Calculated as: EPS = Net income / Number of issued shares

*** To calculate Earning at a glance:**

((Year10 EPS/Year 1 EPS) ^ (1/10))-1
i.e.: = ((35.7/23.2) ^ (1/10))-1

We divide (1/10) is because we have 10 years

* **To calculate Test to Determine Initial Rate of Return:**

EPS/Current Price
i.e.: =0.357/3.75

* **To calculate Stock Value Relative to the Treasury Bonds:**

EPS/Bond Return Rate
i.e.: =0.233/0.065

* **To calculate Projecting a Stock Value**

EPS in 10 Yrs x Avg P/E over the last 10 years

EPS in 10 Yrs = current EPS x rate of EPS growth over the last 10 years (which is equal to earning at a glance)

i.e.: =1.63*13.17

* **To calculate 10 Year Share Price % Growth Estimate**

((Projecting stock value/stock value relative to treasury bonds) ^ (1/10))-1
i.e.: = ((Year 10 estimate price / Current price) ^ (1/10))-1

* **Future Earnings** = $100 (arbitrary EPS) x rate of growth

* **Rate of return on Future Earnings** = Future Earnings x Initial rate of return

* **To get 10 years Rate of Return** (estimate of return on $100 in 10 years)

=SUM(10 years of earnings)
i.e.: =SUM(AU156:AU165)

5.3.3 In Depth Look at the Numbers

Margin

Calculate the average net profit margin over the last 5 years. If the margin is above 15% then the company is likely to be in a good condition.

Historical Average Return on Equity (use 5 year or more)

Calculate the average ROE over the last 5 years. Higher the better – usually above 20% is considered good.

- **Return on Equity (ROE)** is a measure of a corporation's profitability that reveals how much profit a company generates with the money shareholders have invested. The ROE is useful for comparing the profitability of a company to that of other firms in the same industry.

  Calculated as:

$$= \frac{\text{Net Income}}{\text{Shareholder's Equity}}$$

Created Min One Dollar of Market value per Dollar Earned and Retained

One Dollar MIN per Dollar Earned

June	EPS	Shares	Payout	Dividend PAID	Retained	Aprox Price	Market Value	
2002	$ 0.1310	63070000	0.5	$4,131,085.00	$ 4,131,085.00	$2.45	$154,521,500.00	
2001	$ 0.1140	63070000	2.18	$15,674,156.40	$ (8,484,176.40)	$1.80	$113,526,000.00	
2000	$ 0.0910	56260000	0.48	$2,457,436.80	$ 2,662,223.20	$1.10	$61,886,000.00	
1999	$ 0.0710	56260000	0.48	$1,917,340.80	$ 2,077,119.20	$1.10	$61,886,000.00	
1998	$ 0.0600	56260000	0.47	$1,586,532.00	$ 1,789,068.00	$0.70	$39,382,000.00	
1997	$ 0.0440	56260000	0.52	$1,287,228.80	$ 1,188,211.20	$0.50	$28,130,000.00	
1996	$ 0.0380							
1995	$ 0.0320			$27,053,779.80	$ 3,363,530.20		$126,391,500.00	$37.58
1994	$ 0.0280			$ 54,107,559.60				$2.34
1993	$ 0.0240							

In this calculation you enter the EPS values as well as the dividend payout ratios the over the past years (as many as available but not more then 10).
The program will calculate the amount of total earnings vs. the dividends paid & retained earnings.
Next you enter the average price in a given year to get the value of the business at that time.
The program will then add all the retained earnings, calculate the growth in company value and then estimate if the growth in value was better then retained earnings.

***To calculate Dividend Paid:**

=payout rate * shares * EPS

***To calculate Retained earning:**

=EPS*shares-Dividend Paid

***To calculate Market Value**

=shares*approx price

Owner Earnings

In here we could see the history of the earnings from the company that issued the shares. We could also be more aware of the projected financial position of the companies this few years.

