



Mortgage Experts - Willoughby

PROPERTY INVESTMENT CASH FLOW ANALYSIS - FIRST YEAR

14-Oct-2016

Prepared for:
 Consultant: Marty McDonald
 Property:
 Description:

Investment Cost

Purchase price	425,000
Purchase costs	17,115
Loan costs	6,566
Total investment cost	448,681

Loan Details

Initial cash invested	59,615
Initial loan amount (total cost + any additional loan – cash invested)	389,066
Loan type	I/O (4.50%)
Interest payments	17,508
Total loan payments	17,508
Closing loan balance	389,066

Property Income and Expenditure

Rental income	25,220
Rental expenses	7,316
Net rental income (rent retained – expenses paid)	17,904

Pre-Tax Cash Flow (net rent – loan payments) 396

Tax Deductions

Cash deductions	
Loan interest	17,508
Rental expenses	7,316
Non-Cash Deductions	
Depreciation – Building (\$125,000 @ 0.00%)	0
Depreciation – Furniture, fixtures & fittings	3,836
Loan cost write-off (\$6,566 over 5 yrs)	1,313
Total Tax Deductions	29,973

Tax Credit Calculation

	Investor	Partner	Total
Ownership (joint names)	50.00%	50.00%	100%
Current taxable income	150,000	100,000	250,000
Rental income	12,610	12,610	25,220
Total income	162,610	112,610	275,220
Deductions claimed	14,987	14,987	29,973
New taxable income	147,623	97,623	245,247
Current tax	46,132	26,632	72,764
New tax	45,205	25,705	70,910
Tax savings (current - new)	927	927	1,854
Tax credits	927	927	1,854

Annual after-tax surplus (pre-tax cash flow + tax credit) \$2,250

Weekly after-tax surplus \$43

Disclaimer: Note that the computer projections listed above simply illustrate the outcome calculated from the input values and the assumptions contained in the model. Hence the figures can be varied as required and are in no way intended to be a guarantee of future performance. Although the information is provided in good faith, it is also given on the basis that no person using the information, in whole or in part, shall have any claim against Mortgage Experts - Willoughby, its servants, employees or consultants..

Tabulated breakdown of items contributing to first year cash flow

INVESTMENT COST

Purchase price	425,000
Purchase costs	17,115
Loan costs	6,566
Total investment cost	\$448,681

Purchase Costs

Conveyancing costs:	2,500
Govt. Stamp duty:	14,615
Total Purchase costs:	\$17,115

Loan Costs

Mortgage insurance (1.45% of loan):	5,641
Registration of mortgage:	350
Registration of title:	175
Search fees:	200
Other loan costs:	200
Total loan costs:	\$6,566

FINANCE

Initial cash invested	59,615
Initial loan amount (total cost + any additional loan – initial cash)	389,066
Loan type	I/O (4.50%)
Interest payments	17,508
Total loan payments	\$17,508
Closing loan balance	389,066

Initial Investment & Loan Amount

	Investment	Loan	Total Cost
Property cost:	42,500	382,500	425,000
Renovation costs:	0	0	0
Purchase costs:	17,115	0	17,115
Furniture costs:	0	0	0
Loan costs:	0	6,566	6,566
Totals:	\$59,615	\$389,066	\$448,681

Loan Details

Loan type:	I/O Yrs 1-40
Interest rate (yr 1) (%)	4.50
Loan amount(\$):	\$389,066
Loan costs (written off over 5 yrs):	\$6,566
Monthly payment:	\$1,459
Annual payment:	\$17,508

PROPERTY INCOME & EXPENDITURE

Rental income	25,220
Gross yield (rental income/property value)	5.93%
Rental expenses	7,316
Net rental income (rent retained – expenses paid)	17,904
Net yield (net rental income/property value)	4.21%

Rental Income

Rent per week:	485
Potential annual rent:	25,220
Vacancy rate:	0.00%
Annual rent:	\$25,220

Rental Expenses**Regular Expenses:**

Agent's commission (8.25%):	2,081	
Letting fees:	485	
Rates:	2,500	
Insurance:	1,250	
Maintenance:	1,000	
Total regular expenses:		7,316
Special expenses:		0
Total expenses:		\$7,316
Regular expenses as % of annual rent:		29.01%
Net yield or Capitalisation rate:		4.21%

