



The Successful Investor - Michael Sloan


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1800 800 886

13-Apr-2012

Prepared for: Sample Investor on \$65,000 income
 Consultant: Michael Sloan
 Property: Pakenham Victoria
 Description: TSI Approved Property April 2012

SUMMARY

	Assumptions		Projected results over		10 yrs
	Property value	\$399,400	Property value		\$715,265
	Investment	\$0	Equity		\$296,688
	Gross yield	3.22%	After-tax return /yr		154.18%
	Net yield	1.36%	Net present value		\$246,745
	Growth rate	6.00%	IF SOLD		
	Inflation rate	3.00%	Selling costs & CGT		\$93,869
	Interest rate	7.00%	Equity		\$202,820
	Taxable income	\$65,000	After-tax return /yr		151.74%

COMPUTER PROJECTIONS

Investment Analysis	Projections over 10 years					
	2012	1yr	2yr	3yr	5yr	10yr
End of year						
Property value	\$399,400	423,364	448,766	475,692	534,487	715,265
Purchase costs	\$4,300					
Investments	\$0					
Loan amount	\$418,576	418,576	418,576	418,576	418,576	418,576
Equity	-\$19,176	4,788	30,190	57,116	115,911	296,688
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 /year	\$13,132	12,869	15,054	15,882	17,677	23,103
Cash deductions						
Interest (I/O)	7.00%	29,300	29,300	29,300	29,300	29,300
Rental expenses	56.49%	7,417	7,640	7,869	8,348	9,678
Pre-tax cash flow	\$0	-23,849	-21,886	-21,288	-19,972	-15,875
Non-cash deductions						
Deprec.of building	2.50%	5,751	5,751	5,751	5,751	5,751
Deprec.of fittings	\$0	7,678	7,028	5,060	3,355	974
Loan costs	\$2,000	400	400	400	400	
Holding costs	\$12,876	12,876				
Total deductions		63,423	50,119	48,380	47,155	45,703
Tax credit (single)	\$65,000	23,524	21,814	22,093	22,153	23,200
After-tax cash flow	\$0	-325	-73	806	2,181	7,325
Rate of return (IRR)	154.18%	Your cost /(income) per week				
Pre-tax equivalent	226.74%	6	1	(15)	(42)	(141)

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 The Successful Investor - Michael Sloan, its servants, employees or consultants..

Detailed Notes on Spreadsheet Items

PROPERTY VALUE

The property (or market) value refers to how much the property is worth (i.e. how much you could sell it for). Its book value, on the other hand, refers to how much you have paid for it plus the cost of any immediate renovations.

Property price:	399,400
Renovation costs:	0
Total book value:	399,400
Property market value:	\$399,400

PURCHASE COSTS

These include your solicitor's conveyancing fees and, where applicable, State Government stamp duty charges. In Australia, stamp duty varies from State to State and is a function of purchase price whereas, in New Zealand, it has been abolished on all property transfers since May 1999. Conveyancing costs may also be dependent on purchase price and may be negotiable. In some States of Australia (e.g. A.C.T.), purchase costs are tax deductible in the first year of the investment, though normally they will only be taken into account in Capital Gains Tax calculations in the year of sale.

Conveyancing costs:	1,300
Stamp duty:	3,000
Total Purchase costs:	\$4,300

INVESTMENT & LOAN

Your initial investment is usually just the total of all monies outlaid at the time of purchase. These may include contributions toward any, or all, of the costs listed below. The remainder will largely determine the size of the loan. If you have sufficient equity in other property, it is possible to outlay nothing, and actually borrow the lot (i.e. the purchase price, purchase costs, loan costs, any renovation costs, and even additional monies to cover such things as fittings). If you are modelling an investment from some point in time after purchase (e.g. to assess the return on major renovations), your investment might also include the equity you already have built up in the property.

	Investments	Loan	Total Cost
Property costs:	0	399,400	399,400
Renovation costs:	0	0	0
Purchase costs:	0	4,300	4,300
Furniture costs:	0	0	0
Holding costs:	0	12,876	12,876
Loan costs:	0	2,000	2,000
Totals:	\$0	\$418,576	\$418,576

CAPITAL GROWTH & INFLATION RATES

Rate of capital growth is your anticipated annual compound rate of increase of the property value. It will undoubtedly vary substantially over the short term, but over the longer term (10 years or more), it has generally been about 2 to 3% above the rate of inflation.

Average rate of inflation (%):	3.00
Average rate of capital growth (%):	6.00

EQUITY

The equity is the difference between the property value and the loan. The equity increases in line with the increasing property value in the case of an interest-only loan. For a principal & interest loan, it also increases with the decrease in the debt.

Projected values over	5 yrs	10 yrs	15 yrs	20 yrs
Property value	534,487	715,265	957,185	1.281m
Loan	418,576	418,576	418,576	418,576
EQUITY	\$115,911	\$296,688	\$538,609	\$862,354
Approximate costs if sold.....				
Capital Gains Tax	21,897	70,128	135,924	219,231
Solicitor's fees	2,672	3,576	4,786	6,405
Sales commission	15,193	20,165	26,818	35,721
EQUITY (after sale)	\$76,148	\$202,820	\$371,082	\$600,997

INTEREST COSTS & TYPE OF LOAN

The type of loan can be either interest-only and/or principal & interest. Repayments for interest-only loans, as the title suggests, consist of interest only. Repayments for principal & interest loans include a component of the principal. Interest-only loans are usually of a shorter term (e.g. 3 to 5 years) at which time they are usually rolled-over.

Loan type:	I/O Yrs 1-40
Interest rate (yr 1) (%)	7.00
Loan:	\$418,576
Loan costs (written off over 5 yrs):	\$2,000
Monthly payment:	\$2,442
Annual payment:	\$29,300

RENT

The potential annual rent is simply the rent per week times 52. The actual annual rent must account for any period that the property is vacant. Annual rents are assumed to increase in line with inflation.

In this case, the property is also assumed to be rented under the National Rental Affordability Scheme for a period of 10 years during which the market rent is discounted by 20.00%, but for which there are additional tax credits of 9,524 per year (indexed).

Rent per week: (with NRAS discount)	253
Potential annual rent:	13,132
Vacancy rate (%):	2.00
Actual annual rent:	\$12,869

ANNUAL RENTAL EXPENSES

These are all the real operating costs associated with the investment property with the exception of loan interest payments. The first cell of the spreadsheet represents the expenses expressed as a percentage of the potential annual rent. As a guide, expenses could vary anywhere from 13% to 30%, depending on the maintenance and whether a professional property management agent is used. For holiday letting, with higher vacancies, the percentage can be more than 50%.

Normal Expenses:	
Agent's commission (11.00%):	1,769
Letting fees:	0
Rates:	2,000
Insurance:	1,000
Maintenance:	800
Body corporate:	800
Other expenses:	1,048
Special expenses:	0
Total expenses:	\$7,417
Normal expenses as % of annual rent (%):	56.49
Net yield or Capitalisation rate (%):	1.36

PRE-TAX CASH FLOW

These are all of the monies that flow out of your pocket before tax is taken into account. Normally, it would represent the gross annual rent less interest and rental expenses. This will vary if interest or expenses are capitalised or rents used directly to reduce the loan.