Owner Earnings

	EST 2003	EST 2003	2002	2001	2000
CAP/ Sh	0.013	0.01	$0.09	$0.08	$0.05
Shares	630700000	630700000	63070000	63070000	56260000
CAPEX	$8,199,100.00	$6,307,000.00	$5,802,440.00	$4,730,250.00	$2,813,000.00
Depreciate	$3,010,000.00	$2,100,000.00	$1,950,000.00	$1,740,000.00	$1,540,000.00
Net Income	$10,290,000.00	$9,901,000.00	$8,280,000.00	$6,510,000.00	$5,140,000.00
Owner Earning	$ 5,100,900.00	$ 5,694,000.00	$ 4,427,560.00	$ 3,519,750.00	$ 3,867,000.00
Growth %	15.20792491	25.79188863	-8.979829325	311	-158.5361488
Avg P/A %	24.45654366				
OE % Growth	**16.9663%**				

In this calculation you are required to enter the following historical data:

- Capital Expenditure per Share (available from stock research)
- Number of listed shares
- Depreciation & Amortization
- Net Income

The program will then calculate Owner Earning:

=Net Income + Depreciate - CAPEX

Growth % of YOY owner earning will be calculated :

= (Owner Earning this year/ Owner Earning previous year)*100 -100

*** To calculate OE Growth %:**

= ((Owner Earning Last Value/Owner Earning First Value) ^ (1/how many years))-1

Quick O/E

Here you can quickly calculate the Owner Earning and the growth rate of such.
Enter the details for initial year for:
- Net Profit (Mil):
- Depreciation (Mil):
- Amortisation (Mil):
- CapEx (per share)
- Shares Issued(Mil) #

You also to the same for the initial year (earlier the better but not over 10 years)

*** To calculate O/E:**

=Net profit + Depreciation + amortization – CapEx (per share) * # of Shares

Quick O/E:	**ORG**
Net Profit (Mil):	332
Depreciation (Mil):	297
Amortisation (Mil):	0
CapEx (per share)	0.5
Shares (Mil) #	790
O/E:	234

	OE	EPS
Year 10	332	89.9
Year 1	53	57.6
%	25.7789%	11.7723%

Program will then calculate the O/E % growth between the current and the initial year.

*** To calculate OE%:**

=((Year 10/Year 1)^(1/**8**))-1

Please note that you can adjust this calculation depending on how many years of information you have. As above if you have information for 8 years you can have 8.
If your O/E is based on current results and the results from 5 years ago then replace 8 with 5 to get the accurate growth % result.

Same is done on EPS, Net Profit & Book Value and the average growth is also calculated.

Company Value

In here we try to predict what value the company will have in the next 10 years. We predict it by using the company data from the last 10 years.

Company Value

	In Millons	1	2
Prior Year O/E	**234**	273.6864	320.1036134
Growth Rate % (const.)	**1.1696**	1.1696	1.1696
New O/E	273.6864	320.1036134	374.3931863
Discount Facor		0.9174	0.8417
Discount Value		293.663055	315.1267449

You are required to enter the:

- Current or prior year O/E in $ millions
- O/E growth rate % (can use any from the above calculations)
- Adjust the capital rate to the current on eg. used is 6.5%
- Confirm the # of shares listed (or read from Quick O/E)
- Enter the current share price

The calculation will then estimate the value of the company and divide it by number of shares listed to get an estimate of value per share.

By comparing it with the current share price, a 10 year growth rate is estimated.

Compare

Upon completion of analysis compare selected companies based on some key criteria. Assign a weighting value to each criteria and score the stocks on that basis to help you with the purchase decision.

5.4 Other Share Market Information

- **Fortune 500**

  Ranking of the top 500 American public corporations as measured by gross revenue, although eligible companies are any for which revenues are publicly available (which is a larger universe than "public companies," as the term is commonly understood, meaning "companies having common stock that trades on a stock exchange").

- **Blue Chip Shares** are ASX top 50 shares. These shares are very popular and are good to keep an eye on these shares because sometimes they offer a very good dividend rate. These shares also typically offer a low return but have a low risk as well. So for risk-averse investors, this type of shares will be suitable for them.

- **High R/E Shares** are the type of shares that high in return but typically higher in risk. This type of shares is suitable for risk-taker type of investors.

