

At Australian Mortgage Brokers we can simplify the process of purchasing an investment property.



When thinking about purchasing an investment property there are many factors to consider about what is the right direction to take for your own situation. You need to consider what your long term and short terms goals are from an investment property in order to make the right decisions to achieve your individual goals.

Buying an investment property is totally different to buying a property where you will live yourself. The purchase of an investment property should not have the same emotion as buying your own house as you should remember that you are never going to live there yourself.

Planning

Before you proceed too far you should assess your own financial situation and consider what you would do in the worse case scenario if the property was vacant for an extended period of time. You should consult with your mortgage broker to assess your potential borrowing capacity to purchase an investment property to give you a guide to a possible price range for purchase.

It is advisable to seek advice from your accountant or a financial planner prior to purchasing an investment property and do a comprehensive plan of expected cash flow and expenses. Generally it will be your accountant at the end of the financial year who will prepare your taxation return which will be impacted by your investment property so it makes good sense to seek their advice upfront.

As part of your planning you should also consider, the type of property, its location, how much you want to spend, how much you can afford to spend, which loan structure will work best for you, expected rental return, how much can you comfortably contribute yourself and the list goes on.

Finding The Right Property

Location – does the area have capital growth potential, close to schools, transport, shopping, good rental returns.

Property – new or established, house or unit. Your accountant will be able to advise you of the difference between buying new or established in regard to tax deductions.

Setting up the investment

How will your investment property be geared to work best for your individual situation and future needs.

Negative Gearing is when the expenses are greater than the income received from the property and you are contributing throughout the year and this loss is adjusted in your taxation return, usually resulting in a tax refund.

Positive Gearing is when the income is greater than the expenses throughout the year and you are receiving ongoing income from the property. This income is added to your income earned from elsewhere and tax is payable at your taxable rate.

Using a cash contribution or equity in your current property will be determined by your own situation. If you have equity in your current property you may be able to borrow the total cost including all fees to purchase an investment property giving greater tax benefit.

Loan Type

There are many options available for which loan type and product will best suit your needs.

Interest Only or Principal & Interest is another decision to be made regarding the loan you choose. The interest component of the loan is the tax deductible portion. The debt on your owner occupied property is not tax deductible so it makes perfect sense to pay any extra funds into this loan to reduce your personal debt quicker.

After you have decided on the type of loan and amount you wish to borrow you can calculate your monthly payments required for your cashflow spreadsheet.

Owning your investment property

As the owner of an investment property the other expenses you will have to cover are also tax deductible expenses in addition to the interest.

Property investment can be a very profitable way to build your wealth. Holding the property for the longer term will usually maximise your return. If you do your research properly initially and seek professional advice it can be a very rewarding proposition.

For more information call 1300 broker, visit www.amortgage.com.au or contact your local expert.