



Build Wealth Through
Property Investing

PROPERTY INVESTING

Many Australians have a love affair for property and why not, property investment is a great way to accumulate long-term wealth and should be considered as a part of your wealth creation strategy.

Your first home will be the starting point of you having exposure to a long-term growth asset but the key to future wealth creation is to understand the dynamics on how you can utilise your own equity in your home to build a property investment portfolio.

Property investing should be part of your wealth creation and future retirement plans.



Building a Property Portfolio is a great way to build long-term wealth.

Start an Investment Property Portfolio

There are a number of considerations before assessing whether you can take the opportunity to buy an investment property.

The first important step is to determine the current household surplus income (via the household budget calculator) and in addition, whether there is sufficient equity to fund a purchase of an investment property (via the household balance sheet calculator).

Some of the key questions we will find out from you in determining your eligibility are the following:

- ✓ Do you have enough 'surplus income' to support the purchase of your investment property (we determine this through our comprehensive household budget planner).
- ✓ Do you have enough 'equity' in your home which will enable you enough funds to support a purchase of an investment property (we complete this through our household cash flow planner).
- ✓ Does the after tax cash flow considerations of a property investment work within your 'new household budget planner'.
- ✓ In the event of a significant sickness or injury, do you have sufficient life insurance and income protection to ensure your wealth creation strategies are not affected?

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.