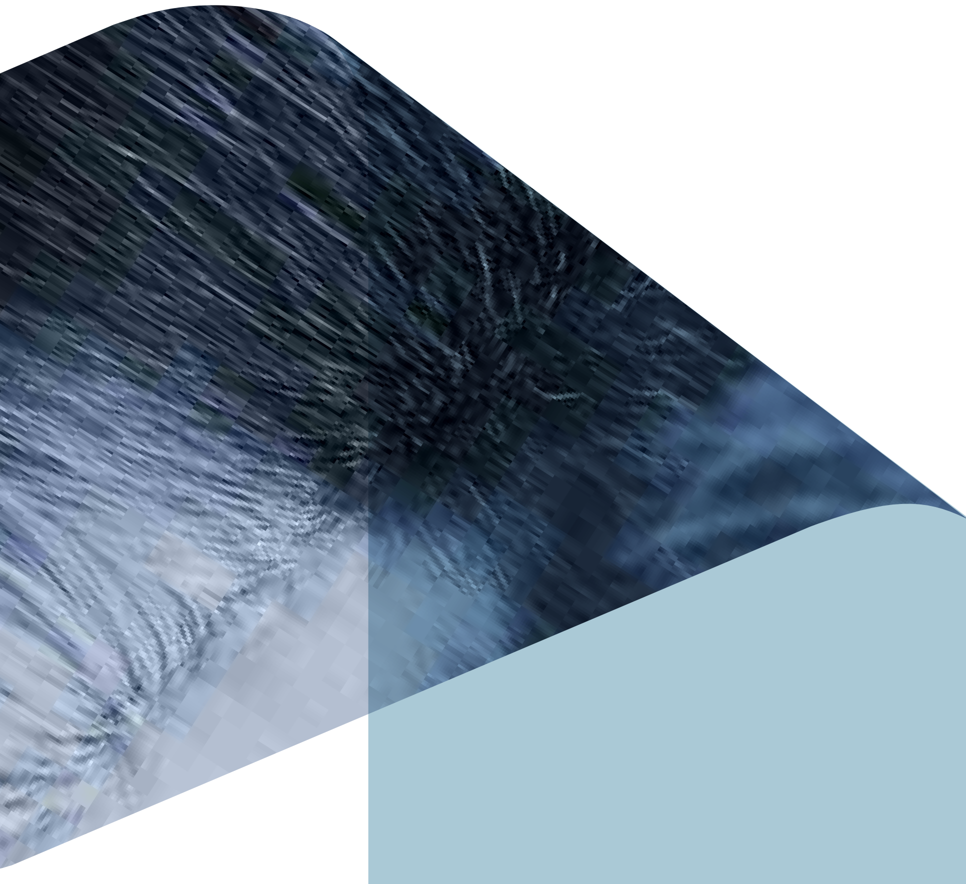
BOQ SPECIALIST

Distinctive banking

# Your guide to medical practice ownership



Contents

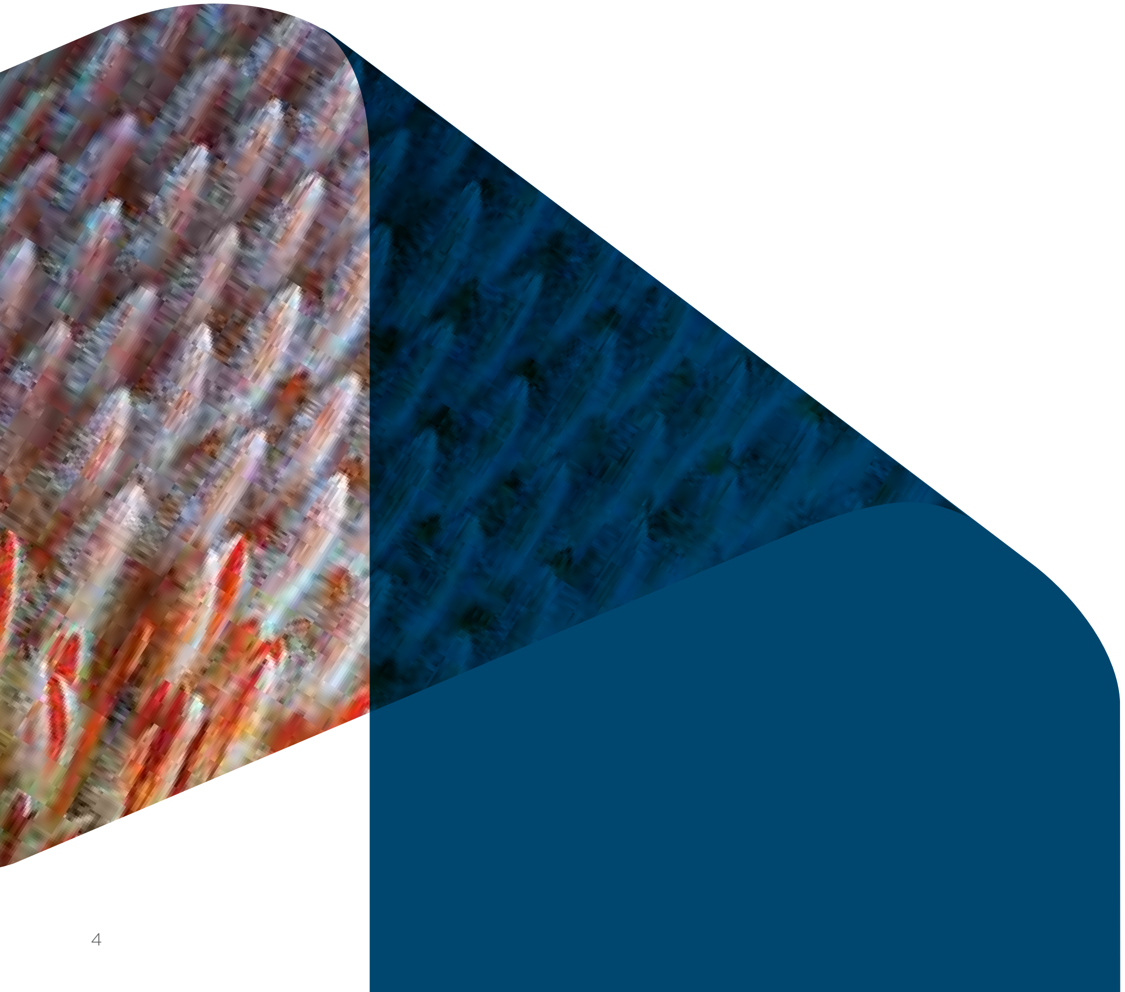
# About this guide

**This guide is to help doctors navigate the process of buying a practice. If you have any questions our financial specialists are on hand to help you with:**

- estimating how much you can borrow
- borrowing against goodwill and equipment
- purchasing commercial property through SMSF
- BOQ Specialist business, chattel, asset and hire purchase loans
- choosing a suitable finance structure
- making the most of escrow and overdraft facilities

Whatever your specific needs, we can help.
Call us on 1300 131 141.

