

# THE HAPPY HOME LOAN HANDBOOK

GET YOUR LOAN APPROVED,  
BUY YOUR DREAM HOME  
AND ENJOY YOUR LIFE



AARON CHRISTIE-DAVID



## Praise for *The Happy Home Loan Handbook*

Buying property is hard, but Aaron Christie-David makes it so much easier. His approach to property and borrowing is practical, tried and tested – and importantly, it works.

**Ben Nash**, Founder of Pivot Wealth and author of *Replace Your Salary by Investing*

Aaron beautifully articulates the home loan process and fills a gap in the market, with so many books focused on the analysis of property itself. As one of Australia's leading property investors, I know that property is a game of finance. Whether you are buying a family home or an investment property, this book will guide you through the ins and outs of the process to ensure long-term success!

**Steve Palise**, owner of Palise Property and author of the award-winning *Commercial Property Investing Explained Simply* and *Residential Property Investing Explained Simply*

*The Happy Home Loan Handbook* is exactly what both property investors and owner-occupiers need right now. This handbook demystifies the process and provides you with a clear understanding of how to effectively save for a deposit and which structures to use to maximise your borrowing capacity over the long term. Most importantly, this book clearly outlines how to pay off your loan as soon as possible and get on with the job of enjoying your life. It's a must-read for anyone who has a home loan or is looking to buy a property and have a home loan in the future.

**Paul Glossop**, Managing Director of Pure Property Investment and author of *A Surfer's Guide to Property Investing*

In *The Happy Home Loan Handbook*, Aaron Christie-David masterfully demystifies the often-intimidating process of securing a home loan. This book is not just about securing a loan – it's about laying the foundations for a happy, fulfilling life in your new home. Aaron's book stands out as an essential guide, offering a wealth of practical advice wrapped in an engaging narrative.

**Michael Yardney**, Founder of Metropole Property Group

I read this book from cover to cover in one sitting. As a real estate agent, business owner, homeowner and investor from an early age, I found this book well articulated and educational, especially for those starting their journey of buying their own home.

**Trever Molenaar**, Director of molenaar x mcniece

This book is dedicated to my supportive and beautiful wife  
Bernadette and my two wonderful daughters, Sienna and Zara.

Thank you for believing in me.

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MAJOR  
STREET



Published in 2024 by Major Street Publishing Pty Ltd  
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A catalogue record for this book is available  
from the National Library of Australia

Printed book ISBN: 978-1-922611-97-0  
Ebook ISBN: 978-1-922611-98-7

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Cover design by Typography Studio  
Internal design by Production Works  
Printed in Australia by Griffin Press

10 9 8 7 6 5 4 3 2 1

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## Preface

# A home loan is a privilege

I love Australia. Getting to call this country home is one of the biggest blessings in my life, and buying a piece of it is an achievement I'm proud of. My background is Sri Lankan, and I've been back to Sri Lanka on a few occasions. It's a nation with great history, rich culture and amazing hospitality and people, but it has been plagued by civil war, economic turmoil and crippling levels of debt. Australia is lucky enough not to have these problems, which is part of why many people from around the world want to call it home.

I hope you share that desire to own your piece of this country. Our government provides support to help first home buyers get their foot in the door and start their property journey. Is it expensive to buy property in Australia? Absolutely! Is it unattainable or unaffordable? No. This topic is debated at a political level by both federal and state governments, as well as on the national news, around dinner tables and on social media. However, while some people choose to spend their time complaining about the price of real estate, a select cohort of Australians is determined to get their loan approved, buy their dream home and enjoy their life. If you are among them, then this book is for you.

There is no shortage of resources to help home buyers. There are online courses, podcasts, seminars, YouTube videos, Facebook



groups, websites and books like this. With all this content out there, why do so many potential home buyers lack confidence in their ability to buy a property? I don't feel that it's a lack of resources; rather, it's a lack of resourcefulness.

As much as you can learn from others, you learn more from making mistakes, and I've made my fair share! I bought my first unit opposite a cemetery. I bought my second unit in a high-density development overlooking a busy train station. I bought my third property off the plan. I've since sold all these properties (and none at a loss), and my wife and I own our family home in Woonona, about 20 minutes north of Wollongong. We have also purchased our own commercial property for our business. I feel like all the roads I have taken have led me to this point. I failed forwards, but most importantly, I took action. The property market rewarded me for being proactive to buy, as I sold all the aforementioned properties for a profit and learned priceless lessons.

