



Ready to invest in property?

Congratulations!

You've taken your first step in investing in property by showing the courage to challenge the opinions and perceptions that most people listen to.

Property ownership has always been the great Australian dream but according to multiple sources, this dream is slowly becoming a lost memory.

With determination and a little help along the way, you'll soon realise the great Australian dream is still very much alive!

This guide is designed to help you understand the fundamentals of investing and offer hints and tips along the way. Ready? Let's go!

Please be aware the information provided in this guide is general in nature, and does not form part of any advice given to you. Please consider your circumstances before you make any decisions.

Why do people invest in property?

Good question, the simple answer is... Wealth creation.

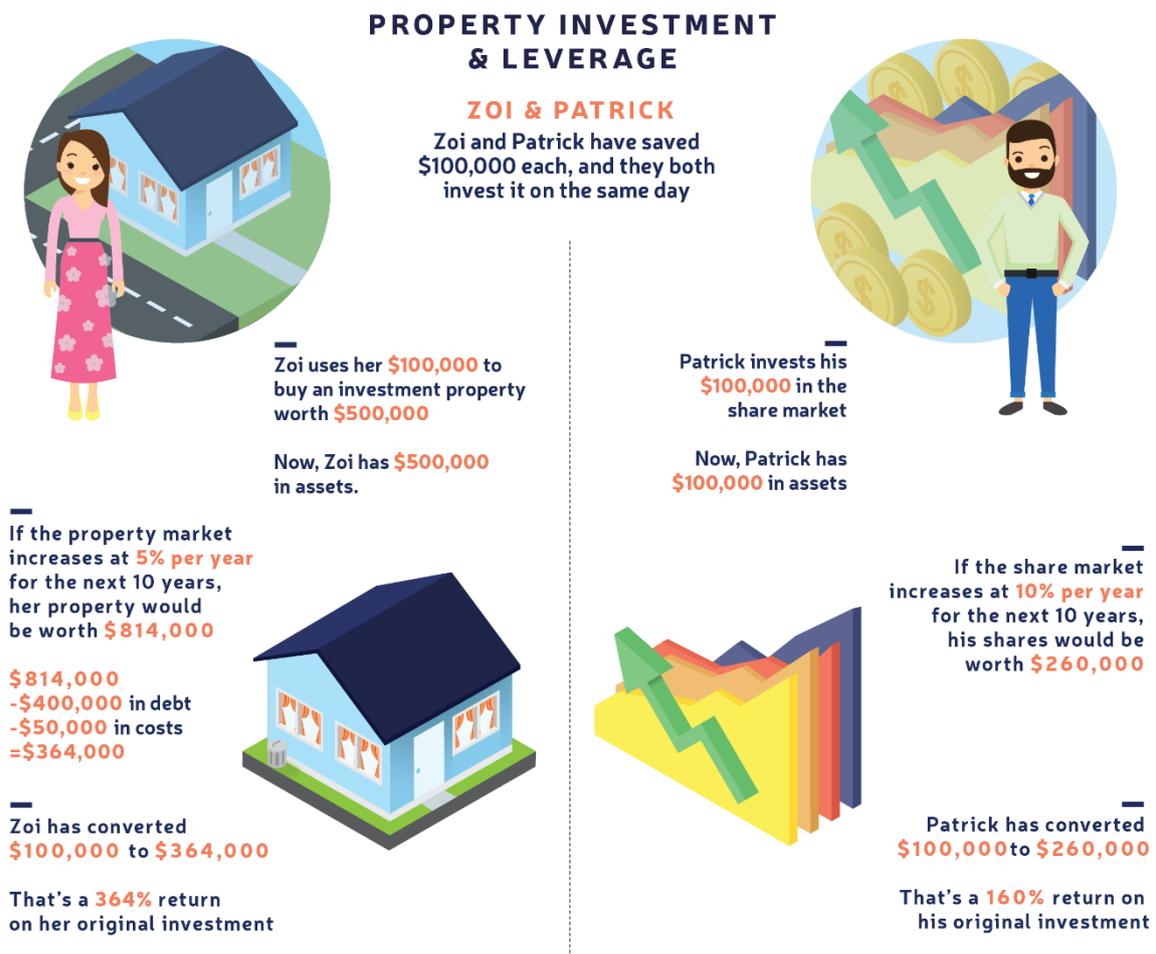
Most investors have intentions of growing their wealth and increase their asset base.

