

A modern, multi-story apartment building with light-colored stone or concrete cladding and dark-framed windows and balconies. The building is set against a bright blue sky with scattered white clouds. In the foreground, there is a paved area and some greenery.

# Property Investment Essentials

What you need to know  
when buying and financing  
your investment property



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# Welcome

Thank you for taking the time to read about the process of buying your investment property and obtaining finance. This guide is designed to help you through the process to ensure nothing is missed and that many of your questions are answered.

Property has been considered a popular path to wealth for Australians for many years. Buying their own home is often the first significant investment most people make. Purchasing another property may well be the second - even before shares and other assets. However your first investment in property need not be your home. Buying a rental property can be a good way to gain some capital growth that can be used later to help buy your own home.

Sensible investments in property have many attractions. Property can be less volatile than shares and it tends to be regarded as a safe haven when other assets are declining in value. Property has the potential to generate capital growth (an increase in the value of your asset) as well as rental income. There are also tax advantages associated with negative gearing.

Why invest in property? Because you want to avoid at all costs the dependency on the government pension at retirement, or the false reliance that compulsory superannuation will be enough to support you in your retirement.

Buying real estate, whether you are buying the family home or an investment, is one of life's most important financial decisions. However, when buying an investment property, it is wise to remember that you are making a business decision. You are not buying from the heart, but from the head. You are buying the property because you expect it to appreciate in value and give you a financial return.

When investing, it is important to assess your current financial position. What are your cash reserves and what equity do you have in your present home? Look at your long term objectives. For example, will the property be part of your retirement financial plan? Potential changes to your current situation should also be factored in, such as the birth of a child, the loss of one income or supporting parents in their later years. It is wise to seek advice from an investment adviser or qualified financial planner to help determine your financial goals and strategies.

Please call the office for more information or clarification about your own circumstances and your future property investment potential.

We look forward to helping you purchase your first and hopefully, many future investment properties.

Kind regards,

*The Team at Pivotal Financial.*

# Overview:

## Purchasing your investment property



### Why investing in property may be the answer

A property investment plan is one that works towards building your wealth and securing your financial freedom. For some, the future may seem a long way off, but the time to act is now because the future waits for no one. The housing market is generally a seven to ten year cycle: there are always highs, lows and steady patches.

The decisions you make today will determine the lifestyle choices you have in the future.

The following factors should be taken into consideration when purchasing property as an investment:

- The likely return - yield and capital growth
- Buying and selling costs
- Cost to borrow money, ie interest rates
- How attractive the property will be for likely tenants or future buyers.

### Do your homework

First you need to work out how much you can borrow. This is where our services will really help you. Make sure you have an accurate and detailed budget that takes into account all expenses associated with purchasing a property including stamp duty, council rates and other fees. Ensure you go to many open inspections and do your research on the internet before purchasing to ensure you have a good indication on property prices in your desired location. Find out the area's average rental yields and the services infrastructure in place and planned. Also research the property price growth that has been experienced and what is expected. Invest the time to fully understand the market - it could make a big difference to future investment returns.

A mortgage is a big commitment and you may have to make changes to your regular spending practices if you are to meet your repayments with ease. Include water and council rates and items such as insurances and maintenance in your planning phase. Don't forget your property management fees if you are considering having your property professionally managed. Your accountant may also take the opportunity to charge you more for the extra work in preparing your tax return. However a good accountant is worth their weight in gold.



Interest rates move constantly, so you will need to allow room in your budget for interest rate increases and other unforeseen additional spending. When interest rates drop, simply maintaining the same repayments is one of the fastest ways of paying off more of your loan and building a buffer if they rise again.

Think very carefully about the different loan product offerings available and how these relate to you and your spending and saving habits. Consider options such as an offset account that will enable you to take advantage of using any excess cash to save on interest. It's also a great account to use to save for your next investment property.

Plan ahead - you may find a long-term tenant or you may find that your tenants come and go. Make sure your cash flow is sufficient to cover the mortgage and other outgoings if the property is empty. Don't think that you always have to increase the rent either. Sometimes it is more cost effective to have the same long-term tenant in your property than have weeks of vacancy trying to achieve a higher rental yield.

