

Financepath - Melbourne

21-Jun-2016

Prepared for: Mr & Mrs Investor
 Consultant: Mark Attard
 Property: 2 Storey St Box Hill Sth
 Description: 2 bed 2 bath single level villa

SUMMARY

Assumptions		Projected results over		5 yrs
Property value	\$690,000	Property value		\$923,376
Initial investment	\$26,886	Equity		\$233,376
Gross rental yield	3.58%	After-tax return /yr		44.85%
Net rental yield	2.86%	Net present value		\$160,768
Cap. growth rate	6.00%	IF SOLD		
Inflation rate	3.00%	Selling costs & CGT		\$72,759
Interest rate	4.90%	Equity		\$160,617
Taxable income	\$200,000	After-tax return /yr		33.67%

COMPUTER PROJECTIONS

Investment Analysis	Projections over 5 years					
	2015	1yr	2yr	3yr	4yr	5yr
End of year						
Property value	\$690,000	731,400	775,284	821,801	871,109	923,376
Purchase costs	\$24,600					
Investments	\$26,886					
Loan amount	\$690,000	690,000	690,000	690,000	690,000	690,000
Equity	\$0	41,400	85,284	131,801	181,109	233,376
Capital growth rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Inflation rate (CPI)	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gross rent /week	\$480	24,710	25,452	26,215	27,002	27,812
Cash deductions						
Interest (I/O)	4.90%	33,810	33,810	33,810	33,810	33,810
Rental expenses	19.88%	4,963	5,112	5,265	5,423	5,585
Pre-tax cash flow	-\$26,886	-14,062	-13,470	-12,860	-12,231	-11,584
Non-cash deductions						
Deprec.of building	2.50%	8,625	8,625	8,625	8,625	8,625
Deprec.of fittings	\$28,000	2,833	3,771	2,857	2,285	1,928
Loan costs	\$2,286	457	457	457	457	457
Total deductions		50,688	51,775	51,014	50,600	50,406
Tax credit (joint)	\$200,000	9,547	9,782	9,333	9,007	8,756
After-tax cash flow	-\$26,886	-4,515	-3,688	-3,527	-3,224	-2,828
Rate of return (IRR)	44.85%	Your cost /(income) per week				
Pre-tax equivalent	73.53%	87	71	68	62	54

Disclaimer: Note that the computer projections listed above simply illustrate the outcome calculated from the input values and the assumptions contained in the model. Hence the figures can be varied as required and are in no way intended to be a guarantee of future performance. Although the information is provided in good faith, it is also given on the basis that no person using the information, in whole or in part, shall have any claim against Financepath - Melbourne, its servants, employees or consultants..

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Cash Flow Analysis Summary

Investment Cost

Purchase price	690,000
Purchase costs	24,600
Loan costs	2,286
Total investment cost	716,886

Loan Details

Initial cash invested	26,886
Initial loan amount (total cost + any additional loan – cash invested)	690,000
Loan type	I/O (4.90%)
Interest payments	33,810
Total loan payments	33,810
Closing loan balance	690,000

Property Income and Expenditure

Rental income	24,710
Rental expenses	4,963
Net rental income (rent retained – expenses paid)	19,748

Pre-Tax Cash Flow (net rent – loan payments)

-14,062

Tax Deductions

Cash deductions		
Loan interest	33,810	
Rental expenses	4,963	
Non-Cash Deductions		
Depreciation – Building (\$345,000 @ 2.50%)	8,625	
Depreciation – Furniture, fixtures & fittings	2,833	
Loan cost write-off (\$2,286 over 5 yrs)	457	
Total Tax Deductions	50,688	

Tax Credit Calculation

	Investor	Partner	Total
Ownership (joint names)	50.00%	50.00%	100%
Current taxable income	120,000	80,000	200,000
Rental income	12,355	12,355	24,710
Total income	132,355	92,355	224,710
Deductions claimed	25,344	25,344	50,688
New taxable income	107,011	67,011	174,022
Current tax	34,747	19,147	53,894
New tax	29,681	14,666	44,347
Tax savings (current - new)	5,066	4,481	9,547
Tax credits	5,066	4,481	9,547

Annual after-tax investment (pre-tax cash flow + tax credit)

\$4,515

Weekly after-tax investment

\$87

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Tabulated breakdown of items contributing to first year cash flow

INVESTMENT COST

Purchase price	690,000
Purchase costs	24,600
Loan costs	2,286
Total investment cost	\$716,886

Purchase Costs

Conveyancing costs:	1,000
Govt. Stamp duty:	17,000
Advocacy Fee:	6,600
Total Purchase costs:	\$24,600

Loan Costs

Establishment fees (0.07% of loan):	501
Mortgagee's solicitor's fees:	1,000
Valuation fees:	265
Registration of mortgage:	230
Registration of title:	115
Search fees:	175
Total loan costs:	\$2,286

FINANCE

Initial cash invested	26,886
Initial loan amount (total cost + any additional loan – initial cash)	690,000
Loan type	I/O (4.90%)
Interest payments	33,810
Total loan payments	\$33,810
Closing loan balance	690,000

Initial Investment & Loan Amount

	Investment	Loan	Total Cost
Property cost:	0	690,000	690,000
Renovation costs:	0	0	0
Purchase costs:	24,600	0	24,600
Furniture costs:	0	0	0
Loan costs:	2,286	0	2,286
Totals:	\$26,886	\$690,000	\$716,886

Loan Details

Loan type:	I/O Yrs 1-40
Interest rate (yr 1) (%)	4.90
Loan amount(\$):	\$690,000
Loan costs (written off over 5 yrs):	\$2,286
Monthly payment:	\$2,818
Annual payment:	\$33,810

PROPERTY INCOME & EXPENDITURE

Rental income	24,710
Gross yield (rental income/property value)	3.58%
Rental expenses	4,963
Net rental income (rent retained – expenses paid)	19,748
Net yield (net rental income/property value)	2.86%

Rental Income

Rent per week:	480
Potential annual rent:	24,960
Vacancy rate:	1.00%
Annual rent:	\$24,710

Rental Expenses**Regular Expenses:**

Agent's commission (6.00%):	1,483	
Letting fees:	480	
Rates:	1,000	
Insurance:	1,000	
Maintenance:	500	
Body corporate:	500	
Total regular expenses:		4,963
Special expenses:		0
Total expenses:		\$4,963
Regular expenses as % of annual rent:		19.88%
Net yield or Capitalisation rate:		2.86%

PRE-TAX CASH FLOW

Item	Cash Amount
Rental income	24,710
Rental expenses	4,963
Loan interest	33,810
Principal payments	0
Cash investments	0
Pre-tax cash flow (year 1)	-14,062

TAX DEDUCTIONS

Cash deductions	
Loan interest	33,810
Rental expenses	4,963
Non-Cash Deductions	
Depreciation – Building (\$345,000 @ 2.50%)	8,625
Depreciation – Furniture, fixtures & fittings	2,833
Loan cost write-off (\$2,286 over 5 yrs)	457
Total Tax Deductions	\$50,688

Depreciation on the building (Capital allowance)

Property value:	690,000
Depreciable amount:	345,000
Depreciation allowance rate (%):	2.50
Depreciation claim:	\$8,625

Depreciation of fittings (prime cost method)

Item	Value	Effective Life (yrs)	Depreciation
General fittings	20,000	15.00	1,333
Low-value pool	8,000	4.00	1,500
Total	\$28,000		\$2,833

TAX CREDIT CALCULATION

	Investor	Partner	Total
Ownership (joint names)	50.00%	50.00%	100%
Current taxable income	120,000	80,000	200,000
Rental income	12,355	12,355	24,710
Total income	132,355	92,355	224,710
Deductions claimed	25,344	25,344	50,688
New taxable income	107,011	67,011	174,022
Current tax	34,747	19,147	53,894
New tax	29,681	14,666	44,347
Tax savings (current - new)	5,066	4,481	9,547
Tax credits	5,066	4,481	9,547

AFTER-TAX CASH FLOW

Annual after-tax investment (pre-tax cash flow + tax credit)	\$4,515
Weekly after-tax investment	\$87

CASH FLOW PROJECTIONS

To estimate future cash flows, assumptions have been made with regard to change over time in rental income, rental expenses and taxable income. Rental income is assumed to increase at 3.00% per year from year 1. Rental expenses are assumed to increase at 3.00% per year from year 1.