- **S&P/ASX 50** is the 50 largest stocks by market capitalization in Australia. The constituent companies represent the biggest national and multi-national publicly listed companies in the Australian equity market. The S&P/ASX 50 index places an emphasis on liquidity and inevitability. The constituents of the index are reviewed quarterly using the previous six months data.

- **Sector View** is showing us what type of segment our company is in.

6. Real Estate

6.1 Real Estate Purchase Calculator:

The real estate purchase calculator enables you to easily project your profit figures as well as cash flow levels from an investment rental property. This should help you with the decisions around property purchases.

Required input fields are highlighted yellow.

Step 1 (real estate purchase calculator):
To use the calculator, first input your rental income per week into the yellow field of year 1. A rental yearly income based on a 52 week year will be projected.

Step 2 (real estate purchase calculator):
Next, input figures for your yearly expenses. These figures will then be available:

Total taxable expenses (Annual)	The total yearly expenses, which is inclusive of estimated depreciation (90% of purchase value at 2.5% per year over 40 years) and borrowing expenses subject to tax.
Actual Expenses (Annual)	The amount spent, which only consists of actual cash flow (excluding depreciation & non actual borrowing expenses)
Taxable Net Rental Profit/Loss	This is the amount which will be taxed (total rental income – total taxable expenses)
Actual Profit / Loss Before Tax	Actual cash flow view = total rental income – actual expenses
Net Profit (IRR After Tax)	This is equal to all rental income – all actual expanses +(-) tax return on a loss(gain) assuming 30% tax rate return on any losses. This is one of the key measures in terms of performance of the property.
Plus Equity Contribution	The amount of loan being paid, less interest. This is the effective amount that goes towards reducing the principal of the loan borrowing.
Total Net profit and equity P/A	The final annual profit plus equity contribution. Equity contribution being the amount of interest payment which is contributed into reducing the principal loan (which in real terms your equity and own money)

Step 3 (real estate purchase calculator):
First, input the registered value of your property, followed by the buying price, as well as the total deposit (which is taken to be 20% here), as well as any other fees incurred.

Registered Value	$358,000.00
Buy Price	**$300,000.00**
Total Deposit	$0.00

In this example, we will be using 300,000(input) as the buying price for the property.

Step 4 (real estate purchase calculator):
Next, we fill in the values for any grants/funds offered by government etc.

The rate of interest is then entered as well as the number of years the payment is due for (loan term)

Grants / Funds	$0.00
Rate % (10 yr fixed)	**7.44%**
Years	**30**

6.1.1 What the figures mean:

1. Loan	**$315,000.00**
2. Debt % (no Mortg. Insur.)	**105.00%**
3. Legal Duties (5% approx.)	**$15,000.00**

1. Loan: Total loan required (not inclusive of your deposits), which is the buying cost of the property and the legal duties associated with it.

2. Debt: The amount of debt (this is the loan figure), over the asset buying price, expressed as a percentage.

3. Legal duties: Legal duties is taken at approx 5% of the asset buying price (adjust accordingly as appropriate)

4. Total Loan Monthly	($2,189.60)
5. Interest Monthly	($1,953.00)
6. Total Loan P/A	($26,275.18)
7. P/A Int	($23,436.00)
8. P/A Principal (EQT)	($2,839.18)

4. Total loan monthly: The loan per month due, calculated using the above interest rate and term.

5. Interest Monthly: The amount of the total loan per month which contributes only to interest payments.

6. Total Loan P/A: Same as the total loan monthly, but expressed as the total amount in a year.

7. P/A Int : Same as interest monthly, but expressed as the total amount in a year.

8. P/A Principal (EQT): This is the total amount of loan repaid per year which contributes only to reduction of principal.

9. Basic bottom line:	
10. Rent	$2,166.67
11. Management	($151.67)
12. Payment excl Fee	($2,189.60)
13. Balance:	**($174.60)**

9. Basic bottom line: This small section breaks down the earnings from rent revenue and deductions from management and loan payments to give an idea of the leftover earnings.

