The Investment Property Loan Checklist

9 Things to Get Right Before You Buy Your Next Property

Loan structure, tax, cash flow and lending traps every investor should check first

By the team at Loan Experts · 2026 Edition

Contents

Investment property lending works differently to a standard home loan — from how lenders assess your existing debts, to the way loan structure affects your tax position, to risks that simply don't apply when you're buying somewhere to live. This guide covers nine things worth getting right before you sign a contract, grouped into the areas that matter most.

Where Investors Most Often Get Caught Out

Loan Structure

Interest-only vs P&I changes your cash flow and tax position significantly.

Land Tax

Ownership structure and which state you buy in can change your annual holding cost.

Cash Flow Buffer

Vacancy periods and rate rises both need to be stress-tested before you buy.

No. 1

Borrowing Capacity and Existing Loan Buffers

Item 1 — How your existing portfolio affects what you can borrow next

Every existing mortgage you hold is factored into your serviceability for a new investment loan, even if a tenant is covering most of the repayment. Lenders typically apply a serviceability buffer of 1-3% above the actual rate on all your existing debts, which can meaningfully reduce how much you appear able to borrow for the next purchase.

Rental income is also shaded — most lenders only count 70-80% of expected or actual rent toward your servicing capacity, to account for vacancy periods and costs. The combined effect of buffered existing debt and shaded rental income is why borrowing capacity doesn't simply scale linearly as your portfolio grows.

- Existing loans are assessed with a serviceability buffer, not just the actual repayment
- Rental income is typically shaded to 70-80% of its assessed or actual value
- Each additional property tightens your borrowing capacity for the next one
- A broker can model exactly how much capacity you have left before you start looking

EXPERT TIP

Get a serviceability assessment done before you start inspecting properties — it sets a realistic budget and avoids wasted time on properties you can't actually finance.

No. 2

Loan Structure — Interest-Only vs Principal and Interest

Item 2 — The choice that shapes your cash flow and tax position

Interest-only loans keep repayments lower in the short term by deferring principal repayment, which can improve cash flow and, in some cases, the deductibility profile of the loan if structured correctly. Principal and interest loans build equity faster and typically carry a lower interest rate, since lenders view them as lower risk.

The right choice depends on your strategy: investors prioritising cash flow or planning to sell within a few years often lean interest-only, while those building long-term equity or holding for the long haul often prefer principal and interest, especially once interest-only periods (commonly capped at 5 years) expire and repayments step up.

- Interest-only typically improves short-term cash flow but builds no equity
- Principal and interest usually carries a lower rate and builds equity faster
- Interest-only periods are commonly capped at 5 years before reverting to P&I
- The right structure depends on your strategy, not just the lowest monthly repayment

EXPERT TIP

Model what your repayment looks like once an interest-only period expires and reverts to P&I — the step-up in repayment catches many investors off guard if it's not planned for in advance.

No. 3

Offset Accounts and Redraw

Item 3 — Getting the cash management setup right from day one

An offset account linked to your investment loan reduces the interest charged without reducing the loan balance itself, which matters for maintaining full deductibility of the loan if the property is later turned into your home or the funds are needed elsewhere. Redraw facilities work differently — withdrawing redrawn funds can affect the deductible portion of the loan if not handled carefully.

Mixing investment and personal funds in the same redraw facility is one of the most common structuring mistakes investors make, since it can blur the line between deductible and non-deductible debt and create complications at tax time. Keeping investment loans and their offset accounts entirely separate from personal banking avoids this problem altogether.

- Offset accounts preserve deductibility better than redrawing extra repayments
- Mixing investment and personal funds in one redraw facility can create tax complications
- Keep investment loan structures separate from personal accounts wherever possible
- Speak to your accountant before redrawing from an investment loan for any purpose

EXPERT TIP

Set up a 100% offset account against your investment loan from settlement day — it's far easier to start with the right structure than to untangle a mixed facility later.

