



ULTIMATE

REAL ESTATE SUCCESS
COACHING PROGRAM

VIRTUAL BOOTCAMP

17. UNDERSTANDING YOUR CAPACITY



SESSION SEVENTEEN

How To Work Out The Type Of Deals You Can Do Within Your Purchasing Capacity

Personal Financial Statement – Assets

Cash & Cash Equivalents

Institution Name	Account Type and #	Current Balance
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____
4. _____	_____	_____
5. _____	_____	_____
6. _____	_____	_____
Total Checking & Savings Accounts		\$ _____
Total Cash & Cash Equivalents		\$ _____

Shares & Managed Funds

No. of Shares/Bonds	Name of Stock/Bond	Current Market Value
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____
4. _____	_____	_____
5. _____	_____	_____
Total Value of Marketable Securities		\$ _____

Real Estate

Description	Current Market Value	
1. _____	_____	
2. _____	_____	
3. _____	_____	
4. _____	_____	
5. _____	_____	
Total Value of Real Estate		\$ _____

Other Assets (Include interests in Partnerships and Private-Held Stock, Cars, Jet Skis etc.)

Description	Current Value	
1. _____	_____	
2. _____	_____	
3. _____	_____	
4. _____	_____	
5. _____	_____	
Total Other Assets		\$ _____

TOTAL ASSETS \$ _____

Personal Financial Statement – Liabilities & Net Worth

Credit Cards

Name of Creditor	Amount Owed
1. _____	_____
2. _____	_____
3. _____	_____
4. _____	_____
5. _____	_____
6. _____	_____
Total Credit Cards and Revolving Credit Accounts \$ _____	

Other Loans (Car, Boat loans etc.)

Bank (or other lender)	Terms	Amount Owed
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____
4. _____	_____	_____
Total Unsecured Loans		\$ _____

Loans Secured By Real Estate

Bank (or other lender)	Terms	Amount Owed
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____
4. _____	_____	_____
5. _____	_____	_____
Total Real Estate Loans		\$ _____

Other Liabilities

Name of Creditor	Terms	Amount Owed
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____
4. _____	_____	_____
Total Other Liabilities		\$ _____

TOTAL LIABILITIES \$ _____

TOTAL ASSETS \$ _____

NETT WORTH \$ _____

Personal Financial Statement – Annual Income

Gross Salary & Wages

Source	Annual Amount
1. _____	
2. _____	
3. _____	
Total Gross Salary and Wages \$ _____	

Rental Property Income

Source	Annual Amount
1. _____	
2. _____	
3. _____	
4. _____	
5. _____	
Total Rental Property Income \$ _____	

Dividends & Interest

Source	Annual Amount
1. _____	
2. _____	
3. _____	
Total Real Estate Loans \$ _____	

Income from Business or Profession

Description	Annual Amount
1. _____	
2. _____	
Total Income From Business Or Profession \$ _____	

Other Income

Description	Annual Amount
1. _____	
2. _____	
3. _____	
4. _____	
Total Other Income \$ _____	

TOTAL ANNUAL INCOME \$ _____

Personal Collateral Calculator – Based on Ability to Borrow

Example: \$450,000 Property with a mortgage of \$275,000

1. Property Value X **80%** = Maximum Loan
1. **\$450,000 X (0.80) = \$360,000**
2. Maximum Loan – Mortgage = Available Equity
2. **\$360,000 – \$275,000 = \$ 85,000**

Property Value; **\$450,000**
Max% Loan: **\$360,000**
Mortgage: **\$275,000**
Available Equity: **\$ 85,000**

What is my Taxable Income? \$ _____

What is my likely Loan Value Ratio (LVR) _____ %

(If you are unsure ask your WiZDOM Strategist)

Property 1

1. Property Value X _____% = Maximum Loan
1. _____ X _____ = \$ _____
2. Maximum Loan – Mortgage = Avail. Equity
2. _____ – _____ = \$ _____

Property Value: \$ _____
Max% Loan: \$ _____
Mortgage: \$ _____
Available Equity: \$ _____

Property 2

1. Property Value X _____% = Maximum Loan
1. _____ X _____ = \$ _____
2. Maximum Loan – Mortgage = Avail. Equity
2. _____ – _____ = \$ _____

Property Value: \$ _____
Max% Loan: \$ _____
Mortgage: \$ _____
Available Equity: \$ _____

Property 3

1. Property Value X _____% = Maximum Loan
1. _____ X _____ = \$ _____
2. Maximum Loan – Mortgage = Avail. Equity
2. _____ – _____ = \$ _____

