



**Case Study for;
Unit 210 / 657 Pacific Highway
KILLARA NSW 2071**

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This document sets out the investor costing and cash flows based on the assumptions detailed in this document. Please read it carefully. If you have any concerns, please contact us.

Please do contact me if you have any questions.

PimJohn van Gestel

Contents



Assumptions



Case study



Supporting calculations



Charts



Assumptions

This model has been prepared using the following assumptions

Property	Unit 210 / Pacific Highway KILLARA NSW 2071
Property value	\$495,000.00
Total purchase cost	\$516,592.00 (Purchase Price + Stamp Duty + Loan App Fee + Legals)
Interest rate for loan	7.11%
Loan term	30 Years
Loan Type	Interest only
Loan application fee	\$350.00
Deductable	100%
Annualised property growth	6.00%
Annualised rental growth	6.00%
Strata Levies (per annum)	\$2,468.00
Council Rates (per annum)	\$1,500.00
Stamp Duty	\$19,742.00
Property Management fee	7.70%pa
Agent Sale fee	2.0%
Legal's	\$1,500.00
Rental income weekly (year 1)	\$500.00
Personal income growth	4.00%pa
Depreciation Schedule method	Prime Cost Method



Case study

Mr. Smith is in the market to purchase a new investment property to a value of \$495,000.00 in the Killara area and has found Unit 210 at 657 Pacific Hwy.

He currently is employed as a merchant Banker and earns a gross salary of \$200,000.00 pa.

Mr. Smith also has a property to the value of \$1M and has a debt of \$500,000.00 against the property.

He has informed us that he want to borrow 100% of the purchase price plus purchase costs and will use the equity in his current property to provide the balance required.

Recommendation

It is recommended that Mr. Smith obtain a new investment loan at 72% LVR (\$356,400.00) to avoid mortgage insurance. The 28% balance plus purchase costs (including stamp duty) is to be drawn from the equity on the principal residence (\$160,192.00).

Outcome

The estimated weekly cost to Mr. Smith for year 1 is \$142.00 per week for the first 12 months.

The estimated gross capital return after a 5 year period @ 6%pa is \$167,422,568.00.

The estimated net return after 5 year period (including agent sales fees and holding costs, excluding tax payable) is \$97,665.00.



Supporting calculations

Cash flow - Personal

Period	1	2	3	4	5	6	7	8	9	10
Date	1-Jul-10	1-Jul-11	1-Jul-12	1-Jul-13	1-Jul-14	1-Jul-15	1-Jul-16	1-Jul-17	1-Jul-18	1-Jul-19
Salary and Other Income	200,000	208,000	216,320	224,973	233,972	243,331	253,064	263,186	273,714	284,662
Rental Income	25,740	27,284	28,921	30,657	32,496	34,446	36,513	38,703	41,026	43,487
Expenses	6,631	6,631	6,631	6,631	6,631	6,631	6,631	6,631	6,631	6,631
Debt Service	36,703	36,703	36,703	36,703	36,703	36,703	36,703	36,703	36,703	36,703
Tax Payable	54,892	59,257	64,179	69,191	74,345	79,674	85,206	90,959	96,952	103,198
Total Net Cash flow	127,515	132,694	137,729	143,105	148,790	154,769	161,037	167,597	174,454	181,618

Cash flow – Property Related

Rental Income	25,740	27,284	28,921	30,657	32,496	34,446	36,513	38,703	41,026	43,487
Expenses	6,631	6,631	6,631	6,631	6,631	6,631	6,631	6,631	6,631	6,631
Debt Service	36,703	36,703	36,703	36,703	36,703	36,703	36,703	36,703	36,703	36,703
Tax Savings	10,203	9,974	9,213	8,406	7,551	6,644	5,683	4,665	3,585	2,440
Net Cash flow	-7,391	-6,075	-5,199	-4,271	-3,286	-2,243	-1,138	34	1,277	2,594

