



SCPI - Rental Investment with a Difference by Isabelle Want

OK, let's face it, these days it is difficult to find a safe and performing investment. There is a temptation to go back to the old and trusted property investment. So how can we get a rental income without having to deal with difficult lodgers and having to invest a huge amount of money to buy a house or a group of flats?

In France, we have an investment called SCPI- Société Civile de Placement Immobilier which enables you to invest as little as 8000€ and get a return of between 4 and 5% per year without dealing with dodgy lodgers!

Why choose rental income?

Rental investment has stood the test of time and has been chosen by many as a good investment to prepare their pension. When you are working and earning enough money, you buy a property with a mortgage which is then partly paid up by the rental income and when the mortgage is paid up, the rental income will top up your pension (which will be much less than what you are earning now). Or you have a capital lump sum and want to use it to complement your income/pension and find that safe investments these days don't perform enough for you (around 2%) so you buy a property with the lump sum and rent it. If you choose well, you can get a return around 6 to 7%. E.g. You can buy a property in the Poitou-Charentes at around 100,000€ and get a rental from it for around 600€ per month so a return of 7.2%. If you keep the property long enough, you might even get some capital gain.

Problems with traditional renting investment

Well, first of all, not everybody has 100,000€ to buy a property! Secondly, the problem with owning a house is that there is always some work to do on it - so be ready for maintenance costs.

Thirdly and more importantly, you become dependent on your lodgers! You can't evict them during winter months even if they don't pay. And you can only expel them on the anniversary date of the contract (2 years contract) by registered mail 6 months prior. So if you are unlucky and can't get a good lodger for a long period of time, you end up without income.

What is SCPI?

SCPI is a civil society who buys and rents commercial properties. So in effect you buy shares in this society and get dividends (rental income). It's what we commonly call paper stone investment. The Allianz Pierre SCPI has a capital of 410,548,725€ with 14,143 investors and 140 properties, mostly offices and commercial centres based around Paris (80%). The occupancy rate of those properties is 90.51%. The price of the share is 320€ with a minimum of 25 shares, so 8000€ investment.

Why choose SCPI over traditional rentals?

Because, you can invest from as little as 8,000€. You share the risk of no occupancy with others so you don't have the risk of losing your income. It is commercial property so safer than individual people renting. You have no maintenance of properties to do and no 'taxe fonciere' either.

And, you can also get a mortgage for it (75 shares minimum) in order to prepare your retirement. Finally, if you want to get your capital back, you sell them back to Allianz! No hassle of finding a buyer, estate agent fees and showing the house. Although still count on a 2-3 month wait to receive your money.

How much income?

In 2014, a 32€ share got you 15.03€ per year so around 4.70% return. So far, it is around the same figure for 2015. The rental income is paid to you quarterly.

Allianz Pierre has been voted in 2015 best SCPI in France by 3 different investment magazines.

Tax

Well, that is the good part, you have nothing to calculate, Allianz send you a yearly statement telling you where to put the income figures on your tax form. But I can't tell you how much tax you are going to pay as it depends on your total income. The revenue from the SCPI will be added to your other earning/pensions/etc. In 2015, a couple who declared less than 27,000€ did not have to pay income tax.

If you sell them, it is the same as selling a secondary property so subject to capital gain tax.

Disadvantages

There is a 10% penalty for selling it. So you buy it at 320€ and sell it at 288€. But note that it is based on the actual price of the share when you sell it and not when you bought it. The prices of the shares do increase year after year. In 2003, the selling price was 168.39€. It is now 288€.

The other disadvantage is that nothing is guaranteed, same as any property investment in fact.

Finally, you must remember that it is a long time investment, just like a property!

Conclusion

This is a no-hassle rental income investment, so if you like renovating a house in order to rent it, this is not for you. It is also not an investment to have compound interest. Here, you get the interest quarterly so it is an investment to complement your revenues, not increase your capital. But it is less risky than owning a property directly so why not contact me for any further information?

And remember to check out our website www.bh-assurances.fr for all my previous articles ("practical information" on the English site).

You can also follow us on Facebook: 'Allianz Jacques Boulesteix et Thierry Hatesse'.

And don't hesitate to contact me for any other information or quote on subject such as Funeral cover, inheritance law, investments, car, house, professional and top up health insurance, etc...

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