

PROPERTY INVESTMENT *VS* STOCK MARKET INVESTMENT WITH A FINANCIAL ADVISER

INTRODUCTION

Many people consider property investment as a way to grow their wealth. However, the desire to avoid paying financial advisor fees can sometimes lead to overlooking critical factors. This document compares self-investing in property with investing in a diversified stock and bond portfolio with a financial planner. It also provides insights and thought-provoking questions to guide your decision-making process.

QUESTIONS TO CONSIDER



1 What makes you think you can be successful at this?

Property investment requires extensive research, time, and knowledge of the market. Have you done the homework?



4 Do you have time for this?

Managing tenants, addressing maintenance issues, and ensuring compliance with regulations can be time-consuming.



2 Do you know how many hidden costs come with a property?

Beyond the purchase price, there are stamp duties, maintenance, insurance, and more.



5 Would you be better suited to focusing on your high-income job?

Instead of dealing with property hassles, would it be more efficient to let your money grow through professional management?



3 Do you know how much interest you will pay over the mortgage period?

Interest payments over 20 or 30 years can significantly increase the cost of your investment.



6 Do you know how the stock market has performed over the past 1, 5, or 10 years?

Are your assumptions based on media reports or a family member's bad experience? The stock market has historically provided steady growth over the long term.

CASE STUDY: LEE'S PROPERTY INVESTMENT IN THE UK

About Lee

Age: 45
Residence: Switzerland

Goal

Invest £150,000 into a UK rental property worth £300,000

Cost Breakdown for Property Purchase (£300,000)

Expense	Percentage	Total Amount (£)
One-off Purchasing Fees		
Stamp Duty (Expat rate)	5% + 3%	24,000
Legal and Other Fees	~ 1.5%	4,500
Ongoing Fees Over 20 Years		
Mortgage on (178,500)	~ 5% p.a.	~ 115,000
Maintenance	1.5% p.a.	90,000
Tax on £1,000pm Rental Income	20% income tax rate	48,000
Selling Fees		
Capital Gains Tax	28%	52,920
Legal & Other Fees	~ 2%	9,780
Grand Total Costs over 20 years		£344,200

Income and Property Value at the End of 20 Years

1. Rental Income (Gross):

◦ £12,000/year × 20 years = £240,000

2. Final Property Value:

◦ £300,000 growing at 2.5% annually for 20 years = £489,000

3. Total Revenue:

◦ Gross Rental Income: £240,000

◦ Final Property Value: £489,000

Total Revenue: £729,000

Net Profit:

• Total Revenue: £729,000

• Total Costs: £344,200

• **Net Profit: £384,800**

This calculation highlights the approximate total costs involved and the potential net profit Lee could expect over 20 years, assuming no major unexpected expenses.

The chances are you will have period where you have no tenants therefore the income will be less. And general maintenance at 1.5% is very reasonable, do you know how much a new kitchen or bathroom costs?

More importantly, the Government have demonstrated over the past 5 years how they can simply change taxes and/or policies that make it even more difficult for landlords. You simply cannot forecast the impact this has on your overall net return and maybe even more importantly...your time!

CASE STUDY CONTINUED: ALTERNATIVE INVESTMENT

About Lee

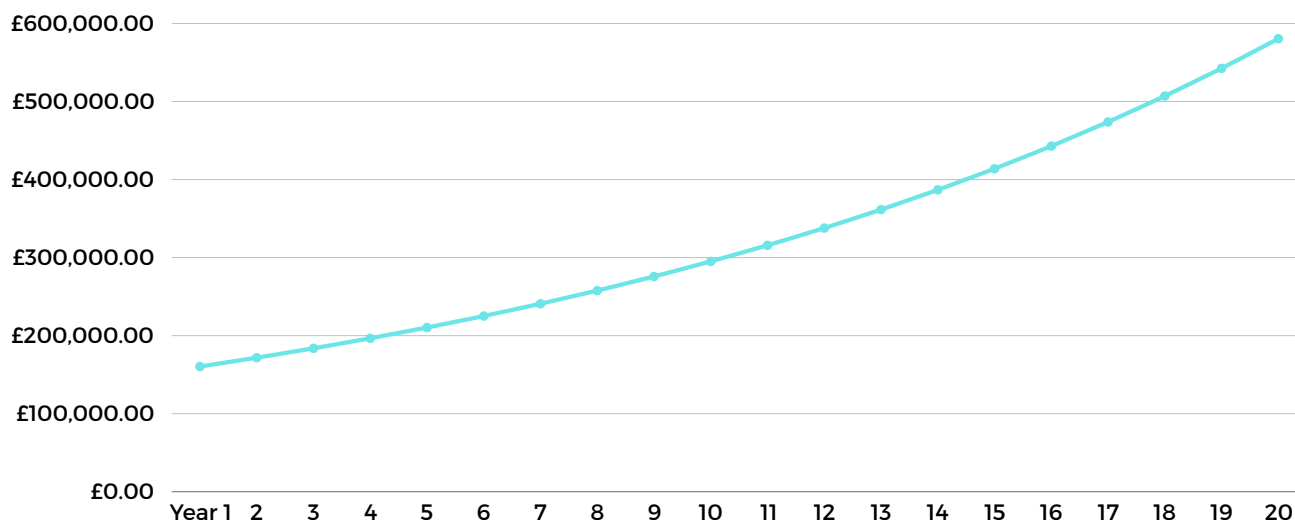
Age: 45
Residence: Switzerland

Alternative Strategy

Invest £150,000 into an investment portfolio with a financial planner

Portfolio Growth Over 20 Years

Assuming a 7% annual return (net of 1% adviser fees)



Net Investment Portfolio Value

Year	Portfolio Value (£)
5	~ 211,000
10	~ 298,000
20	~ 580,000

Advantages of Investing in Stocks and Bonds

- No property maintenance or tenant management.
- Liquidity and diversification.
- Professional management tailored to your risk tolerance.
- Historically strong long-term returns.

CONCLUSION

Investing in property can be rewarding but it comes with significant hidden costs, time commitments, and risks. Alternatively, working with a financial planner to build a diversified investment portfolio offers the potential for substantial growth with fewer responsibilities. Ultimately, your decision should align with your financial goals, expertise, and the time you are willing to dedicate.

