high flier *or* budget savvy

Who makes the better investor?

Did you know that skill and experience managing a budget on a low income could make you a better property investor than some big spending high income earners?

We often meet people who are hooked on the good life: living in expensive suburbs, fancy cars, frequent dining out and overseas holidays. You'd be surprised however, at how many don't have adequate savings for retirement or redundancy, let alone a solid investment plan.

In fact lower income earners are often the ones who knuckle down and save. Careful budgeting, motivation and discipline are very important attributes of successful investors. If you have had good practice stretching your dollar further and living within your means, you might already have what it takes.

Lower income earners also often have a more realistic view of investment risk. They know they need to do something to get a better financial future.

Many people are scared to invest because they just don't like having debt. That's a fair call...but you can reduce your risk.

Will you be part of the 20% that invests to secure your financial future, OR will you be in the 80% of Australians who will need to rely on some form of government support at retirement?

If you don't act, nothing changes.

You might already have what it takes to be a good property investor... and it's not necessarily a six figure salary!

TIPS TO GET STARTED

Start by paying off any high interest consumer debts (credit cards, car loans etc). There would be no point earning 8% pa on an investment if you are paying 15% on credit card debt. Set up automatic deductions from your salary to accelerate repayments.

"You'd be surprised at how many high income earners don't have adequate savings for retirement, let alone a solid investment plan."

Continue the salary deductions after your debts are paid off. This extra cash could fund ongoing costs for a negatively geared property.

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.

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.

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.

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).

Depreciation can make it possible. Claiming depreciation as a tax deduction (particularly on new properties) can significantly improve your cash flow and reduce the tax payable on rental income.

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 claim a tax refund at the end of the year.

You don't need to be wealthy to invest, but you do need to invest to be wealthy.

CALL US TODAY. We don't just arrange loans. We can also help you look at property investment options suitable for your own financial situation now and in the future (eg. calculating how much you could afford to borrow to invest or explain how by using your home equity you can get ahead financially with limited risk).