PRE-TAX CASH FLOW

Item	Cash Amount
Rental income	25,220
Rental expenses	7,316
Loan interest	17,508
Principal payments	0
Cash investments	0
Pre-tax cash flow (year 1)	396

TAX DEDUCTIONS

Cash deductions	
Loan interest	17,508
Rental expenses	7,316
Non-Cash Deductions	
Depreciation – Building (\$125,000 @ 0.00%)	0
Depreciation – Furniture, fixtures & fittings	3,836
Loan cost write-off (\$6,566 over 5 yrs)	1,313
Total Tax Deductions	\$29,973

Depreciation on the building (Capital allowance)

Property value:	425,000
Depreciable amount:	125,000
Depreciation allowance rate (%):	0.00
Depreciation claim:	\$0

Depreciation of fittings (diminishing value method)

Item	Value	Effective Life (yrs)	Depreciation
General fittings	10,000	15.00	1,333
Low-value pool	13,350	4.00	2,503
Total	\$23,350		\$3,836

TAX CREDIT CALCULATION

	Investor	Partner	Total
Ownership (joint names)	50.00%	50.00%	100%
Current taxable income	150,000	100,000	250,000
Rental income	12,610	12,610	25,220
Total income	162,610	112,610	275,220
Deductions claimed	14,987	14,987	29,973
New taxable income	147,623	97,623	245,247
Current tax	46,132	26,632	72,764
New tax	45,205	25,705	70,910
Tax savings (current - new)	927	927	1,854
Tax credits	927	927	1,854

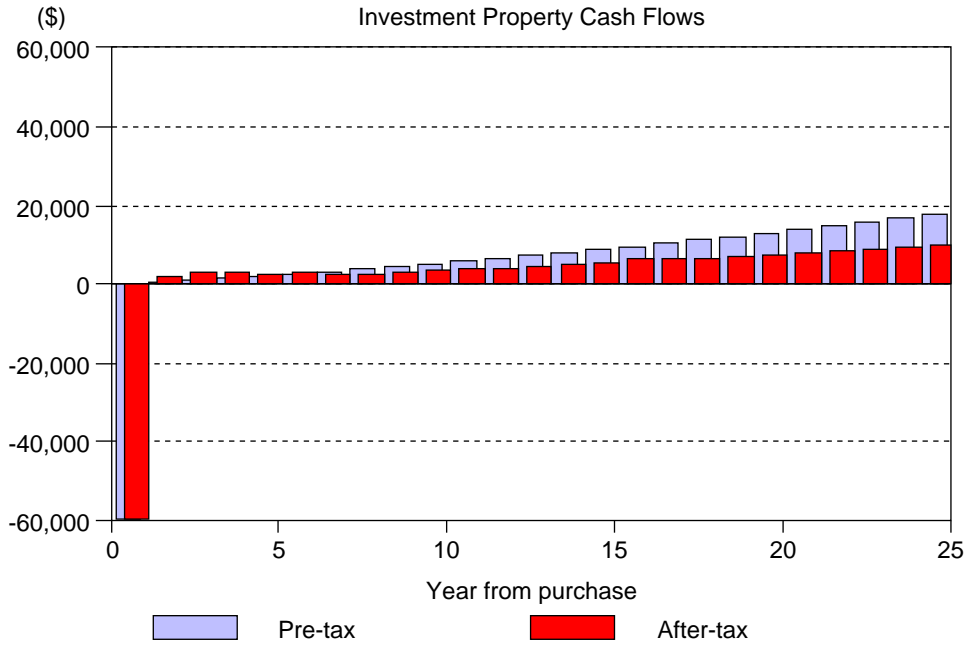
AFTER-TAX CASH FLOW

Annual after-tax surplus (pre-tax cash flow + tax credit)	\$2,250
Weekly after-tax surplus	\$43

CASH FLOW PROJECTIONS

To estimate future cash flows, assumptions have been made with regard to change over time in rental income, rental expenses and taxable income. Rental income is assumed to increase at 3.00% per year from year 1. Rental expenses are assumed to increase at 3.00% per year from year 1.

