

*write*finance.

Ready to use your *equity?*

A simple guide, calculator and checklist for
buying your next investment property.

FREE GUIDE FROM WRITE FINANCE

What is equity?

The value you've built.

Equity is the difference between what your home is worth and what you still owe on it. Many Australians use it to fund the deposit and costs on their next property, without saving a fresh deposit in cash.

You usually can't use all of your equity, though. Most lenders will let you borrow up to 80% of your home's value without paying Lenders Mortgage Insurance. The amount between that 80% and your current loan is your **usable equity**.

How to use this guide

- 1 Work out your usable equity.** Fill in the simple calculator on the next page.
- 2 Work through the checklist.** Tick what's true for you right now. Anything left unticked is something to sort out or talk through with us.
- 3 Understand your options.** See the main ways to access your equity and what to watch out for.

Work out your usable equity

Fill in your own numbers in the middle column. The example on the right shows how it works.

STEP		YOUR NUMBERS	EXAMPLE
A	Your home's estimated value A recent appraisal or sales of similar homes nearby	\$ _____	\$900,000
B	80% of your home's value Multiply A by 0.8	\$ _____	\$720,000
C	Your current loan balance Include any other loans secured by your home	\$ _____	\$450,000
D	Your usable equity B less C	\$ _____	\$270,000

What could that buy?

As a rough guide, if you want a 20% deposit plus around 5% for stamp duty and other costs, divide your usable equity by 0.25.

E	Rough investment purchase price D divided by 0.25	\$ _____	\$1,080,000
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This is a starting point only. The lender will confirm your home's value with its own valuation, purchase costs vary by property, and your income still needs to support the new loan.

THE CHECKLIST

Your equity position

- ☐ **I've worked out my usable equity**
Using the calculator on the previous page.

- ☐ **I know my current loan balance and rate type**
If you're on a fixed rate, check for any break costs before making changes.

- ☐ **I'm prepared for the valuation to differ from my estimate**
The lender's valuation is the one that counts.

Your borrowing power

- ☐ **My income documents are ready**
Payslips, or tax returns and Notices of Assessment if you're self employed.

- ☐ **I know my living expenses and other debts**
Lenders check you can afford both loans, with a buffer for higher rates.

- ☐ **I have a rough idea of the rent the property could earn**
Expected rent forms part of how lenders assess the new loan.

Your structure and plan

- ☐ **I've spoken to my accountant about whose name to buy in**
Your own name, a trust, a company or your SMSF each work differently.

- ☐ **I plan to keep investment borrowing in a separate loan**
It makes things much easier to track at tax time.

- ☐ **I'm keeping a buffer rather than using every dollar**
Breathing room for repairs, vacancies or a quieter month in business.

- ☐ **I'll get pre approval before making offers**
So you know your real budget before you start looking seriously.

Ways to access your equity

A separate loan split

A new loan is set up against your home, kept separate from your existing home loan, and used for the investment deposit and costs. This is usually the cleanest option.

Increasing your existing loan

Simple to arrange, but mixing personal and investment debt in one loan can get messy at tax time.

A line of credit

A set limit you draw on as needed. Flexible, but it needs discipline because the balance won't reduce unless you pay it down.

Watch out for cross collateralisation. Some lenders hold your home and the investment property together as security for all your loans. It can work, but it ties your properties together and can make it harder to sell, refinance or change lenders later.

Self employed? Equity gets you the deposit, but income gets you the loan. Lenders assess business income very differently, so the same equity can support a very different budget depending on which lender you use.

NEXT STEP

Let's run *your numbers*.

Bring your calculator and checklist to a chat with our team. We'll confirm how much of your equity you could really use, how much you could borrow on top of it, and how to set it all up so it works for you long term.

WEBSITE

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This guide provides general information only and does not take into account your personal objectives, financial situation or needs. Figures are examples only. Lending criteria vary between lenders and can change.
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