

# PRE Wealth Calculator

## Purpose:

To provide an estimate in the ability to live of the equity within your portfolio over time based on estimated Capital Growth

## Why use it:

The calculator is designed to simulate how an individual can live of the Equity and the effects it has on their existing property portfolio's equity and if they were to add property over the next 10 years.

It indicates how much they can withdraw in equity for living and how long it will last for in their current situation. Shows how many years they may have to wait due to Capital Growth, Interest rates, Rents before they can actually draw an income to replace their wages.

## How to Use it:

Enter in your current portfolio in the Yr 1 tab.

Hint: If your after tax income is negative make sure you enter (-) before the amount  
Enter in properties you believe you would buy over the next 10 years based on your ability to purchase.

Go to Predictions Tab and fill in the amount you would like to live on under the Lifestyle column. Adjust if Usable Equity column returns negative (Red) Figures.

| Gross Equity | Usable Equity @ | LVR | Lifestyle Amount |
|--------------|-----------------|-----|------------------|
|              | 80%             |     |                  |
| \$ 304,800   | \$ 25,800       | 78% | \$ 100,000       |
| \$ 298,200   | -\$ 3,120       | 80% | \$ 100,000       |
| \$ 300,528   | -\$ 24,898      | 82% | \$ 100,000       |
| \$ 312,498   | -\$ 38,961      | 82% | \$ 100,000       |
| \$ 334,882   | -\$ 44,694      | 82% | \$ 100,000       |
| \$ 368,513   | -\$ 41,430      | 82% | \$ 100,000       |
| \$ 414,290   | -\$ 28,448      | 81% | \$ 100,000       |
| \$ 473,185   | -\$ 4,972       | 80% | \$ 100,000       |
| \$ 546,248   | \$ 29,838       | 79% | \$ 100,000       |
| \$ 634,611   | \$ 76,889       | 77% | \$ 100,000       |

|                    |  |                             |  |
|--------------------|--|-----------------------------|--|
| <b>Net Value</b>   | <b>Total equity</b>                            | <b>Yearly Rental Income</b> | <b>Yearly Shortfall (After tax cashflow)</b> |
| \$ 279,000         | \$ 25,800                                      | \$ 78,260                   | -\$ 18,200                                   |
| <b>General LVR</b> | <b>Equity for Shortfall for following Year</b> | <b>Buying Power</b>         | <b>Equity shortfall cover in years</b>       |
| 80%                | \$ 20,000                                      | \$ 23,200                   | 1.10   |
|                    | <b>Seed capital equity</b>                     |                             | <b>Equity req'd for purchase</b>             |
|                    | \$ 5,800                                       |                             | 25%  |

## What do the boxes at the bottom mean?

**Net Value** = Valuation (Market Price) less Loan Limit

**Total Equity** = Loan Limit – Loan Drawn (Equity funders will let you withdraw)

**Equity for Shortfall for Following Year** = based on your Buffer zone to maintain your properties (use Property Analyser software to work this out)

**Seed Capital Equity** = Total Equity – Equity for Shortfall (Equity you can use for Deposits to purchase additional property)

**Yearly Rental Income** = Rent per week x 52 weeks (No vacancy taken into account)

**Yearly Shortfall** = Weekly after tax cashflow x 52 weeks (After Tax Cashflow = Annual rent less interest and expenses, including depreciation and worked out on the individuals Taxable income)

**Equity Shortfall cover in years** = Equity shortfall for Following Year / Total equity (eg. Total Equity \$50,000 but you have a shortfall of \$10,000 per year = 5 years coverage)

**Equity Required for Purchase** – based on the LVR a funder will allow you to borrow. (e.g. LVR =80% to buy a property you need 20% deposit + 5% in cost = 25% to buy a property)

**Buying Power** = Seed Capital / Equity required for Purchase

## Changing Scenarios:

You can change Interest Rates, Capital Growth, Inflation rate predictions to determine how your portfolio will handle different market conditions.

**Limitations:**

Lender criteria for funding can and does change over the course of time affecting cash out, refinance options and loan to value ratios

Capital Growth is averaged across the portfolio and is not particular to individual properties or regions therefore not all funds may be available.

Kind regards,

Sam Sagers and the Positive Real Estate Team