

RWinvest

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# Top 17 Tips for getting started in Property Investment: Continuing Your Research

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# Integrate Tax Into Your Budget



If you're interested in finding out how to start investing in rental properties, it's so important to research the financial side of the investment. Many people ask the question 'how much money do you need to invest in property in the UK?' and focus solely on the property price without thinking about additional costs like taxes. Tax is simply part of how property investment works, and so many people get carried away in budgeting for their next investment without factoring in tax.

Before you go looking for answers on how to become a property millionaire in a year or how to become a full-time investor, you need to think about taxes. There are several taxes which investors are liable to pay with property investment in UK locations.

You might be asking yourself — is property a good investment if I have to pay tax on my returns? Before getting carried away, however, you need to do your research and use a rental property calculator to work out just how much you're likely to pay.

Property investors in the UK tend to find things relatively straightforward compared to other countries, like New Zealand which doesn't allow foreign investors to purchase property in their country. Though taxes may cut into profit, if you purchase the right investment, the effects should be minimal.

## Which Taxes will I need to pay?

The first is stamp duty; a tax paid on most buy to let investments. Student properties are exempt, but the tax is owed on residential properties with a purchase price of £40,000 and over. Once you hit the books on property investment stamp duty tax, you'll also realise there are taxes that come with income and capital gains.

Income tax is a tax on the rental income earned from property, and capital gains is a tax payable on the profit earned upon the sale of the property. There are different rates applied to each tax, and it's important to look into which banding you'll fall into as an investor.

Aside from income tax, another cost that you need to consider for property investment in the UK is stamp duty tax, which depends on the price of the property you're purchasing. If you're wondering how to invest in property in the UK with no money for taxes and additional costs, use our stamp duty calculator which will give you a better idea of what you could be paying. Once you're clear about the financial aspects of the investment as a whole, the better clarity you'll have on whether you want to go ahead and find a buy to let property for sale.

It is also worth considering real estate investment options where stamp duty doesn't apply, like student property investment which has become an increasingly popular choice. Tax policies are subject to change, and various governments have had different approaches to buy to let property investment.

## How much Tax do you pay on Rental Income?

The percentage of tax property investors pay on rental income is largely dependant on the profit they make. For the tax year 2019/20, there will be a 40% income tax on rental income of £50,001 to £150,000, with a 45% tax on anything over £150,000.

While the amount you earn through property investing has a lot to do with income tax, your employment status also comes into play. For example, if you are a full-time landlord and use property as your sole means of income, you'll be taxed differently than someone investing in buy to let property alongside their main career.

## Do you pay Tax when you sell an Investment Property?

Property investors need to pay capital gains tax when they sell a buy to let investment property. The tax you pay when you sell the property will depend on the amount the property has appreciated by, and your income tax rate.

In the 2019/20 tax year, you don't need to pay any capital gains tax on your property if you earned less than £12,000 from the sale. This is known as the annual tax-free allowance. Anything above this, and you will need to work out the tax rate based on your total amount of taxable income and your marginal rate of personal tax.

### STAMP DUTY CALCULATOR AND GUIDE TO STAMP DUTY FOR INVESTORS

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# Contemplate a Buy to Let Mortgage

'If you want to know how to get an investment property when you haven't got the entire immediate funds, you can opt for a buy to let mortgage to streamline the process'



When it comes to investing in property for beginners, deciding how you're going to pay for the investment is a big element to consider. For a lot of investors, using a buy to let mortgage seems the most suitable route to take.

If you want to know how to get an investment property when you haven't got the entire immediate funds, you can opt for a buy to let mortgage to streamline the process. Similar to a regular mortgage, you can take out a loan on a buy to let property which will be calculated on its rental income.

If you're interested in using a buy to let mortgage to complete your property investing journey, it's wise to look around for the very best buy to let mortgage you can find. Make sure you shop around different banks and financial providers to get the very best deal.

Different providers offer varying interest rates when it comes to buy to let mortgages, which also depends on how much deposit you have and how long you want the mortgage for. It is important that you are aware of the process, finding out how much deposit is best for buy to let, and have everything you need to complete the mortgage application.

