



Sharona.

Investing in their future

Sharona and her partner were ready to take the first step on their property journey with the purchase of an investment property while they continued renting where they lived.

Sharona longed to own a home in the leafy suburbs of Sydney's hills district. Knowing that this was out of reach for now, the couple strategically decided to invest in a property in order to build the equity needed for their future dream home.

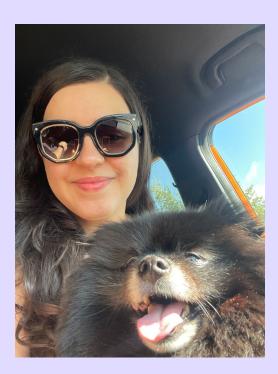
They began looking for a property that would offer the greatest growth potential. For them, this looked like a freestanding dwelling that included a granny flat, in a high growth area like Blacktown – located in Sydney's western suburbs.

Purchasing a bigger and better home with Lenders Mortgage Insurance (LMI)

But with growing property prices and interest rates, Sharona and her partner knew that saving a 20% deposit for a property like this would be difficult.

After allowing for payment of stamp duty*, conveyancing fees and other upfront costs, the couple had enough money saved up for a 12% deposit. Their mortgage broker explained that they could purchase a property priced at \$1.2 million with their 12% deposit, if the lender obtained Lenders Mortgage Insurance (LMI).

After speaking with their tax accountant and weighing up the benefits and risks of buying an investment property, Sharona and her partner decided that rentvesting was the right decision for them.



Rather than delay and continue saving a larger deposit to purchase their investment property, Sharona and her partner were able to purchase a recently-renovated three-bedroom house in their desired location of Blacktown after few months of searching. The property even included a granny flat.



"Buying a home with a 12% deposit while paying LMI gave us a good alternative. Otherwise, we would have to wait a few years, but by then we might be out of the market because of increasing house prices." - Sharona

Rentvesting

Sharona and her partner didn't need to delay or compromise on their property purchase wish list. Instead, they were able to get into the market sooner, and into a higher-value property that wouldn't have been available to them otherwise. The couple are now rentvesting - an investment strategy where home buyers rent out their property while renting somewhere else to continue building wealth.



"I feel like we can now better plan to purchase our dream home, as we now have equity from this Blacktown investment property. This investment is an investment in property, but mainly our future." – Sharona

Benefits.



Increase borrowing power

With LMI, Sharona and her partner were able to increase their borrowing power and purchase a higher-valued property with the smaller deposit they already had.



Get in sooner

Rather than delay and save for their dream investment property, Sharona and her partner used LMI to enter the property market sooner.

Considerations.



Additional costs

An investment property will have additional costs, such as property management fees, ongoing maintenance costs, strata fees, water and council rates.



Rental income is not guaranteed

While rental income can help offset mortgage costs, it isn't always guaranteed that the investment property will be occupied with tenants.



Tax

There are also tax consequences of owning and selling an investment property, which should be considered prior to purchase. Tax advice should be sought from a qualified professional.



Landlord responsibilities and obligations

Sharona and her partner will have responsibilities as owners of a rental property.



Find out more.

Looking to buy an investment property? Find out how LMI can help you get started with a deposit as little as 5% plus additional upfront costs such as stamp duty (subject to satisfying your lender's eligibility criteria).

The Helia website provides tools and resources to help investors navigate the complex world of property. From videos to fact sheets and our award-winning Deposit Comparison Estimator, Helia's resources are designed to help home buyers accelerate their financial wellbeing through home ownership.

* Loan amount based on 83.5 per cent LVR plus the LMI fee which is capitalised into the loan. Excludes stamp duty and other costs of purchase. Assumes that no other fees and charges are payable. Lending criteria and conditions apply to approval of credit products. The actual LMI fee may vary from the estimate depending on a range of factors including, the loan purpose, borrower type, security type or updated information received at the time of the application.

Disclaimer.

This case study is provided only for educational purposes. Information contained in this fact sheet is general information, does not constitute legal, tax, credit or financial advice, and is not tailored to a home buyer's circumstances. Home buyers should consider their own personal circumstances and seek advice from their professional advisers before making any decisions that may impact their financial situation.

Important information.

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