

Strategic Alliance Services - Gold Coast

PROPERTY INVESTMENT CASH FLOW ANALYSIS - FIRST YEAR

02-Jul-2010

Prepared for: Mr & Mrs Clever

Consultant:

Property: High Capital Growth Area - West of Brisbane

Description: 4br, brick & tile home complete turnkey

Investment Cost

Purchase price	433,632
Purchase costs	15,152
Loan costs	6,455
Total investment cost	455,239

Loan Details

Initial cash invested	50,000
Initial loan amount (total cost + any additional loan - cash invested)	405,239
Loan type	I/O Yrs 1-40
Interest rate	7.00%
Interest payments	28,367
Total loan payments	28,367
Closing loan balance	405,239

Property Income and Expenditure

Rental income	20,384
Rental expenses	4,932
Net rental income (rent retained - expenses paid)	15,452

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

-12,914

Tax Deductions

Cash deductions	
Loan interest	28,367
Rental expenses	4,932
Non-Cash Deductions	
Depreciation - Building (\$216,816 @ 2.50%)	5,420
Depreciation - Furniture, fixtures & fittings	4,790
Loan cost write-off (\$6,455 over 5 yrs)	1,291
Total Tax Deductions	44,799

Tax Credit Calculation

Present taxable income	110,000
Rental income	20,384
Total income	130,384
Rental deductions	44,799
New taxable income	85,585
Present tax	25,850
New tax	17,659
Tax credit or rebate	8,191

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

\$4,723

Weekly after-tax investment

\$91

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 Strategic Alliance Services - Gold Coast, its servants, employees or consultants..

Tabulated breakdown of items contributing to first year cash flow

INVESTMENT COST

Purchase price	433,632
Purchase costs	15,152
Loan costs	6,455
Total investment cost	455,239

Purchase Costs

Conveyancing costs (\$):	1,500
Govt. Stamp duty (\$):	13,652
Total Purchase costs (\$):	15,152

Loan Costs

Establishment fees (0.50% of loan):	2,026
Mortgagee stamp duty (0.40% of loan):	1,621
Mortgage insurance (0.32% of loan):	1,297
Mortgagee's solicitor's fees (\$):	1,000
Valuation fees (\$):	150
Registration of mortgage (\$):	144
Registration of title (\$):	72
Search fees (\$):	145
Total loan costs (\$):	6,455

FINANCE

Initial cash invested	50,000
Initial loan amount (total cost + any additional loan - initial cash)	405,239
Loan type	I/O Yrs 1-40
Interest rate	7.00%
Interest payments	28,367
Total loan payments	28,367
Closing loan balance	405,239

Initial Investment & Loan Amount

	Investment	Loan	Total Cost
Property cost (\$):	50,000	383,632	433,632
Renovation costs (\$):	0	0	0
Purchase costs (\$):	0	15,152	15,152
Furniture costs (\$):	0	0	0
Loan costs (\$):	0	6,455	6,455
Totals (\$):	50,000	405,239	455,239

Loan Details

Loan type:	I/O Yrs 1-40
Interest rate (yr 1)	7.00%
Loan amount(\$):	405,239
Loan costs (written off over 5 yrs):	6,455
Monthly payment (\$):	2,364
Annual payment (\$):	28,367

PROPERTY INCOME & EXPENDITURE

Rental income	20,384
Gross yield (rental income/property value)	4.70%
Rental expenses	4,932
Net rental income (rent retained - expenses paid)	15,452
Net yield (net rental income/property value)	3.56%

Rental Income

Rent per week (\$):	400
Potential annual rent (\$):	20,800
Vacancy rate (%):	2.00
Annual rent (\$):	20,384

Rental Expenses

Regular Expenses:		
Agent's commission (8.25%):	1,682	
Letting fees:	400	
Rates:	1,500	
Insurance:	750	
Maintenance:	600	
Total regular expenses:		4,932
Special expenses:		0
Total expenses (\$):		4,932
Regular expenses as % of annual rent:		23.71%
Net yield or Capitalisation rate:		3.56%