10. Rent: This is the revenue from rent per month

11. Management: This is the monthly fee and commission payment owing to your property agent.

12. Payment excl fee: The total monthly loan repaid to your bank.

13. Balance: The total balance left from revenue earnings after all payments have been made. This gives you quick view of the cash flow of the property rental and loan payment without any other outgoings.

14. Cash on Cash Return:	
15. Cash Needed:	$10000.00
16. Net Profit:	($1,396.10)
17. Return:	**2.8%**

14. **Cash on Cash returns**: This section tells you the monthly earnings from rent as a percentage of your own initial financial contribution to the purchase of the estate (deposit and legal fees).

15. **Cash needed**: Deposits and legal fees

16. **Net profit**: The balance from rent after incurring management fees, loan repayments and other expenses.

17. **Return**: The percentage of monthly earnings over your own financial contribution.

Debt to Equity Ratio	
18. DER %	122.09%
19. Loan:	$315,000.00
20 Registered Value:	$258,000.00

18. **Debt to equity ratio %:** Debt to equity ratio presents the amount of your total debts to the actual registered price of your property (equity). The higher the ratio, the more you have in debt as to how much you own in fixed assets. To avoid Australian mortgage insurance cost aim for 80% of less debt to equity ratio.

19. **Loan**: Total loan required (see 1. Loan)

20. **Registered value**: The registered price of the asset.

6.1.2 Internal Rate of Return (IRR)

The internal rate of return is a KEY measurement of your returns from rental revenue. The first few years in this example is negative because of high expenses in the beginning (renovations, initial installation of furniture, etc). However, later on as inflation and returns

for rental income increases, as well as expenses for the following months decrease, the returns become positive.

IRR	Property	Inflation
Deposit	**$0.00**	**3.00%**
1	-$1,396.10	$26,000.00

The figure in red is the net profit after tax in the first year. The blue figure is the gross rental income earned before deduction of any expenses paid.

2	-$1,117.98	$26,780.00
3	-$831.52	$27,583.40

The figures for the following years (till year 30 in our example):
Red: This will be the initial net profit after tax, subject to an inflation rate of 3%, and assuming that in the following years similar reductions in costs as per years 2 to 3 are continued (very conservative as the costs should reduce quicker as the loan is reduced)

Blue: The gross profit of rental earnings is also subject to a rate of inflation of 3% per year, compounded each year.

IRR: The final IRR can be taken as an internal return on the deposits that are made over the 30 months/payments. The calculated percentage of 22.43%, returns in this example, can be used to compare to other investment projects for purposes of investment decisions.

6.1.3 The 11 seconds method:

The 11 seconds method is a fast and easy way to obtain a reasonable price for the amount of rent charged per week. In this example, for a $700 per week rent revenue, it shows that $350,000 is a reasonable price to pay for the property.

Possible Rent P/W	**$700.00**
Reasonable Price:	**$350,000.00**

The following input is the asking price for the property. In this example, if $300,000 is the asking price of the property, then it is 14.29% under the reasonable price and therefore suggests a good value.

% Over (under)	**-14.29%**
Asking Price	**$300,000.00**

The 11 seconds method is based on a simple formula = rental per week / 2 x 1000

6.2 Property Tax Calculator

The next section, property tax calculator can be used to calculate your past and future tax expenses based on forecasts.
In this example, the property is assumed to have been bought on July '05 and figures have been forecasted to '09.

You will notice that there are two columns in each year (July '05- July '06). The 2nd column is to be used if the property is jointly owned by your wife or another person, if it is solely your property, simply use the first column.

2005/06	HALF (use if property owned 2 parties jointly)
$2,521.00	$1,260.50
$0.00	$0.00
$2,521.00	$1,260.50

Step 1 (property tax calculator):
Input data for you monthly rental income for that year. In this example, it is shown as $2,521 for July '05- July '06.
Also, input any other income earned from your property (any additional revenue other than rent derived from your property).
From this, the gross rental income per month is derived.

Step 2 (property tax calculator):
The next step will be to input the components of monthly expenses that will be used to calculate the tax. After this is done, a total value for taxable expenses and actual expenses will be produced.