Every property will have compromises, but don't miss a good opportunity because you are waiting for the 'perfect' house or apartment. If it sounds too good to be true, it probably is.

Your selection criteria should include:

- **LOCATION:** is it close to schools, shops, day care and sporting facilities?
- **TRANSPORT:** is it close to bus stops and train stations?
- **DEMOGRAPHICS:** especially population numbers, growth and density.
- **SUITABILITY TO RENT:** are the rooms big enough and are there usable living spaces inside and outside and other features such as garaging and storage?
- **FUTURE POTENTIAL:** can the property be renovated or developed? Are there any plans to develop surrounding properties, eg high density dwellings?
- **AFFORDABILITY:** stay within the second and third quartile of prices in the suburb for price and rent.



## Taxation - positive vs negative gearing

Even with an uncertain economy, rental yields are still expected to continue to increase in most capital cities.

As the population in these cities continues to grow, demand for housing will also increase. However with the recent economic conditions this increase in demand has not been satisfied with an increased supply of housing, resulting in a shortage of housing stock. Falling vacancy rates and higher rents have made it more difficult and expensive to find rental accommodation.

Like all good investments you first need to consider the property to be purchased. As with all property investments, location is the key consideration. Generally properties located within 20kms of the CBD with good train, bus and freeway access will offer stronger returns.

Once you have researched your investment property, you will then need to decide on the gearing strategy that best suits you. This will be determined by your financial circumstances, retirement strategy, the level of your deposit, equity available, surplus monthly cash flow (income less expenses) and your acceptable level of risk. These considerations will clarify whether negative gearing or positive gearing strategies are most appropriate to your situation.

### SO, SHOULD YOU HAVE POSITIVELY OR NEGATIVELY GEARED PROPERTY INVESTMENTS?

Here's a brief description of both gearing strategies to help you identify with the possibilities of each.

Positively geared properties are when the rental return is higher than your loan repayments and outgoings. Positive cash flow properties are self funding and are considered to be a conservative investment strategy that provides an income with exposure to the prospect of capital growth.

Bear in mind that with positive gearing there is the potential that tax will be payable on the net income (after the consideration of depreciation and other tax deductions).



Positive gearing is beneficial when an individual does not have surplus cash flow to fund income losses during the ownership period or other income to offset losses.

Negatively geared properties are when the rental return is less than your loan repayments and outgoings (placing you in an income loss position). There is however the underlying expectation that the accumulated losses will be more than offset by the capital growth on the property. In this circumstance the rental return is not considered as important in the decision process.

The key benefit associated with negative gearing is that the loss associated with the property ownership can be offset against other income earned, reducing your assessable tax income, thereby reducing your tax payable. The result is that the cost of owning the property is being funded by your tenant (in the form of rent), the tax office (in the form of tax savings) and your surplus cash flow.

Ultimately most investors will aim to be positively geared in the long run. Generally high tax payers choose the negatively geared investment option to maximise their tax returns and benefit from the long term capital growth potential. Investors closer to retirement or in a lower income bracket may choose positively geared investments to maximise their income potential.



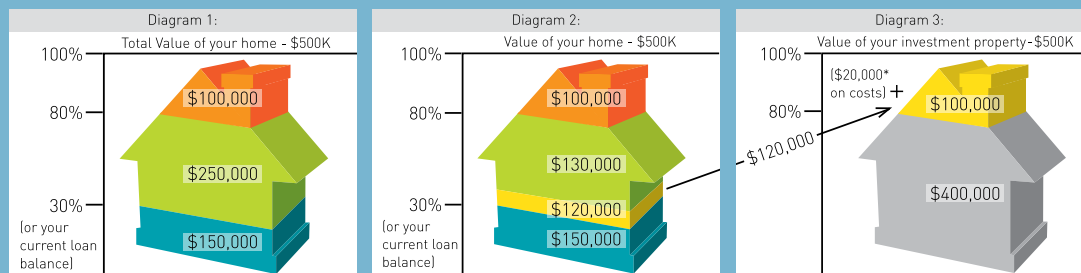
Feel free to call the office or ask your accountant to calculate the various loan to income ratios that may help you decide which gearing option is best suited to your individual circumstances. As always it is best to seek professional advice before proceeding with any investment strategy.

