

# Buying A Property – Risk Considerations



A factsheet from F3 Financial Services

Buying a new property can be both an exciting and stressful time. After doing all the hard work of finding the right property, doing a budget and organising finance, here are a few other items to consider that will help you sleep easy at night.

## Property Building Insurance

As soon as you sign a contract to buy a house or any other type of property, the risk of that property being damaged or destroyed passes to the purchaser – even before you become the legal owner. Common risks include fire, floods, storms, earthquake, explosions and vandalism.

Key action required is to take out property building insurance as soon as you sign a contract to purchase a property.

Also, the amount of building insurance should reflect the full value of the property, fixtures and fittings (excluding the land). If the insured amount is less than the value or the replacement cost, you can be out of pocket if these unforeseen events occur.

## Ownership – Joint Tenants or Tenants in Common

Whenever two or more people purchase a property, they have the option of being joint tenants or entering into an agreement as Tenants in Common.

An agreement between Tenants in Common will set out in writing how the property is owned and who is responsible for what – such as the ownership percentage and share of costs and maintenance expenses. Tenants in common can own a property in unequal shares (eg. 80% and 20%) whereas joint tenants own the property equally.

The main difference between joint tenants and tenants in common is the way in which property rights continue if one of the co-owners dies. Under a joint tenancy, their share of the property passes to the remaining owners at the time of death. In a tenancy in common, property interests will pass to the beneficiaries of the estate as specified in their will. If there is no valid will at the time of death, the property interest will pass accordingly to the rules of the State.

## Wills

A will is a valid legal document, which upon death, specifies the beneficiaries and the distribution of property and possessions.

There are some technical requirements to help form a valid will – for example, it should be in writing, signed, and witnessed by two independent people. A will can also be invalidated by certain events, such as a marriage or re-marriage.

If someone dies without a valid will, there are risks that your estate may end up in lengthy and costly legal battles. Assets can also be distributed according to the laws of the State – rather than your intentions. This is known as dying 'intestate'.

Intestacy laws have a formula for allocating estate assets to spouses, children and other relatives. Not only do these laws vary from State to State, they also adopt different definitions and meanings. As an example, the term 'spouse' in Queensland can include de-facto partners if they have lived together for the last two years. Each State has their own rules.

## Enduring Power of Attorney

If you are unable to make decisions by yourself and manage your own affairs (as a result of an accident, injury or illness for example) an Enduring Power of Attorney allows you to give your attorney/s (your nominated representatives) the power to make financial, personal and or health related decisions for you.

A financial attorney is responsible for matters such as receiving income, paying bills, taxes, investments, legal actions or property management issues. An Enduring Power of Attorney will help ensure that your financial affairs continue to be managed with less risk of inaction, problems or disputes.

## Personal Risk Insurances

When buying a property you are often increasing your financial commitments and taking on additional debt. It is an opportune time to consider what would happen in your situation if you (or your partner) were ill or injured and couldn't earn an income for a period of time...or worse still, never worked again because of death or permanent disability.

Insurance products available include:

- Life
- Total and Permanent Disability
- Income Protection
- Trauma (Critical Illness)

Personal risk insurance can be complex and is best reviewed in consultation with a risk insurance specialist.

### More information

- Call 1300 314 335
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- Visit [www.f3fs.com.au](http://www.f3fs.com.au)

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