

The Shocking Truth

**Accelerating Your Mortgage
Payments May Be Costing You
Hundreds of Thousands of Dollars
in Lost Capital Gain**

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If you think paying additional over and above payments off your mortgage is the fastest way to accumulate wealth, THINK AGAIN!

The Shocking Truth May Surprise You!

I am about to prove to you that paying as little as an additional \$109 per week off your mortgage could **COST** you up to \$194,000 in Net Worth in 15 years and 11 months time.

Remember the term “Safe as Houses”?

My formula for wealth generation uses the proposition of leveraging (using other people’s money to help you grow yours) a property investment as a viable alternative to making advanced payments off your existing mortgage.

Conventional wisdom and public opinion has long heralded the benefits of making additional payments off your mortgage as a way of saving mortgage interest and beating the banks.

Let me say at the outset that this long-held view is absolutely correct. There is no other way to save mortgage interest than to make additional repayments consistently, thereby reducing the principal of the loan and the subsequent periodical interest calculation amount.

Let me show you how this works.

Let’s assume you have an average \$300,000 25-year standard variable home loan at 8.07% interest (this is the rate currently available on the ANZ Website). Repayments on this loan over 25 years will be \$2,329.37. You decide you want to reduce your overall interest bill, so you decide to pay an additional \$472 per month (or \$109 per week) off your loan and increase your repayment to \$2,801.37. Your loan term will reduce to 15 years and 11 months, and save you a whopping \$163,873 (call this Item A, as we will use this figure later in the calculations) in loan interest.

Hallelujah I hear you say! A way to beat the banks!

This is a fantastic saving, and barring (what I am about to reveal to you) anything else that will give you a better result in the long term, everyone should be doing this. It is flat out a great way to save interest with a relatively small additional financial strain.

Now before you rush to your bank to re-arrange your repayments, there is a **BETTER WAY** to arrange this so that your additional \$472 per month in outgoing repayments can possibly add an **additional \$163,000 to your Net Worth in 15 years 11 months.**

Are you interested in making the same outgoing net payments but increasing your Net Worth by a possible \$194,000?

You bet you are!

So how could this work for you?

Let’s assume that instead of paying the additional amount of \$472 per month off your existing mortgage, you purchase an investment property for \$303,000 in one

of Brisbane's northern bay side suburbs. Providing you own your own home with equity of around \$100,000, you can purchase this property without any of your own cash up front, and the \$472 will cover all property expenses including your negative gearing taxation benefits. So for a zero initial cash outlay and \$472 per month net outgoings, you can own another piece of Australia in one of Brisbane's growth suburbs.

At the time of writing in January 2007, Residex, one of Australia's leading property analysts, is predicting Rothwell will increase in value at 13% per annum for the next 5 years. Now it would be magnificent if your new property did actually perform at this level in the immediate future as the experts have predicted, but for the purposes of this exercise, I am going to assume a capital growth rate of just 5%. This is more than half the estimated growth Residex, a property information expert, has estimated for this suburb. This will prove my point that compounded capital growth will outperform anything you can save in after tax dollars.

Assuming you can afford the \$472 in additional outgoings; your property value from your \$303,000 investment if it appreciates at 5% per annum will look like this:

After Year 1	\$318,150
After Year 2	\$334,057
After Year 3	\$350,760
After Year 4	\$368,298
After Year 5	\$386,713
After Year 6	\$406,048
After Year 7	\$426,351
After Year 8	\$447,669
After Year 9	\$470,052
After Year 10	\$493,554
After Year 11	\$518,232
After Year 12	\$544,144
After Year 13	\$571,351
After Year 14	\$599,918
After Year 15	\$629,915
After Year 16	\$661,410

So in 16 years assuming a 5% capital growth rate per annum, your property will be worth \$661,410. Now if we subtract from this the \$303,000 you paid for your property, your total improvement to your Net Worth is \$358,410 (call this Item B) by purchasing an investment property.

To arrive at how much better off you are by utilising an investment property over paying off your home mortgage faster, simply deduct Item A from Item B, which is:

$$\$358,410 \text{ (Item B)} - \$163,873 \text{ (Item A)} = \$194,537$$

So even at a modest compounded annual growth rate of just 5% per

annum, you are still over \$190,000 better off by purchasing an investment property over paying off your mortgage sooner.

Here is an even better result for you!

Now in the last 20 years, the average median price of capital city houses in Australia has risen by 7.9% per annum (Source: BIS Shrapnel). If you're new property rises in value on average by the same percentage as the average Australian capital city home has over the last 20 years, your capital gain will look like this:

After Year 1	\$326,937
After Year 2	\$352,765
After Year 3	\$380,633
After Year 4	\$410,703
After Year 5	\$443,149
After Year 6	\$478,157
After Year 7	\$515,932
After Year 8	\$556,690
After Year 9	\$600,669
After Year 10	\$648,122
After Year 11	\$699,324
After Year 12	\$754,570
After Year 13	\$814,181
After Year 14	\$878,502
After Year 15	\$947,903
After Year 16	\$1,022,787

As you can see, there is simply no greater way to wealth than to invest in leveraged appreciating assets that have a compounding effect on your investment value. Your improvement in Net Worth over paying the additional \$472 off your home mortgage if your property appreciates yearly at the national capital city average over the last 20 years of 7.9% is:

(\$1,022,787 - \$303,000) - \$163,873 (Item A) = \$555,914

Knowing this, why would you pay additional money off your home loan when for the same outgoings per week, you could possibly improve your Net Worth by a whopping \$555,000 (even if your property only performs at the historical national average) in just 16 years by buying an investment property?

In addition to the above massive improvement in Net Worth, by Year 16 you will still have your investment property, worth \$1,022,000, and at current average rental yields of 4.5%, would be returning you \$45,990 in rental payments each

year. Do I need to say any more?

What if your investment property appreciates at the average annual compounded growth rate of Brisbane of 9.4% per annum over the last 25 years? (Source: BIS Shrapnel).

I am sure you get my drift!

What Do I Do Now?

You may wish to attend one of our FREE Property Investment Workshops, where all your questions about real estate investing will be answered by our panel of expert professional practitioners.

You can book the next Workshop near you by visiting:

<http://www.propertyinvestmentworkshop.com.au>

If you are interested in finding out details of how OzInvest can help you towards financial independence by investing in real estate, call our office on 1800 800 775 to arrange a confidential and obligation free meeting with one of our trained Investment Property Consultants.

Check out our website at:

<http://www.ozinvest.com.au>

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