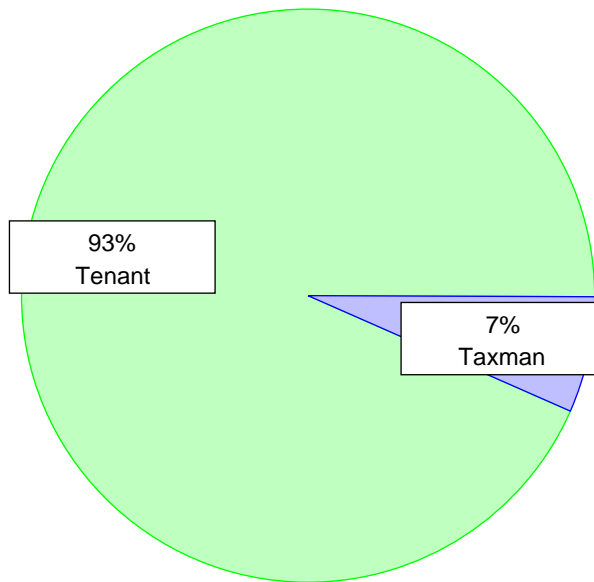
Cash flow items	Initial	1yr	2yr	3yr	5yr	10yr
Rental income		25,220	25,977	26,756	28,385	32,906
Cash invested	59,615	0	0	0	0	0
Principal payments		0	0	0	0	0
Interest payments		17,508	17,508	17,508	17,508	17,508
Rental expenses		7,316	7,535	7,761	8,234	9,545
Pre-tax cash flow	-59,615	396	933	1,487	2,644	5,853
Tax deductions		29,973	31,580	30,126	28,800	27,516
Tax credits		1,854	2,185	1,315	162	-2,103
After-tax cash flow	-59,615	2,250	3,118	2,802	2,806	3,750
Cost /(income) per week		(43)	(60)	(54)	(54)	(72)



