

Investment Property - 3 step process

At Cloud9 Property we are here to assist you throughout the entire process of acquiring your investment property. We want you to have an informative and enjoyable experience with a team of professionals who can advise you on every aspect of your purchase.

Please note: Cloud9 Property does not provide financial advice or credit assistance, but can help you in finding a professional to provide these services.

You're not obligated to use the professionals we usually work with, but we feel that using our trusted partners will provide you with an enjoyable investment experience that will save you time and stress, as well as giving you a great result. Each professional will engage you separately and explain their services, and how they are paid.

A structured decision process

There are three key elements in buying your investment property.

- Make a plan
- Get your finance organised
- Select a property

Making a plan

The first step is to be clear about why you are investing. Consider:

- What outcome do you want
- Understanding the benefits and risks
- What's your investment time frame
- How much capital do you want to contribute
- Cash flow requirements from your personal funds

Whether you make these decisions on your own or with the help of a financial adviser, is your choice. Having the knowledge to make a decision is important, but, having experience on how to apply that knowledge, is even more important. Unless you are an experienced investor, we would recommend you seek professional advice in developing your property investment plan.

Organising your finance

Now that you have a clear vision for what you want to do, the next step is to work out your finances, viz;

- How much you can borrow
- The funds you will need to complete the purchase, including legal and transfer costs
- The price of the property you can purchase

Your mortgage broker can assist you with all these answers. Again, you need to consider knowledge versus experience. As part of their service, your broker will confirm your borrowing capacity and determine the maximum price of your intended purchase.

If you are buying through your SMSF

If you are buying your property through an SMSF and borrowing to purchase the property, a Custodian (or Bare) Trust has to be established. Most lenders insist that the trustee of the Custodian Trust be a company.

This is the time for your financial adviser to establish the custodian trustee company. This trustee company holds the title to your SMSF property whilst there is a loan against it, and the company name will appear as the purchaser on the contract, so the company should be established before you enter into any arrangement to purchase a property. This is part of your SMSF set up service provided by your financial adviser.

Selecting a property – lucky you found Cloud9 Property to help you with your selection 😊

After you have a clear understanding of what you want to spend, it's time to start searching for a property. As with the investment stage, you should make a plan on what you want to buy.

Cloud9 Property will help you develop your property selection criteria, which in most cases, will be determined by the purchase price and your investment time frame.

The selection criteria, for your property

- Price
- Rental return
- Capital growth
- Location
- Type - house, townhouse or apartment
- Timing for purchase – completed, under construction, to be constructed, off the plan
- Timing for sale – investment time frame – how long do you intend to keep this property
- Property acceptable to your selected lender, as a security for the loan

Property Selection Decision

We will consult with you (and your mortgage broker / financial adviser where relevant) on each of these criteria and then conduct research to find suitable properties for you. When you select a property, we will liaise with your mortgage broker to confirm with the lender - acceptable postcode, property type (new, existing, high density, strata title, etc.), and borrowing capacity, before you sign the contract. Lending policies change regularly and even a pre-approval will be invalid if policies have changed since it was issued.

Also, depending on the State where you purchase the property, you may need a loan pre-approval in place to be able to meet the terms of the contract. We will advise you on this and the appointment of a conveyancer during the property selection process.

SMSF property – purchasers name on the contract

There are some very specific requirements in some states and territories when identifying who the purchaser is on the contract.

In NSW, Victoria, Tasmania, the ACT, South Australia and Queensland, the purchaser should be the name of the holding trustee only. There should not be any references to “as trustee for the bare trust” or “as trustee for the SMSF”. If you get this wrong, it may result in adverse stamp duty implications.

SMSF property - organising the custodian trust - stage 2

Your financial adviser will prepare a custodian trust deed for you once the property is selected and ensure that it is executed correctly as part of your SMSF set up. This trust deed is signed and dated at different stages, depending on the State where the property is being purchased. Viz;

- NSW, Tasmania or the ACT, the custodian trust deed must be signed and dated after the contract
- South Australia, Queensland or Northern Territory, the custodian trust deed must be signed and dated before the contract
- Western Australia or Victoria, you can sign the contract and custodian trust deed in any order, although it's often easier to sign the contract first. This ensures the trust deed is only prepared once the purchase has been agreed on and progressed to exchange.

Appoint a conveyancer

You should also engage a solicitor or conveyancer at this time, to receive contracts and generally assist in the purchase process. Please ensure that the professional you select is licenced to practice in the State where the new property is located. We can recommend a conveyancer if you need assistance with this.

Completing the purchase

The normal property purchase process follows from this point. However it is important to have your loan application submitted as soon as possible to ensure all contract conditions are met on time.

Once you select your property, we also provide additional services to make your property purchase experience as enjoyable and stress free as possible. Our 'Executive Support Package' includes organising the following services in connection with your purchase:

- ✓ Recommend a conveyancer to act for you during the purchase
- ✓ Co-ordinate finance & conveyancing
- ✓ Depreciation schedule - we use BMT Depreciation services
- ✓ Building & landlord insurance - through Terri Sheer Insurance
- ✓ Pre-settlement inspection (we use handovers.com) - includes follow up on any defects
- ✓ Property Management - we will assist you to find a local agent to manage your new property

A structured investment process

We hope this guide gives you a better understanding of the how we can assist you in buying your investment property and how important it is to have a structured process when selecting your property,

I'm sure you'll find our knowledge and professional service to be a valuable resource, that will ensure an enjoyable investment experience.

Disclaimer: The information provided in this document should not be considered personal advice as it is intended to provide general information only. You should seek personal financial advice before making any financial or investment decisions. Legal, taxation, accounting, credit and property matters should be referred to a qualified professional for personal advice based on your individual circumstances before making any decisions.