

How To Be a Part Time Property Millionaire

The Mentor, The Broker & The Property Deal Maker



SAM SAGGERS

CEO of **Positive Real Estate** and key contributor author of *Think and Grow Rich in Property*, *Ready Set Goal Property* and author of *How to Be in Debt for Millions* and *Be Happy About It*

**YOUR ULTIMATE GUIDE TO CRACKING THE CODE OF
WHAT MAKES A SUCCESSFUL PROPERTY INVESTOR**

CEO of Positive Real Estate and key contributor author of *Think and Grow Rich in Property, Ready Set Goal Property* and author of *How to Be in Debt for Millions and Be Happy About It*

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The Mentor, The Broker
& The Property Deal Maker

**“From \$5,000 in the bank to \$10,000,000 in real estate,
in just over a decade”**

Sam Sagers

How to Be a Part-Time Property Millionaire

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*“The nearer we live to the source of wealth,
the more wealth we shall receive.”*

—Wallace Wattles

About the Author



Sam Sagers – CEO of Positive Real Estate

Estate CEO Sam Sagers bought his first property in 1998 at age 23. He bought in an area where he lived and worked. He had scrupulously saved \$30,000 and went out to buy a two-bedroom unit in Putney, Sydney, for \$250K. He had been working in real estate for five years and wanted to [make money](#) via investing.

Looking back, Sam says it was his naivety which resulted in buying a dud. He obtained the property well after the growth cycle had hit its ceiling and he failed to negotiate well. Sam explains,

“I got caught up by my own emotions and I fell in love with the property and just had to have it. At the time of buying the property I didn’t look at the true income and expense, I didn’t conduct research at arm’s length and I had no idea about the cash

flow or growth potential. The decision to hand over my life savings of \$30,000 as a deposit was entirely emotional. I soon discovered I was out of my depth and that I certainly wasn't the "unit area expert" I had built myself up to be."

Although Sam suffered a huge loss in his first property investing experience, it absolutely did not dampen his passion to invest in property in the future. He did not see this experience as negative and it did not cause him to refrain out of fear — in fact, it triggered the exact opposite response. Sam was inspired by his surroundings, the network of people in the real estate world and the excitement at the prospects of financial success it presented, and he now had the benefit of experience. These very valuable lessons early on have impacted every investing decision he has made since.

Sam grew up on the lower end of the middle classes. However, he was exposed to very wealthy people who were making money through real estate. His family worked seven days a week at Paddy's Market in Sydney, so they could send him to a private school with very wealthy kids. Sam explains,

"I owed it to my parents to adapt to learn from the rich, they encouraged me to do so. The rich kids and their parents influenced me to invest. They knew I was from a poorer background and would teach me and show me what they had done; they would take me to properties they had bought and talk about investment around me!"

Sam's wealthy friends became his mentors and he was like a sponge, thirsty to learn from those willing to teach. For example, the father of one of his friends owned the

Franklins supermarket chain and sold it for millions in the 70s. The family soon began to use property to continue accumulating their fortune and bought hundreds of properties. The family now owns some of the best residential and commercial real estate in Australia and has a property portfolio worth billions. It was the wisdom that this family shared with Sam that first encouraged him to get into property investment.



Today, Sam Saggors is the Chief Executive Officer of Positive Real Estate, one of Australia's leading property investment companies, and is a very successful property millionaire. Sam has brokered over a billion dollars in real estate over his exciting 19-year [career](#), and is a licensed real estate agent in every state of Australia.

Sam Saggors, alongside co-founder Jason Whitton, has perpetuated the company from its start-up in 2003, transforming it into one of Australia's largest and most highly regarded real estate groups, which has been extended to include educational property investment seminars and [programs](#) that teach and empower clients to be successful property investors. Additionally, Sam Saggors heads Positive Real Estate's national buyers agency, which negotiated \$250+ million in property throughout Australia in the 2010 financial year alone.

Sam has helped to educate more than 5,000 people in real estate principles through Positive Real Estate. He has

featured in Your Property Investor Magazine, the Sydney Morning Herald, Money Magazine and Smart Property Investor Magazine. Many of Australia's top CEOs, as listed in Business Review Weekly's Rich 200, often pursue Sam's advice to understand marketplace trends and seek investment guidance.

Sam is a contributing-author of *Think and Grow Rich in Property* by Stuart Zadel, and the author of *How to Be in Debt for Millions and Be Happy About It*. Sam is currently in the process of writing another book, sharing his invaluable insight on successful property investment strategies in Australia.

As a passionate educator, Sam is also a sought-after, world-class keynote spokesperson on real estate principles and offers his wealth of experience to educate investors on understanding the complexities of real estate investing.

Having experienced every area of purchasing real estate, he is amongst Australia's most experienced property investors and mentors. Sam has a personal property portfolio worth millions of dollars, and has personally brokered more than 2200 property deals including developments, subdivisions, strata titling, capital growth, blue-chip, off-the-plan and positive cashflow deals.

Positive Real Estate's impact on thousands of Australian real estate investors is largely due to Sam Sagger's driving ambition to *"help ordinary people do extraordinary things through property investing!"*

Sam was influenced by successful, smart and wealthy people from an early age and learnt from many mentors,

which has led to his ultimate success within the real estate investing realms. He says,

“By having extreme confidence and grit, and by learning through observation and listening to experienced investors, I have learnt what is right and have been able to avoid what is wrong. I believe property investing is no fluke — there are so many aspects to learn. By having a high moral compass and by being slow and steady, I have been able to avoid get rich-quick-ideas and stick to sensible, methodical and profitable buying.”

In Sam’s core, funnily enough, even though he is an industry icon, presenter and successful entrepreneur — he truly is an introvert and enjoys time on his own to think very carefully about his ideas, thoughts and strategic investment decisions. Sam is also a highly analytical and positive person; combining these traits has helped him to continuously move forward.

Sam explains that his greatest success has been building an amazing business and growing as a person. *“Becoming wealthy is about what you discover about yourself along the way! It is not about securing a successful deal, rather it’s about the life that I get to lead from investing wisely.”*

“My success is that I can walk down the street every day with my head held high, knowing I make a difference in helping people invest correctly in the Australian property market. I know that my success is not driven by me; rather, it is driven by the people I have supported. I don’t make me successful, my customers do!”

Sam’s advice to those just starting their property investment journey is to *“Educate yourself! Find a mentor and follow the path of people who have already invested. We all make*

mistakes. I have learnt you need to pick yourself up and dust yourself off. No one is born a 'naturally successful property investor'! You need to make mistakes, learn from them and keep powering on."

Sam Sagers is living his dreams through property investing and through the unique company he has helped create. He loves the opportunities he is exposed to every day. He loves that real estate is not an experiment at Positive Real Estate and that he knows a good property at a glance. He loves the team he has helped shape, helping his clients grow and watching them succeed and do well from the ideals he has instilled.

Find out more at <http://www.positiverealestate.com.au>

Free events available at

<http://www.positiverealestate.com.au/bookevents>



**Sam Sagers (L) Jason Whitton (R)
Positive Real Estate Founders**

Why I Wrote This Book

The idea of sharing is very personal for people. For me, it is personal because I want to spread my knowledge and help people create wealth and succeed with their goals. The idea of sharing real estate strategies, simply by studying and practising concepts from people who have already paved the path of success, was without question a revelation that I had to explore!

Being contributor of *Think and Grow Rich in Property* by Stuart Zadel, and writing my previous book, *How to Be in Debt For Millions and Be Happy About It*, are a result of 18 years of adapting, modifying, testing and applying the techniques of buying real estate well.

Reading is one of the most important forms of self-education and by absorbing the things you read, you will increase your chances of buying the right property. Investing in real estate successfully is about understanding the fundamentals of a secure property. I would like to share simple, easy ideas and techniques with you that will propel you along the path of prosperity that many other investors have discovered in recent years.

As you will further uncover in this book, it is easy to sound knowledgeable, but it's harder to persist and deliver results. This book is meant to pass on the importance and tremendous power of using a team, gathering information, surrounding yourself with wealth ideas and understanding real estate fundamentals. With the knowledge you gain through this book you will have the tools to make your own wealth, and the opportunity to be accountable for wealth creation to the most important person, yourself.

This book is set out in two parts: wealth and wisdom. In the first part, you will learn about real estate strategies and fundamentals that will give you a big picture idea of how real estate works. In the wisdom section, you will learn about the experiences and lessons that have helped three ordinary people become multi-millionaires. You will learn about their mindsets, the tools they used to be successful and how they have made their money work for them. Pay close attention to the importance of positive affirmations and actionable steps in this book—these will help ensure that you also start on your path to wealth creation and ultimately, financial freedom.

Sam Sagers

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Part 1: How to Be a Part-Time Property Millionaire

WEALTH

The Property Deal Maker

Chapter 1

Introduction



The hallmarks I admire most in people are a passion for perfection and an indefatigable commitment to their goals. These are the people that wake up every day with the nagging conviction that nothing is ever quite good enough and that you can never stop learning, never stop achieving and never rest on your laurels. These types of people have a wealthy mindset and as such, have a positive belief and the dedication to create a wealthy life for themselves— across all facets of their lives. These characteristics and traits are those I gravitate to.

To most Australians the idea of wealth creation is as foreign as learning a new language. Yet, wealth creation is a language, but it's not taught well at school and often it is not passed down from generation to generation.

I often reminisce about my own upbringing and contemplate why I was gifted enough to make sense of finance and investing, yet my best friend, who was born wealthy, is challenged by wealth creation and can't get his head around the idea of investing. The inability to build wealth haunts him to this very day.

During the first seven years of my economic life I was poor, while in the most recent years of my economic life I have been termed "rich." Conversely, the first twenty years of my friend's life were deemed rich in a financial sense, but for the last fifteen years of his economic life, he has felt and acted poor.

We started out the same; we grew up next to each other and got in trouble for doing things that young lads do. We even did "hard time" together at age twelve for taking something from Mrs. Crinkle's garden and we were both punished by having to spend a whole summer building and landscaping her garden in order to learn better values.

We went to the same schools, hung out in the same circles and were given the same education, down to taking the same subjects and doing the same sports. We travelled together and have seen the world; we have both had jobs that had fairly similar incomes and we both suffered the same economic downturns and upswings that the global financial economy has delivered. Yet, the path to my economic prosperity has been paved by small wins that were based on fundamentals and an effective wealth creation strategy, while his path has been less prosperous, as he has not developed his wealth creation strategy effectively. Instead, my friend has been driven by fear of

loss and risk, creating a story in his mind that he will not be successful— before he has even had the chance to start!