Cash flow items	Initial	1yr	2yr	3yr	4yr	5yr
Rental income		24,710	25,452	26,215	27,002	27,812
Cash invested	26,886	0	0	0	0	0
Principal payments		0	0	0	0	0
Interest payments		33,810	33,810	33,810	33,810	33,810
Rental expenses		4,963	5,112	5,265	5,423	5,585
Pre-tax cash flow	-26,886	-14,062	-13,470	-12,860	-12,231	-11,584
Tax deductions		50,688	51,775	51,014	50,600	50,406
Tax credits		9,547	9,782	9,333	9,007	8,756
After-tax cash flow	-26,886	-4,515	-3,688	-3,527	-3,224	-2,828
Cost /(income) per week		87	71	68	62	54

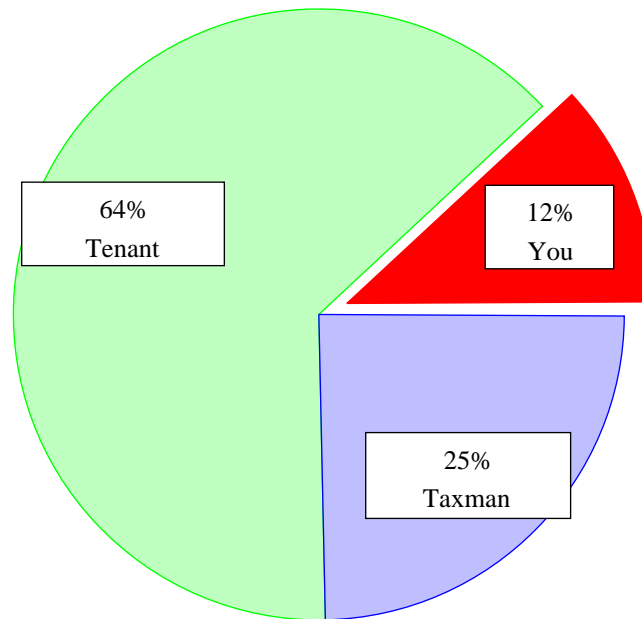
TAX BENEFITS

These are shown below for the given taxable incomes and are based on the specified tax scale.

Number of properties: 1

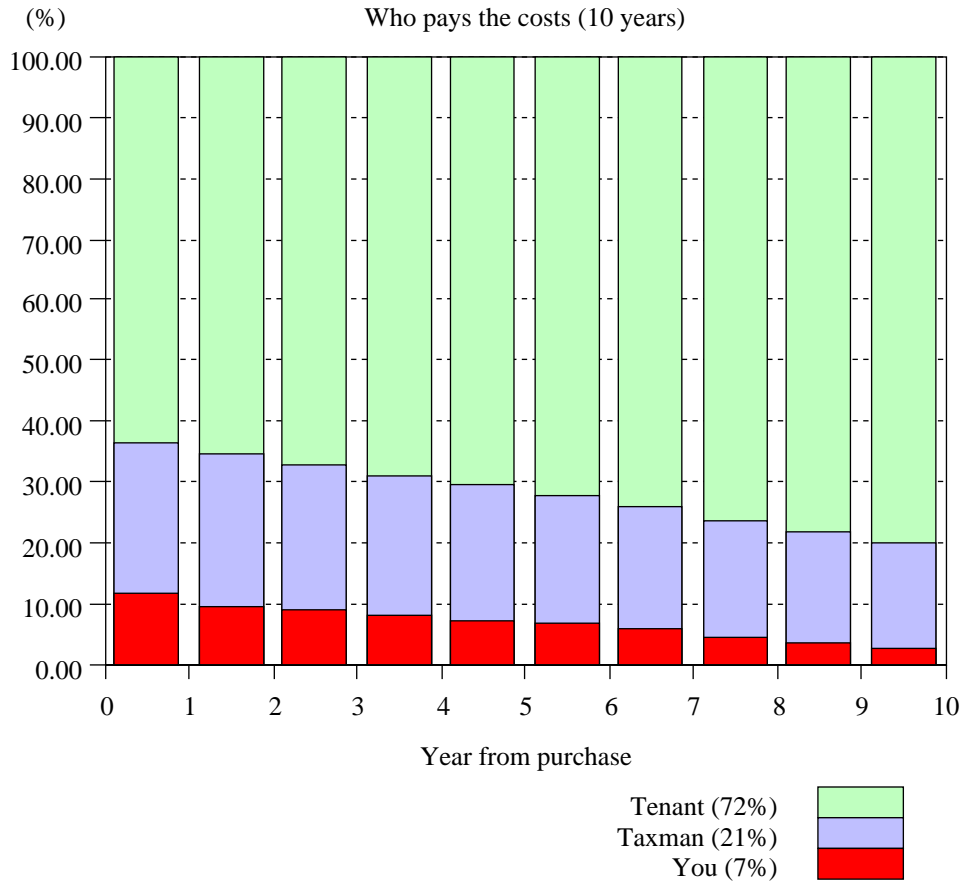
	Investor	Partner	Total
Ownership: joint names	50.00%	50.00%	100%
Current taxable income:	120,000	80,000	200,000
Rental income:	12,355	12,355	24,710
Total income:	132,355	92,355	224,710
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Tax savings:	5,066	4,481	9,547
Total tax credits:	\$5,066	\$4,481	\$9,547

Who pays the cost (1st year)?

