



# Do you have an Exit Strategy?

Many of us think long and hard about how to get started in property investment, but few put much thought to what happens when or if we sell.

Panic selling often occurs when a property investor doesn't plan an exit strategy ahead of time and things start to go wrong.

It's important to set your future goals and work backwards to figure out how to achieve them. Your goal might be to retire with a passive income from property or make a profit from renovating. Consider the worst case scenarios that may occur on the way to achieving these goals and have a plan ready to avoid the need for selling your property at a loss.

Think of an exit strategy as a way to protect and make the best use of your finances. Talk to your mortgage broker about whether the recent APRA changes to investment lending have affected the suitability of these exit strategies for your circumstance.

## SOME POSSIBLE EXIT STRATEGIES TO CONSIDER ARE AS FOLLOW:

### 1. LIVE OFF EQUITY AND RENT

If your goal doesn't require you to own your properties outright, it may make sense to ride out a rough patch by holding onto your property (i.e., resisting temptation to sell), making interest-only payments and living off the equity gains and increases in rental yield. If your portfolio increases at a faster rate than your living expenses, it will support your loan repayments and provide a fund for you to live off.

### 2. BUY AND FLIP

To make the renovate-and-sell exit strategy work, you need to buy a discounted property and avoid overleveraging by keeping a cap on your renovation costs. Aim to buy and sell within the shortest possible time frame.

### 3. SELL AND PAY CAPITAL GAINS TAX

Accept that selling your investments will mean paying capital gains tax. You may need to sell to pay off debt or you might have planned to put your profits in the bank and live off the interest. Another variation is to sell half your portfolio and live off the rental income of the other half.

### 4. PAY DEBT EARLY ON

A high net worth investor may want to consider repaying the portfolio's debt ahead of the withdrawal phase when wealth is typically cashed in. Debt will need to be paid down to a point from where any future revenue from the portfolio is enough to service any remaining debt.

## Did you know?

**Job loss, extended tenant vacancy or a falling market can spell disaster for your investment property.**

TRY THESE SAFEGUARDS.

**INSURANCE:** landlord insurance, life insurance or income insurance may stop you from having to sell altogether

**SET ASIDE A BUFFER:** buy some time by ensuring you have a safeguard of money ready that can last you a while to cover costs like mortgage repayments, strata fees and property maintenance.

**FUTURE PROOF:** only buy an investment property that you have researched well enough to know that it is going to generate a sufficient return to justify the outlay.