My hope for you is that you take the information you need from this book to build your confidence and knowledge of what's involved in getting your loan approved, buying your dream home and, most importantly, getting on with enjoying your life. Too often, potential home buyers are crippled with analysis paralysis and feel overwhelmed. I want to acknowledge that it's not easy, but it's not impossible, and the property market rewards action-takers and decision-makers.

## **Why is this book called *The Happy Home Loan Handbook*?**

In 2019, I went on a family holiday to Japan, and as you do at the airport, I browsed through the latest books to pick up some light reading for the flight. My brother-in-law Damien is an avid book reader and found a book called *Happy Money* by Ken Honda. It was

the best of both worlds: a money book (a genre I enjoy reading) and a Japanese author!

I love the concept of happy money. In a nutshell, Ken Honda's philosophy is that 'happy money' is money received or spent with joy, gratitude and positive intention. 'Unhappy money', on the other hand, is associated with negative emotions such as fear, greed or resentment. Ken Honda suggests that the nature of our relationship with money, whether it is happy or unhappy, significantly impacts our life experience and overall wellbeing.

I resonate so much with this ideology as a mortgage broker. Debt has a negative connotation for many people, especially home loan debt. Many people somehow believe that there's good debt (investment loans) and bad debt (home loans), and I can understand that at a professional level but I could never accept it at a deeply personal level. Why wouldn't you consider a home loan good debt? It may mean you're not renting anymore. It may mean you now have a place to call your own, being able to put down roots and own a property in this great land of ours, and never worry about having to move your family. What about the special memories that you could create in your own home – the Easter lunches, Christmas Day feasts, birthday parties and building connections with neighbours, to name a few? It could also provide the leverage and equity for you to buy investment properties and build intergenerational wealth. There is (generally) no home without a loan, especially when you're buying your first home. So, why the resistance to debt? How have we been conditioned to feel that it is better to rent because a mortgage is a life sentence where the bank somehow owns your home because they lent you the money to buy it?

My mission is to reframe the way Australian families perceive their mortgage as a 'happy home loan'. This book tells you, from start to finish, how to get your home loan approved, buy your dream home and get on with enjoying life. It takes you through the most

commonly asked questions and will get you thinking about what action you need to take to make your home ownership aspirations come true.

## **My story**

If I were to tell you I met my wife while we were both shopping at Kmart in Nowra on Boxing Day, you might think it sounds like a plot line from a Hollywood rom-com! That's exactly what happened. My best mate from school saw Bernadette, who was shopping, and called me over to tell me my future wife was standing in front of him. Little did he know this would be true!

That day changed my life forever. A Christmas holiday on the beautiful South Coast of New South Wales led to me meeting the woman of my dreams. I had recently been made redundant working in marketing for a financial services company at the height of the global financial crisis and, being unemployed, I didn't think my prospects were that red hot. The phrase 'carpe diem' (Latin for 'seize the day') came to mind, and I mustered up the courage to introduce myself and politely asked if she would like to grab a coffee.

We're now celebrating ten years of marriage, during which we have welcomed two gorgeous girls (Sienna and Zara) into the world, made a sea change from Sydney, and built and grown our business and property portfolio – and it feels like we're just getting started. It's that line from Steve Jobs that sinks in when I reflect on our life together: that you can only connect the dots by looking backward. In life, we all get sliding doors moments that set us on a different trajectory, and I'm blessed when I think about the life I've been gifted by going through this door.