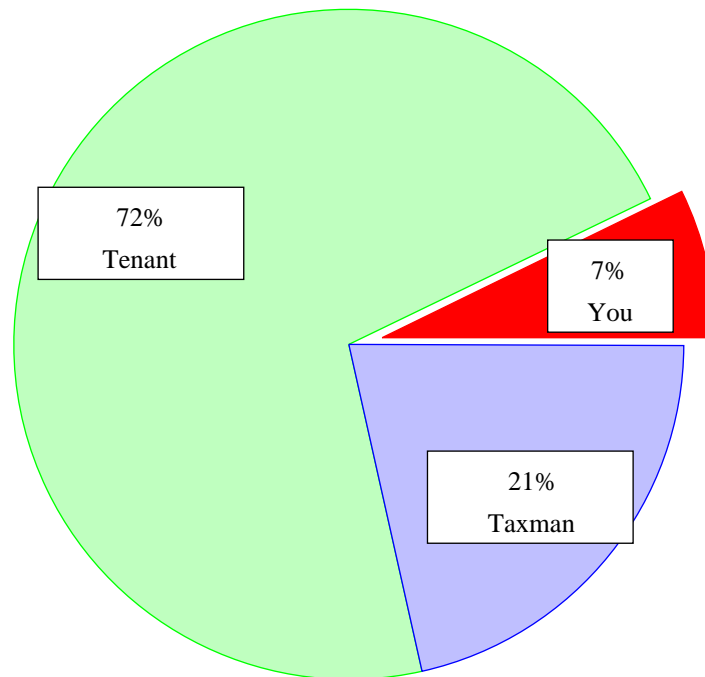


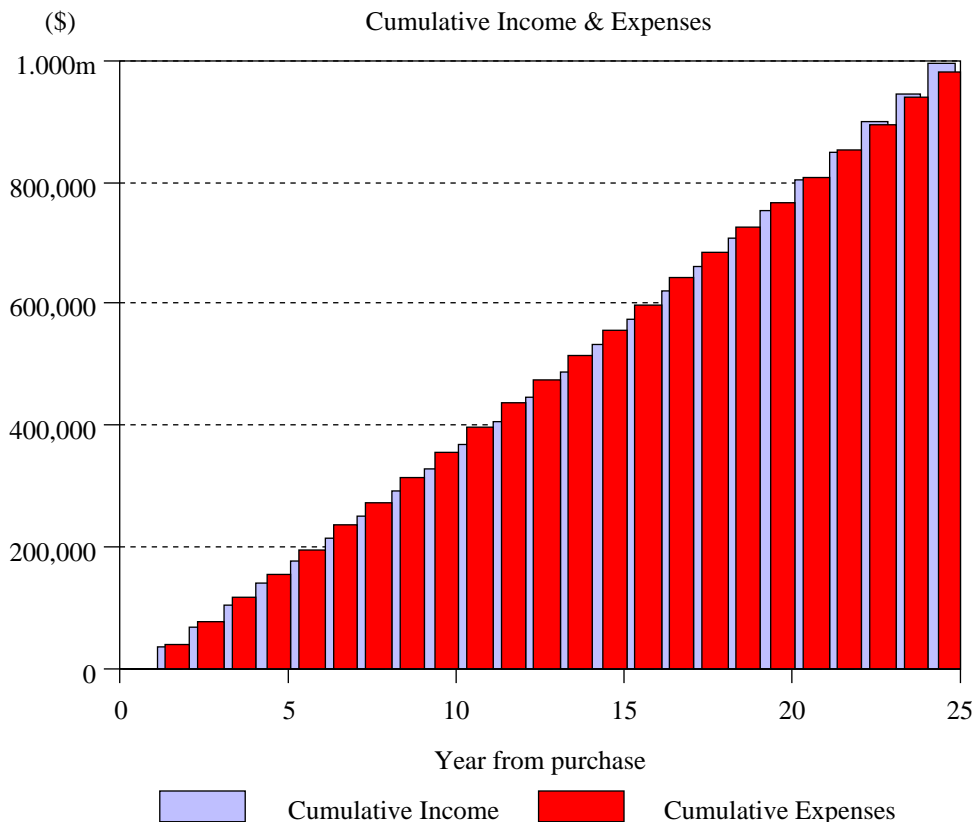
Projections over 25 years

Year	Interest costs	Rental expenses	Total cost	Rent (tenant)	Tax credit (taxman)	Cash (you)
1yr	\$33,810	\$4,963	\$38,773	\$24,710	\$9,547	\$4,515
2yr	\$33,810	\$5,112	\$38,922	\$25,452	\$9,782	\$3,688
3yr	\$33,810	\$5,265	\$39,075	\$26,215	\$9,333	\$3,527
4yr	\$33,810	\$5,423	\$39,233	\$27,002	\$9,007	\$3,224
5yr	\$33,810	\$5,585	\$39,395	\$27,812	\$8,756	\$2,828
6yr	\$33,810	\$5,753	\$39,563	\$28,646	\$8,286	\$2,631
7yr	\$33,810	\$5,926	\$39,736	\$29,506	\$7,964	\$2,266
8yr	\$33,810	\$6,103	\$39,913	\$30,391	\$7,654	\$1,869
9yr	\$33,810	\$6,287	\$40,097	\$31,302	\$7,349	\$1,445
10yr	\$33,810	\$6,475	\$40,285	\$32,241	\$7,043	\$1,001
11yr	\$33,810	\$6,669	\$40,479	\$33,209	\$6,733	\$538
12yr	\$33,810	\$6,869	\$40,679	\$34,205	\$6,417	\$57
13yr	\$33,810	\$7,076	\$40,886	\$35,231	\$6,094	-\$440
14yr	\$33,810	\$7,288	\$41,098	\$36,288	\$5,763	-\$953
15yr	\$33,810	\$7,506	\$41,316	\$37,377	\$5,573	-\$1,633
16yr	\$33,810	\$7,732	\$41,542	\$38,498	\$5,136	-\$2,092
17yr	\$33,810	\$7,964	\$41,774	\$39,653	\$4,729	-\$2,608
18yr	\$33,810	\$8,202	\$42,012	\$40,843	\$4,310	-\$3,140
19yr	\$33,810	\$8,449	\$42,259	\$42,068	\$3,879	-\$3,688
20yr	\$33,810	\$8,702	\$42,512	\$43,330	\$3,436	-\$4,254
21yr	\$33,810	\$8,963	\$42,773	\$44,630	\$2,978	-\$4,835
22yr	\$33,810	\$9,232	\$43,042	\$45,969	\$2,508	-\$5,435
23yr	\$33,810	\$9,509	\$43,319	\$47,348	\$2,022	-\$6,051
24yr	\$33,810	\$9,794	\$43,604	\$48,768	\$1,523	-\$6,687
25yr	\$33,810	\$10,088	\$43,898	\$50,231	\$1,008	-\$7,341



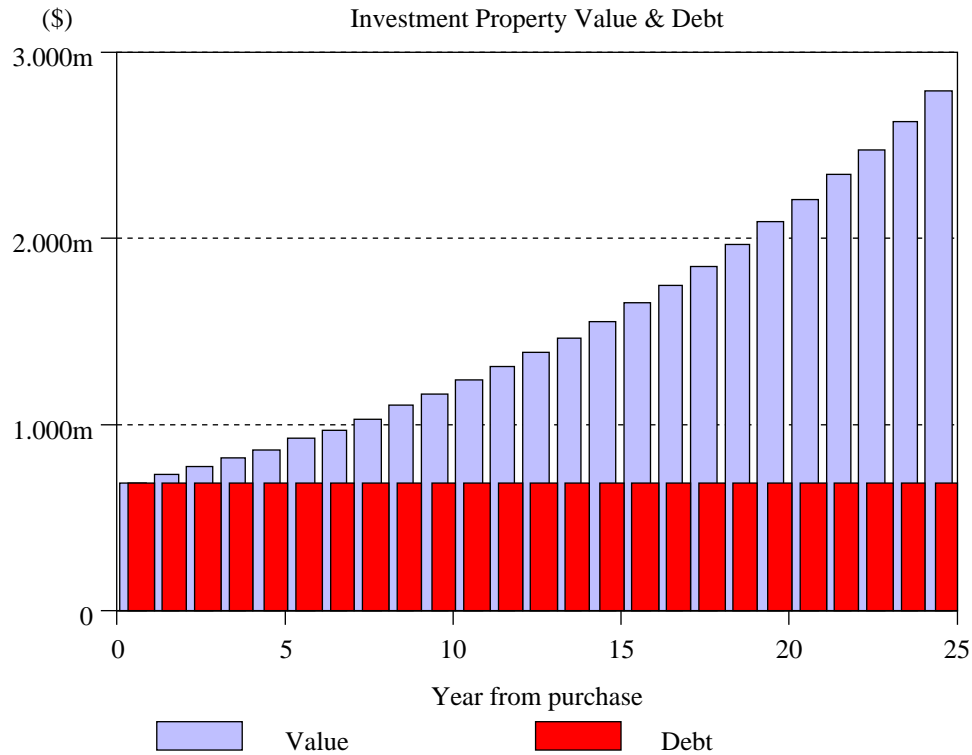
Average contribution (10 years)





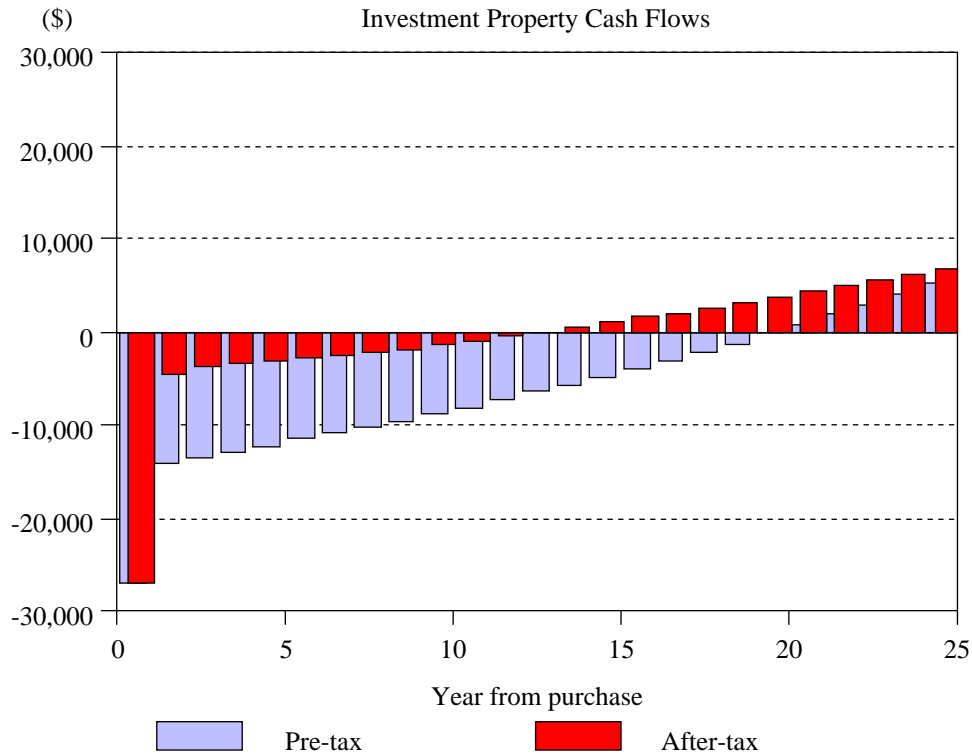
Cumulative projected income and expenses over 25 years

