PROPERTY INVESTMENT VS OTHER INVESTMENTS

10-Year Wealth Comparison Analysis

BY

HEKANO PROPERTY

Mathematical analysis of investment options for informed decision making

Important Disclaimer: This comparison uses historical averages and reasonable assumptions. All investments carry risks, and past performance doesn't guarantee future results.

Starting Capital: £100,000

We'll compare how £100,000 grows over 10 years across different investment vehicles, using historical data and realistic projections.

High-Yield Savings Accounts

- Average rate: 4.5-5.0%
- After tax (40% bracket): 3.0% net return
- 10-year value: £134,000
- Real return after inflation: 0%

Pros: Capital security, instant liquidity

Cons: Inflation erosion, no growth potential

Government Bonds (Gilts)

- 10-year gilt yield: 4.2%
- After tax (40% bracket): 2.3% net return
- 10-year value: £125,200
- Risk level: Low (government backed)

Pros: Government guarantee, predictable income

Cons: Interest rate risk, limited upside

FTSE 100 Index Funds

- Historical average: 6.8% annually
- 10-year projection: 7% annual return
- 10-year value: £225,000 (including dividends)
- Risk level: Medium-high

Pros: Diversification, low fees, liquidity

Cons: Market volatility, no guaranteed returns

Global Equity Funds

- Historical average: 9.2% annually
- Conservative estimate: 8% annual return
- 10-year value: £240,000
- Risk level: Medium-high

Pros: Global diversification, higher returns

Cons: Currency risk, market volatility

Buy-to-Let Property Investment

- Purchase: £200,000 property (£50,000 deposit + £50,000 reserves)
- Net cash flow: £3,600 annually (7.2% return on cash)
- Conservative 10-year value: £236,000
- Optimistic scenario: £420,000 (multiple properties)

Pros: Tangible asset, rental income, leverage

Cons: Management required, illiquid, higher costs

10-Year Comparison Results

Investment Type	Year 10 Value	Total Return	Annual Return
Savings Account	£134,000	34%	3.0%
Government Bonds	£125,200	25%	2.3%
FTSE 100 Index	£225,000	125%	8.5%
Global Equities	£240,000	140%	9.1%
BTL Property	£236,000	136%	8.9%

Risk and Reality Factors

Transaction Costs

Property Investment:

- Stamp duty, legal fees, surveys: 5-8% of purchase price
- Annual management and maintenance costs
- Exit costs when selling

Financial Investments:

- Platform fees: 0.1-0.5% annually
- Fund management charges: 0.1-1.5%
- Dealing charges: £5-25 per transaction

Time Commitment

Property Investment: High - Research, management, tenant relations, compliance

Financial Investments: Low - Initial setup, periodic review

Liquidity

Immediate Access: Savings, stocks, bonds, funds

Limited Liquidity: Property (months to sell)

Investment	Real Return	Purchasing Power
Savings	0.0%	Same
Gov Bonds	-0.7%	Declining
Equities	6.1%	Growing strongly
Property	5.9%	Growing strongly

Inflation Impact (3% annual)

Tax Efficiency Comparison

Tax-Efficient Investing:

- ISA allowance: £20,000 annually (tax-free growth)
- Pension contributions: Up to £40,000 annually
- No capital gains or income tax within wrappers

Property Investment Tax:

- Income tax on rental profits (20%, 40%, 45%)
- Capital gains tax on sales (18%, 28%)
- Stamp duty on purchases
- Limited tax-efficient options

Investment Recommendations by Profile

Young Professionals (25-40)

- Primary focus: Global equity funds
- Secondary: Property investment for diversification
- Strategy: Use ISAs and pensions for tax efficiency

Mid-Career Accumulators (40-55)

- Balanced approach: 60% equities, 20% property, 20% bonds
- Consideration: Active property investment if time permits
- Focus: Tax planning becomes critical

Pre-Retirement (55+)

- Income focus: Bonds, dividend stocks, property income
- Strategy: Risk reduction through diversification
- Planning: Liquidity for retirement needs

Common Investment Mistakes to Avoid

1. Chasing Last Year's Winner Past performance doesn't predict future results
2. Putting All Money in One Asset Class Diversification reduces risk
3. Trying to Time the Market Regular investing beats market timing
4. Ignoring Costs and Taxes Fees and taxes significantly impact returns
5. Emotional Decision Making Systematic approach beats emotion

The Mathematics of Compound Growth

£197,000	£387,000	£761,000
10 years	20 years	30 years
£100,000 at 7% annual return	£100,000 at 7% annual return	£100,000 at 7% annual return

Key Insight: Starting early matters more than investment selection.

Next Steps: Making Your Decision

Key Decision Factors

1. Risk tolerance and ability to handle volatility
2. Time horizon for investment goals
3. Income requirements vs growth objectives
4. Tax situation and efficiency opportunities
5. Time availability for active management

Implementation Strategy

1. Assess your situation goals, risk tolerance, capital available
2. Research options understand costs and tax implications
3. Start with tax wrappers ISAs and pensions first
4. Diversify spread across asset classes
5. Monitor and review regular portfolio assessment

Professional Guidance Available

Our property sourcing service includes:

- Complete investment comparison analysis
- Property opportunities that fit your broader strategy
- Tax-efficient structuring advice
- Long-term wealth building planning

Ready to explore all your investment options?

Book a consultation: **https://calendar.app.google/z8GvP1RB8Wpgtyc86**

HEKANO PROPERTY

Informed investment decisions through comprehensive analysis