AREA SPECIALIST

How to Create Financial Freedom as a Real Estate Agent in Australia

AREA SPECIALIST
MICHAEL CHOI

Disclaimer. The information provided is general in nature and does not take into account your individual objectives, financial situation, or needs. It should not be relied upon as substitute for specific professional advice. We recommend obtaining independent professional guidance before making any decisions relevant to your personal circumstances. Area Specialist and/or Michael Choi does not guarantee the accuracy, completeness or currency of the information provided in this document or on this website. Past performance is not a reliable indicator of future results.

If you're a real estate agent who feels stuck in the rat race—spinning the wheel without real progress, especially when considering the return on the hours you put in—or if you've ever asked yourself, "Is there a better way to do this?", then this is for you. I'll show you how to create financial freedom as a real estate agent—replacing active income you work hard for with passive income that works hard for you. We attend countless conferences teaching us how to get more listings and grow market share to earn more, but rarely do they cover what to do with that income or how to make it work while we sleep. The truth is, being a $1,000,000 GCI agent every year isn't sustainable without a cost—whether it's your health, relationships, or peace of mind.

Let's break down what a million-dollar agent actually takes home. Take Mr Ben Dover, who writes $1,000,000 in GCI annually:

$1,000,000 GCI

Minus $100,000 GST	**$900,000**
Minus $90,000 franchise fee (10%)	**$810,000**
Minus two assistants at $70,000 each	**$670,000**
Minus 45% office split (agent keeps 55%)	**$368,000**
Minus $136,000 tax (FY25 rates)	**$232,000**

So from $1,000,000 in GCI, only 23% is retained. I call this the "spinach tax"—like when you cook down a big bag of spinach and it shrinks to nothing in the pan. That's what your income looks like after all the deductions.

That's exactly what's happening to many real estate agents' incomes. It looks impressive on the office leaderboard, but after the "spinach tax," they're only keeping 23% and losing 77% in the process. This is why Net Commission Income (NCI) is a far more important metric to track than Gross Commission Income (GCI). That 77% loss is the cost of not knowing your financial options—or knowing them and doing nothing about it.

I'm going to walk you through structures and investment strategies designed to help you create financial freedom—so that if you want to stop working long hours or give up weekends, you can do so with confidence, all while replacing your active income with passive income.

It's about choice—ensuring your financial position doesn't limit your lifestyle or decisions. Agents can transition from active to passive income by building wealth through: leveraging property, smart investing, strategic tax planning, increasing borrowing capacity and cash flow, and consolidation. The core idea is to use other people's money and time to generate long-term income for yourself.

Leverage Property

Renovate

Purchase a structurally sound, run-down property under market value. Renovate to increase both its capital value and rental return, then refinance it with the bank to extract as much of your initial deposit as possible. Use those funds to buy again—repeating the process as often and as quickly as you can. Once you've built a portfolio that aligns with your goals, hold onto those properties. Over 10 years, they'll likely more than double in value, allowing you to sell off a few to pay down debt. This is significantly faster than paying off a mortgage using sales commissions alone. This strategy works best in blue-chip suburbs or areas with low supply, no land releases, or unique value drivers such as large blocks, views, premium locations, or favourable school zoning.

Subdivide

Buy a large block of land and build multiple townhouses. Sell enough of them to clear the debt, but retain one—ideally the front unit, which tends to have higher resale value. This retained property will now have built-in equity and can be rented out, either slightly negatively geared or potentially positively geared. Use that equity to repeat the process.

Granny Flat

Purchase in a high-yield suburb, fence off the backyard, and rent out the front home. Then build a granny flat at the rear and rent that out too—creating dual income from a single property. Granny flats are much cheaper to build than full units or townhouses, so you significantly increase rental yield relative to the interest you're paying on the mortgage.

Rent-Roll

Build a rent-roll as an asset you can borrow against or sell off periodically to fund the purchase of more hands-free investment properties. If you're a high-GCI sales agent on a traditional commission split, consider negotiating a model where, instead of receiving a one-week referral fee for rental leads, you own the management rights as an asset. The agency manages the property and keeps the revenue, and every few years you sell your rent-roll to them. This creates a win-win: the business retains you longer, and you're motivated to grow the rent-roll, which also boosts their cash flow.