Year		1yr	2yr	3yr	5yr	10yr
Rent		12,869	15,054	15,882	17,677	23,103
Cash invested	0	0	0	0	0	0
Principal payments		0	0	0	0	0
Interest		29,300	29,300	29,300	29,300	29,300
Expenses		7,417	7,640	7,869	8,348	9,678
Pre-tax cash flow	\$0	-\$23,849	-\$21,886	-\$21,288	-\$19,972	-\$15,875

DEPRECIATION ON THE BUILDING

This represents the capital allowance on the construction costs.

Property value:	\$399,400
Construction costs:	\$230,038
Depreciation allowance rate (%):	2.50
Depreciation allowance:	\$5,751

DEPRECIATION OF FITTINGS (annual claim)

Total value of fittings:	\$0
Total depreciation in first year:	\$7,678

LOAN COSTS

In Australia, the loan costs are written off over the term of the loan (or five years, whichever is the lesser).

Other loan costs:	2,000
Total loan costs:	\$2,000

TOTAL TAX DEDUCTIONS (Cash & Non-Cash Deductions)

These include both "cash" (e.g. interest, rental expenses) and "non-cash" (e.g. depreciation) deductions.

Year	1yr	2yr	3yr	5yr	10yr
Interest	29,300	29,300	29,300	29,300	29,300
Expenses	7,417	7,640	7,869	8,348	9,678
Deprec.-building	5,751	5,751	5,751	5,751	5,751
Deprec.-fittings	7,678	7,028	5,060	3,355	974
Loan costs	400	400	400	400	0
Holding costs	12,876				
Total deductions	\$63,423	\$50,119	\$48,380	\$47,155	\$45,703

TAX CREDITS & AFTER-TAX CASH FLOW

The after-tax cash flows are all of the monies that flow in or out of your pocket AFTER tax is taken into account. They represent the PRE-tax cash flow LESS any tax credits (or tax refunds). In this analysis, it is assumed that the investor has obtained a tax variation from the Taxation Office and thus the tax refunds are credited for the same year in which they are based. The tax credits in this case also include the credits from the National Rental Affordability Scheme.

Year	2012	1yr	2yr	3yr	5yr	10yr
Pre-tax cash flow	0	-23,849	-21,886	-21,288	-19,972	-15,875
NRAS tax credits		\$9,524	\$10,048	\$10,600	\$11,799	\$15,420
Tax credits		23,524	21,814	22,093	22,153	23,200
After-tax cash flow	\$0	-\$325	-\$73	\$806	\$2,181	\$7,325
Cost /(income) per week		6	1	(15)	(42)	(141)

INTERNAL RATE OF RETURN

The internal rate of return (IRR) is the method of calculating the return on a series of cash flows where the time factor is taken into account. To understand it, think of the money you are outlaying on your investment property as being deposited in a bank account, with interest added each year. In this case the "deposits" are represented by the after-tax cash flows

Year	2012	1yr	2yr	3yr	5yr	10yr
After-tax cash flow	\$0	-\$325	-\$73	\$806	\$2,181	\$7,325
Equity						\$296,688

The total amount in your "account" (including interest) at the end of the period is the equity (\$296,688) in the investment property. The IRR (154.18%) represents the effective "interest rate" that you have received, but with one important difference - because the interest remains in the property, it is not taxed. To receive an equivalent return from bank interest, you need to get 226.74% before tax.

If the property were to be sold at the end of the period, the after-sale equity would be reduced to \$202,820 after taking account of selling costs and capital gains tax and the IRR after the sale would be 151.74%.



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Cash Flow Analysis Summary

Investment Cost

Purchase price	399,400
Purchase costs	4,300
Loan costs	2,000
Holding costs	12,876
Total investment cost	418,576

Loan Details

Initial cash invested	0
Initial loan amount (total cost + any additional loan – cash invested)	418,576
Loan type	I/O (7.00%)
Interest payments	29,300
Total loan payments	29,300
Closing loan balance	418,576

Property Income and Expenditure

Rental income (with 20.00% NRAS discount)	12,869
Rental expenses	7,417
Net rental income (rent retained – expenses paid)	5,452

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

-23,849

Tax Deductions

Cash deductions	
Loan interest	29,300
Rental expenses	7,417
Non-Cash Deductions	
Depreciation – Building (\$230,038 @ 2.50%)	5,751
Depreciation – Furniture, fixtures & fittings	7,678
Loan cost write-off (\$2,000 over 5 yrs)	400
Holding costs	12,876
Total Tax Deductions	63,423

Tax Credit Calculation

Present taxable income	65,000
Rental income (with 20.00% NRAS discount)	12,869
Total income	0
Rental deductions	7,417
New taxable income	0
Present tax	14,000
New tax (incl. NRAS tax credits 9,524)	0
Tax credit or rebate	23,524

Annual after-tax investment (pre-tax cash flow + tax credit)	\$325
Weekly after-tax investment	\$6

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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 5.50% per year from year 2. Rental expenses are assumed to increase at 3.00% per year from year 1.

Cash flow items	Initial	1yr	2yr	3yr	5yr	10yr
Rental income		12,869	15,054	15,882	17,677	23,103
Cash invested	0	0	0	0	0	0
Principal payments		0	0	0	0	0
Interest payments		29,300	29,300	29,300	29,300	29,300
Rental expenses		7,417	7,640	7,869	8,348	9,678
Pre-tax cash flow	0	-23,849	-21,886	-21,288	-19,972	-15,875
Tax deductions		63,423	50,119	48,380	47,155	45,703
NRAS tax credits		9,524	10,048	10,600	11,799	15,420
Tax credits		23,524	21,814	22,093	22,153	23,200
After-tax cash flow	0	-325	-73	806	2,181	7,325
Cost /(income) per week		6	1	(15)	(42)	(141)

CASH FLOW PROJECTIONS (40 years)

