

How to make untapped equity work for you

If you have equity in your home, and you're not leveraging it to propel you closer to your financial goals, you could be missing out – big time.

Debbie Williams, property mentor and director of Equity Finder in Adelaide, says many people are reluctant to tap into equity in their own home, as they think they risk putting everything on the line if they do.

“They feel that something goes wrong, they could lose their home, the roof over their head. But the same could be said if you don't do anything. What opportunities are you letting slip through your fingers by thinking that you don't have the funds to invest?” she says.

In simple terms, equity is the unrealised value in an asset. For example, if your home is worth \$425,000 and your mortgage is \$250,000, you have equity of \$175,000.

Of course, if you decided to sell your property tomorrow, you'd have less than \$175,000 in the hand: once real estate commission, legal fees, advertising and other selling costs are taken into account, you can reduce that figure by around 10 per cent.

That's why Williams believes it's smarter to tap into your equity and successfully leverage your funds into an investment, without selling your property.

To do so, she says it is vital to have the right mindset, which means educating yourself about the risks involved, so you can mitigate your fears and invest with an open mind.

“When the fear factor comes in, it can be very crippling for the inexperienced and faint hearted,” she says. “But if you don't overextend yourself financially, using your home equity can help you fast track your wealth creation goals.”

Williams admits to having to conquer her own fears when she first began investing in property in 2001.

“I put our owner occupied house in jeopardy – that's what it felt like at the time – to invest, as there was nobody giving me advice on what to do,” she says.

To take the first brave steps towards nudging your fears and doubts out of the way, she offers the following tips.

- Invest in education. “You need to feed and strengthen your mind,” she says. This includes everything from books and podcasts to attending seminars.
- Mingle with like-minded people. “Surround yourself with people who are going the same direction as you. Those friends who want to remain will remain.”
- Have an exit strategy if the plan isn’t working. And don’t be afraid to get help if you don’t know what your next move should be.

Source: Your Mortgage