q wealth: **COMFORTABLY RETIRE?**

Can Property Help You Retire More Comfortably?

Whether you are close to retiring or you have years ahead of you, investing in property could be a way to replace or at least supplement your other retirement income. Some retirees have already set themselves up with a portfolio of properties that can provide for all their income needs. Others have got maybe 1 or 2 properties under their belts and use the rent received to enhance their retirement lifestyle. And of course, many retirees don't own any rental property at all or derive any income from their property holdings.

How do you know if property investing might be right for you? To help you make this decision, you are likely to want to know exactly what property investing involves, who's actually doing it and what sort of money can you make from it.

Below we answer these three most frequently asked questions by people considering investing in property to help them retire more comfortably.

1. What exactly is property investing?

Property investing can mean different things to different people. Firstly, there are different subsets of property including broadly residential, commercial (retail, office, warehouse), industrial and/or agricultural. Then on top of that, within each subset there are different ways to invest. For example, with residential property you might apply a renovation, subdivision, or development strategy or simply use a buy and hold approach. Obviously, the investment results (or outcome) are going to be different with each strategy, as will be the amount of skill, time, risk and reward required to successfully implement each strategy. Additionally, whether you purchase the property in your own name(s), a company or trust name or through your self-managed superannuation fund (SMSF) will make a difference to how the returns are taxed – particularly when it comes to Capital Gains Tax (CGT) post-retirement.

2. Who is typically investing in property?

If you look at data from the Australian Tax Office (ATO) you will see that for the financial year 2014-15 just over 2 million Australians claimed an interest in an investment property. This equates to around 8.6% of the estimated resident population of Australia, which is 23.8 million according to the ABS as of 30th June 2015.

Interestingly, the vast majority of Australians will only own one or two investment properties, and around two-thirds of investment properties are negatively geared with an average loss of $10,947 per property, while the remaining one-third of positively geared properties saw incomes of $9,075 per property.

An article published in The Conversation in August 2017 found that the average property investor was a 42-year old male (men are twice as likely as women to invest in property) who was married (72% of the time) and had an average net monthly income of $6,617, ($79,404 per year).

3. What sort of returns can you expect from property?

According to the 2017 Russell Investments/ASX Long-term Investing Report, residential property was the top-performing asset class in 2016 and, on average, for the last 10 and 20 years you could have expected gross average return of between 8.10% p.a. and 10.30% p.a. However, with the national average gross rental yields in Australia being just 3.69% to May 2018 according to Corelogic, the bulk of these returns would be due to appreciation in capital growth rather than income. However, the problem with averages is that they will not necessarily apply to your property purchases. For example, it is possible to invest in higher yielding residential properties such as dual income properties, or to use online platforms such as www.Quickstay.com.au to access short-stay or holiday let accommodation markets to achieve up to 40% higher gross yields than traditional long-term tenancies.

Interestingly ATO 2015-16 data on SMSFs found that while SMSFs now make up 30% of all super assets, direct investment in residential property only makes up 4.4% of all SMSF assets, and direct investment in commercial property comes in at 10.4%. This may reflect the fact that typically commercial property provides greater yields (with are often lower capital growth) than residential property and as SMSF trustees search for yield in the low interest rate environment we find ourselves in over recent years.

Now of course, these are generalisations, and it is possible for savvy investors to achieve yields range from as low as 2% p.a to 20% p.a or even more using property-based investment strategies.

We highly recommend that no matter what your age, what your current asset base is, and whatever income you are aiming to achieve in the future that you have a clearly defined wealth plan, that you surround yourself with great people, and you start your investment journey as soon as possible to give yourself importantly the time you need to achieve all of your life goals.

Matthew Bateman and Luke Harris are co-founders of The Property Mentors, a Melbourne-based business comprising an elite team of property professionals who educate, motivate and facilitate clients from all around Australia. Their new book, Let's Get Real (Major Street Publishing $29.95) is now available.

For more information visit www.letsgetrealbook.com.au/giveaway