Year	Property value	Equity	Rent	Total deductions	Pre-tax cash flow	Tax credit	After-tax cash flow
	\$399,400	-\$19,176			\$0		\$0
1yr	\$423,364	\$4,788	\$12,869	\$63,423	-\$23,849	\$23,524	-\$325
2yr	\$448,766	\$30,190	\$15,054	\$50,119	-\$21,886	\$21,814	-\$73
3yr	\$475,692	\$57,116	\$15,882	\$48,380	-\$21,288	\$22,093	\$806
4yr	\$504,233	\$85,657	\$16,755	\$47,487	-\$20,650	\$22,057	\$1,407
5yr	\$534,487	\$115,911	\$17,677	\$47,155	-\$19,972	\$22,153	\$2,181
6yr	\$566,557	\$147,980	\$18,649	\$46,250	-\$19,250	\$22,058	\$2,809
7yr	\$600,550	\$181,974	\$19,675	\$45,763	-\$18,482	\$22,119	\$3,637
8yr	\$636,583	\$218,007	\$20,757	\$45,536	-\$17,666	\$22,276	\$4,611
9yr	\$674,778	\$256,202	\$21,899	\$45,473	-\$16,798	\$22,673	\$5,876
10yr	\$715,265	\$296,688	\$23,103	\$45,703	-\$15,875	\$23,200	\$7,325
11yr	\$758,180	\$339,604	\$30,467	\$45,020	-\$8,802	\$5,171	-\$3,631
12yr	\$803,671	\$385,095	\$32,143	\$45,319	-\$7,425	\$4,914	-\$2,511
13yr	\$851,892	\$433,315	\$33,911	\$45,627	-\$5,965	\$4,569	-\$1,396
14yr	\$903,005	\$484,429	\$35,776	\$45,944	-\$4,417	\$3,965	-\$452
15yr	\$957,185	\$538,609	\$37,744	\$46,271	-\$2,776	\$3,325	\$549
16yr	\$1.015m	\$596,040	\$39,820	\$46,607	-\$1,037	\$2,654	\$1,617
17yr	\$1.075m	\$656,917	\$42,010	\$46,954	\$806	\$1,950	\$2,756
18yr	\$1.140m	\$721,447	\$44,320	\$47,311	\$2,760	\$1,182	\$3,942
19yr	\$1.208m	\$789,848	\$46,758	\$47,679	\$4,830	\$364	\$5,194
20yr	\$1.281m	\$862,354	\$49,329	\$48,058	\$7,022	-\$503	\$6,519
21yr	\$1.358m	\$939,209	\$52,043	\$48,449	\$9,345	-\$1,420	\$7,925
22yr	\$1.439m	\$1.021m	\$54,905	\$48,850	\$11,806	-\$2,392	\$9,414
23yr	\$1.526m	\$1.107m	\$57,925	\$49,264	\$14,412	-\$3,421	\$10,991
24yr	\$1.617m	\$1.199m	\$61,111	\$49,690	\$17,171	-\$4,511	\$12,660
25yr	\$1.714m	\$1.296m	\$64,472	\$50,130	\$20,093	-\$5,665	\$14,428
26yr	\$1.817m	\$1.398m	\$68,018	\$50,582	\$23,187	-\$6,887	\$16,300
27yr	\$1.926m	\$1.507m	\$71,759	\$51,048	\$26,462	-\$8,181	\$18,281
28yr	\$2.042m	\$1.623m	\$75,705	\$51,528	\$29,929	-\$9,550	\$20,379
29yr	\$2.164m	\$1.746m	\$79,869	\$52,022	\$33,598	-\$10,999	\$22,599
30yr	\$2.294m	\$1.875m	\$84,262	\$52,531	\$37,482	-\$12,926	\$24,556
31yr	\$2.432m	\$2.013m	\$88,896	\$53,055	\$41,592	-\$15,246	\$26,346
32yr	\$2.577m	\$2.159m	\$93,786	\$53,596	\$45,941	-\$17,690	\$28,251
33yr	\$2.732m	\$2.314m	\$98,944	\$54,152	\$50,543	-\$20,267	\$30,276
34yr	\$2.896m	\$2.477m	\$104,386	\$54,725	\$55,412	-\$22,981	\$32,431
35yr	\$3.070m	\$2.651m	\$110,127	\$55,315	\$60,563	-\$25,841	\$34,722
36yr	\$3.254m	\$2.835m	\$116,184	\$55,923	\$66,012	-\$28,624	\$37,388
37yr	\$3.449m	\$3.031m	\$122,574	\$56,549	\$71,776	-\$31,362	\$40,414
38yr	\$3.656m	\$3.238m	\$129,315	\$57,194	\$77,872	-\$34,257	\$43,615
39yr	\$3.876m	\$3.457m	\$136,428	\$57,858	\$84,320	-\$37,320	\$47,000
40yr	\$4.108m	\$3.690m	\$143,931	\$58,543	\$91,140	-\$40,560	\$50,580

TAX BENEFITS

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

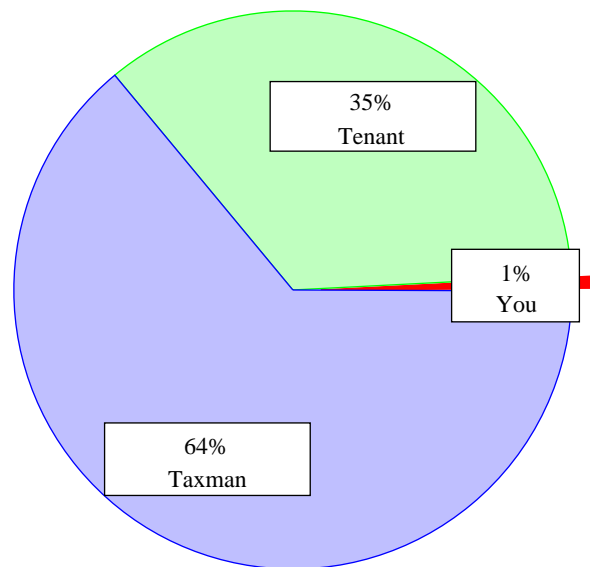
In this case, the property is also assumed to be rented under the National Rental Affordability Scheme for a period of 10 years during which the market rent is discounted by 20.00%, but for which there are additional tax credits of 9,524 per year (indexed).

Number of properties: 1

	Investor	Partner	Total
Ownership: single name	100.00%	0.00%	100%
Present taxable income:	65,000	0	65,000
Rental income (NRAS discount):	12,869	0	12,869
Total income:	77,869	0	77,869
Rental deductions:	63,423	0	63,423
New taxable income:	14,446	0	14,446
Present tax:	14,000	0	14,000
New tax (incl. NRAS credits):	-9,524	0	-9,524
Tax saving:	\$23,524	\$0	\$23,524

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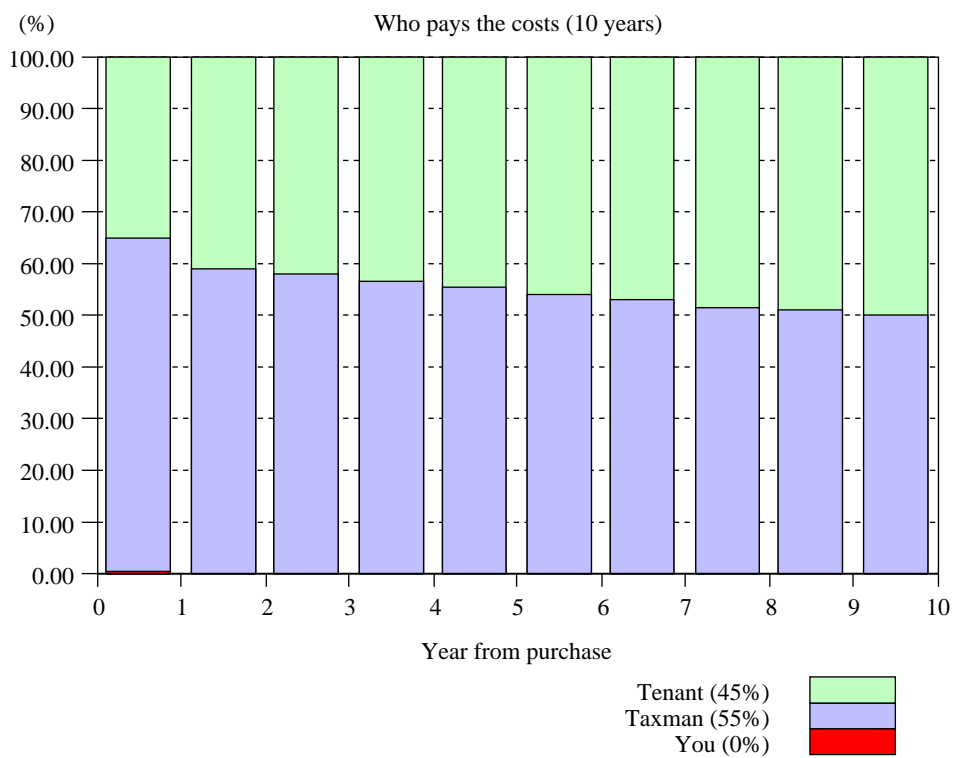
Who pays the cost (1st year)?