Even with an uncertain economy, rental yields are still expected to continue to increase in most capital cities.



# Getting started:

## Factors to consider



## Finance

### Using equity to buy your investment property

Many Australians are now tapping into their "pot of gold" - the equity in their home - allowing them to invest for the future and forge ahead financially.

Tapping into your home equity (or equity from another investment property), is a great launching platform for buying an investment property. Say your home is valued at \$500,000, you owe \$150,000 on your mortgage (thereby giving you equity of \$350,000) you may want to invest a portion of the equity into another property.

Diagram 1 illustrates the financial components of your home:

**EXISTING BORROWINGS** - represented by the blue section of your home. This loan amount (unless used to purchase an investment property) is not usually tax deductible.

If your home is worth \$500,000 and you have \$150,000 remaining on your loan, your existing borrowings would represent 30% of your home value.

**20% EQUITY** - represented by the orange section of your home. This is the safety net that lending institutions like to have as their safeguard against the borrowings on your home. This is unable to be touched unless you want to pay LMI (Lenders Mortgage Insurance).

In this example 20% equity of \$500,000 is \$100,000.

**REMAINING EQUITY** (what you've already repaid on your loan or gained through capital growth on the property) - represented by the green section of your home.

Diagram 1 shows that the remaining 50% of the value of the home is available to use as security for other purchases. To access this remaining equity to purchase an investment property, there are two options: (A) establish a line of credit; or (B) apply for a standard term loan with a redraw facility or an offset account where the remaining equity amount can be invested until required.

Usually the existing loan and the new portion of the loan would be refinanced; however it is common to split these in order to keep the non tax deductible amount clearly differentiated from the deductible investment amount. Your accountant should be able to help with this.

In this example, \$250,000 is 50% of the value of your home available to purchase an investment property.





When you do find the investment property you want to purchase, you can fund the acquisition with:

**(A)** A new loan for the investment property (typically 80% of the purchase price to avoid LMI). This \$400,000 loan (based on a \$500,000 investment property) is represented by the grey section of the investment property in Diagram 3. Plus:

**(B)** Part of the green remaining equity in your home. The remaining 20% of the purchase price (usually representing the deposit) plus stamp duty, conveyancing costs and other associated expenses can be taken from this equity. In the example it would require you to draw \$120,000 (assuming \$100,000 [20% deposit] and \$20,000 [5% total acquisition costs\*]) of the available \$250,000 (represented by the yellow section in Diagram 2) leaving \$130,000 of the remaining equity. This could also be used to purchase an additional investment property if serviceability allowed or you could use this equity to fund any shortfall in your new investment loan repayments.

The tax man (through tax rebates) and your tenants (through rent) help pay for the investment loan, however sometimes there is a shortfall that needs to be serviced. This should be taken into account when borrowing to ensure that the loan on the investment property can be serviced within your budget and should include some margin for any unexpected interest rate rises.

Then all you need to do is sit back and let the property take its course with capital gains generating some additional equity over the next seven to ten years, as it has proved to do so (even in tough times) over the last century.

Once you learn this strategy you can repeat it as often as you want, provided you can repay the borrowings.

## Buying an investment property through a superannuation fund

Did you know that you can now use your self managed superannuation fund to buy an investment property? You will need to consult your accountant or financial advisor with regards to:

- What you can and cannot do in a self managed super fund (SMSF)
- Benefits of using a SMSF to buy a property
- Challenges and pitfalls
- Using the correct trust structures
- How to correctly source and set up the finance
- How to buy an investment property through a superannuation fund.



## Choosing the Right Loan

Ideally, investment property loans should be interest only because an interest only investment loan is FULLY tax-deductible. It is usually the best cash flow solution when used with good capital growth. However there are other categories of loans that may be considered.

### Interest only loans

With an interest only loan your repayments are set to cover the interest component of your loan only, which allows you to keep your repayments on your investment property to a minimum. Generally, interest only loans are for a maximum five year term (depending on your lender) reverting to a principal and interest loan at the end of the agreed interest only term. However a further interest only loan can be negotiated at this time. The interest on your investment loan is tax deductible, making these types of loans attractive to investors.