Year	Rent (tenant)	Tax credits (taxman)	Cumulative income	Interest cost	Rental expenses	Cumulative expenses
1yr	\$24,710	\$9,547	\$34,257	\$33,810	\$4,963	\$38,773
2yr	\$25,452	\$9,782	\$69,491	\$33,810	\$5,112	\$77,694
3yr	\$26,215	\$9,333	\$105,039	\$33,810	\$5,265	\$116,769
4yr	\$27,002	\$9,007	\$141,048	\$33,810	\$5,423	\$156,002
5yr	\$27,812	\$8,756	\$177,616	\$33,810	\$5,585	\$195,397
6yr	\$28,646	\$8,286	\$214,548	\$33,810	\$5,753	\$234,960
7yr	\$29,506	\$7,964	\$252,018	\$33,810	\$5,926	\$274,696
8yr	\$30,391	\$7,654	\$290,062	\$33,810	\$6,103	\$314,609
9yr	\$31,302	\$7,349	\$328,714	\$33,810	\$6,287	\$354,706
10yr	\$32,241	\$7,043	\$367,998	\$33,810	\$6,475	\$394,991
11yr	\$33,209	\$6,733	\$407,940	\$33,810	\$6,669	\$435,470
12yr	\$34,205	\$6,417	\$448,562	\$33,810	\$6,869	\$476,150
13yr	\$35,231	\$6,094	\$489,887	\$33,810	\$7,076	\$517,035
14yr	\$36,288	\$5,763	\$531,938	\$33,810	\$7,288	\$558,133
15yr	\$37,377	\$5,573	\$574,888	\$33,810	\$7,506	\$599,449
16yr	\$38,498	\$5,136	\$618,522	\$33,810	\$7,732	\$640,991
17yr	\$39,653	\$4,729	\$662,904	\$33,810	\$7,964	\$682,765
18yr	\$40,843	\$4,310	\$708,056	\$33,810	\$8,202	\$724,777
19yr	\$42,068	\$3,879	\$754,003	\$33,810	\$8,449	\$767,036
20yr	\$43,330	\$3,436	\$800,769	\$33,810	\$8,702	\$809,548
21yr	\$44,630	\$2,978	\$848,376	\$33,810	\$8,963	\$852,321
22yr	\$45,969	\$2,508	\$896,853	\$33,810	\$9,232	\$895,363
23yr	\$47,348	\$2,022	\$946,223	\$33,810	\$9,509	\$938,681
24yr	\$48,768	\$1,523	\$996,514	\$33,810	\$9,794	\$982,286
25yr	\$50,231	\$1,008	\$1,048m	\$33,810	\$10,088	\$1,026m



Property value & debt projections over 25 years

Year	Growth rate	Property value	Amount owing	Equity
		\$690,000	\$690,000	\$0
1yr	6.00%	\$731,400	\$690,000	\$41,400
2yr	6.00%	\$775,284	\$690,000	\$85,284
3yr	6.00%	\$821,801	\$690,000	\$131,801
4yr	6.00%	\$871,109	\$690,000	\$181,109
5yr	6.00%	\$923,376	\$690,000	\$233,376
6yr	6.00%	\$978,778	\$690,000	\$288,778
7yr	6.00%	\$1.038m	\$690,000	\$347,505
8yr	6.00%	\$1.100m	\$690,000	\$409,755
9yr	6.00%	\$1.166m	\$690,000	\$475,740
10yr	6.00%	\$1.236m	\$690,000	\$545,685
11yr	6.00%	\$1.310m	\$690,000	\$619,826
12yr	6.00%	\$1.388m	\$690,000	\$698,416
13yr	6.00%	\$1.472m	\$690,000	\$781,720
14yr	6.00%	\$1.560m	\$690,000	\$870,024
15yr	6.00%	\$1.654m	\$690,000	\$963,625
16yr	6.00%	\$1.753m	\$690,000	\$1.063m
17yr	6.00%	\$1.858m	\$690,000	\$1.168m
18yr	6.00%	\$1.969m	\$690,000	\$1.279m
19yr	6.00%	\$2.088m	\$690,000	\$1.398m
20yr	6.00%	\$2.213m	\$690,000	\$1.523m
21yr	6.00%	\$2.346m	\$690,000	\$1.656m
22yr	6.00%	\$2.486m	\$690,000	\$1.796m
23yr	6.00%	\$2.636m	\$690,000	\$1.946m
24yr	6.00%	\$2.794m	\$690,000	\$2.104m
25yr	6.00%	\$2.961m	\$690,000	\$2.271m