I believe that happy people are productive people. They get up every day knowing the world is plentiful with opportunities and some risk is needed to get due rewards. They don't necessarily have to be financial, but are happy with the reward of simply doing, being part of something and creating a legacy that matters. The margin of error becomes irrelevant to happy people, because they understand that errors mean lessons learnt and that these will later lead to greater successes. Because I took on risk, I received small wins as my rewards and these have been my fuel for continuing success and further enjoying my life. My friend has not taken risks and his quality of life has decreased, because he has never experienced the feeling of even the smallest win.

Not to say my friend's life is not pleasing, but he tells me he struggles with true grit. He struggles with the confidence to invest. He cannot conquer it and therefore chooses a far more modest way of living. His lack of confidence in himself and his decisions stymies his own productivity. Although he was born wealthier than me, he has lost his way for now and has no financial plan set out for the future.

So how could two people enter the workforce with the same dreams and goals in their 20s and end up in two different places by their mid-30s? The answer lies in the different wealth creation routes those individuals have chosen.

My friend chose an old approach towards wealth creation; I am happy to say he chose real estate as the vehicle. Yet, the story below will show how investing is not something you do once, but instead you need to monitor, nurture and continuously think about it. My friend

learnt from his parents that investing in real estate was a solid way to make money. So in his mid-20s, he secured a property as his own home in a well-established area and began to spend his wage paying interest and principle reducing his home loan. Spurred by a wealth creation strategy that dates back to the 1950s, he has been slowly paying his loan off. After ten years and the economic highs and lows, redraws and reductions, he has paid off a sizeable \$101,000 of his home loan. In addition to his repayments, the market has also been kind and has virtually doubled the value of his property from \$300,000 to \$500,000. However, in the ten-year period he withdrew \$42,000 in equity to pay for a well-deserved holiday, a car deposit and some house improvements. It would seem that after ten years my friend is in a good position.

On the surface I would agree that a \$258,000 gain over a decade is a reasonable outcome, but today we live longer than ever and even \$1 million dollars doesn't take us as far as it used to. It is essential to understand that we have four decades of economic opportunity, from our 20s to our 60s, and after 60 we are on our own. What we have earned will need to last us for a long and ideally action-filled and healthy retirement.

Retirement is challenging for many Australians. According to data released by the Australian Bureau of Statistics, 15 out of every 100 Australians born will be deceased by 65; 74 people will be dependent upon the welfare system, which is currently set at \$270 per week for a couple each, and seven people will need to continue to work in order to survive. Out of those 100 people, only three will be financially secure and one person will be wealthy. Knowing these facts and figures, it is essential to create a buffer and a strategy to ensure that we will be the ones retiring financially secure, if not wealthy.

I believe that with better education and understanding of economics and property fundamentals, combined with some long-term goals, you can achieve more wealth, especially when you abandon the practices of older generations and learn how to invest in property with new, developed and sound techniques. This ensures you are constantly evolving your wealth creation.

When I realised in my 20s that I could create wealth through controlling debt and borrowings and that I could leverage into real estate and make millions in just a decade, the concept revolutionised my world. I have not been the same since.

Managing the opportunities that real estate has to offer is like holding a dove in your hand; if you hold it too tightly, you kill it, but, if you hold it too loosely, you lose it. My goal in this book is to teach you and help you develop a broader range of thinking when it comes to financial matters, while arming you with the knowledge, faith and action to create long-lasting wealth through real estate for a happy retirement.

There are no successes or failures in life, just learning experiences. After you have become a millionaire, what's important is not the money, what is important is the person you have become in the process and the legacy you leave thereafter. Somewhere along the way, a passion to share what I had learnt was born. Jason Whitton, who is featured in this book and is the co-founder of Positive Real Estate, instilled in me a deep need to give back and empower others. Our company, Positive Real Estate, has been giving ever since. We are humbled to empower people on a daily basis through the Positive Real Estate Mentoring Program.

“You must take the responsibility. You cannot change the circumstances, the season, or the wind, but you can change yourself.”

—Jim Rohn

To become a millionaire property investor, one of the first things you need to do is surround yourself with other property investors and millionaires. It’s a mindset thing! People learn from what others are doing, so choose to associate with *property people* if you are really going to create wealth through property. Don’t abandon your lifelong friends, but add new people who can help deepen your life. This book is also about tips, strategies and adding new friends to your network to enrich your life.

If you have not yet read my first book *“How to Be in Debt for Millions and Be Happy About It”*, take a step back, read it carefully and then re-read it. There is enough in that book alone to establish solid fundamentals for a long real estate buying career.

Provided you are open to further messages and more advice and action, then proceed now with an open mind.

Chapter 2

Goal Setting



“I don’t want to get to the end of my life and find that I have just lived the length of it. I want to have lived the width of it as well.”

—Diane Ackerman

Looking back on life, I see it as something that has been constantly changing and evolving with lessons and experiences that have shaped my evolution. My destination has always been to be secure, happy and energetic. Money has never been a driving force for me, but it is naive to think it does not play a part in my goals and in life. This chapter will explain the importance of having a goal setting structure in order to reach whatever you choose your destination to be.

If you don’t like how things are, change them with the knowledge that improving yourself is not a one-time thing, but rather a constant challenge! I will not let a week go by without some sort of self-improvement. I usually allocate a

whole day to work on my goals, ideas and dreams. It doesn't matter what our structure looks like or how we go about shaping it, but it does matter that it is a clear road directing us where to go. And if you're not going where you think you should, it's your job to ensure that you can always change your state for the better!

In this book you are going to hear stories from many millionaires. Pay attention to their mindsets and as you do, you will realise that these people are positive, accepting of any failures and always finding new ways to move forward and improve themselves and their state of mind. Millionaires have become successful because they are their own motivation and they know how to keep that motivation alive. They do whatever it takes to make the changes necessary to reach their goals!

Most people don't plan for change, but rather plod along and that's ok if you are choosing to plod! Some people make a life out of plodding. The other day, I drove past a surfer's car that bore the slogan "If you work, you obviously don't surf." What a great habit for those choosing to plod along! But many of us don't want to plod, we want to make a difference, and a lot of people don't realise that it isn't difficult to change and start making a difference. You can choose to live anyway you wish. But I would like you to know that during any one-year, three-year or five-year period, you can dramatically change your life. You can make the next decade dramatically different to the previous one, but only if you choose to.

You have to accept change and be open to it, even greet it with wide-open arms, because it is what will help you move forward. We set out in our lives on a particular course, based on what we know, but along the way we experience some course corrections. When I was 10 I wanted to be an importer like my dad! Now I'm 35 and

considering politics! When Jason Whitton, co-founder of Positive Real Estate was young, he wanted to work in his local meatpacking factory, now he wants to build schools for disadvantaged youth. We all change, we just need to replan our flight path regularly, and we do this through goal setting!

WC Fields was a comedian, actor, author and atheist from the 1930s. On his deathbed a friend came to visit him in the hospital. Upon entering the ward that WC was in, he noticed a strange sight — Bill, as he was lovingly known, was listening to a priest read the Bible! When asked by his friend, “Why now are you finally turning to God?” Bill’s reply was, “I’m not turning to God, just searching for loopholes.” Yet, we cannot rely on loopholes and tight squeezes to get by in life, it is far better to rely on goal setting and good habits.

In order to set goals for the future you need to develop habits. Good habits allow you to breakdown an unsuccessful routine and reroute yourself to what you should be focusing on. My habits that I continually seek to improve are:

- **Investing**
- **Spending Habits**
- **Educating**
- **Self-Motivating**
- **Health and Travel**
- **Love and Money!**

Investing Habits—Any return earned from investing in property must be immediately reinvested. I don’t consider it my money - it belongs to my retirement fund.

Spending Habits—I work on preserving my money in order to prevent a bad debt lifestyle. Other than mortgages, I do not hire or borrow money for any other reason. The money I earn from my wage goes to my lifestyle and social life, but does not go to waste on unnecessary wants.

Consider running a budget if you need to be strict on yourself and adjust spending.

Education—This is the absolute best investment I make. I am continually educating myself to find out everything I can about wealth creation and investing in property. As a rule, read every book and attend every seminar and mentoring program you can.

Self-motivation—I always want to surround myself with people going in a positive direction. There is so much to learn from successful people. Too often, Australians have a tall poppy syndrome. Don't ever let other peoples success upset or discourage you.

Health and Travel—Amongst all the achieving, designing and planning in our lives to create wealth, don't be lazy with this habit! Don't miss the game, don't miss the concert and don't miss the party. Play the sport, participate in the event! Health is a habit. I also always travel at least four weeks a year to learn and become as knowledgeable about people, places and events as possible!

There are many great books on goal setting that can help with structuring goals. At Positive Real Estate we prefer to get hands-on and we offer some great goal setting Mentoring Coaches who help our clients every day!

I want to finish this section on good habits with some words from an amazing woman and one of the *Positive Real Estate Millionaire Mentoring Coaches*, Ms. Naomi Beaumont, who embodies habits that we should work on, being *Love and Money*! Naomi has an uncanny ability to set directions in life. Her philosophy is that big dreams come true with sustained effort; her mandate is to start with belief and attitude and anything is possible.

Love and Money— Naomi Beaumont

Many couples interested in property investing are actively seeking ways to increase their wealth and create financial security for their family and themselves. Already, they are one step ahead of the pack; they are on the same page, working together and planning for their future and financial security.

*Money is the one thing that we use on an everyday basis, the one thing we cannot live without and the one thing that can cause us **so much pain**. Love can be grand until the arguments begin. And more often than not, it's about that thing we just can't run away from. People spend years of their lives arguing about finances; going round and round in circles, and usually most of the arguments circle around a common theme — financial worry, debt and trying to decipher where the money has gone, who spent what and blaming each other.*

*So what should you do if you and your partner simply can't agree on how the finances should be handled? **How do you move forward, stop the blame game and get on the same page as a couple?***

To give you an insight into how financially fit and functional couples succeed, we have constructed a list on how to keep the peace and progress together in both love and money:

- 1 **Take responsibility for your finances**— The problem is not going away. This means facing the problem head-on and deciding you are both ready to stop blaming each other and focus on a solution. This is not the time to ignore the issues, pretend they don't exist, keep spending and sweeping problems under the rug!*
- 2 **Devise a budget**— This one is difficult and you need to be totally transparent! Make sure you include absolutely*

everything from weekly food shopping, petrol, kids' sporting activities, hair dyes, absolutely everything! Yes, this means including daily coffees or sneaky snacks and keep it realistic. Don't begrudge yourself small indulgences (i.e. make it one of those nice ones where you can still go out for dinner occasionally and not feel guilty).