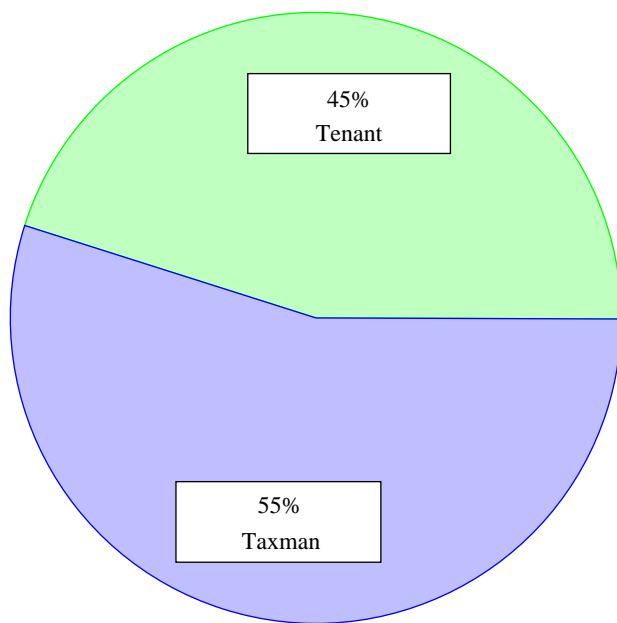
Projections over 25 years

Year	Interest costs	Rental expenses	Total cost	Rent (tenant)	Tax credit (taxman)	Cash (you)
1yr	\$29,300	\$7,417	\$36,718	\$12,869	\$23,524	\$325
2yr	\$29,300	\$7,640	\$36,940	\$15,054	\$21,814	\$73
3yr	\$29,300	\$7,869	\$37,170	\$15,882	\$22,093	\$-806
4yr	\$29,300	\$8,105	\$37,406	\$16,755	\$22,057	\$-1,407
5yr	\$29,300	\$8,348	\$37,649	\$17,677	\$22,153	\$-2,181
6yr	\$29,300	\$8,599	\$37,899	\$18,649	\$22,058	\$-2,809
7yr	\$29,300	\$8,857	\$38,157	\$19,675	\$22,119	\$-3,637
8yr	\$29,300	\$9,123	\$38,423	\$20,757	\$22,276	\$-4,611
9yr	\$29,300	\$9,396	\$38,697	\$21,899	\$22,673	\$-5,876
10yr	\$29,300	\$9,678	\$38,978	\$23,103	\$23,200	\$-7,325
11yr	\$29,300	\$9,968	\$39,269	\$30,467	\$5,171	\$3,631
12yr	\$29,300	\$10,268	\$39,568	\$32,143	\$4,914	\$2,511
13yr	\$29,300	\$10,576	\$39,876	\$33,911	\$4,569	\$1,396
14yr	\$29,300	\$10,893	\$40,193	\$35,776	\$3,965	\$452
15yr	\$29,300	\$11,220	\$40,520	\$37,744	\$3,325	\$-549
16yr	\$29,300	\$11,556	\$40,857	\$39,820	\$2,654	\$-1,617
17yr	\$29,300	\$11,903	\$41,203	\$42,010	\$1,950	\$-2,756
18yr	\$29,300	\$12,260	\$41,560	\$44,320	\$1,182	\$-3,942
19yr	\$29,300	\$12,628	\$41,928	\$46,758	\$364	\$-5,194
20yr	\$29,300	\$13,007	\$42,307	\$49,329	\$-503	\$-6,519
21yr	\$29,300	\$13,397	\$42,697	\$52,043	\$-1,420	\$-7,925
22yr	\$29,300	\$13,799	\$43,099	\$54,905	\$-2,392	\$-9,414
23yr	\$29,300	\$14,213	\$43,513	\$57,925	\$-3,421	\$-10,991
24yr	\$29,300	\$14,639	\$43,939	\$61,111	\$-4,511	\$-12,660
25yr	\$29,300	\$15,078	\$44,379	\$64,472	\$-5,665	\$-14,428

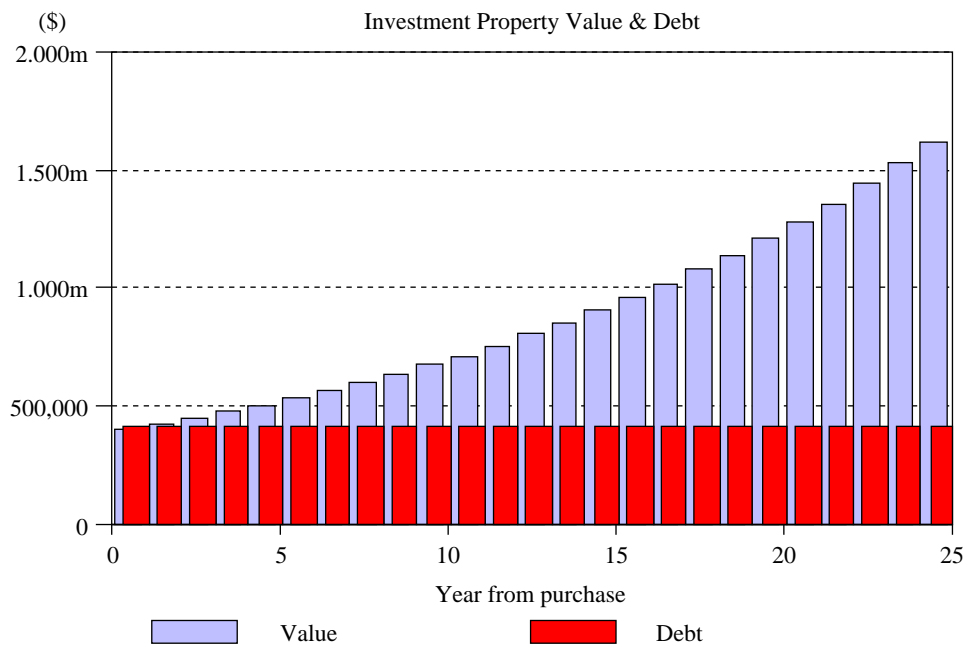
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Average contribution (10 years)