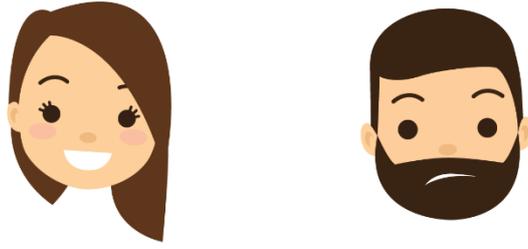
This can be achieved using many methods however property and shares are the two most common asset classes in Australia which can create wealth.

Why property though?

Property has a track record of constantly out performing shares in Australia. Learning the share market is also a very daunting task, however property information is easily accessible and let's face it, most people would like to see a physical investment asset (bricks and mortar) as opposed to numbers.

Let's look at the comparison below.





—
Zoi has made over **\$100,000**
more than Patrick on the same original investment,
despite achieving half the growth

—
By investing in the property market,
Zoi has been able to **leverage** her money into
a bigger asset base, resulting in a
larger return on investment
—

How can I invest in property?

Not everyone is cut out to invest in property, there are many variables which can determine if you can or cannot invest. Major ones include:

Deposit

This can be formed in a few ways, most common is savings at the bank. For investment properties, you usually require 10% of a purchase price as a minimum deposit plus associate costs which include government, legal and bank costs.

E.g. \$500,000 purchase in NSW

\$50,000 is your 10% deposit

\$18,267.60 are government costs

\$1,500 is an average cost to arrange the legal work

\$600 is an average bank loan cost

\$70,367.60 is your total contribution.

This can change depending on the state your purchasing in, who you're dealing with for your legal work and which bank your loan is with.

Equity (value in existing property) can be used as a substitute for savings. Some are fortunate enough to use their parent's equity.

Borrowing Power

Unless you're one of the lucky few who doesn't need to borrow money from the bank as a loan, then borrowing power is equally as important as a deposit.

If you only have a 10% deposit, you'll need to borrow 90% of the property from the bank. E.g. \$500,000 purchase, \$50,000 deposit, \$450,000 remainder will be borrowed from the bank should you be able to afford it.

Your borrowing power demonstrates how likely you can repay a home loan back to the bank.

This is calculated differently from bank to bank but the simplest equation is income **minus** expenses = remaining cash flow which can be used towards your loan repayments.

Property type

Banks will take security over the property you purchase so it's important that the investment you're looking at is acceptable to that bank.

There are many limitations here which include minimum and maximum property sizes, post code restrictions and council zoning limitations.

Ability to hold onto a property for the long term

A true investor needs to be patient with their investment. Few are lucky to gain an increase in the value of their property during the early stages of their investment however playing the long game is key here.