This guide contains general information and useful checklists that will help you focus on the most important things in terms of your financing options. It will help give you the confidence to make an informed decision, but it is not intended to replace personalised advice that takes your individual circumstances into account. We recommend you obtain independent financial, legal and tax advice before making any decisions.



We have spent over 25 years helping doctors, dentists and other medical professionals build and run their practices with a range of tailored financial products and services.

As well as helping you with all your business and personal banking needs, BOQ Specialist can also help you buy and fit out your practice premises.

Buying a practice is a major business decision that requires careful business and financial planning. It's exciting, but there's a lot at stake.

Whatever option you take a sound business plan, including a realistic financial plan, is vital. In this guide you will find a list of the other professionals we recommend you engage when undertaking this crucial step in your career.

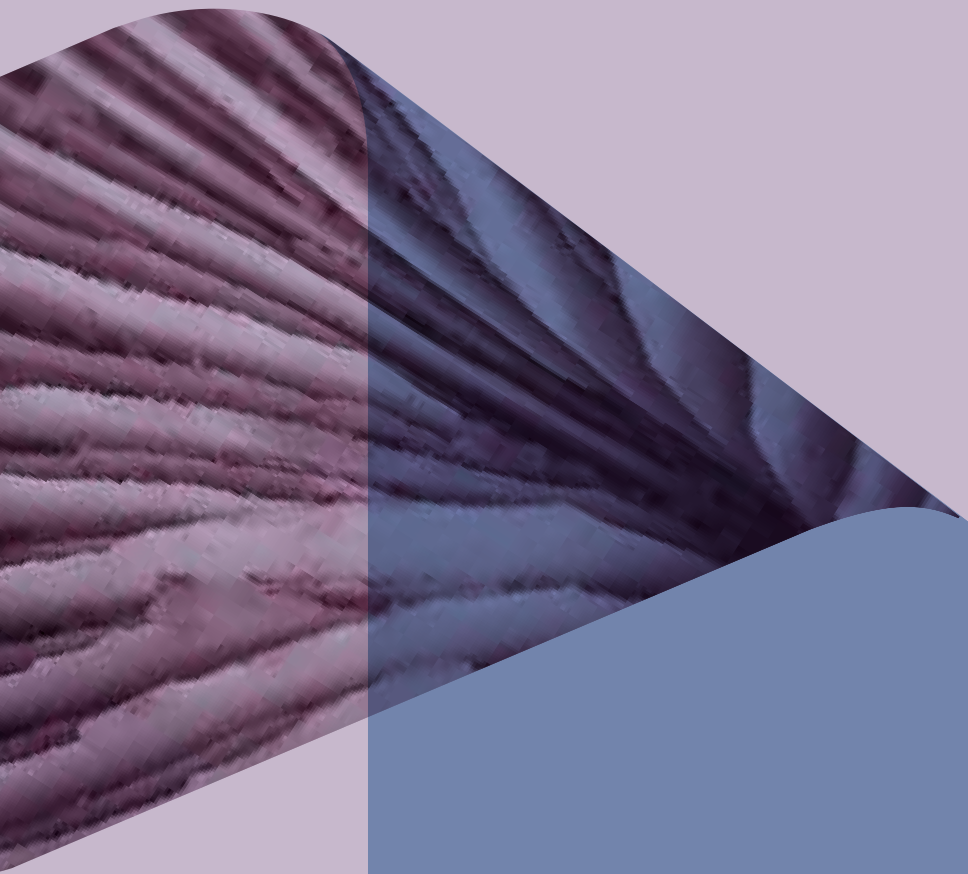
Not all banks are created equal. While some of the products mentioned in this guide are standard, our experience of financing medical practices means that many of our products have features that may not be available at other financial institutions.

This guide is designed to help you navigate the process of owning a practice that's right for your future plans and understand the financial options available.

# Practice purchase versus starting a new practice

When purchasing your own practice, you have some distinct options: you can buy into an existing practice, perhaps the one you have been working in, you can purchase a whole existing practice, or set up a new practice from scratch.

We have helped hundreds of doctors navigate each of these options, and these are the practical and financial considerations of each option.





## Buying into an existing practice

Usually the opportunity to buy into a practice comes when a doctor in a partnership retires or the principal is winding down (that is, a partial buy-in with a view to full ownership). If you have been working in the practice you want to buy into, you have the advantage of knowing how the practice runs and having continuity with the patients and staff.

Buying in implies that you will be a partner in the practice, which may mean you have less say in how the practice runs than if you owned it outright and you might be expected to slot into the former partner's place and maintain the status quo, which you might find restrictive.

## Practice purchase

The opportunity to buy a practice outright usually comes when a doctor retires, or owns two practices and is winding back to one. You may know the owner or work in the practice; if not, you might find practices for sale through your network – sales reps can be a good source of insider knowledge – or from a specialist practice sales professional.

Buying an existing practice can, on the face of it, look more expensive than starting from scratch, but the return on investment (ROI) can be more predictable simply because the practice is fully operational before you even walk in the door.

It is also easier to review profit and loss for an existing practice, so securing a loan for it may require less planning than getting a loan for a start-up practice and fit-out or equipment.

An existing practice may also come with existing staff who know how to run the place and have goodwill with the clients; there may also be other practitioners leasing spaces and offering ancillary services and income. In our experience, many doctors underestimate the time and effort it takes to develop a good working relationship with the existing staff – a change of owner is a time of uncertainty and worry for them, and changes will need to be carefully negotiated. Goodwill can evaporate quickly if the staff are unhappy so it pays to get them onside quickly.

