RayWhite®
TEA GARDENS HAWKS NEST

REMINDER
Please don't forget to drop in or email your water accounts so we can invoice your tenants for their usage!!

Cash Flow or Capital Gain - What Goal Is Best For You?

Much the same as the share market, the property market moves through cycles. But before diving into the property market it's important to consider your strategy and long-term objectives, as this may influence what and where you buy.

There are two chief goals for investors: ***capital gain*** and ***cash flow***. While it's quite realistic to achieve both, the two should at least be considered separately and prioritised before making your move.

Captain Gain

There are two different types of capital growth; capital gain is the profit an investor makes after selling the property, and capital value growth is an increase in the value of the property while you still own it.
Capital gain is the profit an investor makes after deducting the purchase costs and any costs associated with selling the property; this amount is taxable.
Capital value growth can occur if you have improved the property with renovations or as historically happens, the value of your property increases due to wider or suburb specific property trends. If you don't sell your property you will not have to pay taxes on your capital growth.
Australian property has historically doubled in value every 7-12 years, which may not be as dynamic as some other investments, but is generally considered one of the safest.

Cash Flow

Cash flow is effectively what is left in an investors wallet once all ongoing costs are deducted from the rent. In simple terms, cash flow is gross rental income less property expenses, less loan repayments, plus any tax benefits. If you wish to generate ongoing rental income, then having a cash flow objective may be the best option for you.
While you may need to dip into your own cash reserves in the early stages to repay the mortgage on the property (negative gearing) there are tax benefits associated with this.
However, as rentals continue to rise there may be a point where your property may become cash positive (positive gearing) - delivering a steadily increasing monthly reserve. These extra funds can be channelled back into the property to drive down the principal debt or spent on other purposes.
Claiming tax depreciation to reduce your taxable income can also assist your cash flow. You could be eligible for thousands of dollars in depreciation deductions, just ask your accountant.
We can make it easy for you and your accountant by collating the information you need related to your investment property's expenses.

What Is The Best Option For You?

Remember, when working out what investment is best to you, consider your long-term goals before you buy and finance your investment. Some properties may offer better opportunities for capital gains while others may command higher rental values over the years.
It's also important to discuss your funding options with your financial advisor and accountant. Different loans and repayment structures will suit different strategies so it is vital to find the right product and strategy that meets your needs.

We hope all of our landlords and their families are staying safe during this pandemic. We are pleased to announce that all of our tenants are in favourable financial positions and we haven't had any tenants seek rent reductions or rent deferrals - we are keeping in touch will all tenants and making sure we are informed of any financial changes in the future. If you have any concerns please do not hesitate to contact our office on (02) 4997 9022. Best Wishes.