Build

Buy an old property with a standout feature—such as a premium view or location in a tightly held school zone—and build a new home on it. These features command top dollar. Do your due diligence to ensure a profitable outcome. In a tourist area, a new build with a view could also serve as a short-term rental with strong yield and potential positive gearing. Hold it for capital growth and either sell when it doubles or use the equity to invest again

These are five practical ways real estate agents can grow wealth outside of their GCI. Next, we'll look at how to accelerate these strategies—so if retiring 10 to 15 years earlier is on your radar, it's within reach

Optimise Tax Efficiencies

Leverage Business Structures

Consider operating through a company or trust structure instead of as an employee. This may reduce your overall tax liability. As of 2025, the company tax rate in Australia generally sits between 25–30% for businesses with turnover under $50 million, compared to personal tax rates that can reach 45–49% for high-income earners. Speak to a qualified tax advisor to determine the best setup for your situation.

Maximise Deductions

Claim all legitimate business expenses such as marketing, training, vehicle use, and home office costs. Keeping detailed, accurate records is essential to ensure compliance.

Salary Packaging

If operating through a company, explore packaging benefits like vehicles or insurance through pre-tax dollars to reduce taxable income.

Spouse Involvement

If your spouse works in the business, you may be able to employ them and pay a fair market rate for their role—up to $190,000 before hitting the top tax bracket. This must reflect genuine work and be commercially justifiable. The Australian Taxation Office allows for legal tax minimisation (tax avoidance), but not tax evasion. Your spouse must actually do the work and be paid accordingly. Structuring this correctly could result in a combined household income of up to $380,000—boosting both your cash flow and borrowing capacity.

Family Trust

Consider using a company where the shares are owned by a family discretionary trust. Profits can remain in the company to fund operations and growth, and when needed, dividends can be paid to the trust and distributed to family members at their individual marginal tax rates. This is most effective when distributed to low-income earners (e.g., those earning under $45,000). Note that funds must be physically transferred—not just recorded in the books—to be compliant.

Exclude Foreign Investment

Ensure your trust deed specifies that foreign investment is not permitted. This helps avoid higher tax rates on capital gains and reassures the ATO that your structure is compliant.

Super Contributions

You can contribute up to $30,000 per year into your superannuation fund at a concessional tax rate of just 15%. If your spouse is also involved in the business, that's a combined $60,000 at a significantly lower rate. If you

haven't maximised your super contributions in the past five years, you may be eligible to carry forward unused caps and top up in a single year—potentially allowing you to transfer $100,000–$200,000 into super and only be taxed at 15%.

These contributions can be funded, for example, by proceeds from the sale of an investment property, which may also reduce the capital gains tax payable on the sale.

Self-Managed Super Fund (SMSF)

With a strong super balance, you could start an SMSF and use it to purchase property. Unlike traditional super funds, SMSFs allow you to leverage your contributions. For example, $200,000 in a standard super fund may return 6% annually ($12,000), whereas using that same amount as a deposit on an $800,000 property could result in 5% growth on the full property value ($40,000), plus rental income to service the loan. Ongoing super contributions can further reduce holding costs and accelerate positive gearing, setting you up for a second property within your SMSF.

Once you reach pension phase (age 60 and retired), rental income and capital gains from your SMSF-held property are tax free. Aside from your principal place of residence, this is one of the only ways in Australia to pay zero tax on capital gains—making it a powerful wealth-building strategy.

Additional Strategies for Smart Financial Management

Self-Managed Super Fund (SMSF): Key Considerations

Super is designed for retirement, not personal access. You can't withdraw funds from your SMSF for personal spending, nor can you redraw equity from SMSF-owned properties. You also cannot live in a property owned by your SMSF—it must be purely for investment purposes.

Be mindful of the government's tax on SMSFs with balances exceeding $3 million. Any growth in value over this threshold may be taxed on unrealised gains, meaning you could be taxed even if you haven't sold the asset. To stay within this limit, consider holding just one or two properties per member.

Buying property within an SMSF typically requires a larger deposit—usually 30% or more. While administration is more involved, all running costs can be paid from the SMSF account.

Bucket Companies

Bucket companies act as corporate beneficiaries for your trading entity, allowing you to distribute profits at a lower corporate tax rate (25–30%) rather than personal high-income rates. Instead of drawing large salaries or dividends above your $190,000 threshold and being taxed heavily, profits can be retained in the bucket company and used to invest directly—such as in property—at a lower tax rate.

When properties are held in bucket companies, the capital gains from sales are also taxed at the company rate rather than your personal rate, resulting in further tax savings. If the company demonstrates profitability—meaning rental income and other returns exceed expenses—banks often exclude those mortgages from your personal liabilities when assessing borrowing power.

