



Case study – Investors

Pete and Karen bought their first home eight and a half years ago. They have a young family and Karen started to think about whether they could afford to purchase another property as an investment for some financial security.

After some discussions with Pete, they visited their local credit union and discussed their options based on what they could afford. They were both pleasantly surprised when they learned that if they use lenders mortgage insurance (LMI), they could afford to purchase another property of up to \$700,000 with the \$70,000 equity in their home.

In addition, the lender advised them that as the property was being purchased as an investment, the LMI cost was an expense against the property, and therefore tax deductible.

"I never thought I would be able to buy a second property without a large amount of savings, but after learning about LMI, and its tax deductibility, I now realise that I should have looked into buying an investment property sooner," said Pete.

For more information

The LMI Toolkit on the Genworth website contains tools and resources that will assist you to better understand LMI and the mortgage market. Among these resources are our Buy or Rent Calculator, fact sheets and videos that further explain LMI, the process of buying a home, and information on what you should do if you find yourself in financial hardship.

genworth.com.au/lmitoolkit

genworth.com.au/buyorrentcalculator

Disclaimer: information contained in this fact sheet is intended to be a general information source regarding the matters covered, does not constitute legal, accounting, tax or other financial advice, and is not tailored to a borrower's specific circumstances. Borrowers should consider their own personal circumstances and seek advice from their professional advisers before making any decisions that may impact their financial position.

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Crunching the numbers

Using \$70,000 of the equity in the home*
We used LMI to get a loan for \$630,000**
To buy an investment property for \$700,000
For monthly repayments of \$3,812***
Including an LMI cost of just \$115pm***

* excludes stamp duty and other costs of purchase ** 30 year term, assuming a rate of 5.8% pa *** monthly, when capitalised

The benefits of LMI

- Enabled Pete and Karen to purchase an investment property years sooner than would have otherwise been possible, generating future income
- Allowed the couple to borrow more and purchase an investment property in a good location where property values will appreciate
- He was able to claim the cost of LMI as an expense against the property and receive a tax deduction
- Meant Peter and Karen could take advantage of current property values and start building their investment portfolio.