Debt investments vs. equity investments: Which is right for you?

Blog

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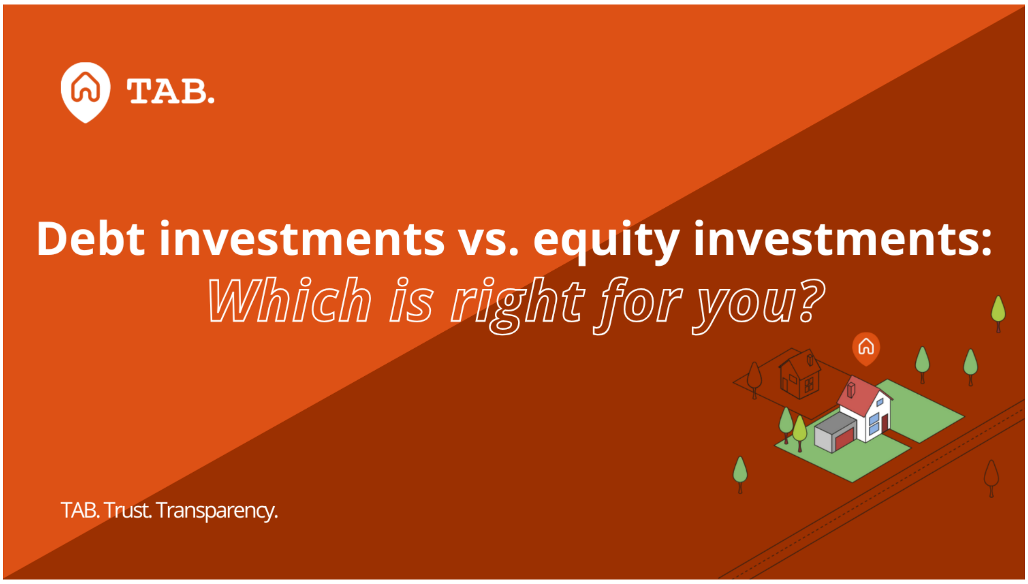

When investing in real estate or other financial markets, choosing between **debt investments** and **equity investments** is a key decision. Each option has its benefits, risks, and suitability depending on your financial goals.

Understanding the differences can help investors make informed choices that align with their risk tolerance and return expectations.

What are debt investments?

Debt investments involve lending money to an individual, company, or institution with the expectation of receiving fixed interest payments over a set period. These investments are typically structured as loans or bonds and provide investors with a predictable income stream. One example is bridging loan investments, such as those offered by TAB Lending. Investors fund short-term, property-secured loans and earn fixed returns through interest payments.

One of the main advantages of debt investments is that investors receive regular interest payments and have a claim on assets in the event of default. However, returns are not always guaranteed, and investors do not benefit from property appreciation.

What are equity investments?

Equity investments involve purchasing an ownership stake in a property. Investors make money through rental income and potential capital appreciation rather than fixed interest payments. A common example in real estate is fractional property investment, where multiple investors own a property and share in the income and value growth.

Unlike debt investments, equity investors' returns are tied to market performance. The potential for higher gains exists if the asset appreciates. Equity investments also offer long-term wealth-building opportunities, especially in growing property markets.

Which investment is right for you?

Choosing between debt and equity investments depends on your objectives and financial goals. If you prioritise a possible steady income, debt investments such as **bridging loan investments** could be a suitable option. Investors looking for longer term with potentially higher returns may find equity investments, including **fractional property investment**, a preferable option. Both are options for investors looking to diversify their portfolio, as you can spread investments across them both.

Financial tools, including our return calculator for fractional property ownership, and our interest rate calculator for bridging loan investments, can help investors assess their potential returns and make informed decisions before getting started.

Both debt and equity investments come with their own benefits and risks, and the right choice depends on an investor's goals and risk appetite. Whether you are considering bridging loan investments or fractional property ownership, understanding these key differences can support more informed financial decisions.

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