



**SuperFundPro**



**PROPERTY CASH FLOW**  
**ANALYSIS**

**James and Tonya Martin**





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## Areas covered

1. Cash Flow details of your property
2. The three most important costs when buying property
3. Income to the property
4. The Smarter way to buy property
5. How does your purchase compare?
6. Total Cash flow savings



## Your property purchase

Purchase Price	\$500,000
Deposit	\$100,000
Stamp Duty	\$20,500
Legals/lender fees	\$3000
Loan Amount	\$400,000
Loan term	30 years
Interest Rate	7%
Payments per annum	12
Interest Only Period	0
Monthly Payments	\$2,333
Rental Received	\$22,500
Additional loan payments	\$0
Current Income	\$100,000
Assumed tax rate	0.455
Income Growth	
Capital Growth rate of investment	1.05%
Age of Property	10
Holding Period	20 years
Rates/Levies/Repairs for Property	\$4,000
Capital Gains Tax Rate	22.50%



## The three most important costs

1. The upfront costs
2. The ongoing costs
3. The costs to sell



## Upfront costs

Upfront costs can be broken down as:

1. Deposit
2. Government Charges
3. Fees



## Upfront costs

### 2. Government Charges

Stamp Duty on Mortgage

Registration of Mortgage

Stamp Duty on Purchase

Registration of Title Transfer

Total Government Charges

Stamp Duty of purchase	\$17,990
Stamp duty on mortgage	\$1,541
Registration of the title transfer	\$75
Registration of mortgage	\$75
<b>Total Government charges</b>	<b>19,681</b>

### 3. Fees

Loan Establishment Fee	\$600
Estimated Legal Costs	\$1,200
<b>Total Fees</b>	<b>\$1,800</b>

Deposit	\$100,000
Government Charges	\$19,681
Fees	\$1,800
<b>Total</b>	<b>\$121,481</b>

Ongoing costs to support the investment:

- Loan repayments
- Accounting
- Advertising (for new tenants)
- Bank charges
- Council Rates
- Property levies
- Insurances
- Property management
- Repairs and Maintenance
- Miscellaneous

Loan repayments	\$28,000
Accounting	\$250
Advertising(for new tenants)	\$50
Bank charges	\$120
Council rates	\$600
Property levies	\$3,600
Insurances	\$275
Property management	\$1,925
Repairs and maintenance	\$500
Miscellaneous	\$500
<b>Total</b>	<b>\$35,320</b>



## Ongoing Rent

Off-setting these ongoing costs is the rent received

- Weekly rent \$500
- Annualised \$26,000
- Adjusted for vacancies \$25,000

### Holding costs p.a.

Item	Amount	Rental
Total income	\$25,000	
Expenses	Interest	\$28,000
	Rates/Levy	\$4,846
	Other	\$2,474
Total expenses		\$35,320
Net cash flow		(\$10,320)

### After tax holding costs

Your holding costs per annum for this property is:

**\$10,320 or \$198.46 per week**

Based on your current income, you would receive a negative gearing benefit of \$10,320 at the end of financial year.

Ongoing cash required to hold this property is \$10,320 before the tax benefits

**\$6,501 with negative gearing benefit**

### Sale of investment property

Costs to consider when selling:

- Agents fees (typically 1.5%)
- Capital Gains Tax payable

### Calculating future property value

Growth	Rate	Purchase price
Year	5%	\$500,000
1	5%	\$525,000
2	5%	\$551,250
3	5%	\$578,813
4	5%	\$607,753
5	5%	\$638,141
6	5%	\$670,048
7	5%	\$703,550
8	5%	\$738,728
9	5%	\$775,664
10	5%	\$814,447
11	5%	\$855,170
12	5%	\$897,928
13	5%	\$942,825
14	5%	\$989,966
15	5%	\$1,039,464
16	5%	\$1,091,437
17	5%	\$1,146,009
18	5%	\$1,203,310
19	5%	\$1,263,475
20	5%	\$1,326,649

### Agents fees

Agent's fees = % agents fee x Property value (+ advertising expenses)

- Agents fee of 1.5% and future property value of \$1,326,648
- Total agents fees are \$19,899



### Capital gains tax

Capital gains tax is payable on the sale of investment property

Calculated by-  $(\$1,326,648 - \$500,000) \times 22.5\%$

**Total CGT payable = \$185,995**

### Total cost of sale

Costs to consider when selling:

- Agents fees- \$19,899
- Capital Gains Tax payable- \$185,995
- Total Sale Costs- \$205,894

### In summary

Total Upfront Costs	\$121,481
Total Ongoing Costs	\$206,400
Total Selling Costs	\$205,894

### The smarter way to buy property

Did you know you can buy property with your Superannuation?