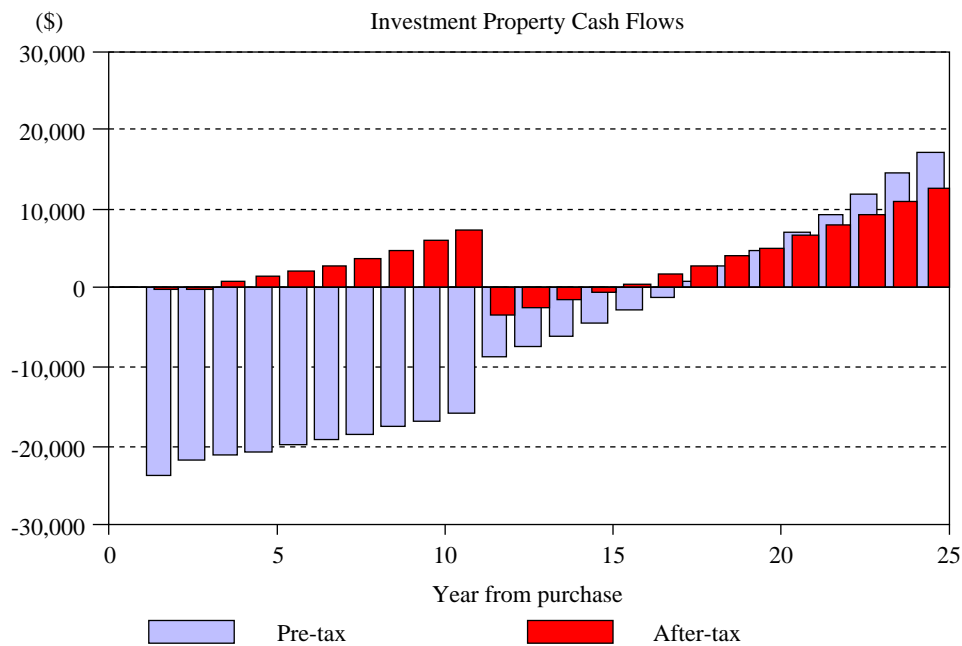
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Property value & debt projections over 25 years

Year	Growth rate	Property value	Amount owing	Equity
		\$399,400	\$418,576	-\$19,176
1yr	6.00%	\$423,364	\$418,576	\$4,788
2yr	6.00%	\$448,766	\$418,576	\$30,190
3yr	6.00%	\$475,692	\$418,576	\$57,116
4yr	6.00%	\$504,233	\$418,576	\$85,657
5yr	6.00%	\$534,487	\$418,576	\$115,911
6yr	6.00%	\$566,557	\$418,576	\$147,980
7yr	6.00%	\$600,550	\$418,576	\$181,974
8yr	6.00%	\$636,583	\$418,576	\$218,007
9yr	6.00%	\$674,778	\$418,576	\$256,202
10yr	6.00%	\$715,265	\$418,576	\$296,688
11yr	6.00%	\$758,180	\$418,576	\$339,604
12yr	6.00%	\$803,671	\$418,576	\$385,095
13yr	6.00%	\$851,892	\$418,576	\$433,315
14yr	6.00%	\$903,005	\$418,576	\$484,429
15yr	6.00%	\$957,185	\$418,576	\$538,609
16yr	6.00%	\$1.015m	\$418,576	\$596,040
17yr	6.00%	\$1.075m	\$418,576	\$656,917
18yr	6.00%	\$1.140m	\$418,576	\$721,447
19yr	6.00%	\$1.208m	\$418,576	\$789,848
20yr	6.00%	\$1.281m	\$418,576	\$862,354
21yr	6.00%	\$1.358m	\$418,576	\$939,209
22yr	6.00%	\$1.439m	\$418,576	\$1.021m
23yr	6.00%	\$1.526m	\$418,576	\$1.107m
24yr	6.00%	\$1.617m	\$418,576	\$1.199m
25yr	6.00%	\$1.714m	\$418,576	\$1.296m

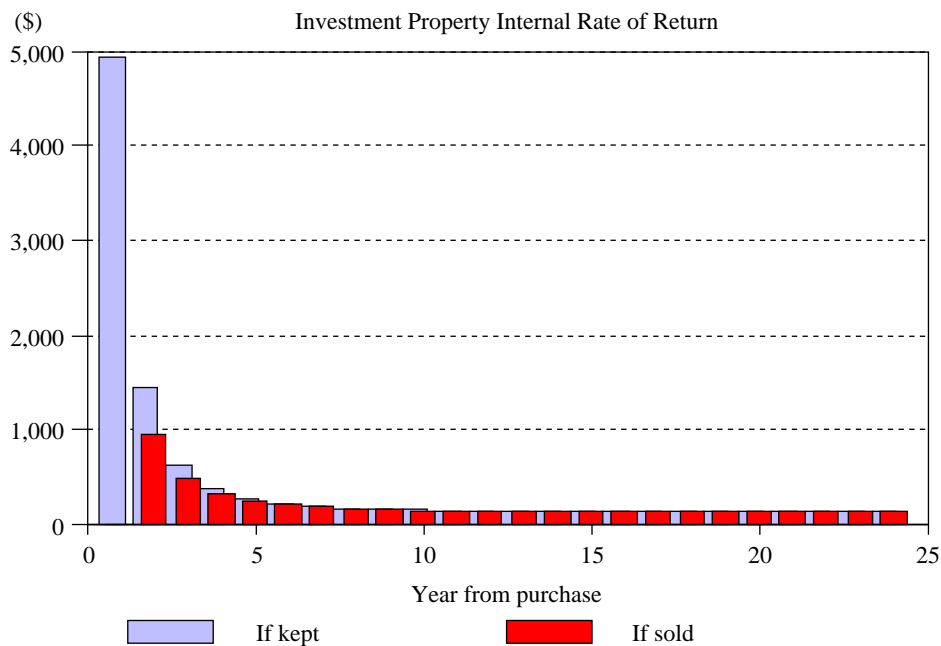
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Cash flow projections over 25 years

