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Urbantech Finance

a division of urbantech group Pty Ltd

☎ 08.8451.1500

📠 08.8451.1501

✉ hq@urbantechgroup.com.au

www.urbantechgroup.com.au

PO Box 313 Glenelg SA 5045



Smarter Property Investment

Why do only 8%[#] of property investors ever purchase more than two properties?

The best performing investment for most Australians is their family home. Yet very few take advantage of this knowledge and increase their wealth by investing in property using their built up equity. Interestingly, those who do choose real estate as their preferred investment vehicle are rarely able to commit to more than two investments.

Despite the knowledge that property investment creates wealth, horror stories of the tenants form hell, forecasts of interest rate hikes and talk of the 'bubble bursting' have discouraged many Australians and prevented them from achieving the financial security and independence they desire.

The key to any successful investment is to firstly recognise, assess and mitigate the risks of the investment, then diversify the portfolio and be prepared to wait for your returns.

In all likelihood, interest rates will rise and fall and there may be periods of negative capital growth, but with patience your property investment will nearly always return a large profit.

There are a few challenges of investing in today's market. Rental yields are at record lows, interest rates are unpredictable and the escalating costs of maintenance, rates and insurance, can cause concern for even the most seasoned investor.

With this said, how are the few succesful property investors making a dollar or two? The answer is not a secret. Successful investors recognise, assess and mitigate the risks of their investments, diversify within their property portfolio and are prepared to wait for their returns.

Location. Location. Location.

One popular investment criteria endorsed by many investment advisers is that it's 'all about location'. Historically properties that are located in metropolitan areas, close to services and facilities will return greater capital appreciation than outer metropolitan or regional properties.

The trade off, however, for investing in blue chip locations is that while these areas record excellent capital growth, they also demonstrate the lowest rental yields. As a result, this requires a greater commitment from the investor on a weekly or monthly basis just to keep their investment.

Instead of reaching into their pockets, a successful investor learns to diversify their portfolio by acquiring some properties purely for their demonstrated cash flow return.

Property Neutralisation

The key to Smarter Property Investment, Portfolio Neutralisation, is all about balancing your portfolio. Neutralisation occurs when income from your cash flow positive property is channelled into your cash flow negative capital growth property. Given that your cash flow outcome will be neutral, you can afford to purchase more investment properties using your personal income.

The capital growth you make over time can be used to purchase additional property or to supplement your income. This means you no longer have to use personal income to fund capital growth property and your wages can now be dedicated to funding your living and lifestyle expenses.

Regardless of the commitment required to invest in blue chip areas, it makes sense to invest for capital appreciation. Start today and make property investing your vehicle for wealth creation. It wil only be a matter of time before you'll be able to sit back and enjoy the benefits of having your money work for you.