- 3 ***Find an amazing mentor*** or coach who can work through the details and issues and can keep you on track at all times; someone you are accountable to and someone you know you both have to answer to. Work out a step-by-step financial and property investing plan specifically tailored to your particular financial situation (self-employed or otherwise). You may need to consolidate debts and roll credit cards onto a lower interest rate to work through debt; you may need to refinance your home loan to release some equity and attain some cashflow. Whatever the problem is, and no matter how complicated your finances may seem, you always work better when you have someone to answer to and mentor you.
- 4 ***Pay bills together***— Become proactive and remember this is a partnership! Become active and involved and keep in mind that this is both of your money and you both need to be aware of what exactly is being spent on bills each week.
- 5 ***Communication is the key alongside complete honesty***, so don't keep money secrets or commit financial infidelity. For example, consult each other on larger purchases. If you start hiding new shoes in the cupboard, spending a sneaky \$40 at the pub every couple of days with your mates, or ripping price tags of tops and hanging them in your wardrobe and telling your partner, "What, that old thing? I bought that months ago!", you will absolutely blow

the budget, your newly found financial trust and any hope of moving forward together financially.

- 6 And finally, set some common goals — Write them down, make it binding to ensure you both can see you are moving exactly towards the goal and where you want to go, for example paying off debt, saving for a holiday, investing for your future or buying a house or investment property.*

Love and money is the main conflict between so many couples, with many of my clients telling me, “If we didn’t have such big money issues, we would be so much happier!” Unfortunately the old adage that “money doesn’t make you happy,” in today’s world, is not so true. Money worries contribute to elevated stress levels, restless nights, anxiety and frustration — so how can this possibly not affect a relationship?

I have helped so many clients structure their finances in the best possible way, to achieve the best results the fastest way, and helped them research to find out if there is a better way to be saving money. For example, find out if there can be a better way to juggle the mortgage(s), credit cards, car loans, or personal loans. Find out if there is a quicker and easier way to achieve your financial goals as a couple. Find someone to work with you step-by-step; this person needs to be impartial and someone you can be fully accountable to. Find out if you have options and are using your income in the best possible way and investing your money correctly. Could you be building wealth or a passive income with property for yourself whilst you are working? Could your money be working for you harder and faster?

If you need help in sorting through the money maze together, then you’re not alone. Love on its own is a complicated affair; however, throw money into the equation and it’s understandable if you feel you may need some guidance. It’s

time to face the music, give yourself a financial health check and stop the warfare of love and money — it really is easy once you're on the same page.

Naomi B

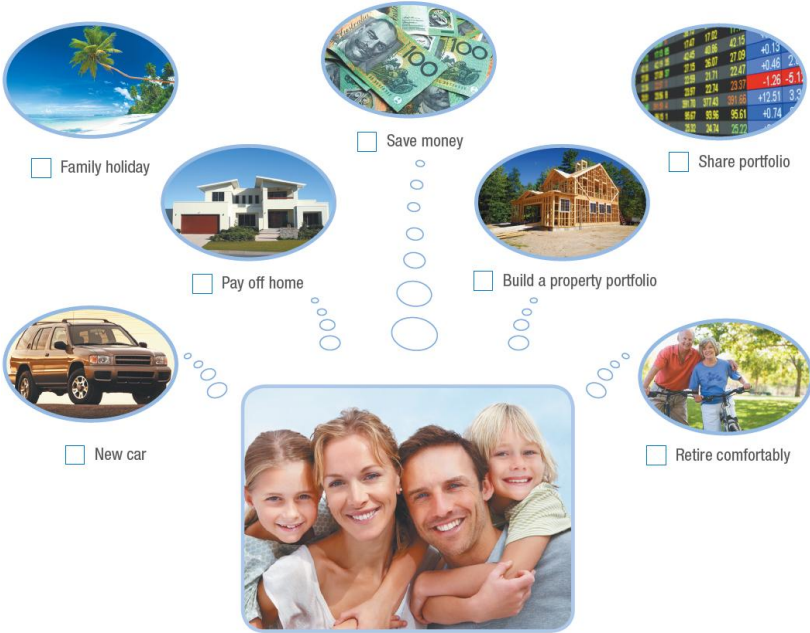
Having goals means that we can direct events in our own lives rather than have the events direct us!

Goals define and measure success and are a huge driver behind successful property investors, however, many people fail due to setting unattainable expectations on themselves. Don't fall into the trap of creating BIG goals that you won't be able to deliver on. Instead, have goals that can be broken up into short-term, bite-size chunks. Setting a goal of having a property portfolio of \$5 million in ten years is wonderful, but can be overwhelming and might lead to inaction rather than action. A simple tip with property is to create impact goals that strive to keep it simple. Below are a few examples:

- Sort out your finances so you are ready to buy
- Get your first property revalued to release equity
- Speak to your property manager to increase your rental returns
- Save 10% of your wage to invest in real estate
- Get your tax return lodged with the ATO

*"If you do what you've always done,
you'll get what you've always got."*

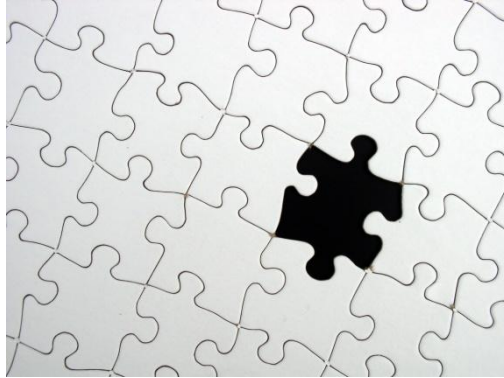
—Mark Twain



DREAMS AND GOALS BOARD

Chapter 3

The Scotoma!



According to the Oxford Dictionary, the definition of a **scotoma** is the following: “A scotoma (Greek for *darkness*; plural: “scotomas” or “**scotomata**”) is an area of partial alteration in one’s field of vision, consisting of a partially diminished or entirely degenerated visual acuity which is surrounded by a field of normal — or relatively well-preserved vision.”

Without question, most Australians have a scotoma when it comes to wealth creation. They can see that they need to take action, but are partially blind to their own true situation and how to go about creating change.

One can go to school in Australia for twelve years, get a formal education, even advance to university and still have no formal understanding of basic economics and finance. What people should realise is the scotoma or blind spot in their daily lives can be easily resolved, it just takes a little bit of faith, education and action. Most Australians’ inaction towards wealth creation is caused by their inability to admit they have a scotoma in the first place.

Solving a scotoma in real estate is a simple equation, because everything you need to know about real estate is in the deal that you want to purchase and in your current portfolio, however big or small it is! The answer is in the detail, in the content, in the structure and the property in question - the information necessary is there in front of you. However, it takes immense courage to admit to yourself there is a much more efficient way to be doing things and seeking guidance and advice from an experienced coach or mentor can help guide you through the maze.

Positive Real Estate created a popular game called the Property Game Workshop™, which is a simulation of the real property market, its pitfalls and all. It's an amazing game unlike any other in Australia, which offers an unsurpassable, educational property investing experience. During the eight-hour game there are participants of all age groups, fighting to become the wealthiest participant. The winner is the person who has accumulated the most wealth throughout the game. Surprisingly enough, often the winner is a child participant! How is that possible? How, out of a hundred people playing, do the children become the top earners? Here is how!

- ✓ Children play to win and have no fear; conversely, adults play with risk in the back of their mind.
- ✓ Children have no prejudice on wealth matters, adults do.
- ✓ And most importantly, children often win because their parents gave them the opportunity to play the game.

“People let little things cheat them out of big opportunities”

—Jim Rohn

As I alluded to in Chapter 1, my best friend’s approach to wealth creation is conservative and it lacks true grit. My friend has built a series of stories in his head that act like blinders to wealth creation and detract him from the main focus!

I decided to work with my friend on helping him overcome his risk phobia, and recently suggested he buy a property that I knew would perform favourably, based on market drivers and the gentrification that was occurring in the suburb at the time. I explained the benefits of the property deal and took him through the numbers. He decided to proceed on the precondition that he could see and inspect the property, to which I had no objections. The property was a 3-bedroom townhouse in Sydney’s Inner West for \$530,000. I had brokered the property as a mortgagee-in-possession sale, so I knew he was going to buy at a rock bottom price. The property was also tenanted at the time of sale.

As we inspected the property, I noticed his energy and mindset began to change and he quickly chose to focus on the negatives of the building and the condition that the tenants lived in. Admittedly, the tenants did not keep their home ideally cleaned. The day we inspected, the tenants’ belongings were not very tidy, dishes littered the kitchen and children’s toys were scattered all over the floor. I re-explained the numbers of the deal, the good price he was getting and that the area was set for capital growth. That evening he rang me and said he was not going to continue with the purchase because the tenants did not keep the property in the kind of shape that he would like. I reluctantly let him off the hook!

The property was swiftly purchased by a Positive Real Estate mentoring client and I am pleased to say, ten months later that client had the property re-valued by the bank at \$650,000. My friend's scotoma cost him a clean \$120,000 profit in less than a year. The market doesn't stop growing because someone leaves their dishes out after dinner!

There are so many sets of fears that people carry. It's the baggage that embodies and compounds inaction. When asked what people are scared of the most when considering investing in property, they mention the following issues:

- Getting into debt
- Bad tenants
- Loss of value
- Loss of job
- Lack of education

Don't let these fears ruin your wealth plan!

See, to be successful in real estate, you don't have to change your life dramatically, you don't have to sacrifice your life to property investing. You simply have to participate in playing and make a series of small wins that remove any property scotomas you may have. The wins become the habits of property investors. It is your part-time job to constantly evaluate your portfolio and work out ways to improve it.

Recently, a research revealed that if one-third of Australians lost their jobs tomorrow, they would only have enough economic buffers to last three weeks before they would have to go on welfare. This is quite scary, right? With this in mind, how would you or your family cope if you lost your job tomorrow? Is your financial position so tight that you live week-to-week and have little in the way of savings or live in debt and can't see any way out? Often

changing your thinking can be the first step towards changing your position. For instance **how much money does it take to dramatically change a person's lifestyle?** Let's explore!

Put 50 homeowners in a room and ask them who lives in their dream house, and you will find that only one out of the fifty people actually does. So why do people live where they do? Why not rent a better lifestyle and gear your house? Most people aren't conditioned to think outside the box. Being a successful property investor requires some amount of personal change and the ability to think differently than you have previously.

Real estate is a fantastic wealth creation vehicle because it consists of two vital assets: the land and the building. For providing property to the rental market, the Australian Taxation Office gives property investors a tax deduction. While the land goes up in value, the building goes down, which is a perk as the building depreciates and the losses are deductible. So you have to learn that what you might have thought was bad (building depreciation) is actually good (lower taxes).

