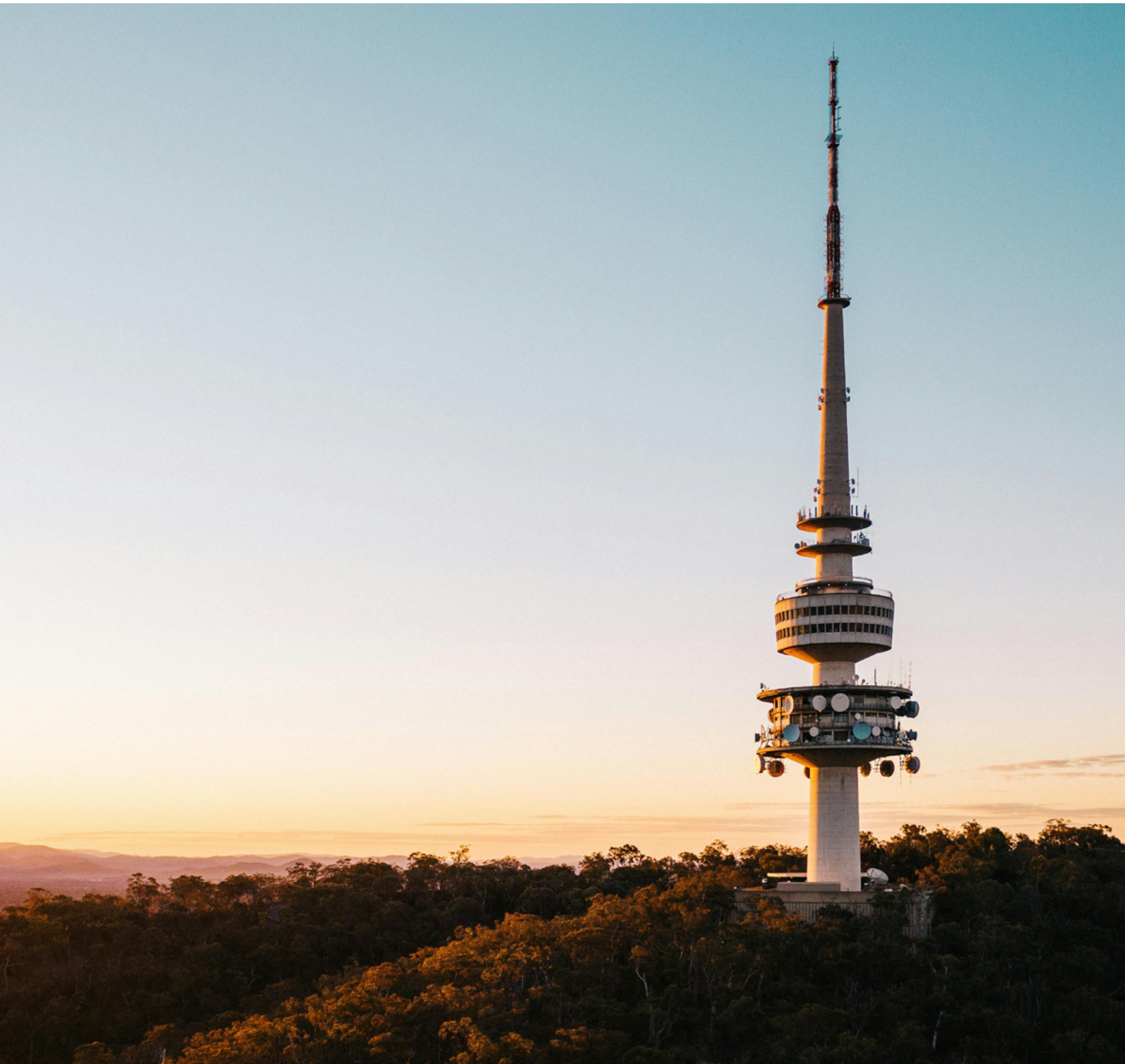
Atelier Wealth

Mortgage Brokers

ISSUE 10

Welcome to the tenth edition of the Atelier Wealth Market Update!
In this issue, you'll find out how to invest in property through an SMSF, savings and tips plus our Market Update.

Grab a coffee or tea and relax with our latest update!



Atelier Wealth

How is your Wealthbeing?

Your State Of Wallet = Your State Of Mind

By Aaron Christie-David

I've been a big advocate for how the health of your finances and bank balance will translate to how healthy you feel mentally. It's a concept I've dubbed "Wealthbeing"; the importance of having a savings buffer that gives you the sleep at night factor.

In the current economic climate of high inflation and increased interest rates, it's not the ideal conditions to build a savings war chest, though with some focused energy and finding ways to curb spending, small savings can change your spending habits.

Research according to Finder outlines that 47% of Australians could only survive off their savings for 1 month or less, with just 22% saying they could last six months or more. The average Australian has $37,915 in savings in 2024 and can save $729 a month.

