

## Create Tax Relief Through Your Property (And Use The Bank's Money to Invest In Unit Trusts)

By Konrad Wentzel

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Are you paying too much tax? With a property rental loss system you can create an investment strategy that will work both ways: 1. give you significant tax relief; and 2. utilize the best proven investment vehicle - Unit Trust Investments.

This way you will be able to enjoy a property portfolio as well as a Unit Trust portfolio that is growing stronger than property.

### Explanation:

If you have a second property as an investment and you're earning a monthly income from the rental, you have to declare this income to SARS, which means you pay tax on the extra income you receive from your investment.

To create a "rental loss" you simply ensure that your tenants are paying less in rental than what you are paying on your bond to the bank. By having to pay in on your property, you have created a rental loss, which is tax deductible against your personal tax.

Normally property investors "milk" their properties every 3 to 5 years. This means they have a valuation expert inspect their property to determine if the property has increased in value.

If the rental income has steadily increased in those 3 to 5 years, the rental income should most likely be equal to your repayment to your bank. By this time your property has grown in value too, and by valuing your property you will see with how much your investment property has grown.

To strengthen your chances of receiving refinancing from the bank you can also use the extra rental income to prove your affordability.

### As an example:

If the property has grown by 300 000 in value, you can ask the bank to refinance this amount on your property. This amount that the bank pays out is tax free. You can now move to the next phase of your plan and that is to invest this money into a Unit Trust linked investment.

The upside of lending money from the bank is that you will again pay less personal tax, because you have created a new rental loss. But first, a word of caution. It is vital that you investigate in what legal entity and how long you are allowed to have a "rental loss" on a property.

Published Figures have shown Unit Trust growth out-performing the general Property growth. So you may ask - why don't I just sell my property and invest into a proven Unit Trust vehicle? The difference is that you will then need to pay tax on your 300 000 gain and only invest the balance into the Unit Trust. You will also have sold the vehicle that allows you the tax relief and be left with only one investment- the Unit Trust investment.

With a rental loss strategy you have used your one investment vehicle to create another investment vehicle and at the same time saved some money on tax. This kind of strategy can achieve great financial results. The key to succeeding is the proper planning and execution your strategy, along with patience and discipline.

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