To make these properties self-sufficient, consider larger deposits, Airbnb strategies for higher yields, or targeting regional growth areas with strong capital potential. Avoid apartments, as they tend to have lower capital growth and higher running costs.

Note: If you Airbnb the property, you may stay in it as a short-term guest, provided you pay market rates.

Principal Place of Residence (PPR)

Your main residence is exempt from capital gains tax (CGT) if it has been the primary home for you and your dependents throughout ownership. While many see PPR as "good debt", it's worth noting that the expenses and loan interest aren't tax deductible, and it doesn't generate rental income—unlike investment properties.

Some investors opt to rent-vesting where they want to live while renting out their owned property. If you live in your property for 6–12 months before renting it out (and keep it rented for no more than six years consecutively), you may still be exempt from CGT when you sell. After six years, you begin incurring tax on capital gains from that point forward. To reset this, you can move back in for another 6–12 months.

Each couple can only nominate one PPR between them. It's strongly recommended to obtain a sworn valuation —not just an agent appraisal—at key points for ATO compliance. Your claim must be genuine, based on lifestyle or family reasons—not solely for tax benefit. The ATO does not specify a minimum period for establishing a PPR but assesses it on intent and evidence (e.g. bills, mail, occupancy records).

Land Tax Planning

Diversify your property portfolio across states to manage land tax exposure. Victoria has some of the highest land tax rates in Australia, so spreading your holdings can reduce your liabilities. That said, high-growth potential in Victoria may still make it a worthwhile investment.

Debt Recycling

You can make the interest on your PPR tax deductible by leveraging equity for investment purposes.
Two options:

1. Split Investment Loan – Use equity from your PPR to fund investment property purchases. The interest on this split (used for investment) is tax deductible. Keep it simple: avoid using one loan for multiple investments to ease accounting.

2. Cross-Collateralisation – Use your PPR and investment property as joint security for your loan structure.

Vehicle Purchase Strategy

Buy your work vehicle through your company. Maintain a 90-day logbook to establish business use (valid for five years with the ATO). Travel from home to work is personal, but if your home is your primary place of business, this may change—speak with your accountant. Rather than using high-interest vehicle finance, consider using equity from your property to fund the purchase at home loan rates. Just be mindful of the order—buying a car before a property can reduce your borrowing capacity, but buying it after (using equity) typically doesn't affect serviceability.

Instant Asset Write-Offs

Eligible businesses can claim an immediate deduction for the full cost of qualifying business assets instead of depreciating them over time. For example, a $15,000 business asset can be written off in full in the year it is purchased and put into use, lowering your taxable income.

Keep in mind:

- The asset must be for business use.
- Eligibility thresholds apply.
- You can still opt to depreciate over time if preferred.
- Don't buy simply for the deduction—cash is still cash. Use the scheme only for purchases you genuinely need.
- You can buy multiple assets

Prepaying Expenses

If you have regular business expenses (e.g. insurance, subscriptions), consider paying 12 months in advance. This brings forward the tax deduction, which can be useful in high-income years. Just balance this strategy against cashflow—ensure you're not locking up funds you'll need elsewhere.

Property Depreciation

Depreciation allows you to claim the decline in value of your investment property against your taxable income. There are two categories:

- Division 43: Capital works (building structure)
- Division 40: Plant and equipment (appliances, fixtures, etc.)

Newer properties tend to yield greater depreciation benefits. You'll need a Quantity Surveyor to prepare a depreciation schedule—this is a one-off cost and also tax deductible. Once prepared, you can use this schedule year after year to reduce your taxable income without incurring ongoing out-of-pocket costs.

Prepaying Interest

If you have the financial capacity, prepaying 12 months' worth of interest on an investment loan allows you to bring forward the tax deduction. This can significantly reduce your taxable income in the current financial year.

Borrowing Capacity & Cashflow

Reduce or Eliminate Bad Debt

One of the most effective ways to improve your borrowing power is to pay off personal debts and lower your credit card limits. Even if you don't use your credit card or always pay it off on time, lenders still assess the full limit as available credit—reducing your serviceability due to its high-risk nature.

Live at Home or Rent-Vest

If you don't have dependants or a partner, consider living at home with family to maximise savings. Alternatively, rent-vesting—where you rent in a desirable location while investing elsewhere—can provide lifestyle flexibility and improve cashflow. It's often cheaper to rent your dream home than to own it, freeing up funds to invest in higher-return properties.

Extend Loan Terms

Opting for a longer loan term (e.g. 40 years instead of the standard 30) reduces your monthly repayments, thereby increasing your borrowing capacity. While this may result in more interest paid over time, the strategy can make sense if your investment property's capital growth and rental yield outweigh the added interest.

