# ARE YOU READY TO INVEST IN PROPERTY?

When investing in property it is important to consider the purchase carefully to ensure the investment delivers the desired returns over time and there are no unwelcome surprises along the way. To help you make an informed decision we provide some essential steps to help you acquire your next investment property.

## 1. Do your numbers stack up?

- ☐ Having a detailed analysis of your financial situation and the type of property you wish to buy are vital first steps to a successful investment.
- ☐ What is your credit score?
- ☐ How steady is your employment?
- ☐ Do you have other loans or bad debt that may impact your application?
- ☐ Estimate your loan calculations.
- ☐ Can you afford to contribute to the shortfall of the cost of the loan (aside from the rental income)? Remember the property will have holding costs such as ongoing maintenance, repairs, rates and insurance.
- ☐ What are the prices of comparable sales in the area?
- ☐ What is the estimated rental return on your investment?
- ☐ Can you afford the loan repayments should your investment property be vacant for periods of time?

## 2. Are you in for the long term?

Property investing is generally a long-term wealth accumulation strategy. The longer you can hold a property, the better chance you have to build up equity. Making a capital gain in the short term can be tricky considering the high costs of buying, selling and your inability to manage market conditions.

## 3. Calculate your up-front costs

Remember to factor stamp duty, loan application fees and legal costs into your plans. A building and pest inspection is also a must to avoid expensive headaches down the track.

## 4. Negative vs positive gearing

A positively geared property is when the rental income is higher than your loan repayments and outgoings. Tax is likely to be payable on the net income. With a negatively

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geared property your rental income is less than your loan repayments and outgoings. The loss can be offset against other income earned however you will be required to make monthly contributions to cover the shortfall.

## 5. Will you be able to afford it if things change?

**A major question you need to consider is:**

- Do you have a 'buffer' in case your circumstances change or interest rates increase?

You may find you can afford an investment property now, but what if you or your partner temporarily loses their income or if (when rates rise) your salary doesn't meet the ongoing financial demands of the property?

## 6. Do you have sufficient equity or deposit?

If you don't have sufficient savings to contribute to the deposit and acquisition costs, you may need to consider using the equity in your existing home/property. Utilising this equity to buy an investment property is a popular strategy for many investors as it does not require a lump sum cash outlay for the deposit.

Keeping in mind your existing home will be used as security for the new loan, you will generally still need a 20% deposit to secure a loan for an investment property. It is possible to buy with a deposit of less than 20%, but lenders' mortgage insurance may apply as an additional cost.

## 7. Do you have good advisers on your side?

Find specialists who can help you make the right property investment decision – an accountant, solicitor, finance specialist (us!) and a real estate agent or property buyers' advocate.

## 8. Do you know what type of mortgage and features will suit you?

As an investor, you will be considered by lenders on both your existing income sources and the potential rental income from the property. It is important to choose a lender to match your investment goals who has the right loan and features to suit your circumstances.

**Some of the considerations include:**

- Interest only or principal and interest repayments
- Fixed or variable interest rate, or split between both
- Offset account
- Additional repayments/redraw facility
- Line of credit
- Repayment frequency

## 9. Is the property a good investment?

This is obviously the area where you will spend the most time.

It doesn't have to be a home you would live in. Think about the features that are universally appealing and most important factors that influence a tenant's decision.

**These may include:**

- Suburb or area of the property
- Number of bedrooms
- Proximity to schools, shops, cafes, parks etc
- Convenience to public transport and infrastructure
- Off-street parking, carport or garage
- Ample storage
- Internal laundry
- Outdoor space such as yard, courtyard or balcony

## 10. Find a good property manager

It is a good idea to look for personal recommendations from tenants and landlords you may know.

## 11. Cover yourself with suitable insurances

Some insurance companies now combine building cover with specialist landlord insurance. You should also consider life, TPD and income protection insurance to ensure your family doesn't suffer financial hardship in the event of an unfortunate incident.

So there it is – our checklist and tips to see if you are ready to jump into the property market!

We find that most people like to have a chat with us first before making a decision.

**So please, feel free to reach out for your personal and confidential conversation about stepping onto the investment property ladder.**