Life balance not bank balance

Is it possible to get ahead financially while still enjoying life?

Getting ahead financially 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 possibly get your foot in the door of the investment property market without having to save for a huge deposit? The taxman and your tenant's rent can help you pay off your investment loan.

You may only need to be a little more disciplined with your budget and finances and before you know it you could be sitting on a nice little investment property - a property that is making you money until you are ready to buy your dream home.

Have you heard the saying 'making money while you sleep'? Well it could happen!

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. You could even do it again and then eventually buy your own place in an area where you want to live.

It is a strategy appealing 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 another suburb, city or even state while you keep renting in an area that's convenient and where 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 a 20% deposit. However, property ownership MAY be realistic if you consider starting out with an investment property.

Fit Loans

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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% (or higher) of the property value are available for property investors, meaning you don't need to have such a large lump sum available. This may leave you to only fund the legal costs, stamp duty and lender's mortgage insurance (often around 4-5% of the purchase price) in addition to your small deposit. When you talk to us we can calculate this figure for you and work out your best options.
- Investors typically use interest only loans making mortgage payments 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 Owner Grant?

The First Home Owner Grant (FHOG) is a national scheme funded by the states and territories and administered under their own legislation. While the basic $7,000 grant applies across all states, some states and territories provide additional grants and subsidies under certain conditions. In some states you need to live in the property first to qualify for the FHOG so this may rule out the FHOG as a future option for you if you elect to go ahead with an investment property strategy.

This is a reasonable concern. Ultimately, you need to weigh up whether being in the property market could be better than not being in it. You may find the capital growth you could experience over time is well in excess of the FHOG.

Instead you can focus on the potential for capital gain and rental income to help you start building wealth now. You could find that by investing this way you will be ready to buy your own dream home sooner. With the additional possible tax advantages you might even find you get back more than the amount of the grant!

On the other hand, in some states if you purchase an investment property first and have never occupied it, you may still qualify for your FHOG later on. We suggest you visit www.firsthome.gov.au to see if it applies to you. Or if that's too confusing, just call our office.