

Strategic Alliance Services - Gold Coast

PROPERTY INVESTMENT CASH FLOW ANALYSIS - FIRST YEAR

02-Jul-2010

Prepared for: Mr & Mrs Smart

Consultant:

Property: High Capital Growth Area - Northside Brisbane

Description: 4 br,2bthrm, brick (rendered) & tile quality home

Investment Cost

Purchase price	428,200
Purchase costs	14,962
Loan costs	6,509
Total investment cost	449,671

Loan Details

Initial cash invested	0
Initial loan amount (total cost + any additional loan - cash invested)	409,671
Loan type	I/O Yrs 1-40
Interest rate	7.00%
Interest payments	28,677
Total loan payments	28,677
Closing loan balance	409,671

Property Income and Expenditure

Rental income	20,894
Rental expenses	3,260
Net rental income (rent retained - expenses paid)	17,634

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

-11,043

Tax Deductions

Cash deductions	
Loan interest	28,677
Rental expenses	3,260
Non-Cash Deductions	
Depreciation - Building (\$214,100 @ 2.50%)	5,353
Depreciation - Furniture, fixtures & fittings	4,718
Loan cost write-off (\$6,509 over 5 yrs)	1,302
Total Tax Deductions	43,309

Tax Credit Calculation

Present taxable income	75,000
Rental income	20,894
Total income	95,894
Rental deductions	43,309
New taxable income	52,584
Present tax	14,325
New tax	7,264
Tax credit or rebate	7,061

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

\$3,982

Weekly after-tax investment

\$77

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	428,200
Purchase costs	14,962
Loan costs	6,509
Total investment cost	449,671

Purchase Costs

Conveyancing costs (\$):	1,500
Govt. Stamp duty (\$):	13,462
Total Purchase costs (\$):	14,962

Loan Costs

Establishment fees (0.50% of loan):	2,048
Mortgagee stamp duty (0.40% of loan):	1,639
Mortgage insurance (0.32% of loan):	1,311
Mortgagee's solicitor's fees (\$):	1,000
Valuation fees (\$):	150
Registration of mortgage (\$):	144
Registration of title (\$):	72
Search fees (\$):	145
Total loan costs (\$):	6,509

FINANCE

Initial cash invested	0
Initial loan amount (total cost + any additional loan - initial cash)	409,671
Loan type	I/O Yrs 1-40
Interest rate	7.00%
Interest payments	28,677
Total loan payments	28,677
Closing loan balance	409,671

Initial Investment & Loan Amount

	Investment	Loan	Total Cost
Equity invested (\$):	40,000		
Property cost (\$):	0	388,200	428,200
Renovation costs (\$):	0	0	0
Purchase costs (\$):	0	14,962	14,962
Furniture costs (\$):	0	0	0
Loan costs (\$):	0	6,509	6,509
Totals (\$):	40,000	409,671	449,671

Loan Details

Loan type:	I/O Yrs 1-40
Interest rate (yr 1)	7.00%
Loan amount(\$):	409,671
Loan costs (written off over 5 yrs):	6,509
Monthly payment (\$):	2,390
Annual payment (\$):	28,677

PROPERTY INCOME & EXPENDITURE

Rental income	20,894
Gross yield (rental income/property value)	4.88%
Rental expenses	3,260
Net rental income (rent retained - expenses paid)	17,634
Net yield (net rental income/property value)	4.12%

Rental Income

Rent per week (\$):	410
Potential annual rent (\$):	21,320
Vacancy rate (%):	2.00
Annual rent (\$):	20,894

Rental Expenses**Regular Expenses:**

Agent's commission (0.00%):	0	
Letting fees:	410	
Rates:	1,500	
Insurance:	750	
Maintenance:	600	
Total regular expenses:		3,260
Special expenses:		0
Total expenses (\$):		3,260
Regular expenses as % of annual rent:		15.29%
Net yield or Capitalisation rate:		4.12%