### Fixed rate loans

These loans are set at a fixed rate for a specified period - usually one to five years. Repayments do not rise or fall with interest fluctuation throughout the specified period. At the end of the term you can lock in another fixed rate, switch to variable or go for a split loan. These loans may have limited features and lack the flexibility of variable loans. There may be early exit fees and limited ability to make extra payments.

### Basic or “no frills” loans

These are variable rate loans with a relatively low interest rate. Repayments will rise and fall with interest fluctuations. With these loans, remember to check that the loan conditions will suit your circumstances, particularly the ability to make additional repayments and pay out the term of the loan without a penalty.



## Standard variable rate loans

The standard variable rate loan, like a basic or “no frills” loan, offers more flexibility than a fixed rate loan. A standard variable rate loan will often have more features than the basic variable option so the rate may be slightly higher. The extra options (for example a redraw facility, the option to split between fixed and variable, extra repayments and portability) should be taken into account when choosing your type of variable loan. Repayments will vary as interest rates fluctuate.

## Line of credit loans

Sometimes known as equity loans, these loans are a great way to access the equity in your home to use for property investment, home renovations or other personal purchases. Repayments on a line of credit loan are determined by the interest rate applicable at that time. If you have sufficient equity in your home, you will need to make a separate application for a line of credit loan if you don't already have one in place. With this type of loan you have the added advantage of being able to make unlimited deposits as your repayments are not set. Always check the conditions of these loans as they are sometimes more expensive than standard products.

## Professional loan packages

These loans are offered to provide an all-in-one loan package. They offer interest rate and fee savings on your loan, credit card and transaction accounts and some lenders also waive the annual fees for your credit cards. An annual fee ranging from \$120 to \$395 is usually applicable on these loans.

These packages can also offer amazing flexibility, with some banks willing to waive product switching fees when changing from a variable to a fixed rate or converting a principal and interest loan to an interest only loan.

We will provide you with a comparison of various loan options from our panel of lenders to assist you with choosing the right loan for your circumstances.

**A great way to access the equity in your home to use for property investment or home renovations.**



# Borrowing Essentials

## Credit reference

Your lender is going to do a credit check on you. They'll be looking at any credit applications made by you and will be checking if you've defaulted on payments or have an infringement referenced either in your name or your company's name if you are self employed. Make sure that you have a 'clean slate' by checking your credit report. If something appears that you are unaware of, advise the agency immediately. You can order your personal credit file online. Enter your personal information, pay by credit card and your credit file will be forwarded to you as a PDF file. Bring a print out of the credit file to your appointment with us. Or call 1300 762 207 and order your credit file over the phone.

## How much can I borrow? Know your limits

The amount you can borrow for your investment property will depend on many factors: your deposit or other equity you hold, what you are buying, the expected rental income, whether you will be negatively

or positively gearing the property, property management costs and if you have allowed for a period of vacancy.

This is where we can help you to work out how much you can borrow and what type of loan will suit your budget and lifestyle.

## What deposit will I need?

Most lenders require a minimum 10% deposit, however if you are borrowing 80% or more of the purchase price you will normally be required to pay mortgage insurance (which means an additional fee). The way you structure your investment loan will depend on your personal circumstances and should be discussed with your accountant or financial advisor.

## Deposit bonds

A deposit bond is a guarantee to the vendor, by an insurance company, that they will receive their 10% deposit, even if the purchaser defaults on the contract of sale. You, the purchaser, are able to provide this guarantee to the vendor by paying a small premium to the insurance company.

All purchase funds are paid at settlement. In the ordinary course of events, settlement takes place, the purchase price is paid in full and the deposit bond simply lapses.



## Should I buy with someone else?

The most common way to buy a property with two or more people who aren't a married or de facto couple is through a tenants-in-common arrangement. This allows the property ownership to be split any way, not necessarily into equal shares. Three people can buy a third each, or it can be divided in other proportions. This means your share of the property can be left to the person of your choice when you die.

In contrast, a property owned under a joint tenant arrangement (usually by couples) is where the property is held in equal shares. If one owner dies, their interest passes to the other owner.

Shared property ownership only works if strict ground rules and a tight contract are in place. Everything needs to be in writing. Your legal representative should be consulted. The two most important points you need to cover are what happens if one owner wants to sell their share and what happens if an owner cannot meet the repayments.