PRE-TAX CASH FLOW

Item	Cash Amount
Rental income	20,384
Rental expenses	4,932
Loan interest	28,367
Principal payments	0
Cash investments	0
Pre-tax cash flow (year 1)	-12,914

TAX DEDUCTIONS

Cash deductions	
Loan interest	28,367
Rental expenses	4,932
Non-Cash Deductions	
Depreciation - Building (\$216,816 @ 2.50%)	5,420
Depreciation - Furniture, fixtures & fittings	4,790
Loan cost write-off (\$6,455 over 5 yrs)	1,291
Total Tax Deductions	44,799

Depreciation on the building (Capital allowance)

Property value (\$):	433,632
Depreciable amount (\$):	216,816
Depreciation allowance rate (%):	2.50
Depreciation claim (\$):	5,420

Depreciation of fittings (diminishing value method)

Item	Value (\$)	Effective Life (yrs)	Depreciation (\$)
General fittings	18,500	15.00	2,467
Curtains	4,000	7.00	1,143
Carpets	4,000	10.00	800
Hot water sys.	1,800	20.00	180
Stove	2,000	20.00	200
Total	30,300		4,790

TAX CREDIT CALCULATION

Present taxable income	110,000
Rental income	20,384
Total income	130,384
Rental deductions	44,799
New taxable income	85,585
Present tax	25,850
New tax	17,659
Tax credit or rebate	8,191

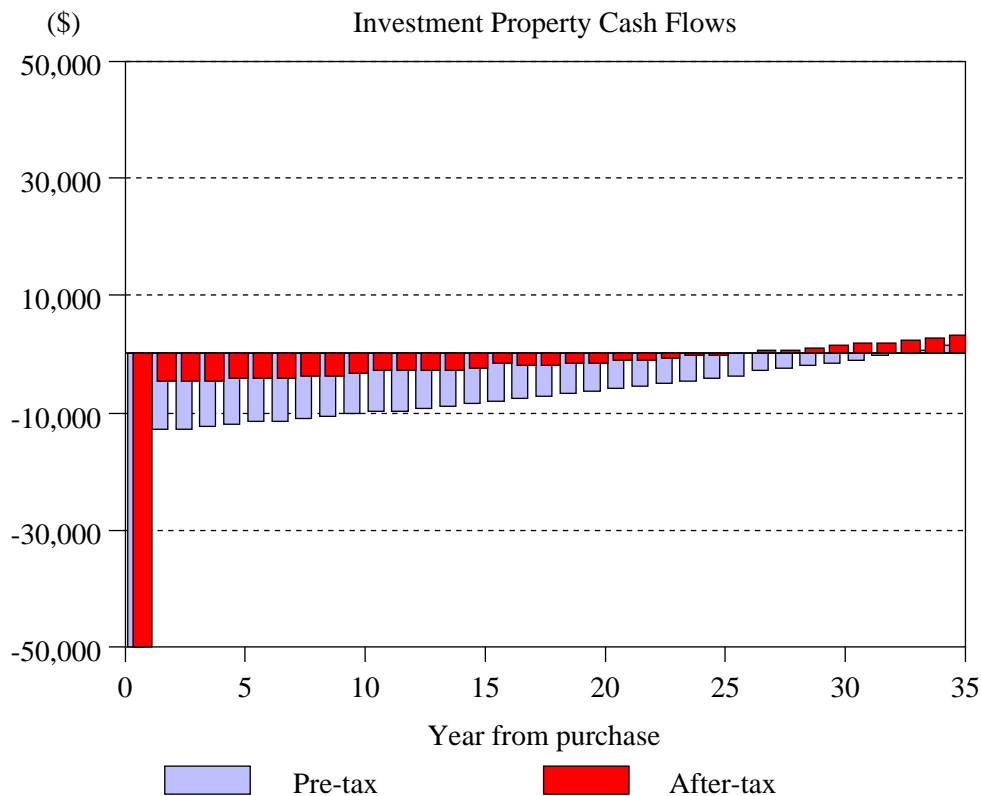
AFTER-TAX CASH FLOW

Annual after-tax investment (pre-tax cash flow + tax credit)	\$4,723
Weekly after-tax investment	\$91

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 2.00% per year from year 1. Rental expenses are assumed to increase at 2.00% per year from year 1.