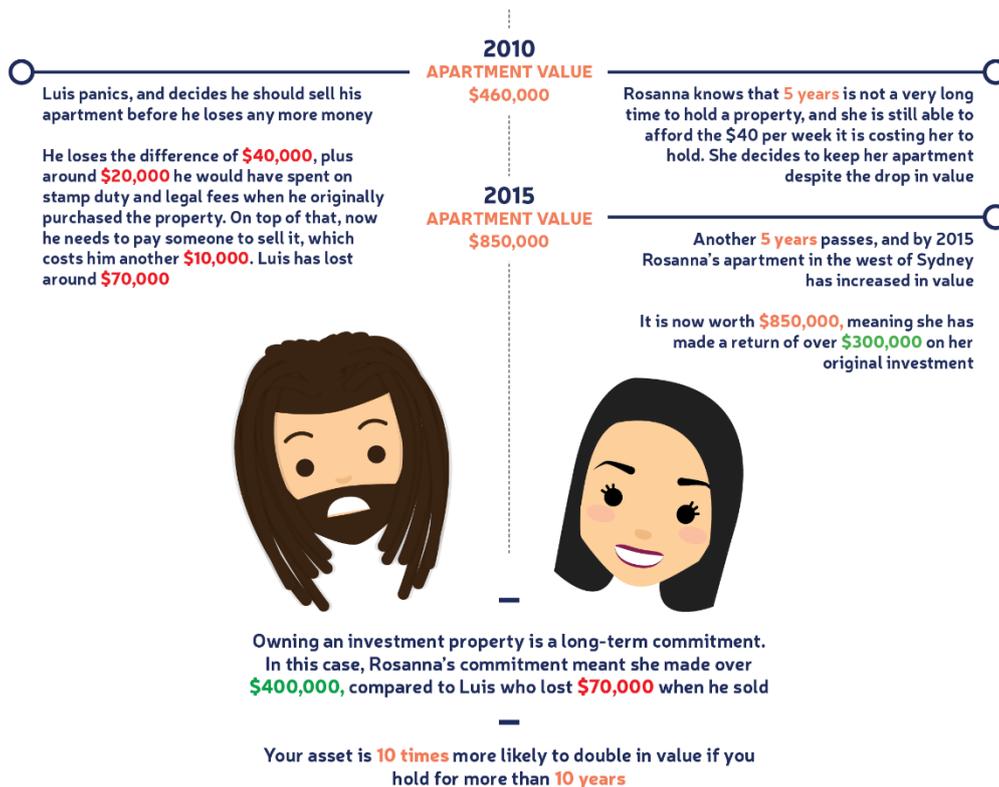
Historically, an Australian property doubles in value each decade* (location and property type differs and not all properties fall under this principle)



Luis and Rosanna both buy investment properties in 2005, in a suburb in the west of Sydney

They both pay **\$500,000** for identical apartments in the same building

It turns out this wasn't the best market in which to buy an investment property at the time, and by 2010 both their properties have decreased in value to **\$460,000**



Which property is the best investment?

The question on everyone's lips but the answer isn't so simple. You can always ask Uncle Bob at the next family barbeque but chances are Uncle Bob is no specialist when it comes to property investment.

There are so many parameters you need to take into consideration when researching, some may include but not limited to: location, demographics (type of people living in the area), government planning/spending in the locations, un-employment rates, re-saleability of the property and much more.

Put simply, it's a full-time job to research the market thoroughly. Luckily enough there are people that do this for you and have been doing so for years so save the sleepless nights and leave the research to a property professional.

Which loan type best suits an investor?

There are many ways to structure your loan but ultimately the best loan type depends on your strategy moving forward.

You might plan on repaying the loan as quick as possible, build a property portfolio or set and forget your property. These strategies all require different loan structures and is once again best discussed with a professional (such as myself wink wink) to structure your loan correctly.

Loan structures include: variable loans, fixed loans, split loans, lines of credit, redraw facilities, offset accounts, interest only repayments, principle and interest repayments, interest in advanced and much more.

Luckily at [cardona&co financial solutions](#) we specialise in structuring the right loan suited to all of our customers. We also help mentor you with throughout the investment process as we have done for 100's of our clients already.

We're connected with over 30 banks and other businesses to assist you in your property ownership journey, you'll never feel alone.

We can assist you with:

- Qualifying and finding the right home loan structure
- Researching investment properties
- Getting you in touch with the right property conveyancer
- Insuring your property and mortgage when the time comes
- Build your investment portfolio

Join our facebook forum to read previous discussions/threads or post your own questions/queries: www.facebook.com/groups/cardonacofinanceforum

Happy investing!