Year	Rental income	Loan payments	Rental expenses	Pre-tax cash flow	Tax credit	After-tax cash flow
				\$0		\$0
1yr	\$12,869	\$29,300	\$7,417	\$-23,849	\$23,524	\$-325
2yr	\$15,054	\$29,300	\$7,640	\$-21,886	\$21,814	\$-73
3yr	\$15,882	\$29,300	\$7,869	\$-21,288	\$22,093	\$806
4yr	\$16,755	\$29,300	\$8,105	\$-20,650	\$22,057	\$1,407
5yr	\$17,677	\$29,300	\$8,348	\$-19,972	\$22,153	\$2,181
6yr	\$18,649	\$29,300	\$8,599	\$-19,250	\$22,058	\$2,809
7yr	\$19,675	\$29,300	\$8,857	\$-18,482	\$22,119	\$3,637
8yr	\$20,757	\$29,300	\$9,123	\$-17,666	\$22,276	\$4,611
9yr	\$21,899	\$29,300	\$9,396	\$-16,798	\$22,673	\$5,876
10yr	\$23,103	\$29,300	\$9,678	\$-15,875	\$23,200	\$7,325
11yr	\$30,467	\$29,300	\$9,968	\$-8,802	\$5,171	\$-3,631
12yr	\$32,143	\$29,300	\$10,268	\$-7,425	\$4,914	\$-2,511
13yr	\$33,911	\$29,300	\$10,576	\$-5,965	\$4,569	\$-1,396
14yr	\$35,776	\$29,300	\$10,893	\$-4,417	\$3,965	\$-452
15yr	\$37,744	\$29,300	\$11,220	\$-2,776	\$3,325	\$549
16yr	\$39,820	\$29,300	\$11,556	\$-1,037	\$2,654	\$1,617
17yr	\$42,010	\$29,300	\$11,903	\$806	\$1,950	\$2,756
18yr	\$44,320	\$29,300	\$12,260	\$2,760	\$1,182	\$3,942
19yr	\$46,758	\$29,300	\$12,628	\$4,830	\$364	\$5,194
20yr	\$49,329	\$29,300	\$13,007	\$7,022	\$-503	\$6,519
21yr	\$52,043	\$29,300	\$13,397	\$9,345	\$-1,420	\$7,925
22yr	\$54,905	\$29,300	\$13,799	\$11,806	\$-2,392	\$9,414
23yr	\$57,925	\$29,300	\$14,213	\$14,412	\$-3,421	\$10,991
24yr	\$61,111	\$29,300	\$14,639	\$17,171	\$-4,511	\$12,660
25yr	\$64,472	\$29,300	\$15,078	\$20,093	\$-5,665	\$14,428

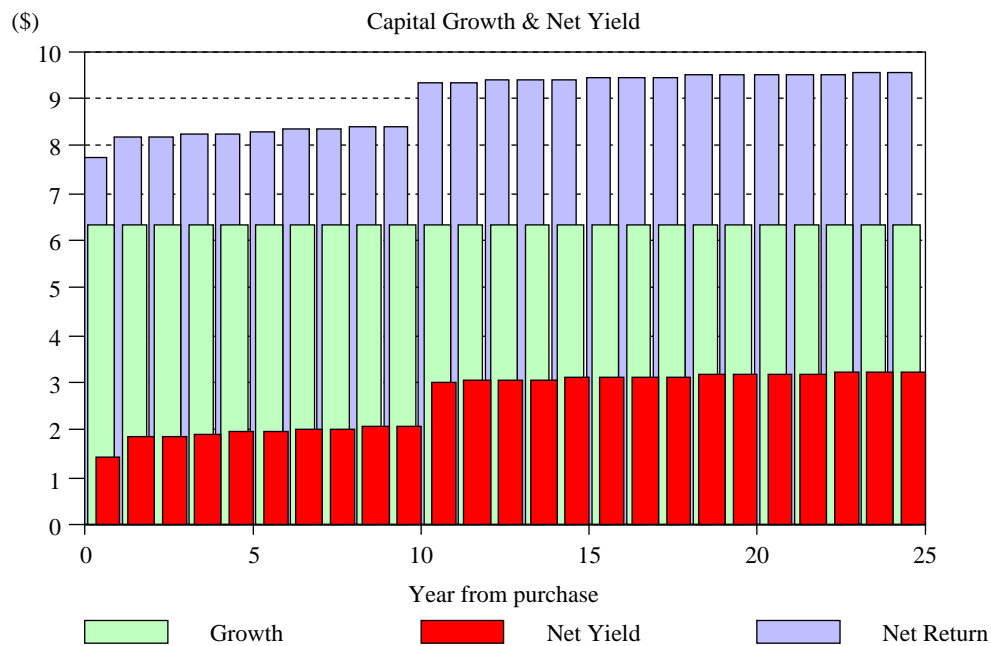
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Projected equity and returns over 25 years

Year	After-tax cash flow	Property Retained		Selling costs	Property Sold		Rate of return
		Equity	Rate of return		Capital Gains Tax	Equity (if sold)	
	\$0	\$-19,176					
1yr	\$-325	\$4,788	4926.1%	\$14,254	\$-7,986	\$-1,480	NA%
2yr	\$-73	\$30,190	1449.0%	\$15,080	\$-267	\$15,377	945.2%
3yr	\$806	\$57,116	623.3%	\$15,955	\$6,667	\$34,494	503.0%
4yr	\$1,407	\$85,657	383.1%	\$16,883	\$14,182	\$54,592	332.0%
5yr	\$2,181	\$115,911	279.7%	\$17,866	\$21,897	\$76,148	252.3%
6yr	\$2,809	\$147,980	225.2%	\$18,908	\$29,837	\$99,235	208.8%
7yr	\$3,637	\$181,974	193.3%	\$20,013	\$37,978	\$123,983	183.0%
8yr	\$4,611	\$218,007	173.7%	\$21,184	\$48,031	\$148,792	167.0%
9yr	\$5,876	\$256,202	161.5%	\$22,425	\$58,831	\$174,945	157.4%
10yr	\$7,325	\$296,688	154.2%	\$23,741	\$70,128	\$202,820	151.7%
11yr	\$-3,631	\$339,604	149.7%	\$25,136	\$82,785	\$231,683	148.3%
12yr	\$-2,511	\$385,095	147.3%	\$26,614	\$95,223	\$263,257	146.6%
13yr	\$-1,396	\$433,315	146.0%	\$28,181	\$108,247	\$296,887	145.7%
14yr	\$-452	\$484,429	145.4%	\$29,843	\$121,725	\$332,861	145.3%
15yr	\$549	\$538,609	145.2%	\$31,604	\$135,924	\$371,082	145.1%
16yr	\$1,617	\$596,040	145.0%	\$33,470	\$150,885	\$411,685	145.0%
17yr	\$2,756	\$656,917	145.0%	\$35,449	\$166,654	\$454,815	144.9%
18yr	\$3,942	\$721,447	144.9%	\$37,546	\$183,257	\$500,644	144.9%
19yr	\$5,194	\$789,848	144.9%	\$39,769	\$200,764	\$549,315	144.9%
20yr	\$6,519	\$862,354	144.9%	\$42,125	\$219,231	\$600,997	144.9%
21yr	\$7,925	\$939,209	144.9%	\$44,623	\$238,717	\$655,870	144.9%
22yr	\$9,414	\$1.021m	144.9%	\$47,271	\$259,281	\$714,125	144.9%
23yr	\$10,991	\$1.107m	144.9%	\$50,077	\$280,988	\$775,966	144.9%
24yr	\$12,660	\$1.199m	144.9%	\$53,052	\$303,907	\$841,609	144.9%
25yr	\$14,428	\$1.296m	144.9%	\$56,206	\$328,110	\$911,281	144.9%