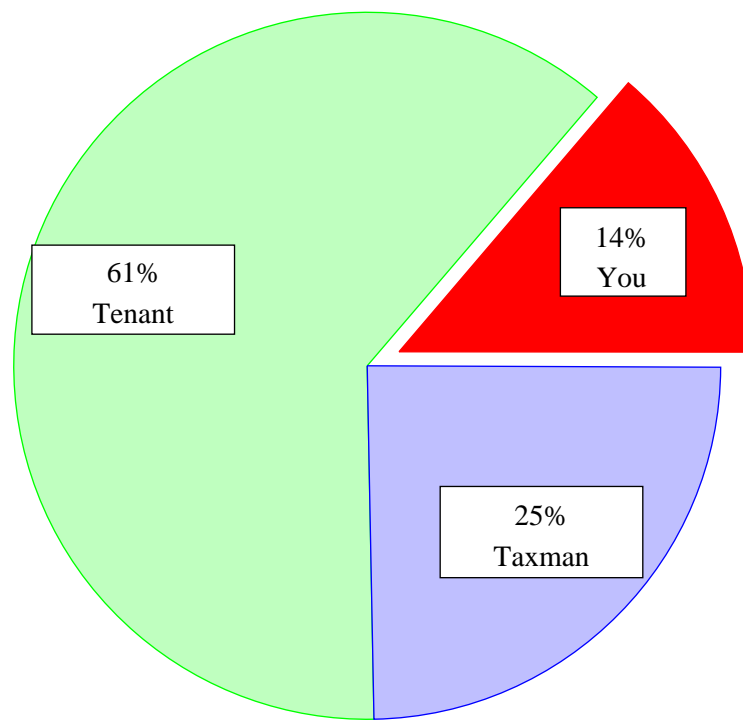
Cash flow items	Initial	1yr	2yr	3yr	5yr	10yr
Rental income		20,384	20,792	21,208	22,064	24,361
Cash invested	50,000	0	0	0	0	0
Principal payments		0	0	0	0	0
Interest payments		28,367	28,367	28,367	28,367	28,367
Rental expenses		4,932	5,030	5,131	5,338	5,894
Pre-tax cash flow	-50,000	-12,914	-12,605	-12,290	-11,641	-9,900
Tax deductions	44,799	44,045	43,465	42,682	41,045	
Tax credits		8,191	7,985	7,834	7,654	6,924
After-tax cash flow	-50,000	-4,723	-4,620	-4,456	-3,987	-2,976
Cost /(income) per week		91	89	86	77	57