Property Value

Period	1	2	3	4	5	6	7	8	9	10
Date	1-Jul-10	1-Jul-11	1-Jul-12	1-Jul-13	1-Jul-14	1-Jul-15	1-Jul-16	1-Jul-17	1-Jul-18	1-Jul-19
Opening Value	495,000	524,700	556,182	589,553	624,926	662,422	702,167	744,297	788,955	836,292
Capital Growth	29,700	31,482	33,371	35,373	37,496	39,745	42,130	44,658	47,337	50,178
Closing Value	524,700	556,182	589,553	624,926	662,422	702,167	744,297	788,955	836,292	886,470
Net Asset	7,758	39,240	72,611	107,984	145,480	185,225	227,355	272,013	319,350	369,528
Cost Base	21,592	21,592	21,592	21,592	21,592	21,592	21,592	21,592	21,592	21,592
Holding Cost	-7,391	-6,075	-5,199	-4,271	-3,286	-2,243	-1,138	34	1,277	2,594
Cumulative Holding Cost	-7,391	-13,466	-18,665	-22,936	-26,222	-28,465	-29,603	-29,569	-28,292	-25,698
Unrealised Capital Gain	503,108	534,590	567,961	603,334	640,830	680,575	722,705	767,363	814,700	864,878

Debt

Opening Value	516,942	516,942	516,942	516,942	516,942	516,942	516,942	516,942	516,942	516,942
Accrued Interest	36,703	36,703	36,703	36,703	36,703	36,703	36,703	36,703	36,703	36,703
Repayment	36,703	36,703	36,703	36,703	36,703	36,703	36,703	36,703	36,703	36,703
Closing Value	516,942	516,942	516,942	516,942	516,942	516,942	516,942	516,942	516,942	516,942
Total Gearing	99%	93%	88%	83%	78%	74%	69%	66%	62%	58%

