National Realty Group

Property Investment
Refinancing
Debt Consolidation
Wealth Creation
Insurance

Tel 1300 859 815
Fax 1300 859 816
Email admin@nrgservices.net.au
Web www.nrgservices.net.au
ABN 90 118 982 204

Address
PO Box 47
Lorn NSW

Investing in Property.

Investing in your future

If you're seriously thinking about using property to create wealth via a long-term investment strategy, this eMag is the perfect place to start your research.
Whether you're a new or experienced investor, there is a multitude of investment loans and loan features available to choose from depending on your situation. Getting an expert on your side to explain the tips and tricks of property investment is paramount.
Before you even start looking for the prime piece of real estate though, you'll need to obtain finance.

Finance options for property investors

Every investor is unique with different personal and finance goals to consider. The main types of loan options available are:

- line of credit loans
- interest only fixed rate loans
- interest in advance
- principal and interest variable rate home loans
- interest only variable rate home loans
- principal and interest fixed rate home loans

Let's look at these in more detail.

Line of credit loan

Many investors choose to use a line of credit loan to purchase investment property, due to the ability to continually draw funds back up to the limit, thus allowing you to purchase additional properties without the need to apply for additional loans.

A line of credit offers the flexibility of drawing down money in a lump sum or in smaller amounts. You can continue to draw money down at any stage of the loan as long as the total withdrawn plus interest charged does not exceed your credit limit.
There are generally no formal repayments required, however if you have drawn the loan down to its limit you will need to make interest only repayments regularly to ensure your balance remains under the maximum credit amount you have been allowed.
A line of credit is like having a very large secured credit card. It will generally be set up over a normal home loan term (eg. 30 years) with the line of credit option in place for one-to-five years, or revolving – that is, occurring for longer periods. You generally only pay interest on the portion of the loan that is drawn down.

Interest only fixed and variable rate home loans

Interest only loans suit investors who are focused on achieving capital growth in the short to medium term, and often go hand-in-hand with negative gearing. These types of loans will usually have lower repayments than a principal and interest loan.
A fixed rate interest only home loan usually has a term of 1 to 5 years, after which you will need to renegotiate or pay out the loan.
A variable rate interest only loan works in a similar manner but with the interest required varying with market interest rate fluctuations. It's important to note that a variable rate interest only loan may not have the same breadth of features that are available as one where principal and interest repayments are required.

Interest in advance

Paying interest in advance is the option to pay the interest that will accumulate on your loan over the next year before it is actually charged. This allows you to claim the costs against your tax a year earlier than you would normally be able to. Usually available on fixed rate loans, lenders may offer a discount on the interest rate if you do pay in advance. The loan term may range from one to five years, depending on your lender. Paying interest in advance is only an option for those who are able to afford to pay the loan interest in a lump sum.
Which investment finance method you choose will depend on a number of factors, including whether or not you are carrying existing personal debt. Generally speaking, it is better to pay off personal debt first, minimising investment debt as much as possible during this period.
Always seek advice from your accountant on investment and taxation rules for your particular situation prior to making a decision on investment methods. This is particularly important when you are considering investment relation to your superannuation

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Is your rental property providing you with maximum return?

Rental returns aren't the only opportunity to maximise property investments. There are a few golden rules to getting the most out of the borrowing side of your property investments.

1. Using your owner occupied home as a deposit

Consider using a line of credit for the deposit amount so that you have flexibility. If you do so, make sure you split your loan so you have two facilities, minimising the repayments you make on the tax-deductible investment loan (by paying interest only) and maximising the repayments you make on your non-tax-deductible owner occupied loan facility.

2. Review your loans regularly

It is extremely important to review your property investment loans regularly because over the course of a long-term property investment plan, the type of loans available and your situation may change dramatically.

3. Don't pay for loan features you don't need

Be disciplined about the kinds of add-ons you pay for with your investment loan. Only get features and benefits you will really use. They all cost you money.

4. Money is a commodity

It makes no difference where you get it from as long as the source is secure so always go with the best deal for your strategy, no matter who the lender is.

5. Stay close to your finance broker

Make sure you use a good mortgage or finance broke who will keep you up-to-date with the finance markets as you move through
investments and update your borrowings. A good broker who understands your portfolio is invaluable.

6. Find a qualified investment finance broker

if you don't have one If you would like to talk confidentially with a broker who understands how investment borrowing works, call us today.

- **Golden rules for choosing an investment property**
  Look for the right location – your property should be in an area where it is likely to be well- tenanted and/or experience price growth.
- Investigate infrastructure – look for a property which includes or has planned good roads and public transport in and out of the area, schools, shops, cafés and restaurants, and sporting facilities.
- Pick the right style of property – target properties that suit the sort of people who live in the area or one that can be renovated to meet the right needs with a minimum outlay. If you're looking to invest in the inner-city market, search for modern, low-maintenance apartments. Similarly, houses with big yards are suitable when targeting families.
- Do your research – good research is the best way to find a bargain. Look for things like planned developments, upgrades of main streets/shopping districts, recent resource discoveries and suburbs adjoining soon-to-be completed highways, freeways, major roads or improved public transport, all of which make the commute into work more feasible.

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Investment property management

Once you purchase your investment property, you have two choices: you can look after it yourself, or find a property management company to do it for you. But how do you decide?

The question of whether or not you should manage your own investment property is largely one of time and enthusiasm. It can take a lot of dedication and constant updating of knowledge to ensure your property is managed correctly.

Property management requires someone to:

- Find, screen and choose tenants
- Understand all tenancy laws and keep up-to-date as new laws and amendments are introduced
- Maintain the property and organise repairs where necessary
- Find suitable daytime and after hours tradespeople – e.g. plumber, electrician
- Handle tenants' complaints in an objective manner
- Conduct regular property inspections and complete condition reports on entry, exit and at inspections
- Handle all monetary transactions including rent payments and receipt and lodgement of rental bonds
- Be able to deal with problematic and malicious tenants, and those who pay late or refuse to pay
- Review and renegotiate rent costs
- Produce rental statements for tenants detailing rent paid

If you don't have the time and energy to do this yourself, a property management service will handle the process for you for a fee of around 5 to 8 per cent of gross rental collected.

The actual fee you pay can depend on a number of factors including your location and how many properties are being managed on your behalf.

Found the perfect investment property? Get the most out of it!

Make sure you review your property investment loans regularly to ensure you are on the best deal available. Over the course of a long-term property investment plan, the type of loans available and your situation may change dramatically.

Be disciplined about the kinds of add-ons you pay for with your investment loan. Only get features and benefits you will really use. They all cost you money.

Lastly, do the math and change loans if there is a long term benefit. Even though the costs can add up to anywhere from hundreds to thousands of dollars, changing to a more sensible structure or lower interest rate now may actually save you quite a bit more over a long investment period.