Speaking of sliding doors moments, another significant moment for Bernadette and I happened when we were on holiday in Thailand and having an incredible seafood dinner. The restaurant had the

most amazing reviews and was packed, and to our surprise it was run by a Sikh gentleman. He was the friendliest and most hospitable guy, and he somehow took a liking to us, and kept serving us ice cold beers all night and insisted we stay till after the restaurant closed to have a chat. I asked him how an Indian guy runs such a successful seafood restaurant in Thailand. His answer shouldn't have surprised me: work hard, serve your customers with love and enjoy what you do. He also highly recommended that we read a book called *The Richest Man in Babylon* by George Samuel Clason. We did, and that book – and the realisation it inspired in us that good money habits are timeless – sparked a series of events for us, especially when Bernie and I started to plan what we wanted out of life together and the type of lifestyle we wanted to build. It was with such clarity that Bernie said, 'Why don't you become a mortgage broker?' At this point in my life, I was working for the Commonwealth Bank of Australia in home loan distribution and marketing, specifically working with the mortgage broking channel. Previously I worked at Wizard Home Loans, so I knew about home loans, building wealth through property and the mortgage broking industry. This lit a fuse in me, and when we returned I quit my corporate role and took up mortgage broking, and I haven't looked back.

Our decision to move out of Sydney was quite easy as we knew we wanted to get off the hamster wheel of 'work, pay mortgage, sleep, repeat' and breathe. In 2018 we moved down to Thirroul, a great place on the South Coast where we rented and fell in love with the slower pace of life. Over the next few years, we were blessed with Sienna and Zara, and it was at this point that I realised, having two healthy children, a home that we had bought and the lifestyle this country offers, it doesn't get better than this. I wanted so many more Australians to enjoy the feeling of security that comes from the ability to buy your own home. It inspired me to write this book and share my journey of home ownership with the next generation

of home buyers who have the aspiration but need some guidance. I know first-hand how hard it was for me and my wife to get into the property market, so I can imagine what it will be like for our two daughters when they want to buy their first home. If we're not setting the right example for them, what hope do they have?

Our goal has never been to amass a property portfolio to brag about. It's been about quality over quantity, and ensuring we are buying the right property to help us build a portfolio we can comfortably retire on and, most importantly, be able to build intergenerational wealth that our children and their children will become the beneficiaries of.

If we can do it, then we have the belief that you can do it too.

Happy reading,

*Aaron Christie-David*

PART I

# GETTING YOUR LOAN APPROVED





## Chapter 1

# How to mentally prepare yourself to buy your dream home

The first step to getting your loan approved is finding the courage to embark upon the home-buying journey in the first place. This chapter covers some of the barriers that prevent people from taking the plunge and looks at ways to help you overcome them.

### **Is now a good time to buy?**

Possibly the most common question I hear from home buyers is, 'Is now a good time to buy?' It's like asking a hairdresser if you need a haircut! It's fair to say that my world is loans and property, so naturally I have a bias towards buying a home.

The media is constantly running stories about how hard it is to buy, housing prices being out of reach for Australians and the property market being too expensive, as well as opinion pieces from property experts and the banks' economists giving mixed outlooks on the property market. All this leads to confusion, overwhelm and a lack of confidence. I'm hoping that this book will give you confidence that home ownership is attainable and achievable.



It's easy to get caught up in the sentiment that the Australian housing market is unaffordable and the Great Australian Dream is out of reach. Absolutely, it has gotten harder to get into the property market, but it's not impossible. That's the glimmer of hope I'm hoping you'll latch onto and channel to become determined to do everything within your power to get into the property market. Your future self will thank you for this decision.

Media reports on the Australian property market usually highlight the capital cities and compare indicators such as the capital growth rate year on year or the auction clearance rates, but these only tell a very small part of the story. They aren't the indicators you need to be focused on. Your goal should be to zoom right in on the area where you want to buy and learn everything you can about it. What infrastructure is being built in this community? What percentage of people own their home as opposed to renting? Which sections or streets are the most desirable? Then, zoom even closer into the properties that you can afford in this area and compare them. Which properties tend to attract more people to the inspections? Which properties sell faster than others? Which agent or agency is selling the most properties? Remember, you're not buying the whole market; you're buying a particular home, in a particular street, in a particular suburb. Narrow your focus in order to help you ignore the market commentary and buy what you can afford when you can afford to.

Buying your home is a privilege, not a right, and waiting for the government to step in and help you or for the property market to roll out the red carpet for you and say 'this is the best time to buy' is a waste of time because it just isn't going to happen. If you want to buy your home, then you need to rewire how you see the property market. If you keep telling yourself that property is unaffordable, then you're buying into this mentality. If all your friends are constantly being negative about the prospect of buying their own

home, then you can either let this hold you back or choose to shut out the noise and create your own destiny.