**We can help**

**Our experience in providing finance for dental and medical professionals means that our financial specialists help you make your decisions based not only on your current financial situation, but also on our extensive experience of your likely income trajectory and the value of what your practice's tangible and intangible assets will be.**

## Practice purchase continued

On the downside, you may inherit tired fixtures and fittings, a floor plan that's not convenient for the kind of practice you want to run, or tired assets. Refits need to be factored into your plans, not just financially but also in terms of the disruption to the business.

Due diligence on existing practices will reduce risk, but will take a lot of time, effort and up-front expenditure on legal and other professional fees – take a look at the 'other professionals' section to see the professional services we recommend. You'll need to be sure that there is growth potential in the practice, that there are no financial or compliance irregularities, that the building is sound or the lease secure – and that the local demographic will continue to support the practice in the future. This is particularly important if you're buying from a doctor who has a second practice, or is moving on to another premises – they may want to protect their income by restricting who you market to, and many of their clients may follow them (even if unsolicited by the vendor).

Whether you buy-in or purchase a practice outright, it's important to be on the same page as the owner. Both you and the seller need to have realistic expectations, and be clear about the tangible and intangible assets that make up the purchase price.

**Things to think about**
**What is your differentiator? Do you have skills that other doctors in the area don't have? And if you don't, will the area support another practice? Does the demographic reflect the client group you want to attract?**

## Starting a new practice

Setting up a new practice can be exciting – you can choose the location, fit-out the practice the way you want and establish the right team, systems and protocols right from the start.

Starting from scratch, with few or no patients to cover your outgoings when you open your doors, takes a strong mentality and good planning. A business plan that realistically shows the rate of growth and the point at which you expect to break-even will reduce the worry while the business is in the red, but you need to be comfortable with the risk.

When you're looking for premises there are plenty of options. Commercial spaces can be leased or bought in multi-occupancy office buildings; you might convert a high street retail space, rent space in a shopping centre, or take on an ex-residential property.

Ideally you will find premises with a floor plan and number of rooms that suit a medical practice of the size you envisage, with good-sized clinic spaces, bathroom and kitchen facilities, reception and waiting areas. A prominent frontage and doorstep parking as well as public transport access are also essential considerations.

Planning permission or change of use may be necessary with some properties. Spaces in managed environments like shopping centres could also entail unexpected costs as management can insist that you refresh your fit-out every few years even if it is still looking good.

The fit-out and equipment can be added to your capital investment, which will increase your borrowings, but you also have the option of leasing both which may give you more flexibility in terms of the timing of possible tax deductions. Either way, the assets will be brand new, as will your premises.

On the downside, you can wait a long time for your ROI to kick in and you may need to forgo a higher proportion of income to keep the cashflow of the business going while you build your patient base. You will also have the expense and effort of hiring (and trialling and training) new staff, which we find doctors often underestimate.

**What most practices need:**

- a commercial mortgage (if you buy)
- a bank guarantee for the bond (if you rent)
- a flexible financing arrangement to help with purchasing tangible assets like fit-out, furniture and computers
- an overdraft to manage cashflow smoothly
- ongoing financial support as the practice grows
- a cash management account

**We can help**
**The fact that we specialise in lending to doctors and other professionals means that we can offer loans up to 100% of purchase price and up to 90% for SMSF borrowing for owner-occupied commercial premises.**

# Buying versus renting commercial premises

If you have decided to set up a brand new practice, you have the option of either buying or renting your premises. In our experience, there are pros and cons of each option, both practically and financially.

**We can help**
**We can make buying a practice premises as attractive as renting. Many banks will need 30-40% deposit, but we don't. Our terms and products may also mean that your commitment in loan repayments may be no more than rent – and that repayment may be better invested in something you own.**

## Renting

On the surface, renting appears to make more sense for an early stage business. Renting gives you flexibility because you're not committed permanently to a premises and you can relocate when your practice grows. The low barrier to renting can also make it a tempting option financially.

Renting also implies that you don't tie up capital that you may need elsewhere in the business, and you can spend less of your monthly earnings that are required for things like building insurance, maintenance and repairs.

On the downside, you may have limitations on the improvements you can make to the property and the property owner may not be as prompt as you would like in making repairs. You don't want to make significant improvements on an asset you don't own and there is also a risk that the owner may decide to increase the rent beyond your means or sell the property, which could mean moving at a less than convenient time and leaving tens of thousands of dollars of investment behind. Commercial property is leased on the premise of vacant possession, which effectively means you walk away from your fit-out when you leave.

Moving also means a break in continuity for your patients and disruption to your practice and staff (or lost goodwill). You may find that some of your valuable staff and a portion of your clients don't come with you, especially if you have to move out of area.

If you stay long-term and then want to sell your practice, you also won't be able to guarantee the premises and its fit-out are part of the sale.

## Buying

Ownership gives you a long-term address, which not only gives you security of tenure but also provides continuity for your patients. Owning your own practice space also gives you the opportunity to model your rooms the way you like them without the risk of losing the investment through being forced to move.

Purchasing commercial premises may also be as financially practical as renting. With the right financier, the deposit you need for the loan may be close to the bond required for a rented property and loan repayments may be no higher than rent payments. Mortgage repayments are also a direct investment in your business premises and, if property prices are on the up or you can improve the property, you have the potential for building equity that you can borrow against.

Owning your own practice premises also means you can invest with confidence in fit-out and equipment, knowing that all the improvements you make directly add to the value of your practice. This helps with your exit strategy and the appeal of your practice to prospective clients and future buyers.

On the downside, buying means significant capital investment, and you may need to secure your loan against other property – for business loans that usually means your private home, though there are other options, such as borrowing against equipment. Ownership comes with a long term financial commitment and incurs ongoing taxes, building insurance, maintenance and repairs which are not part of a renters' commitment.

# Practice purchase checklist

It can be hard to keep track of everything when you look at lots of properties, so we've created a property checklist for you to photocopy and use when you inspect.

