



**bridgewater**  
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## WEALTH CREATION AND INVESTMENT

### Successful Property Investment

Low vacancy rates, rise in rents and the stabilising of property prices in most states is a great opportunity for Australians to consider buying an investment property. Great gains can be made from purchasing property if you buy in the right place at the right time. It could be a cheap unit in regional Australia, perhaps near a university, or a large house in a coastal area or a CBD commercial property... or something in between. All options are worth considering.

#### **Create a long-term property portfolio plan**

Realise that investing in property is usually a long-term strategy. The housing market is generally a 7-10 year cycle; it's a rollercoaster ride that has highs, lows and steady patches. Always ensure you are comfortable with the advantages and disadvantages associated with a particular investment asset. Consider your goals and all possible outcomes.

#### **Consider all costs + positive vs. negative gearing**

Keep in mind that the interest and related expenses you incur (such as repairs and maintenance) are tax deductible. If your loan repayments, fees and other costs exceed your rental income, the net loss can be offset against other income you derive, meaning you will be able to reduce the amount of tax payable on your other

income. This is called negative gearing. Or, you may consider positive gearing, where the annual rental income received from the property covers or is higher than the annual loan repayments and costs. Also think about capital gains tax you will have to pay if you decide to sell the property. Be sure to consult your taxation advisor.

#### **Research research research**

Read property-related articles, use reputable property research companies and the Real Estate Institute of Australia, search the internet, plus talk to people in the know, to research the areas you are interested in buying within. Find out each area's average rental yields, what infrastructure is in place and planned, and the property price growth that has been experienced and is expected. Invest the time to fully understand the market - it could save you thousands

#### **Consider using the equity in any other property you own**

Tapping into your home equity, or equity from another property investment, is a great launching platform for buying an investment property. Say your home is valued at \$700,000, you owe \$350,000 on your mortgage and you want to invest 10% of the equity (or \$35,000) into another property. You can do so provided that you can comfortably afford your repayments.

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### Think about buying with friends, family or work colleagues

Each year, affordability is a concern for many, so more and more Australians are taking advantage of pooling their resources with people they know in order to get into the property market or increase their property market 'wealth'. With myriad lender and home loan options now in the marketplace, all it takes for applicants to have their application approved is the ability to meet home loan repayment requirements. It is of no consequence if one party earns more, or has greater liabilities, than the other/s - the home loan can still be paid off by all involved.

The only difference is at the end of the loan term the property may not be owned in equal parts. An initial visit to the solicitor will result in a contract that outlines who pays what and how much of the property each applicant will own after paying off the mortgage.

### Choose a loan tailored to your current needs

Depending on your monetary situation and current investment portfolio, there are a range of property loan products for you to consider. Will you go with an interest only or a principal and interest loan? Fixed or variable rate? Which features are needed? Will you provide a deposit or choose a 100% or even a 110% loan? Apply for a loan that suits your current needs and lifestyle because you can always refinance later.

### Use a buyers agent/property finder

Seek advice about the type of investment property that will maximise your investment. For example, if your repayments are at an interest rate of 7% then you would need a property to secure you, as an average over the entire loan term, an annual return on investment (ROI) that is higher than the costs i.e. if net rent is 3% and the rate is 7% then it only needs to grow at more than 4% to be a sound investment. Buyers agents know the market better than most and are a valuable resource to use for advice or for negotiating with property sellers and/or their agents.

### Visit a financial advisor

You also need to discuss your full monetary situation with someone who is very experienced with clients who have a range of investment assets because you need to make sure that your financial situation is improved by an investment property and that you can afford repayments without stretching the budget uncomfortably. Remember, you must make this investment work for you and your long-term strategy.

If you would like to take advantage of our free consultation or would like to know more about our services please contact us on (07) 3832 6020, Email [info@bridgewaterafs.com.au](mailto:info@bridgewaterafs.com.au) or visit our website on <http://www.bridgewaterafs.com.au>

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