



CAN INVESTING IN PROPERTY HELP PAY DOWN YOUR HOME SOONER?

Sounds crazy, doesn't it? But I'm sure you have heard this before.

If you are struggling to make ends meet with the rising costs of living, increased mortgage repayments or rent, you may find it hard to comprehend this to be true.

Surely if it was so easy, then more than 17.1% of the Australian population would be doing it.

In 2020, the ATO reported just over 13 million individual tax returns were lodged. Of those taxpayers, 17.1% held an investment property.

Of those investors:

- 71.5% held 1 investment property
- 18.8% held 2 investment properties
- 8.8% held 3, 4 or 5 investment properties, and
- only 0.9% (or 19,895) of investors held 6 or more investment properties

That's pretty cool to know that one in every six working Australians holds an investment property.

So why don't more people invest?

- Scared?
- Worried about losing the family home?
- Had a bad experience by selecting the wrong property type and location?
- Don't know what to do or how to start?
- Think they must repay the family home first?
- Have not had the opportunity, time or motivation to learn how to do it?
- Their partner is holding them back?

Who knows the reasons?

While all these fears are real and important considerations, with the right help, education and professional services, we should be able to relieve you of some, if not all, of these fears.



Do you have the typical profile of an investor?

The top investor groups are aged between:

- 55 and 64 years old – 24.5%
- 45 to 54 years old – 22.5%
- 35 to 44 years old – 21.5%
- 25 to 34 years old – 12.5%
- 65 to 74 years old – 12%
- 75 years old or more – 5.5%
- 15 to 24 years old – 1.5%

So, 68.5% are aged between 35 to 64! Is this you?

Did you know it's not the super rich who are the landlords either?

A Core Logic property investor report found that the average Australian property investor:

- earns a taxable income of between \$60,000 and \$80,000, and
- is between the ages of 50 to 64.

'ATO research found new investors were aged between 40-59.'

As our population is living longer and spending more time in retirement than other generations, the question many people should be asking themselves is, 'Will my retirement savings last?'

With projections that we are now going to live an average life span of 83 years, and potentially not able to receive a pension until we are 70, there is a strong case to suggest we should indeed look into how we can assist in self funding our retirement.

So what can be some of the benefits of property investment?

1. Generating additional income

One of the main benefits people invest in property is that it may generate additional income. By renting out your investment property, you can earn a steady stream of rental income.

If there is excess rental income after the costs of running your investment property, this excess can be used to make additional repayments on your home loan, repay other debts or may even help you invest in additional properties.

2. Building equity in your home

By using the excess rental income from your investment property to make additional mortgage repayments, you start to build equity in your home faster. This may potentially save you thousands of dollars in interest over the life of your home loan.

3. Potential for capital growth

Investing in property is generally considered a safe mid to long term investment.

While there are no guarantees that the value of your properties will increase, Australian history shows that in a good location and with a sound property purchase, you are likely to see growth in the value of your property over time.

Property investment provides you with additional potential for capital growth that can't be realised by holding only one property – your home.

Managing the cost of an investment property, such as property management fees, maintenance costs and interest on your mortgage, may be claimed as tax deductions.

This may help reduce your taxable income and some potential savings in taxes each year.*

Experienced and successful investors may repeat this pattern for as long as they can service the shortfall of all loans.

As time goes by, the goal is that the rental on all your investment property outweighs the outgoing costs, so it doesn't cost you a cent.

Here's an example of what may happen for you as a property investor.

For example, in December 2012, the average weekly rent for a 3 bedroom home was \$403. Ten years later (Dec 2022) the average rent per week was reported to be \$658. This same property is likely to be rented out at \$1,059 in another 10 years.

If this same trend continues, 25 years from now the potential expected rental income will be \$2,200 per week that may be used as direct income while in retirement.



Risks of investing in property

While investing in property can offer many benefits, it's important to be aware of the risks involved.

Property prices can fluctuate and the rental market can be unpredictable.

You also need to be prepared for unexpected expenses such as property maintenance and repairs.

Additionally, if you're unable to find tenants for a period of time, you will not have rental income to cover your mortgage repayments.

It's important to do your research and seek professional advice before investing in property.

Keen to know more?

Chat with us, your finance specialist, to:

- i Find out how much you can borrow for an investment property and obtain a pre-approval for purchase.
- ii Introduce you to property specialists or at least show you how to seek advice about the type of property you can afford and where a good location to invest might be based on current data and research.

Lending options

Once you've found your preferred investment property, we can help you with your lending options.

Interest only loans can be favourable with investors as this helps free up any additional money that would usually go towards repaying the principal amount of the investment. Instead, the additional amount may be used towards repaying your home loan.

But we know this does not suit everyone.

When working with us, we can discuss the many finance options that may be suitable for an investment property based on your own circumstances and timeframe for investing.



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'Are you ready to become a landlord?'*

*Please seek professional tax accountant advice.

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