Cash flow projections over 25 years

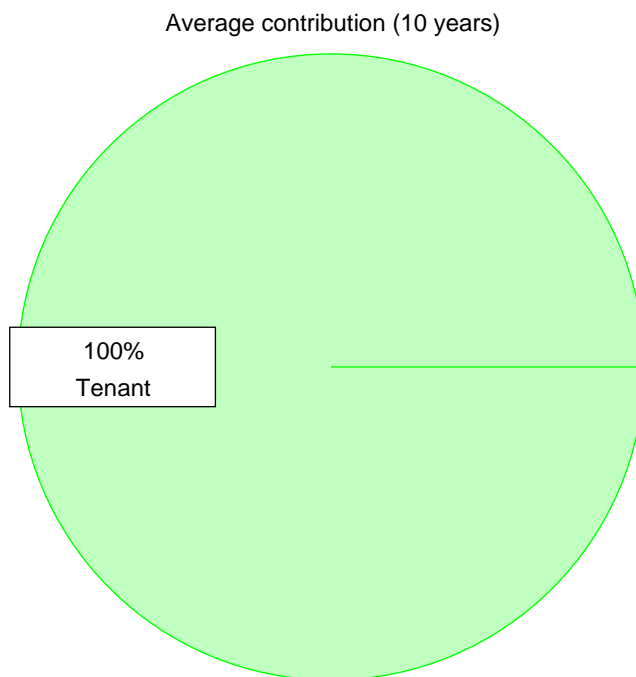
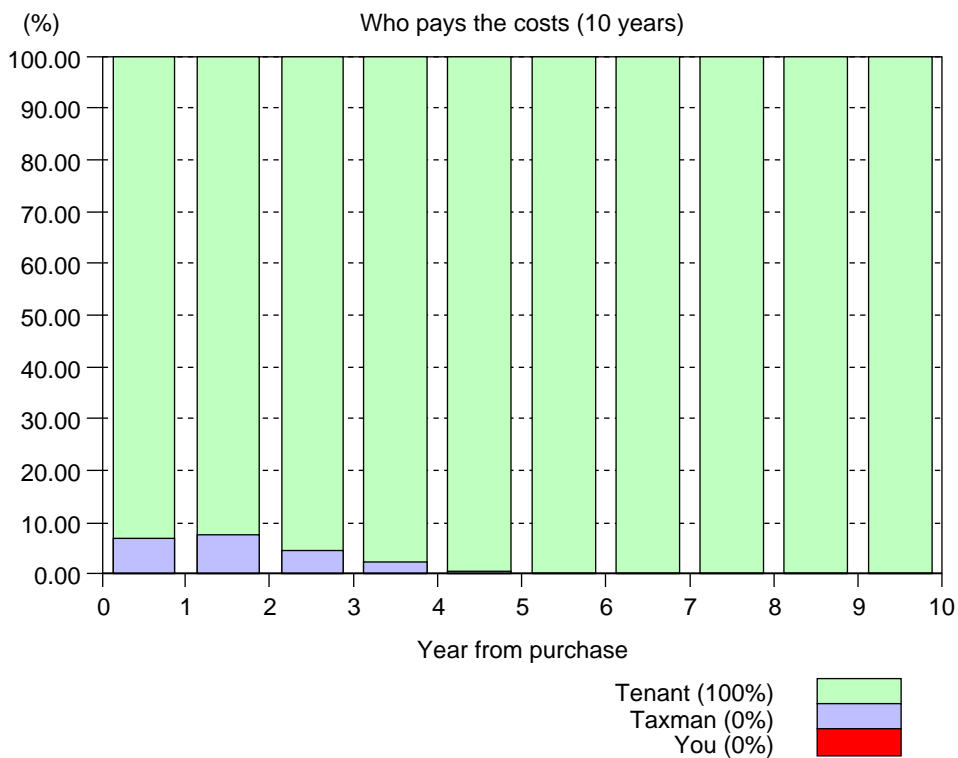
Year	Rental income	Loan payments	Rental expenses	Pre-tax cash flow	Tax credit	After-tax cash flow
				\$-59,615		\$-59,615
1yr	\$25,220	\$17,508	\$7,316	\$396	\$1,854	\$2,250
2yr	\$25,977	\$17,508	\$7,535	\$933	\$2,185	\$3,118
3yr	\$26,756	\$17,508	\$7,761	\$1,487	\$1,315	\$2,802
4yr	\$27,559	\$17,508	\$7,994	\$2,057	\$668	\$2,725
5yr	\$28,385	\$17,508	\$8,234	\$2,644	\$162	\$2,806
6yr	\$29,237	\$17,508	\$8,481	\$3,248	\$-771	\$2,477
7yr	\$30,114	\$17,508	\$8,735	\$3,871	\$-1,138	\$2,733
8yr	\$31,017	\$17,508	\$8,997	\$4,512	\$-1,474	\$3,038
9yr	\$31,948	\$17,508	\$9,267	\$5,173	\$-1,792	\$3,381
10yr	\$32,906	\$17,508	\$9,545	\$5,853	\$-2,103	\$3,750
11yr	\$33,894	\$17,508	\$9,832	\$6,554	\$-2,408	\$4,146
12yr	\$34,910	\$17,508	\$10,127	\$7,276	\$-2,715	\$4,561
13yr	\$35,958	\$17,508	\$10,430	\$8,019	\$-3,026	\$4,993
14yr	\$37,036	\$17,508	\$10,743	\$8,785	\$-3,340	\$5,445
15yr	\$38,148	\$17,508	\$11,066	\$9,574	\$-3,204	\$6,370
16yr	\$39,292	\$17,508	\$11,398	\$10,386	\$-4,049	\$6,337
17yr	\$40,471	\$17,508	\$11,739	\$11,223	\$-4,526	\$6,697
18yr	\$41,685	\$17,508	\$12,092	\$12,085	\$-5,081	\$7,004
19yr	\$42,935	\$17,508	\$12,454	\$12,973	\$-5,650	\$7,323
20yr	\$44,223	\$17,508	\$12,828	\$13,887	\$-6,110	\$7,777
21yr	\$45,550	\$17,508	\$13,213	\$14,829	\$-6,525	\$8,304
22yr	\$46,917	\$17,508	\$13,609	\$15,799	\$-6,952	\$8,847
23yr	\$48,324	\$17,508	\$14,018	\$16,799	\$-7,391	\$9,408
24yr	\$49,774	\$17,508	\$14,438	\$17,828	\$-7,844	\$9,984
25yr	\$51,267	\$17,508	\$14,871	\$18,888	\$-8,311	\$10,577

