The 5-year plan

A pair of Victorian investors reveal how they paid off their home in five years and are powering on to greater property riches. CAROLINE JAMES

A chance meeting at a Melbourne nightclub on a cold August night has produced a five-year marriage and a property portfolio worth almost $2.1 million.

But Rick and Juanita Bartley say there's nothing extraordinary about what they've achieved.

They simply rolled up their sleeves and stuck to a budget, motivated by the goal of property-generated wealth and personal freedom.

Anyone can do it, they'll tell you.

On average wages, the couple have paid off their home on the outskirts of Melbourne and amassed four rental properties. Their investment journey to date has taken 11 years.

By 2014 they want to own 11 properties across Australia and say they want to be able to choose to work – how they want and when they want – and to spend more time on their passions, which is drag car racing and tai chi for Rick; and gym workouts and interior design for Juanita.

"I have this saying that I use all the time, that no matter what happens, we just have to 'power on'," Juanita shares.

"I say it a lot and it makes us laugh. But the thing is it really does help to focus our minds and work through the challenges."

HUMBLE BEGINNINGS

Neither Juanita nor Rick had a privileged upbringing.

Juanita, 34, grew up in the working-class eastern fringes of Melbourne in a suburb called Montrose. Her parents bought their

SALARY RANGE

$101K–$120K | **$121-$150K** | $151K–$200K first house in 1972 before building their home in Montrose in 1980 and buying land. Her parents later divorced and her mother and stepfather have continued to buy property in Victoria and Tasmania.

Forty-one-year-old Rick started life in Sydney before his family moved to the outer west Melbourne suburb of Altona when he was 10.

He says his parents had no interest in real estate investment.

"You couldn't ask for two more extremes," Juanita laughs.

When the pair met in August 1999 at a nightclub in South Melbourne they say their connection was apparent from the get-go.

"As soon as we met we got along really well and were chatting for an hour or so," Juanita says.

"He called me and we took it from there and after about six months we looked into buying an investment property together.

"I can't remember exactly but we probably talked about real estate as soon as our first meeting. It's something we strongly had in common. We could see the potential rewards. We were on the same page right from the start."

Juanita was still living with her parents when she met her future husband and was already looking to buy and negatively gear an investment property.

Coincidently, Rick was looking for a property too so the new couple decided to pool their resources and make a purchase together.

They paid $88,500 for a two-bedroom unit in Melbourne's west bayside suburb of Werribee in early 2000, which ended up becoming their shared home from settlement.

Almost immediately they went to work on their mutual goal of adding value by doing some cosmetic renovations. They did the work themselves to save money and took on the landscaping and added a pergola and feature walls. They spent more than $5000 on the makeover and thoroughly enjoyed the experience.

"Our first goal after buying the unit was to add value/renovate and that was how we got interested in property. Doing our little cosmetic projects got us into the idea (of doing more) and we found it very rewarding, starting from scratch and watching it grow," Juanita recounts.

"It showed us this was a way to get financial freedom in the future and it just gradually evolved and you kind of get addicted to it – but it's a good addiction."

In 2003 the pair bought their next property – a three-bedroom house in Beaconsfield, Tasmania.

PAUL PHILIPSON

Rick and Juanita's top 5 tips for quickly paying off a home loan

Set a deadline and stick to your goals
Set a date of when you'll pay off your mortgage so you have something finite to work towards. Regularly review financial goals beyond the home loan and develop an investment strategy to achieve those goals, which helps you stay motivated, disciplined and determined.

Set a budget
Calculate the amount of extra repayments needed to pay off your home loan by the goal date. Pay off bad debts as they slow down your progress and set aside money for emergencies and an agreed amount of leisure money per week. Keep an eye on your bills and mortgage and shop around for better deals if applicable.

Maximise income
If possible increase your income by accepting overtime and/or requesting a pay increase. Look for other ways to earn extra income; sell household items no longer needed, for example.

Get your finance loan right
Ensure your loan is structured correctly to help pay off your loan quickly. This is especially important if your goal is to also purchase investment properties while paying off your principal place of residence. Your first purchase may not be your dream home, work your way up and don't over commit yourself with the level of debt.

Keep learning, stay positive and have an open mind
You can never know too much so attend seminars, research on the internet, read books and investment property magazines. Get professional advice, join a property investing mentoring/support program and surround yourself with positive like-minded people.

