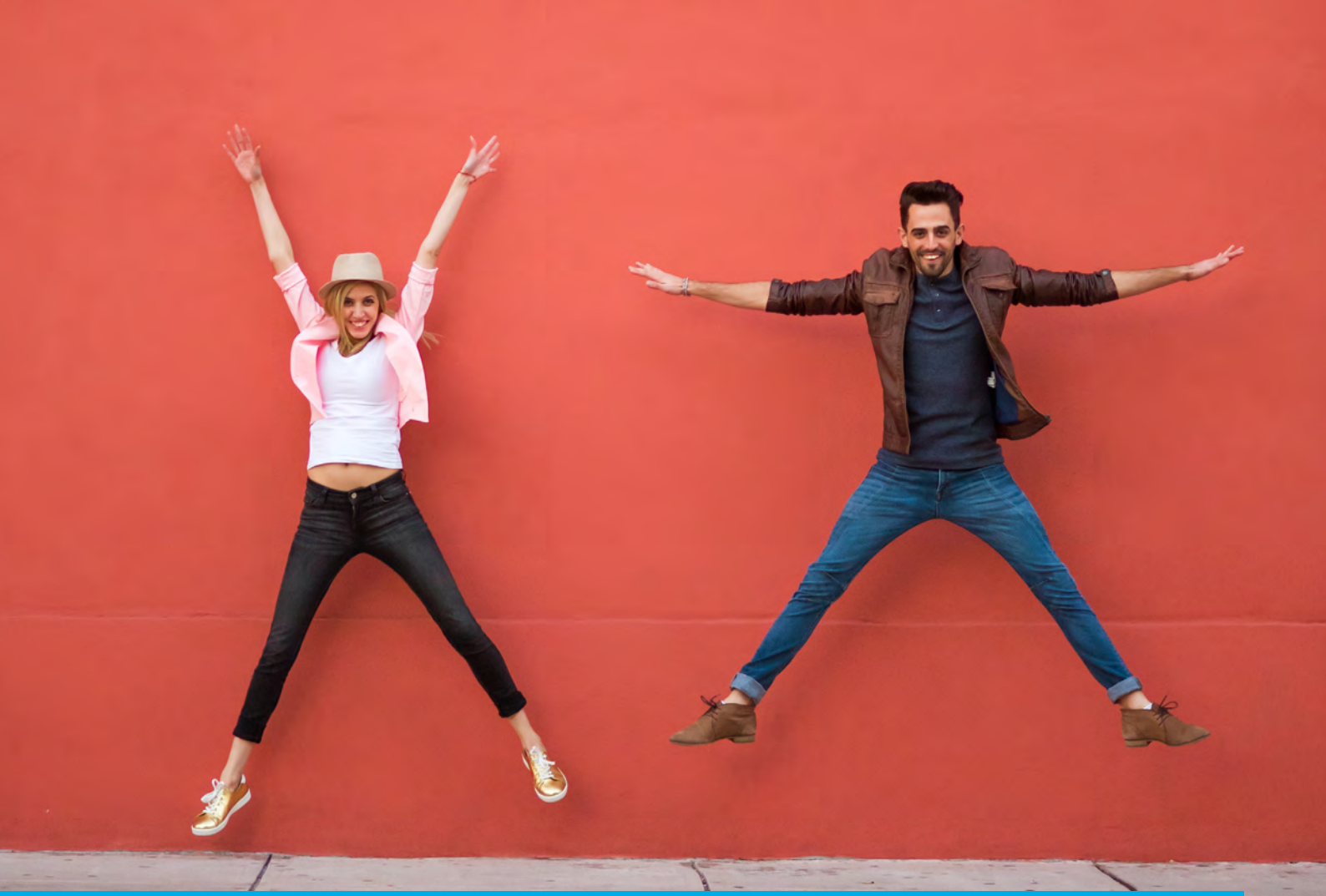
Loan Market™

Own a home, invest in another.

5 steps to a side hustle.



Own a home, **invest in another.**

Who says you can't do both?

You don't need to be loaded to have an awesome property portfolio. You just need to get smart.

Your property investment checklist.

1. Use your home to buy another
2. Nail your budget
3. Get a loan that works for you
4. Cashflow aka show me the money!
5. Choose the ultimate investment property

5 steps to a side hustle.

