RESOURCE GUIDE

RESULTS HOME LOANS

Leveraging Home Equity for Property Investment

Turn Your Home's Value into a Wealth-Building Opportunity

If you own a home and have built up some equity, you might have a great chance to grow your wealth by investing in property. Let's break down the steps and how we can help you get started.

What is Equity?

Equity is the difference between your home's market value and the amount you still owe on your mortgage. As you pay off your mortgage or as your home’s value increases, your equity grows.

Finding Out Your Equity

First, you need to figure out how much equity you have. This means getting a current valuation of your home and subtracting what you still owe on your mortgage. The amount left is your usable equity, which you can use for investments. If you need help getting a valuation, we can arrange that for you.

Checking Your Financial Health

Before moving forward, it’s important to see if you're financially ready to take on more debt. We can do a detailed financial check-up to find out how much you can borrow comfortably.

Understanding Taxes

Knowing how taxes affect property investment is important for getting the most out of your money. In Australia, property investors can claim various tax deductions like interest on loans, property management fees, repairs, and depreciation on property assets. When you sell an investment property, you might have to pay capital gains tax (CGT), but there are benefits if you hold the property for more than a year.

Setting Up Your Loan

Using your home’s equity often means refinancing your mortgage. We can help you structure your loan to get the best tax benefits, reduce risk, and increase your returns.

Using your home’s equity to buy investment properties can be a smart way to build wealth if done carefully. As experienced mortgage brokers, we're here to guide you every step of the way, from assessing your equity to getting financing and beyond.

Contact us today to explore your options and start your investment journey!

Example Scenario

Jane and John Smith's are looking to purchase an investment property however don't have a 20% deposit in cash. Here are their details:

Current home value: $850,000
Current mortgage balance: $450,000 (current Loan to Value Ratio = 53%)

Most lenders will allow you to borrow up to 80% of the value of your home with incurring any Lenders Mortgage Insurance. This means that Jane and John can access an additional $230,000 in lending which can be used towards the purchase of a new investment property ($850,000 home value x 80% = $680,000 less $450,000 current mortgage).

Lets see how this works if they purchased a new investment property for $650,000.

Funds Required:
New Investment Property Purchase: $650,000
Estimated purchase costs (Registration fees, Transfer fees, Stamp Duty), Legal Fees, Settlement Adjustments, etc.): approx. $40,000
Total: $690,000

Loan Structure:
***1.** Obtain an investment loan for $170,000 secured against **home** to meet the required 20% deposit plus costs detailed above.*
***2.** Obtain a new investment loan for $520,000 secured against the new investment property at 80% LVR.*
Total: $690,000

Overall, the total purchase price, plus costs for the new investment property is funded 100% via equity with no cash savings required.
In summary their financial position would look like this:
$450,000 Home Loan
$690,000 Investment Loan
$1,140,000 Total Lending

$850,000 Home Value
$650,000 Investment Value
$1,500,000 Total Property Value (76% LVR)

***NOTE:** To avoid paying Lenders Mortgage Insurance (LMI), the overall Loan to Value Ratio (LVR) needs to remain at 80% or lower, i.e. the total loans need to be less than 80% of the total value of the properties. Please also note that the above is subject to meeting the lender's serviceability requirements (i.e. having sufficient income (including proposed rent) to meet the total loan repayments).*

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