We can determine your borrowing capacity, how much deposit you may require and can also arrange the deposit bond if required.

## Costs

### Stamp duty

The amount of stamp duty payable varies from state to state and whether you are a first home buyer or an investor. Your conveyancer/legal representative will advise you of the amount payable or you can check your state's website.

State/Territory	Website
ACT	<a href="http://www.revenue.act.gov.au">www.revenue.act.gov.au</a>
NSW	<a href="http://www.osr.nsw.gov.au">www.osr.nsw.gov.au</a>
NT	<a href="http://www.revenue.nt.gov.au">www.revenue.nt.gov.au</a>
QLD	<a href="http://www.osr.qld.gov.au">www.osr.qld.gov.au</a>
SA	<a href="http://www.revenuesa.sa.gov.au">www.revenuesa.sa.gov.au</a>
TAS	<a href="http://www.treasury.tas.gov.au">www.treasury.tas.gov.au</a>
VIC	<a href="http://www.sro.vic.gov.au">www.sro.vic.gov.au</a>
WA	<a href="http://www.dtf.wa.gov.au">www.dtf.wa.gov.au</a>

### Loan application fee

There is a standard upfront loan establishment fee. The fee covers the preparation of loan application documentation, legal fees for standard mortgage preparation and one standard valuation.



## Legal

You will need to appoint a conveyancer/legal representative to ensure that the contract is in your best interest and does not contain any unsatisfactory terms. Make sure you know your legal representative's qualifications and exactly what service they are offering.

Their role is to:

- Give advice on the property contract
- Facilitate council, strata and company title searches
- Order pest and building inspections
- Arrange for the exchange of contracts
- Negotiate with the vendor's solicitor on your behalf
- Arrange for the settlement process, and
- Deal with any difficulties that arise during the settlement period.

It is a good idea to 'shop around' for someone experienced, or call the office for our recommendations.

## Inspections

Building and pest inspections are a must! Your conveyancer will enlist the services of an authorised pest and building inspector. Your purchase contract can be subject to a satisfactory inspection or your inspection can be scheduled during your cooling off period.

The inspector will provide a written report pointing out any faults in the property, whether they can be repaired and how much these repairs are likely to cost.

Pest inspections are not usually covered in a building report so will need to be arranged separately. If buying at auction you will need to ensure that all inspections are completed prior to the day of the auction.

In the case of a strata title property, your contract for sale will provide the name of the strata manager so that you can arrange for an inspection of the books and records of the owners' corporation.

Your legal representative should also advise you of any future developments which could affect your home by checking with the local council.





## Insurances

### **MORTGAGE PROTECTION AND LENDER'S MORTGAGE**

Mortgage protection and lender's mortgage insurance (LMI) are for two different situations.

Mortgage protection is insurance that supports you in case you become involuntarily unemployed or are unable to work due to illness or disability. It makes sense to ensure that you can continue to meet your commitment in the case of unforeseen events.

However lender's mortgage insurance is usually required where your deposit is less than 20% of the purchase price of your property and protects the lender in the event that you default on your repayments.

### **LIFE**

Life insurance provides a lump sum payment to your beneficiaries in the event of your death. If you are the main income earner in the family, this insurance will help your family manage their future (for example paying out mortgages, schooling and other family expenses) without your ongoing earning capacity.

### **LANDLORD**

Landlord insurance is a policy to cover an investment property owner from financial losses. Common features of a landlord insurance policy include malicious or intentional damage to the property by the tenant or their guests, theft by the tenant or their guests, loss of rent if the tenant defaults on their payments, liability including a claim against you by the tenant, and legal expenses incurred in taking action against a tenant.

### **TPD - TOTAL AND PERMANENT DISABILITY**

You can choose to cover yourself for either total or permanent disability or death options, providing you can no longer work or in the event that you die due to illness or accident. When combined with life insurance, this can provide security for you and your family.

### **BUILDING**

Building insurance should provide you with adequate cover in the event you need to repair or replace your investment property (ie home, garage, shed).

### **INCOME PROTECTION**

Income protection insurance pays you a predetermined percentage of your monthly income should you be unable to work due to illness or injury.