There are several unwritten rules around how much to save and how much you should have as a savings buffer. One suggestion is the 50/30/20 rule is a great way to determine how much of your income you should be saving.

The general recommendation is to dedicate 50% of your earnings towards essential expenses like mortgage repayments or rent plus groceries, 30% towards discretionary spending on things like holidays, eating out and other splurges and the remaining 20% should go into your savings.

My top tips to help you build a savings habit include:

Know how much you're spending: print your last three months of bank account statements and grab a highlighter. Work out if this spend is essential or discretionary - what can you cut out? A great place to start is your subscriptions - it may seem like a small change in the scheme of things but start with the small ticket items and work your way upwards.

Start a separate savings account: this is the account you transfer money to but do not transfer money out of. Have it with another bank (Macquarie Bank are currently offering some good rates for savings accounts) and if you want to go one step further, then do a direct transfer on the day you are paid to this account as automatic savings.

Start small with perhaps $50 per pay and then dial this up as you grow in confidence.

Have "the talk" with your partner or family: if you want to make a change, then you need to share the journey with those in your life. Rewiring financial habits and shifting to a money mindset can be difficult conversations, however, it will be crucial for your savings success.

Cut up credit cards; one of the most controversial pieces of advice I give is to cut up credit cards. I can hear the rebuttals: what about the points I can earn? What about the travel insurance I get? I only keep it for emergencies! The savings buffer you are building is for emergencies and when was the last time you cashed in your points? Credit cards are designed to get it's claws into your wallet - try living without it for a month and see how you go.

"If I don't have the cash, then I cannot buy it" should be your mantra!

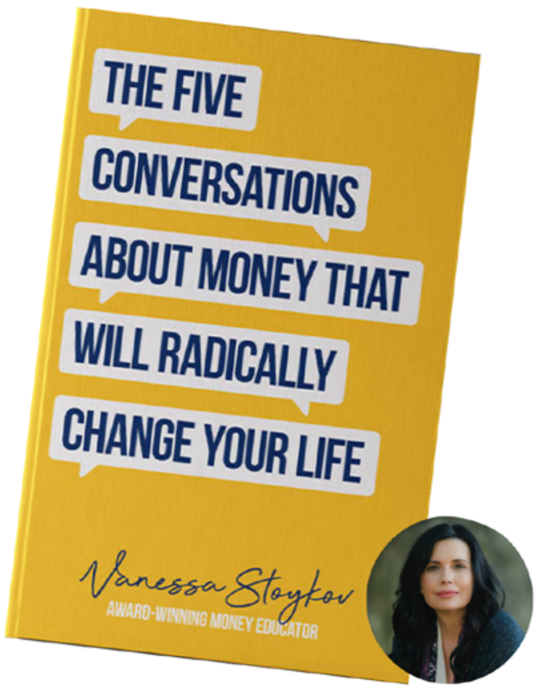
If you need a hand with "how" to have the money talk with family, then we have a great resource to share with you. On my podcast (The Australian Property Investment Podcast) I interviewed financial educator, Vanessa Stoykov who shared incredible insights and tips around budgeting and the money-mindset connection.

Feeling the pinch?

Listen to Vanessa's episode in the Australian Property Investment Podcast:

GIVEAWAY!

We're giving away ten copies of Vanessa's new book "The Five Conversations About Money That Will Radically Change Your Life" to help you navigate how to have the money talk. Simply email us: hello@atelierwealth.com.au with the subject line **"Money Book Please"** and include your postal address in the email and we'll send a book your way!



Thinking about buying a property with your super?

By Bernadette Christie-David

Hold on!

Before you dive in, let's chat about Self Managed Super Funds (SMSFs).

Imagine your super as your own personal investment playground, where you are the boss. That's an SMSF in a nutshell.

You and up to five members (six in total) call the shots on where your super goes, giving you more control to grow your nest egg for your dream retirement.

So, how does property fit into this SMSF picture?

Great question! When it comes to buying property with your SMSF, the cash you need upfront can vary. Some lenders are cool with you starting small, while others might want you to have a bigger chunk of change saved up.

Here's a rule of thumb: if you're eyeing a $500,000 property, having around $140,000 ready to go is a good starting point.

Just remember, buying with your SMSF means tighter borrowing limits maximum 80% LVR.

Alright, I'm interested. What's the deal with buying property through SMSF?

Paperwork is key! Make sure everything is squeaky clean to avoid any headaches down the track. To make things smooth, consider teaming up with a good accountant and a broker who's an SMSF whiz. They'll be your superheroes in navigating the process. Fun fact: when you buy with your SMSF, a "bare trust" becomes the official owner on the contract, not you personally.