Interest-Only Loans

While interest-only loans may slightly reduce your borrowing capacity due to shorter assessed loan terms, they significantly improve your cashflow by lowering monthly repayments. Many investors prefer this approach to avoid paying down principal unnecessarily, especially when that capital could be used elsewhere for higher returns. Remember, inflation will reduce the value of money over time—so locking up funds in loan principal may not always be the most efficient use of capital.

Bucket Companies (as noted earlier)

If you purchase property through a bucket company that is cashflow-positive or self-sustaining, some lenders may exclude that debt from your personal liabilities. This can enhance your serviceability for other investments.

Ownership Structures

Buying property in a company or trust has its pros and cons. The downside is that losses (such as negative gearing) cannot be offset against your personal income. Instead, losses are carried forward to offset future profits. It's important to find the right balance between personal ownership for borrowing capacity and structures like companies or trusts for asset protection and long-term tax efficiency.

Non-Bank Lenders

Non-bank lenders often assess loan applications more flexibly than major banks, sometimes offering higher borrowing limits. While their interest rates may be slightly higher, these costs are typically tax-deductible and may be worthwhile if they help you reach your investment goals sooner.

Lease-Back Loans for Commercial Property

When investing in commercial real estate, finance can sometimes be secured against the lease income from the property itself. This allows lenders to assess the property's rent—not your personal income—when evaluating serviceability.

Weekly Repayments & Offset Accounts

Switching from monthly to weekly repayments can reduce the total interest you pay, as interest is calculated daily. Even small changes here can lead to significant long-term savings. Linking your salary to an offset account can also be highly effective. Funds in the offset reduce your loan's interest-bearing balance, saving you more than what you'd earn in a standard savings account. An offset account works like a savings account but directly reduces your mortgage interest—a better financial outcome for most borrowers.

Phase Two: Consolidate & Accelerate

Consolidate

After 10–15 years of applying the strategies outlined above, you've built a portfolio of investment properties. Over that time, property values have doubled (or more), and your rental income has also significantly increased —while your interest repayments have remained relatively stable. With all properties now positively geared, you're ready to deploy your passive income strategy.

At this point, you may choose to sell down part of your portfolio, using the proceeds to pay off the remaining debt on the properties you wish to keep. This leaves you with little or no mortgage, strong cashflow, and financial independence through passive income. Many investors at this stage pivot into commercial property, where yields are typically higher and the focus shifts from capital growth to income generation. With the right portfolio, it's realistic to generate $200,000–$400,000 in annual passive income. While this income is taxable, your living expenses are now far lower without mortgage repayments.

Live Off Equity

One way to legally minimise tax is by not generating taxable income or capital gains—this is how many wealthy individuals pay little to no tax. Instead of selling assets, they access equity.

For example, let's say you own a $2 million property outright. You could establish a line of credit for up to 80% of its value ($1.6 million). You only pay interest on the amount you actually use, which can be drawn down gradually to cover living expenses and service the loan itself. By the time the funds are fully used, if the property has doubled in value again—as history suggests it might—you can simply repeat the process. This cycle allows you to access funds tax-free because a loan is not considered income. When the property is eventually sold (likely by your estate), the loan is repaid, and the remainder is retained. This is a common strategy for maintaining lifestyle without triggering taxable events.

Fast Track Your Freedom:

You can accelerate this journey by becoming an Area Specialist agent. Our model allows agents to operate their own business, pay less tax, and retain 100% of their commission—boosting your cashflow and giving you full control over reinvesting profits.

Don't pay the "spinach tax." As your own boss, you benefit from our support with branding, subscriptions, admin and trust accounting—while you remain the face of your business.

If you're worried about losing income or listings by stepping out on your own, consider this: that fear is hypothetical. With a strong work ethic, the likelihood of losing income is low. But continuing to work under someone else is a guaranteed loss—up to 77%, based on the earlier example. The real risk is staying where you are. Be more concerned about guaranteed loss than imagined uncertainty.

Visit our website beyourboss.com.au to learn more.

Joining Area Specialist gave me the freedom to shine as an individual, rather than be hidden behind a brand. It's a model that not only rewards me with high remuneration but also empowers me to offer my clients a highly polished platform and powerful network that delivers exceptional results. Beyond the professional benefits, it's also given me the flexibility and support to achieve more in my personal life, creating a balance that fuels both business success and personal fulfilment.

-Daniel Robinson