They paid $83,000 for the cottage before renovating the bathroom, landscaping, painting and replacing the heater, spending a total of close to $10,000.

Today it's worth about $170,000 and the couple hope their maiden investment property will be sold by Christmas.

"We're in the process of selling our Tassie property and reinvesting that money into a stronger market such as New South Wales or Western Australia," Juanita explains.

"When the deal reaches settlement it will have sold for about double what we bought it for, so we're happy with that."

The experiences of buying a rental property, renovating and becoming landlords proved to Rick and Juanita they "had the same kinds of goals" in property investment – and in life.

THE BIG PAY OFF

But everything up to 2004 was mere preparation for what lay ahead for Rick and Juanita, who opted to build and pay off their dream home in 60 months.

In October 2004 they paid $127,000 for a 665-square-metre block in Tarneit, Melbourne; an outer southwest suburb of Melbourne located in a major growth corridor on the way to Geelong.

Over the next 16 months they spent $180,000 building a four-bedroom, two-bathroom house with a study and double garage.

Since completion in February 2006 the Bartleys have spent about $40,000 finishing their house with self-designed landscaping plus concreting, flooring, blinds, pergola, solar panels and feature walls.

Again, they've done much of the work themselves to save money and to reap the satisfaction of pouring their energy into their own real estate.

"Having similar goals is very important if you're investing with someone and especially if you're in a relationship," Juanita advises. "It makes it easier if you're both going down the same path. If you aren't both keen to do it – renovate for example – it could hold you both back from achieving your future investment goals."

In late 2005 they parted ways with their first home in Werribee, selling it for $195,000, making a profit of about $100,000.

This lump sum, combined with other savings, was paid directly off their principal place of residence (PPOR) and slashed their 25-year home loan to about $150,000.

But the remaining six-figure housing debt was still a big challenge to the young couple,

THE NUMBERS I RICK AND JUANITA BARTLEY

Location	Description	Purchase date	Purchase price	Purchase costs	Renovation costs	Current value	Loan-to-value ratio %	Rent per week
Tarneit, Vic*	4-bed house	Bought land Oct 2004, finished build Mar 2006	Land $127,000 House $180,000	Standard costs	About $40,000 including flooring, blinds, landscaping, feature walls	$480,000	Fully owned	N/A*
Beaconsfield, Tas	3-bed house	2003	$83,000	Standard costs	About $10,000	$170,000	Not disclosed	$195
Clarinda, Vic	3-bed townhouse, off the plan	2007	$420,000	Standard costs	N/A	$560,000	Not disclosed	$445
Auburn, NSW	2-bed units, off the plan	2009	$370,000	Standard costs	N/A	$420,000	Not disclosed	$470
Stafford, Qld	2-bed unit, off the plan	2010	$405,000	Standard costs	N/A	$425,000	Not disclosed	$390
TOTAL			**$1,585,000**			**$2,055,000**		**$1,500**

*Principal place of residence

Auburn, NSW

Beaconsfield, Tas

Clarinda, Vic

Stafford, Qld

Werribee, Vic

then aged 29 and 36, who earn modest incomes as a local council employee (Juanita) and a storeman (Rick).

So they further fast-tracked their mortgage reduction by making extra repayments on a weekly basis; interest was calculated monthly.

They restructured their finances so that their pays were deposited directly onto their home loan to keep its interest down, and they used a credit card to cover living expenses, which they paid out in full every month.

Their investment properties each have separate loans and their expenses/incomes are managed with a line of credit.

"Rent is deposited into the line of credit and mortgage repayments for investment properties are deducted from the line of credit," Juanita explains.

"It (the line of credit) is purely for our portfolio, for our investments, and we use it if we want to purchase another property and so forth.

"It has made a huge difference because we could build our portfolio, which was a huge goal of ours, while also paying off our own residence so we reaped a double benefit by structuring things like this."

Juanita kept a detailed budget accounting for every incoming and outgoing expense and stresses it has been a keystone to the couple owning their house in five years.

"I just keep it in a spreadsheet. We worked out how much we needed to pay off our PPOR home loan weekly to achieve our goal date. It's all about knowing where your money is going, especially with credit cards," she says.

"That was our main focus, paying off our own home, and I've always been pretty good with budgeting and achieving goals as long as you stick to it.

