Property Investment Strategy Pack

Owning an investment property that suits your current situation and future goals is a very smart way to build wealth, create tax savings and secure your future along the way.

Property is one of Australia's favourite ways to invest, minimise tax and build wealth, because it is safe and more understood than any other investment. It is a tangible asset that works away quietly. Property investment shouldn't be seen as a get quick rich scheme.

Kevin Blakeman

kevin@personalisedpi.com.au

Director

Personalised Property Investment

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The why?

There are a number of factors that should be considered before investing.

What is my main reason for investing?

Reduce tax,

create wealth,

pay off my home faster,

create a lifestyle etc.

Can I afford to invest?

What are my short, mid, and long term goals, both financial and personal? Knowing what your end goal is makes them much easier to achieve and keeps you focussed along the way.

How long have I got left in the work force?

The where and what?

Choosing the right property **<u>for you</u>**

Everything about investing in property is about educating yourself with the right facts and information and making informed decisions about what and where to invest in.

Some investors will have a goal to own just one investment property, others would like to be in the position that they can buy multiple properties should they decide to. An investor looking for one more property for the rest of their lives would choose a very different property than someone looking to buy multiple properties. A property needs to be suitable not just for your current position but your mid and long-term financial goals also.

If choosing a property to reduce your tax is important, current ATO deductions are greater on new investment properties. These properties can also provide greater cash flow as the rental yield is often higher and the maintenance lower on a new property.

When deciding on the location for your **investment** there are **many** factors we can look at to guide us. A few of those are;

Population growth

Employment and job growth

Infrastructure spending

Population growth will see demand in an area increase, which in turn increases value both in capital and rental yield. Population growth is often closely linked to employment levels and jobs growth. Employment opportunities need to be focussed on long term sustainable job growth to avoid situations where declining jobs markets in the short term like mining towns see value spikes and slumps.

Infrastructure spending also increases demand for an area. New shops, schools, transport infrastructure (new roads, public transport etc) as well as lifestyle facilities all make an area more desirable to live in, increasing the amount people are prepared to pay.

Choosing a property type that will be desirable to those moving to the area is also critical. Buying a property type that isn't increasing in demand will see your neighbours making money while yours stagnates, eg. Purchasing a single person household property type in area likely to attract families in the short to midterm future. The right property will also mean decreasing your exposure to vacancy throughout your ownership

The how?

Understanding lending

The right loan is critical to achieving your investment goals as well as improving your financial position. Understanding how cross collaterising can restrict your ability to grow a portfolio is important before choosing a loan product. The right loan could see your home paid off 10 years faster just from increased cash flow from your investment property. The wrong loan could lock you out of buying again for a number of years. Having a broker who specialises in investment property and can factor in your 5, 10 and 20 year plans could make the difference between the retirement your dreaming of and falling frustratingly short.

Some clients investment properties are purchased with the goal just to reduce their own mortgage faster. Even with no capital growth, you can still be tens of thousands of dollars better off and out of debt many years sooner because you bought the right property and structured your lending correctly.

Will your property be negatively geared, positively geared, positive cash flow?

What's the difference?

Negative gearing refers to a property where the annual expenses exceed the rental income. This leaves the investor with a loss, which under current tax laws can be claimed as a deduction, which allows the investor to legally reduce their tax liability and redirect those funds to pay any shortfall on the mortgage.

While utilising tax benefits on a property is a sound and cost-effective strategy, investment property should not be purchased purely on the basis of potential tax savings. The property must still perform well in terms of yield and growth.

Positive gearing is the opposite side of the coin. The property generates a higher income than the combined expenses, before tax is taken into account. These properties are more difficult to find and often limited to higher end commercial acquisitions where extended vacancy risk may offset the benefit of greater weekly returns. Positive geared residential property is usually limited to those in compromised locations such as single economy areas (mining towns) or regional areas. These properties typically provide poor capital growth and can have a higher maintenance component.