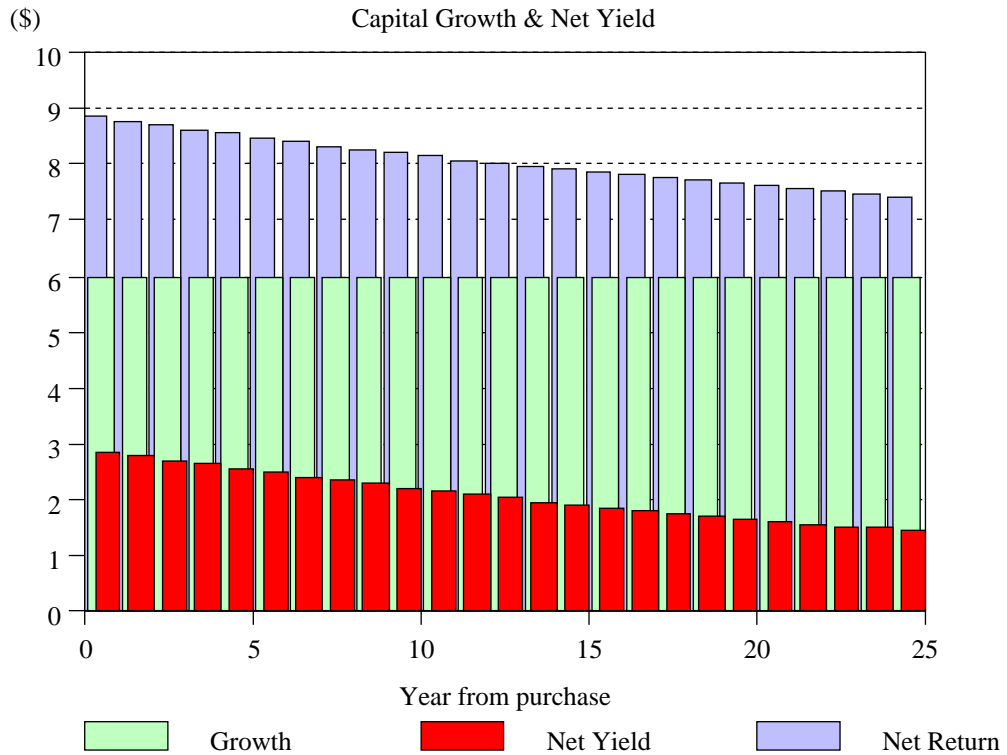
Cash flow projections over 25 years

Year	Rental income	Loan payments	Rental expenses	Pre-tax cash flow	Tax credit	After-tax cash flow
				-\$26,886		-\$26,886
1yr	\$24,710	\$33,810	\$4,963	-\$14,062	\$9,547	-\$4,515
2yr	\$25,452	\$33,810	\$5,112	-\$13,470	\$9,782	-\$3,688
3yr	\$26,215	\$33,810	\$5,265	-\$12,860	\$9,333	-\$3,527
4yr	\$27,002	\$33,810	\$5,423	-\$12,231	\$9,007	-\$3,224
5yr	\$27,812	\$33,810	\$5,585	-\$11,584	\$8,756	-\$2,828
6yr	\$28,646	\$33,810	\$5,753	-\$10,917	\$8,286	-\$2,631
7yr	\$29,506	\$33,810	\$5,926	-\$10,230	\$7,964	-\$2,266
8yr	\$30,391	\$33,810	\$6,103	-\$9,523	\$7,654	-\$1,869
9yr	\$31,302	\$33,810	\$6,287	-\$8,794	\$7,349	-\$1,445
10yr	\$32,241	\$33,810	\$6,475	-\$8,044	\$7,043	-\$1,001
11yr	\$33,209	\$33,810	\$6,669	-\$7,271	\$6,733	-\$538
12yr	\$34,205	\$33,810	\$6,869	-\$6,474	\$6,417	-\$57
13yr	\$35,231	\$33,810	\$7,076	-\$5,654	\$6,094	\$440
14yr	\$36,288	\$33,810	\$7,288	-\$4,810	\$5,763	\$953
15yr	\$37,377	\$33,810	\$7,506	-\$3,940	\$5,573	\$1,633
16yr	\$38,498	\$33,810	\$7,732	-\$3,044	\$5,136	\$2,092
17yr	\$39,653	\$33,810	\$7,964	-\$2,121	\$4,729	\$2,608
18yr	\$40,843	\$33,810	\$8,202	-\$1,170	\$4,310	\$3,140
19yr	\$42,068	\$33,810	\$8,449	-\$191	\$3,879	\$3,688
20yr	\$43,330	\$33,810	\$8,702	\$818	\$3,436	\$4,254
21yr	\$44,630	\$33,810	\$8,963	\$1,857	\$2,978	\$4,835
22yr	\$45,969	\$33,810	\$9,232	\$2,927	\$2,508	\$5,435
23yr	\$47,348	\$33,810	\$9,509	\$4,029	\$2,022	\$6,051
24yr	\$48,768	\$33,810	\$9,794	\$5,164	\$1,523	\$6,687
25yr	\$50,231	\$33,810	\$10,088	\$6,333	\$1,008	\$7,341



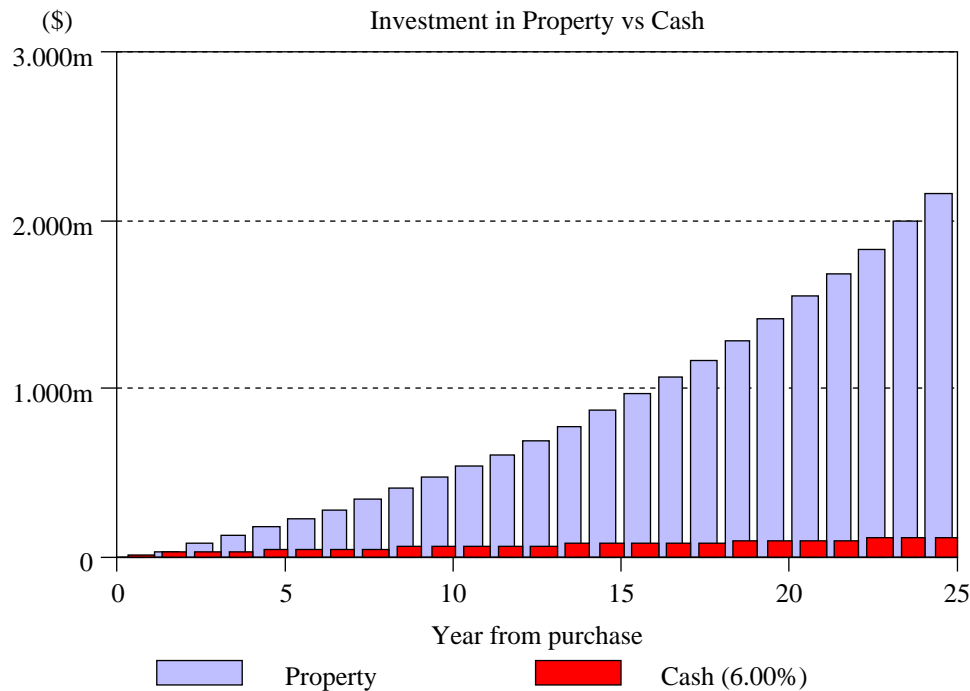
Projected equity and returns over 25 years

Year	After-tax cash flow	Property Retained		Property Sold		Equity (if sold)	Rate of return
		Equity	Rate of return	Selling costs	Capital Gains Tax		
	\$-26,886	\$0					
1yr	\$-4,515	\$41,400	31.4%	\$20,474	\$1,430	\$19,496	-38.1%
2yr	\$-3,688	\$85,284	59.5%	\$21,659	\$11,777	\$51,848	23.1%
3yr	\$-3,527	\$131,801	56.0%	\$22,915	\$22,988	\$85,899	34.1%
4yr	\$-3,224	\$181,109	50.0%	\$24,246	\$34,612	\$122,251	35.1%
5yr	\$-2,828	\$233,376	44.9%	\$25,657	\$47,102	\$160,617	33.7%
6yr	\$-2,631	\$288,778	40.6%	\$27,153	\$61,763	\$199,862	31.6%
7yr	\$-2,266	\$347,505	37.2%	\$28,739	\$77,035	\$241,731	29.7%
8yr	\$-1,869	\$409,755	34.3%	\$30,419	\$94,964	\$284,372	27.9%
9yr	\$-1,445	\$475,740	32.0%	\$32,201	\$113,972	\$329,567	26.3%
10yr	\$-1,001	\$545,685	30.0%	\$34,089	\$133,938	\$377,657	24.9%
11yr	\$-538	\$619,826	28.3%	\$36,091	\$154,923	\$428,812	23.8%
12yr	\$-57	\$698,416	26.8%	\$38,213	\$176,990	\$483,212	22.7%
13yr	\$440	\$781,720	25.5%	\$40,462	\$200,205	\$541,053	21.8%
14yr	\$953	\$870,024	24.4%	\$42,847	\$224,638	\$602,539	21.0%
15yr	\$1,633	\$963,625	23.4%	\$45,374	\$250,361	\$667,891	20.3%
16yr	\$2,092	\$1.063m	22.5%	\$48,053	\$277,145	\$737,645	19.6%
17yr	\$2,608	\$1.168m	21.7%	\$50,892	\$304,750	\$812,371	19.0%
18yr	\$3,140	\$1.279m	21.0%	\$53,902	\$333,872	\$891,720	18.5%
19yr	\$3,688	\$1.398m	20.3%	\$57,093	\$364,601	\$975,970	18.0%
20yr	\$4,254	\$1.523m	19.7%	\$60,475	\$397,033	\$1.065m	17.6%
21yr	\$4,835	\$1.656m	19.2%	\$64,060	\$431,271	\$1.160m	17.2%
22yr	\$5,435	\$1.796m	18.7%	\$67,860	\$467,421	\$1.261m	16.8%
23yr	\$6,051	\$1.946m	18.2%	\$71,888	\$505,600	\$1.368m	16.4%
24yr	\$6,687	\$2.104m	17.8%	\$76,158	\$545,927	\$1.482m	16.1%
25yr	\$7,341	\$2.271m	17.4%	\$80,684	\$588,532	\$1.602m	15.8%