Owning and investing how's that for a side-hustle?

1. Use your home to **buy another.**

Ok let's tackle the big one, deposit

So, you've already got a home - win. That means you might be able to use the equity in your current home to top up your deposit.

Accessing your equity

You'll need to work out your Loan-to-Value Ratio (LVR). You just need to have a valuation done on your property (tip, your adviser can help with this). From there, a lender will use your LVR to figure out how much equity you have and how much you'll be able to borrow.

Deposit sizes and the requirements you have to meet vary from lender to lender, but the rule of thumb is a 20-35% deposit.

Loan Market advisers work with some lenders that can offer loans with a 20% deposit so you're in with a pretty good chance of finding a loan that will work for you.

Don't forget, equity is not free money. When you access your equity your loan balance will increase and so will your repayments.

What is equity?

Equity is the difference between the money you owe on your property and what a lender thinks your property could sell for.

If you had a loan balance of $500,000 and you had your property valued at $800,000 then you would have $300,000 of equity and a loan-to-value ratio (LVR) of 62.5%

2. **Nail** your budget.

You don't need to be mega-rich to have a side hustle investing in property. Once you've nailed your budget, you're halfway there.

It's all about knowing what costs you're up for and making sure you're prepared. An investment property has a lot of the same initial costs as a property you live in, but there are a few ongoing costs you need to have on your radar.

Some things to consider:

- **Insurance:** You never know what's going to happen, so it's good to have landlord insurance. No one wants to be out of pocket for a flood stained apartment or tenants who won't pay rent.
- **Rental management:** You're going to want a good property manager - they're worth their weight in gold.
- **Maintenance:** Being an owner means you'll want to keep your investment looking its best.

Borrowing power vs buying power

Straight talk; your borrowing capacity (aka the amount of money the bank or lender will lend you) is not the same as what you can spend on your new property. Your adviser can help you work out the fees and costs that apply to you so you'll know in advance what your repayments will be and how much you can really spend on your new property.

Don't stress though,

your adviser can help you sort through the numbers and set a budget that works for you.

3. Get the **right loan.**

You're going to want an adviser on your side when it comes to getting a loan that's right for you. For more than two decades we've been helping Kiwis find the right loan from the largest panel of New Zealand's leading banks and lenders.

Negotiate and save

There's a whole heap of options and product features that come with different loans; offset accounts, redraw facilities, fixed and variable rates. We've got your back. A Loan Market adviser can access investment loan offers for you and negotiate a competitive deal.

We look to save you in interest payments and fees by finding the right loan and repayment structure for you.

4. Cashflow aka **show me the money!**

To really be an investing guru you'll need to absolutely **nail** your property investment strategy.

Negative gearing

Negative gearing is a way of minimising your taxable income - woo hoo. A property investment with negative cash flow means the expenses you're paying on the property are greater than the income you get from the property.

Don't get too excited though, if you're making a loss on your investment property you're losing money, so you'll need to make sure you have other income to fund your expenses. If you sell your property for a profit, within two years of buying, the tax man collects on the capital gain.

Loan Structure

Loan structure plays an important part in reducing your taxable income, and we know it can be complicated. Don't stress - talk to your adviser when you're ready to go.

Rental yield

Rental yield is the money you earn from rental income minus any expenses you have to pay.