Good debt is a loan on an investment property. The debt allows you to buy an asset that creates income (rent), gives you tax deductions and increases in value more than its costs.

Bad debt is the hire or purchase of a flat screen television for \$10,000. It creates no income, you get no tax deductions and the product rapidly decreases in value. You end up paying \$20,000 dollars over five years for something that ends up being worth \$500. Bad debt can cripple you as an investor. It drains the financial life out of you on paper as well as sucking actual money out of your pocket.

When you go to apply for a loan on an investment property (good debt), the banks do a special little

computation called a serviceability calculation, which basically asks the question: have you got enough spare cash to cover your debts?

Living in your own home has no benefit for cash flow as it is considered bad debt, unlike an investment property that is considered good debt. So here's an idea: move out of the house that is not in your dream location and go rent somewhere that is. Instantly your bad debt becomes good debt and the question we have asked is now answered. How much money does it take to dramatically change a person's lifestyle? The answer: an extra \$500 a month would dramatically change most Australian lifestyles — and for most homeowners that would be easily solved by just renting their home out as an investment property. All it takes is some out-of-the-box thinking!

Chapter 4

Serve and Protect



A young Lieutenant we shall name “James” led a Marine Platoon in Iraq during the bloodiest street battles of the Iraq War. As a true leader, he took it upon himself to serve and protect his platoon by ensuring they followed a regiment and developed discipline. He planned every mission with the utmost care and was conscious not to lead his men into harm’s way. He was very successful for a long time, and after more than year of dangerous combat, his platoon had not lost a single life. One day, a superior officer ordered the platoon of Marines into a dangerous neighbourhood of Baghdad in order to accompany the superior officer to a photo shoot at an American-funded rebuilding of a school.

James resisted the order, knowing the area was a hotbed of trouble, but was overruled. Sensing impending danger, James insisted that the superior officer only spend five minutes at the site to reduce the threat of militants

arming themselves to mount an attack. The superior officer agreed, but then spent over twenty minutes touring the school. As the superior officer came out of the school grounds, grenades and mortar fire set upon the school like a volcano erupting. In the ensuing firefight, a Lance Corporal in the platoon was killed and James was rightly devastated. He felt his years in the military, which were marked by discipline, studying, practicing and protecting his platoon were in vain, as he was not able to fully control a situation, knowing that a superior officer could overrule his meticulous planning.

The steps Positive Real Estate takes to protect its clients are far less dangerous and risky. Positive Real Estate doggedly strives to get it right and, as James strived to shield his men from harm's way, we at Positive Real Estate endeavour to nourish and protect our own! It's the hallmark of the business. But there are times when our efforts to serve and protect our clients come under fire from the various real estate challenges we encounter.

We have a key saying at the company, "If you do something often enough, a ratio or a statistic appears." Positive Real Estate has a statistic! Our statistic shows an exceptional amount of profitable property deals negotiated for our clients. Would you agree that there is some really good real estate in the market today? Would you also agree that there is some poor real estate in the market today? If you bought the bad real estate, you could put yourself in harm's way! Most agents in the marketplace are like James' superior officer. They bumble about and do not advise investors correctly on where, what and when to buy!

Real estate investment becomes less of an experiment when you have done it often. Today's real estate agents just

sell real estate, instead of conducting fundamental analysis on growth drivers in respective cities and towns across the country. It is this research that determines whether a place is a good investment or not. These agents are even less capable of providing wealth creation strategies. This research service and strategy formation is something Positive Real Estate clients expect from every property deal and it's exactly what they get! Australian real estate agents are more focused on their own needs and less focused on the wants and goals of investors.

Take a sales-hungry real estate agent, add inquisitive first-time investors to the mix and you have a toxic disaster that takes years to unfold. Buyers often don't realise that the most trivial and innocent of actions like buying in the wrong suburb, town or market can add years to their wealth creation plan! Real estate agents should be judged by what they have done along the way and more importantly, how their followers have performed along the way.

I have personally brokered over two thousand property deals and, as previously mentioned, I am celebrating my 18th year in the industry. I work for thousands of clients, companies and even the odd investment bank, finding them profits in the marketplace. I am in love with deal making and deal creation, both for myself and for others. Every day I wake up and I get to take part in the Australian property market and like James, the Lieutenant and protector of the Platoon, I try and help protect and manoeuvre my clients through the pitfalls and traps of real estate investing. I make it a priority for people to accumulate solid and profitable property. Simply put, my job is to steer the business in the direction of what's going to be the next best investment in the Australian property market.

Of course it would be naive to portray that all the opportunities Positive Real Estate creates are always perfect. Let me share the story of one property loss I was involved with.

In early 2010, I was commissioned to search for high-returning investments to help clients participate in the new government initiative, known as NRAS (National Rental Affordability Scheme). In 2010 the NRAS idea was good on paper. However, the system became very flawed in the delivery. The scheme allowed Investors to buy a property then rent the property out for less than market rent; thus, the tenant who was approved under the scheme would pay a more affordable rent. For example, a \$300 per week market rent became \$280 per week for the tenant. The loss of \$20 a week was passed back to the investor by the Australian Taxation Office (ATO) as a tax deduction and to further incentivise the investor, the ATO chipped in another \$8,000 of deductions per annum. Sounds attractive, doesn't it? Naturally, such a unique offering would be interesting to many keen investors. The sole purpose of NRAS was to create a stimulus to reduce the undersupply of property and to make housing more affordable for everyone.

Having researched the NRAS scheme, I felt that the Tasmanian Government Housing Scheme under Tasmanian Affordable Housing Limited (TAHL) would provide the best NRAS type option for Positive Real Estate clients. One could buy a brand new house for under \$200,000 with a government guaranteed lease for 20 years. The deal was also filled with great government benefits.

To become involved with TAHL, you had to buy off a private enterprise. The government as an entity does not

construct houses, but rather provides benefits through the taxation system. You had to work with developers and builders in order to actually get the properties built. The main developer associated with and approved by TAHL was a company we'll call the "Burg Property Group" for the sake of the exercise. Naturally, this group was the first port of call after a glowing reference from the Tasmanian Government.

I flew to Melbourne, where "Burg Property Group" was based, in order to discuss the parameters of the deal, after having already travelled to Tasmania to see the TAHL/Burg existing developments. I thought it was advisable to first inspect what they had already done and the workmanship. I was satisfied that government-endorsed developers would be the people for the job. It was also a plus to see the "Burg Property Group" team being promoted positively on Channel 7's Today Tonight program in a story about affordable housing!

The properties rapidly became a big hit with Positive Real Estate clients. Clients entered contract and parted with a \$20,000 releasable deposit paid to the government-endorsed "Burg Property Group." The releasable deposit part of the contract makes me shudder to this day.

In the industry, you never release deposits to a vendor; however, as the government was endorsing the properties and the developer, all parties felt it was safe to do so. Surely, the Tasmanian Government would do thorough checks and balances on their main developer and builder! Buyers, lawyers and our firm soon learnt the hard way that there were absolutely no checks and balances from government to private enterprise. Effectively TAHL had

endorsed “business cowboys.” We were caught up in a nightmare!

The “Burg Property Group” collapse got very little press coverage, in fact the only article I ever found was a small one featured in a Tasmanian newspaper. In the end, the property group misappropriated the investors’ money as they racked up losses and used the deposits to pay for all sorts of things. “Burg Property Group” is currently in liquidation and its directors are being investigated by the ASIC. We are also trying to investigate where our clients’ \$20,000 were spent.

Since the incident, TAHL has closed down and the scheme was disbanded. The entire episode proved that private enterprise and government cannot work together. I personally wrote to the Tasmanian Minister for Housing to request compensation for the victims. I was expecting *more press coverage*. However, at the time another example of private enterprise and government being unable to work together was in the news — the Federal Government’s insulation scheme disaster stole the headlines.

The collapse of the deal deeply affected our team and me. Within any profession, there are bright and dark days and for me, the collapse of this scheme was a very bitter pill to swallow.

The word “company” always makes me think of the word “character” and a good company should have both great character and solid values. The Positive Real Estate Treasury helped pay \$8,000 to each client to help compensate the investors who fell victim to the government gaff that was NRAS in 2010 and its state-based equivalents.

During your investing journey there will be times when you have to pick yourself up and dust yourself off and get ready to try again. We all have the ability and responsibility to make better choices in life. One cannot

allow errors in judgement to affect investing, or allow a poor moment in an investing journey to sour all investments. We must keep coming back to the basics.

“Others can stop you temporarily — you are the only one who can do it permanently.”

— Zig Ziglar

Adversity is a state of misfortune, calamity, harsh conditions, or hard times, so you have to know how to overcome adversity, as it is part of a property investor’s DNA!

POSITIVE REAL ESTATE CREED

We, at Positive Real Estate, know that we have the ability to achieve the definite purpose in business; therefore, we demand excellence of ourselves that is a persistent, continuous action towards its attainment and we here and now promise to render such action.

We fully realise that no wealth or position can long endure unless built upon true goodwill; therefore, we will engage in no transaction which does not benefit all whom it affects. We never stop striving for the top, to always keep moving forward, to always be the very best a company can be.

The Real Estate Guide to Success

The Law that You Will Eventually Succeed!

You will never come across a person who is described as a “natural property investor” or a “born property expert.” Becoming a successful property investor requires the same commitment that learning a trade does. You will have to study systematically, observe trends in your trade and create activities that will allow you to measure your competence in the trade. Below, you will read about the tools to make property investment your trade of choice.

One of the greatest challenges property investors face on their journey to success is oversensitivity to evaluating real estate. This can be overcome by learning the fundamentals of real estate.

My father has been importing merchandise from Asia for as long as I can remember, and I grew up surrounded by amazing and novel merchandise. I was always eager to try selling it myself. At the age of 10 I asked my father if I could buy some water balloons that he had imported and on-sell them to friends. He agreed and my first transaction as a business person was made. I paid the large sum of \$20 from my pocket money for 500 water balloons. I took the water balloons to school and tried to sell them. Over my first few days, I learnt that the balloons were not a success at all, as the market was unable to pay 50c a balloon. Kids at the primary school I went to just didn't have money as they bought their own lunch, and therefore didn't have disposable incomes to spend on water balloons. I was stuck with hundreds of balloons. I kept trying for a few weeks, but in the end I gave up out of frustration. Naturally, I went back for a refund to my father, who had long before noticed

that my untrained eye would lead me into trouble. He refused to refund my purchase, saying that it was “the law of consequence” and continued to say that success was a game, for the more you re-try things, the better you get. He encouraged me try again and to figure out a way for the students to have money this time. I’m sure he meant well, perhaps what I did next was a little cheeky to say the least.