Capital growth and rental yields over 25 years

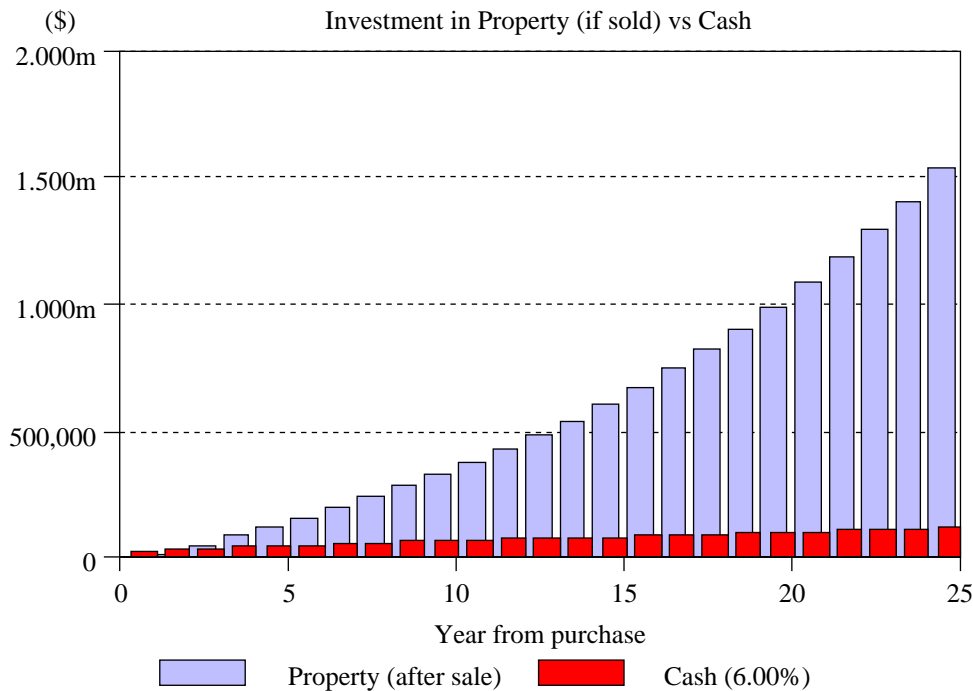
Year	Property value	Growth rate	Rental income	Rental expenses	Net Rent	Gross yield	Net yield
Initial	\$690,000						
1yr	\$731,400	6.00%	\$24,710	\$4,963	\$19,748	3.58%	2.86%
2yr	\$775,284	6.00%	\$25,452	\$5,112	\$20,340	3.48%	2.78%
3yr	\$821,801	6.00%	\$26,215	\$5,265	\$20,950	3.38%	2.70%
4yr	\$871,109	6.00%	\$27,002	\$5,423	\$21,579	3.29%	2.63%
5yr	\$923,376	6.00%	\$27,812	\$5,585	\$22,226	3.19%	2.55%
6yr	\$978,778	6.00%	\$28,646	\$5,753	\$22,893	3.10%	2.48%
7yr	\$1.038m	6.00%	\$29,506	\$5,926	\$23,580	3.01%	2.41%
8yr	\$1.100m	6.00%	\$30,391	\$6,103	\$24,287	2.93%	2.34%
9yr	\$1.166m	6.00%	\$31,302	\$6,287	\$25,016	2.85%	2.27%
10yr	\$1.236m	6.00%	\$32,241	\$6,475	\$25,766	2.77%	2.21%
11yr	\$1.310m	6.00%	\$33,209	\$6,669	\$26,539	2.69%	2.15%
12yr	\$1.388m	6.00%	\$34,205	\$6,869	\$27,336	2.61%	2.09%
13yr	\$1.472m	6.00%	\$35,231	\$7,076	\$28,156	2.54%	2.03%
14yr	\$1.560m	6.00%	\$36,288	\$7,288	\$29,000	2.47%	1.97%
15yr	\$1.654m	6.00%	\$37,377	\$7,506	\$29,870	2.40%	1.91%
16yr	\$1.753m	6.00%	\$38,498	\$7,732	\$30,766	2.33%	1.86%
17yr	\$1.858m	6.00%	\$39,653	\$7,964	\$31,689	2.26%	1.81%
18yr	\$1.969m	6.00%	\$40,843	\$8,202	\$32,640	2.20%	1.76%
19yr	\$2.088m	6.00%	\$42,068	\$8,449	\$33,619	2.14%	1.71%
20yr	\$2.213m	6.00%	\$43,330	\$8,702	\$34,628	2.08%	1.66%
21yr	\$2.346m	6.00%	\$44,630	\$8,963	\$35,667	2.02%	1.61%
22yr	\$2.486m	6.00%	\$45,969	\$9,232	\$36,737	1.96%	1.57%
23yr	\$2.636m	6.00%	\$47,348	\$9,509	\$37,839	1.90%	1.52%
24yr	\$2.794m	6.00%	\$48,768	\$9,794	\$38,974	1.85%	1.48%
25yr	\$2.961m	6.00%	\$50,231	\$10,088	\$40,143	1.80%	1.44%



Projected returns from equivalent investments in cash and property over 25 years

Year	Investment in Cash			Investment in Property			Equity + income
	After-tax cash flow	Cash invested	Total Cash + interest	Property income	Income + interest	Property equity	
	\$-26,886	\$26,886	\$26,886			\$0	\$0
1yr	\$-4,515	\$4,515	\$32,468	\$0	\$0	\$41,400	\$41,400
2yr	\$-3,688	\$3,688	\$37,411	\$0	\$0	\$85,284	\$85,284
3yr	\$-3,527	\$3,527	\$42,372	\$0	\$0	\$131,801	\$131,801
4yr	\$-3,224	\$3,224	\$47,206	\$0	\$0	\$181,109	\$181,109
5yr	\$-2,828	\$2,828	\$51,813	\$0	\$0	\$233,376	\$233,376
6yr	\$-2,631	\$2,631	\$56,388	\$0	\$0	\$288,778	\$288,778
7yr	\$-2,266	\$2,266	\$60,760	\$0	\$0	\$347,505	\$347,505
8yr	\$-1,869	\$1,869	\$64,886	\$0	\$0	\$409,755	\$409,755
9yr	\$-1,445	\$1,445	\$68,733	\$0	\$0	\$475,740	\$475,740
10yr	\$-1,001	\$1,001	\$72,267	\$0	\$0	\$545,685	\$545,685
11yr	\$-538	\$538	\$75,460	\$0	\$0	\$619,826	\$619,826
12yr	\$-57	\$57	\$78,280	\$0	\$0	\$698,416	\$698,416
13yr	\$440	\$0	\$81,145	\$440	\$448	\$781,720	\$782,168
14yr	\$953	\$0	\$84,115	\$953	\$1,435	\$870,024	\$871,458
15yr	\$1,633	\$0	\$87,194	\$1,633	\$3,150	\$963,625	\$966,776
16yr	\$2,092	\$0	\$90,385	\$2,092	\$5,396	\$1.063m	\$1.068m
17yr	\$2,608	\$0	\$93,693	\$2,608	\$8,250	\$1.168m	\$1.176m
18yr	\$3,140	\$0	\$97,122	\$3,140	\$11,750	\$1.279m	\$1.291m
19yr	\$3,688	\$0	\$100,677	\$3,688	\$15,935	\$1.398m	\$1.414m
20yr	\$4,254	\$0	\$104,362	\$4,254	\$20,850	\$1.523m	\$1.544m
21yr	\$4,835	\$0	\$108,182	\$4,835	\$26,537	\$1.656m	\$1.682m
22yr	\$5,435	\$0	\$112,141	\$5,435	\$33,042	\$1.796m	\$1.829m
23yr	\$6,051	\$0	\$116,245	\$6,051	\$40,413	\$1.946m	\$1.986m
24yr	\$6,687	\$0	\$120,500	\$6,687	\$48,701	\$2.104m	\$2.152m
25yr	\$7,341	\$0	\$124,910	\$7,341	\$57,959	\$2.271m	\$2.329m