## Land tax

Land tax is an annual tax levied on owners of land. In general, your principal place of residence (your home) or land used for primary production (a farm) is exempt from land tax. Investment property, on the other hand, may be subject to land tax and the rate of tax varies from state to state. We can help with the rates applicable in your circumstances.

We can provide you with information on stamp duty in the state of your purchase, comparisons of various loan application fees and have access to insurance recommendations. We will also quote any LMI due.

## Applying for a loan

All lenders are likely to ask for the same information. If you're approaching a lender for the first time you'll need to be 'identified'. When you apply for a loan you have to show identification up to the value of 100 points. A driver's licence earns 40 points, a credit card can earn 25 points and a birth certificate 70 points. Only original documents qualify.

It's not unusual for a loan application form to take up to 10 pages. Your lender will want to ascertain your existing assets, capacity to repay, financial risk, collateral (is the property you are buying adequate security for the amount borrowed?). You will also be asked if you have dependent children, how long you have lived at your current address, what you owe, your personal insurances and your credit card details. It is advisable to have your two most recent pay slips, group certificates for the past two years and documentation from your employer detailing income and length of employment.

Self employed applicants should provide their past two years' ATO assessment notices or their past two years' financial statements and accountant's details. Some institutions may even ask for a profit and loss statement certified by a registered accountant.

Also needed are savings details, bank statements including transaction, saving or passbook accounts, investment papers including managed funds or term deposits, what you owe and own, details of personal loans, credit cards or charge cards and tax liability if self-employed. Details of life insurance policies and superannuation as well as approximate value of other assets such as furniture and jewellery should also be included.



Remember to include your expected rental return in your loan application. This will affect your borrowing capacity and loan serviceability and may allow you to purchase a more expensive property. Your real estate agent will be able to provide this information.

## Loan approval

It is best to have your loan pre-approved before you make any offers. Knowing that your finance is pre-approved will allow you to concentrate on a price range and give your full attention to the purchase. Remember that a vendor may also accept a lower than advertised price knowing that your finance is organised. They may want a quick and hassle free sale.

Once your loan is formally approved, we will arrange mortgage documents to be signed. Be sure to read the mortgage contract carefully and understand the contents.

## Property management

Professional property management frees you from dealing with tenant issues and gives you more time to concentrate on your portfolio. Your property manager is also up-to-date with changes to the Residential Tenancies Act and is better suited to negotiate with your tenant on your behalf should the need arise. They are also in a position to obtain credit checks on potential tenants and have access to tradespeople. If you prefer to stay one step removed and not deal personally with your tenants, then a property manager is definitely recommended.

All lenders are likely to ask for the same information.



Knowing how much you have to spend gives you the confidence to make a calculated offer on your property of choice.

Research your chosen suburb by checking all advertised listings in newspapers, the internet and real estate agents. Make sure that you know the price of recently sold comparable properties. Choose an investment property with your head, not with your heart.

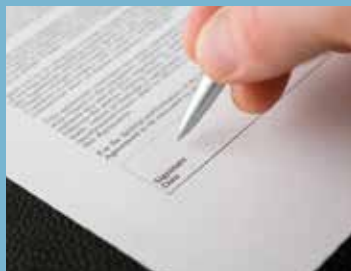
### Step 3 - Make an offer

Properties being auctioned may be open to offers prior to the auction date. If you buy at auction you will usually be required to pay a deposit of 10% on auction day. The contract for an auctioned property is unconditional and no cooling off period applies. If bidding at an auction, make sure that your conveyancer/legal representative has checked the contract and organised pest and building inspections before you bid.

The contract for sale should be given to your conveyancer for advice and checking. The conveyancer will advise you of your cooling off rights (varies from state to state). Once the contract has been signed by both parties and exchanged, the contracts are legally binding. The contract will indicate when the deposit will have to be paid. If no pest and building inspections have been carried out, it is advisable that they are ordered by the conveyancer.

## Step 5 - Final loan approval

We will organise loan documents for the balance of the purchase price to be prepared and signed by you.



## Step 6 - Insurance

Your lender will require you to organise building insurance (except in the case of strata title properties). Most investors also invest in landlord insurance.

