



UNLOCK YOUR EQUITY

A simple guide to unlocking your existing equity to grow your wealth

CONTENTS

It's OK to ask for help	3
What is equity and how can you use it to grow your wealth?	3
Access your own money today	4
How it works	4
Advantages of home equity loan	5
Understand the lingo	6
How Horizon Property Alliance can help	7
Get in touch	8

It's OK to ask for help

There comes a stage in your life when you're in a comfortable financial position and it's time to take the next step – use the equity in your family home to set you up for retirement.

And it's ok to ask for help. You may have a trusted accountant or financial planner but still want to work alongside an expert that lives and breathes the property market. An expert that loves property investing and will only offer property options that they would consider investing in themselves.

Horizon Property Alliance is a fully licensed real estate consultancy that will guide, educate and nurture you to financial independence. Lead by the highly regarded and energetic Mike Knights, Horizon Property Alliance specialises in helping hard working Australians understand the risks, the market, the process and the joy in buying investment property.

What is equity and how can you use it to grow your wealth?

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 one of those words in property investment that is bandied about by many yet understood by relatively few. For a homeowner, the definition of equity is simple:

It is the difference between what your home is worth (your asset) minus what you owe on it (your debts and liabilities).

$$\text{Equity} = \text{Assets} - \text{Liabilities}$$

In other words, the equity you have in a home is how much is actually yours, as opposed to the banks and any other creditors, if you were to sell it.



Access your own money today

The reality is, if you've paid off part of your mortgage you already have some equity, and therefore have a foundation from which to grow your wealth and invest further.

If you've been putting off that investment strategy until you've saved enough capital (deposit), unlocking your home equity provides access to your own money sooner. Depending on your financial circumstances, and the advice you receive from your financial advisor, you may be able to use your existing equity to create an investment portfolio.

How it works

To find out how much equity you have in your home, you will need to get a property valuation. Most lenders will allow you to borrow up to 80% of the value of your home. If you'd like to borrow more than this, then you may need to pay lenders' mortgage insurance or a low deposit premium.

Whether you can borrow additional funds to access the equity in your home will depend on a number of factors, such as income, living expenses and how much you owe.

Using the equity in your home means the total amount you owe on your home loan will increase, which can result in higher monthly repayments. You should always seek professional advice to ensure that your current lifestyle is not compromised.



Advantages of home equity loan

1. The interest rate of a home equity loan is generally lower than personal or credit card loans so it's financially savvy to consolidate all of your high-interest rate repayments into the one loan and save on interest.
2. Purchasing an investment property can be an effective way to grow your wealth. You don't have to wait and save for a deposit when you can use the equity in your current home to finance the new property. Residential investment properties are often a good option as they have the potential to provide investment security, capital growth and rental income.
3. Many home equity loans have flexible features. For example, you have to pay the interest only each month and if you want, you can pay towards the principal also by paying extra in addition to the minimum repayment amount.
4. You have access to the money when you need and can put it back whenever you want.
5. There may be a redraw facility, so if you need extra cash, you can have access to it.
6. If you make an extra payment in addition to your fixed payment amount each month, your loan term may shorten.



Understand the lingo

Being able to speak the industry jargon is part of the fun of learning about property investment. Here's a few terms you'll need to understand to get in the know.

PROPERTY VALUATION

Used to determine the value of a property that will act as security against your loan. It is conducted by a qualified valuer and should not be confused with an appraisal carried out by a real estate agent.

Valuations are professional opinions that take into consideration internal and external inspection of the property plus a look at recent sales of similar properties within the last six months.

LENDERS' MORTGAGE INSURANCE

Lenders' mortgage insurance protects your lender in the unfortunate event of you defaulting on your home loan. When lenders agree to lend a customer money, there is a small risk that they won't get the money back if the customer is not able to meet the repayments. Although they have the house as security, if property values decline that security may not be enough to cover the outstanding loan when the lender comes to sell it.

LOW DEPOSIT PREMIUM

If you plan on borrowing more than 80% of the property value of a home, a low deposit premium is charged by the bank to mitigate the increased risk. The one-off cost of a low deposit premium is added to your home loan so you don't have to pay the additional cost upfront. Generally, you are not required to pay lenders' mortgage insurance if a low deposit premium is paid.

REFINANCE

Obtain new finance for something on different terms, usually involving the paying off of an existing loan by means of a new (and often cheaper) loan.

How Horizon Property Alliance can help

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

1300 859 278
0409 018 778
michael@horizonpropertyalliance.com.au
www.horizonpropertyalliance.com.au

Disclaimer

This information is for general information purposes only. It is not intended as financial or investment advice and should not be construed or relied on as such. Before making any commitment of a financial nature you should seek advice from a qualified and registered financial or investment advisor. No material contained within this ebook should be construed or relied upon as providing recommendations in relation to any financial product.