There's a fable I love about the eagle and the chicken. The baby eagle fell from his nest and was found by a farmer, who brought the eaglet to the farm and raised him with the chickens. Growing up the eagle acted like a chicken, strutting around and pecking at the ground. A wildlife expert came to see this majestic eagle who believed he was a chicken and tried to get the eagle to fly, but he wouldn't; instead, the eagle jumped down and joined the chickens in the coop. However, the wildlife expert returned, determined to unleash the potential of the magnificent creature. He took the eagle far away to the foot of a high mountain. Here, the eagle could not see the farm or the chicken coop. The expert held the eagle on his arm and pointed high into the sky, where the sun was shining brightly, and said, 'Eagle, thou art an eagle! Stretch forth thy wings and fly'. This time the eagle's gaze went skyward into the bright sun, and he straightened his large body and stretched out his massive wings. His wings moved, slowly at first, then surely and powerfully. With the mighty screech of an eagle, he flew.

I love this story as it provides a powerful insight into the impact of your environment and the power of belief. Sometimes you need an expert to come along and believe in you. That's my hope for this book – to inspire you to shift the way you see yourself, and to light a fuse in you that home ownership is attainable with the right environment and people to support and guide you.

Changing your mindset is not an overnight process. If you can slowly rewire your brain, then it will kick your reticular activating system (RAS) into gear. The RAS is known as the gatekeeper of information between the conscious and unconscious mind. If you've had your eye on a new car, let's say a Volkswagen Golf, it's uncanny how all you notice on the road is all the Volkswagen Golfs. You start to notice all the advertisements for Volkswagen Golfs, and suddenly

you're having conversations with people who bought a Volkswagen Golf and watching Volkswagen Golf reviews on YouTube. If you can activate your RAS around the belief that home ownership is attainable, that can be the conduit for you to read books like this, listen to home-buying podcasts, speak to people who have bought their home and watch informative videos on YouTube.

There are plenty of mantras you may hear when it comes to buying property, and they have some home truths to them. Let's look at a few of them:

- 'The best time to buy a home is always five years ago' – Ray Brown. This may be true but it isn't an overly positive perspective. Five years ago you may not have even been in a position to buy a property! A great way to reframe this is to buy what you can afford when you can afford to.
- 'Time in the market beats market timing every time' – Warren Buffett. I definitely concur with this sentiment. There is no perfect time to buy; it's better to get in and try to play the long game.
- 'Don't wait to buy real estate, buy real estate and wait' – Will Rogers. Like the previous saying, this refers to the fact that property is a long game and there will never be a 'perfect' time to buy.
- 'Buy land, they're not making it anymore' – Mark Twain. This has a certain truth to it, and COVID-19 did show us that having more space is valuable. However, apartment prices didn't exactly fall through the floor. It is perhaps better to focus on buying a quality property that you can afford.
- 'Buying real estate is not only the best way, the quickest way, the safest way, but the only way to become wealthy' – Marshall Field. According to the 2023 edition of the 'Rich List' published by *The Australian Financial Review*, one third of Australia's 250 richest people amassed their fortune from construction, development and property asset management. Property is

an asset class that has a strong track record, and banks are willing to lend against it.

- ‘If you don’t like where you are, move. You are not a tree’ – Jim Rohn. I like this quote because it encapsulates such a simple truth. You always have the ability to sell your property and buy somewhere else.

Hopefully, a few of these mantras resonate with you and can help you build confidence in your home-buying journey.

## **The power of goal setting and visualisation**

We’re all aware of the poor success rate of New Year’s resolutions. There is a range of statistics that does the rounds every year about how a quarter of people will abandon their New Year’s resolutions after just one week. Some hope within them inspired them to change an aspect of their life, whether in relation to their finances, their health or fitness, travel or achieving a life milestone such as buying their own home. Hope got them started, but hope will only take you so far if it is not supported by planning, accountability and action.

A great research study into the power of goal setting was conducted by Dr Gail Matthews, a psychology professor at Dominican University in California. It involved 267 participants who were divided into five groups:

- The first group had to think about their goals and rate them according to various factors, but not write them down. This group achieved a 43 per cent overall success rate or progressed at least part of the way to attaining their goals.
- The second group did the same, but this group wrote down the goals.
- The third group did the same as the second but also wrote down their action commitments.

