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# Take Charge of Your Financial Destiny

FINANCIAL PLANNING. MORTGAGE MANAGEMENT. ASSET PROTECTION

## In this issue: Buying Overseas Properties

Before I start this article, let me take this chance to thank the many readers who turned up for the “Are You Ready To Invest” workshop on the 22<sup>nd</sup> of October. The response was overwhelming, and there were many requests to host it on another date and time as some interested readers could not make it that day.

As such, we are organising another workshop on the 11<sup>th</sup> of November, 2011 (Friday) from 7 pm to 9 pm. In this workshop, you will be brought through the various investment instruments such as equities, bonds, gold and properties, in order for you to make better informed investment decisions that suit your needs.

We hope to see you there, and do register early to avoid disappointment.

### Is The Grass Greener On The Other Side?

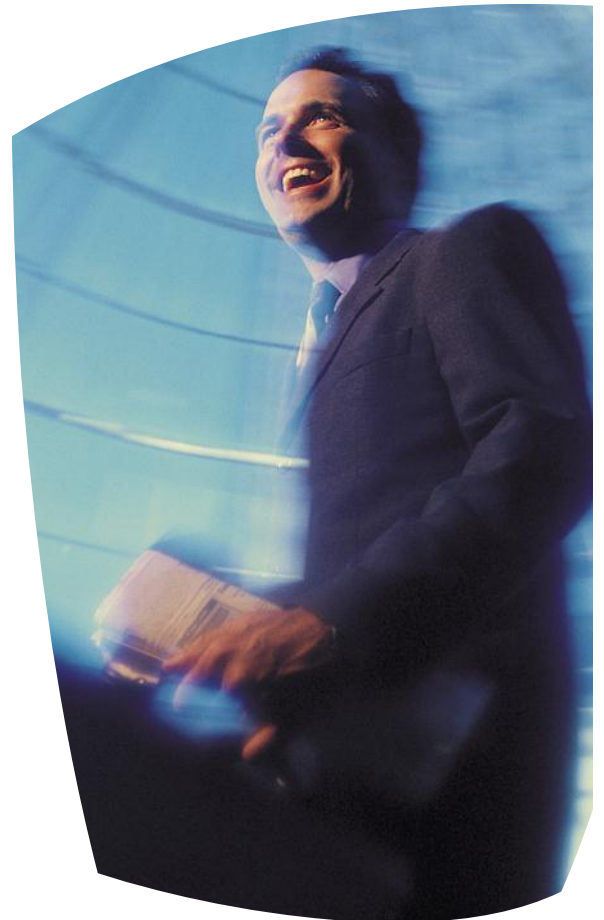
During the workshop on the 22<sup>nd</sup> of October, many participants shared their interests in property investments. This is not surprising as property has always been a

popular asset class of the rich and wealthy, and those who are aspiring to be so. Due to its physical nature, property investors can actually “enjoy” their property investments by staying in them, unlike shares which usually remain as a concept.

However, sky-high prices have made some Singapore properties out of reach for some investors. In addition, overseas properties seem to be a better buy, with our strong Singapore Dollar (SGD) backing us up and relatively cheaper properties available outside the country. Thus, even those who can afford local properties are tempted to make their foray overseas.

And truly, the alternatives look alluring. Flipping through the papers, you will also notice many attractive offers of foreign properties for sale.

Time and tide waits no man; so should you take the plunge and invest?



## Practise Caution Before Investing

Investing in foreign properties is a totally different ball game from investing in local properties. The first factor which you will need to consider is the fact that the property is not located on your own home ground. As such, when you buy a property in the UK or the US, you really do not have the advantage of popping by to see and check on what you are buying. Does it make sense to spend thousands of dollars and many hours of travel to solve problems if any?

I know of clients who have bought foreign properties without travelling overseas to see them personally for themselves, only to regret their decisions later. In overseas property investments, the age-old adage “what you see is what you get” applies. Already, overseas property investments come with unique variables that need to be mitigated; not seeing what you are buying might mean that you are paying for something that is not there.

Other than that, remember to always consult a trusted and experienced real estate salesperson who can guide you through the ins and outs of property investment in the country you are buying the property before making any major decision.

