



# NEXT HOME BUYER MANUAL

SEVEN STRATEGIES FOR BUYING  
YOUR NEXT HOME IN NSW

Strategy 4. An alternative to  
bridging finance

# John Ruddick's seven strategies for buying your next home in NSW.

## Strategy 4. An alternative to bridging finance

### PREFACE

If you need to borrow money to buy a residential property in New South Wales, I want to be your mortgage broker.

This manual is written for those of you who are 'next home buyers' in NSW. That is, you currently own a property, and want to buy your next owner-occupied property.

You may be selling your existing home, or retaining it as an investment property. But in either case, this manual assumes you need to borrow money for that 'next home' purchase.

There are countless reasons why you might want to move home. Your family may be growing—or shrinking. Your financial circumstances may have changed. You may want to live closer to a school or workplace. Or you might simply want a change of scenery or new neighbours.

Next home buying is the most common property transaction. But the process does have some complexity, and without a clear strategy it can become a frustrating experience.

This manual spells out the process, along with the advantages and disadvantages of seven different strategies to buying your next home. Adopting the right strategy helps eliminate risk and increases your chances of buying the right property at a good price—and with less stress.

Every individual and every mortgage application is unique. Since 2001 my passion has been to help borrowers properly structure their mortgage debt and, just as importantly, help them understand the strategy behind the structure.

A good way to start is to contact my office and make an appointment to discuss your circumstances. Even if you think you won't be buying for a year or more, it's still worth having a general discussion now.

The first step is to map out a plan, and then get pre-approval for finance around that plan. Once the finance is in place, you can begin the journey from your current home to your new home.

To apply for pre-approval, you can either contact a lender directly or speak to a mortgage broker. In recent years, more than half of all Australian mortgages have been taken out with the help of mortgage brokers.

Being a broker means I'm a mortgage specialist who can introduce you to products from many lenders, including all the major banks. And, like most mortgage brokers, I typically won't charge you any fees.

Feel free to get in touch with me:

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- at my office: 10/50 Margaret Street Sydney NSW 2000.

## Sound preparation

Over the years I've worked closely with several hundred next home buyers. And in that time I've learned that following these guidelines will put you in a much stronger position.

- Wear out some shoe leather looking at properties in the suburbs you're thinking of buying in. The more you look, the sharper your eye will be, and the better you can gauge a fair value for a property.
- Make sure you haven't been late for any mortgage repayments in the past year. If you have, it will make lenders more hesitant in approving your next mortgage.
- If you need to sell your existing property, it's important to get the best possible sale price. It may be worth getting quotes on what improvements you can make to increase its value, and what they will cost. Putting in a new bathroom, a new kitchen or even some new carpet or paint may increase your home's sale price by more than what you spend. And if you're planning to convert your existing home into an investment property, these improvements will probably increase your rental return.
- Think about the timing of your sale. The property market is typically busier in spring and summer than in winter. But that is not always the case—the winter of 2015 was as busy as any spring.
- If you're selling and buying, be selective about the conveyancer/lawyer you engage. The transaction will be more complicated than when you bought your first home, and so will require more sound legal advice.
- When you bought your first home, you probably dealt with the vendor's real estate agent. But if you're going to sell your current property you need to choose your own real estate agent. It's worthwhile inviting three or four agents around so you can discuss your plans and see which one is best suited to sell your property. While experience is usually a positive attribute, agents with less experience can sometimes bring more enthusiasm to the sales process and deliver a better result.

Every person who invests in well-selected real estate in a growing section of a prosperous community adopts the surest and safest method of becoming independent, for real estate is the basis of wealth.

Theodore Roosevelt

# STRATEGY 4

## An alternative to bridging finance

If you have a lot of equity and a high income, you could structure your finance around a plan to buy the next property without giving the lender any commitment to selling your existing one. You can then sell it whenever you feel like it.

Some borrowers effectively arrange bridging finance by structuring the debt around the former home becoming an investment property. The lender will assume you'll receive a rental income, and so your regular income won't need to be as high. You can then settle on your purchase and see how you go at leasing the property.

If you secure a good tenant who pays a good rent, you may decide to retain your former home as a long-term investment property rather than selling it. Or you may settle on your new home, feel uncomfortable with the large new debt, and sell your former home promptly so you can use the sale proceeds to reduce your new mortgage.


You may even be able to claim an exception on capital gains tax for two residences held simultaneously for up to six months.

### Upsides

- You can sell your former home whenever it suits you.
- You are in no rush to buy your next home.
- You may like the idea of owning an investment property.

### Downsides

- Your future home loan will be significantly larger than what it would have been if you sold your former home and used the proceeds to reduce debt
- If you didn't plan for it, you may have a small debt on your former home (and now investment property), and a large debt on your new one. If you have both a home loan and an investment loan, it's worth structuring the debts so the investment debt is larger and the home loan debt is smaller (see Strategy 6).



Real estate investing, even on a very small scale, remains a tried and true means of building an individual's cash flow and wealth.

Robert Kiyosaki



The logo for JR Mortgages is located in the bottom right corner. It features the letters 'JR' in a large, blue, serif font. Below the 'JR' is the text 'JR MORTGAGES' in a smaller, blue, sans-serif font. The background of the entire image is a light blue gradient with a subtle grid pattern and several large, flowing, wavy lines that create a sense of movement and depth.

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