



**Own a home,  
invest in another.**  
4 steps to a side hustle.





# Own a home, invest in another. Who says you can't do both?

You don't need to be loaded to have an awesome property portfolio. You just need to get smart.

Your property investment checklist.

1. Use your home to buy another
2. Nail your budget
3. Cashflow aka show me the money!
4. Choose the ultimate investment property

**4 steps to a  
side hustle.**

*Owning and investing – how's that for a side-hustle?*



# 1. Use your home to buy another.

## *Ok let's tackle the big one, deposit*

So, you've already got a home – win. That means you might be able to use the equity in your current home to top up your deposit.

### **Accessing your equity**

You'll need to work out your Loan-to-Value Ratio (LVR). You just need to have a valuation done on your property (tip, your broker can help with this). From there, a lender will use your LVR to figure out how much equity you have and how much you'll be able to borrow.

Deposit sizes and the requirements you have to meet vary from lender to lender, but the rule of thumb is a 10-20% deposit. We have access to a panel of over 60 lenders so you're in with a pretty good chance of finding a loan that will work for you.

Don't forget, equity is not free money. When you access your equity your loan balance will increase and so will your repayments.

## **What is equity?**

Equity is the difference between the money you owe on your property and what a lender thinks your property could sell for.

If you had a loan balance of \$500,000 and you had your property valued at \$800,000 then you would have \$300,000 of equity and a loan-to-value ratio (LVR) of 62.5%





## 2. Nail your budget.

You don't need to be mega-rich to have a side hustle investing in property. Once you've nailed your budget, you're halfway there.

It's all about knowing what costs you're up for and making sure you're prepared. An investment property has a lot of the same initial costs as a property you live in, but there are a few ongoing costs you need to have on your radar.

### Some things to consider:

- **Insurance:**  
You never know what's going to happen, so it's good to have landlord insurance. No one wants to be out of pocket for a flood-stained apartment or tenants who won't pay rent.
- **Land tax:**  
This one is paid annually by the owner of the land.
- **Council rates & strata fees:**  
Council rates change depending on where your property is located so make sure to do your research.
- **Rental management:**  
You're going to want a good property manager – they're worth their weight in gold.
- **Maintenance:**  
Being an owner means you'll want to keep your investment looking its best.

### Borrowing power vs buying power

Straight talk; your borrowing capacity (aka the amount of money the bank or lender will lend you) is not the same as what you can spend on your new property. Your broker can help you work out the fees and costs that apply to you so you'll know in advance what your repayments will be and how much you can really spend on your new property.

*Don't stress though,*

your broker can help you sort through the numbers and set a budget that works for you.



### 3. Cashflow aka show me the money!

*To really be an investing guru*

you'll need to absolutely nail your property investment strategy.

#### **Negative gearing**

Negative gearing is a way of minimising your taxable income. A property investment with negative cash flow means the expenses you're paying on the property are greater than the income you get from the property.

Don't get too excited though, if you're making a loss on your investment property you're losing money, so you'll need to make sure you have other income to fund your expenses. If you sell your property for a profit, the tax man collects on the capital gain.

#### **Rental yield**

Rental yield is the money you earn from rental income minus any expenses you have to pay. Rental yield can be calculated as a gross percentage (before expenses are deducted) or as a net percentage (with expenses included).

#### **Gross rental yield**

Gross rental yield = (annual rental income / total property cost) x 100

#### **Net rental yield**

Net rental yield = (annual rental income - annual expenses) / (Total property cost) x 100



# Reduce your taxable income. Let's do the sums.



You rent out your one-bedroom apartment for:  
**\$1,300 per month**



Your monthly loan repayments are:  
**\$1,500 per month**



You pay other property costs of:  
**\$300 per month**



You've got a shortfall of:  
**\$500 per month**



Which is a yearly shortfall of:  
**\$6,000**



Your annual salary is:  
**\$100,000**



Your salary minus your shortfall  
is your new taxable income:  
**\$94,000**





## 4. Choosing the ultimate investment property.

As a property investor, the dream is a high yield property in a location with big capital gains, strong rental return and low maintenance costs – not asking for much.

But, what if your state is seriously expensive? Have you thought about investing interstate? We think it's worth a look.

### **Do your research**

Ok, so you don't know the market as well as you know your own state, but with bit of research you'll soon know what's worth your time.

Use average house prices for that state to know if what you're looking at is good value. Then, consider any extras the property has that might mean capital growth.

### **Gather your posse**

It's not always possible to view properties. Read carefully, buyer's agents are your new best friend. Say you're living in Sydney and you've found a great property in Adelaide; you could take time off work, hop on a plane and go see it or you could use a buyer's agent. A buyer's agent will check out the property and suburb and let you know if it's a good fit for your strategy. You will need to pay your buyer's agent a commission fee.

*The other member of your investment gang?  
Your broker.*

A broker can help you calculate the costs of investing interstate and find the right loan for you.

Enjoy that *amazing feeling*  
of receiving rent  
from a total random.

The Loan Company

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Published in Australia by Harrisdale Pty Ltd, trading as The Loan Company  
(ABN 59 088 462 140), Australian Credit Licence Number 386355

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