

# Identity Property Buyers

NEWSLETTER #055



## How Much Lazy Money Do You Have?

**Welcome back** to the next instalment in the IDentity Property Buyers Newsletter series. Well the answer to the question "Do You Have Lazy Money?" in almost everyone's case will be YES. Just how much you have and how lazy it is will differ between us all.

First of all let's define what lazy money is. Lazy money is effectively money that does not increase in value or contributes very little to improving your wealth position over time. Let us take a look at a couple of examples of lazy money:

### Cash Under The Bed

Or your specific hiding place, is considered extremely lazy money because it is not increasing in value over time. Matter of fact if inflation is going at 2.5% per annum then your \$1000 under the bed decreases by \$25 in the first year it lays dormant.

## You're Going Backwards!





## Money In A Savings Account

If you currently have money sitting in a savings account in the bank then I would be pretty confident you are not earning more than 1.5% interest at the moment. Again comparing it with inflation and you are 1% down after 12 months. Still going backwards!

## Equity in your own home

If you currently own your own home and have been fortunate to have held it for longer than the last 18 months, then I would say you probably have a whole host of lazy money just sitting there doing absolutely nothing. We are most likely not talking about 10k or 20k we are potentially talking about hundreds of thousands of dollars just sitting there doing nothing when it could be out there working for you.



In the past we have talked about being diligent with our spending, making sure we are not blowing too much on discretionary items. We have also touched on trying to minimise general living expenses like electricity, phone, food & insurances. Adding to that I know we often try to save a few cents per litre on petrol when filling up at the pump.

I'm not saying forget about trying to save on expenses, it's just that it pales in significance to what your lazy household equity is costing you.

### Example Equity Calculation:

Your Property/Bank Valuation = 1.0 Mil

Current Bank Loan = 600k

Total Equity = 400k

Possible Lending Based on 80% Loan to Value Ratio = 800k (80% of 1.0mil)

Available Lazy Equity = 200k (800k - 600k)





So what could you do with 200k worth of lazy equity?

Of course I am going to say invest it in property. Yes I am bias however residential real estate is one of Australia's safest & most lucrative asset classes if you select sensibly and play the long game.

Let us take a look at what investing your lazy money could **MAKE** or **COST** you depending on what you choose to do... Here is the Action Takers choice:

Investment Property Purchase Price - 750k

Stamp Duty & Other Acquisition Costs ~6% - 45k

Total Investment Property Cost - 795k

Investment Loan (80% LVR) - 600k

**Lazy Equity** (Required Deposit) - 195k

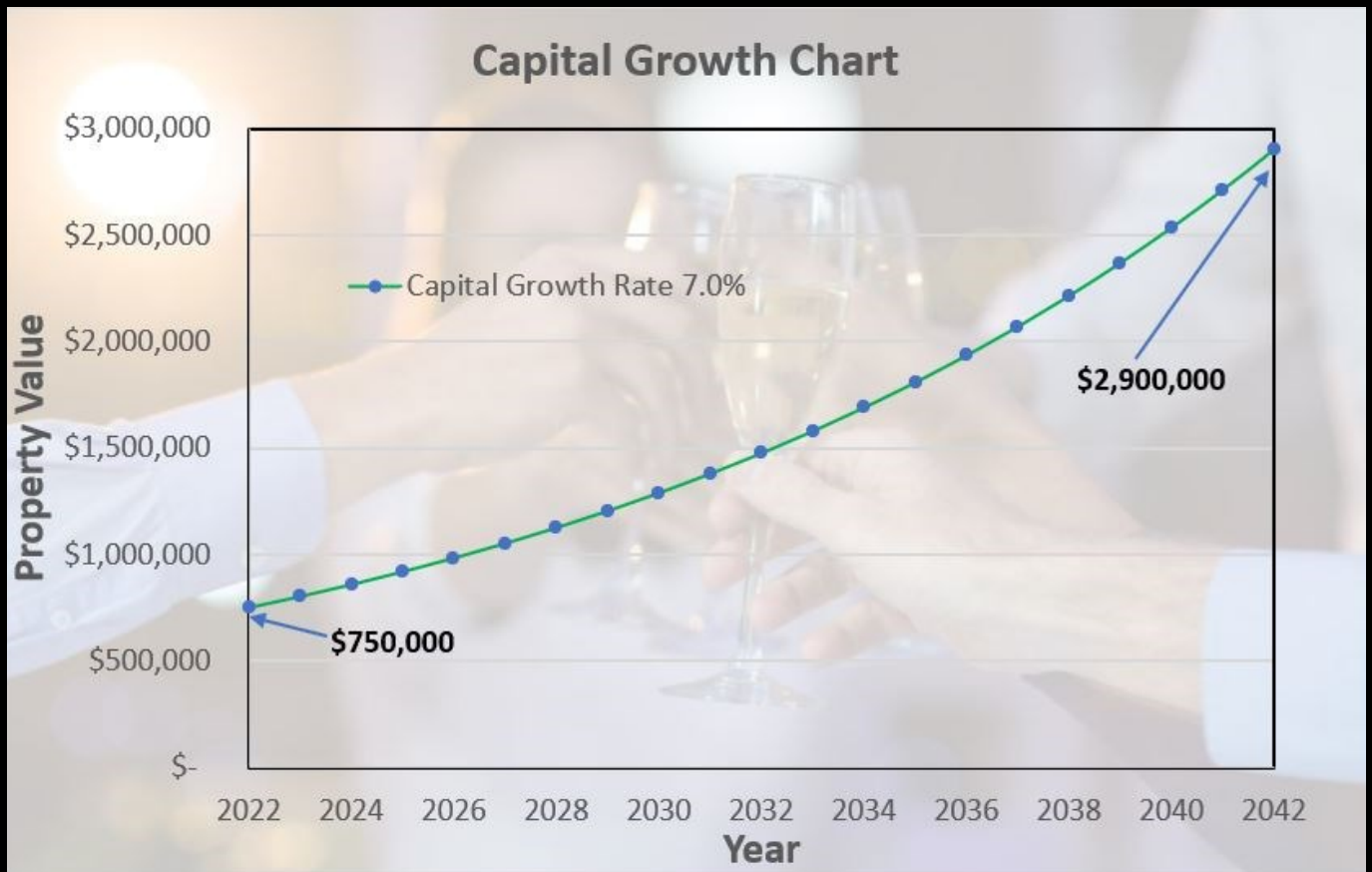




So if you take a look at the chart below it shows that if you use your 200k worth of “LAZY” equity to purchase a quality investment grade property, you could turn it into millions.

The compound capital growth rate set out below of 7% has been pretty typical of quality well located residential real estate in Australia.

It is said that if you want to become rich quick then property is not for you. Property is clearly a get rich slow investment class and it will take time, patience, and decades to come to fruition.



Remember it is a get rich slow strategy, so you must select high quality well located investment grade properties and not general investment stock. Only around 5% of all properties on the market are considered investment grade so make sure you choose wisely or risk poor performance and substandard results.

If you want help working out your equity position and borrowing capacity, reach out as we have a shortlist of quality mortgage brokers who will be able to help you determine what you can do.

In terms of portfolio planning and asset selection, we can help you select the right properties, suited to your specific needs, in order to turn your lazy equity into a substantial wealth accumulating machine.

**Don't Be Lazy!**

**Put Your Lazy Money To Work!**

Let our professionals at IDentity Property Buyers help you avoid all those costly mistakes and provide you with a fantastic experience and an exceptional end result....



Make contact today and schedule in a **Free, No Obligation** chat with one of our Buyers Agents & Property Strategists.

Don't get left behind when the market is moving, take control with your very next steps in a professional way today!

MAKE CONTACT

web: [www.identitypropertybuyers.com.au](http://www.identitypropertybuyers.com.au)

email: [greg@identitypropertybuyers.com.au](mailto:greg@identitypropertybuyers.com.au)

**Phone: +61 (0) 491 759 126**

Written by Greg Egerton Buyers Agent & Property Strategist



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