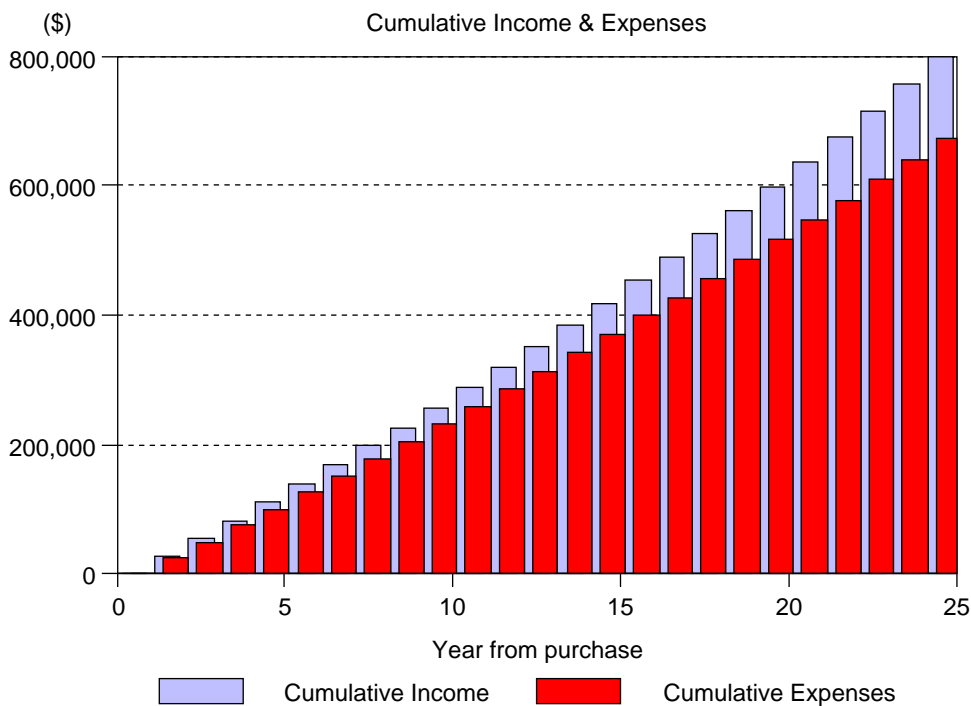
Who pays the cost (1st year)?



