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## **Which is the better investment: shares or property?**

By David Lamb, Azure Group wealth specialist

The recent television campaign by BT once again raises the question whether shares out perform property.

This is a perennial question. So, what is the question and the claims.

Roughly it goes like this:

1. Property has performed at say a compound rate of 9% for the last 30 years.
2. Shares have averaged 10% p.a over the same period.
3. In both cases returns equal rents/dividends plus capital growth.

Done like this shares win every time.

But here are a few things to think about.

Property pre the GFC could often be geared to 90%.

1. Shares being volatile are usually capped at 65%.
2. Property loans are the cheapest available.
3. Margin loans cost more.

A geared property portfolio will almost certainly out-perform shares because less capital is required.

So, what about this:

1. Shares can be sold and you have the money in under 3 days.
2. Selling a property is a pain. It can take months and could be forever if you invest in a soft market like parts of Queensland.
3. Selling a property is expensive and time consuming and emotionally draining.

So, now you are really confused what about this to think about:

1. Sell a property such as your home and it is tax free
2. Sell shares and pay Capital Gains Tax
3. Buy shares and there is no stamp duty
4. Buy property and stamp duty is significant.

5. Pay land tax on property
6. No holding costs on shares.

Or this:

1. Dividends from shares are often franked. A fully franked dividend paid into a super fund will result in the fund receiving a tax refund.
2. Rents are not tax sheltered and there is no special benefit of receiving them in a super fund other than the 15% tax rate.

So, next time the advert comes on, what does it really mean?

1. Invest in property if you want to gear it and you understand the risks and costs of holding and the difficulty of selling.
2. Invest in shares if you want liquidity, franked dividends, no stamp duty and easy access to your cash.

### **Conclusion**

**There is no right or wrong. It really depends on your situation. See an advisor and keep an open mind.**