## Looking at a new practice?

### Property details

Address

Property type (e.g. whole building, suite, converted residential)

Date of inspection

Applicable rates

Sale price

or rent cost (pw/pm/pcm/pyr)

Rental deposit

### Agent

Company

Agent's name

Agent's phone number

### Notes

### General

- ☐ Overall in good condition ☐ Yes ☐ No
- Suitable floor plan ☐ Yes ☐ No
- Ability to change floor plan ☐ Yes ☐ No
- Good security ☐ Yes ☐ No
- Privacy (soundproofing) ☐ Yes ☐ No
- Pram/wheelchair access ☐ Yes ☐ No
- Potential for street signage ☐ Yes ☐ No

### Location

- Visible from street ☐ Yes ☐ No
- Close to public transport ☐ Yes ☐ No
- Close to amenities ☐ Yes ☐ No
- Walk in potential ☐ Yes ☐ No
- Good mobile reception ☐ Yes ☐ No
- Broadband available ☐ Yes ☐ No

### Rooms/areas

Number of clinic rooms

- Reception ☐ Yes ☐ No
- Waiting area ☐ Yes ☐ No
- Office ☐ Yes ☐ No

### Facilities

- Toilets ☐ Yes ☐ No
- Kitchen ☐ Yes ☐ No
- Air conditioning ☐ Yes ☐ No
- Ventilation ☐ Yes ☐ No
- Enough power points ☐ Yes ☐ No

### Parking

- Car park ☐ Yes ☐ No

Number of spaces

- On-street free ☐ Yes ☐ No
- On-street metered ☐ Yes ☐ No

## Looking at an existing practice?

### Proprietor

Name

Phone

Email

Price

### Broker

Name

Phone

Email

Notes

### Fit out

Equipment for sale with practice

- ☐ Good ☐ Replace
- ☐ Good ☐ Replace
- ☐ Good ☐ Replace
- ☐ Good ☐ Replace
- ☐ Good ☐ Replace

Equipment leased to practice

- ☐ Good ☐ Replace
- ☐ Good ☐ Replace
- ☐ Good ☐ Replace
- ☐ Good ☐ Replace
- ☐ Good ☐ Replace

Fixtures

- ☐ Good ☐ Replace
- ☐ Good ☐ Replace
- ☐ Good ☐ Replace
- ☐ Good ☐ Replace
- ☐ Good ☐ Replace

### Available practice data

- Last 3 years profit/loss ☐ Yes ☐ No
- Last 3 years tax returns ☐ Yes ☐ No
- Last 3 years income by procedure ☐ Yes ☐ No
- Asset register ☐ Yes ☐ No
- Current insurances ☐ Yes ☐ No
- Fee schedule ☐ Yes ☐ No
- Client database ☐ Yes ☐ No
- Supplier contracts ☐ Yes ☐ No
- Staff contracts ☐ Yes ☐ No

### General

Years established

Turnover

- HICAPS ☐ Yes ☐ No
- Bulk billing ☐ Yes ☐ No

Number of patients

Growth potential

(e.g. veterinarian to population ratio)

### Staff

- Other practitioners ☐ Yes ☐ No
- Intention to stay? ☐ Yes ☐ No
- Admin staff ☐ Yes ☐ No
- Intention to stay? ☐ Yes ☐ No

### Overall

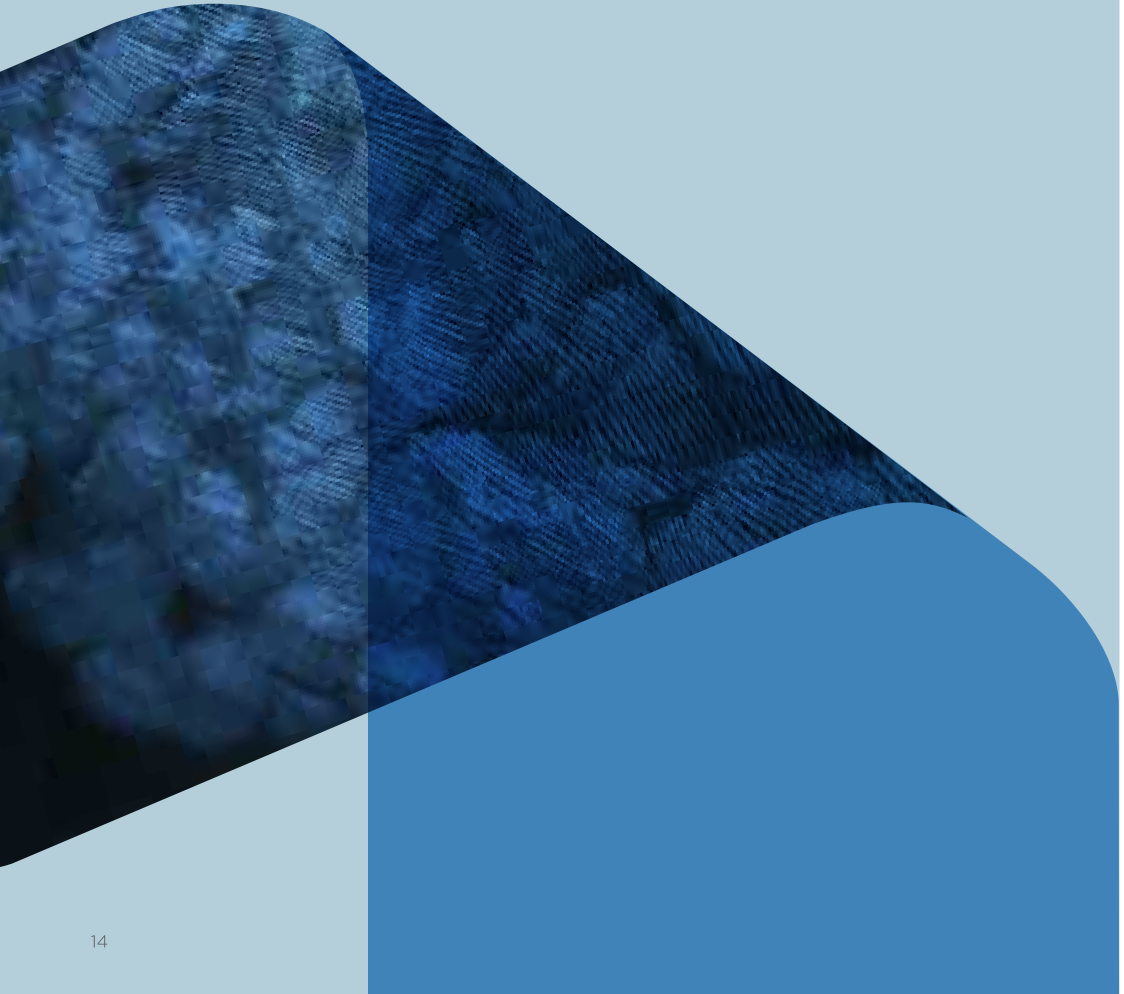
Score out of 10

- Make an offer ☐ Yes ☐ No

Notes

Please note: this checklist is a guide only and should not be relied upon as a comprehensive checklist.