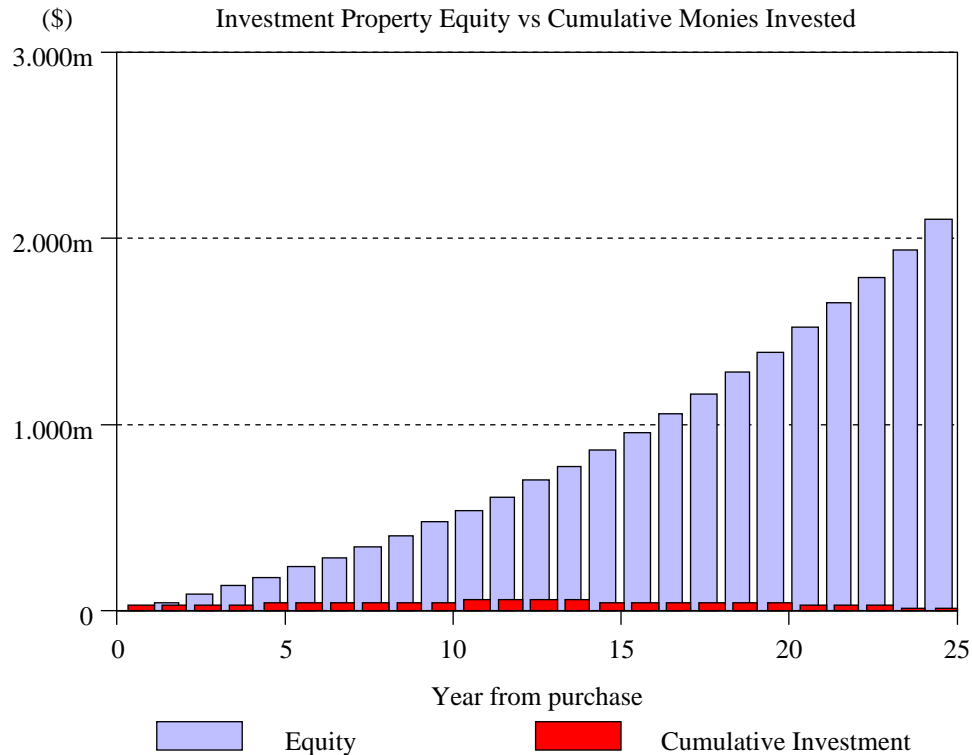
Note: The above comparison assumes that investments made in the property (i.e. the negative after-tax cash flows) are invested as cash at the interest rate shown and the interest that accrues is taxed at the investor's marginal rate of tax. Similarly, any income from the property (i.e. the positive after-tax cash flows) is invested at the same interest rate and the interest earned is also taxed at the marginal rate.



Projected returns from equivalent investments in cash and property (if sold) over 25 years

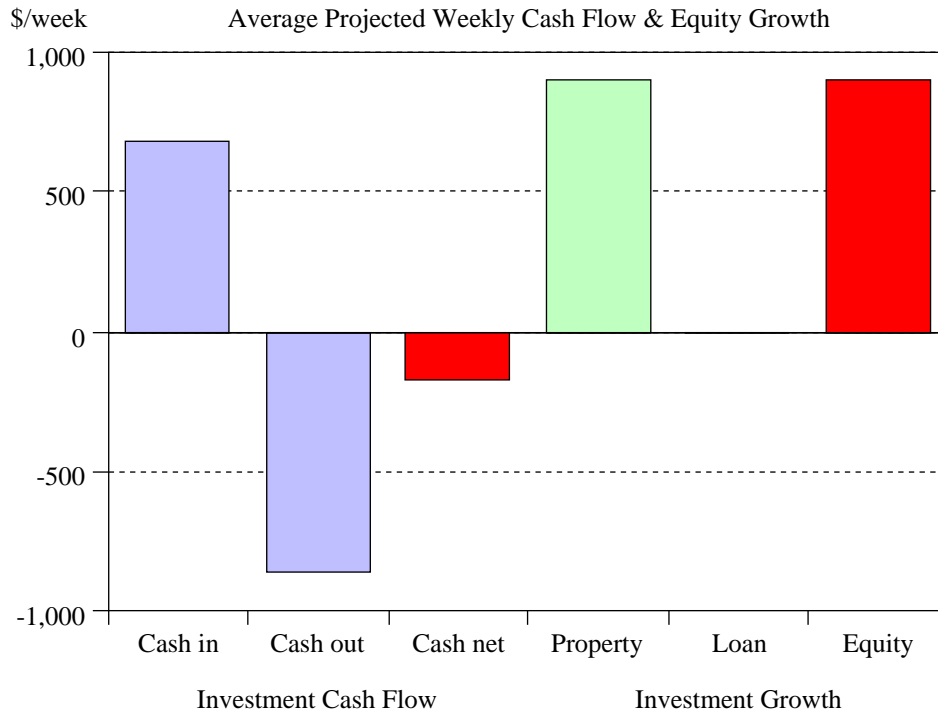
Year	Investment in Cash			Investment in Property			Equity + income
	After-tax cash flow	Cash invested	Total Cash + interest	Property income	Income + interest	After-sale equity	
	\$-26,886	\$26,886	\$26,886			\$0	\$0
1yr	\$-4,515	\$4,515	\$32,468	\$0	\$0	\$19,496	\$19,496
2yr	\$-3,688	\$3,688	\$37,411	\$0	\$0	\$51,848	\$51,848
3yr	\$-3,527	\$3,527	\$42,372	\$0	\$0	\$85,899	\$85,899
4yr	\$-3,224	\$3,224	\$47,206	\$0	\$0	\$122,251	\$122,251
5yr	\$-2,828	\$2,828	\$51,813	\$0	\$0	\$160,617	\$160,617
6yr	\$-2,631	\$2,631	\$56,388	\$0	\$0	\$199,862	\$199,862
7yr	\$-2,266	\$2,266	\$60,760	\$0	\$0	\$241,731	\$241,731
8yr	\$-1,869	\$1,869	\$64,886	\$0	\$0	\$284,372	\$284,372
9yr	\$-1,445	\$1,445	\$68,733	\$0	\$0	\$329,567	\$329,567
10yr	\$-1,001	\$1,001	\$72,267	\$0	\$0	\$377,657	\$377,657
11yr	\$-538	\$538	\$75,460	\$0	\$0	\$428,812	\$428,812
12yr	\$-57	\$57	\$78,280	\$0	\$0	\$483,212	\$483,212
13yr	\$440	\$0	\$81,145	\$440	\$448	\$541,053	\$541,500
14yr	\$953	\$0	\$84,115	\$953	\$1,435	\$602,539	\$603,974
15yr	\$1,633	\$0	\$87,194	\$1,633	\$3,150	\$667,891	\$671,041
16yr	\$2,092	\$0	\$90,385	\$2,092	\$5,396	\$737,645	\$743,041
17yr	\$2,608	\$0	\$93,693	\$2,608	\$8,250	\$812,371	\$820,621
18yr	\$3,140	\$0	\$97,122	\$3,140	\$11,750	\$891,720	\$903,470
19yr	\$3,688	\$0	\$100,677	\$3,688	\$15,935	\$975,970	\$991,906
20yr	\$4,254	\$0	\$104,362	\$4,254	\$20,850	\$1.065m	\$1.086m
21yr	\$4,835	\$0	\$108,182	\$4,835	\$26,537	\$1.160m	\$1.187m
22yr	\$5,435	\$0	\$112,141	\$5,435	\$33,042	\$1.261m	\$1.294m
23yr	\$6,051	\$0	\$116,245	\$6,051	\$40,413	\$1.368m	\$1.409m
24yr	\$6,687	\$0	\$120,500	\$6,687	\$48,701	\$1.482m	\$1.530m
25yr	\$7,341	\$0	\$124,910	\$7,341	\$57,959	\$1.602m	\$1.660m

Note: The above comparison assumes that investments made in the property (i.e. the negative after-tax cash flows prior to sale) are invested as cash at the interest rate shown and the interest that accrues is taxed at the investor's marginal rate of tax. Similarly, any income from the property (i.e. the positive after-tax cash flows) is invested at the same interest rate and the interest earned is also taxed at the marginal rate.