Total Taxable Expenses:	($8,333.37)
Actual Expenses:	($7,320.92)

As the total taxable income is negative for this example (expenses is greater than gross rental income), the taxes incurred will instead be a tax deduction from the expenses, contributing to a lesser net loss.

The property tax calculator can be used as an easy and efficient way to view and store historical information on your property. As more property is acquired, the revenue and corresponding expenses can be added as required and serves as a simple and convenient way of keeping track of your fixed assets.
30% tax rate is also used so adjust it as required.

6.3 Historical Interest Rates chart

A chart of past bank housing rates in Australia.

6.4 STD variable Rate and chart

Past standard variable rates of interest in Australia, with a chart illustrating the fluctuations over the years.

6.5 Additional Real Estate Market Information

The last section of the real estate user guide is a research on country Victoria towns with a population of over 5000 and their population growth rates over the past years.
The median prices of the houses in these areas are also reflected, as well as a percentage change in it.

7. Insurance

7.1 Life Insurance Calculator Overview

It is your personal life insurance calculator. You are able to understand your insurance needs and analyze and compare various types of insurance policies in terms of the return. The calculator will look at the internal rate of return (IRR) in relation to the Net-Present Value (NPV) of your policy costs. The figures you entered is use to feed information to the table on the side. The table is design to show you how the figures you have entered will behave under the conditions you have predetermined. It makes it easier for you to make the right policy choice.

7.2 How To Use Insurance Calculator:

You are only required to enter 6 amounts on the sheet which is in **BLUE** to know the outcome.

1. Current annual income per year
    - Your current annual income per year

2. Percentage of income required by dependants
    - How much of your income would you allocate for your expense

3. Number of years benefits would be required
    - Term life of the policy

4. Annual inflation rate
    - The annual increase in price of goods and services

5. Annual funds earnings interest rate
    - Annual percentage of the principal

6. Enter Estimated total amount of insurance
    - The estimated value of insurance policy you would have from the insurance

CURRENT ANNUAL INCOME PER YEAR	**$100,000.00**
PERCENTAGE OF INCOME REQUIRED BY DEPENDANTS:	**80.00%**
NUMBER OF YEARS BENEFITS WOULD BE REQUIRED	**30**
ANNUAL INFLATION RATE	**3.00%**
ANNUAL FUNDS EARNINGS INTEREST RATE	**7.00%**
REQUIRED STARTING ANNUAL INCOME	$80,000.00
ENTER ESTIMATED TOTAL AMOUNT OF INSURANCE	**$1,450,000.00**

Figure 7.1.1 Example of estimated figures for insurance.

With the following example from Figure 7.1.1, you can view the table for the outcome of the insurance based on the information you provided.

Year	Income	Invested Capital	Remaining Capital	Interest
1	$80,000.00	$1,457,635.00	$1,377,635.00	$96,434.45
2	$82,400.00	$1,474,069.45	$1,391,669.45	$97,416.86
3	$84,872.00	$1,489,086.31	$1,404,214.31	$98,295.00
4	$87,418.16	$1,502,509.31	$1,415,091.15	$99,056.38
5	$90,040.70	$1,514,147.53	$1,424,106.83	$99,687.48
6	$92,741.93	$1,523,794.31	$1,431,052.38	$100,173.67
7	$95,524.18	$1,531,226.05	$1,435,701.86	$100,499.13
8	$98,389.91	$1,536,200.99	$1,437,811.09	$100,646.78
9	$101,341.61	$1,538,457.86	$1,437,116.26	$100,598.14
10	$104,381.85	$1,537,714.39	$1,433,332.54	$100,333.28
11	$107,513.31	$1,533,665.82	$1,426,152.51	$99,830.68
12	$110,738.71	$1,525,983.18	$1,415,244.47	$99,067.11
13	$114,060.87	$1,514,311.58	$1,400,250.71	$98,017.55
14	$117,482.70	$1,498,268.26	$1,380,785.57	$96,654.99
15	$121,007.18	$1,477,440.56	$1,356,433.38	$94,950.34
16	$124,637.39	$1,451,383.71	$1,326,746.32	$92,872.24
17	$128,376.52	$1,419,618.56	$1,291,242.05	$90,386.94
18	$132,227.81	$1,381,628.99	$1,249,401.18	$87,458.08
19	$136,194.64	$1,336,859.26	$1,200,664.62	$84,046.52
20	$140,280.48	$1,284,711.14	$1,144,430.66	$80,110.15
21	$144,488.90	$1,224,540.80	$1,080,051.91	$75,603.63
22	$148,823.57	$1,155,655.54	$1,006,831.97	$70,478.24
23	$153,288.27	$1,077,310.21	$924,021.94	$64,681.54
24	$157,886.92	$988,703.47	$830,816.55	$58,157.16
25	$162,623.53	$888,973.71	$726,350.18	$50,844.51
26	$167,502.23	$777,194.70	$609,692.46	$42,678.47
27	$172,527.30	$652,370.93	$479,843.63	$33,589.05
28	$177,703.12	$513,432.69	$335,729.57	$23,501.07
29	$183,034.21	$359,230.64	$176,196.42	$12,333.75
30	$188,525.24	$188,530.17	$4.93	$0.35
31	$194,181.00	$5.28	($194,175.72)	($13,592.30)