## Step 7 - Final inspection

Arrange for a final inspection with the real estate agent. Check for all inclusions in the contract for sale and that they are in working order. Check light switches, power points, air conditioners, exhaust fans, hot water, swimming pool equipment and security system and request copies of all manuals for stove, dishwasher and other relevant inclusions.

If your property is interstate perhaps have a friend inspect it for you or jump on a cheap flight and do it yourself. Costs associated may be claimed with your tax return.

## Step 8 - Settlement

Your conveyancer/legal representative will attend to settlement. This is the day on which the balance of the purchase price is paid to the vendor. Stamp duty and lender's mortgage insurance will also have to be paid. You can collect the keys from the real estate agent once settlement has been advised.

## Step 9 - Appoint a property manager

A good property manager will source and retain quality tenants, collect rent, conduct inspections and organise repairs and maintenance on your property. They will provide you with a schedule at the end of the financial year showing rental income, repairs and maintenance and property management fees for taxation purposes.

## If something goes wrong

If you have signed a contract to buy a property it may be a costly exercise to withdraw even if you have not reached settlement. If the cooling off period has passed, the contract is binding. If you wish to get out of the contract you may be liable to pay compensation to the vendor. The amount will depend on the loss suffered by the vendor and is usually based on the amount it would take to re-sell the house including any loss on the subsequent sale. Read your contract carefully to be aware of the consequences of defaulting on the contract. If you do not wish to proceed with a contract, seek independent legal advice as soon as possible.

# Tips For Purchasing Your Second & Future Investment Properties



## Use the equity in existing property

Make your current property work for you! There's no need to own your home outright or sell it to access enough equity for an investment purchase. Equity is simply the difference between what your property is worth and what you owe. For example, if you have a property valued at \$600,000 with a mortgage of \$400,000, you have \$200,000 worth of equity. You may be able to borrow up to \$80,000 against this equity to purchase an investment property. Using this equity and combining it with the added rental income could mean that you can buy another property sooner.

## Mortgage offset account

A mortgage offset account can save interest on your loan. Your mortgage is linked to an account into which your salary and other cash can be deposited and from which you withdraw to pay bills and credit cards when these debts fall due. Use these savings for another deposit instead of paying off your current mortgage.

## Save your annual lump sum payment and windfalls

Use your tax refund or a windfall such as an inheritance or work bonus to help purchase an investment property.



## Save a little extra every month

\$150 per week can usually support an additional property providing you have the deposit. Set up a separate savings account and set a target for a deposit. This history of savings will help you to finance another property.

## If interest rates drop

If you have a variable rate loan and the interest rate drops, save the difference for a deposit towards another property rather than paying off the investment loan.

