

# Are Australians missing investment opportunities?

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Many Australians with home loans are aware of the ability to use the existing equity in their properties in order to further their real estate investment goals but many individuals aren't actually utilising their equity as they could.

New research from Westpac shows that just 11 percent of Australian homeowners are planning to use their equity to upgrade.

That said, upgrading isn't the only option. Those with sufficient equity in their properties can also use it to invest in real estate, too.



## What is home equity?

A property's equity can be calculated by deducting the loan balance from the home's value. If homeowners have purchased real estate in high-growth suburbs, their equity will not only rise as they pay off their mortgages, but also in conjunction with capital growth.

This equity can be used for home renovations, property investment and more.

## Are Australians letting investment opportunities slip away?

The findings not only reveal how few Australians plan to use their equity to upgrade, they also shed light on the goals of homeowners. A whopping 67 percent aim to pay off their home loans before the term is up.

However, these individuals could be losing their most valuable commodity when it comes to making the most of investment opportunities and wealth creation: time.

"It is surprising to see the low number of borrowers looking to use the equity in their current home, meaning some Australians could be missing out on an opportunity to build their long term wealth," explained Gai McGrath, General Manager of Retail Banking at Westpac.

## When should Australians use their equity?

According to McGrath, there is an appropriate time to use equity - specifically, the "mid-point" of a loan.

Westpac found 79 percent of variable home loans had a 21 to 30-year term. Of this number, 23 percent are mid-way through this period, with five to 14 years of the term remaining.

McGrath explained it's at this point homeowners are in a prime position to tap into their equity.

"Common strategies include leveraging the equity in your property to upgrade to a larger home, purchasing an investment property, renovating your property to increase its resell value or even taking a repayment holiday if you have a significant life event coming up, such as a baby on the way."

Homeowners who want to grow their wealth would be wise to utilise a high-interest savings account, but they also should turn their attention to other opportunities to set themselves up for the future.

Unlike stocks or bonds, many Australians choose to invest in real estate given its inherent tangibility. Those looking to borrow in order to invest would be wise to think carefully about the opportunities their existing home equity provides.