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PROPERTY INVESTOR

NEWSLETTER

JUL –
AUG 2019

This newsletter has been written keep you updated on what is happening within the industry and our real estate agency

ARE YOU UNDER INSURED?

83 per cent of Australians are underinsured

Research from Insurance Australia Group Limited has found that one in twenty homes are not insured and up to 30,000 home owners fail to renew their insurance each year.

An Insurance Council of Australia survey found 83 per cent of Australians are underinsured for home and contents. For property investors, this means facing considerable losses and risking financial hardship in the case of major tenant damage or a natural disaster.

It's more important than ever to know the true replacement cost of your property, fixtures and fittings, to ensure you are adequately covered.

While you may have known the replacement value of your property some time ago, construction costs fluctuate, which means your current insured value can easily become outdated, putting you at risk of under-insurance.

An over-insured property can also lead to owners outlaying more money on higher premiums that provide unnecessary cover.

If you want to know the true worth of your property we recommend obtaining a tax depreciation statement from a specialist Quantity Surveyor.

INVESTOR CASE STUDY

END OF FINANCIAL YEAR TAX RETURN TIP FOR MORE MONEY

The difference a depreciation schedule can make to your cash flow?

Case study example: A new three-bedroom house @ \$600,000

Ian purchased a new three-bedroom house for \$600,000 just over one year ago. He rented his property and received a rental income of \$545 per week, or \$28,340 per annum. The expenses on the property for interest, rates, management fees and maintenance costs totaled \$39,067. Towards the end of the first year of owning the property, Ian's annual after-tax outlay amounted to \$6,758 or \$130 per week.

At the end of the financial year, Ian contacted his tax depreciation expert, who completed a thorough site inspection and provided a detailed tax depreciation schedule for the property. The schedule showed that Ian could claim \$11,200 in depreciation in the first full financial year alone.

The following table shows Ian's scenario both before and after, tax depreciation was claimed. By claiming depreciation, Ian reduced his annual outlay for the property to \$2,614 per annum or \$50 per week. This was a difference of \$80 per week in Ian's pocket, or \$4,144 for the first full financial year.

Scenario without depreciation claim		Scenario with depreciation claim of \$11,200	
Annual income (\$545 x 52 weeks)	\$28,340	Annual income (\$545 x 52 weeks)	\$28,340
Annual expenses	\$39,067	Annual expenses	\$39,067
Pre-tax cash flow (expenses less income)	-\$10,727	Pre-tax cash flow (expenses less income)	-\$10,727
Total taxation loss	-\$10,727	Total taxation loss (pre-tax cash flow + depreciation)	-\$21,927
Tax refund (tax loss x tax rate of 37%)	\$3,969	Tax refund (tax loss x tax rate of 37%)	\$8,113
Annual costs of the investment property (pre-tax cash flow + tax refund)	-\$6,758	Annual cash flow of the investment property (pre-tax cash flow + tax refund)	-\$2,614
Weekly cost of the investment property	-\$130	Weekly cash flow of the investment property	-\$50

Source: BMT Tax Depreciation Quantity Surveyors | Call 1300 728 726 P.T.O >

We are focused on maximising your rental income and optimising your capital growth

WHAT TO CONSIDER WHEN BUYING A SECOND PROPERTY

Whether you are building your property investment portfolio, buying a holiday house or supporting a family member, there is always a lot to consider before you take that next step.

Cashflow Property tends to be a long-term investment, so do your sums to make sure you can afford the ongoing repayments on two mortgages. Think about any major life changes, such as planning to expand your family, or you might need to support a parent in the coming years.

Get to know the market and location Research what is happening in the current market and whether it's the right time for you to buy. Get to know the area you are considering by speaking to residents and real estate agents. It's also wise to investigate the short and long-term planning for the area. For example, nearby construction may affect your ability to find a tenant.

Investigate before you invest If you're buying a property as an investment, carefully consider its location. Buying in a high-demand area is likely to see you enjoy a constant flow of income from the rent. You will need to provide your lender with a rental appraisal estimate letter and keep in mind that lenders generally only take 50–80% of the rental income into account when calculating whether you can afford the loan.

Choose the right mortgage The amount you can borrow and the type of loan you choose will depend on various factors, including the equity in your current home, your income and expenses, and your property valuation. It helps to get quality advice on the right mortgage for you, along with other considerations, such as negative gearing, and how to structure your loan to maximise tax effectiveness.

TOP TEN REASONS WHY A TENANT MOVES OUT...

Tenants move out for a variety of reasons. As a property investor/landlord, you can control some of the reasons while others are just a matter of preference.

1. Cannot afford the rent
2. Property is too small for their needs
3. Property is too large for their needs
4. Job change/relocation
5. Maintenance issues not being attended to
6. Problems with neighbours
7. Wanting to change location/neighbourhood
8. Separation/divorce/marriage
9. Renter's market – more affordable properties available
10. Purchase their own property

SUDOKU COFFEE BREAK

Every row & column, and 3X3 box, must contain the numbers from 1-9. Good luck!

1								
	2			6	7	8	9	
3				4				
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	6						8	
		7					4	
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		9						

FINANCIAL STATEMENTS

Do you check them?

It is important to check your monthly financial statements closely to ensure they are correct.

Whether it is your end of month rental statement, credit card, bank or other account. Most statements are now electronic (rather than the traditional paper copy), which can result in many not taking the time to look at the monthly transactions. Banks can make errors; fraudulent transactions are on the rise – so make sure you check your statements regularly.

TALK TO THE PROPERTY EXPERTS

BUYING, SELLING & PROPERTY MANAGEMENT

Call us if you are thinking about buying or selling or know of someone who is

Properties Recently

RENTED

Keeping you updated on the local rental market

HOUSES

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UNITS

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TOWNHOUSES/DUPLEXES

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Properties Recently

SOLD

Keeping you updated on the local sales market

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NEWS Update

[\[click here to add news\]](#)

Good news on the area, market research, staff holiday leave, personal facts on team members, introducing a new team member, awards achieved, rate notice due reminder, personal note, etc.)