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## **The Sale of the Family Home**

### ***To sell***

The sale of the family home to me, the Finance Broker, is an easy decision. To someone without emotional attachment the sale simply provides a greater means to enhance your purchasing power, which in turn will enhance the potential Net Income of the business you purchase.

While it may be a difficult decision to sell the family home, to buy in to Management Rights you have already made several difficult decisions

- to quit your job
- to take up a new occupation
- maybe self employed for the first time
- to work with your partner on a full time basis maybe for the first time
- to move to a new environment, intra state, interstate or overseas

Some big decisions have already been made and the sale of the family home is just one more, albeit emotional. The Body Corporate and the Financier will generally see the cutting of all ties as a positive commitment.

### ***Or not to sell***

You are, however, able to retain the property and utilise it as additional security or borrow against it to provide equity and or costs. While the Banks will lend up to 80% against the market value you are of course increasing your debt level and reducing your purchasing power. Reduction in purchase power is due to the banks only lending 80% against the value of the property less any existing mortgage. However their margin of 20% could be going towards your purchase. (refer example below.)

Retaining your property may also have an adverse effect on your repayment capacity. Not only do you have the debt from the purchase of the business but also the debt from borrowing to provide equity and or costs for the purchase. (plus repayments on any existing loans). Renting the property may be an option and can assist with loan commitments. However renting something that has emotional value, like the family home can generally be a source of stress that can be done without.

You are also still missing that all important 20% margin of purchase power.

### ***The decision is yours.***

It gets back to me putting on my “black hat” telling you that financially you are usually better off selling that house. Then you are able to come to the table cashed up ready to buy when your agent calls to say what you are looking for is now available.

Either way I will be able to put on my “white hat” and tell you that I will endeavor to find a Bank to finance your purchase whatever you choose. (subject to full assessment of supporting information including repayment capacity.)

***Example:***

	<b>Retain</b>		<b>Sell</b>
Estimate Value	\$700,000-		\$700,000-
@ Bank margin 80%	\$560,000-	selling agent commission	\$20,000-
Less First Mortgage	\$250,000-		\$250,000-
Equity / Surplus	<b>\$310,000-</b>		<b>\$430,000-</b>

In this example to retain the dwelling would provide an approximate purchase price of \$860,000- and the sale would see an approximate purchase price of \$1,200,000- (subject to full assessment of supporting information including repayment capacity.)

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