



# Investor and Property Acquisition Tax Investment Specialists TLK Partners Sydney

## Does Cash Rule When Buying Investment Property?

Does Cash Rule When Buying Investment Property? When considering how to pay for an investment property a number of factors have to be taken into account. One of the toughest is deciding whether to pay in cash or take out a loan or mortgage to fund it. According to TLK partner Matthew Mousa in Sydney, it's very much a case of choosing which hat fits best for achieving the long term goal behind the property investment, will be most comfortable in the long-term, and keep its shape whatever the weather.

**When the Numbers Count** Choosing the wrong payment could prove disastrous for any of those 1 in 10 Australians who own investment properties. But it is especially tough on three out of four, or close on 75%, of those investors, who own only one. These include young Australians trying to get a foot in the property ownership door while renting elsewhere. But mostly they are made up of mothers and fathers looking to build a retirement nest egg, and who choose (or can only afford) to put all their eggs in a single investment property basket. Their savings and financial futures are tied up in this one-time purchase, and its failure as an investment could be disastrous.

RELATED ARTICLE: NSW CGT Chartered Property Tax Investor Accountant TLK Partners Kingsgrove Sydney

**The When's and Why's of Paying Cash** Those that pay cash face less stress should the rental market experience a downturn, there's a recession, or the investor has a minor cash flow hiccup. With a fully paid and operating rental property, there's always the security of a rental income, even if it has dropped due to these outside forces. Full ownership also keeps open the option to live in it, or the choice to sell it to raise capital. And, best of all there is no need to pay loan or mortgage repayments when the cash flow is taking a knock.

Cash also talks loudly when it comes to buying the property in the first place, improving chances of finalising a deal quickly, and getting a bargain in the process. And it cuts down on the frustrations and time involved in negotiating a mortgage or loan.

However, Mousa warns that paying cash for the property carries huge risks. It only works if the investor is able to pay for it and still have a large enough left over balance, to maintain the property, pay the necessary levies and taxes, ride the ups and downs in the rental sector, and cover other unexpected expenses such as those spells when the rental stands empty.

RELATED ARTICLE: Property Tax Wealth Advice Accountants Kingsgrove Sydney by Expert Matthew Mousa TLK Partners

**When Mortgages And Loans Fit Best** While there can be no choice but mortgages and full or partial loans when an investor does not have access to the amount of cash needed to pay the full purchase price. But they can also be the best choice when the balance after the cash purchase would not be high enough to cover all contingencies.

But mortgages and loans have other advantages. They maintain asset liquidity, allowing access to assets when needed, and removing the need to raise a home equity loan against the property during tough times. And they also provide financial leverage because, should the property's value rise, the return on investment is higher. This is because the increase in value is measured against the amount of cash invested as a deposit, rather than the much larger investment made when an investor paid the full purchase price in cash.

Mousa points out that when it comes to choosing to finance for a long term investment like property, it can prove to be both time-consuming and frustrating. The pros and cons, and expert advice such as that provided by TLK Partners's property acquisition division, need to be taken into account before an investor, and particularly a first-time one, makes a decision.

RELATED ARTICLE: Investment Property Acquisition CGT Tax Expert Matthew Mousa of TLK Partners Kingsgrove Sydney

TLK Partners Wealth Management Companies Kingsgrove, Beverly Hills | Tax Accountant & Agent | Property Adviser are financial management, retirement planning and wealth advisers serving enterprises and private individuals who hope to take care of their future through sound financial management. Visit their website or contact them at (02) 8090 4324 for an appointment to discuss your financial management and investment needs.

This material is of a general nature only, it does not take into consideration your financial circumstances, needs or objectives. Before making any decision based on this content, you should assess your own circumstances, seek professional advice or contact our office to be directed to the appropriate professional. Whilst all care has been taken in presenting the material neither TLK Partners or its associated entities guarantee that the material is free of error and, the information may have changed since being published.

Syndicated by Baxton Media, the Market Influencers.