PRE-TAX CASH FLOW

Item	Cash Amount
Rental income	20,894
Rental expenses	3,260
Loan interest	28,677
Principal payments	0
Cash investments	0
Pre-tax cash flow (year 1)	-11,043

TAX DEDUCTIONS

Cash deductions	
Loan interest	28,677
Rental expenses	3,260
Non-Cash Deductions	
Depreciation - Building (\$214,100 @ 2.50%)	5,353
Depreciation - Furniture, fixtures & fittings	4,718
Loan cost write-off (\$6,509 over 5 yrs)	1,302
Total Tax Deductions	43,309

Depreciation on the building (Capital allowance)

Property value (\$):	428,200
Depreciable amount (\$):	214,100
Depreciation allowance rate (%):	2.50
Depreciation claim (\$):	5,353

Depreciation of fittings (diminishing value method)

Item	Value (\$)	Effective Life (yrs)	Depreciation (\$)
General fittings	18,000	15.00	2,400
Curtains	4,000	7.00	1,143
Carpets	4,000	10.00	800
Hot water sys.	1,750	20.00	175
Stove	2,000	20.00	200
Total	29,750		4,718

TAX CREDIT CALCULATION

Present taxable income	75,000
Rental income	20,894
Total income	95,894
Rental deductions	43,309
New taxable income	52,584
Present tax	14,325
New tax	7,264
Tax credit or rebate	7,061

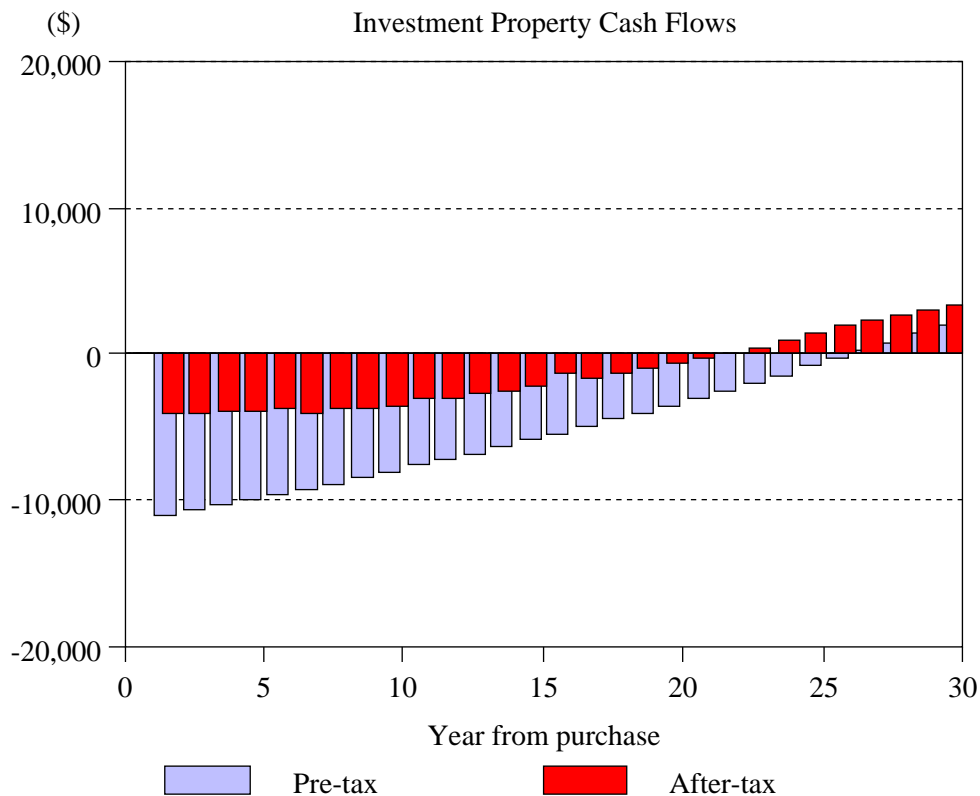
AFTER-TAX CASH FLOW

Annual after-tax investment (pre-tax cash flow + tax credit)	\$3,982
Weekly after-tax investment	\$77

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.