- The fourth group did all of that and also shared their action commitments with a friend.
- The final group did everything the others did but also sent their friends updates. This group had the highest success rate at 76 per cent.

A goal without a plan is simply a dream. This study highlights the importance of accountability. So many potential home buyers are afraid to share their aspirations with friends and family, as they may be told that this is a terrible time to be buying. Other doubters may ask how they're going to afford it or tell them that the property market is overpriced. Please don't be deterred by the negativity; instead, find someone who will be in your corner and support your ambitions.

Another incredibly powerful tool you can use is a 'vision board' (or, as some people like to call it, an 'action board'). If this sounds a bit woo-woo for you, stay with me – I had the same reaction when I was first introduced to this concept. The idea with a vision board is to gather images of the achievements you would like to complete; for example, if you wanted to visit Italy next year, your vision board might have images of the Amalfi Coast, wood-fired margherita pizza, gelato and the Trevi Fountain. You could keep your vision board next to the mirror you use to get ready, on the sun visor of your car or on your desk at work, or make it your desktop image on your computer or the home screen on your phone. By seeing it day in and day out, your subconscious receives signals that you're working towards an amazing trip to Italy. It won't book your plane ticket or plan out your itinerary, but it might prompt you to start doing research online, follow a few travel vloggers on YouTube and Instagram and speak to friends who have travelled to Italy. The trip now starts to feel real, and once you announce to your friends and family that you're going to Italy, your chances of going increase.

Can you imagine if you applied the same focus and discipline to buying your own home?

## **Parkinson's law and the importance of timeframes**

'Parkinson's law' is the phenomenon that a task expands to fill the time allotted for its completion. The term was first coined by Cyril Northcote Parkinson in a 1955 article in which he details the story of a woman whose only task that day is to send a postcard – a task that would take a busy person around three minutes. However, the woman spends an hour finding the card, another half an hour searching for her glasses, 90 minutes writing the card, then 20 minutes deciding whether or not to take an umbrella along on her walk to the mailbox... and this continues until her day is filled. There's a saying that if you want a job done, give it to a busy person!

I'm sharing this story with you to encourage you think more deeply about the timeframe you're giving yourself to buy your home. Maybe it's six months, or maybe it's six years? Parkinson's law could mean that you're delaying what could be done earlier. A great litmus test for you around this is to speak with a mortgage broker or buyer's agent and find out whether you're financially able to enter the market and what you could afford to purchase. They may be able to give you some professional guidance around suitable timeframes to save for a deposit and buy a quality property, which then gives you something to work towards.

## **How to make your home-buying fears disappear**

Buying a home is scary and intimidating. Take some reassurance that millions of Australians have done it before you and millions of Australians will do it after you, so you're not alone! Still, this doesn't change the fact that when you're going through the process of getting your loan and buying your home, there are a range of emotions that will surface, and I would say that one of the most common is fear.

There's a great TED Talk by Tim Ferriss called 'Why you should define your fears instead of your goals' that I have found particularly

helpful for addressing fear. Ferriss suggests that you list out all your fears and what could go wrong. Then, list out what options you have to prevent these fears from becoming reality. Then, list out what you could do if these fears became reality. The most invaluable insight, however, is his suggestion to list out the cost of inaction over a six-month, one-year and three-year period. I highly recommend you check out this TED Talk and then put pen to paper on the fears that surface for you when you consider buying a home.

To help you get started, I've made a list of the fears that I've encountered when helping Australians buy a home:

- **Job security or income.** This may play on your mind if you're planning to get a loan and are worried about being able to make your repayments, or if you have doubts about your role long term. A good way to address this is to ensure that you have a buffer of savings – say one to three months' worth of living expenses – that you can rely on if you lose your job until you find your next opportunity.
- **Interest rates increasing.** The Reserve Bank of Australia (RBA) and your lender can raise or lower interest rates for everyone who has a loan. Yes, an interest-rate rise means your monthly repayments will increase, so if there are talks about interest rates rising then it is best to be prepared by having your savings buffer in place. This will give you the sleep-at-night factor of being sure that you can manage your mortgage repayments. In the event that interest rates go down, consider keeping your repayments at a higher level so you can pay down your loan more quickly.
- **The home's value falling.** Do you feel like you may be buying at the peak of the market and the value of your home might suddenly fall? The media have coined a term for this: 'fear of overpaying' (FOOP). Your home's value falling is something to worry about only if you are planning to sell. Learn to tune out the noise once you have bought – turn off all property

notifications and enjoy life in your new home. Alternatively, focus on finding ways to add value to your home, such as through renovations or landscaping.