While using a buy to let mortgage is a good option for some investments, it's not possible to do so with certain properties. With off-plan properties, for instance, it can be difficult to obtain a buy to let mortgage. This is due to timing issues, as most mortgage agreements are only valid for six months. If the development isn't complete within this time period, the property investor will need to reapply for their mortgage which can be a lot of hassle. Since our investment properties at RWinvest are off-plan, we avoid these issues by requiring our investors to pay for their property in full, without a buy to let mortgage.

## **How much Money do you have to put down on an Investment Property?**

If you're using a buy to let mortgage to buy an investment property, the minimum deposit you need to put down is usually 25% of the properties value. If you're not using a buy to let mortgage, you'll need to put down a percentage of the property price as an initial deposit.

## **How much Money do you need to invest in Property?**

To invest in property, you'll need to have a good level of financial security. If you're buying the property outright, you'll need to have enough money to pay for the property in full. You'll also need to put some money aside to cover taxes and any additional costs.

# Always Conduct Thorough Due Diligence



Along with thinking about what property to buy for investment and the best area to invest in, it's important to really be vigilant and make sure you're making the right decision. This is where due diligence comes in — perhaps the most important of all property investment tips!

## What does it mean to do Due Diligence?

Due diligence is an extensive process and investigation that should be undertaken before buying another company or asset. Before making a business decision, making an investment, or negotiating an agreement, you should do your research and take a responsible approach to ensure everything runs smoothly.

At RWinvest, we take due diligence seriously. All of the property management companies and developers we work with have to undergo things like questionnaires and background checks. This way, we can be sure that the companies we're using are the best of the best, allowing us to offer our clients the most attractive properties and services.

## How do you do Due Diligence on a Property?

Before buying an investment property, you should conduct due diligence in a number of ways. Take a visit to the property or property site, consider the surrounding neighbourhood, and think about tenant demand. You should also research the company you're working with to make sure they're reputable.

When wondering how to get into property investment in the UK, an important part of your property investor journey is to find an established investment company with an all-inclusive network. All developers, management companies, letting agents and many other participants in the property process should be examined before you jump in to buy to let waters.

Research the property investment companies that best align with your goals. For instance, if you're looking for property investments that fit a certain budget and are in a particular location, this is a good way to narrow down your choice. Once you've found a company and investment opportunity you're interested in, be sure to look at reviews and feedback from past clients to find out how successful and trustworthy the company is, and don't be afraid to ask questions. At RWinvest, our Trustpilot and Google reviews can be given as evidence of our thriving track record for strong customer service.

*'When wondering how to get into property investment in the UK, an important part of your property investor journey is to find an established investment company with an all-inclusive network'*





Aside from the property company, you also want to conduct due diligence over the investment itself. When considering how to make money from property investment, you need to check that the property you're investing in will generate the best rental yields.

Without high yields, you won't make as much in rental returns as you'd like, which is why researching this should be integral to your rental property investment strategy. Thinking about where to buy an investment property for strong capital growth potential and high levels of demand is also important to consider, as these can both affect the success of your investment.

It is also essential you do your research and make sure you are able to responsibly invest in property and keep up any payments. Reliable property investment firms will always carry out due diligence to make sure that you can meet the financial commitments of property investment, but it is wise to do this yourself too.

Last but not least, it's vital to run the numbers multiple times so you are sure your investment will pay off in the future. Look at what houses nearby have sold for, what the track record of the developer is like, and what type of tenants are looking for a rental property in that area. All of this information and more is available to you; it's just necessary to do the extra research as you are investing a considerable sum.



# 17. Get Investment Property Advice From Experts

'Along with reading our property investment guide, spend time speaking to a property investment expert who can offer you the right advice on how to get the most out of your property venture'



Once you've done your research and found out more about the world of property, it's crucial to keep learning before rushing into your first investment. Along with reading our property investment guide, spend time speaking to a property investment expert who can offer you the right advice on how to get the most out of your property venture.

## Where to get Property Investment Advice

You can get property investment advice by contacting a property company. Property experts within these companies can discuss different investment options, and advise you on the opportunities that fit your budget and goals. You could also talk to a financial advisor who will help you with the financial side of investing.