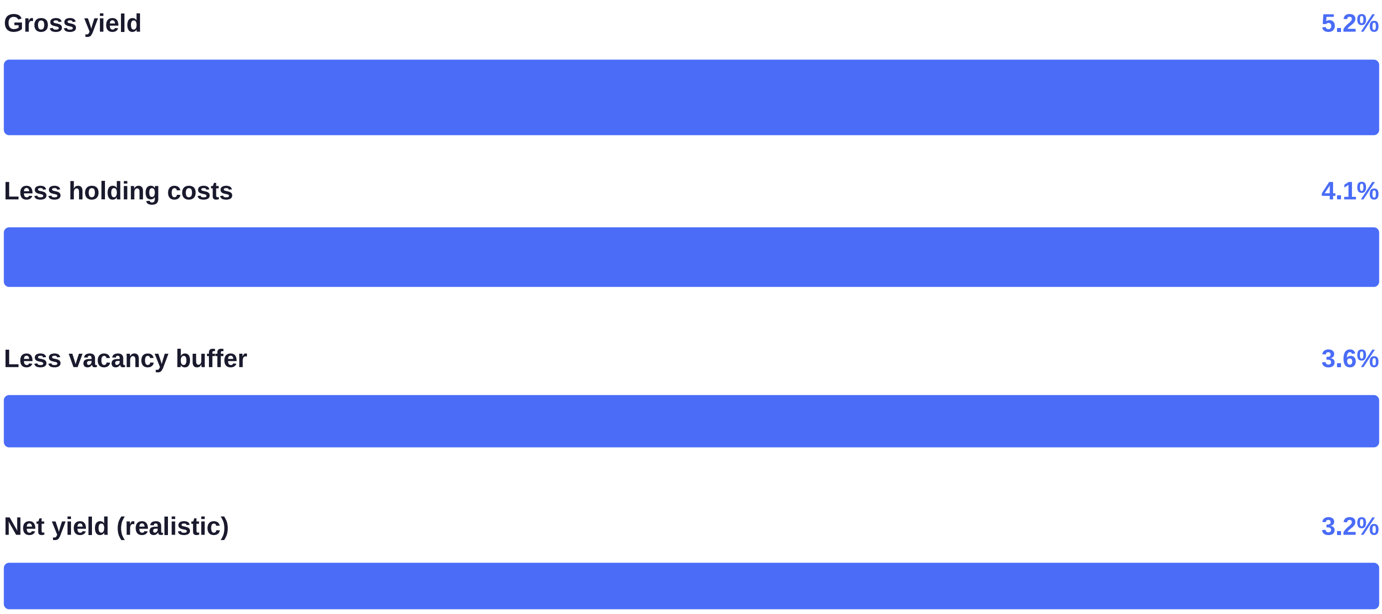
No. 4

Rental Yield and Cash Flow Reality-Testing

Item 4 — Stress-testing the numbers before you commit

Gross rental yield (annual rent divided by purchase price) is a useful starting filter, but it ignores the real costs of holding the property — council rates, insurance, property management fees, maintenance and potential vacancy periods. Net yield, after these costs, gives a far more realistic picture of what the property will actually return.

Before committing, model your cash flow at a higher interest rate than today's — most lenders already do this in their own assessment, and it's worth doing the same exercise yourself so a rate rise doesn't turn a manageable investment into a cash flow problem.



EXPERT TIP

Build a 1-2% interest rate buffer into your own cash flow modelling, separate from the lender's serviceability buffer — it shows you what the property actually costs to hold if rates move.

No. 5

Land Tax and Ownership Structure

Item 5 — A cost that varies significantly by state and structure

Land tax is charged annually on the unimproved value of land you own above a state-set threshold, and applies differently depending on whether the property is held in your individual name, jointly, through a trust, or via a company. Thresholds and rates vary significantly between states, so the same portfolio can attract very different land tax bills depending on where the properties are located.

Ownership structure also affects how land tax thresholds apply — in some states, individually-owned land gets its own threshold, while trust-held land may be assessed differently or at a higher rate. This is a conversation worth having with both your broker and your accountant before settling on a structure, since it's far harder to restructure after purchase.

- Land tax thresholds and rates differ significantly by state
- Ownership structure (individual, joint, trust, company) affects how land tax applies
- Multiple properties in the same state can compound toward higher land tax tiers
- Get structure advice from your accountant before purchase, not after

EXPERT TIP

If you're planning to build a multi-property portfolio, spreading purchases across different states can sometimes help manage cumulative land tax exposure — worth discussing with your accountant early.