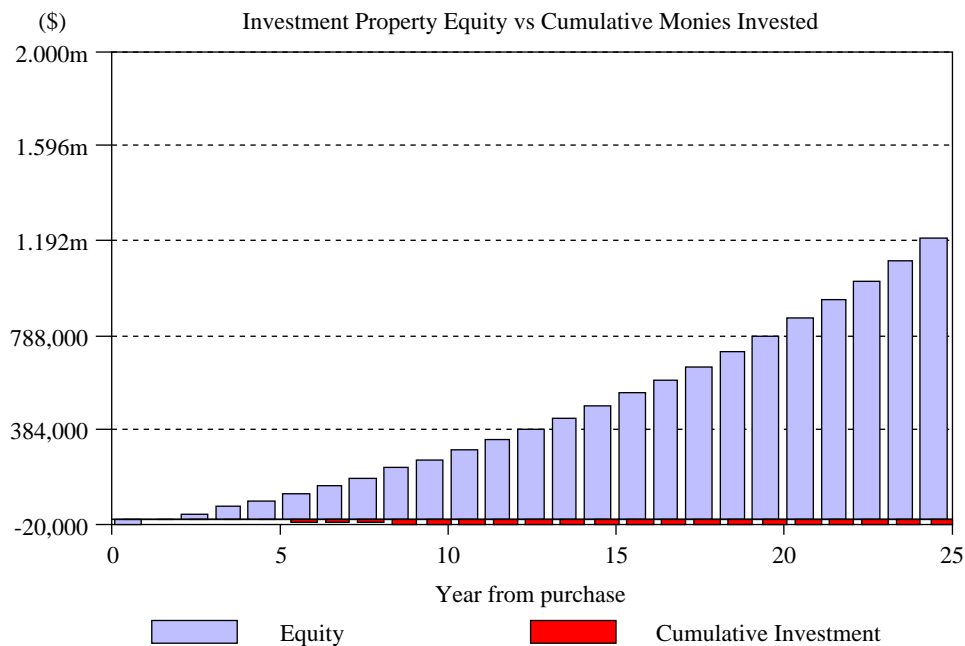
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Capital growth and rental yields over 25 years

Year	Property value	Growth rate	Rental income	Rental expenses	Net Rent	Gross yield	Net yield
Initial	\$399,400						
1yr	\$423,364	6.00%	\$12,869	\$7,417	\$5,452	3.22%	1.36%
2yr	\$448,766	6.00%	\$15,054	\$7,640	\$7,414	3.56%	1.75%
3yr	\$475,692	6.00%	\$15,882	\$7,869	\$8,013	3.54%	1.79%
4yr	\$504,233	6.00%	\$16,755	\$8,105	\$8,650	3.52%	1.82%
5yr	\$534,487	6.00%	\$17,677	\$8,348	\$9,329	3.51%	1.85%
6yr	\$566,557	6.00%	\$18,649	\$8,599	\$10,050	3.49%	1.88%
7yr	\$600,550	6.00%	\$19,675	\$8,857	\$10,818	3.47%	1.91%
8yr	\$636,583	6.00%	\$20,757	\$9,123	\$11,635	3.46%	1.94%
9yr	\$674,778	6.00%	\$21,899	\$9,396	\$12,502	3.44%	1.96%
10yr	\$715,265	6.00%	\$23,103	\$9,678	\$13,425	3.42%	1.99%
11yr	\$758,180	6.00%	\$30,467	\$9,968	\$20,499	4.26%	2.87%
12yr	\$803,671	6.00%	\$32,143	\$10,268	\$21,875	4.24%	2.89%
13yr	\$851,892	6.00%	\$33,911	\$10,576	\$23,335	4.22%	2.90%
14yr	\$903,005	6.00%	\$35,776	\$10,893	\$24,883	4.20%	2.92%
15yr	\$957,185	6.00%	\$37,744	\$11,220	\$26,524	4.18%	2.94%
16yr	\$1.015m	6.00%	\$39,820	\$11,556	\$28,263	4.16%	2.95%
17yr	\$1.075m	6.00%	\$42,010	\$11,903	\$30,107	4.14%	2.97%
18yr	\$1.140m	6.00%	\$44,320	\$12,260	\$32,060	4.12%	2.98%
19yr	\$1.208m	6.00%	\$46,758	\$12,628	\$34,130	4.10%	2.99%
20yr	\$1.281m	6.00%	\$49,329	\$13,007	\$36,323	4.08%	3.01%
21yr	\$1.358m	6.00%	\$52,043	\$13,397	\$38,646	4.06%	3.02%
22yr	\$1.439m	6.00%	\$54,905	\$13,799	\$41,106	4.04%	3.03%
23yr	\$1.526m	6.00%	\$57,925	\$14,213	\$43,712	4.02%	3.04%
24yr	\$1.617m	6.00%	\$61,111	\$14,639	\$46,471	4.01%	3.05%
25yr	\$1.714m	6.00%	\$64,472	\$15,078	\$49,393	3.99%	3.05%

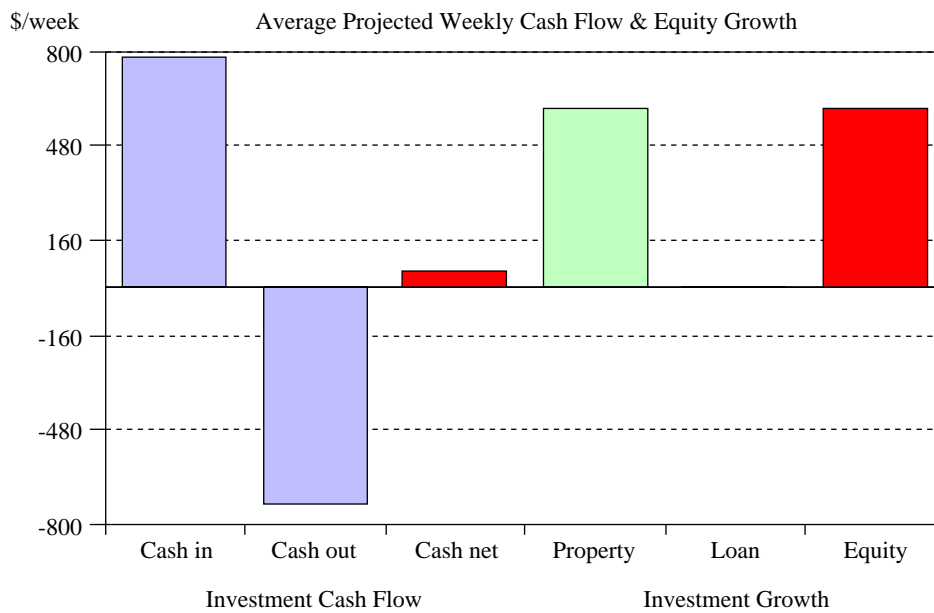
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Projected total investment and equity over 25 years