Cash flow projections over 25 years

Year	Rental income	Loan payments	Rental expenses	Pre-tax cash flow	Tax credit	After-tax cash flow
				-\$50,000		-\$50,000
1yr	\$20,384	\$28,367	\$4,932	-\$12,914	\$8,191	-\$4,723
2yr	\$20,792	\$28,367	\$5,030	-\$12,605	\$7,985	-\$4,620
3yr	\$21,208	\$28,367	\$5,131	-\$12,290	\$7,834	-\$4,456
4yr	\$21,632	\$28,367	\$5,234	-\$11,969	\$7,728	-\$4,241
5yr	\$22,064	\$28,367	\$5,338	-\$11,641	\$7,654	-\$3,987
6yr	\$22,506	\$28,367	\$5,445	-\$11,306	\$7,202	-\$4,104
7yr	\$22,956	\$28,367	\$5,554	-\$10,965	\$7,297	-\$3,668
8yr	\$23,415	\$28,367	\$5,665	-\$10,617	\$7,136	-\$3,481
9yr	\$23,883	\$28,367	\$5,778	-\$10,262	\$6,957	-\$3,305
10yr	\$24,361	\$28,367	\$5,894	-\$9,900	\$6,924	-\$2,976
11yr	\$24,848	\$28,367	\$6,012	-\$9,530	\$6,504	-\$3,026
12yr	\$25,345	\$28,367	\$6,132	-\$9,154	\$6,310	-\$2,844
13yr	\$25,852	\$28,367	\$6,255	-\$8,769	\$6,118	-\$2,651
14yr	\$26,369	\$28,367	\$6,380	-\$8,378	\$5,925	-\$2,453
15yr	\$26,896	\$28,367	\$6,507	-\$7,978	\$6,632	-\$1,346
16yr	\$27,434	\$28,367	\$6,637	-\$7,570	\$5,423	-\$2,147
17yr	\$27,983	\$28,367	\$6,770	-\$7,154	\$5,247	-\$1,907
18yr	\$28,543	\$28,367	\$6,906	-\$6,730	\$5,068	-\$1,662
19yr	\$29,113	\$28,367	\$7,044	-\$6,297	\$4,887	-\$1,410
20yr	\$29,696	\$28,367	\$7,185	-\$5,856	\$4,893	-\$963
21yr	\$30,290	\$28,367	\$7,328	-\$5,405	\$4,493	-\$912
22yr	\$30,895	\$28,367	\$7,475	-\$4,946	\$4,302	-\$644
23yr	\$31,513	\$28,367	\$7,624	-\$4,478	\$4,108	-\$370
24yr	\$32,144	\$28,367	\$7,777	-\$4,000	\$3,910	-\$90
25yr	\$32,786	\$28,367	\$7,932	-\$3,513	\$3,707	\$194

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	\$28,367	\$4,932	\$33,298	\$20,384	\$8,191	\$4,723
2yr	\$28,367	\$5,030	\$33,397	\$20,792	\$7,985	\$4,620
3yr	\$28,367	\$5,131	\$33,498	\$21,208	\$7,834	\$4,456
4yr	\$28,367	\$5,234	\$33,600	\$21,632	\$7,728	\$4,241
5yr	\$28,367	\$5,338	\$33,705	\$22,064	\$7,654	\$3,987
6yr	\$28,367	\$5,445	\$33,812	\$22,506	\$7,202	\$4,104
7yr	\$28,367	\$5,554	\$33,921	\$22,956	\$7,297	\$3,668
8yr	\$28,367	\$5,665	\$34,032	\$23,415	\$7,136	\$3,481
9yr	\$28,367	\$5,778	\$34,145	\$23,883	\$6,957	\$3,305
10yr	\$28,367	\$5,894	\$34,261	\$24,361	\$6,924	\$2,976
11yr	\$28,367	\$6,012	\$34,378	\$24,848	\$6,504	\$3,026
12yr	\$28,367	\$6,132	\$34,499	\$25,345	\$6,310	\$2,844
13yr	\$28,367	\$6,255	\$34,621	\$25,852	\$6,118	\$2,651
14yr	\$28,367	\$6,380	\$34,746	\$26,369	\$5,925	\$2,453
15yr	\$28,367	\$6,507	\$34,874	\$26,896	\$6,632	\$1,346
16yr	\$28,367	\$6,637	\$35,004	\$27,434	\$5,423	\$2,147
17yr	\$28,367	\$6,770	\$35,137	\$27,983	\$5,247	\$1,907
18yr	\$28,367	\$6,906	\$35,272	\$28,543	\$5,068	\$1,662
19yr	\$28,367	\$7,044	\$35,410	\$29,113	\$4,887	\$1,410
20yr	\$28,367	\$7,185	\$35,551	\$29,696	\$4,893	\$963
21yr	\$28,367	\$7,328	\$35,695	\$30,290	\$4,493	\$912
22yr	\$28,367	\$7,475	\$35,842	\$30,895	\$4,302	\$644
23yr	\$28,367	\$7,624	\$35,991	\$31,513	\$4,108	\$370
24yr	\$28,367	\$7,777	\$36,143	\$32,144	\$3,910	\$90
25yr	\$28,367	\$7,932	\$36,299	\$32,786	\$3,707	-\$194