No. 6

Vacancy Risk and Landlord Insurance

Items 6 & 7 — Protecting your cash flow when things don't go to plan

Even in strong rental markets, vacancy periods between tenants are a normal part of owning an investment property — budgeting for at least 2-4 weeks of vacancy per year is a sensible default when stress-testing your cash flow, rather than assuming 100% occupancy every year.

Landlord insurance, separate from standard building insurance, covers risks specific to rental properties: lost rent during extended vacancy or tenant default, malicious damage by tenants, and legal costs in a dispute. It's a relatively low-cost policy that meaningfully protects your cash flow against scenarios a standard building policy won't cover.

- Budget for 2-4 weeks of annual vacancy as a sensible default in your cash flow modelling
- Landlord insurance covers lost rent, tenant damage and legal disputes — building insurance doesn't
- Confirm your building insurance specifically covers a tenanted, non-owner-occupied property
- Review insurance annually as rebuild costs and rental values change

EXPERT TIP

Some lenders require evidence of landlord insurance before settlement on an investment purchase — confirm this requirement with your broker early so it doesn't delay settlement.

No. 7

Exit Strategy and Equity Planning

Items 8 & 9 — Knowing your plan before you need it

Every investment property purchase should have a rough exit strategy attached, even if it changes over time: are you planning to hold long-term for capital growth, use equity to fund further purchases, or sell within a set timeframe? This shapes decisions on loan structure, property type and even which suburb makes sense.

Equity planning — understanding how much usable equity a property is likely to generate over time, and how that can fund a future purchase — is worth mapping out from the start rather than reacting to it later. A broker can model how equity in your current portfolio could realistically support your next move, well before you're ready to act on it.

STEP 1
Define your investment timeframe and goal

→

STEP 2
Choose loan structure to match the strategy

→

STEP 3
Track equity growth against your portfolio plan

→

STEP 4
Reassess and refinance as equity builds

EXPERT TIP

Revisit your exit strategy and equity position annually — market conditions and your own circumstances both shift, and a plan made at purchase rarely stays perfectly relevant for the life of the loan.

No. 8

How a Broker Helps Structure an Investment Loan

Getting the structure right before settlement, not after

Investment lending has more moving parts than a standard home loan — structure, tax implications, cash flow stress-testing and portfolio strategy all need to work together. A broker coordinates these so your loan supports your investment goals, not just the purchase.

Serviceability Modelling

Models your real borrowing capacity across your existing portfolio.

Structure Advice

Compares interest-only vs P&I against your specific investment strategy.

Offset Setup

Arranges the right offset and redraw structure to protect deductibility.

Cash Flow Stress-Test

Models your numbers at a higher rate and realistic vacancy assumptions.

Land Tax Coordination

Works with your accountant on ownership structure before you buy.

Insurance Reminders

Flags landlord insurance requirements before settlement deadlines.

Equity Mapping

Projects how equity could fund your next purchase down the track.

Lender Matching

Identifies which lenders on the panel suit investor-specific loan features.

NEXT STEP

Book a free assessment and we'll work through all nine checklist items against your specific situation before you make an offer.

Your Investment Property Self-Check

All nine checklist items — tick off before you make an offer

- ☐ I know my realistic borrowing capacity across my existing portfolio
- ☐ I've compared interest-only vs P&I against my actual investment strategy
- ☐ I have the right offset and redraw structure set up to protect deductibility
- ☐ I've stress-tested cash flow at a higher interest rate and realistic vacancy
- ☐ I understand the land tax implications of my ownership structure
- ☐ I've budgeted for vacancy periods rather than assuming 100% occupancy
- ☐ I have landlord insurance arranged or quoted before settlement
- ☐ I have a rough exit strategy or hold-timeframe in mind
- ☐ I understand how equity in this property could support a future purchase

GET YOUR FREE ASSESSMENT

Ticked fewer than six? A free assessment with Loan Experts will work through every checklist item against your situation before you make an offer.

Quick Reference — Interest-Only vs Principal and Interest

FACTOR	INTEREST-ONLY	PRINCIPAL & INTEREST
Monthly repayment	Lower	Higher
Equity built over time	None during IO period	Builds from day one
Typical interest rate	Slightly higher	Slightly lower
Best suited to	Cash flow focus, shorter hold	Long-term equity building

Ready to Get Your Loan Structure Right?

We'll work through all nine items together — free, no obligation.

Get Your Free Assessment

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