

## [How to invest on a low income](#) [1]



While you may not need a six-figure salary to invest in property, those who earn a relatively low income will require a little more creative thinking to start a portfolio. Here are some tips to help you get started.

### **Find an investor-friendly loan**

The challenge for low-income earners, explains the finance broker, is the time taken to save for a sufficient deposit. Some lenders require a higher deposit for an investor than is required for an owner-occupier, so seek out a lender and loan that is investor friendly, or consider living in the property for a period after the purchase before converting it into an investment property as your portfolio grows.

In any case, having at least 10 per cent of the property's purchase price as a deposit will not only increase the likelihood of loan approval, it will also increase your borrowing capacity and lower the risk that you will have to pay lenders' mortgage insurance (LMI).

### **Prove your financial discipline**

Your lower income on an application can be offset by proving yourself a low risk borrower. Having genuine savings will not only highlight to lenders your ability to consistently meet financial payments and live within your means, it is also an opportunity to increase your borrowing power. The same can

be said for lowering any existing debts.

“Keep credit card limits as low as possible as lenders always calculate servicing based on the limit, not the balance,” advises Nick Kirlew mortgage broker. “Also, try to pay off any personal or car loans before applying for an investment loan. Because of the short-term nature of these commitments, repayments can have a significant impact on an applicant’s borrowing power and should be paid out where possible.”

## Choose the right property

When it comes to choosing the property, low-income earners will generally do well to steer clear of anything that’s negatively geared, as you are not trying to offset your high income with losses, and remember the importance of profit over property.

“In my experience, regional areas is where to turn to, as the entry point to the market is lower,” says Nick Kirlew mortgage broker. “Although there will generally be less capital growth, there are higher rental yields on offer.”

## Seek out different strategies

For those who don’t have other non-deductible debt they want to pay down first, adopting a principle and interest payment is the obvious choice, advises Nick Kirlew mortgage broker. Interest-only loans are only suitable in specific circumstances when strong exit plans are in place, while principle and interest payments reduce debt, freeing up borrowing capacity and allowing the borrower to leverage equity.

Investing with a close friend or relative is another way to enter the market for those who earn a low income. As long as agreements are in place, including who is responsible for the mortgage and what happens if one owner defaults, how the property will be used, in what circumstances it may be sold, and how maintenance will be paid for, co-ownership is preferable not owning a property at all.

## Find the right loan

Recent research suggests that as many as 60 per cent of applicants who are rejected by the major banks would be eligible for a loan through a specialist lender. Specialist or non-conforming loans do carry higher interest as a rule, to account for the higher perceived risk the lender is taking, but a good mortgage broker will see this type of loan as a stepping-stone to a prime loan, and help their client prove themselves so that they can switch to a prime loan after a year or so.

Property investment may not be as straightforward to low-income earners, but in most cases is accessible, provided the right properties and finance products are sought out.

**For more information on a Darwin home loan from Nick Kirlew mortgage broker call today on 0447 499 794. You can access our Mortgage Calculator [here](#) [2].**

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