Tax after Investment

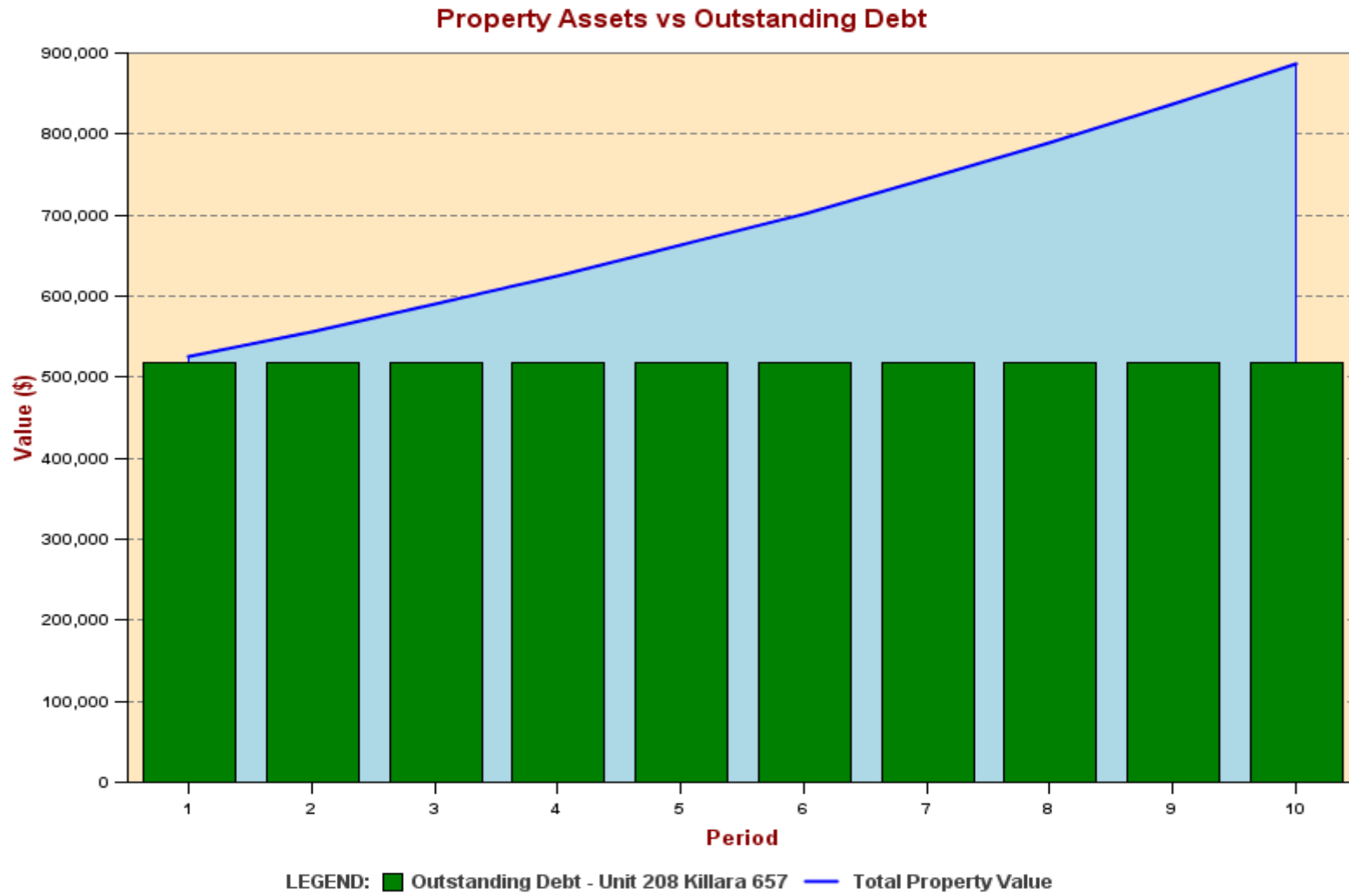
Period	1	2	3	4	5	6	7	8	9	10
Date	1-Jul-10	1-Jul-11	1-Jul-12	1-Jul-13	1-Jul-14	1-Jul-15	1-Jul-16	1-Jul-17	1-Jul-18	1-Jul-19
Gross Income	200,000	208,000	216,320	224,973	233,972	243,331	253,064	263,186	273,714	284,662
Rental Income	25,740	27,284	28,921	30,657	32,496	34,446	36,513	38,703	41,026	43,487
Assessable Income	225,740	235,284	245,241	255,630	266,468	277,777	289,576	301,890	314,739	328,150
Less:										
Deductible Expenses	6,631	6,631	6,631	6,631	6,631	6,631	6,631	6,631	6,631	6,631
Deductible Interest/Fees	36,703	36,703	36,703	36,703	36,703	36,703	36,703	36,703	36,703	36,703
Depreciation	5,401	5,401	5,401	5,401	5,401	5,401	5,401	5,401	5,401	5,401
Other Deductions (depreciation)	3,130	2,233	1,607	1,215	970	817	721	662	624	601
Taxable Income	173,875	184,316	194,900	205,680	216,763	228,225	240,120	252,493	265,380	278,814
Tax Payable	52,284	56,492	61,255	66,106	71,093	76,251	81,604	87,172	92,971	99,016
Plus: Medicare levy	2,608	2,765	2,924	3,085	3,251	3,423	3,602	3,787	3,981	4,182
Tax Payable	54,892	59,257	64,179	69,191	74,345	79,674	85,206	90,959	96,952	103,198

Tax before Investment

Period	1	2	3	4	5	6	7	8	9	10
Date	1-Jul-10	1-Jul-11	1-Jul-12	1-Jul-13	1-Jul-14	1-Jul-15	1-Jul-16	1-Jul-17	1-Jul-18	1-Jul-19
Gross Income	200,000	208,000	216,320	224,973	233,972	243,331	253,064	263,186	273,714	284,662
Assessable Income	200,000	208,000	216,320	224,973	233,972	243,331	253,064	263,186	273,714	284,662
Other Deductions	3,130	2,233	1,607	1,215	970	817	721	662	624	601
Taxable Income	196,870	205,767	214,713	223,758	233,002	242,513	252,342	262,525	273,089	284,061
Tax Payable	62,141	66,145	70,171	74,241	78,401	82,681	87,104	91,686	96,440	101,378
Plus: Medicare levy	2,953	3,087	3,221	3,356	3,495	3,638	3,785	3,938	4,096	4,261
Tax Payable	65,094	69,232	73,392	77,597	81,896	86,319	90,889	95,624	100,537	105,639



Charts



Net Cashflow



LEGEND: ■ Net Cashflow