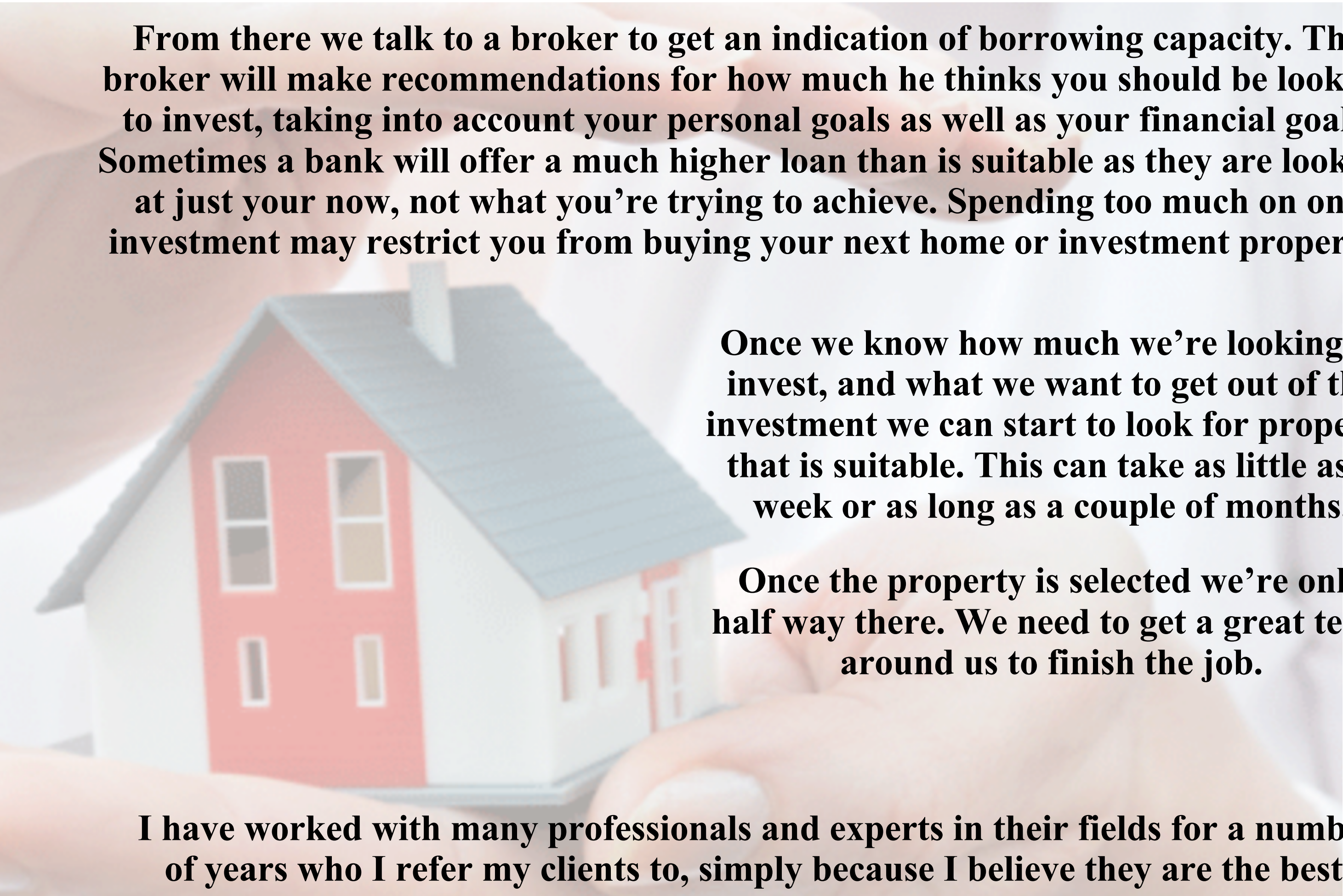
Property may also become positively geared over time as rental income outstrips expenses.

Positive Cash flow properties are properties that put cash into the investor's pocket after depreciation and tax deductions are taken into account. New properties offer the greatest potential to deliver positive cash flow because they offer the greatest depreciation benefits, the lowest maintenance costs and often stronger rental yields. Investors looking to build a multiple property portfolio should consider at least one positive cash flow property in their portfolio to reduce their taxable income and improve serviceability for future purchases.

here to from here?

I usually start with a chat over a coffee and find out where you are now financially and what you're are trying to achieve through investment.

We can then look at how much tax you're paying, how much we can redirect into a property and what options you are comfortable looking at for your investment.



From there we talk to a broker to get an indication of borrowing capacity. The broker will make recommendations for how much he thinks you should be looking to invest, taking into account your personal goals as well as your financial goals. Sometimes a bank will offer a much higher loan than is suitable as they are looking at just your now, not what you're trying to achieve. Spending too much on one investment may restrict you from buying your next home or investment property.

Once we know how much we're looking to invest, and what we want to get out of the investment we can start to look for property that is suitable. This can take as little as a week or as long as a couple of months.

Once the property is selected we're only half way there. We need to get a great team around us to finish the job.

I have worked with many professionals and experts in their fields for a number of years who I refer my clients to, simply because I believe they are the best. They'll offer you a preferred rate because you are a client of mine. You are welcome to use any of these people to assist you with achieving your goals, or you can use relationships you already have. My personal network includes conveyancers, mortgage brokers, financial planners, property managers, building inspectors and accountants. Having a great team at your disposal makes property investing a stress free and rewarding experience.

I provide a complete end to end service, co-ordinating all of the above professional services. You can have as little or as much involvement in the process as you like. I've helped clients in the purchase of hundreds of investment properties over the last 15 years. There are a million little things you can get right or wrong when buying your property. My role is to help you avoid the mistakes that sees some investors make poor decisions.

Give me a call on 0400 516 478. I look forward to working with you.

Cheers,

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