"My other advice is it's also so important to have a bit of leisure money built-in otherwise you'll fall away from your budget.

"We were cooking at home but still going out during those years because you can't meet your financial goals for that long if you don't have some treats along the way."

The substantial debt didn't stop the couple getting married either and, on November 3, 2006, they exchanged vows in a ceremony in Fiji in front of a small gathering of loved ones.

Rick says he and Juanita only made one major sacrifice during the years of PPOR-debt elimination.

"One of the biggest sacrifices at that time was we decided not to have children and we still may not have a family for at least a few more years as we're still not feeling maternal," Rick says.

"But we still went out and had dinners in restaurants, still had a life during those years.

"I have friends who could spend $300 on a night out whereas we live more moderately than that but you've still got to have some fun too and it certainly hasn't been a bad journey."

"Yes, it was very exciting watching that mortgage falling down," Juanita adds.

"We would look at the balance and think we're really going to do this."

In March this year, the couple's final mortgage repayment was deducted – 60 months exactly since they moved into their custom-built home, which is today valued at $480,000. In typical fashion they celebrated with a low-key dinner out because they're busting to buy more investment properties this year.

"It wasn't too over the top, we just went to an expensive restaurant but I can't even remember which one, and we went to a movie," Juanita laughs.

"We're now moving onto our next goals and we don't want to go into bad debt."

POWERING ON

Not content to simply set and forget paying off their PPOR, Rick and Juanita have used the past four years to expand their real estate portfolio to its current scale of five properties.

In 2007 they bought their second investment property, a three-bedroom townhouse in the southeast Melbourne suburb of Clarinda. It was an off-the-plan deal worth $420,000 and currently earns the couple rental of $445 a week.

Its estimated value in 2011 is about $560,000.

Rick says the purchase did "put the wind up us a bit" as the couple had to endure lengthy delays getting some fixtures fitted, building defects fixed and the property's new dishwasher repaired.

"It took more than six months more than we'd planned as there were certain issues, hurdles, to resolve," Rick says.

But thanks to portfolio equity gains, investment property number three was bought in 2009, this time in the western Sydney suburb of Auburn. Again the property was purchased off the plan. Settlement was drawn out by more than a year as the developer finalised approvals from the local council.

"Our Auburn unit is a large two-bedroom, 2.5-bathroom unit we bought for $370,000 and today rents for $470 a week," Rick says.

"Settlement took longer than expected, about 12 to 18 months over the time hoped because something wasn't quite right with the drawings and it took longer to get through council, but we didn't lose sleep over it because it just meant more time in the market and we'd only put down a deposit and that property is now valued at $420,000."

They found and joined a property mentor network in 2009, which they credit with boosting their enthusiasm and knowledge of what's possible in real estate investment.

They say it has connected them with like-minded people.

The Bartleys' most recent investment is a two-bedroom, two-bathroom unit bought for $405,000 last year in the inner Brisbane suburb of Stafford.

Located about six kilometres north of the CBD, the off-the-plan property today rents for $390 a week and is valued at $425,000.

The couple's financial goal in the next three years is to continue to pay off investment debt, which should allow them to buy another six investment properties in strong capital growth pockets, including some positively geared properties.

They also hope to travel overseas every year, perform some voluntary work and help others achieve their goals.

Within a decade they want to own a balanced portfolio and be able to choose to work part-time, or not at all.

But although they now own their PPOR outright, they say it's too soon to relax the purse strings.

"We aren't quite as strict (as we were) but do allocate a certain amount to paying off investment debt and an amount towards overseas travel so it's a more balanced budget these days," Juanita says.

"We're saving for three or four weeks in the US next year and this (travel) will be a regular part of our lives from here on.

"This year we want to achieve buying at a discount and renovating another two investment properties in either New South Wales or WA, and have just bought a ute for Rick as we have two dogs and are planning day trips and weekends away."

Rick adds: "At the moment my entire wage goes on the mortgages and there's still money set aside for everything.

"We have a holiday account, a food/bill account and my overtime money is our leisure money. We're very focused on creating financial freedom and are using property as a vehicle for getting us to where we want to go." api

API Connect

Do you have a question for Rick and Juanita? Email it to forum@apimagazine.com.au and we'll do our best to publish the answer in a future issue of API.