



Buying an investment as your first property

It is possible to get ahead financially while still enjoying life?

It doesn't have to be a choice between living life to the fullest right now or being tied down in your own home with a huge mortgage.

Did you know you could get your foot in the door of the property market with an investment property without having to save for a huge deposit? The taxman and your tenants rent can help you pay off your investment loan.

You may only need to take a little bit more care controlling your budget and finances, then before you know it you could be sitting on a nice little investment property which is making you money while you wait until you are ready to buy your dream home.

Have you heard the saying "making money while you sleep?" It's a good one!

Yes you can buy an investment as your first property!

Buying a small house or apartment in a low cost area and renting it out can be a good way to build some equity over the next few years so you can do it again, then eventually buy your own place, in an area where you want to live.

It is a strategy which appeals to many young Australians. While their lifestyle and work commitments are flexible, so too can be their living habits.

You can buy an investment property in one suburb – or even another state, while you keep renting in an area that's convenient and one you prefer to live. Even staying at home for a while longer can be attractive while you purchase your first investment property.

Home ownership is a goal for most of us but it can seem out of reach when you are struggling to save your 20% deposit. Property ownership instead may be realistic if you consider starting out with an investment property.

How it works

- Lending institutions include a percentage of the expected rent from your tenants as part of the income towards servicing your investment loan (so you can probably borrow more than you could if purchasing a home).
- Loans for 90% of the property value are available for property investors, meaning you don't need to have such a big lump sum available. This may leave you to only fund the legal costs, stamp duty and lenders mortgage insurance (often around 4-5% of the purchase price). When you talk to us we can calculate this figure for you and work out your best options.

- Investors typically use Interest Only loans, so mortgage payments are much lower - allowing you to gain equity in a medium to longer term capital growth strategy.
- Negative gearing tax benefits are available in cases when your costs of borrowing to invest are greater than your income from the property. This means a rebate from the tax man. Way to go!

But you don't want to miss out on the First Home Owners Grant?

In some states you need to live in the property first to qualify for a the First Home Owners Grant (FHOG). So this may not be an option available to you if you elect to go ahead with an investment property strategy.

This is a reasonable concern. It may also not be relevant if you are struggling to get together enough of a deposit to buy the sort of home you'd like to live in.

Being in the property market may be better than not being in it, and you may well find that the capital growth you could experience is well in excess of the \$7,000 you are wanting from the grant.

Instead you can focus on your potential capital gain and the rental income to help you start building wealth now. You may just find that by investing this way you will be ready to buy your own dream home sooner.

With the tax advantages alone, you might even find you get back more than your \$7,000 grant!

In some states, if you purchase an investment property first, you may still qualify for your first home owners grant later on. Visit www.firsthome.gov.au to see if it applies to you. Or if that's too confusing, just call our office.



Call us today to find out how much you could borrow to fund your first investment property. Alternately, ask us to send you a copy of the recent National Residential Property Update, along with our Investment property checklist. As an exercise, why not use the research and checklist to compare buying a potential investment property rather than a first home?

*Disclaimer: This article is generic in nature. All investment decisions should be considered wisely and based on your personal and financial circumstances. Seek proper advice before committing to any course of investment action. This is not deemed as advice.