Tips to getting started on the investment property ladder...

1 Start by paying off any high interest consumer debts (credit cards, car loans etc).

There would be no point earning 5%+ pa on an investment if you are paying 15%+ on credit card debt.
Set up automatic deductions from your salary to accelerate repayments.

2 Continue the salary deductions after your debts are paid off.

This extra cash could fund ongoing costs for a negatively geared property.

3 Start small and don't over extend yourself.

Look for affordable properties in popular rental areas.
Aim for rental income per year of 6% - 8% of the property value.

4 Your first property could be an investment.

For many people it makes more financial sense to buy an investment property before buying a home to live in. Your chosen suburb might be too expensive for you right now, however capital gains on an investment property could help you fund another deposit down the track.

5 Explore deposit options.

You may not need to save 10-20% of the property value. A common way to fund investment properties is to use the equity in your current home. We can also help you look for lenders who offer loans with only a 5% deposit. Alternatively, speak to family and friends about help with a deposit or explore co-ownership options.

6 Pay interest only on your investment loan to minimise monthly expenses.

The principal will be repaid when you eventually sell the property (after you have paid off your home loan and any other personal debts).

7 Depreciation can make it possible.

Claiming depreciation as a tax deduction (particularly on new properties) can significantly improve your cash flow by reducing the tax payable on rental income.

8 Don't wait until tax time for your refund.

If you are negatively gearing, take advantage of ATO rules to reduce income tax paid on your regular salary rather than wait to claim a tax refund at the end of the year.

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