Projections over 25 years

Year	Interest costs	Rental expenses	Total cost	Rent (tenant)	Tax credit (taxman)	Cash (you)
1yr	\$17,508	\$7,316	\$24,824	\$25,220	\$1,854	\$-2,250
2yr	\$17,508	\$7,535	\$25,043	\$25,977	\$2,185	\$-3,118
3yr	\$17,508	\$7,761	\$25,269	\$26,756	\$1,315	\$-2,802
4yr	\$17,508	\$7,994	\$25,502	\$27,559	\$668	\$-2,725
5yr	\$17,508	\$8,234	\$25,742	\$28,385	\$162	\$-2,806
6yr	\$17,508	\$8,481	\$25,989	\$29,237	\$-771	\$-2,477
7yr	\$17,508	\$8,735	\$26,243	\$30,114	\$-1,138	\$-2,733
8yr	\$17,508	\$8,997	\$26,505	\$31,017	\$-1,474	\$-3,038
9yr	\$17,508	\$9,267	\$26,775	\$31,948	\$-1,792	\$-3,381
10yr	\$17,508	\$9,545	\$27,053	\$32,906	\$-2,103	\$-3,750
11yr	\$17,508	\$9,832	\$27,340	\$33,894	\$-2,408	\$-4,146
12yr	\$17,508	\$10,127	\$27,635	\$34,910	\$-2,715	\$-4,561
13yr	\$17,508	\$10,430	\$27,938	\$35,958	\$-3,026	\$-4,993
14yr	\$17,508	\$10,743	\$28,251	\$37,036	\$-3,340	\$-5,445
15yr	\$17,508	\$11,066	\$28,574	\$38,148	\$-3,204	\$-6,370
16yr	\$17,508	\$11,398	\$28,906	\$39,292	\$-4,049	\$-6,337
17yr	\$17,508	\$11,739	\$29,247	\$40,471	\$-4,526	\$-6,697
18yr	\$17,508	\$12,092	\$29,600	\$41,685	\$-5,081	\$-7,004
19yr	\$17,508	\$12,454	\$29,962	\$42,935	\$-5,650	\$-7,323
20yr	\$17,508	\$12,828	\$30,336	\$44,223	\$-6,110	\$-7,777
21yr	\$17,508	\$13,213	\$30,721	\$45,550	\$-6,525	\$-8,304
22yr	\$17,508	\$13,609	\$31,117	\$46,917	\$-6,952	\$-8,847
23yr	\$17,508	\$14,018	\$31,526	\$48,324	\$-7,391	\$-9,408
24yr	\$17,508	\$14,438	\$31,946	\$49,774	\$-7,844	\$-9,984
25yr	\$17,508	\$14,871	\$32,379	\$51,267	\$-8,311	\$-10,577





Cumulative projected income and expenses over 25 years

Year	Rent (tenant)	Tax credits (taxman)	Cumulative income	Interest cost	Rental expenses	Cumulative expenses
1yr	\$25,220	\$1,854	\$27,074	\$17,508	\$7,316	\$24,824
2yr	\$25,977	\$2,185	\$55,236	\$17,508	\$7,535	\$49,867
3yr	\$26,756	\$1,315	\$83,306	\$17,508	\$7,761	\$75,136
4yr	\$27,559	\$668	\$111,533	\$17,508	\$7,994	\$100,638
5yr	\$28,385	\$162	\$140,080	\$17,508	\$8,234	\$126,380
6yr	\$29,237	\$-771	\$168,546	\$17,508	\$8,481	\$152,369
7yr	\$30,114	\$-1,138	\$197,522	\$17,508	\$8,735	\$178,612
8yr	\$31,017	\$-1,474	\$227,066	\$17,508	\$8,997	\$205,117
9yr	\$31,948	\$-1,792	\$257,222	\$17,508	\$9,267	\$231,892
10yr	\$32,906	\$-2,103	\$288,025	\$17,508	\$9,545	\$258,946
11yr	\$33,894	\$-2,408	\$319,511	\$17,508	\$9,832	\$286,285
12yr	\$34,910	\$-2,715	\$351,706	\$17,508	\$10,127	\$313,920
13yr	\$35,958	\$-3,026	\$384,638	\$17,508	\$10,430	\$341,858
14yr	\$37,036	\$-3,340	\$418,334	\$17,508	\$10,743	\$370,109
15yr	\$38,148	\$-3,204	\$453,278	\$17,508	\$11,066	\$398,683
16yr	\$39,292	\$-4,049	\$488,521	\$17,508	\$11,398	\$427,589
17yr	\$40,471	\$-4,526	\$524,465	\$17,508	\$11,739	\$456,836
18yr	\$41,685	\$-5,081	\$561,069	\$17,508	\$12,092	\$486,436
19yr	\$42,935	\$-5,650	\$598,354	\$17,508	\$12,454	\$516,398
20yr	\$44,223	\$-6,110	\$636,468	\$17,508	\$12,828	\$546,734
21yr	\$45,550	\$-6,525	\$675,493	\$17,508	\$13,213	\$577,455
22yr	\$46,917	\$-6,952	\$715,458	\$17,508	\$13,609	\$608,572
23yr	\$48,324	\$-7,391	\$756,391	\$17,508	\$14,018	\$640,098
24yr	\$49,774	\$-7,844	\$798,321	\$17,508	\$14,438	\$672,044
25yr	\$51,267	\$-8,311	\$841,277	\$17,508	\$14,871	\$704,423