Financing your future

A mortgage broker can be your secret weapon here. They'll help you find the right lender and craft a strategy that works for you. There are fewer lenders offering SMSF loans, so getting approved might take a bit longer than usual. But hey, good things come to those who wait!

Bonus tip for the savvy investor

Thinking about that commercial space you own (outside of Super)? You might be able to transfer it from your own name to your SMSF (via an in-specie transfer) for some potential tax benefits. But this trick only works for commercial properties, not for residential properties.

Ready to get rolling? Here's how to kickstart your SMSF property journey:

Grab a coffee with a mortgage broker

Find one who's familiar with SMSF loans. They'll be your partner in crime to find the best deal.

Team up with an accountant

They'll make sure everything stays above board and keep your finances running smoothly. An SMSF accountant is your secret weapon for success!

Set up your insurances

Protecting your investment from the get-go is crucial, set up building and landlord insurance and don't forgot to set up your life, TPD, trauma insurance as well.

Remember, this is just a quick intro to SMSF property investment. There's a lot more to consider, so be sure to chat with trusted professionals before making any big decisions. They'll help you crunch the numbers and see if an SMSF property strategy is the right fit for you.

Learn about SMSF with Bernie!

Watch these interviews with PK Gupta and Aus Property Investors:

PK GUPTA

AUS PROPERTY INVESTORS

Meet your SMSF team

Bernadette Christie-David
Mortgage Broker | SMSF Specialist

Atelier Wealth Mortgage Brokers

Ronald Alexander
Accountant | SMSF Account Specialist

PLATINUM ONE ACCOUNTING SERVICES

Nick Fanto
Insurance Specialist

OrbitalLife

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Investor Spotlight

How Leon Built $1,000,000 Net Equity starting with $60k in Four Years

By Sam Gordon

Founder, Australian Property Scout

On the Scouting Australia Podcast hosted by Sam Gordon, there is a regular Investor Spotlight episode where they delve into an investor's property investing journey and the acquisition and results of their property portfolio.

In a recent episode, they featured Leon, who has built a 4 property portfolio with the help of Australian Property Scout Buyers Agency.

Leon's story is incredibly inspiring from a childhood with parents who sacrificed everything for himself and his siblings, to his pivotal light bulb moment after reading Rich Dad Poor Dad, and his discipline to commit to his strategy wholeheartedly.

Over the span of 4 years, Leon has built an impressive $2.5 million property portfolio, with a huge $1 million in equity gain in this timeframe.

In the episode, Leon and Sam reflect on the beginnings of their friendship playing soccer as young kids, and the reason that Leon decided property investment would be his vehicle to create wealth.

Leon's pure dedication and determination are clear at every point in his story, and his commitment to the speed at which he is growing his portfolio and the clear trajectory that he is on is contagious.

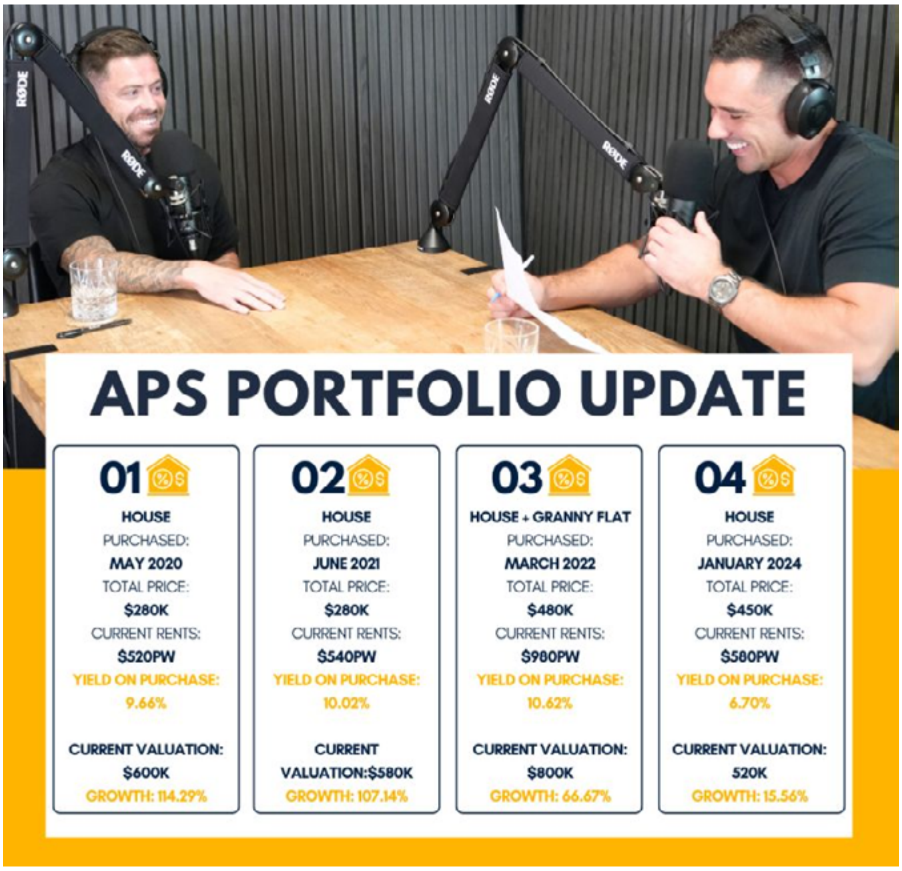
Leon has been able to build his portfolio starting with $60,000 for his initial deposit, the rest of his portfolio has been built by leveraging equity from his existing properties.