- **Unexpected maintenance costs.** What if the hot water requires replacing or you start having issues with the roofing, and you're faced with an expensive repair job? If you've bought your home, welcome to weekend trips to the hardware store, DIY projects and getting to know local tradespeople! This is why it is important to have funds set aside in the event of an emergency. When faced with unexpected maintenance costs, just remember the times when you were renting and wanted to hang a piece of art or get a repair done, and the long-winded approval process you had to go through with the property manager and the landlord.
- **Strata expenses, such as special levies.** If you have purchased an apartment or a duplex with a body corporate, there may be unforeseen expenses, such as driveways needing work or plumbing issues in the common property. Special levies could arise off the back of legislative changes, such as cladding upgrades to become compliant, and this is out of your control. Again, having an emergency fund will help dampen the financial blow. No matter how much due diligence you complete on the state of the body corporate and the building before you buy, unforeseen expenses are a risk when you buy into a strata-titled property.
- **Suffering from a health issue that means you can't work for a period.** Depending on the nature of your illness, you may be covered by your personal income protection insurance. It's absolutely critical that you update your personal insurance coverage for this new debt you are taking on. You may be covered through your superannuation and think your chances of falling sick are slim, but this is a decision you'll need to



consciously make and be comfortable with. The only other thing I'll say here is that health is wealth, so do what you can to look after it.

- **Fear of making a mistake (FOMM) with your purchase.** Buyer's remorse is extremely common. In fact, a study carried out by Pureprofile indicated that 45 per cent of home buyers experienced some post-purchase remorse and 21 per cent lamented lifestyle changes or having to cut back on spending to afford repayments. Other regrets buyers reported included the location of their home not being as convenient or nice as they had expected (14 per cent) and their home needing more repairs or renovations than they first anticipated (16 per cent). If you can make peace with the reality that the home you are buying isn't necessarily 'perfect', this can help to reduce your remorse and increase your happiness.
- **Fear of missing out (FOMO).** This phenomenon was prevalent during the pandemic buying craze, when properties were being purchased without even being seen or inspected. This type of behaviour is usually driven when the property market is red hot and the front-running story in the national evening news. It's hard not to get caught up in the pressure to buy when it feels like everyone else is buying, though you're going to be battling hordes of buyers and facing intense competition, especially when it comes to price.

I hope this list helps you to identify your fears and address each of them. If you are purchasing as a couple, it's important to work through each of your own fears separately and then come together to discuss your lists. Respect the other person's perspective, as they have had a different experience growing up to you, which may affect their feelings around home ownership.

## Other options to consider

If you still feel like maybe you aren't ready to buy your dream home and are procrastinating or overanalysing your decisions, maybe it's time to look at alternative options and the implications these may have on your life.

### Option 1: continue to rent

If you are currently renting, the path of least resistance is to continue renting. However, consider that at any point your landlord could increase the rent. This is out of your control, and you would either have to cough up the extra money or find a new place to rent. This means searching for, inspecting and applying for your next rental. It may mean moving out of the area where you would like to live and incurring the costs that come with moving places.

Think long term as well: as you continue to rent, on average Australian house prices compound by 6 per cent annually. Let's do the maths on this for a \$750,000 property (see table 1.1).

Table 1.1: the value of a \$750,000 property compounding at 6 per cent annually over five years

Purchase price	\$750,000
Year 1	\$795,000
Year 2	\$842,700
Year 3	\$893,262
Year 4	\$946,858
Year 5	\$1,003,670

Yes, you're reading that right: in five years' time, this property will be worth over \$1 million. (Note that not every property across

Australia will have linear capital growth of 6 per cent annually. Some will grow more slowly – but others will grow more quickly.) There is just no way you can save for a deposit while you continue to rent and property prices continue to increase. This reality has deflated the dreams of so many prospective home buyers who continue to get priced out of the market. Also, the real icing on the cake is that rising interest rates reduce your borrowing capacity.