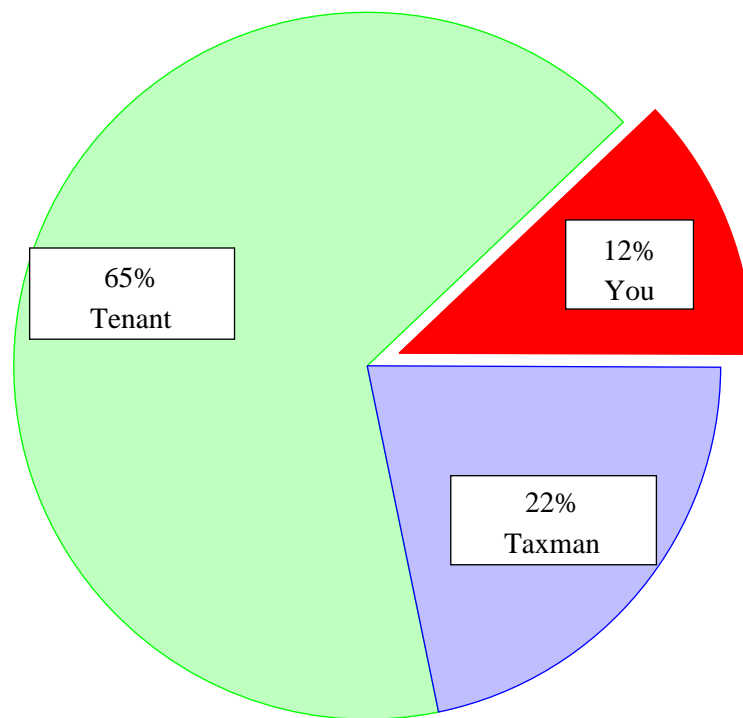
Cash flow items	Initial	1yr	2yr	3yr	5yr	10yr
Rental income		20,894	21,311	21,738	22,616	24,970
Cash invested	0	0	0	0	0	0
Principal payments		0	0	0	0	0
Interest payments		28,677	28,677	28,677	28,677	28,677
Rental expenses		3,260	3,325	3,392	3,529	3,896
Pre-tax cash flow	0	-11,043	-10,691	-10,331	-9,590	-7,603
Tax deductions	43,309	42,530	41,924	41,085	39,270	
Tax credits		7,061	6,684	6,358	5,817	4,504
After-tax cash flow	0	-3,982	-4,007	-3,973	-3,773	-3,099
Cost /(income) per week		77	77	76	73	60