His advice for aspiring property investors is to start as soon as possible and work with a trusted mentor. Leon emphasises the importance of understanding the strategy behind property investing, which is one of the things he loves about Australian Property Scout—they created a clear strategy for him and helped him execute it effectively.

Looking ahead, Leon aims to continue expanding his portfolio. After finalising the sale of his first property (124% growth in 3.5 years, he sold and banked this figure), his goal is to acquire two more properties through Australian Property Scout within the next 12 months and build an additional granny flat on his existing properties. He is working towards a passive income goal of $250,000 from his property investments.

AUSTRALIAN PROPERTY SCOUT

You can find this interview between Sam and Leon on the Scouting Australia Podcast here:



Are you thinking about buying an investment property and not sure how to get started or looking to build your team of trusted experts around you?

Email hello@atelierwealth.com.au with the subject line: Let's get investing! We'll then get the ball rolling on discussing your Property and Loan Strategy with you.

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Why it pays to have a clear Loan Strategy

When Building Your Investment Property Portfolio

Case Study by Damien Walker

The Initial Situation

This client approached us at Atelier Wealth with two properties: an owner-occupied home and an investment property. His goal was clear—he wanted to scale up his portfolio by adding at least three investment properties within the next 12 months. The client was in a strong financial position, with about $400,000 in his offset account, against his home loan.

How to avoid a costly mistake

Initially, the client received advice from another mortgage broker to use his $400,000 cash to cover the 20% deposit and stamp duty for his next investment property acquisition.

This straightforward cash-for-deposit approach, while seemingly simple, needed to be more strategically sound for maximising the client's investment potential. He would be using cash when he should have been using the equity available in his home or investment property.

A Strategic Shift

From our perspective at Atelier Wealth, using cash to buy investment properties isn't typically the optimal strategy for an individual. We want to putting the equity in your properties to use. The goal is to maximise deductible interest and leverage potential negative gearing benefits.

Here's the approach we recommended instead:

Assess equity

We determined how much equity the client had in his existing properties. Given his significant cash reserves, he could opt to offset his owner-occupied debt if he wished but maintaining access to this cash was advantageous.

Utilise equity

We suggested drawing equity from his two existing properties rather than using his cash. This move would allow the client to maximise lending for his investment properties.

Correct loan structuring

We secured a $400,000 equity loan from his investment property and ensured we created a separate loan split so we know how much the current loan is.

He now had a 20% deposit plus purchasing costs for three investment properties, including stamp duty, Buyer's Agent fees, and legal costs.

This strategy allowed him to borrow 100% plus costs for all three investment properties while keeping his $400,000 cash untouched in his offset account.

Benefits Realised

This approach provided the client with:

Maximised borrowing capacity

He could leverage more lending against his properties

Cash is king

Keeping his cash reserves intact allowed him to pay down his home loan or could help with future debt recycling options

Investment Growth

The client's portfolio expanded to four investment properties, with compounding equity growth and potential for future investments. This will create more opportunities for tapping into the available equity to keep scaling his investment property portfolio.

Avoiding Common Pitfalls

It's crucial to understand that once cash is used for a property purchase, that cash is tied up in the property and the Australian Tax Office won't allow you to simply pull your cash back out. If you want to get the tax benefits with being able to claim the interest you need to use equity. This underscores the importance of using equity strategically.