I soon worked out that the school was having a fundraiser and on a particular day, students were asked to bring a \$1 each to buy a pirate eye patch to support a play the school was running. On that day I entered the school with over four hundred water balloons; I sold 300 water balloons in two hours to just about every student, except this time I sold them for \$1 each. Once the headmaster found out, the story took a turn for the worst, but that’s a story for another day. I learnt a valuable lesson despite my slightly unethical actions; I learnt that you learn from failures and that the more times you do something, the better you get. This applies to most things in life, but especially real estate.

Property investing can ensure financial freedom and so learning how to fast-track the analysis of real estate is a golden tool that can ensure that freedom faster. When you become capable of reading between the lines, you can quickly analyse the worthiness of real estate at a glance and what to buy starts to make a lot more sense. The following chapters act as a simple guide to navigate through the complex maze that property investing is sometimes. The ten guides to property will protect you and ensure that you never stray too far from the path that leads to opportunities and ultimately, success.

How to Be in Debt for Millions and Be Happy About It

The topics listed in the checklist below are the key fundamentals that need to be understood in order to be successful in real estate. If you have not yet read the book and don't have a working knowledge of the fundamentals, I highly recommend that you read my first book before proceeding.

Checklist 1 – 8

The Fundamentals

- The Market Sentiment
- Cash On Cash Return
- When should I Invest?
- Where should I Invest?
- What are the Macro and Micro Growth Drivers?
- The Property Strategies
- Due Diligence
- Assemble a Team

In this next section of the book I move away from discussing fundamentals and instead present you with actionable steps that will help you source property opportunities and understand what makes a good real estate investment. All of the contributors you will hear from are professional property investors and mentors that are in charge of their own successful Positive Real Estate franchises. Combined, they have decades of experience and are at the forefront of market trends and investment in Australia.

Chapter 5

Guide 1 – The Property Strategies and Buying Cycles



To succeed as a property investor you need the right materials, tools and most importantly, a plan. The following quote often comes to mind when considering different plans:

"If you fail to plan, you plan to fail."

—Unknown

As an investor, you have to have a plan that leaves no bases uncovered that could potentially cause issues in the future. The guides will not only help you create an investment plan, but are also a checklist for what you need to look for when sourcing real estate opportunities. This

checklist will become part of your plan and will ensure that you don't settle for a property that doesn't have all of the elements of your checklist. Once you become disciplined about following your plan and ticking the most points of your checklist, you will be less worried about risk because you will know all bases have actually been covered.

I often meet people who have done just about every education seminar that's been offered in Australia. They will explain that they have continuously researched many groups and philosophies, yet, when questioned whether they have taken action or followed any new steps after these seminars, the answer is a resounding 'No!'

In real estate it's called analysis paralysis. Creating a plan will be the first step that helps you move forward because it will serve as a road map. You can be the most educated individual on real estate, but without action, that education is futile.

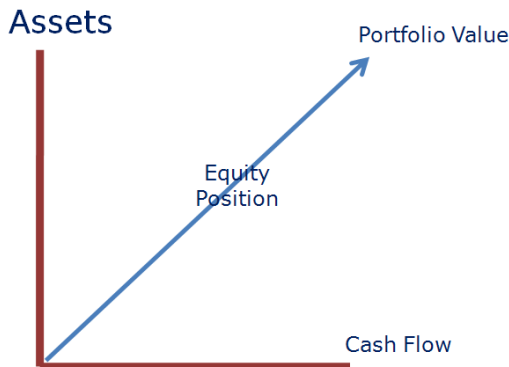
A solid plan will allow you to go through the three phases of investing successfully. Managing real estate risk can be simple once you follow these phases: Acquisition, Consolidation and Legacy, and then buying the appropriate style of property dependent upon which phase you are currently in. The first phase we enter is known as **Acquisition**, during which we accumulate a property. After getting this property it becomes a little bit easier to pick the next one and then the one after that.

If you have less than five properties right now, you are in the **Acquisition Phase** of your investment journey!

Acquisition — Phase 1

The first step is creating what I call an **Automatic Acquisition Plan**. When I first started in real estate, my acquisition plan focused on acquiring one property per year, with the aim of having ten properties in ten years! That sounds simple! It's like going to the dentist — you create a reminder in your calendar to call your dentist for a check-up, but this time you do it for property. When the time rolls around you need to see it in your calendar and think, "It's time to look for another property so that I can stay on top of my Automatic Acquisition Plan." This will allow you to be consistent, and consistency allows us to ensure our goals become a reality.

So what happens when you buy one property a year for the next 10 years? You end up with a multi-million dollar portfolio. That doesn't sound too bad, does it? Let's work with the numbers. The median investment property price Australia-wide is \$250,000, and the average yield is 7%. We are searching for an average of 10% p.a. growth, which is the one hundred year average according to the Australian Bureau of Statistics. In 10 years you have \$3.6 million worth of property, \$1.6 million worth of equity at a 60% LVR and a solid cash flow position. The graph below shows how the process works.



“Opportunity rarely knocks on your door. Knock rather on opportunity’s door if you ardently wish to enter.”

—B.C. Forbes

The Automatic Acquisition Plan creates wealth and I endorse three main strategies in this phase of an investor’s career: **Off-the-Plan, Renovation and Growth Property / Discount Property.**

Off-the-Plan: The off-the-plan strategy involves entering into a contract to buy a property that is not yet built. It exists because of a need to eliminate a debt risk to those involved. Developers and builders are required to provide their bank with pre-sales in their development prior to receiving funding, only then will the bank provide the developer with money for construction. Therefore, off-the-plan purchases provide a guarantee to the bank, ensuring that the market will buy out their risk, making their transaction less of a gamble.

Investors then utilise this strategy to create equity by using the market and time to add value. I stand firmly behind off-the-plan deals because they can give you great leverage for a small amount of money as a deposit.

Generally, a builder/developer will need a deposit of 10%. Let’s say we are buying a property off-the-plan for \$350,000 in a good location, while in an upward market cycle. As a builder/developer requires a 10% deposit, we would need to put \$35,000 down in order to secure the property. You would also need about \$15,000 for additional costs, which is \$50,000 upfront. Don’t forget that the property could take years to build. Now let’s imagine that the project took 18 months to complete and settle and grew another 10% during that period. At the end of that time, we now have a property valued at \$385,000. We then take a

90% loan out against the new \$385,000 valuation, which is \$346,500. We bought the property initially for \$350,000, so we owe the developer only \$3,500 more to get it back to that price and we will need about \$15,000 for costs; all up approx. \$18,500; and with that money you can buy yet another property!

\$50,000 compared to \$18,500 is a significant difference. I have personally done a number of off-the-plan deals where I haven't had to deposit any money and the increase in property value during constructions at settlement allowed me to purchase the property and take some extra profits to go onto the next deal.

Below is a checklist for purchasing off-the-plan and to ensure that the transition from plan to product is a smooth one.

My Checklist for Off-The-Plans:

- ✓ Understand the market cycle for future growth —do this by considering the six market drivers.
- ✓ Choose low density, boutique properties. Banks often don't like high-density buildings, making it harder to receive a loan. You can also see greater profits in buildings with less than 40 units.
- ✓ Always buy in Stage 1 of a development, no other stages should be considered. The best price is always available in Stage 1. Developers withhold further stage releases in order to make additional profits and sell the properties at a high rate of return.
- ✓ Buy a property at least 18 months off-the-plan, which will allow the property price to increase and with just a deposit down, you should secure 100% cash-on-cash return.
- ✓ Always have the 'plan' valued at the commencement of the contract process. You need to be buying at the

plan's value at the beginning and not the value at the end. Valuers call this method "valuation summation," which involves the cost of land and the building.

- ✓ Don't get in over your head. Buy properties under \$600,000 as they appeal to the entire market, should you be required to sell.
- ✓ Always plan to settle. Never buy to sell midway through the project's construction. You should always confirm your borrowing capacity first before entering into an off-the-plan contract.

Renovations: Adding value to a property by carrying out some basic renovations can help many investors increase their profits on a shoestring budget. Painting a feature wall, replacing carpet, adding new blinds and manicuring lawns should be considered as initial renovations. The unwritten rule for renovations states the following: if your property manager, project manager or you cannot co-ordinate the renovation within three months, then it's possible you may overcapitalise. I'm not a fan of massive renovations because they can often turn into a form of developing, and I like strategies that I can handle remotely or quickly.

Below is a renovation checklist and some ideas to consider when renovating a property.

My Checklist for Renovations:

- ✓ Understand the market cycle for future growth — consider the six market drivers.
- ✓ Buy well and secure property at a discount.
- ✓ Invest in rentable suburbs and towns where rents can increase.
- ✓ For every \$1 you spend, make sure you gain \$3 back; so know your costings and crunch your numbers!

- ✓ Grasp the cash-on-cash principle and forecast a deposit recycle timeline.

Top 10 Renovation Ideas

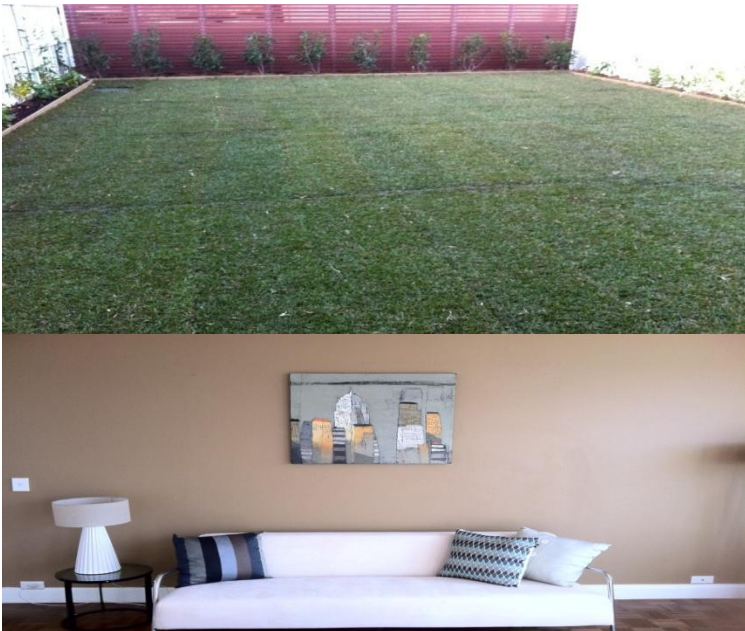
1. Replace front door and make sure the new door has a warm paint colour
2. Basic landscaping
3. Replace carpet for polish timber floors
4. Paint all internal walls and include a feature wall
5. Re-surface kitchen cupboards and/or replace bench tops and handles
6. Make windows into external doors
7. Add another wall to divide living spaces and make another bedroom
8. Add a deck
9. Make the laundry into a bathroom, and a linen cupboard into a laundry
10. Enclose the carport and see if the garage can become a living area

Let me give you an example of a renovation property that I have recently been involved with. I purchased a terrace home in a suburb of Sydney. The home was purchased off St. George Bank as it was a mortgagee-in-possession buy. The home's valuation came in at \$950,000 and I was able to negotiate a further discount to secure the property for \$800,000. Not a bad discount!

