Seven smart questions
for property investors

independent

Top tips for investors and live-in owners on investing in property.

ASK YOURSELF THE FOLLOWING:	INVESTORS	LIVE-IN OWNERS
1 Do you have a depreciation schedule?	A depreciation schedule is one of the most powerful tools a property investor has. It shows a breakdown of your entire property and tells you how much you can depreciate. By getting a depreciation schedule done as soon as your property is completed, you'll be recording its value when it's brand new, thus maximising your return.	If you're a live-in owner, that depreciation schedule will be a valuable document should you rent out the property. It will also be requested by buyers when you come to sell. An understanding of depreciation and how you can claim it as a tax deduction could save you thousands.
2 Do you know what you can and can't claim as a tax deduction?	Council rates, strata levies, bank fees, borrowing costs and agent statements are just some things you can claim. Make sure to keep a clear record of these expenses to take to your tax agent. The legislation on what you can claim changes regularly. Some things can be claimed outright. Others are depreciated over time. Consult with your property manager or accountant to make sure you're up to date.	For live-in owners, this knowledge will help you decide what improvements to make now if you plan to invest down the track.
3 Do you keep every single receipt?	Ensure you have the receipts of any expense you make on your investment property. This includes everything from insurance premiums to the gardener who only takes cash. If the ATO audits you, you will need to prove these deductions with the receipts.	If you are a live-in owner now but will rent your property out in the future, these receipts will be a valuable resource. You can claim a proportion of expenses incurred now for the period of time later when you're using the property for investment purposes. Your receipts will help you work out that proportion.

4 Do you prepay interest to reduce your taxable income?

Did you know that you can improve your cash flow by covering costs up front? You can prepay the interest on your investment loan, premiums on your landlord insurance and council rates for up to 12 months.

This lowers your taxable income to decrease your PAYG tax obligations. This is particularly useful in that first year after you've settled on your property, when you've had additional closing costs to cover.

Live-in owners, however, should not prepay. You're better off keeping your money in your home loan or redraw account for as long as possible to minimise your interest payments. That way you can pay down the principal faster and build equity for the future.

5 Do you know how to compound your investment returns?

If you're negatively gearing your investment property, you'll probably enjoy a sizeable tax return at the end of the financial year. Spend it on property improvements to attract tenants, command higher rent and increase what your property is worth.

Your property manager is a wealth of information on what to improve. They know what tenants look for and what they don't and can give you advice on spending your return in the smartest way.

For live-in owners, too, this is the smartest way to spend your tax return. Your property is your biggest asset. Improve it to build equity, realise a great sale price or attract future tenants.

6 Do you have a five-year plan?

For investors, you may be planning to keep it for the long term or sell for a profit, borrow against it to expand your investment portfolio or enjoy positive cash flow in your retirement.

No matter what the plan, your home is an asset that helps you build wealth. Keep it in great condition, add improvements and make sure you're claiming all the deductions to which you're entitled.

For live-in owners, the plan might be to upgrade to a larger property in the future and keep your current home as an investment. Alternatively, you might stay living in it but leverage the equity for an investment elsewhere, or you may want to sell it outright.

7 Do you have professional support?

Your investment property provides you with income. Treated well, it will continue to grow in value to help you build a nest egg for the future. To take your investment seriously, consider hiring professionals to help.

A professional property manager can help you market the property to attract tenants, vet applicants and ensure that the rent is paid on time. They'll advise you on your market position, help you decide how much rent to ask and organise maintenance and repairs.

Even if you're currently a live-in owner, consider talking to a property manager now. By educating yourself on where your property sits in the market, you can make decisions that will stand you in good stead for the future.