- By setting up a Self Managed Super Fund, or using your existing SMSF, you can now purchase property with your super
- Plus, if you don't have enough in your Superannuation to buy the property, you can now borrow money with your SMSF to enable the purchase
- So how does this option stack up compared to the proposed investment?

### Buying property in super

	Proposed Purchase	ASIMteSrnfative with	SMSF Funded costs
SMSF Establishmen	\$0	\$1,000	\$2,500
Bare Trust Corporate	\$0	-	\$2,000
Deposit	\$0	\$100,000	\$100,000
Government Charges	\$19,681	\$0	\$19,681
Fees	\$1,800	\$0	\$1,800
<b>Total Cash Required</b>	<b>\$121,481</b>	<b>\$1,000</b>	<b>\$125,981</b>

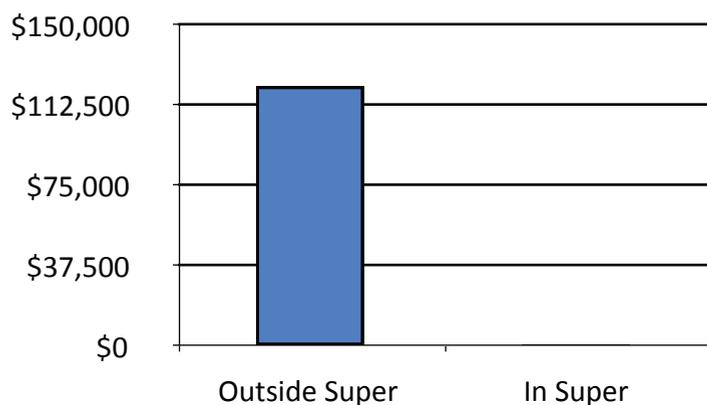


### Comparing upfront costs with SMSF

Upfront costs of your proposed purchase are \$121,481

Upfront costs of purchasing using a SMSF \$1,000

**Total upfront cash saved \$120,481**



### Ongoing costs

	Proposed- cash required	Cash required with SMSF	SMSF Funded Costs
Rental Income	\$25,000	-	\$25,000
Ongoing Costs	\$35,320	\$0	\$35,320
Cash required to hold property	\$10,320	\$0	\$10,320`

### Ongoing Costs with SMSF

Proposed property purchase will cost \$10,320 p.a.

If you purchase with a SMSF, it will cost you nothing

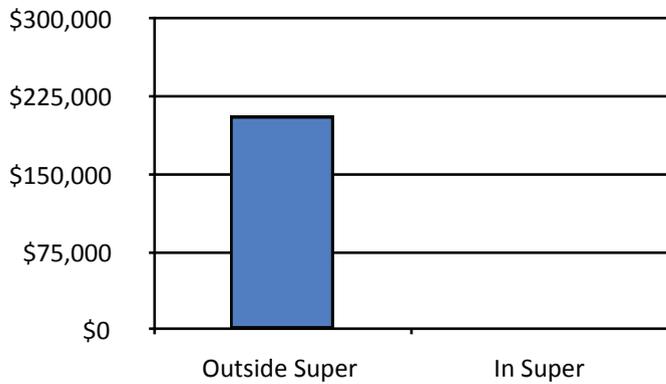
\$0 impact on your day to day cash flows.