# Understanding your loan options



### A suitable finance structure

Before you embark on investing in a practice, we recommend that you seek professional financial, tax and legal advice which takes your personal and business circumstances into account as part of your business planning process. It's vital that you understand the financial implications of your decisions and that you make the best decisions for your circumstances and your goals. It's all too easy to sign up for a loan that meets your immediate requirements, but doesn't fit your medium and long term goals.

Our lending philosophy gives you a greater range of options to work with and our finance specialists are there to help you navigate the options so you get the solution that works for you. We also offer lending solutions to help with other costs associated with purchasing a property such as conveyancing, legal fees and stamp duty.

### Goodwill and practice purchase loan

Goodwill and practice purchase loans are available with variable and fixed interest rate options, and can be structured to your advantage through partnership, company or trust entities. We offer interest-only or principal and interest repayment options, with terms of up to 15 years.

With most banks, business loans are secured against your home, which mixes personal and business finances and can have some unintended consequences. For example when you sell your home, the bank will want to claim back the money lent to the business.

At BOQ Specialist it is possible to structure your loan in such a way that your home does not need to be used as security against a business loan. We may be able to secure the loan against your practice goodwill because we understand the sustainability of the business and the value of your tangible and intangible assets. We back your business, which gives you flexibility and support over the long term.

## Commercial property loan

We can lend up to 100% if you are buying premises you will occupy. You can choose between a fixed and variable rate, or can opt to fix part of your loan. Repayments can be made on principal and interest over 15 years (renewable). Our commercial mortgage options are designed to suit your cash flow and to realise the benefits of owning over renting. By offering low and no deposit options, we make buying your own premises as achievable as renting. With the option of interest-only periods or fixing all or part of your interest, you can manage your cash flow better – particularly when you are starting up. We can also lend against equity and other assets, so you may not need other property as security.

## Asset purchase

With this loan type the lender purchases the assets you need and then hires them to you over an agreed contract period, which can be up to 84 months.[1] You use the assets over the period of the contract, but the lender owns them until the loan and interest have been repaid in full.

The advantages are that the loan is secured by the assets purchased, which generally means interest rates are lower, your repayments are fixed, there are no ongoing fees and you may be able to claim the interest and depreciation as a tax deduction.

## Chattel mortgage

This loan is similar to a commercial hire purchase, except you own the assets for tax purposes from the time of purchase. It also has terms of up to 84 months[1] and is secured against the assets being purchased, which generally means interest rates are lower, your repayments are fixed, there are no ongoing fees and you may be able to claim the interest and depreciation as a tax deduction.

**We can help**

**BOQ Specialist can help you leverage more of your super capital by lending up to 90% of the value of your practice property (and 80% of other commercial investment property) at a competitive interest rate and with no Lenders Mortgage Insurance (LMI).**



## Lease

Under a lease agreement we purchase your assets, and your payments are split into a number of monthly lease payments and a residual. Over a term of up to 84 months[1] you pay rent on your assets and, at the end of the period, you can elect to purchase the goods for the residual amount. Once the residual is paid, the ownership of the assets is transferred to you. There are no ongoing fees and your full lease payments may be tax deductible.

## Professional overdraft

An overdraft facility can be secured or unsecured, and you can make interest-only repayments or pay down the overdraft with principal repayments. You only pay interest on what you use rather than the whole credit limit, and the interest may be tax deductible.

Our One Account includes an option for an overdraft facility (subject to credit approval where appropriate) of up to $100 000. You may want to use this facility initially to cover consumables, materials and operating costs.

**We can help**

**You can make some loan repayments with a BOQ Specialist credit card, which means that you can earn uncapped Qantas or Velocity Points[3] on your repayments as well as on your eligible purchases.[5]**

# Finance types at a glance

| | Goodwill and practice purchase loan | Commercial property loan | Asset purchase | Chattel mortgage | Lease | Professional overdraft |
|---|---|---|---|---|---|---|
| **Set-up fees** | Yes | Yes | Yes | Yes | Yes | Yes |
| **Ongoing BOQ Specialist fees** | No | No | No | No | No | No |
| **Terms** | Up to 120 months | Up to 15 years | Up to 84 months | Up to 84 months | Up to 84 months | On demand |
| **Repayments** | Interest only or interest and principal; variable or fixed rate | Interest only or interest and principal; variable or fixed rate or mixture of both | Interest and principal | Interest and principal | Fixed monthly rental | Interest only or interest and principal; variable rate |
| **Who owns the asset during loan period** | Borrower | Borrower | Financier | Borrower | Financier | Borrower |
| **Possible tax deductions** | Interest and depreciation | Interest and depreciation | Interest and depreciation | Interest and depreciation | Monthly lease payments | Interest and depreciation |
| **Residual / Balloon** | Optional | Optional | Optional | Optional | Compulsory | No |
| **Who claims GST** | Borrower | Borrower (if applicable) | Borrower (per payment) | Borrower (lump sum) | Financier | Borrower |

### Buying commercial property through your SMSF

If you have a Self Managed Super Fund (SMSF), using the balance in your fund as a loan deposit can present an attractive option to support a purchase.

With your commercial property held in a trust under your SMSF, you can use the existing balance of your super as a deposit and can effectively pay the rent that you would have paid to a landlord into your super, if this is compatible with your SMSF's investment strategy.

Your decision to go with a fixed or variable rate loan will depend on the cashflow you expect through your super, and you will need to check that you can manage your gearing level under the Superannuation Industry (Supervision) legislation.

You will also need to get legal, tax and financial advice early in the process, and show that the property purchase fits with your SMSF strategy.

The ownership of the property and the loan both need to be structured carefully to make sure that you gain the benefits and comply with the SMSF requirements.

**We can help**

**When we tell you about the cost of a commercial loan, we will talk to you about the true cost from day one. Most banks will disclose the 'headline rate', which is the tempting interest rate, but this can be misleading as it doesn't include establishment fees, LMI and other bank fees.**



# Pre-loan checklist

Whichever loan option you take, you will need to do some homework so that you can present as much information as possible to your finance specialist.