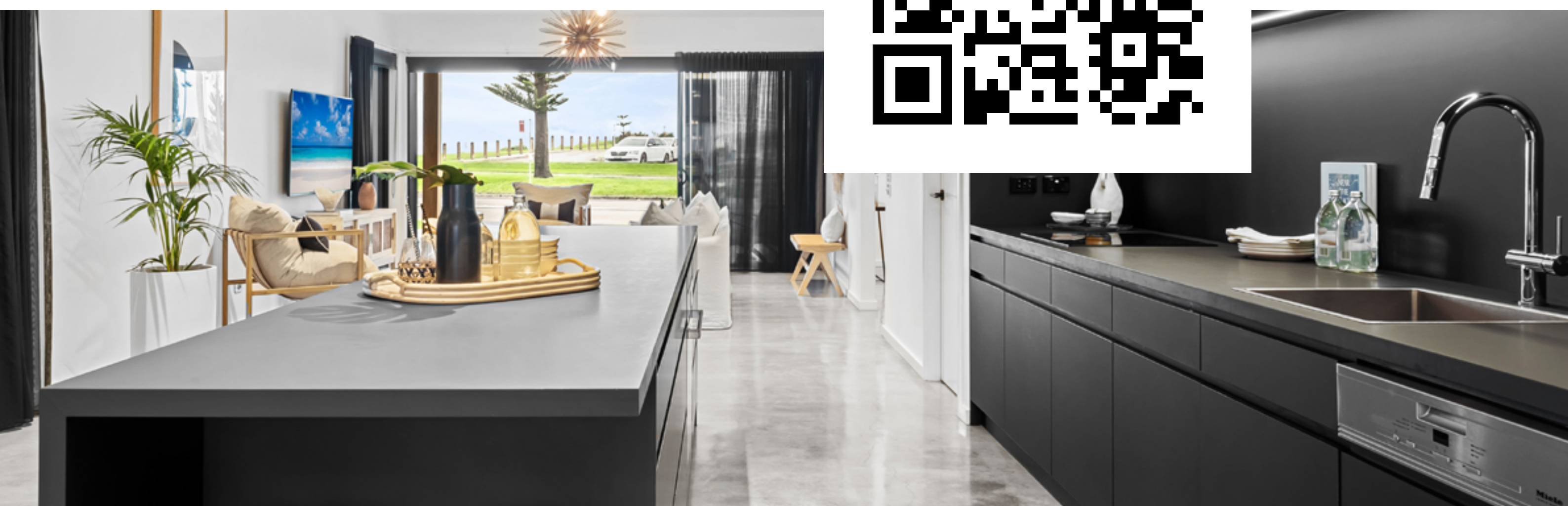
The Golden Rule of Investing

A fundamental principle in property investing is paying down non-deductible debt—your home loan debt—first.

This case study emphasises the importance of working with investment savvy mortgage brokers. We have a track record of building high performing property portfolios for our clients by getting the loan structures in place that enough long term and strategic growth.

In this example, by leveraging equity instead of cash, the client avoided a potentially costly mistake and set himself up for continued success in his property investment journey.

For more insightful discussions, listen to the full episode on the Australian Property Investment Podcast here:



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Tax Tips For Property Investors

By Nick Fowell

Managing a property portfolio can sometimes feel like a second job, and it is because of this extra 'work' that we see a lot of property investors miss out on deductions every single year because they either aren't organized or they don't know what they don't know!

Book a call with your accountant

Trying to maximise your deductions after the 30 June is like trying to shut the gate after the horse has bolted. Its imperative that you book a catch up prior to 30 June, the topics for discussion should be as follows.

Should I get a depreciation schedule for my property, by doing this pre June the report will be ready when the return is done and the cost of the schedule can be claimed If you have refinanced loans, making sure your accountant is aware what loans or equity strips are for what property Are there any deductions that I have missed?

A very common one is the borrowing/set up costs on loans. While these are amortised they can still be claimed!
How would you like me to present the information so its easy for you to collate & process.

Be Organised

As mentioned above, maintaining a property portfolio can feel like work, being organized and diligent throughout the year will make the preparation of your return a breeze! Either keep a spreadsheet to track your income and expenses or at minimum keep a secure folder (preferably shareable!) so that you avoid that chore at year end to collate everything and your accountant will thank you!

Aaron interviews Nick on the Australian Property Investment Podcast. Listen to the episode here:

Atelier Wealth

2024 Awards

Thanks for all your support of our team.

Our relentless focus on helping more Australians buy their own and build their investment property journey has not gone unnoticed, with some great recognition recently.

Rising Star

Congratulations to Nade Condie, who was recognised as one of Australia's "Rising Stars" in mortgage broking. In his first year of being a mortgage broker, Nate has been doing some incredible work.

Client Service

A huge shout out to our Client Services Manager, Trinity Maat, who was a Finalist at the Mortgage & Finance Association Australia.

Atelier Wealth

Property Market Update

Market Essential Trends To Understand

Where The Property Market Is Heading.

Despite higher-than-predicted inflation, the RBA has left the interest rate on hold at 4.35% last month, but Governor Michele Bullock says the upcoming federal budget "might impact their forecasts".

While the rates remain stagnant, the property market is buzzing with activity, with 18% more listings than the same time last year, according to CoreLogic executive research director Tim Lawless.

Normally, a surge in listings might have a cooling effect on the market; however, Lawless says there is "enough buyer demand to absorb the higher-than-average flow", except in Victoria and Tasmania where we are seeing subdued value growth.

It seems the increased market activity has marginally reversed spiralling rental vacancy rates, which have risen nationally to 1.1% over the month of April, according to SQM Research.