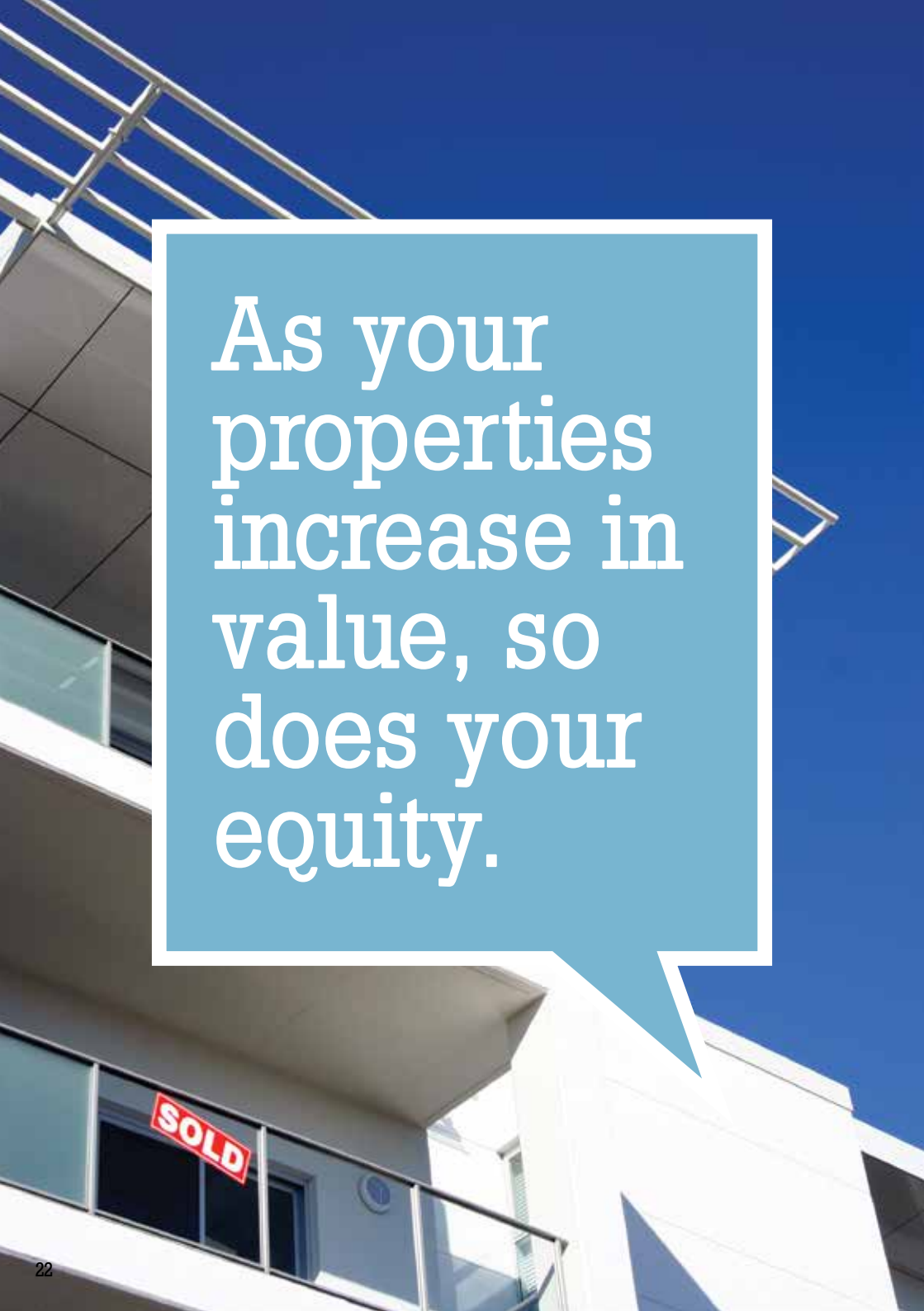
## Stay informed

Once you have a mortgage, aside from making the payments, it's easy to forget about it altogether. Staying informed about interest rate movements and new products could save you money. Over the lifetime of your loan we advocate exploring other products and facilities that may better suit your changing needs.

We recommend that you review your mortgage requirements and equity with us on a regular basis.

Staying up to date on interest rates and new products could save you money.





As your  
properties  
increase in  
value, so  
does your  
equity.



# Our Commitment to You

We understand that purchasing your first investment property will more than likely not be your last. Once you get a taste for building an investment property portfolio, it becomes contagious. It has been reported that as few as 6% of Australians actually own another property outside of their own home. We congratulate you on being one of the minority who are aiming to look after their own financial future!

We recommend that you have regular contact with us so that we can organise finance audits to ensure you are always best informed about the property market.

Also, as your properties increase in value, so does your equity. Using this equity wisely for investment purposes and future planning can ensure your peace of mind for future financial security.

Planning your future investment property portfolio and other wealth strategies starts from your very first loan.

We consider you to be a client for life when you use us for the first time - whether it is your first home or your fifth investment property. Looking after your current needs, combined with your future needs, will ensure our relationship is a positive one for your future. Be sure you are working with someone with this approach as it can be a very costly exercise to start with the wrong advice, especially when you are investing.

Good luck with your decisions. They are not to be taken lightly. We look forward to helping you on your property investment journey.

Disclaimer: The advice contained in this document has been prepared without consideration of your objectives, financial situation, personal circumstances or individual needs. Whilst care has been taken to ensure the accuracy of the information contained in this booklet, it neither represents nor is intended to be legal or taxation advice. Please consider the appropriateness of this information before acting on any advice from this booklet. Pivotal Financial aims to understand your circumstances and requirements to provide you with a loan and other products that are best suited to your needs. This booklet is subject to copyright and must not be reproduced in any format without the express permission of its author. © 2017.



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