Comprehensive Financial Report - Primary Residence Detailed Financial

In this case the investor intends to buy and use this property for the primary residence in lieu of renting a substitute property for «EQR» per month. Thus, avoided costs are considered as potential income in this scenario Investment Horizon for this investment is «HP» Years.

The financial predictions of this investment are calculated by regarding the incurred expenses to rent the substitute property as the income of the investment. In other words, it is assumed that the money not spent to rent the property is going to contribute to the investment.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Buy and Sell | | | | |
| Purchase Price | «PP» | Gross Sale Price | «GSP» | |
| Improvement Cost | «IC» | Selling Expenses | «SE» | |
| Purchase Expenses | «PE» | Net Sale Price | «NSE» | |
| Added Value due to Improvement | «ICAV» | Holding Period | «HP» years | |
| Expenses | | | | |
| Annual property Tax | «APT» | Annual Utilities | | «AU» |
| Annual Property Insurance | «API» | Annual Repair and Maintenance | | «ARM» |
| Annual HOA | «AHOA» | Total Ownership Annual Costs | | «AOE» |
| Expenses of the Substitute Rental Property (Avoided Costs) | | | | |
| Equivalent Rent instead of Buying | «EQR» | Renter Security Deposit | | «ASD» |
| |  | | --- | | Annual Utilities | | «AU» | Annual Renter's insurance | | «ARI» |

Comprehensive Financial Report - Primary Use Cash Flow Projection:

In the “Primary” scenario, avoided costs saved due to not renting a property for the primary residence purpose is treated as income. However, this income is not subjected to income tax.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| To Rent a Substitute Home to live in and Invest Initial Cash in the Benchmark | | | | | | |
|  | **Year 0** | **«YR1»** | **«YR2»** | **«YR3»** | **«YR4»** | **«YR5»** |
| Rent Payment | - | «RP1» | «RP2» | «RP3» | «RP4» | «RP5» |
| Utility | - | «UT1» | «UT2» | «UT3» | «UT4» | «UT5» |
| Security Deposit | «SD» | - | - | - | - | - |
| Renter’s insurance | - | «RIN1» | «RIN2» | «RIN3» | «RIN4» | «RIN5» |
| Return on the Initial Cash Investment | - | - | - | - | - | «RCI» |
| **Before Tax Cash Flow** | **«SBT0»** | **«SBT1»** | **«SBT2»** | **«SBT3»** | **«SBT4»** | **«SBT5»** |
| Income Tax | - | - | - | - | - | «SIC» |
| **After Tax Cash Flow** | **«SAT0»** | **«SAT1»** | **«SAT2»** | **«SAT3»** | **«SAT4»** | **«SAT5»** |
| To Buy this Home to Live & Rent out Partially then Sell it after «HP» years | | | | | | |
| Initial Cash invested | «ICA» | - | - | - | - | - |
| Loan Repayment | - | «L1» | «L2» | «L3» | «L4» | «L5» |
| Operating Expenses | - | «OE1» | «OE2» | «OE3» | «OE4» | «OE5» |
| Sale Proceed (before tax) | - | - | - | - | - | «BSP» |
| **Before Tax Cash Flow** | **«BT0»** | **«BT1»** | **«BT2»** | **«BT3»** | **«BT4»** | **«BT5»** |
| Tax Saving (if applicable) | **-** | «ITS1» | «ITS2» | «ITS3» | «ITS4» | «ITS5» |
| Tax Due on Sale | **-** | - | - | - | - | «TDS» |
| **After Tax Cash Flow** | **«AT0»** | **«AT1»** | **«AT2»** | **«AT3»** | **«AT4»** | **«AT5»** |
| Net Advantage of Budget Residence | | | | | | |
| **Before Tax Net Advantage** | **«BTA0»** | **«BTA1»** | **«BTA2»** | **«BTA3»** | **«BTA4»** | **«BTA5»** |
| **After Tax Net Advantage** | **«ATA0»** | **«ATA1»** | **«ATA2»** | **«ATA3»** | **«ATA4»** | **«ATA5»** |

|  |  |  |  |
| --- | --- | --- | --- |
| Annual Yield (Before Tax) | «BIR» | Annual Yield (After Tax) | «AIR» |
| Net Profit (Before Tax) | «BPV» | Net Profit (After Tax) | «ATV» |

**Cash Flow 1st Year**

Comprehensive Financial Report - Primary Residence Tax Calculation[[1]](#footnote-1):

|  |  |  |
| --- | --- | --- |
| Income Tax Savings (1st year) | | |
| Property Tax | | «PT» |
| Paid Interest | | «IN» |
| Taxable Income Deductions | | «TI» |
| Multiply by: Owner’s Tax Rate | | X «MTR» |
| **Tax Saving** | | **«TAXS»** |
| Tax Due on Sale | | |
| Estimated Sale Price: | «ESP» | |
| Selling Expenses | «SEN» | |
| Net Sale price | «NSP» | |
|  |  | |
| Purchase Price | «PP» | |
| Purchase Expenses & Improvement Costs | «PPI» | |
| Adjusted Basis of property at the time of sale | «AJB» | |
|  |  | |
| Net Sale Price | «NSP» | |
| Adjusted Basis of property | «AJBN» | |
| Gain Recognized on Sale | «GS» | |
|  |  | |
| Tax on Capital Gain («CR» «GS») | «TCAP» | |
| **Total Tax Due on Sale** | **«TTX»** | |

1. See Appendix 1 to learn about property tax calculation [↑](#footnote-ref-1)