

CASE STUDY 1: BOB AND JANE**Rental 1:**

- Rototuna, cost \$550k a few years ago
- \$550k mortgage
- Newish, brick, tile and low maintenance
- Good tenants
- No spare land, or ability to add value
- Now worth \$800k
- Rent \$450 per week
- 2.81% Gross Yield
- Losing \$6,700 per year after tax refund
- Equity \$250k

Rental 2:

Same as rental 1, losing \$7,000 per year after tax refund

Rental 3:

- Wanganui, cost \$125k
- \$125k mortgage
- Old property, and needs some work
- Tenant hassles
- **Could be subdivided**
- Now worth \$130k
- Rent \$250 per week
- 9.62% Gross Yield based on 50 weeks
- But only getting 45
- Losing \$3,000 per year after tax refund

Expected Rental Return -

Case Study 1

Rental 1 Rototuna

House Value	\$800,000		
		\$800,000	
Less Deposit		\$250,000	
Total Borrowed		\$550,000	
Income:			
Rent - Weeks	50		22500
Per week	450		
	As a % of total house	2.81%	
Less Expenses:			
Accounting		1300	
Bank fees		50	
Body Corporate		0	
Insurance		1000	If interest goes up
Interest	Rate 4.50%	24,750	7.50% \$41,250.00
Property Management at 7.5% plus GST		1,941	
Rates		2500	
Repairs and Maintenance		750	
Seminars		100	
Subscriptions		300	
Travel		86	
Total Expenses		32776.63	\$49,276.63
NET CASH SURPLUS (DEFICIT)		-10276.63	-\$26,776.63
Less Depreciation	Building chattels	0.00	
		1000.00	1000.00
NET TAXABLE PROFIT (LOSS)		-\$11,276.63	-\$27,776.63
Tax refund		\$3,552.14	\$8,749.64
Person 1 - Tax rate	33.00% Own	50%	
Person 2 -	30.00%	50%	
Overall Cash surplus =Taxation refund less cash deficit		-\$6,724.49	-\$18,026.99
Weekly cash		-\$129.32	-\$346.67
Cash Return on Investment		-2.69% after tax	
Capital gain at inflation rate -	3.00%	\$24,000.00	
Cash & Possible Capital Gain Return on Investment		6.91% after tax	

This is based on estimated costs and returns.

Expected Rental Return -

Case Study 1

Rental 3 Wanganui

House Value	\$130,000
	\$130,000
Less Deposit	\$5,000
Total Borrowed	\$125,000

Income:

Rent - Weeks	45	11250
Per week	250	
As a % of total house		8.65%

Less Expenses:

Accounting		1300	
Bank fees		50	
Body Corporate		0	
Insurance		800	If interest goes up
Interest	Rate 4.50%	5,625	7.50% \$9,375.00
Property Management at 10% plus GST		1,294	
Rates		2500	
Repairs and Maintenance		3000	
Seminars		100	
Subscriptions		300	
Travel		600	

Total Expenses **15568.75** **\$19,318.75**

NET CASH SURPLUS (DEFICIT) **-4318.75** **-\$8,068.75**

Less Depreciation Building chattels **0.00**
0.00 **0.00**

NET TAXABLE PROFIT (LOSS) **-\$4,318.75** **-\$8,068.75**

Tax refund **\$1,360.41** **\$2,541.66**
 Person 1 - Tax rate **33.00%** Own **50%**
 Person 2 - **30.00%** **50%**

Overall Cash surplus =Taxation refund less cash deficit **-\$2,958.34** **-\$5,527.09**

Weekly cash **-\$56.89** **-\$106.29**

Cash Return on Investment **-59.17% after tax**

Capital gain at inflation rate - **3.00%** **\$3,900.00**

Cash & Possible Capital Gain Return on Investment **18.83% after tax**