## What does a Property Investment Company do?

Property investment companies help potential investors find the best opportunities and guide them through the investment process. Investing with a trusted property company means you can benefit from expert advice and impeccable customer service, and have the option to get help with things like property management.

Even if you're a first-time investor who's still wondering 'what is property investment?' or 'how does property investment work?', getting in touch with a property investment company like RW Invest will give you some clarity. Our dedicated property specialists can talk you through the investment process, and help you decide whether or not property investment is right for you. We can also provide you with useful know-how like how to calculate return on investment in property, and give you a tour of the property site and area of the investment.

Once you decide to invest with RWinvest, we're with you every step of the way and are available if you have any questions or concerns. Our superb client care team are also dedicated to guiding you through the investment process, ensuring your venture runs as smoothly as possible.

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# Decide Between Furnished or Unfurnished

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Deciding between a furnished or unfurnished property is not always something a buy to let investor puts much thought into. Without thinking about this, however, you could end up limiting the potential of your investment.

Along with asking yourself 'what is the best investment property to buy?' and 'where is the best place to buy an investment property?', one of the main components of how to invest in property is to attract tenants.

This is why we've included this section on choosing between a furnished or unfurnished rental property as one of our tips for investment property purchases.

## What is the Difference between Furnished and Unfurnished?

In a furnished property, the property comes with necessary pieces of furniture such as a sofa, bed, and dining table. Unfurnished properties don't have furniture included, but usually they come with white goods like a fridge and washing machine. Sometimes, properties are offered part-furnished, with just a few pieces included.

While you're under no obligation to furnish your rental property, there are times when doing so could benefit you. Some tenants prefer moving into a property that's furnished, as they don't want the added hassle of buying their own furniture.

Students and young professional tenants tend to fall into this category, as they favour the convenience of being able to move into a property that's fully equipped with everything they need. If the furniture included in the property is modern and stylish, this is an added bonus that should attract even more demand. If you want to know how to become a landlord or investor who attracts tenants and keeps them happy, offering a furnished property may be your best bet.

*'Some tenants prefer moving into a property that's furnished, as they don't want the added hassle of buying their own furniture'*



For tenants who are wondering how to buy a first investment property and make it a success, providing furniture can be a good way to point the investment in the right direction. A selection of our properties, such as our Liverpool Fabric District Residence, offer clients a free high-spec furniture pack for their property. Our properties tend to attract young professional tenants who are likely to appreciate a fully furnished rental property, so opting for a furniture pack can be a good way to boost demand.

On the other hand, certain tenants prefer to put their individual stamp on a rental property and see buying their own furniture as an easy and flexible way to do so. Some tenants might be moving from another rental property in which they owned their own furniture, and will, therefore, need a new rental property that will accommodate these items.

All in all, a property investors decision on whether or not to furnish their buy to let property is entirely their own. If you're unsure which route to take, consider offering some flexibility with your property's furnishings, allowing your tenant to negotiate an arrangement that suits them best. This could mean the option to temporarily store the properties furniture if your tenant wishes to furnish it themselves, or allowing the tenant to buy your existing furniture off you and replace it with their own.



## What should a Landlord provide in an unfurnished Property?

In an unfurnished property, the landlord is usually expected to provide white goods such as a fridge, freezer, and other kitchen appliances. Some tenants will also expect curtain poles or blinds to be fitted, along with extractor fans. Think about items which will be mutually beneficial for both yourself and the tenant.

For instance, extractor fans can help prevent mould growth in moist areas, avoiding further costly repairs in the future. Fitting things like curtain poles can also benefit you as you can be sure the job is done correctly, rather than leaving it to your tenant who may end up causing damage.

There are advantages to both furnished and unfurnished when it comes to property investing. Some of the biggest benefits of offering a furnished property are that you might be able to find tenants more quickly and easily, and then once the tenancy ends, you have the choice to either use the furniture in your own home or leave it for the next tenant.

If you decide to take the unfurnished route, you could find that tenants stay longer as they've spent time and money furnishing the property and making it their home. You also don't need to worry about any damage being made to the furniture as it belongs to your tenant. If you choose to offer your property unfurnished, keep in mind that all of our investments at RWinvest come fitted with white goods, meaning you don't need to factor in these additional costs.

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