Using the formula discussed and knowing that a bank and valuation firm considered the property to be worth more than I paid, I made it a mission to enhance the value of the real estate to speed up the funder re-valuing the property. I knew if I could show enhancements, the funders would release some equity. After three months of renovating, the property has a fresh coat of paint, new

landscaping, fixed flooring, feature walls as well as an improved bathroom and a deck! I am pleased to say the home was once again looked upon as favourable by the funders, who agreed the value was still \$950,000, nine months after I had finished the renovation. So I received \$150,000 in gross profit, had re-secured the valuation price and spent less than \$28,000 on tradespeople.

Landscaping and feature walls in the home are just simple additions that are highly regarded by emotional investors!





Discount and Growth: Discounted properties are often hard to find and require consistent searching. You can generally find a discount property when a seller runs into financial trouble and is willing to sell a property for less than what it is worth.

Let me give you an example. Late 2009 I brokered a group of townhouse style properties for clients in Roselands in Sydney. Roselands is approximately 11km from the Sydney CBD, and is considered to be an up and coming area. The vendor had a few unfavourable dealings and needed a fast sales solution, so rather than offering the properties at \$625,000, which was their valuation price, the properties were brokered for \$540,000 and were sold quickly. In this example the strategy, **Discount**, offered a potential opportunity of \$85,000 in recyclable value to the buyer and \$85,000 in losses to the vendor. In September 2010 the properties were re-valued at \$615,000, which was a \$75,000 gain in 10 months. The market didn't provide this increase; the gain was rather achieved by buying well and using the discount and growth strategy. Roselands was later featured in St George Bank's Hotspot Area Report and had impressive capital growth rates.

The Roselands Complex — 20 Positive Real Estate Mentoring Clients made well over \$75,000 each!



Consolidation — Phase Two

The second phase of property investing is **Consolidation**. As you create more wealth through acquisitions, you also need to stop and re-evaluate where you are in your life and what has changed since you started investing. The consolidation phase will help you answer whether you should consolidate your position or enter the trading phase of your investment career. Ask yourself these valuable questions:

- What is my current risk profile?
- Is my earning potential at work in any risk of decline?
- How many property cycles can I keep investing for?

- Do funders see me as high risk because of my age?
- Do I need to risk more capital to reap higher profits?
- If I consolidated today, would that allow me to self-fund my retirement?

If you choose to **consolidate** or sell your property portfolio, you will create an **Automatic Consolidation Plan**. If you still own the ten properties worth \$3.6million and have \$1.6million in equity, then you can sell them and have over a million dollars for a long and happy self-funded retirement.

If you answer the above-mentioned questions and you realise that your profile still has some room for growth, then you can start utilising the trading strategies of property investment. This doesn't mean you change the way your portfolio looks; don't ever remove your buy and hold properties, as they are the backbone of your retirement. You will now need to add some properties that you can buy, hold and sell. I endorse two solid and proven strategies that will allow you to trade property. These are **Subdivisions and Strata Titling!**

Subdividing: Subdivisions are an add-value strategy and involve buying a property with an extra big block of land and dividing that land to either build another house or create a new block of land you can sell.

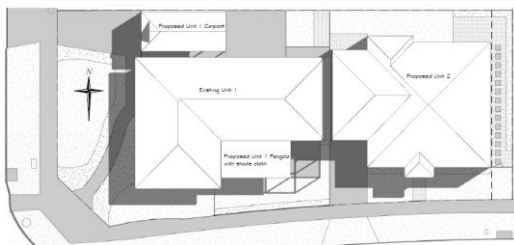

When looking to purchase a large block of land, the first question you need answered is the minimum size subdivision that the managing Council requires. If the Council requires 400sqm divisions, then look for 1000sqm

to subdivide. You may need the extra space for roads and infrastructure, such as water, power, phone, gas, etc.

Corner blocks are ideal for subdivisions, as two street frontages make the subdivision easier, and also prove to be more valuable. Many places in Australia, mainly northern states and country areas, have timber houses built in the middle of big blocks of subdividable land. Investors often move these houses over by 10 metres and then subdivide down the middle. Other subdivisions have a driveway down one side to access the large block of land at the back; this block creation is known as the Battleaxe Block.

Subdivisions cost more to complete than strata subdivisions as you will have to complete planning requirements, such as driveways, sewers, water, electricity, phone, as well as other Council necessities. Only then will you be able to receive a separate title for the land. The figure and story below show a recent, successful subdivision undertaken by Positive Real Estate Private Client Manager, Andrew Cull.

Strategy: Subdivision

Quick stats :
Purchase Price:
 \$210,000
Sale Price:
 House \$255,000
 Land \$149,000
Subdivision Costs:
 \$26,000
Improvements:
 \$16,995
Gross Profit:
 \$199,000
Nett Profit After Tax:
 \$102,470

This opportunity was bought in Jan 2009 and is located in the western suburbs of Melbourne. The suburb was targeted due to the expected capital growth and position in market cycle. Being on the fringe of the city of Melbourne, and it being the fastest growing city in the country at the time, the population was spilling out to the peripheries and causing upward pressure on price growth. The subject site was attractive, being a corner block with the existing house positioned to one street end and hence lending itself to the subdivision process and a new driveway coming off the other street. The house was built in the 1980s and was fairing well internally with no work required. With some minor improvements to the external of the existing house, such as a new pergola and carport, the sale price of the house could be maintained by comparison of similar dwellings on the smaller sized block. This left the feasibility lying in the rear yard and the value of the land. After subdivision, the block would be split from 803sqm into the original house on 500sqm and the vacant block of 303sqm. The council minimum land size was 300sqm, something that should always be ascertained before purchase. At the time, a block of this size was selling for \$100K, so with an estimate of \$25K to subdivide, it was feasible that a profit could be made. The end profit was enhanced by the capital growth of the market considerably, which is why this strategy should always be done in the growth phase of the cycle for maximum results. There are two main stages with this type of dual occupancy subdivision; the planning permit stage and the gaining permission to subdivide stage, with the issue of two separate titles. Utilities, such as water, sewage and power were connected to the new block and a vehicle crossover. The options (after the subdivision was approved) was to sell the land as is, market as a house and land or continue with the planning permit to the building permit stage. There was not a lot of margin in the build, so it was decided to market as vacant land for \$149K. All up after tax and agents selling commissions, the exercise netted around \$100K profit in two years; a 100% return on investment.

Strata titling— This strategy may often be deemed too good to be true and I call it 'adding paper value'. There are a lot of duplex and triplex blocks of units and townhouses in the market that are still all owned by the one owner and often not strata titled.

Strata titling involves purchasing a property with multiple dwellings that are not yet strata titled and doing the strata title process for oneself. Be sure to check that the Council approves strata titling in your chosen investment area. This strategy can produce profits of up to 30% or more.

Let me give you an example of a property where I was able to do a strata title. I found two blocks of six units all on one title in a western Sydney suburb. That's 12 units on one title! The units were on the market for \$2,850,000 and I was able to negotiate a discount and secure the property on a six-month settlement with a 5% deposit at an agreed value of \$2,555,000. The purchase price meant that the individual price of the units would be around \$208,000. I thought this was a good buy and my opinion was reaffirmed, considering that the units were renting for \$320 a week each. I sent in a Valuer to conduct a *Gross Realisation Valuation*, which advises a purchaser of the total value of the property if the strata was approved and one title became twelve titles. Gross Realisation Valuation reported the value to be \$3,585,000.

I then sent a surveyor out to the site to give me a quote on arranging the strata title or development application. The surveyor returned with a figure of \$50,000 to complete the strata and informed me that the development application would take about three months to complete. I also decided to renovate the property, which added about \$370,000 to my costs. After paying the loan costs and sale fees, I was left with a fair profit from the strata title in less than nine months!

Ultimately, I was able to help twelve buyers, who themselves are going through their acquisition phase of buying real estate, buy a hold property in a solid Sydney suburb.

(Block before renovation and strata subdivision)



(During Renovation)



Before

After



Legacy — Phase Three

The final phase of property investing is called **legacy** and it is vital to leave one. I previously alluded to the fact that after you become a millionaire, it's not always the money that's important, but rather the person you have become in the process and the legacy you leave thereafter. Your legacy may be to support your children, or support a foundation or an institution that is important to you and become a real philanthropist. Let me tell you about a philanthropist that has inspired me.

Bryce Courtenay was born of English descent and spent his first ten years living poorly in a small village in an Afrikaans community of the Lebomo Mountains in South Africa. He was an outcast as he could not read, write or speak Afrikaans, which was the language of this community. At around age eleven, a school teacher took pity on Bryce and handed him a book that was written in Afrikaans. With the help of the teacher, the determined Bryce Courtenay finally learnt how to communicate in Afrikaans. He immigrated to Australia and later became one of Australia's most successful authors. He wrote *The Power of One*, which saw success both as a book and a movie. When asked what the biggest turning point in his distinguished career was, Bryce replied that it was receiving a book and learning how to read. Reading revolutionised Bryce Courtenay's life and he has spent considerable time ensuring that other children across the globe also read and get an education.

Positive Real Estate has some amazing people and team members who nurture the love of giving and serving others. As a team over the years, we have learnt that we can do more by combining our efforts and working to help others together. Our highest purpose is to help

underprivileged people worldwide get an education, and we do this through a great charity that we are very fond of, called **Room to Read**. As you acquire wealth, it's important to devise strategies on how to create more wealth, but also to consider how you can make the most impact on the lives of others with the money NOW.

In 2009 Jason Whitton, co-founder of Positive Real Estate, came across John Wood and his book, *Leaving Microsoft to Change the World*, which resonated with Jason because of its focus on education. John Wood was a highly paid Microsoft executive who was looking for more. He found himself at a school in Nepal being shown the pitiful library — a few leftover books from backpackers, such as the highly educational Danielle Steele novels! It moved him to action and within the day a plan had formed to bring books and libraries to children across the developing world. Fast forward 10 years and Room to Read is now a global organisation, which has reached over 4 million children and changed their lives in many ways. Not only does the school create libraries, but it also builds schools, publishes children's books and has created a program of girls' scholarships in impoverished areas.

