



## Property Management News

July 2019

# UNDERSTANDING HOW TO MANAGE YOUR MONEY IS CRITICAL

Understanding money management is critical whether you are an investor or you may have also a range of other investment holdings. The main principle that underpins effective management of your money is making sure that once you've worked hard to earn your money that you put it to work for you.

Here are three finance hacks property investors should engage to make sure your investments are working hard for you and not the other way around.

### **Don't cross-collateralise loans.**

If you have a number of investment properties through one lender, the loans on these properties may have been cross-collateralised to help secure the mortgage on your next property. Sure, this can be powerful in helping you to grow your portfolio, but if you sell a property, your lender may need you to pay down the debt on other properties to balance your Loan to Value Ratios.

To avoid a scenario where your mortgages are cross-collateralised, try going to different lenders for each

property transaction or be specific with your lender about making sure your loans aren't cross-collateralised.

### **Offset account are your best friend.**

Offset accounts are a great tool for reducing the interest on your loan and keeping funds in a separate account for tax efficiency.

With an offset account, you don't earn interest on your savings, but the balance is deducted from your loan balance.

This reduction in your loan balance results in a decrease in the interest you need to pay on your loan. Over the life of your loan, the decreased interest can add up.

### **Cash buffers are essential.**

This is an important one even if you're not a property investor, but it's especially important to make sure you don't end up financially strapped if an emergency arises. Build up and keep a cashbuffer to cover any unexpected



expenses that may need to be covered for your properties.

A solid cash buffer will mean you have the money available, if needed, to cover unexpected expenses without using your savings or needing to refinance your property. The amount you want to keep aside in a cash buffer will vary based on your situation.

Effective management of money is critical, so it's important you regularly speak with your finance advisor not just about your property portfolio but your wider financial situation.

# NEED A NEW LOAN?

## HERE ARE 4 HOT TIPS TO INCREASE YOUR CHANCES OF APPROVAL

For well over a year now, we have seen a significant credit tightening for property investors. To make a strong case in a mortgage loan application, there are a few things you can do to assist. Here's our list of what you can do to make the strongest case possible and increase your chances of a loan approval.

### Do your research and shop around

Make sure you research rates through traditional banking channels and mortgage brokers to find the best rate possible for your financial situation. Remember securing a loan isn't always about the interest rate. With credit tightening for property investors, your Loan to Value Ratio (LVR) will be crucial in determining your interest rate. To calculate your interest rate, the lender will divide the amount of the loan you require by the value of the property. Naturally, the greater the LVR, the higher the risk you represent to lenders. This will change the array of loan products available to you.

### Pay down personal debt ASAP

To improve your credit rating and overall financial position, paying down personal debt should be your first priority. For property investors needing finance, this is particularly important. This is because paying down personal debt frees up your income which puts you in a stronger position to service your property finance.

### Decrease and closely monitor discretionary spending

It has been widely covered that lenders are now looking at applicants' discretionary spending habits as part of the loan application process. For at least a few months before you submit a loan application, aim to decrease your discretionary



spending on things such as restaurant meals, Uber Eats, clothing, consumer products, and other discretionary lifestyle expenses.

Obviously, you don't want to sacrifice enjoying yourself in this process, so if you can't go without your weekly Uber Eats night, you could also demonstrate that you budget for lifestyle expenses by setting a specific amount aside each month and not going over it.

### Refinance a current loan

If you've had a Principal Place of Residence loan for at least 5 years, you may be able to refinance your current balance over a new 30-year period. This will reduce your repayments, freeing up more of your income to service a loan on a new investment property.

While it can be discouraging to get knocked back for a loan, remember it's not an uncommon occurrence in the current credit market. Being proactive about strengthening your financial position, budgeting and putting yourself in the shoes of lenders and brokers will help you make sure you present yourself as a desirable loan applicant.

The study undertaken by website portal realestate.com.au revealed that less than 17% of prospective tenants today are under the age of 25. It is also interesting to note that over 12% of tenants are also property investors themselves.

When preparing your property for lease, we recommend that you not only take current market conditions into account, but also the likely profile of your incoming tenant. This information will allow you to style your property accordingly in order to achieve maximum rental return.

# R&W

We thank you for your ongoing business and as the financial year has approached we recommend that you be in touch with your accountants to arrange the tax returns, we have already provided all owners with the income and expenditure report summary for the year ending. We look forward



to ensuring that your investment property is well looked after.

**Hendra Wijaya**  
Principal

## RECENT RENTALS

605/98-102 Maroubra Rd Maroubra  
2 bed 2 bath 1 parking \$650

16/40 Willis St Kingsford  
2 bed 1 bath \$560

1/54 Cook Street Randwick  
1 bed 1 bath \$400

2/512 Malabar Road Maroubra  
3 bed 1 bath 1 parking \$580

## RECENT SALES



53/79-87 Boyce Rd, Maroubra  
\$880,000.00  
2 Beds, 2 Baths, 1 Car



S12.05/178 Thomas St, Haymarket  
\$749,990.00  
1 Bed, 1 Bath



11/41-43 Forsyth St, Kingsford  
\$680,000.00  
2 Beds, 1 Bath, 1 Car

## WHAT DOES THE TYPICAL TENANT LOOK LIKE IN 2019?

Statistics recently released show that the current profile of a typical tenant is a female aged between 35 and 49 who earns more than \$50,000 per annum. The statistics also show that less than 30% of tenants looking to rent a property today are men.

## The best reputation in real estate

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