

Increasing your Equity

How do you increase wealth or equity ... without relying on capital growth?

People buy investment properties to increase their wealth, and the best way to increase your wealth is by increasing the amount of equity in your property. Equity is the value of your property minus the debt. So there are two ways to increase the equity:

1. Capital growth

The market pushes the value up, and this is called capital growth. But you have no control over the market.

2. Debt reduction

Reducing your debt at an accelerated rate is the best way to increase your equity.

Here's what we recommend to clients so they can reduce debt more quickly and increase their equity without having to rely on capital growth.

Reduce the running costs

When you reduce your investment property outgoings, you have more money left over to reduce the debt more quickly. Here's some tips on reducing property outgoings:

- ▶ Make sure you review your interest rates regularly
- ▶ Review the Property Manager's fees regularly
- ▶ Make sure all the maintenance gets done as soon as possible as you do not want a small leak to become a big problem.

Claim your deductions during the year

- ▶ The government allows you to claim your tax benefits during the year and actually by claiming the tax benefits on a weekly, fortnightly or monthly basis you can reduce your debt faster than by claiming it at the end of the financial year. Ask your accountant if you are not already doing this.

Increase your rental income

- ▶ Do periodic reviews of your rental income. Even a \$5/week increase could result in your loan being decreased by six years and savings of \$88,000 in interest costs.

Increase your equity with strategic renovations

- ▶ Undertake strategic renovations. A strategic renovation would be an extra bathroom, extra bedroom, a deck or a garage. This increases the value of the property but also will demand higher rental income which you can then use to pay down the debt faster.
- ▶ There are other types of renovations that may feel good or look good but at the end of the day, do they actually increase rent or do they actually increase the value of the property? Be careful with those sorts of renovations.

We help Australians achieve financial security through strategic property investment.

Contact Mirren today (02) 8814 5275 for your free consultation.
No guesswork. No dramas. Just results.

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