Figure 7.1.2 Example of Table.

From this table, there are some figures in **RED** which means that you have no money left. So basically if the numbers are in **BLACK** for the duration of years you require, figures you have selected is alright. In the case of the example the duration was 30 years, it is still alright.

If you require longer cover or higher income then obviously you would increase the amount and see how it performs.

Income (Year 1)
A figure obtain from the calculation you did and can be obtain from NEEDS CALCULATOR table under the heading REQUIRED STARTING ANNUAL INCOME.

Income (The following years after Year 1)
The figures for income after year 1 have a formula for it. To obtain this figures, [**Previous year's Income]+[Previous year's Income *Annual Inflation Rate].**

Invested Capital (Year 1)
An estimated figure you were required to enter and can be obtain from NEEDS CALCULATOR table under the heading ENTER ESTIMATED TOTAL AMOUNT OF INSURANCE.

Invested Capital (The following years after Year 1)
The figure is obtained by adding up previous year's Remaining Capital and Interest.
[Previous year's Remaining Capital + Previous year's Interest]

Remaining Capital
All the figures for remaining capital have the same formula for calculating it.
[Current year's Invested Capital – Current year's Income]

Interest
The interest has the same formula for all years. The current year's Remaining Capital is multiply by ANNUAL FUNDS EARNINGS INTEREST RATE found in the NEEDS CALCULATOR table.
[Current year's Remaining Capital*Annual Funds Earnings Interest Rate]

7.3 Track Your Life Insurance

In the spreadsheet there is space for you to record and keep track of your insurance policies as to what type and how much it costs and even your superannuation.

SUPER FUND A from May 2004

YOU

Term Life:	Units	EA:	Value:	P/A Cost:
Life + TPD				
Total Life + TPD Cover:	10	$50,000.00	**$500,000.00**	
Income Protection:				
Income Protection:	10	$500.00	$5,000.00	
Monthly Payout (pre tax):			$4,500.00	
Weekly Payout (pre tax):			$1,038.46	
Total P/A Cost:				

Figure 7.2.1 Example of Superannuation record.

7.4 Comparing Permanent Life Insurance Plans

You are able to compare 2 different permanent life insurance plans. You will be able to see the difference in:

- Payments
  - Amount to pay for insurance
- Receive on death
  - Amount that you would receive after your death
- Premiums
  - A regular periodic payment for an insurance policy
- Saving premiums
  - A regular periodic saving from the insurance
- Net Present Value (NPV).
  - The present value of an investment's future net cash flows minus the initial investment

8. TAX

8.1 Tax Calculator Overview

This program makes it easier for you to calculate the tax payable based on your annual gross income. The program does all the messy calculations for you and all you have to do is enter your Gross Pay in the cell indicated.

Enter Your Gross Pay	
$	45,000.00

Figure 8.1 Example of gross pay.

Based on the figure you have entered, the program will calculate the amount of tax payable. The tax payable is calculated based on the current income tax rate available.