Finally, do your checks. In Singapore, the government applies very stringent criteria to developers, ensuring that they have the financial resources to complete a project. You cannot assume the same reliability for developers overseas. Too many a time, we hear of developers going bust before their projects are completed, leaving a building that is half constructed to distraught buyers.

Thus, to save yourself from the needless headache and heartache, it is crucial for you to buy from reputable developers, while working with reliable real estate agents who will keep a lookout for your interests.

### Currency Risk

Other than practising due precaution, there is the added element of currency risk which you will have to factor in before deciding to invest. Like a double-edged sword, the appreciating Singapore Dollar cuts both ways: it makes an overseas property more affordable, but its continued rise would mean that the foreign property will be worth less once you buy it since it is denominated in the currency of the country it is residing in.

It will therefore serve you well to know of your objective in purchasing the foreign property. If you are buying the house for investment purposes, you need to be aware of the implications of an appreciating Singapore dollar vis-à-vis your investment. If, however, you are going to send there your children to study, or you enjoy using your property as your vacation home, currency fluctuations will be less of a concern as you are going to spend in the foreign currency any way.

## The Three-Step Approach for Your Overseas Property Investment

Let's say you have exercised due caution and you feel that the property abroad is worth buying. What do you do next?

First of all, you will have to carry out a thorough financial check on yourself to know where you stand financially. You can visit my company's website at [www.singcapital.com.sg/ratios](http://www.singcapital.com.sg/ratios) to download the free worksheets so that you can do a financial check on yourself. Alternatively, you can book an appointment with SingCapital Financial Advisers to better understand your financial status.

Next, you should do a thorough research on the foreign property that you are interested in, and the respective real estate regulations of the country where your intended property is. This step is important so that you will be better prepared with what to expect and not be taken aback by the somewhat differing real estate rules and regulations when you are finalising your foreign property purchase.

Finally, you have to know the financing options available for your purchase before going ahead with the purchase procedures and signing on that dotted line.



## Financing Options for Overseas Properties

The financing options you have depend on which countries you are buying your property from.

If you purchase properties in countries such as the UK, US, Australia and New Zealand, there are banks here in Singapore that can grant you the financing and offer a dual currency loan. This is definitely useful as you can now plan your loan in the currency of your primary income.

A borrower should always take advantage of a loan in Singapore Dollar (SGD) which tends to be lower. That said, there is a flipside in the form of exchange rate volatility. It is possible for banks to demand borrowers to top up the loan difference if there is more than 5% swing in the exchange rate. You should then keep a lookout and check whether the financing option you chose offers free currency switches.

If you choose to purchase a property closer to home in Malaysia, it is very easy for you to acquire financing for your purchase. Malaysian banks assess a borrower's eligibility using the Credit Bureau Singapore and generally, a Singaporean can apply up to 80% loan quantum for a Malaysian property, if it is your first purchase in Malaysia. The current average housing loan interest rate in Malaysia is about 4.3% – this is based on a Base Lending Rate (BLR) minus a certain margin.

## Refinancing Your Private Property to Finance Your Overseas Property Purchase

Singaporeans who own private properties locally can make use of its increased value and “re-mortgage” their property to “cash out” the equity which has increased. This is truly a cheaper form of financing as the interest rate and repayment term is the same as the housing loan. You can then use the funds raised to fully pay for your overseas property purchase. The current interest rate is about 1.2%, and this allows for substantial savings for the overseas property purchase.

Nonetheless, there are also risks to consider when using this option, as you are incurring an additional loan. If the valuation of the property falls in the future, you will have to be prepared to receive a notification from the banks, asking you for a “top up” on that additional loan they have granted you.

## Uncover More In Mortgage And Grow Rich

Learn more about property financing through my book, ‘Mortgage And Grow Rich’. Not only does this book hold the answers to all your mortgage and financial related questions, it will be an important guide for you to reach your ultimate financial freedom. ‘Mortgage And Grow Rich’ is available at all good bookstores, and online at [www.alfredchia.com](http://www.alfredchia.com).

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