

Rentvesting - enter the property market without sacrificing your current lifestyle

As property prices continue to rise, purchasing in a centrally-located or sought-after area is out of reach for the average working millennial. Instead, many are opting to rent rather than buy as it means not having to compromise their inner city or beachside lifestyle. But for those who are still eager to enter the market, there is a way to get the best of both worlds.

'Rentvesting' is the term coined for when you purchase a property for investment purposes in an affordable location and continue to live and rent in the area of your choice. An example of how the market is evolving, it is a wealth creation strategy that is popular among the younger generation due to the flexibility it offers in comparison to being an owner-occupier.

"Millennials aren't interested in purchasing a property in the outer suburbs and then having to commute into the CBD," says an MFAA accredited finance broker. "Rentvesting allows your rental income to cover the mortgage expenses, so you can keep living the lifestyle you want without it costing you any money."

For this strategy to work, you've got to be a good saver and there needs to be a focus on delayed gratification, advises the broker. "It's all about living within your means. Don't spend big at the start while you're building it up. Step away from the mentality of negative gearing and tax minimisation and buy neutrally, or ideally, a positively geared property as this provides higher rental yields."

A recent Mortgage Choice survey highlighted an increase in 'rentvesting' from 21 per cent of investors to 37 per cent over the past twelve months alone. But while this strategy may appear ideal to many, it's not suited to everybody.

"It's still a foreign way of thinking," says the finance broker. "In the past, the great Australian dream was to buy a home on a quarter acre block and then do everything you can to pay that down as fast as possible in the hope of living debt-free. 'Rentvesting' is quite the opposite. It says we're okay with good debt as long as we stick to our budget and keep using the money to invest further. You've got to have an open mind and be comfortable with debt."

To ensure you have the means to make 'rentvesting' work for you, please contact myself advice on good debt and other strategies that will allow you to maintain your current lifestyle.