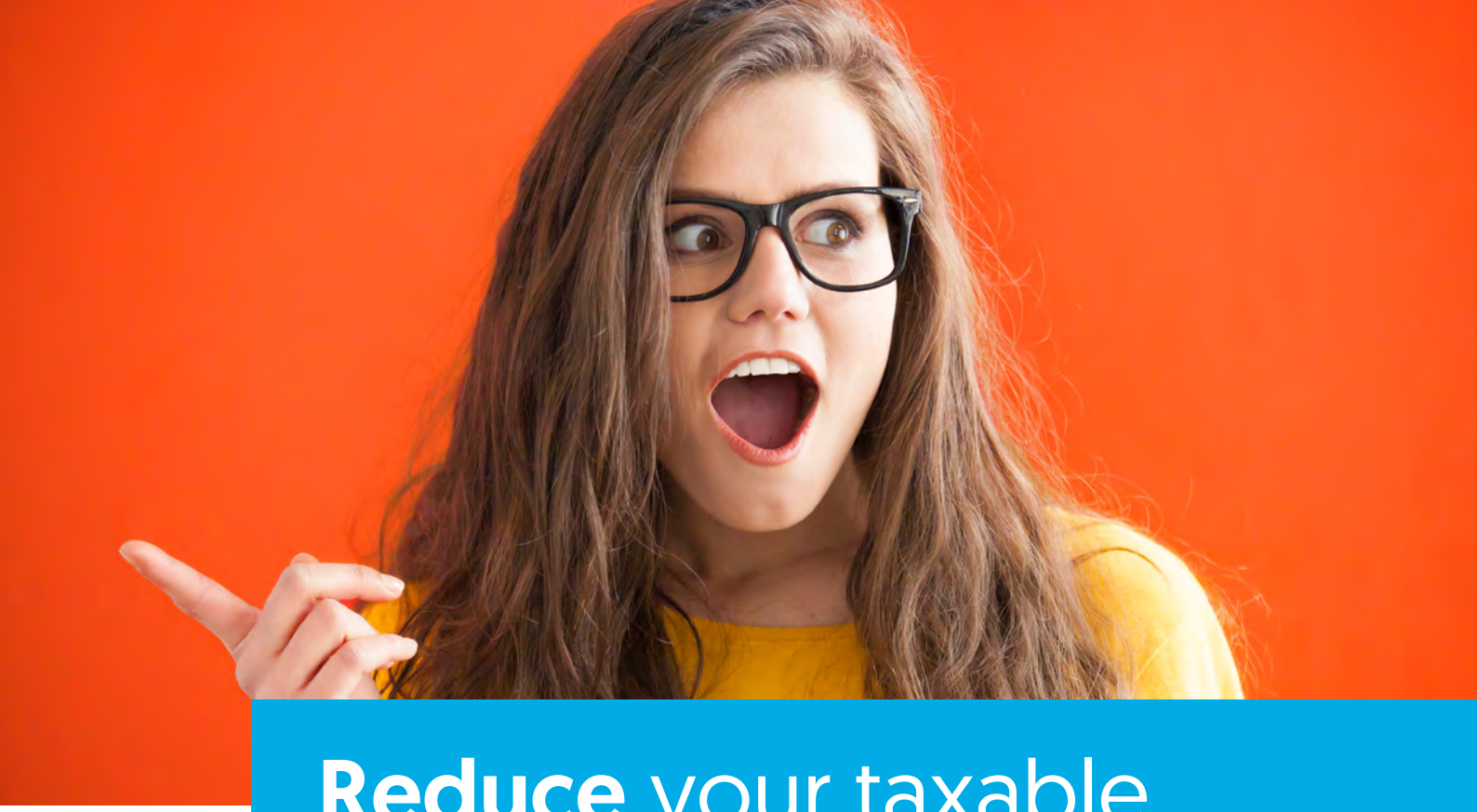
Rental yield can be calculated as a gross percentage (before expenses are deducted) or as a net percentage (with expenses included).

Gross rental yield

Gross rental yield = (annual rental income / total property cost) x 100

Net rental yield

Net rental yield = (annual rental income - annual expenses) / (Total property cost) x 100



Reduce your taxable income. Let's do the sums.

You rent out your one-bedroom apartment for:
$1,300 per month

Your monthly loan and interest repayments are:
$1,500 per month

You pay other property costs of:
$300 per month

You've got a shortfall of:
$500 per month

Which is a yearly shortfall of:
$6,000

Your annual salary is:
$100,000

Your salary minus your shortfall is your new taxable income:
$94,000

5. Choosing the **ultimate investment property.**

As a property investor the dream is a high yield property in a location with big capital gains, strong rental return and low maintenance costs - not asking for much.

But, what if your area is seriously expensive? Have you thought about investing in other parts of the country? We think it's worth a look.

Gather your posse

It's not always possible to view properties. Read carefully, buyer's agents are your new best friend. Say you're living in Auckland and you've found a great property in Canterbury; you could take time off work, hop on a plane and go see it or you could use a buyer's agent. A buyer's agent will check out the property and suburb and let you know if it's a good fit for your strategy. You will need to pay your buyer's agent a commission fee.