The longer you wait to enter the property market, the harder it becomes. I've seen time and time again families who are renting and have their children settled into schools, and then their landlord chooses to sell the property, and now they have to move and struggle to find another rental property in the area or nearby. It's never an ideal scenario. Renting will serve you for a time in your life, but it's not fun when you have to keep moving and never have the ability to put down roots long term.

## **Option 2: become a 'rentvestor'**

'Rentvesting' is the term used to describe a strategy where you buy where you can afford to invest and rent where you want to live. The primary reason for doing this is because you cannot afford to buy into the area where you want to live.

I could write a whole book on rentvesting and the pros and cons of this strategy. Bernadette and I were rentvestors for quite some time, until our landlord gave us notice to move out when Bernadette was pregnant. There's never an ideal time, but this was terrible timing. When it was just the two of us, we had the ability to move to apartments in different areas, but now the time was right for us to buy our own place and put down roots where we wanted to raise a family. We brought forward our home ownership ambitions and made a pact that never again would we be under the power of a landlord.

Rentvesting can serve you for a time in your life, typically when you are younger and have a limited deposit and borrowing capacity.

Those who have succeeded with rentvesting have usually engaged a buyer's agent and an investment-savvy mortgage broker. This strategy can work well if you purchase in a strong growth area and your investment property greatly increases in value. The available equity then provides you with the deposit to buy your next investment property, enabling you to scale up your property portfolio.

The questions you will need to answer at some point during your rentvesting journey include the following:

- When do you plan on purchasing your primary place of residence?
- How much do you want to buy your home for?
- Where will the deposit come from to buy your home?
- Will you need to sell your investment properties, or can you draw the equity out of your investment properties?
- Does your borrowing capacity allow you to retain your investment property (or properties) and purchase your home?
- What does your cash flow position look like with all your loans and investment property expenses? Is it sustainable?
- Would you feel comfortable renting long term, forgoing ambitions to buy your home and continuing to acquire investment properties?

These questions are sometimes overlooked by rentvestors, who are too often 'sold the dream' by social media campaigns from buyer's agents who aren't taking a long-term view. That said, rentvesting can and does work, and it has certainly enabled plenty of younger Australians to get their foot in the door to purchase where they can afford and live a great lifestyle in an area they want to live in.

### **Option 3: co-purchase with a sibling or friend**

Co-purchasing is another good alternative to consider. If you have a friend or sibling who is willing and able to get into the property

market with you, your combined deposits and borrowing capacities could help you to buy a superior property than you could purchase on your own. Another advantage is that it is easier to accumulate a 20 per cent deposit and thus avoid paying fees such as lenders mortgage insurance (LMI). There are also a few lenders who have specific loan products for these scenarios, which can help you manage how you split the loan between you.

Here are some considerations you will need to openly discuss:

- What if you each have different sized deposits?
- What if one person wants to sell in the future and the other person doesn't?
- What if one person meets a partner and wants to buy their next property with them? Will this property need to be sold in order for them to release their cash? Will this property reduce their borrowing capacity to buy their future home?
- What happens if one person is unable to make their loan repayments due to ill health or loss of job?

There are plenty of great examples of co-purchasing being extremely beneficial, so this list of questions should really serve as conversation starters rather than deal-breakers. Going in with transparency and the right legal protections in place can certainly put you in good stead. Having a clear property strategy in place will help align you and your co-purchaser in your intentions and what result you are looking for from this purchase, and clarify the type of property you want and the budget you have to work with.

#### **Option 4: purchase a property that qualifies for first home buyer grants and benefits, then turn it into an investment property**

If you are yet to buy a home, it is certainly an option for you to try and maximise any first home buyer grants that could be available

to you, depending on which state or territory you live in. You may be able to purchase with only a 5 per cent deposit and not incur LMI, or not pay any stamp duty (or pay a discounted rate). However, factors such as income thresholds and maximum purchase prices may mean that you're not eligible. I don't provide a breakdown of first home buyer grants, discounts or incentives in this book because they vary between different states and territories, and they also change quite regularly.