Property Value: \$ _____
Max% Loan: \$ _____
Mortgage: \$ _____
Available Equity: \$ _____

Personal Collateral Calculator – Based on Ability to Borrow

Property 4

1. Property Value X ____% = Maximum Loan
 1. _____ X ____ = \$ _____
 2. Maximum Loan – Mortgage = Avail. Equity
 2. _____ – _____ = \$ _____

Property Value: \$ _____
 Max% Loan: \$ _____
 Mortgage: \$ _____
 Available Equity: \$ _____

Property 5

1. Property Value X ____% = Maximum Loan
 1. _____ X ____ = \$ _____
 2. Maximum Loan – Mortgage = Avail. Equity
 2. _____ – _____ = \$ _____

Property Value: \$ _____
 Max% Loan: \$ _____
 Mortgage: \$ _____
 Available Equity: \$ _____

Property 6

1. Property Value X ____% = Maximum Loan
 1. _____ X ____ = \$ _____
 2. Maximum Loan – Mortgage = Avail. Equity
 2. _____ – _____ = \$ _____

Property Value: \$ _____
 Max% Loan: \$ _____
 Mortgage: \$ _____
 Available Equity: \$ _____

Total Available Equity on all properties

\$ _____

Plus

+

Total Available "Cash and Cash Equivalents" (from pg 1)

\$ _____

Less

-

Personal Safety Buffer

(How much do you need to be comfortable)

\$ _____

Equals

=

Total Available Working Equity (AWE) (Enter on pg 11)

\$ _____

Now

INCOME

High

EQUITY

High

Low

Low



5 Years

INCOME

High

EQUITY

High

Low

Low



What is the maximum Purchase Price?

What is my intended strategy for my next property?

What can you afford?

Strategies:	
Renovation	\$ _____
Strata	\$ _____
Subdivision	\$ _____
Council Applications	\$ _____
Reports (engineering, hydraulic etc.)	\$ _____
Removal House	\$ _____
Development Contributions* (major construction via construction loan)	\$ _____
Sub Total	\$ _____
10% overrun	\$ _____
Total	\$ _____

* Major construction would be dealt with via a construction loan however you may still need to contribute some funds depending on equity and end value.

STEP 1

$$\begin{array}{rclcl} \text{AWE} & - & \text{Strategy Costs} & = & \text{NAWE} \\ \$ \underline{\hspace{2cm}} & - & \$ \underline{\hspace{2cm}} & = & \$ \underline{\hspace{2cm}} \\ \text{(from pg 6)} & & & & \end{array}$$

STEP 2

$$\begin{array}{rclcl} \text{NAWE} & \div & (0.06^* + \text{reverse LVR}) & = & \text{Purchase Price} \\ \$ \underline{\hspace{2cm}} & \div & \$ \underline{\hspace{2cm}} & = & \$ \underline{\hspace{2cm}} \end{array}$$

Note:

- AWE = Available Working Equity
- NAWE = Nett Available Working Equity
- Reverse LVR is the difference between the % LVR the Finance Company will give lend you and 100%.

Examples:

LVR	Reverse LVR	As a decimal
90%	10%	0.10
80%	20%	0.20
70%	30%	0.30
60%	40%	0.40

*0.06 = 6% - This is the percentage of the purchase price that should be allowed for when purchasing a property to cover costs. These costs include stamp duty, legals, building and pest inspections, mortgage application costs etc.

Example:

Step 1

$$\$100,000 - \$30,000 \text{ (reno)} = \$70,000$$

Step 2

$$70,000 \div (0.06 + 0.20) = \$269,230$$

Now to Quantify Income Restrictions

1. What's your taxable income now? \$ _____

2. What is expected rental income from new purchase(s)? \$ _____
(N.B. annual rent, not passive)

3. How much is the bank likely to shadow this income? _____ %
(What is percentage of rental income the bank will accept?)

e.g. Adjusted income from new purchase(s) - \$ _____

$$(\$30,000 \times 80\%) = \$24,000$$

100

4. Total Income for Serviceability \$ _____

Plug this number into any one of the major banks borrowing capacity calculators on the internet and determine my serviceability limit based on this income.

How much could I borrow based on this income? \$ _____

What is my Equity Capacity Limit? \$ _____

What is my Income Capacity Limit? \$ _____

Which one is the lesser? \$ _____

Notes:

Which one is my weakness?

What type of deal do I need to do to strengthen this weakness?