### How?

Using a SMSF will allow the fund to receive rent

+ your Superannuation Guarantee (SG), of \$20,000 can help pay holding costs

SG can be used for holding costs and/or to reduce the debt on the property within SMSF

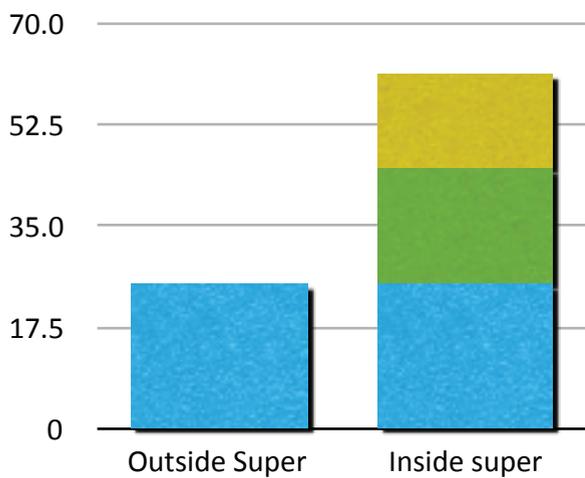


### How will it cost me nothing?

Your SMSF will receive rent plus you can use your Superannuation Guarantee (SG), of \$20,000 p.a.

Rent and SG help with holding costs and/or to reduce debt in SMSF

■ Rental   ■ Super   ■ Salary sacrifice





### The fastest way to be debt free

UProposed purchase will pay the mortgage down in 30 years

Using SMSF, you could use your Super Guarantee to pay the debt down on the purchase.

### Paying down debt is super

Purchasing with a SMSF will give you the potential to pay the debt down much faster than your proposed purchase.

Purchasing in SMSF you can pay down debt by using:

- Rent from the property
- Superannuation Contributions
- Salary sacrifice

### 3 ways to pay debt in SMSF

■ Rent	\$25,000 p.a.
■ Superannuation Guarantee of	\$20,000 p.a.
■ Your proposed purchase would cost	\$16,380 gross p.a.
■ <b>Total revenue to the SMSF-</b>	<b>\$61,380 p.a.</b>

\*you should consult your financial advisor to determine if Salary Sacrifice is suitable for your needs

### Here’s a thought

Proposed purchase will cost you \$10,320 p.a. (net income)

So you have to earn \$16,380 gross to pay for this annually

If You use the gross income as a Salary Sacrifice to your Super, you could get \$16,380 into your Superannuation per year

There could be an extra \$16,380 p.a. to pay down debt inside your Super

### What if?

You were in a position to use the gross income you would have used to pay the ongoing costs of your property, i.e. \$10,320 as salary sacrifice to your super, you could pay an extra \$16,380 p.a. off your mortgage in SMSF



### Warning

There are contribution limits to the amount you can put into your Superannuation on an annual basis, so be sure what you are allowed to contribute.

Harsh penalties apply for 'excessive contributions', so be sure not to make the mistake of putting too much into your Super

Super Fund Pro has a Contributions Review to show you exactly how much you have contributed and how much you are allowed to contribute on an annual basis to help you avoid this costly mistake

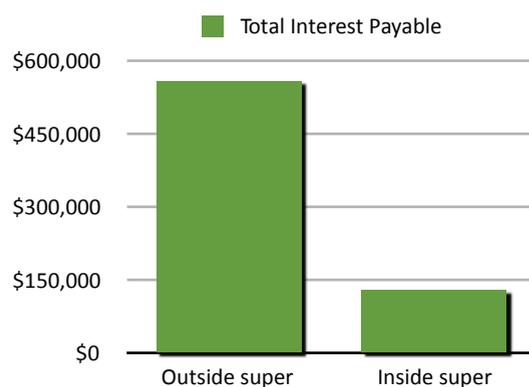
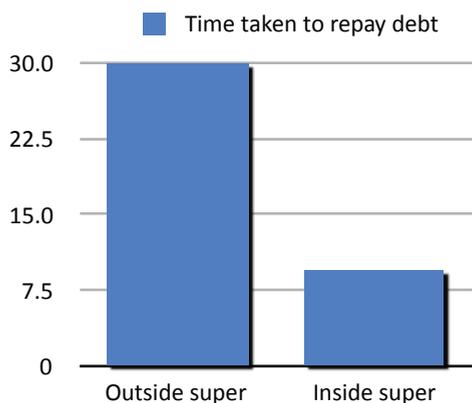
Income year	Cap	Cap for over-50s
2012/2013	\$25,000	\$25,000

