

Bloodstock, sweat and tears

SEASONED RACEHORSE
OWNER **CHRISTIAN
WHITEHEAD** REVEALS HOW
THE SPORT OF KINGS CAN
TAKE YOU FOR A RIDE

A thorough[bred] gentleman ...
Paul Carrazzo CPA with 2003
Victoria Derby winner Elvstroem

BY CHRISTIAN WHITEHEAD PHOTOGRAPHY JAIME MURCIA

Getting sold a horse by a garrulous real estate agent in the middle aisle of a hardware store isn't the ideal way to enter the racing industry.

But the stack of photos was almost hypnotic and 48 hours later my dad and I were knee-deep in a muddy paddock with a one-tenth share and wondering why the chestnut 'gelding' was still so flighty.

Of course I'd noticed straight away that he had two white hind feet, just like English Derby winner Hyperion, and the video analysis of his imported father rounding up the field at Balaclava was pretty convincing.

We named him Prince Monolulu after a garishly dressed Guyanan who prowled English racecourses with tips and proclamations at the turn of the twentieth century.

Dad bought my sister a fake Stradivarius and booked her into violin

lessons in Bendigo as a cover for fortnightly visits to see 'The Prince'.

Over breakfast at the trainer's we'd plot our course to the spring carnival then wade through dust to the stable to pat the champ and offer him some freshly picked grass.

He started eleven times for zero wins and nearly killed me twice. Ten years later I own a broodmare, a foal and countless dreams of a Melbourne Cup.

A cautionary tale? As Paul Carrazzo CPA, respected bloodstock taxation specialist, clearly articulates: "When you invest in a horse, have your eyes open. Go to a reputable bloodstock consultant or syndicator [with an Australian Financial Services Licence from ASIC] and enter the industry that way." Then get ready to indulge in barbecues, bizarre naming ceremonies, stable visits, special passes, photos, videos, trophies, ceremonies, late night phone calls, early morning wake-ups and slo-mo video postmortems at any hour. >

THIRD VERT
LEFT AD

TYPE AREA:
DARK GREY

BLEED AD:
LIGHT GREY

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> Remembering to be astute at all times because it's a high-risk v high-return scenario, says Carrazzo. "Don't consider [thoroughbred ownership] as an investment. Don't badge it as an investment. It's a form of entertainment. And if you can make money on it it's a huge bonus. But think of it in a social context. Think of it as a trade-off. Either you want this form of entertainment or you want this form of entertainment, which is via owning a racehorse."

So what is the current state of the racing industry from an investment perspective? According to Peter Heagney, associate director of William Inglis & Son Limited (Bloodstock Auctioneers), "never riper".

He attests: "There's no better time to get involved than now, with the buoyancy of the industry generally and the stake money that's on offer."

In fact, prize money is outrunning CPI, and since the turn of the mid-1980s has increased by over 150 per cent to around \$350m per year.

Says Heagney: "Racing is a leisure industry, let's be realistic about it. But it can be a very viable sort of pleasure." And it, seems, an indulgence CPAs are craving.

Carrazzo's 'Sport of Kings' presentation at CPA Australia's Food for Thought Luncheon series received an unprecedented response this year, with oversubscription forcing a re-run in June. Certainly a testament to the

current health of the racing industry, not just from a taxation standpoint, but from a general interest perspective as well.

"The response was overwhelming," enthuses Carrazzo, whose regular horse tax seminars at the major Australian yearling sales have become a staple of the buying circuit and have helped to add a serious niche element to his portfolio of property and main-stream tax clients.

Carrazzo has a share in three broodmares and a racehorse, but he is more than content at the moment to take a "passive interest". Especially when Victoria Derby winner, Elvstroem, is on the books.

"I find that I get as much fun out of following my clients' racehorses as I do out of following my own so I really don't feel the need to go out and spend thousands of dollars. I feel as if I have my own stable anyway without having to have direct ownership. It's fantastic."

But you don't have this luxury so what can you expect to pay?

It's anything but relative. Elvstroem went under the hammer for \$330,000 but he's returned \$1.6m. Blue Diamond winner Alinghi sold for \$80,000 but she's taken \$1.9m. While no-one wanted sprinting sensation Taikun when the bidding hit \$25,000, he's run away so far with \$386,000 and a head full of steam.

And some parting advice from Paul Carrazzo? "The best advice I can give to a first-timer is only invest as much as you can afford to lose. Don't over-pay when you go into the horse. That's always the biggest problem. And be aware that there are capital gains tax exemptions available for hobbyists and you should be mindful of these when you're structuring." ■