### Monthly income

Cashflow review or projection

Average number of patients

Average charge per patients

Sublet review or projection

### Monthly expenses

Rent / loan repayments

Equipment lease payments

Bank fees

Interest

Staff wages

Insurance

Telephone / internet

Power

Water

Medical consumables

Office consumables

### Set-up costs (supplier quotes)

Deposit / bond

Service connections

Fixtures and fittings

Renovation / alteration

Computers

Office equipment

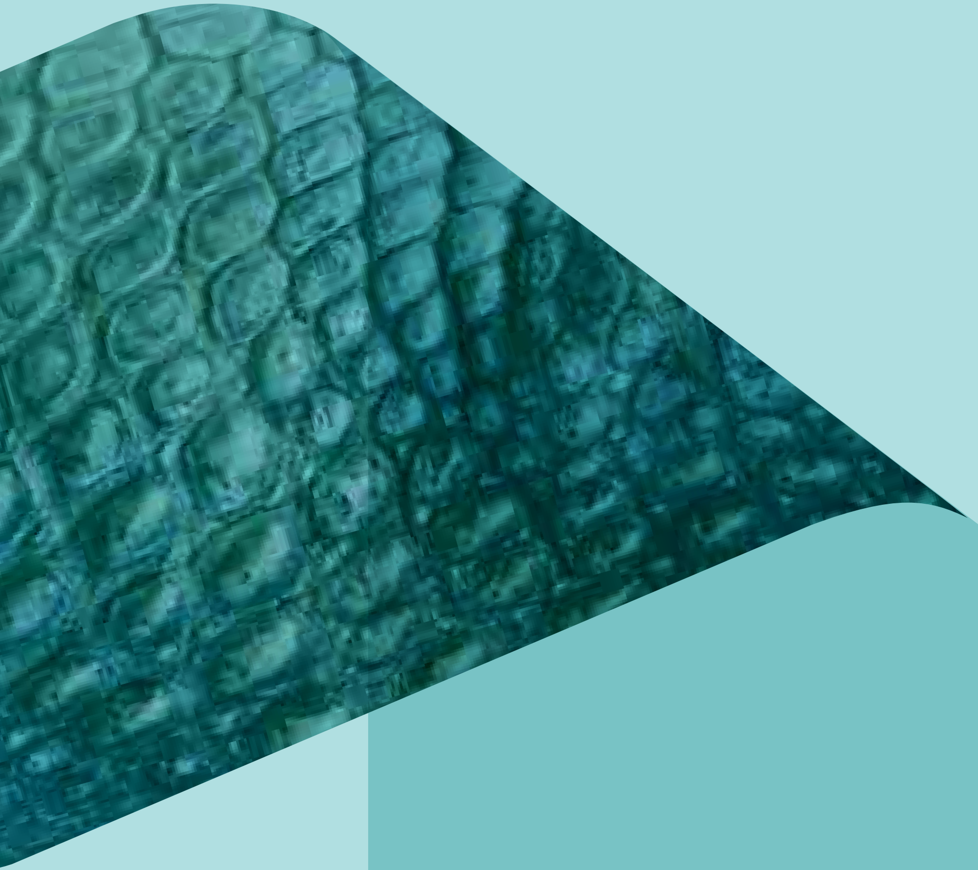
Medical assets

Staffing

Please note: This checklist is a guide only and should not be relied upon as a comprehensive checklist.

# Other specialists for your team

As well as a good financier with experience of lending to medical professionals, like BOQ Specialist, we recommend you work with other professionals whose expertise will help you navigate the process of purchasing your practice.



**Lawyer**

A lawyer will help you reduce risk in your venture by performing due diligence, helping you understand the pros and cons of leasing and buying, advising on licences, disclaimers, privacy protection, protection of your business name, agreements with third party suppliers, staff and contractors and the separation of assets from the operating entity. They will also help with the structure of your business with a view to succession planning.

**Accountant**

Accountants can work with your lawyer on the financial implications of different business structures, including tax. They can also help you mitigate financial risk, protect your assets and streamline your cashflow. A good accountant will also help you with operational concerns such as budgeting, forecasting, benchmarking, reporting and bookkeeping.

**Fit-out specialist**

A designer with experience of fitting out medical practices will help you make the best impression on your patients, from the street frontage to the clinic space. Branding is all important, and the impact of colour, design and space planning can help your practice succeed because it makes your premises appealing to your clients. A fit-out specialist can also help you navigate compliance issues and advise you on value for money and risk.

**Marketing consultant**

A marketing consultant with experience of working with medical professionals will help you to identify and advertise your differentiators effectively to your market. They will also help with your web presence and which social media platforms might be helpful for your business. They will develop a strategic marketing plan that will target the different segments of your market, and keep your brand consistently prominent.

