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FOREVER RENTERS MAY NEED TO RETHINK OPTIONS IF THEY WANT TO BREAK INTO HOUSING MARKET

'Forever Renters' are on the rise and it's a trend that's set to continue according to a leading housing affordability expert who warns millennials that relying on the 'bank of mum and dad' may no longer an option when it comes to entering the housing market.

While some young people may have their family's financial support at the ready to help them jump the deposit-gap hurdle, many more are suffering from making bad assumptions and increasing ignorance which are keeping them out of the property game.

"There are three underlying beliefs that are entrenched in the minds of most Aussie millennials that are keeping them 'trapped' in the rental cycle forever," Ian Ugarte, a leading housing affordability expert said.

"Firstly, people believe they need to live in the house they buy. But there's nothing wrong with buying a property you have no plans of living in long term, if ever," he said.

"Naturally, there are tax benefits to buying and then living in that property, but given so many of us are working from home, there are also tax benefits to running a home-based business from a rented home office.

"Unfortunately, many millennials believe they have to abandon their chosen lifestyle just for the sake of getting a foothold into the property market.

"But it's far better to buy where you can afford to as soon as you can, and then use the investment income to help pay the rent where you do want to live – a process known as 'rentvesting'.

"That's because the sooner they get into the market and reap the rewards of capital growth and cashflow, the faster they'll be able to save for a deposit in an area they do want to live in," he said.

The second belief that needs busting is around Government grants. Ugarte warned budding homeowners against claiming a government grant, just because they were eligible for it.

"While it's tempting to grab any first home buyer's grant or stamp duty relief that you can get your hands on and plan your purchase around that, be aware that not all grants are created equally, and there's often more financial gain to be made by being strategic.

"I've seen people use a $25,000 grant to spend $50,000 too much on a property. Not only that, taking up a grant might also limit the way you are able to use the property for best returns.

"And if you don't buy your first home to live in, but instead buy it as an investment, many states allow you to access those grants down the track – even five or 10 years later - when you do decide to become an owner-occupier," he said.

And finally, Ugarte flipped the lid on the idea that you have to own a property in order to make money from it.

"This third one is a bit out of the box, and needs a genuine entrepreneurial mindset to think through it, but we've helped our 'rentrapreneur' clients with limited savings get into the market by learning how to legally have their own tenants in a property they don't even own.

"This approach is clearly not well known, but the system can definitely give renters a cash injection when saving up for a deposit.

"Obviously, strict regulations apply to this approach, but those who use it accumulate savings a lot faster to help them move on from renting and into their own home," he said.

For information on why young people must ditch their flawed ideas about property ownership or risk never owning their own home, contact Bec Derrington, 0408 062 354.

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