Year	After-tax cash flow	Cumulative investment	Property value	Amount owing	Equity
	\$0	\$0	\$399,400	\$418,576	-\$19,176
1yr	-\$325	\$325	\$423,364	\$418,576	\$4,788
2yr	-\$73	\$397	\$448,766	\$418,576	\$30,190
3yr	\$806	-\$409	\$475,692	\$418,576	\$57,116
4yr	\$1,407	-\$1,816	\$504,233	\$418,576	\$85,657
5yr	\$2,181	-\$3,997	\$534,487	\$418,576	\$115,911
6yr	\$2,809	-\$6,805	\$566,557	\$418,576	\$147,980
7yr	\$3,637	-\$10,442	\$600,550	\$418,576	\$181,974
8yr	\$4,611	-\$15,053	\$636,583	\$418,576	\$218,007
9yr	\$5,876	-\$20,928	\$674,778	\$418,576	\$256,202
10yr	\$7,325	-\$28,253	\$715,265	\$418,576	\$296,688
11yr	-\$3,631	-\$24,623	\$758,180	\$418,576	\$339,604
12yr	-\$2,511	-\$22,112	\$803,671	\$418,576	\$385,095
13yr	-\$1,396	-\$20,716	\$851,892	\$418,576	\$433,315
14yr	-\$452	-\$20,263	\$903,005	\$418,576	\$484,429
15yr	\$549	-\$20,812	\$957,185	\$418,576	\$538,609
16yr	\$1,617	-\$22,429	\$1,015m	\$418,576	\$596,040
17yr	\$2,756	-\$25,186	\$1,075m	\$418,576	\$656,917
18yr	\$3,942	-\$29,127	\$1,140m	\$418,576	\$721,447
19yr	\$5,194	-\$34,321	\$1,208m	\$418,576	\$789,848
20yr	\$6,519	-\$40,841	\$1,281m	\$418,576	\$862,354
21yr	\$7,925	-\$48,766	\$1,358m	\$418,576	\$939,209
22yr	\$9,414	-\$58,180	\$1,439m	\$418,576	\$1,021m
23yr	\$10,991	-\$69,170	\$1,526m	\$418,576	\$1,107m
24yr	\$12,660	-\$81,831	\$1,617m	\$418,576	\$1,199m
25yr	\$14,428	-\$96,259	\$1,714m	\$418,576	\$1,296m

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Comparison of projected weekly investment cash flows and growth rates (10 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 (10 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 \$54 per week while the average equity growth is \$607 per week.

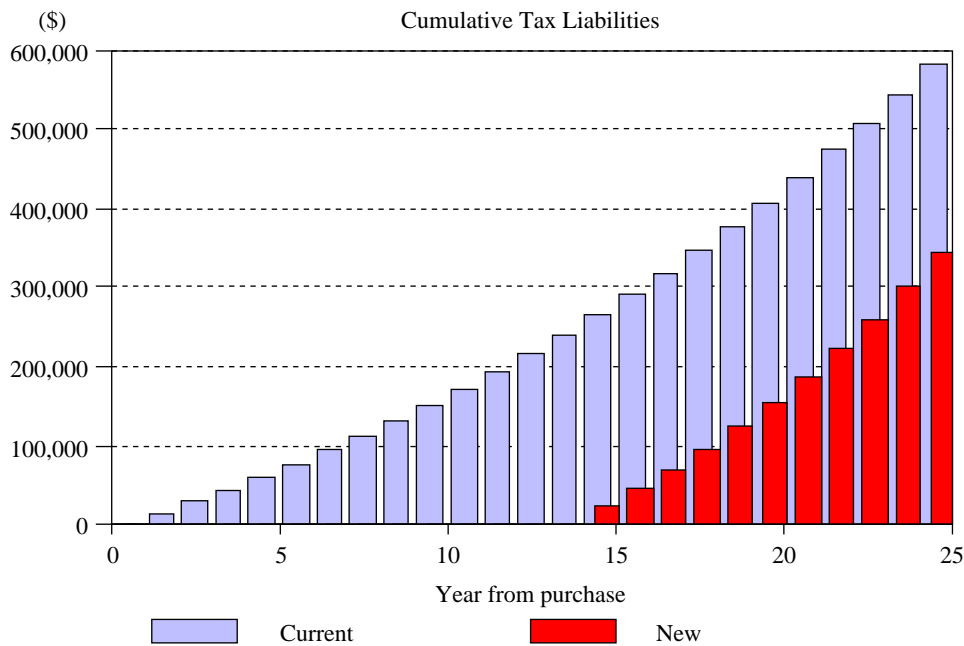
INVESTMENT CASH FLOW

Cash In	Total (10 years)	Average (per week)
Rental income	182,321	
Tax credits	223,969	
Total	406,290	781
Cash Out		
Cash outlays	0	
Principal payments	0	
Interest payments	293,003	
Rental expenses	85,033	
Total	378,037	727
Net After-Tax Cash Flow	28,253	54

INVESTMENT GROWTH

	Initial	10 yrs	Change	Average (per week)
Property value	399,400	715,265	315,865	607
Loan amount	418,576	418,576	0	0
Equity	-19,176	296,688	315,865	607

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Projected tax liabilities over 25 years

Year	Taxable income single name	Current tax liability	Cumulative current tax	New tax liability	Cumulative new tax	Cumulative savings
1yr	\$65,000	\$14,000	\$14,000	\$-9,524	\$-9,524	\$23,524
2yr	\$66,950	\$14,702	\$28,702	\$-7,111	\$-16,635	\$45,337
3yr	\$68,959	\$15,367	\$44,069	\$-6,726	\$-23,362	\$67,430
4yr	\$71,027	\$16,029	\$60,097	\$-6,028	\$-29,390	\$89,487
5yr	\$73,158	\$16,711	\$76,808	\$-5,442	\$-34,832	\$111,640
6yr	\$75,353	\$17,413	\$94,221	\$-4,646	\$-39,478	\$133,698
7yr	\$77,613	\$18,136	\$112,357	\$-3,983	\$-43,461	\$155,818
8yr	\$79,942	\$18,881	\$131,239	\$-3,396	\$-46,856	\$178,095
9yr	\$82,340	\$19,813	\$151,051	\$-2,861	\$-49,717	\$200,768
10yr	\$84,810	\$20,776	\$171,827	\$-2,425	\$-52,141	\$223,969
11yr	\$87,355	\$21,768	\$193,595	\$16,597	\$-35,545	\$229,140
12yr	\$89,975	\$22,790	\$216,386	\$17,876	\$-17,669	\$234,055
13yr	\$92,674	\$23,843	\$240,229	\$19,274	\$1,605	\$238,624
14yr	\$95,455	\$24,927	\$265,156	\$20,962	\$22,567	\$242,590
15yr	\$98,318	\$26,044	\$291,200	\$22,719	\$45,285	\$245,915
16yr	\$101,268	\$27,201	\$318,401	\$24,547	\$69,832	\$248,569
17yr	\$104,306	\$28,401	\$346,802	\$26,451	\$96,283	\$250,519
18yr	\$107,435	\$29,637	\$376,439	\$28,455	\$124,739	\$251,700
19yr	\$110,658	\$30,910	\$407,349	\$30,546	\$155,285	\$252,064
20yr	\$113,978	\$32,221	\$439,570	\$32,724	\$188,008	\$251,562
21yr	\$117,397	\$33,572	\$473,142	\$34,992	\$223,000	\$250,142
22yr	\$120,919	\$34,963	\$508,105	\$37,355	\$260,354	\$247,751
23yr	\$124,547	\$36,396	\$544,501	\$39,817	\$300,171	\$244,330
24yr	\$128,283	\$37,872	\$582,373	\$42,383	\$342,554	\$239,819
25yr	\$132,132	\$39,392	\$621,765	\$45,057	\$387,611	\$234,154