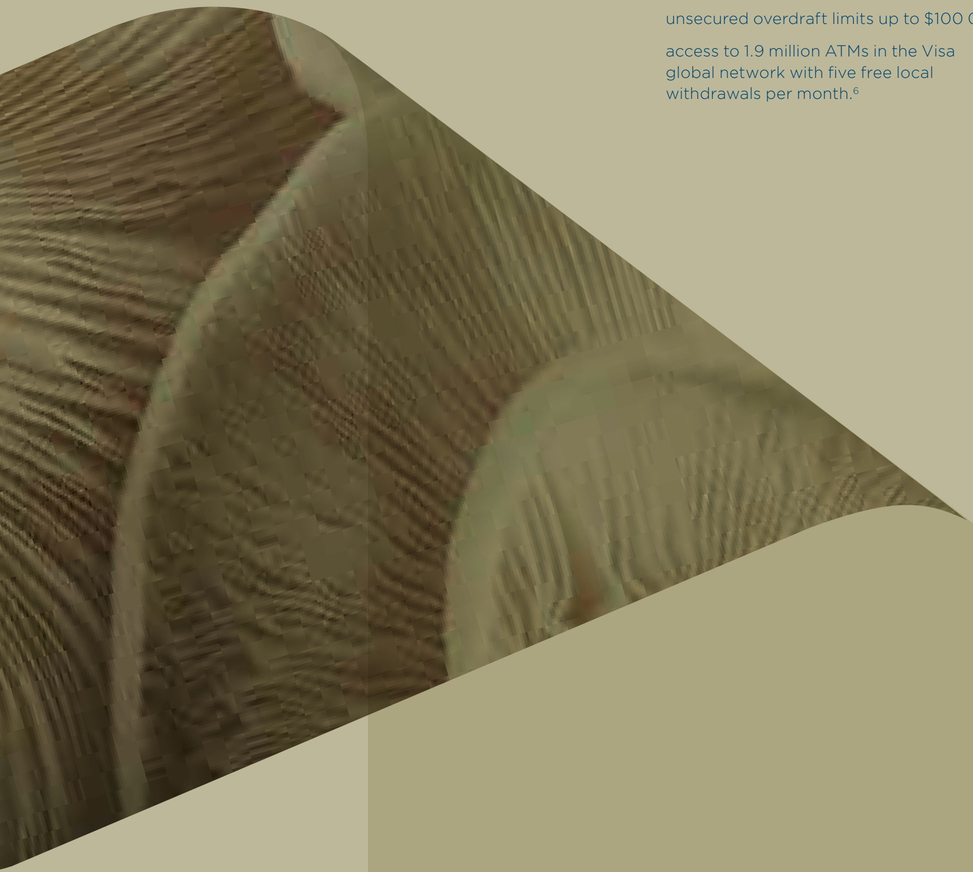
**Property or real estate consultant**

Real estate consultants familiar with medical practices can help you search for and secure the premises that is right for your prospective practice. They can help you research a suburb, its demographics, the competition, the state of the market and planning controls. They can also help you understand what to look for in a property and navigate considerations like option agreements and settlement conditions.

# How BOQ Specialist can help

**One Account quick facts**

- earn a competitive rate of interest on savings balances
- no minimum balance required
- full online and mobile banking functionality
- flexible line of credit – you manage the balance and therefore the interest payable
- available to individuals and businesses
- unsecured overdraft limits up to $100 000
- access to 1.9 million ATMs in the Visa global network with five free local withdrawals per month.[6]



**A full suite of products and services**

BOQ Specialist believes that not all professions are the same. We understand the value of a doctor's qualifications and offer a suite of innovative products that are directly tailored to both your practice and also to your personal life.

**Your specialist consultant**

BOQ Specialist provides you with a dedicated personal banking consultant who gets to know you and your business. Having a bank that understands your practice and knows you and your industry well can make all the difference to managing your finances in the long term. Regular reviews to look at the products you have and to refinance or adjust where necessary will help your practice stay healthy.

**An outstanding transaction account**

A cash management or transactional account can help with the day to day operations of your practice, and our One Account has been designed with medical practices in mind. Like other transactional accounts it comes with a debit card with Visa PayWave and ATM services, the account can be managed online and you can make BPAY® and EFT payments.

The One Account pays a competitive rate of interest on savings balances, and can be used as an offset account attached to your business loan. It has no ongoing account-keeping fees or minimum balance requirement and may include an optional overdraft facility (subject to credit approval) not available for SMSF.

**Working capital**

Working capital helps to ensure that your business continues to operate smoothly even when cashflow fluctuates. With good forecasting you should be able to predict months where your expenses will temporarily outstrip your income and you should have a line of credit set up so that you can cover unexpected shortfalls.

Working capital can be sourced from your own funds as capital injected into the business, or can be borrowed through an overdraft facility. An overdraft facility can be used to cover intangibles like staff costs, including compulsory super and PAYG payments, consumables and rent payments.

The One Account comes with an optional overdraft facility (subject to credit approval) of up to $100 000. This line of credit is not secured against your assets, and you only pay interest on what you use, not on your entire credit limit.

## Credit cards that work for you

BOQ Specialist Signature and Platinum credit cards come with outstanding benefits including Qantas or Velocity Points, travel insurance[2] and access to Visa's premium travel and entertainment services. Unlike other banks, we don't put a cap on how many reward points you can earn.[3]

You can use your credit card to make purchases for your practice, including equipment and cars, earn reward points as you buy and then roll the expense into a fixed-term contract (fees apply) to help manage repayments.[4] You can also boost your reward points by using your card to make repayments on certain BOQ Specialist loans.[5]

Added to that, our strong relationship with industry partners means we can offer special discounts and promotions from a range of medical suppliers.

## Flexible financing arrangements

A flexible, short-term arrangement can take care of all the payments and draw-downs you require during a fit-out. You make no repayments until the project is complete so it helps you manage cashflow while you're still setting up. The final amount you borrow can then be rolled into a longer-term agreement with fixed repayments.

## Commercial loans

If you decide to buy a property or purchase equipment outright, you will need a commercial loan – see pages 14–19 for details of the types of loan available.

Our intimate knowledge of the medical profession and your likely career and income trajectory means we can expertly structure your loans to suit your short, medium and long term plans. We can also lend up to 100% of the value of your commercial property (90% if purchased through your SMSF).

We aim to be as direct and transparent as possible, so when we discuss the cost of the loan with you we talk to you about the true rate from day one. Many banks will quote you a 'headline rate', and it's only later, as you go through the paperwork, that you discover there are hidden fees that add thousands to the overall cost of the loan. Because we quote the true rate at the outset, you can have confidence that there won't be any hidden surprises like additional fees or charges.



## Make the most of tax deductions

We strongly recommend that you seek advice from a taxation specialist, but here are some common considerations.

Think about setting up a company, service trust or partnership to take advantage of the tax breaks that best suit your needs. You may also find considerable tax benefits in owning your practice premises through your SMSF if this is consistent with your SMSF investment strategy.

When you are fitting out, items that attract high depreciation (such as computers and laser equipment) are generally best acquired on a loan basis, and low depreciation items (such as fixtures and fittings) are best leased.

Make sure that you claim tax deductions on the eligible interest repayments on your loans, on your rental payments and depreciation of the assets, and that you discuss capital gains considerations with your accountant.

## Insurance

Few medical professionals would fail to take out building and contents insurance for their practices, but there are other insurances that you should consider.

Business expense insurance can take care of your loan repayments if you have an unexpected disruption to your business.

For your own protection, professional indemnity and public liability insurance are essential, but income protection insurance and trauma insurance are also worth considering to cover you in the event of injury or long-term illness. A reputable independent broker will help you ensure your insurance is appropriate.

