

**CASE STUDY 2: MALCOLM AND BRENDA**

Retired

No other investments

Conservative

Investment advisor – Advised could earn 5% plus

Want cash flow – Have enough capital and want income to live well

**Rental 1:**

- Rototuna, cost \$550k 10 years ago
- \$0k mortgage  
Brick, tile and low maintenance. But still 10 years old so some small issues
- Good tenants
- No spare land, or ability to add value
- Now worth \$800k
- Rent \$450 per week
- 2.81% Gross Yield
- \$10,000 profit after tax

**Rental 2:**

- Cambridge rental, similar to rental 1
- Worth \$700k
- Rent \$430
- 3.07% Gross Yield
- \$9,350 profit after tax

**Rental 3:**

Hamilton rental, similar to rental 1

- Hamilton worth \$650,000
- Rent \$450 per week
- 3.46% Gross Yield based on 50 weeks
- \$10,000 profit after tax

## Expected Rental Return -

Case Study 2

Rental 1 Rototuna

House Value **\$800,000**

Less Deposit **\$800,000**  
**\$800,000**

**Total Borrowed \$0**

### Income:

Rent - Weeks **50** **22500**  
Per week **450**  
As a % of total house **2.81%**

### Less Expenses:

Accounting		<b>1300</b>		
Bank fees		<b>50</b>		
Body Corporate		<b>0</b>		If interest goes up
Insurance		<b>1000</b>		
Interest	Rate <b>4.50%</b>	<b>0</b>	<b>7.50%</b>	<b>\$0.00</b>
Property Management at 7.5% plus GST		<b>1,941</b>		
Rates		<b>2500</b>		
Repairs and Maintenance		<b>1000</b>		
Seminars		<b>100</b>		
Subscriptions		<b>300</b>		
Travel		<b>86</b>		

**Total Expenses** **8276.63** **\$8,276.63**

**NET CASH SURPLUS (DEFICIT)** **14223.38** **\$14,223.38**

**Less Depreciation** Building chattels **0.00**  
**1000.00** **1000.00**

**NET TAXABLE PROFIT (LOSS)** **\$13,223.38** **\$13,223.38**

**Tax refund** **-\$4,165.36** **-\$4,165.36**

Person 1 - Tax rate **33.00%** Own **50%**  
Person 2 - **30.00%** **50%**

**Overall Cash surplus = Taxation refund less cash deficit** **\$10,058.01** **\$10,058.01**

**Weekly cash** **\$193.42** **\$193.42**

Cash Return on Investment **1.26% after tax**

Capital gain at inflation rate - **3.00%** **\$24,000.00**

Cash & Possible Capital Gain Return on Investment **4.26% after tax**

## Expected Rental Return -

Case Study 2

Rental 2 Cambridge

House Value **\$700,000**  
 Less Deposit **\$700,000**

**Total Borrowed \$0**

### Income:

Rent - Weeks **50** **21500**  
 Per week **430**  
 As a % of total house **3.07%**

### Less Expenses:

Accounting		<b>1300</b>	
Bank fees		<b>50</b>	
Body Corporate		<b>0</b>	If interest goes up
Insurance		<b>1000</b>	
Interest	Rate <b>4.50%</b>	<b>0</b>	<b>7.50%</b> <b>\$0.00</b>
Property Management at 7.5% plus GST		<b>1,854</b>	
Rates		<b>2500</b>	
Repairs and Maintenance		<b>1000</b>	
Seminars		<b>100</b>	
Subscriptions		<b>300</b>	
Travel		<b>200</b>	

**Total Expenses** **8304.38** **\$8,304.38**

**NET CASH SURPLUS (DEFICIT)** **13195.63** **\$13,195.63**

**Less Depreciation** Building chattels **0.00**  
**1000.00** **1000.00**

**NET TAXABLE PROFIT (LOSS)** **\$12,195.63** **\$12,195.63**

**Tax refund** **-\$3,841.62** **-\$3,841.62**  
 Person 1 - Tax rate **33.00%** Own **50%**  
 Person 2 - **30.00%** **50%**

**Overall Cash surplus** =Taxation refund less cash deficit **\$9,354.00** **\$9,354.00**

**Weekly cash** **\$179.88** **\$179.88**

Cash Return on Investment **1.34% after tax**

Capital gain at inflation rate - **3.00%** **\$21,000.00**

Cash & Possible Capital Gain Return on Investment **4.34% after tax**

This is based on estimated costs and returns.

## Expected Rental Return -

Case Study 2

Rental 3 Hamilton

House Value	\$650,000
	\$650,000
Less Deposit	\$650,000
<b>Total Borrowed</b>	<b>\$0</b>

### Income:

Rent - Weeks	50	22500
Per week	450	
As a % of total house		3.46%

### Less Expenses:

Accounting	1300	
Bank fees	50	
Body Corporate	0	If interest goes up
Insurance	1000	
Interest Rate	4.50%	7.50% \$0.00
Property Management at 7.5% plus GST	1,941	
Rates	2500	
Repairs and Maintenance	1000	
Seminars	100	
Subscriptions	300	
Travel	86	

<b>Total Expenses</b>	<b>8276.63</b>	<b>\$8,276.63</b>
-----------------------	----------------	-------------------

<b>NET CASH SURPLUS (DEFICIT)</b>	<b>14223.38</b>	<b>\$14,223.38</b>
-----------------------------------	-----------------	--------------------

<b>Less Depreciation</b>	Building chattels	0.00	
		1000.00	1000.00

<b>NET TAXABLE PROFIT (LOSS)</b>	<b>\$13,223.38</b>	<b>\$13,223.38</b>
----------------------------------	--------------------	--------------------

<b>Tax refund</b>		<b>-\$4,165.36</b>	<b>-\$4,165.36</b>
Person 1 - Tax rate	33.00% Own	50%	
Person 2 -	30.00%	50%	

<b>Overall Cash surplus =Taxation refund less cash deficit</b>	<b>\$10,058.01</b>	<b>\$10,058.01</b>
--	--------------------	--------------------

<b>Weekly cash</b>	<b>\$193.42</b>	<b>\$193.42</b>
--------------------	-----------------	-----------------

Cash Return on Investment	1.55% after tax
---------------------------	-----------------

Capital gain at inflation rate -	3.00%	\$19,500.00
----------------------------------	-------	-------------

Cash & Possible Capital Gain Return on Investment	4.55% after tax
---	-----------------

This is based on estimated costs and returns.