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Infinity Centre

A BOUTIQUE FINANCE CENTRE

DIGITAL NEWSLETTER

IN FOCUS - BUILDING AN INVESTMENT PORTFOLIO

Building an investment property portfolio allows for wealth creation, passive income, and long-term financial stability. Real estate typically appreciates over time, offering capital growth, while rental income provides steady cash flow. Diversifying into multiple properties reduces risk and enhances opportunities for tax benefits, leveraging, and market flexibility.

This edition is all about Investment Properties and building your portfolio. Read on to find out more.

Hello and welcome to my next digital newsletter!

Isn't it great that we are in the thick of spring time? Winter sure was cold this year - in the southern areas anyway.

It is said that Spring time is the perfect time to sell your home, perhaps because listings can looking stunning with the flowers out and the grass looking so green.

Although I write loans nationwide, I am located in South Australia - and recently it has been said that property prices in Adelaide have now surpassed Melbourne - due to Adelaide's ability to bounce back after COVID. What do you think?

♡ Sam

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CONSUMER FINANCE

- Owner Occupied Homeloans
- Residential Investment Property Loans
- Refinance
- Construction Loans
- Car Loans
- Asset Loans
- Personal Loans
- Debt Consolidation

COMMERCIAL FINANCE

- Commercial Property Loans
- Business Loans
- Equipment Loans
- Asset Loans
- Short Term Business Finance
- Invoice Finance

AGRI FINANCE

- Property Loans
- Short Term Agri Lending
- Asset Loans
- Equipment Loans
- Livestock Funding

Are you seeking any of the above services now or in the future? Infinity Centre can help you.

WHAT ARE THE DIFFERENCES BETWEEN OWNER OCCUPIED AND RESIDENTIAL INVESTMENT PROPERTIES?

Owner Occupied Property:

- Purpose – This is a property where the owner lives as their primary residence. It is the place where they reside, not a rental or vacation property.

Investment Property:

- Purpose – This is a property purchased primarily to generate rental income or for capital gain. It is not used as the owner's primary residence.
- Tax Benefits – Owners can claim tax deductions on expenses related to the property, including interest on the loan, property management fees, maintenance costs and depreciation.

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WHAT ABOUT LOANS - IS THERE DIFFERENCES BETWEEN OWNER OCCUPIED AND INVESTMENT LOANS?

Owner Occupied Property:

- Interest Rates – Typically, owner occupied interest rates are lower compared to investment loans. Lenders view them as lower risk since the borrower has a personal stake in maintaining the property.
- Features – Owner occupied loans tend to come with more favourable features such as higher loan to value ratios and flexible repayment options.

Investment Property:

- Interest Rates – Investment loans typically have a higher interest rate due to the perceived higher risk for lenders. Investment loans are seen as more speculative because they are used to generate income rather than for personal living purposes.
- Features – Interest on investment property loans is tax-deductible, as it is considered a legitimate expense associated with generating rental income. This can make these loans more attractive from a tax perspective.

For more information, please seek advice from your registered Tax Accountant.

DO YOU NEED CASH TO PURCHASE A RESIDENTIAL INVESTMENT PROPERTY?

Not necessarily.
It depends on whether you already own a property.

If you do not already own property, then you will need some cash. This is different in every scenario, and it is best to reach out to us at Infinity Centre so we can tailor a solution for you – however, usually a client contributes a deposit plus fees. The deposit depends on the max borrowing amount, and the fees depends on current government grants, bank fees, legal costs, valuation fees etc.

However, if you already own a property – you may not need cash..... read on to find out more.

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USING EQUITY TO HELP PURCHASE AN INVESTMENT PROPERTY.

Using home equity in an existing property to purchase an investment property is a common strategy that allows investors to leverage the value of their current home without needing a large cash deposit. Instead of contributing cash, equity can be accessed, using the property as collateral. This approach enables investors to maintain liquidity while potentially growing their property portfolio. By borrowing against the equity, you can finance part or all of the new property's purchase, making it a useful tool for those looking to expand their investments without selling assets or depleting savings.

PROFESSIONAL INSIGHT - HOT TIPS WHEN PURCHASING

Because this edition is all about Investment Properties, I asked Lee Curnow from Elders Real Estate for his tips when finding an Investment Property in comparison to an Owner Occupied property.

For owner occupied, you are going to look at every aspect of a property and you're going to pay more attention to things like the feel, personal comfort level, neighbourhood, access to services.

If you can't picture yourself coming home to the property, it might not be for you.

For investment properties, my key messages are always: 1. It's a business decision; and 2. You don't have to live in it. You can look at investment properties with a harsher eye. You don't have to love it, and you can overlook some things if they don't suit your personal taste. As long as everything appears sound, the price is right and the likely rental provides a good return, in most cases I'd say go for it!

Building equity in property is a journey that transforms a house into a home & an investment into a source of wealth.

BUDGETING 101

When considering your budget for your investment property be sure to include the following things:

- Allow for potential vacancies
- Consider Fixed Expenses like mortgage, land rates, real estate management fees, insurance, strata fees.
- Consider Variable Expenses and allow yourself a buffer, for things like maintenance and repairs, utilities, landscaping, pest control, capital expenditures for large, infrequent expenses, for major repairs and replacements like roofs, hot water services, flooring etc.
- Plan for vacancy turnover costs like cleaning, and vacancy.

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INFINITY CENTRE DICTIONARY - RENTAL YIELD

Rental yield is a key metric for evaluating the return on an investment property. It measures the income generated by the property (through rent) as a percentage of the property's value. There are two types of rental yields: gross rental yield and net rental yield.
Gross rental yield is the simplest calculation and doesn't account for expenses such as property management fees, maintenance, and insurance. It shows the potential return before costs.
Example: Property Purchase Price $420,000 with rental income estimated at $450 per week.

Formula: $450 x 52 weeks / $420,000 x 100 = 5.5% rental yield

PROFESSIONAL DEVELOPMENT

Recently I was fortunate to attend the Naracoorte High Schools Career Night - Pathways to a PayPacket. What a fabulous annual event for teachers, parents, students and other community members. It was great to see so many businesses involved, from Politicians, Universities, Tafe, egineering companies, trades, medical professionals and finance representations! So many endless opportunities. I loved having the ability to talk to a massive amount of kids about potential finance careers! Well done NHS.

BEFORE I GO.....

Did you know that Infinity Centre has a Facebook and Insta page?
Please like and follow! QR codes here

Thanks for sticking around and reading my newsletter! To say thanks, I would like to offer you a FREE discovery call to find out whether you are in the position to purchase an investment property. So give me a call and mention this newsletter.

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