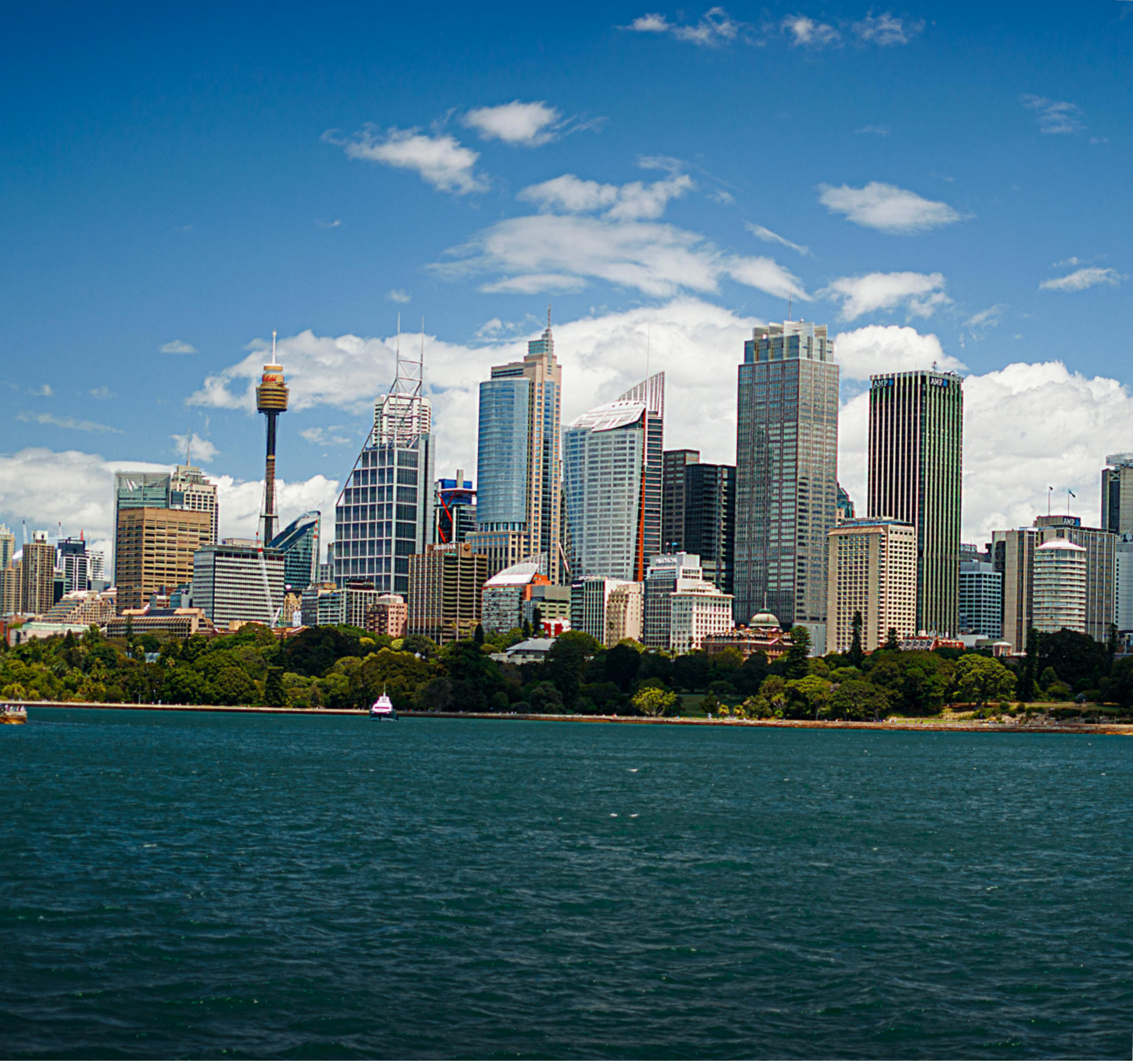
The rise in vacancy rates has also been influenced by the government's efforts to cool migration, resulting in declining overseas rental searches, dropping by 2.3% compared to April last year, according to PropTrack's latest Overseas Search Report.

However, the rental market remains strong with yields expanding to 3.75% in April, the highest national result since October 2019 (3.77%), according to CoreLogic's Monthly Housing Chart Pack.

Meanwhile, the Australian Bureau of Statistics' newly released figures reveal new home building approvals have remained nearly flat in April, "falling by 0.3% from already depressed levels," says HIA senior economist Tom Devitt.