The other member of your investment gang? Your adviser. A Loan Market adviser can help you calculate the costs of investing in another area and find the right loan for you.

Next up; which suburb to invest in?

Which suburb should you invest in? Well, we haven't got a crystal ball (sorry), but we can give you some tips on what to look for in a suburb.

Ideally, you'll want your suburb to have or be close to:

- public transport
- shops
- parks
- entertainment complexes
- employment areas
- schools
- hospitals

Got all of that? Now, don't forget to ask about future development plans. If your suburb has infrastructure improvements or development scheduled in the near future that could see a growing need for rentals like yours.

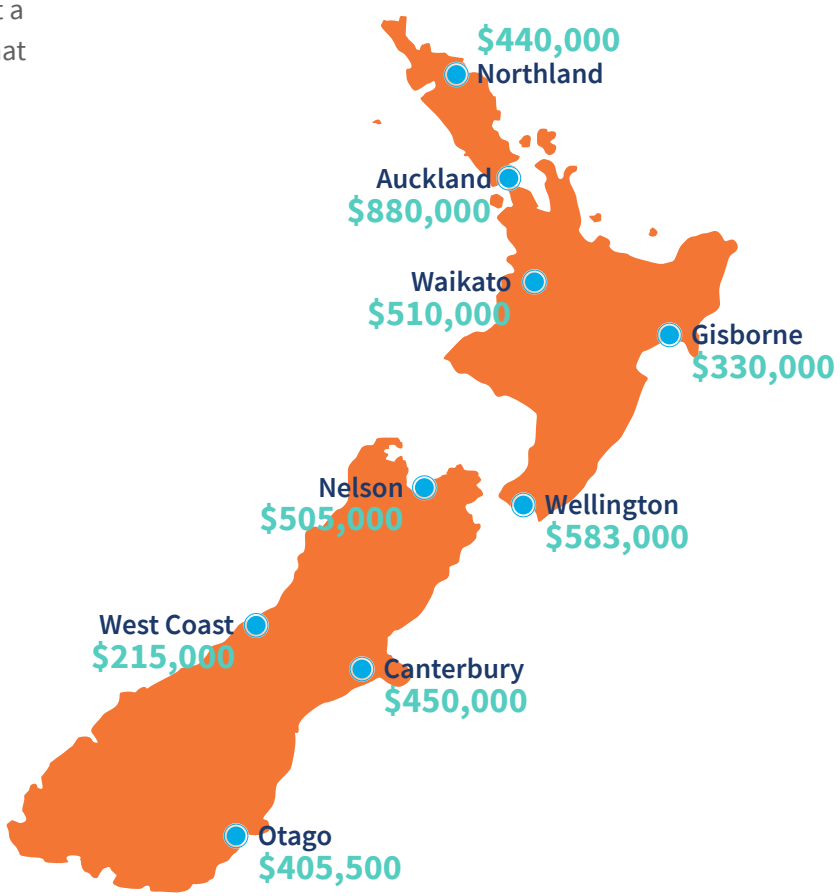
Lastly, take a look at the vacancy rate in your suburb. A low vacancy rate means high rental demand which is good for you.

Do your research

Ok, so you don't know the market as well as you know your own area, but with bit of research you'll soon know what's worth your time.

Use average house prices for that area to know if what you're looking at is good value. Then, consider any extras the property has that might mean capital growth.

*New Zealand median house prices**



*Source: REINZ Residential Statistics Report March 2018

Loan Market is not a bank, nor is it owned by a bank.

Family take care of family

That's what Loan Market has been doing for 23 years – helping New Zealander's find the right loan for their goals and each unique situation. We're a home-grown company – still proudly family owned and led.

Keeping the market competitive

We have one of the largest lending panels. It's our job as advisers to keep the market competitive for you and negotiate with all the lenders on your behalf.

We're in business for you

We come highly recommended with 9 out of 10 customers saying they would recommend Loan Market's service to family and friends. Meaning we're motivated by your customer experience.

We work for you.

An obsession with getting you approved.

The power to negotiate a competitive deal.

No cost – we're paid by the lender, not by you.

Enjoy that *amazing feeling* of **receiving rent from a total random.**

Get a Loan Market adviser working for you.
Make the call today.