

## *Unleash Your Equity To Expand Your Portfolio*

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This wealth or 'equity' can be used to fund your next property purchase, avoiding the need to save for a deposit.

Equity is the difference between your home's market value and the balance of your home loan. Typically lenders will allow you to access up to 80 per cent of this equity and use it as a source of credit on your mortgage.

Exactly how much you are able to borrow will be calculated on an individual basis and depends on factors like how much you have already borrowed and owe, the income and assets you have available, and the value of your new and existing properties.

### **Here's an example of how it works**

The investment property you want to buy is valued at \$480,000 and you need another \$20,000 for purchase costs like stamp duty, legal and application fees.

The lender is funding you 80% of the property's market value, which is \$384,000 (it is possible to borrow more by taking out Lenders Mortgage Insurance). This leaves you \$116,000 short, and this is where the equity from your existing home comes into play – it can cover the shortfall and become the deposit for your new investment property.

The bank has agreed to lend you 80% of the value of your home, minus the debt you still owe against it. Let's say your existing home is valued at \$500,000 (80% of this is \$400,000) and you still owe \$220,000 on your mortgage. \$400,000 minus \$220,000 is \$180,000 – this is your home equity.

You now have more than enough to pay the deposit and purchase costs on your new investment property.

### **Building a portfolio**

Saving for a deposit takes time and an equity loan often means that an investment property can be purchased a lot sooner than it otherwise would.

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As you increase your property portfolio, you are able to use not only the equity in your home to help fund further purchases but also the equity that exists in your investment properties.

It's important to use your broker to structure your home loan and investment loan correctly to make the most of your available equity. It's also essential to protect yourself financially by having available funds to fall back on in the event of an emergency.

Remember that in order to create wealth through property investment, it's not just about taking advantage of equity but also making smart choices on your property purchase.

For further information, please don't hesitate to call AlphaLoan today so we can match your needs against 100's of home loans from our panel of lenders, including all the major banks and many more!

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