

JUNE 2018 NEWSLETTER

Retirement - A top priority for property investors

Setting up a good retirement is one of the main reason's people invest in property, with most believing that superannuation or the pension will not be enough to fund a comfortable life after work, according to new research commissioned by the Australian Institute of Superannuation Trustees (AIST).

Real estate investment and retirement planning go hand-in-hand because both are long term goals. Property investment genuinely works best when it's bought and held for the long term. As with all asset classes property goes through cycles however it is probably the easiest to understand. It doesn't require frequent monitoring and its value changes slowly.

The negative gearing aspect of such an investment means the rent and the tax offset would generally cover the loan repayments for a PAYG earner. Investing early in life and holding for 30-40 years means you'll go through several full growth cycles before retirement, delivering excellent capital growth for you to liquidate or a weekly income for life.

Additionally, many investors are looking to purchasing property in their SMSF's. This form

of specialised lending is popular with long term investors. However strict rules apply and it is important for the fund to be set-up correctly. M Point Finance can assist those looking to invest through their SMSF.

Aside from retirement planning research has also identified what I believe is an increasingly important motivator for today's mum and dad investors. While 64% of investors from a survey conducted for the AIST by Essential Media rated retirement planning as the most important factor in deciding to invest, 39% of investors with kids said creating an asset to pass on was also a crucial part of it.

Further to this, 34% of investors with kids said concerns about their children's ability to afford their own homes also drove them to invest in property and 29% said providing somewhere for them to live was also a primary motivator.

Declining affordability, particularly in Sydney, is prompting parents to change strategy on their pathway to retirement. They're no longer solely focused on paying off the family home, going into retirement debt-free and doing a sea-change with money left over from the sale of their home to fund the rest of their lives.

Today, many feel they have to act now to set up their kids' financial futures too. This trend means more retirees are likely to go into

retirement with debt – and will probably have to use superannuation to pay it down.

Property investing is a key retirement strategy for many investors. The reasons for such an investment strategy have changed in recent times depending on the individual investor. Tightening lending restrictions from the banks forced on them by APRA have made it harder for property investors.

In this changing lending environment while the Royal Commission is being conducted clients are looking for support. Whether it is a direct property investment or using your SMSF to purchase a property M Point Finance has the expertise and knowledge to navigate you through the process. With second tier lenders increasing their capacity for specialised lending there is increased choice for borrowers. Talk to Andrew at M Point or send him a note at alennon@mpoint.com.au about which solution best suits your needs.

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