AUCTION CLEARANCE RATE Source: APM Price Finder

	MAY		JUN
Sydney	69 %	▼	68 %
Melbourne	59 %	▼	56%
Brisbane	43 %	▲	53 %
Adelaide	67 %	▲	71 %



POPULATION GROWTH %
(Yr to Sept 2023) Source: ABS

WA	▲	3.3 %	ACT	▼	2.1%
VIC	▲	2.9 %	SA	●	1.7 %
QLD	▲	2.7 %	NT	▼	0.7 %
NSW	▲	2.3 %	TAS	●	0.3 %

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Capital City Update

SYDNEY - NSW

According to CoreLogic's Monthly Housing Chart Pack, Sydney has recorded the nation's highest increase in property sales volume, rising by 15.5% in the 12 months to April 2024.
Shore Financial State of Sydney Report has identified the top 5 suburbs forecasted to return an average of 4-5% over the next 6 months; they include Kingswood, Parramatta, Barden Ridge, Dundas and Lane Cove.

Changes in NSW strata laws coming into life 11 June 2024, include electronic storage of various mandatory strata documents, making them easily available to interested parties.
The Federal Government has announced an investment of $1.9 billion for roads and other infrastructure around the Western Sydney Airport Precinct where developers have plans to attract around 250,000 new residents.

MELBOURNE - VIC

While Melbourne's prices remain almost stagnant, rising by a mere 0.1% in May, REIV President Jacob Caine says, "There is certainly a strong case for confidence and optimism", considering the ongoing housing supply shortage.
The state's ongoing property tax changes are continuing to cool buyer interest. These changes include a new property tax of 1% per annum (of unimproved land value), which will replace stamp duty as of 1 July for commercial and industrial properties bought throughout Victoria.
In addition, the vacant residential land tax (VRLT) is now in effect for Melbourne's inner and middle suburbs. However, from 1 Jan 2025 the VRLT will apply to all Victorian residential properties that remain vacant for more than 6 months in the previous calendar year.

BRISBANE - QLD

PropTrack Home Price Index reveals Brisbane's surging property prices have pushed the capital to claim second place – tying with Canberra – for the nation's most expensive city, behind Sydney.
According to Australian Property Investor, the city's record-high prices are driven by its bottom 25% of property values segment, and it's the demand for units that's mostly contributing to the growth.

The rising market is also fuelled by an influx of interstate migration and investment, particularly from Victoria, according to Australian Financial Review.
The Stage 2 Rental Reforms will come into effect 1 July in Queensland. The reforms will impose limits on rent increase frequency to once every 12 months and prevent landlords from accepting rent bids.

AUD to USD
66.72c
up from 66c in May
Source: RBA

RBA Cash Rate
4.35%
Steady to mid July
Source: RBA

Cash Rate Forecast
3.6%
12 mths to Jun 2025
Source: Westpac

Inflation
3.6%
to Mar Qtr 2024
Source: RBA

PERTH - WA

Perth's dwelling values are continuing to outperform all other capitals by rising 2% for the second month in a row, according to the latest CoreLogic indices.
The capital has also recorded the nation's fastest median time on market, with the average dwelling requiring only 10 days to secure a sale in April, according to CoreLogic's Monthly Housing Chart Pack.
A multi-billion-dollar deal to develop a new world-class terminal at the Perth Airport is set to unlock significant economic growth for the city. The development includes a new parallel runway, 2 multi-storey carparks and an airport hotel.

CANBERRA - ACT

According to SQM Research, Canberra has the nation's highest vacancy rate, which has increased in April to 1.7% – from 1.6% in March – while correspondingly decreasing by 0.9% for asking rents.
The capital continues to hold second place for the nation's most expensive weekly median rent of $674, with areas such as Weston Creek and Tuggeranong still experiencing growth at 3.4% and 2.8%, respectively.
The Commonwealth Budget has allocated $10 million to plan and develop a new mixed-use district for Canberra within the AIS/Bruce precinct.

ADELAIDE - SA

While Perth has taken out the top spot for rising home values last month, it's Adelaide that's leading the nation in unit prices, surging by 2.3% in May, according to CoreLogic.
Those looking to invest in commercial property might consider the city of churches, which has taken out the top spot for the highest hotel occupancy – of 78% – across Australia and New Zealand, according to hotel data analytics firm STR.
The SA government will allocate $59 million to expedite water and sewage infrastructure upgrades to Angle Vale and surrounding suburbs, allowing thousands of new homes to be built in the area.