Cash flow projections over 25 years

Year	Rental income	Loan payments	Rental expenses	Pre-tax cash flow	Tax credit	After-tax cash flow
				\$0		\$0
1yr	\$20,894	\$28,677	\$3,260	-\$11,043	\$7,061	-\$3,982
2yr	\$21,311	\$28,677	\$3,325	-\$10,691	\$6,684	-\$4,007
3yr	\$21,738	\$28,677	\$3,392	-\$10,331	\$6,358	-\$3,973
4yr	\$22,172	\$28,677	\$3,460	-\$9,964	\$6,073	-\$3,891
5yr	\$22,616	\$28,677	\$3,529	-\$9,590	\$5,817	-\$3,773
6yr	\$23,068	\$28,677	\$3,599	-\$9,208	\$5,176	-\$4,032
7yr	\$23,530	\$28,677	\$3,671	-\$8,819	\$5,081	-\$3,738
8yr	\$24,000	\$28,677	\$3,745	-\$8,422	\$4,726	-\$3,696
9yr	\$24,480	\$28,677	\$3,820	-\$8,016	\$4,545	-\$3,471
10yr	\$24,970	\$28,677	\$3,896	-\$7,603	\$4,504	-\$3,099
11yr	\$25,469	\$28,677	\$3,974	-\$7,182	\$4,170	-\$3,012
12yr	\$25,979	\$28,677	\$4,053	-\$6,752	\$4,007	-\$2,745
13yr	\$26,498	\$28,677	\$4,134	-\$6,313	\$3,844	-\$2,469
14yr	\$27,028	\$28,677	\$4,217	-\$5,866	\$3,681	-\$2,185
15yr	\$27,569	\$28,677	\$4,302	-\$5,410	\$4,182	-\$1,228
16yr	\$28,120	\$28,677	\$4,388	-\$4,944	\$3,268	-\$1,676
17yr	\$28,682	\$28,677	\$4,475	-\$4,470	\$3,116	-\$1,354
18yr	\$29,256	\$28,677	\$4,565	-\$3,986	\$2,962	-\$1,024
19yr	\$29,841	\$28,677	\$4,656	-\$3,492	\$2,803	-\$689
20yr	\$30,438	\$28,677	\$4,749	-\$2,988	\$2,787	-\$201
21yr	\$31,047	\$28,677	\$4,844	-\$2,474	\$2,466	-\$8
22yr	\$31,668	\$28,677	\$4,941	-\$1,950	\$2,379	\$429
23yr	\$32,301	\$28,677	\$5,040	-\$1,416	\$2,362	\$946
24yr	\$32,947	\$28,677	\$5,141	-\$871	\$2,345	\$1,474
25yr	\$33,606	\$28,677	\$5,244	-\$314	\$2,328	\$2,014

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	\$28,677	\$3,260	\$31,937	\$20,894	\$7,061	\$3,982
2yr	\$28,677	\$3,325	\$32,002	\$21,311	\$6,684	\$4,007
3yr	\$28,677	\$3,392	\$32,069	\$21,738	\$6,358	\$3,973
4yr	\$28,677	\$3,460	\$32,137	\$22,172	\$6,073	\$3,891
5yr	\$28,677	\$3,529	\$32,206	\$22,616	\$5,817	\$3,773
6yr	\$28,677	\$3,599	\$32,276	\$23,068	\$5,176	\$4,032
7yr	\$28,677	\$3,671	\$32,348	\$23,530	\$5,081	\$3,738
8yr	\$28,677	\$3,745	\$32,422	\$24,000	\$4,726	\$3,696
9yr	\$28,677	\$3,820	\$32,497	\$24,480	\$4,545	\$3,471
10yr	\$28,677	\$3,896	\$32,573	\$24,970	\$4,504	\$3,099
11yr	\$28,677	\$3,974	\$32,651	\$25,469	\$4,170	\$3,012
12yr	\$28,677	\$4,053	\$32,730	\$25,979	\$4,007	\$2,745
13yr	\$28,677	\$4,134	\$32,811	\$26,498	\$3,844	\$2,469
14yr	\$28,677	\$4,217	\$32,894	\$27,028	\$3,681	\$2,185
15yr	\$28,677	\$4,302	\$32,978	\$27,569	\$4,182	\$1,228
16yr	\$28,677	\$4,388	\$33,064	\$28,120	\$3,268	\$1,676
17yr	\$28,677	\$4,475	\$33,152	\$28,682	\$3,116	\$1,354
18yr	\$28,677	\$4,565	\$33,242	\$29,256	\$2,962	\$1,024
19yr	\$28,677	\$4,656	\$33,333	\$29,841	\$2,803	\$689
20yr	\$28,677	\$4,749	\$33,426	\$30,438	\$2,787	\$201
21yr	\$28,677	\$4,844	\$33,521	\$31,047	\$2,466	\$8
22yr	\$28,677	\$4,941	\$33,618	\$31,668	\$2,379	\$-429
23yr	\$28,677	\$5,040	\$33,717	\$32,301	\$2,362	\$-946
24yr	\$28,677	\$5,141	\$33,818	\$32,947	\$2,345	\$-1,474
25yr	\$28,677	\$5,244	\$33,920	\$33,606	\$2,328	\$-2,014