If you are planning on purchasing your first property and are not intending on living there longer term, then you need to look at this purchase as an investment rather than a home. Here are some of the questions you may want to consider:

- How long am I required to live in this property to be eligible for any first home buyer grants?
- What is the rental potential for this property?
- Will I need to contribute to the loan repayments in the future, or will the rent cover the repayments?
- What will the ongoing costs be for this property as an investment property?
- What work can I do to this property while I am living in it to increase its value and, in turn, generate a higher rental income?

A potential drawback to this option is that you are typically buying based on price to meet grant requirements, and so the property may not be the ideal investment property. For example, if you buy a particular apartment because it's below the maximum purchase price, it may be in a large block, so it doesn't stand out from all the other apartments in the complex and therefore doesn't increase much in value.

Use this line of thinking to help you build out your property strategy when you talk to your mortgage broker about your borrowing capacity. You may also want to consider an interest-only (IO)

loan when you convert it to an investment property, which would improve cash flow and also help you save for your own home in the future.

### **Option 5: consider a sea change or tree change**

The exodus from the cities to regional areas during COVID-19 has changed the demographics of so many suburbs. Property prices soared across the country, and freestanding homes commanded a premium. The dream of a sea change or tree change became popular, and it was clear to see why: for the same price as an apartment in a capital city, you could drive an hour or two away and have a larger home close to the water. In New South Wales, the South Coast, Central Coast, North Coast and Blue Mountains regions all witnessed unprecedented increases in property values due to this phenomenon.

From personal experience, you don't want to rush the decision to leave the city and move out to a regional area. It can be different from spending a weekend enjoying the beaches and cafes in the great outdoors. Do your research, spend a few weekends living like a local and perhaps rent in the area to familiarise yourself with your new surroundings before you jump in and buy. If you buy without having spent time in the area, you may be tempted to purchase purely on price, and these properties could be cheaper for a reason. They may get poor sunlight from being on an escarpment side. Perhaps it gets noisy because of peak traffic in the mornings or beachgoers on the weekends in summertime. Spending some time in the area can help you be confident that you will enjoy living your new lifestyle and can buy in a suburb and on a street that you know you will love calling home.

Prior to the birth of our daughter Sienna in 2018, Bernadette and I made a sea change to Thirroul, in the northern suburbs of Wollongong. I'd spent my life in Sydney, whereas Bernadette

is originally from the Jervis Bay region further down the South Coast. Thirroul seemed like a happy medium between Sydney and Bernadette's parents, and it allowed us to still be close to the city but far away enough for us to feel like we could enjoy a slower pace of life. Before we moved down, we rented an Airbnb for a weekend to see if we could both see ourselves living there. Once we decided to move down, we then rented for some time to understand the area, get a feel for our new lifestyle and picture ourselves raising a family there. It was certainly an adjustment given that we didn't have a friend network in the area, there wasn't the array of food and dining options that we were accustomed to in Sydney and it was a smaller community. However, it was because of these very things that we started to enjoy our move: we made new friends, explored the area to find new cafes and restaurants and relished building connections with neighbours.

Then, COVID-19 hit literally just as we were ready to purchase, and we saw house prices in the area balloon out of control before our very eyes. We persevered and planned to make a purchase ourselves, but after we struggled to agree on the home we wanted, we engaged a great buyer's agent. We sat down and built our property strategy, which included identifying our non-negotiables, our style of living (we love to entertain and cook), the type of block we wanted and the budget we were working with. We ended up purchasing at auction, and we experienced every emotion a home buyer endures: the frustration of missing out on multiple properties, the disappointment when price guides get blown out the water and the energy of attending Saturday open homes and hoping that this property is 'the one'. The experience gave us a lot of empathy for when we work with home buyers – whether they are purchasing their first home, upgrading their family home or selling up and downsizing with dignity.



## Key points

1. Mentally preparing yourself for being a homeowner means you need to shift the way you see yourself, the actions that you need to take and get the right support team around you that can give you the belief and accountability you need to make this dream a reality.
2. There will never be a perfect time to buy. Focus on where you want to buy and what your budget enables you to purchase, and keep saving as much as you can.
3. If you're buying in an area you are unfamiliar with, consider a staycation at a short term rental to get an understanding of the area and where the best pockets are in this suburb. If it's a considerable move, then perhaps a short six-month rental property could be a great way to try before you buy.