However, John Wood's mission is not only about giving money and building libraries and schools, but also about empowering local communities to work on education. On the ground this means Room to Read and its donors provide financial help to communities enabling them to take the reins and become responsible for transport and construction of the libraries and schools.

John Wood tells of the Nepali mothers who, before their working day starts, haul multiple bags of concrete up the mountain for 5km to the site of the school. Education is priceless to these mothers. John marvelled at their

determination and strength, as he was exhausted after carrying the concrete up the mountain only once.

Room to Read is supported significantly by a global network of chapters in major cities. People like you and I raise money through events to raise awareness. One of the events is the *Beers for Books* event, during which you buy a beer and donate a book — easy! Australia is one of the strongest networks in the world with chapters in every capital city.

Positive Real Estate's involvement with Room to Read began in early 2010, when Jason Whitton and I attended a Room to Read event in Sydney with John Wood. We were impressed by his passion and commitment to the cause. He brought an entrepreneurial approach to philanthropy that I hadn't encountered before and he used solid business principles from his Microsoft days to make a measurable and positive impact in developing countries.

Since then, Positive Real Estate pledged to provide the funds to build several schools, and had several built. Getting the entire team on board was the easiest part and we brainstormed to find the best way to go about raising the funds. The outcome was that along with company contributions, all proceeds from events and the playing of the Positive Real Estate Property Game were donated to Room to Read. Along with this, a fixed donation from every Positive Real Estate Lifetime Mentoring sale was added.

In February 2012, we are committed to building two schools and libraries, one in Laos and one in Nepal. So far we are on track to complete them soon.

Giving back is of utmost importance to Positive Real Estate and for many Positive Real Estate members, as it provides much of the meaning to why we do what we do. If we can, as a group of normal people, change the lives of children across the world and provide them the means to

improve themselves and the lives of their communities, then our legacy is complete.

The Positive Real Estate Giving Fund is run by our amazing Mentoring Coaches.



Here are some facts about Room to Read as of June 2011:

- Operates in 10 countries
- Established 11,246 libraries
- Built 1,442 schools
- Published 553 titles
- Distributed 9.4 million books
- Has had 10,590 girl participants
- 5.1 million children have benefited

So as you acquire wealth, be sure to share it with those that have not had the same opportunities that we, Australians, are able to have every day. Consider giving to a program like Room to Read and you will see some of the rewards may be even greater than those you have achieved in your real estate career.

(Photos from our latest School being built in Nepal, and the existing school condition)



Foundation work.



Construction work of ground floor.



Private building currently being rented for use as a classroom.



Students doing their best to learn in an overcrowded classroom.

Room to Read

Chapter 6

Guide 2 – Property, Shares and Business



By the 1850s Britain's empire spanned the globe with interests on almost every continent. The British Empire started in the 16th century almost by chance, and was comprised of trading companies and wealthy magnates seeking profits rather than imperial power. By the end of the 19th century it covered a quarter of the globe! Its success was based on one principle: divide and rule to control economics. At the time, the economy and profit-making weren't in real estate and shares, but rather in gold and spices, and the British Empire knew that diversification in its spoils was the key to wealth creation and accumulation.

Warren Buffet can be seen as the modern-day equivalent of the British Empire. He is a self-made billionaire, having made his money investing his capital in real estate, shares and business. Like the former British Empire, he has one main objective: to divide his portfolio

into shares, property and business in order to rule his own economic empire.

When you are putting your investment plan into place, consider the following and learn from the great examples of the past. We are not re-inventing the wheel in what we are doing, but we are following examples from the past to better our future.

As a general rule, I think investing in real estate for wealth creation is the best starting point, as it forms the backbone of sensible investing. Further, property allows for compounding, which Albert Einstein called “the eighth wonder of the world.” Real estate in Australia had provided over 10% per annum for the last one hundred years and has doubled every ten years. This is the magic of compounding! With this information in mind, real estate investors need to focus on two sectors: high growth real estate and high returning real estate.

High Returning Real Estate

For most investors, securing cash flow is a sensible means of providing serviceability to their property portfolio. Similar to running a business, a well-managed property portfolio needs cash flow. There are two types of cash flow: passive and non-passive. To put them in their simplest terms: passive cash flow is derived from simply owning a property where the rent is higher than expenses, while non-passive cash flow requires extra work to extract the return.

To maintain and even increase serviceability, investors should consider returns or yields 2-3% higher than the standard variable interest rate of the day. I would aim for yields starting at 9% for residential property. Passive returns are available in the market and are often found in small regional towns, university towns and mining areas. Exposure to these returns takes dedication and consistent

research. One would need to put in at least 20 offers a month on properties to secure a viable property with a 9% or 10% return in a medium interest rate market of 7%.



An example of a Positive Cash Flow property — Located in regional NSW \$120,000 renting for \$230 per week. Note the rental return is much higher than the purchase price.

High Growing Real Estate

Capital growth properties tend to be associated with higher profits. As a general rule, you are more likely to get capital growth closer to economic hubs and large cities. I always ensure that I have a strong capital growth portfolio. Investing your capital in growing real estate markets is your seed for future prosperity. The profit or equity you gain in buying growing assets will become a liquid line of credit, so you can actually cash flow many pieces of real estate in a portfolio for years and still have capital to invest in another property.

Within any market, primary or secondary, there are indicators of the market's ability to perform. Become familiar with them and you will be able to forecast which

areas will grow or trough. The drivers for capital growth are: population growth, economics, demographics, infrastructure, yield variation and supply and demand. Find these drivers and you find a great area for investment.



An example of a Capital Growth property: Located in Sydney, NSW; bought for \$330,000, with a market rent of \$380 per week. Note the rental return is not as high as the purchase price when compared with the Positive Cash Flow example. The property has a lower yield variation but higher growth expectations.

Shares

I prefer that people only invest 10% of their capital in the share market. Investors leverage the share market by 100%, making the risk much higher than real estate, which is leverage by 30% investors and 70% owner-occupiers. Owner-occupiers don't typically sell in a downturn as they have bought their property as their principal place of residence.

The liquid ability of shares is both a pro and a con! You must be aware of the volatility of shares; they can double and be halved overnight. As you create more wealth, it is wise to consider shares as an alternative avenue to wealth

creation. Do not make it your principal investing tool and use seasoned brokers to get you your desired result.

Business

Out of every 100 businesses that start, only one is left standing after five years of trading. Building a successful business takes a lot of work. Most business owners do not own a business, they own a job! It feeds to a level of significance, but as an investment it can be much more hit and miss. Investing in businesses takes time before you reap a dividend, and many individuals first need to determine whether they want to invest the time. Understand that by buying an existing business you will need to be completely focused on extracting a result, as it is far less passive than real estate. Real estate allows you to work part-time on your fortune, whereas owning a business becomes a full-time job. I am a huge fan of business, being involved and owning my own business, implementing business programs and enjoying the economic prosperity, but I will not portray it as being easy.

Your investing time frame and risk management should also come into your planning considerations. If you still have at least a decade to go before you finish work, then you do not need to overcomplicate strategies other than real estate, shares and business.

Also, do not always take advice at face value. Consider if the person you have received the advice from has a stake in the investment they have offered and whether that investment is really the right asset for you at the moment. Asking for advice and having a mentor is highly recommended when investing, but also don't forget to think for yourself and remember that you are the one responsible for the decisions in your life.

Chapter 7

Guide 3 – The Property Guide to Finance



The Broker

This wouldn't be a real estate book without some educational tips on finance. As we know, property and finance go hand in hand. The property guide to finance comprehensively explores the best type of structures for investment loans.

Before we consider choosing a property type, we first need to appreciate that lenders will advance money or lend on the property. There are many different pitfalls and

challenges that novice investors face when entering the market, such as the fact that the major banks control lending for most real estate. This often complicates investing situations and acts as a repellent to investors, as a few banks control the liquidity of the market, and hence the amounts that investors will be able to receive through loan to value ratios.

Most banks will lend investors 80% of the value of the property. In order to receive more funds, investors need to arrange what is known as a Lenders Mortgage Insurance — this paid premium allows investors to gear their proposed loan higher, often up to 95% of the value of the property.

LVR (loan-to-value ratio) — to calculate it, divide the loan amount by the value of the property, then multiply by 100 to get the percentage. Banks and financial institutions use this as a measure of whether you can afford the loan.

LMI (lenders mortgage insurance) — usually required by lenders when you're borrowing more than 80% of the property's value. It provides insurance to the lender in case the borrower defaults on the loan.

Banks and mortgage insurers assess risk using the following checklist:

1. Population of Postcode (Rule is 10,000 people or more)
2. LVR% and Type of Property:
 - ✓ *House 80% Lend + Lenders Mortgage Insurance (LMI) = 90%*
 - ✓ *Unit 80% Lend + LMI = 90%*

- ✓ *Commercial – 70% LVR*
 - ✓ *Residential Vacant Land, 80% Lend + LMI = 90%*
 - ✓ *Rural Vacant Land – 70% LVR*
 - ✓ *Serviced Apartments – 70% LVR*
 - ✓ *Seniors Lots – 60% LVR*
 - ✓ *Hotel Rooms – Lending Highly Improbable*
 - ✓ *Student Accommodation – Lending Highly Improbable*
3. Size of dwelling must be bigger than 45sqm.
 4. Density of Complex – Under 32 in a unit block allows for more flexible lending.
 5. Banks have exposure limits in areas and even complexes. In other words, if they have lent too much in a postcode, they will restrict further involvement.
 6. Lenders Mortgage Insurers also have exposure limits in areas and even complexes. Like the banks, if they have lent too much in a postcode, they will restrict further involvement.
 7. Valuation – The Valuer’s job is to assess risk for the bank. The figure below shows the rating system that the Valuer is charged with supplying to a funder. You will note Section 2 on the following table (Risk Analysis). This acts as a report to the bank as to what amount to lend. The higher the risk to the bank, the lower the lending limit the borrower will achieve.