DARWIN - NT

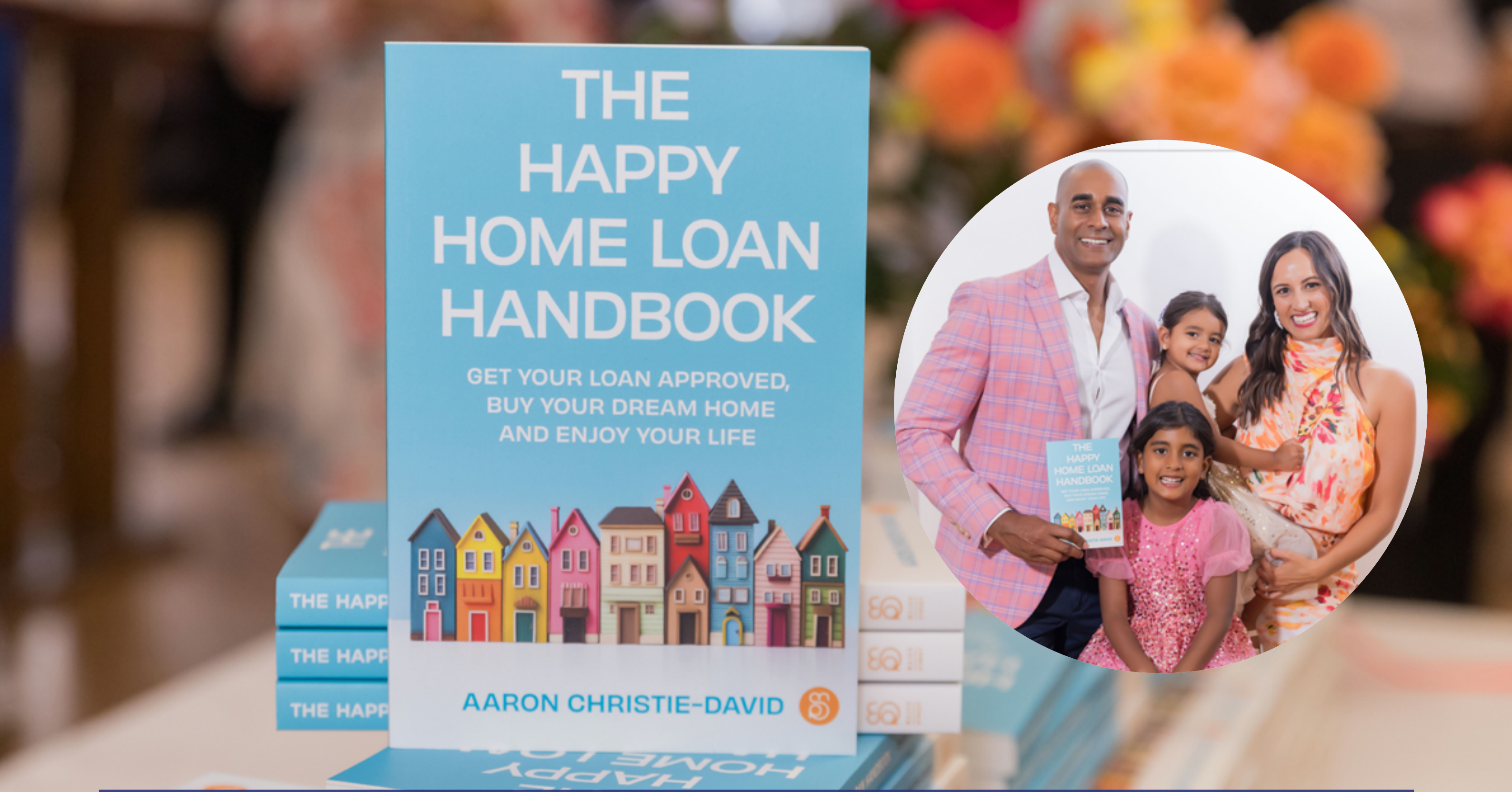
Darwin has recorded the nation's slowest median time on market in April, with the average dwelling selling in 68.5 days. However, it's 8.5 days less than same time last year, according to CoreLogic's Monthly Housing Chart Pack.
Raine & Horne Darwin says property sales have exploded on the capital's fringes, with the suburbs of Virginia, Humpty Doo and Noonamah recording more sales in the second week of May than during the entire month last year.
SQM Research shows Darwin was the only capital to register a fall in vacancy rates, from 1.4% in March to 1.1% in April, while at the same time recording a sharp rise in asking rents of 4.8%.

GDP
0.1%
to Mar Qtr 2024
Source: ABS

Consumer Confidence
-0.3%
down for May 2024
Source: Westpac-Melbourne Institute

Wage Growth
3.7%
yrly to Mar 2024
Source: ABS

Disposable Income
-0.2%
up for Mar Qtr 2024
source:ABS



Thank You

We extend our heartfelt gratitude to everyone who celebrated with us for the launch of my new book, The Happy Home Loan Handbook!

Special thanks to my incredible family—my wife Bernadette and our daughters Sienna and Zara—for their unwavering support and endless inspiration.

We also want to express our appreciation to our valued clients, whose experiences and feedback inspired the creation of this book.

Additionally, we extend our thanks to the dedicated team at Atelier Wealth Mortgage Brokers for their ongoing commitment to delivering exceptional service.

The impact of this book in aiding Australians on their journey to homeownership is already evident. Together, let's continue to make a positive difference, one happy home loan at a time. Cheers to the future!

Aaron & Bernadette

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