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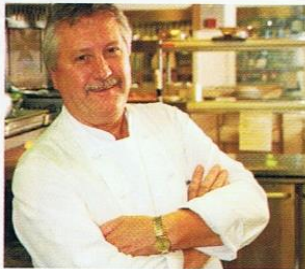
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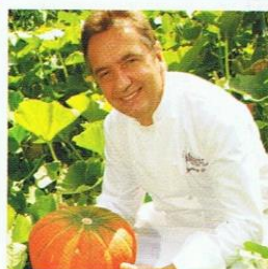
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Raymond Blanc...
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plasma
TV
worth
£2,200



The pain and the profit of property investment

WELCOME TO THE RICH LIST?



Can I really make good money from property?

It's easy to be dazzled by TV property programmes and to be tempted into becoming a landlord or developer. We look at whether it's as lucrative and as simple as it seems

Kim and David Winsper have made almost 200 per cent on their investment in buy-to-let properties in seven years. Kim said: 'We were able to get into buy-to-let because we used to live in army accommodation that was very low cost. We used the money we saved to build up a deposit on our first buy-to-let and we've now got four properties.'

So, should you invest in buy-to-let? Overall, the market is healthy. House prices are rising, even if at a steadier rate, access to borrowing is easier than it's ever been and rents are climbing at their fastest pace since 2001. It's also predicted that demand for private property is likely to grow due to a shortage of housing. In addition, interest rates remain low at 4.75 per cent, although there is talk of a further interest rate rise before the end of the year.

But the opportunities for making easy money that existed between 1996 and 2004, when prices rocketed, are likely to have passed, and prices can fall. If you do invest in a buy-to-let property, treat it as a long-term investment and don't put all your money into it.

More than ever before you need to do your research before you buy. According to John Heron, Director at mortgage compa-

ny Paragon Mortgages: 'The people who make money from buy-to-let are those who don't get emotionally involved with the property. They treat it as a business and make sure they understand their tenant's needs. This dictates the property they buy, where they buy and how they manage it.'

Kim agrees: 'It's not an easy option. We've had to make sacrifices because the rent we get doesn't cover our expenses. But we're in it for the long haul. Our aim is to pay off the mortgages by the time we're 50 and live off the income.'

Getting finance

If you decide to go ahead, you first need to sort out the finance. Buy-to-let mortgages are available from more than 80 lenders and there is a variety of fixed, discounted and variable rate deals. The websites www.charcolonline.co.uk and www.moneysupermarket.com are good places to do research. Rates tend to be higher than standard mortgages. In July, for example, they were around 5 to 6 per cent. Arrangement fees also tend to be higher, at around £500 to £1,000 compared with £300 to £700 on standard deals. But you can pay well over £1,000, especially as some charge 0.5 to 2.5 per cent of the amount you're borrowing.

'It's not an easy option. We've had to make sacrifices'



MAKING A SUCCESS OF BUY-TO-LET

Kim and David Winsper 36, 34,
partner in family business, warrant officer in the Royal Engineers
'It's important to keep an eye on the market and adapt. Woking, where our properties

are located, has been flooded with new flats. We may sell a couple of ours to buy a bigger property because the returns will likely be better.'

You'll need a deposit, typically at least 15 per cent, and most lenders also require your rent to exceed your mortgage payments by at least 25 per cent.

Unlike other mortgages, buy-to-let mortgages are largely unregulated, so if you think you've been mis-sold, you can't take your complaint to the Financial Ombudsman Service. It's worth visiting two or three brokers to compare the mortgages they recommend.

Choosing a letting agent

You can manage the property yourself or use a letting agent. Letting agents provide a 'tenant find only' or full management service. Tenant find only costs on average 10 per cent of your monthly rent. The

PHOTOGRAPHY: PETE JONES ANDY NEWBOLD, SUPERSTOCK, ALAMY

Tax – your questions answered

What you'll have to pay if you become a landlord or do up a property to sell

Q I'm letting a property. How will I be taxed?

A In most cases you pay income tax on rental profits – the rent you charge less allowable expenses. Expenses include mortgage interest, council tax repairs and decoration (not improvements) and letting agent's fees. If your property is fully furnished, you can claim for wear and tear. For more on this see the Land and Property notes that accompany the self-assessment tax return.

Q I'm selling a property that I rent out. What tax will I have to pay?

A If you've never lived in the property, you may have to pay capital gains tax (CGT). Tax is due on any gain that exceeds your tax-free

allowance, which is £8,800 for the 2006-2007 tax year. Your gain is the difference between the property's purchase and selling prices, less allowable expenses, reliefs and any losses on other assets. See the *Which? Tax Saving Guide 2006-2007* for more on how to work out your CGT.

If you have lived in the property at some point in the past, the period during which it was your main home and the final three years of ownership are not liable for CGT.

Any remaining years may be covered by special letting relief. For more information see helpsheet IR283 from Revenue & Customs.

Q I've bought a property and will live in it as my main home while I do it up to sell. Will I pay capital gains tax?

A Yes. If you sell your only or main home, you don't normally pay CGT. But this doesn't apply when you buy a property with the intention of reselling at a profit quickly or when you spend money on a property with the intention of reselling at a profit. If you frequently buy and sell properties, particularly when accompanied by substantial work on them while owned, Revenue & Customs may decide that this amounts to a trade. If so, you lose your capital gains tax exemption and your profits will be taxed as trading income.



association. Visit www.landlords.org.uk for details. A good leaflet called *Let's make it safe* is available from the Association of Residential Letting Agents.

You'll need to keep up to date with changes in legislation

Doing it yourself

If you manage the property yourself, tailor the advert to suit the property and tenant. An advert in a shop window isn't likely to help you find a tenant for a luxury apartment but would work for a small studio.

You'll need references from your tenants' employers and past landlords. It's wise to photocopy passport details or get their National Insurance number, and check their credit history with a credit reference agency.

From 6 April 2007, only landlords who belong to the government's tenancy deposit protection scheme can hold deposits. Visit www.communities.gov.uk for information on the scheme.

Put together a full inventory of your property's contents and its condition. You could make a video inventory or take photos with the tenant present.

Last but not least, make sure you put a proper tenancy agreement in place before you let tenants into your property. You can buy standard tenancy agreements in newsagents.

You'll need to keep up to date with changes in legislation. Since last April, if you own and let property in Scotland, you must be registered with your local authority. See www.landlordregistrationscotland.co.uk for more. Changes are currently happening to housing law in England and Wales. For example, the government has introduced a licensing scheme for some houses in multiple occupation (see www.communities.gov.uk to check whether your property is affected), a new

In Scotland, figures show that converting a house from three bedrooms to four cuts value