Projected total investment and equity over 25 years

Year	After-tax cash flow	Cumulative investment	Property value	Amount owing	Equity
	\$-26,886	\$26,886	\$690,000	\$690,000	\$0
1yr	\$-4,515	\$31,401	\$731,400	\$690,000	\$41,400
2yr	\$-3,688	\$35,089	\$775,284	\$690,000	\$85,284
3yr	\$-3,527	\$38,616	\$821,801	\$690,000	\$131,801
4yr	\$-3,224	\$41,840	\$871,109	\$690,000	\$181,109
5yr	\$-2,828	\$44,667	\$923,376	\$690,000	\$233,376
6yr	\$-2,631	\$47,298	\$978,778	\$690,000	\$288,778
7yr	\$-2,266	\$49,564	\$1.038m	\$690,000	\$347,505
8yr	\$-1,869	\$51,433	\$1.100m	\$690,000	\$409,755
9yr	\$-1,445	\$52,878	\$1.166m	\$690,000	\$475,740
10yr	\$-1,001	\$53,879	\$1.236m	\$690,000	\$545,685
11yr	\$-538	\$54,417	\$1.310m	\$690,000	\$619,826
12yr	\$-57	\$54,474	\$1.388m	\$690,000	\$698,416
13yr	\$440	\$54,034	\$1.472m	\$690,000	\$781,720
14yr	\$953	\$53,081	\$1.560m	\$690,000	\$870,024
15yr	\$1,633	\$51,448	\$1.654m	\$690,000	\$963,625
16yr	\$2,092	\$49,355	\$1.753m	\$690,000	\$1.063m
17yr	\$2,608	\$46,747	\$1.858m	\$690,000	\$1.168m
18yr	\$3,140	\$43,607	\$1.969m	\$690,000	\$1.279m
19yr	\$3,688	\$39,919	\$2.088m	\$690,000	\$1.398m
20yr	\$4,254	\$35,665	\$2.213m	\$690,000	\$1.523m
21yr	\$4,835	\$30,830	\$2.346m	\$690,000	\$1.656m
22yr	\$5,435	\$25,396	\$2.486m	\$690,000	\$1.796m
23yr	\$6,051	\$19,345	\$2.636m	\$690,000	\$1.946m
24yr	\$6,687	\$12,658	\$2.794m	\$690,000	\$2.104m
25yr	\$7,341	\$5,317	\$2.961m	\$690,000	\$2.271m



Comparison of projected weekly investment cash flows and growth rates (5 years)

In simple terms, this report compares what you put in to the investment with what you might expect to get out. The net after-tax cash flow represents your cash contribution to the investment while the growth in equity represents your increase in net wealth as a result of that investment. For ease of understanding, these figures are presented as weekly averages over the projected period specified (5 years), but will therefore be dependent on the assumptions made in relation to capital growth, inflation and interest rates over that period..

The net after-tax cash flow is the difference between the cash you receive (or save) as a result of the investment (rental income and tax credits) and the cash you pay out (any lump sum cash outlay, principal loan payments, loan interest payments and rental expenses). If any of these items are internalised in the investment loan, they will not appear in the cash flow but will instead impact on the amount owing in the loan.

The growth in equity over the projected period will reflect the changes in property value and the loan over the same time frame. In the simple case of an interest-only loan, the loan amount will stay constant and the growth in equity will be the same as the growth in property value.

In the current example, the average net after-tax cash flow is \$-172 per week while the average equity growth is \$898 per week.

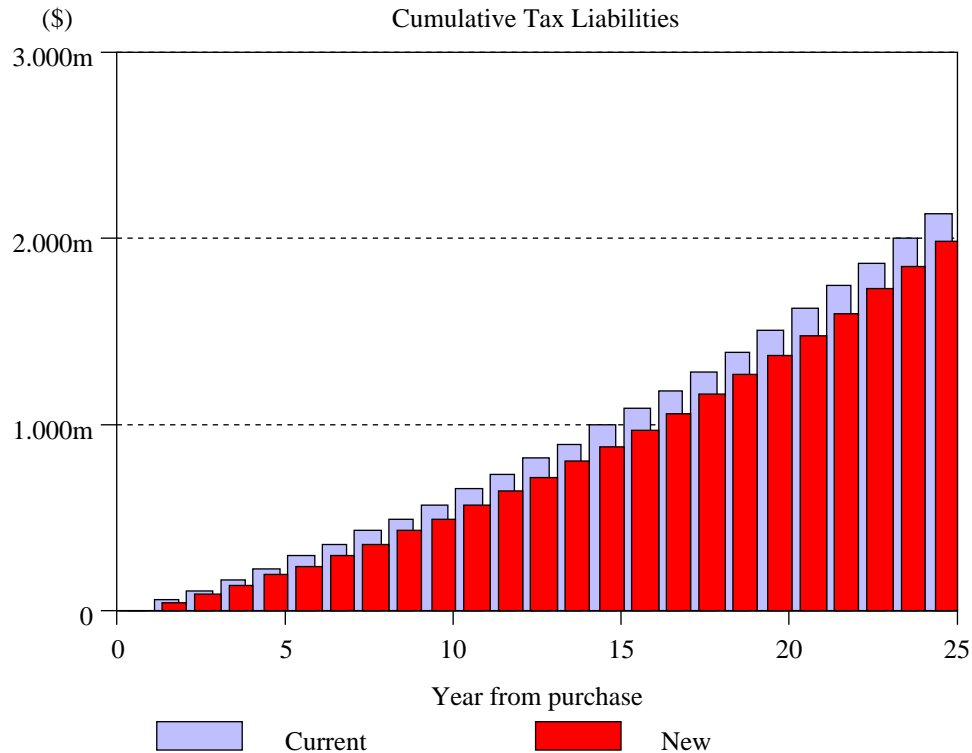
INVESTMENT CASH FLOW

Cash In	Total (5 years)	Average (per week)
Rental income	131,191	
Tax credits	46,425	
Total	177,616	683
Cash Out		
Cash outlays	26,886	
Principal payments	0	
Interest payments	169,050	
Rental expenses	26,347	
Total	222,283	855

Net After-Tax Cash Flow **-44,667** **-172**

INVESTMENT GROWTH

	Initial	5 yrs	Change	Average (per week)
Property value	690,000	923,376	233,376	898
Loan amount	690,000	690,000	0	0
Equity	0	233,376	233,376	898



Projected tax liabilities over 25 years

Year	Taxable income joint names	Current tax liability	Cumulative current tax	New tax liability	Cumulative new tax	Cumulative savings
1yr	\$200,000	\$53,894	\$53,894	\$44,347	\$44,347	\$9,547
2yr	\$206,000	\$56,234	\$110,128	\$46,452	\$90,800	\$19,328
3yr	\$212,180	\$58,644	\$168,772	\$49,311	\$140,111	\$28,661
4yr	\$218,545	\$61,127	\$229,899	\$52,120	\$192,231	\$37,668
5yr	\$225,102	\$63,684	\$293,583	\$54,928	\$247,160	\$46,423
6yr	\$231,855	\$66,317	\$359,900	\$58,031	\$305,191	\$54,709
7yr	\$238,810	\$69,030	\$428,930	\$61,066	\$366,257	\$62,673
8yr	\$245,975	\$71,824	\$500,754	\$64,170	\$430,427	\$70,328
9yr	\$253,354	\$74,702	\$575,456	\$67,353	\$497,780	\$77,676
10yr	\$260,955	\$77,666	\$653,123	\$70,623	\$568,403	\$84,719
11yr	\$268,783	\$80,719	\$733,842	\$73,986	\$642,390	\$91,453
12yr	\$276,847	\$83,864	\$817,706	\$77,447	\$719,836	\$97,870
13yr	\$285,152	\$87,103	\$904,810	\$81,009	\$800,845	\$103,964
14yr	\$293,707	\$90,440	\$995,249	\$84,677	\$885,522	\$109,727
15yr	\$302,518	\$94,027	\$1.089m	\$88,454	\$973,976	\$115,301
16yr	\$311,593	\$98,111	\$1.187m	\$92,975	\$1.067m	\$120,436
17yr	\$320,941	\$102,318	\$1.290m	\$97,589	\$1.165m	\$125,165
18yr	\$330,570	\$106,650	\$1.396m	\$102,340	\$1.267m	\$129,476
19yr	\$340,487	\$111,113	\$1.507m	\$107,234	\$1.374m	\$133,355
20yr	\$350,701	\$115,710	\$1.623m	\$112,274	\$1.486m	\$136,790
21yr	\$361,222	\$120,444	\$1.744m	\$117,466	\$1.604m	\$139,769
22yr	\$372,059	\$125,321	\$1.869m	\$122,813	\$1.727m	\$142,276
23yr	\$383,221	\$130,343	\$1.999m	\$128,321	\$1.855m	\$144,298
24yr	\$394,717	\$135,517	\$2.135m	\$133,994	\$1.989m	\$145,821
25yr	\$406,559	\$140,845	\$2.276m	\$139,837	\$2.129m	\$146,830