






Your House is More than a Home


Purchasing a home, for most of the population, is either a sign of financial stability or great financial planning without the repercussions of carrying substantial mortgage-associated debt. Naturally, it's logical to think that buying a home with cash and paying in full to avoid a massive debt is the smartest choice for one's financial health. However, it is not always true since this option has its fair share of disadvantages; paying outright has a faster closing process than with a mortgage loan but this can also mean lower closing costs.

Acquiring a home is not limited to those that have the entire purchase price up front. As a result, there are a variety of home loans available to home buyers:

-  **Variable Rate Interest** - It is a loan in which the interest rate charged on the outstanding balance varies as market interest rates change.
-  **Interest Only Loans** - It allows for the borrower's regular payments to include only interest, not the principal amount of the loan
-  **Fixed Rate Loans** - A fixed interest rate is an unchanging rate charged on a liability, like a loan or mortgage
-  **Guarantor Loans** - A guarantor is an individual who vows to pay a borrower's debt in the event that they can no longer could. It is wise to agree to such a compromise as long as the guarantor and guarantee are closely associated.
-  **Non-Conforming Loans** - A non-conforming loan is a loan that fails to meet bank criteria for funding. It is targeted to people who have relatively low credit scores.

Transform Your Home Into An Investment

Apart from the security that a house can provide for the family, what most people often overlook is the financial value. Residential properties consistently increase in value over time and outperform other investments. It can generate growing passive income and can be a good long-term investment if the value increases over time, a stark contrast to the stock market's vulnerable to short-term fluctuations.



While property investing tends to deliver positive returns, it is not an instantaneous resolve to your wealth creation expectations. A favorable outcome from the investment will always be determined by how effectively it is managed.

Residence vs Investment Property

Before turning your home into an investment, it is important to note what the difference is between the home you are living in and an investment property. One major difference is often the location since owner-occupiers generally stay in properties located in the quieter suburbs while investors prefer areas in the bustling metropolis for higher rental yields.

Additionally, owner-occupier loans typically have lower interest rates than investment home loans, as they are likely to hold onto the property for longer than an investor because they're living in it.

Things To Consider


Going from simply owning a home to renting one is a drastic change in itself. It is not simply moving out of your home or welcoming somebody else in it. It is a transition that welcomes new responsibilities that you are obligated to adhere:

- ✦ You must ensure that you have met your lender's requirements for time lived in your home. If you attempt to turn it into an investment property before the required timetable, you are committing mortgage fraud.
- ✦ If the house is located within a neighbourhood, the permission of the Home Owners Association must be secured. Some HOAs prohibit investment properties but some allow rentals as long as the occupants abide by the guidelines that are set forth by the governing body.
- ✦ An investment property can be a great source of passive income as well as a great source of obligation. As a landlord, you must make yourself aware of the guidelines stated in the Fair Housing Act.

Benefits And Risks

When you transform your primary residence to being an income property, occupants will often benefit from lowered interest rates, which means more money in your wallet. In the long term, the rental situation can help you stand by until the housing market is more desirable and your home's value has increased, giving you a choice of selling your house or pursuing the current profitable arrangement.

Although there are several benefits of turning your home into an investment property, there are also a few important disadvantages that need to be addressed. The major risk is associated with the tenants themselves. That is why it is important to screen your tenants thoroughly; you are allowing a stranger to live in your property so it is understandable if complete trust takes time to come by. Although the tenant is legally binded to fulfill their obligations to what was agreed upon, finding a genuinely responsible tenant can be challenging.



The shift to being a landlord can also be quite overwhelming. The level of involvement associated with being a landlord requires significant time and attention. You have to be on top of overseeing all repairs, maintenance, and administrative responsibilities can be difficult especially if you live a little far from the property. You will also need to be familiar and updated with the state and local laws when it comes to filling the role as a landlord.

Should You Do It?

Taking a step from homeowner to landlord is a huge one. It can be advantageous but it can also be a stressful experience, as the new responsibilities come to light. If you are thinking about taking that step, it is important to note that you don't have to do it alone. There are professionals that can help you get through the whole process and keep you on the right track.

Call A Friend

At Forward360, it is our goal to help you create and prioritise your financial goals. Navigating the world of property investing can be tough and the pressure of doing it for the first time can be overwhelming but we have a diverse pool of professional financial experts that are dedicated to educate and help you create a strategy that will help you set your goals in motion. Dare to take the first step, contact our support team today.