Income year	Cap	Transitional cap for over-50s
2011/2012	\$25,000	\$50,000
2010/2011	\$25,000	\$50,000
2009/2010	\$25,000	\$50,000
2008/2009	\$50,000	\$100,000

#### Non-concessional contributions cap

Income year	Cap	Bring forward rule
2012/2013	\$150,000	\$450,000
2011/2012	\$150,000	\$450,000
2010/2011	\$150,000	\$450,000
2009/2010	\$150,000	\$450,000
2008/2009	\$150,000	\$450,000

### What about the debt?

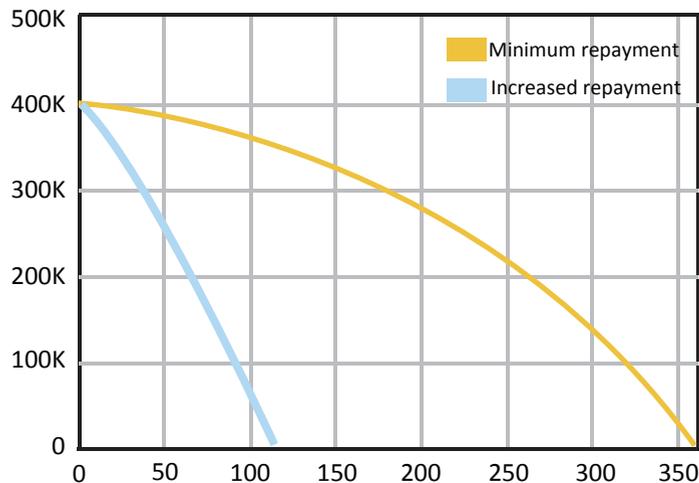




### Debt reduction strategy

Outside of super you will be debt free in 30 years

With SMSF, debt free in less than 10 years



Minimum monthly repayments: \$2,728,71

increased monthly repayments: \$4,898,71

**Time saved: 20 years, 7 months**

interest saved: \$429, 399,48

### A Smarter way to pay?

	Without SMSF	With SMSF	Total Savings
Time required to be debt free	30 years	9 years 5 months	<b>20 years 7 months</b>
Total Interest Payable	\$558,216	\$128,817	<b>\$429, 399</b>

### Comparing selling costs with SMSF

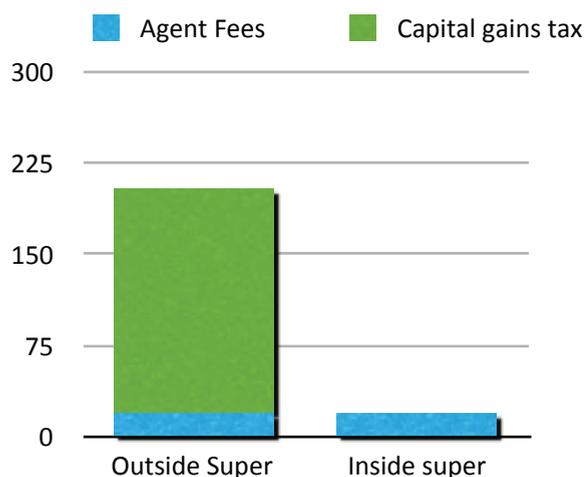
The 2 major costs of selling a property which affect your cash are:

1. Agents Fees
2. Capital Gains Tax (CGT) payable

\* If you are over 60 and in pension phase there may be no capital gains tax payable in SMSF



### Comparing selling costs



### In summary

	Without SMSF	With SMSF
Upfront Cost	\$121,481	\$1000
Ongoing cost	\$10,320 p.a.	\$0
Costs to sell	\$205,826	\$19,831

### Total cash flow savings

Upfront Savings	\$120,481
Ongoing cash flow savings (20 years)	\$216,166
Sale costs cash savings	\$205,826
Combined Cash Flow Savings	\$542,473

### What is the next step

1. Decide if a SMSF is right for you
2. Ask your broker who they would recommend or
3. Contact us on 1300 787 365



# SuperFundPro

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