HORIZON
PROPERTY ALLIANCE

Financing your investment property

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Welcome

The goal of any investment plan is to create a passive income.

Rental income is an example of passive income and has proved itself as a safe and secure way to achieve financial freedom.

You should always discuss your financial goals with your accountant or financial adviser before starting out on an investment plan. It's a really good idea to have a team around you that understands your financial goals.

In this free guide we look at financing your investment property.

Think before you begin

Financing an investment property is similar to financing the purchase of your own home, but there are key differences.

- A. lender will look at the return on the investment and each lender will have different lending criteria in place, which will determine your level of borrowings.
- Some lenders, for example, will only take into account 70% of the rental income when assessing your serviceability for the loan, whereas others are more generous.
- Similarly, in assessing your debt-servicing ratio, different lenders make allowances for different criteria, each of which will impact on your ability to qualify for the finance. This could be the key difference in getting funds for your purchase

Make sure you get the right financial advice so that you don't experience any roadblocks.

Types of loans

There are different types of loans and loan features available to investors, which can make accessing the necessary investment funds easier.

- If you want to invest to grow your wealth but don't have the capital behind you to get started, then accessing the equity in your home can be a great solution. Equity is the difference between what your home is worth (your asset) minus what you owe on it (your debts and liabilities).
- Having the ability to switch between interest-only and principal and interest repayments is an advantage. An interest-only home loan allows you to pay only the interest over the term of the loan, which is typically five years. You will then begin to pay off the principal when the loan term ends. A principal and interest home loan is where the borrower pays the interest incurred monthly as well as a portion of the principal (the principal is the amount of money borrowed). This is especially handy when segmenting loans with tax deductible interest and those with non-deductible interest come tax time.

How Horizon Property Alliance can help

The team at Horizon Property Alliance possesses an in-depth understanding of the property market.

They bring a powerful combination of experience and professionalism to their clients.

Our mantra is about customer service.

We work with you and your financial advisors or will introduce you to highly skilled experts who will nurture you through the process. It's your choice.

We start by spending time with you to understand your financial goals and personal dreams. We choose the best property to suit your circumstances and educate you on the whole process.

Get in touch

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