**We can help**

**Experien Insurance Services, our preferred supplier of insurance products, is able to provide insurance that covers both your business and personal needs.[7]**

# Glossary of terms

| Term | Description |
|---|---|
| Application fee | The fee that you may need to pay when you apply to a lender for a home loan. |
| Comparison rate | A percentage figure which includes both the interest rate and most fees and charges you will need to pay during the life of the loan. Other costs or savings, such as redraw fees, early repayment fees or fee waivers are not included. |
| Contract of sale | A written agreement between you and the vendor that provides details of the terms and conditions of a property sale. |
| Conveyancing | The legal process of transferring ownership of property from the seller to the buyer. |
| Deposit | Usually 20% of the purchase price of the property, this is the amount you need to pay from your own funds towards the property price. It is non-refundable after the contract has been exchanged. If you pay less than 20% deposit, most lenders will ask you to pay LMI. |
| Draw-down | The incremental amounts loaned to you in a construction or investment loan. By drawing down what you need in stages, you only pay interest on what you use, as you use it, rather than on the whole principal. |
| Escrow | A short-term line of credit you can use during a fit-out project. You make no payments until the project is complete and the final amount loaned can be rolled into a longer term agreement with fixed repayments. |
| Equity | The difference between the value of a property and the amount of the loans owed on that property. (Negative equity is where you owe more than the property is worth). |
| Fixed interest rate | The interest rate at which your loan is fixed for a period of one to five years. This means your repayments won't change during the fixed rate period, even if interest rates do. |
| Government charges | Amounts and types of charges you need to pay to the federal and state governments when you buy a property, such as stamp duty, transfer and mortgage registration fees. Amounts vary from state to state, so check with your state government website. |
| Guarantee/ guarantor | A guarantee is a promise made by another person to repay your debts if you are unable to do so. The guarantor is the person providing the guarantee. |
| Headline rate | The interest rate advertised on commercial loans. It can often look attractive, but does not include fees and so can be misleading in terms of the true cost of the loan. |
| Interest-only loan | You only pay the interest accruing on the loan and do not make payments on the principal. This means the amount of the loan is not reduced for the interest-only period. |
| Introductory rate | Also known as a 'honeymoon rate', this is a tempting low interest rate that lenders offer at the start of the loan period. Once the introductory rate period is over, the loan generally reverts to the standard variable rate. |
| Investment loans | Loans specifically designed for investment property purchases. There are many varieties, from simple standard variable loans to construction or line-of-credit loans. |

| Term | Description |
|---|---|
| Lenders Mortgage Insurance (LMI) | An additional insurance that most lenders will charge you if you need to borrow more than 80% of the property price. LMI protects the lender if you default. BOQ Specialist does not require LMI on loans of over 80% LVR to veterinarians. |
| Loan agreement (or facility agreement) | A written agreement between you and the lender that provides details of the terms and conditions of your loan. |
| Loan to Valuation Ratio (LVR) | A way of working out the true financial value of your property, and decides whether your loan needs to be covered by LMI. The LVR is simply the loan amount divided by the value of your property. |
| Lump sum payment | An additional payment, on top of your scheduled repayments, that you make against your loan. If you have a BOQ Specialist loan with an offset transaction account, you can redraw these payments at any time. |
| Mortgage/ mortgagee/ mortgagor | A mortgage is the legal document which secures your property against a loan. The lender who holds the security is the mortgagee and you, as the borrower offering the security, are the mortgagor. |
| Official interest rate | The interest rate set each month by the Reserve Bank of Australia (RBA). Your lender will change their variable interest rates according to the official interest rate but may not follow to the same degree. |
| Offset account | An account attached to your loan. The interest on the attached loan is calculated on the loan principal minus the balance in the offset account, helping to reduce interest. |
| Pre-approval | Also known as 'approval in principle', this is when a lender will make an estimate on how much they can lend you based on the information you provide before you find a property. |
| Prepayment | See 'Lump sum payment.' |
| Principal | The amount you owe on a loan. Interest is calculated on the principal. |
| Principal and interest loan | Each payment you make on this kind of loan pays off both the interest and some of the principal. This means the amount of the loan is reduced and over time you will pay less interest and more of the principal. |
| Redraw | This feature allows you to withdraw lump-sum or advance payments you have made (but not payments made as scheduled repayments). |
| Refinancing | Taking out a new loan to replace your current loan, usually either to borrow more against equity or take advantage of better loan products. |
| Repayments | The scheduled payments that you make on your loan, as specified in your loan contract. Usually these payments are made fortnightly or monthly. |
| Split loans | Your loan is split into two, one with a fixed and one with a variable interest rate. |
| Stamp duty | One of the government duties that you may need to pay when you buy a property. The amount of stamp duty (and whether it is charged at all) varies from state to state, so check on your state government website. |
| True rate | The actual cost of a commercial loan. It includes the interest rate plus fees. |
| Variable interest rate | Variable interest rates move up or down depending on your lender's response to official interest rate announcements. If you have a variable interest rate loan, your minimum payments will also go up or down. |

# About BOQ Specialist

**A distinctive specialist bank**

BOQ Specialist delivers distinctive banking products to the medical sector. We aim to add value to and build partnerships with our clients and have been providing specialist banking in Australia for over 25 years. Our team understands your profession inside and out, so you won't have to explain yourself to someone who doesn't get it.

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**A bank built around its clients**

Our focus is on building lifetime relationships with our medical clients, and on simplifying the complicated.

Our broad range of personal and business banking products and services include everyday banking and savings accounts, credit cards, residential mortgages, practice purchase and fit-out loans, car loans, SMSF commercial loans and investment property loans.

Our approach is characterised by responsive personal service, unconventional thinking, and an ability to be nimble, flexible and innovative.

If you'd like to experience the difference of working with us, talk to one of our financial specialists on **1300 131 141** or visit **boqspecialist.com.au**

# Contact us

**BOQ Specialist**
Client Service Centre
T 1300 131 141
boqspecialist.com.au

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4. Fees apply for eligible credit card purchases to be rolled into fixed-term contracts. Credit card loan repayments exclude overdrafts, lines of credit and loans to SMSFs.
5. A 1.5% processing fee applies to loan repayments made using BOQ Specialist credit cards. Credit card loan repayments are not available for SMSF loans, overdrafts or lines of credit.
6. Five free ATM transactions per month per account at BOQ, Commonwealth, Westpac, St George, NAB and ANZ branded ATMs.
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