Australian Individual Income Tax Rates

Tax rates 2004-05 (Excluding 1.5% Medicare Levy)

Taxable income	*Tax on this income*
$0 – $6,000	Nil
$6,001 – $21,600	17c for each $1 over $6,000
$21,601 - $58,000	$2,652 plus 30c for each $1 over $21,600
$58,001 – $70,000	$13,572 plus 42c for each $1 over $58,000
Over $70,000	$18,612 plus 47c for each $1 over $70,000

Tax rates 2005-06 (Excluding 1.5% Medicare Levy)

Taxable income	*Tax on this income*
$0 – $6,000	Nil
$6,001 – $21,600	15c for each $1 over $6,000
$21,601 – $63,000	$2,340 plus 30c for each $1 over $21,600
$63,001 – $95,000	$14,760 plus 42c for each $1 over $63,000
Over $95,000	$28,200 plus 47c for each $1 over $95,000

Tax rates 2006-07 (Excluding 1.5% Medicare Levy)

Taxable income	*Tax on this income*
$0 – $6,000	Nil
$6,001 – $25,000	15c for each $1 over $6,000
$25,001 – $75,000	$2,850 plus 30c for each $1 over $25,000
$75,001 – $150,000	$17,850 plus 40c for each $1 over $75,000
Over $150,000	$47,850 plus 45c for each $1 over $150,000

Figure 8.2 Income Tax Rates Table.

As income tax rates changes each year, you have to make sure that you have the most current information available and make changes to the scale table when necessary. Incorrect information provided will lead to a miscalculation in the income tax payable.

8.2 Explanation of Scale Table

Scale	Scale $	Name of "Tax Rate"	Tax Rate	of "Amount of Tax Payab	Amount of Tax Payable on	Quick deduction
TaxFree	0	TaxFreeRate	0%	TaxFreeAmount	$ 6,000.00	$ -
Level1Tax	6000	Level1TaxRate	15%	Level1TaxAmount	$ 19,000.00	$ 900.00
Level2Tax	25000	Level2TaxRate	30%	Level2TaxAmount	$ 50,000.00	$ 4,650.00
Level3Tax	75000	Level3TaxRate	40%	Level3TaxAmount	$ 75,000.00	$ 12,150.00
Level4Tax	150000	Level4TaxRate	45%	Level4TaxAmount	-$ 105,000.00	$ 19,650.00

Figure 8.3 Example of Scale Table.

Amount of Tax Payable on
These figures are obtained by subtracting the figures in two different tax levels.
For example:

Amount of Tax Payable on Tax Free is obtain by subtracting **Scale ($) of Level 1 Tax** with **Scale ($) of Tax Free.**
(6000 – 0 = 6000)

Amount of Tax Payable on Tax Level 1 Tax is obtain by subtracting **Scale ($) of Level 2 Tax** with **Scale ($) of Level 1 Tax.**
(25000 – 6000 = 19000)

The same goes for the rest of the tax level.

Quick Deduction
These figures are obtained by taking the **Scale ($)** of the desired tax level multiply by the difference of the desired tax rate with the previous tax rate and adding the total with the previous **Quick Deduction**.
For example:

Calculation of Quick Deduction for Level 2 Tax Rate
(25000*[30%-15%] + 900 = 4650)

Calculation of Quick Deduction for Level 3 Tax Rate
(75000*[40%-30%] + 4650 = 12150)

8.3 Tax Payable

To get the figure for tax payable is slightly complicated. From the gross pay you have enter is multiply with the Tax Rates according to the Scale ($) and is subtracted with the Quick Deduction according to the Scale ($). When multiplying the Tax Rates and subtracting the Quick Deduction the program does a look up for the correct amount which is needed based on the Scale ($).

There are some assumptions when using this program to calculate your tax payable. They are:

- The payee has provided a Tax File Number
- The payee is an Australian Resident for tax purposes
- The payee has claimed the Tax Free Threshold
- The payee is not claiming exemption or variation from the Medicare levy
- The payee is not entitled to annual leave loading
- The payee does not have an accumulated Higher Education Loan Program (HELP) debt
- The payee does not have an accumulated Financial Supplement debt