



Build Wealth Through
Property Investing

Analytics – Equity and After-Tax Cash Flow Considerations

As part of our assessment, we utilise a combination of calculators and in particular, the Investing in Property calculator that will help you determine whether you have **(1)** sufficient equity in your home to invest in property and **(2)** the after-tax cash flow implications to your household budget planner should you make a property purchase. In this example below, this scenario has sufficient equity in their home to start building wealth through property:

INVESTING IN PROPERTY

January 2014

| Description | Equity Available |
|-------------------------|------------------|
| Equity Available | 290,000 |
| Equity Available | 290,000 |

Equity Available

| ASSET | Value | Loan | Net | Equity Available |
|-----------------------|----------------|----------------|----------------|------------------|
| Primary Residence | \$ 800,000 | 350,000 | 450,000 | 290,000 |
| Investment Property 1 | \$ - | 0 | 0 | 0 |
| Total Assets | 800,000 | 350,000 | 450,000 | 290,000 |

| Description | Amount |
|---------------------------------|-------------------|
| PROPERTY INFORMATION | |
| Purchase Price | \$ 500,000 |
| Add Stamp Duty (approx) | \$ 22,500 |
| TOTAL Purchase Price [A] | \$ 522,500 |
| MAX INVESTMENT LOAN | |
| Investment Loan Maximum [B] | \$ 400,000 |
| FUNDS TO COMPLETE | |
| Total Purchase Price | \$ 522,500 |
| Less Investment Loan | \$ 400,000 |
| Funds to Complete | \$ 122,500 |
| Available Equity | 290,000 |

CONGRATULATIONS you have enough equity to purchase a property

| CASH FLOW / TAX BENEFITS | Mth Rental Income | Interest Only | Mgt Fees | Mth Cash Flow |
|---------------------------------------|-------------------|---------------|----------|---------------|
| Rate Assumption | 4.50% | 5.00% | 6.60% | |
| Annual Cash Flow | 22,500 | 26,125 | 1,485.00 | |
| Monthly Cash Flow | 1,875.00 | 2,177.08 | 123.75 | -426 |
| TAXABLE INFORMATION | | | | |
| Income | | | | |
| Rental Income | 22,500 | 22,500 | | |
| Less Deductions | | | | |
| Less Interest Cost | 26,125 | | | |
| Less Mgt Fees | 1,485 | | | |
| Less Depreciation - 2.5% | 6,250 | 33,860 | | |
| TAX DEDUCTIONS | | | | |
| | | 11,360 | | |
| Marginal Tax Rate/Tax Refund | 37% | 4,203 | | 350 |
| Monthly Cash Flow (difference) | | | | -76 |

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If you would like advice on property investing, please do not hesitate to email info@austpfm.com.au or contact the office on (03) 8621 8485.