1. PROPERTY SUMMARY - Residential unit												
PROPERTY ADDRESS:												
TITLE DETAILS: Lot 6 SP Unregistered												
Encumbrances/Restr'ns: None disclosed or evident. Please notify valuer if searches reveal otherwise.												
Site Dimensions:					Site Area: 855m ²							
ZONING/INSTRUMENT: Residential Pittwater LEP 4/2/1994					LGA: Pittwater							
MAIN BUILDING: Residential unit with 1 bedroom/s 1 bathroom/s												
Built About: 2009					Addition(s): None apparent							
CAR ACCOMMODATION: 1 Security Basement Parking												
AREAS: Living Areas: 60m ²					Outdoor Areas: 23m ²			Other:				
MARKETABILITY: Good					Heritage Issues: None known							
ENVIRONMENTAL ISSUES: None Apparent												
ESSENTIAL REPAIRS: None												
2. RISK ANALYSIS * MUST "comment" overpage on any 4 or 5 Risk Ratings, or if three or more "3" Risk Ratings												
Property Risk* Ratings		1	2	3	4	5	Market Risk* Ratings		1	2	3	4
Location & Neighbourhood:		2					Reduced Value next 2-3 yrs:		2			
Land (incl. planning, title):		2					Market Volatility:		2			
Environmental Issues:		2					Local Economy Impact:		2			
Improvements:		2					Market Segment Conditions:		2			
* Risk Ratings: 1 = Low, 2 = Low to Medium, 3 = Medium, 4 = Medium to High, 5 = High												
3. VALUATION & ASSESSMENTS SUMMARY												
Interest Valued: Fee Simple vacant possession						Other Assessments						
Strata Title Property						Rental Value Unfurnished:		\$450 pw.				
Units in Development: 14						Replacement Insurance:		Body Corporate responsibility				
Unit Entitlement: Out Of:												
Strata Market Value:		\$460,000 (Four hundred and sixty thousand dollars)										

Valuations Carry Risk

It is important to note the distinction between the way lenders and borrowers view valuations. Lenders have effectively outsourced their risk to Valuers. If banks are not able to recover their costs on a bad loan, then Valuers risk getting sued. When arriving at a valuation, the Valuer must take into consideration the terms of their professional indemnity insurance, which is usually valid only when the lender provides finance using a conservative loan to valuation ratio. Bank valuations are not generally based on

the true market value of a property, but are rather based on the level of risk to the bank.

Personal Risk

Lastly, your lender has to assess your risk and your ability to afford the repayments. As a rule, lenders will look at 30% of your gross income to assess loan repayments. They use a formula known as DSR, Debt Service Repayments. Other criteria the banks consider include:

1. Age
2. Proof of Savings
3. Stability of Employment
4. Other Securities
5. Net Worth
6. Employed or Self-Employed
7. Rental Incomes

5 Rules to Lending

1. Leveraging with Someone Else's Money

Can we build an amazing property portfolio while leveraging someone else's money? The answer is "Yes!" We can use the bank's money to grow our wealth - now that's exciting. When we go out to purchase a property we generally use around 90% of the bank's money and a small amount of our own.

If we look at the market over the past 100 years, the growth per annum has been around 10.40%. If we purchased a property for \$350,000, the potential capital growth could be \$36,400 per year. What's the average Australian income? \$57,000. When we go to work, we exchange time for money, but your property will be

generating another income for you as you work elsewhere. There is nothing better than making money as you sleep.

2. Interest-Only Loans

When choosing a loan structure, interest-only loans are the most advisable. The logic behind this is that your interest-only repayment is always going to be lower than a principal and interest repayment and with a vast majority of home loans you have the option of making additional repayments at any time without penalty.

So with an interest-only loan, you could choose to make the same repayment as if the loan was principal and interest, but you have the option of making a lower repayment, should you ever go through a cash shortage.

However, if you select principal and interest from the beginning, you are locked into making the higher repayment every month. So you should take the lower minimum repayment of an interest-only loan and then you can choose to make additional repayments if you have the additional cash.

The decision whether to make additional repayments or not is something you only consider if you have personal debt. Your main aim would be to pay down the debt as it is not income producing or tax deductible. One of the main reasons I choose interest-only loans is that YOU own the additional repayments you have made. In principal and interest loans, the bank owns all of your money and you are not able to take it back if you ever experience a rainy day.

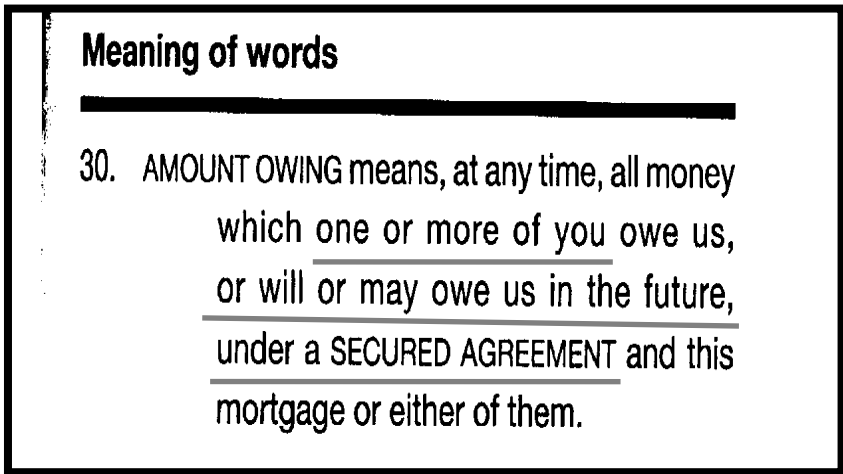
3. All Monies Clause

Most banks have clauses in their home loan documents that entitle them to review any one of your home loans with them at any time and ask for additional funds. This can

happen if the bank believes that the value has decreased or that your debt has climbed too high.

This clause also entitles them to force you to use any other of your properties as security in order to provide the bank with the additional funds necessary to resecure the loan in question. In other words, all properties are security for all loans. **THIS CAN SEVERELY LIMIT YOUR INVESTING FUTURE.**

The figure below is directly from a contract with a bank and is evidence of some of the restrictive terms that can be present in a contract.



SECURITISED LENDERS

The alternative is to use securitised lenders, because they only use each individual property as security for each home loan. They give your mortgage to a trustee (Perpetual Trust) to uphold the terms of the mortgage and cannot review your LVR or income position at any time and force you to put in additional funds or sell your property if they think you have become a greater risk.

4. Say No to Cross-Securitisation

Sophisticated investors who want to grow their portfolio do not cross-securitise. This ensures they limit the risk of the bank reviewing their position every time they buy another property. You should have a different loan with different lenders for each security that you purchase.

It is absolutely necessary that you read your terms and conditions carefully before entering into a contract with your bank. Watch out for the “All securities” clause, which will allow the bank to use one or more of your properties as security. If you don’t read the terms and conditions, then you may really be limiting your investment life and your ability to make investments in the future. I have met clients with extensive portfolios, who were then unable to refinance as their current lender refused to release the securities because they felt the client carried too much risk.

One Positive Real Estate client was releasing one security from a lender who had all four of the properties cross-securitised. We were going to release around \$300,000 with the refinance and leave the current lender with three properties at 90%. Three days before settlement the client’s current lender informed us that they would not release the security unless the client reduced the LVR to 80%. The client was only able to release \$120,000, which was not a good outcome.

All existing security for your obligations to the Bank.

The amount of all your loans cannot exceed 80.00% of the value of the real property (or interest in real property) over which the Bank has Security for the loans.

If this limit is exceeded the Bank can require you to give it additional security (see clause 5.2 of the Booklet for more details).

Any person signing this Letter, or any security for it, gives the Bank the right to apply money in any of that person's accounts towards amounts payable by that person.

5. Never be Negative Again

Why does around only 3% of the country purchase over three properties? The answer is cash flow. Most Australians want to generate wealth through property, but their greatest fear is paying for the shortfall. Every client I work with has some kind of starting position. Let's say you have \$100,000 equity to start with. The first thing I would say to a client is to create a buffer for themselves in case things go awry. Most clients create a buffer that would last them for at least two years. The buffer will allow them to cover any shortfall during their property investment career for the allocated amount of time. Don't confuse the buffer for your property as losing money. Capital growth should always outweigh what it's costing you to keep the property every year out of your buffer.

Obtaining the right home loan can be confusing. Redraws, offsets, interest only, loan structures, variable rates versus fixed rates are all aspects of a loan that can help you save thousands of dollars over the term of the loan.

Whoever you use to guide you through the process, make sure they show you their capabilities in being able to assist you after your loan settles, and tell them what your expectations are in terms of keeping in touch with you.

Developing a quality relationship with a home loan manager can help save you a lot of money. It can also save you from a lonely home loan experience and allow you to achieve your wealth creation strategies.

Chapter 8

Guide 4 – The Property Guide to Speculation



You would only need to examine the history of the wealthiest people in the world to see that much of their wealth was amassed through owning real estate. Real estate is a solid asset class and it can make you a fortune! However, I often see novice investors get frustrated by speculating in high risk property strategies that they know very little about, after being attracted to these strategies by their hunger for high returns and profits! This chapter will examine the speculation into the U.S. market by Australian Investors.

After the Great Depression of 1929 the United States had forty years of economic growth with banks being tightly regulated. Local banks held people's deposits and were regulated from trading these deposits held and most

investment banks were small groups of united bankers, who were investing their own capital.

In 1972, Morgan Stanley Investment Bank had approximately 120 personnel, one office and capital of 12 million dollars. By September, 2008, Morgan Stanley had 50,000 workers, offices all over the world and capital of \$50 billion. In 1972, bankers made \$30,000 a year, and by the time of the financial crisis bankers were making millions every year. Robert Rubin Vice President of Citigroup, the largest financial institution in the world at the time, alone made \$126 million dollars in 2007.

In the 1980s investment banks in the USA went public and became largely deregulated during the Reagan years. The deregulation allowed banks to make riskier decisions with clients' capital and create questionable and unfounded investment vehicles that put the risk wholly on the consumer.

This deregulation saw standard real estate loans being sold off to investment banks, who then paid rating agencies to create a AAA rating for the products. The investment banks in turn sold the loans off as investments to pension funds (superannuation funds), creating a camouflaged toxic debt on debt scenario. Many of these loans were known as subprime mortgages, which is a higher risk mortgage. The investment banks actually preferred subprime loans because they carried higher interest rates. Borrowers were foolishly placed in expensive subprime loans and many loans were given to people who could not repay them. Brokers were incentivised by large payments from investment banks.

These predatory loans became the catalyst to the biggest financial freefall the world has ever seen and the loans also resulted in housing prices being artificially inflated and creating a housing bubble. Normal housing

bubbles are created by supply and demand forces, whereas the U.S. housing bubble was created by investment bankers, encouraging brokers to lend money to just about anyone, creating an incessant supply of ready buyers into the market. In 2006, American house prices practically doubled in value. Bankers like Goldman Sachs, Lehman Brothers, Morgan Stanley, Countrywide Financial and Bear Stern all aided this practice and made a fortune from trading the mortgages. From 2006 to 2008, the CEO of Lehman Brothers, Richard Fuld, who was the largest investor in subprime mortgages, took home a staggering \$445 million dollars. To make matters worse, these investment banks began to borrow against themselves to trade more toxic loans.

From 2002 to 2008 U.S. homebuyers were borrowing from 100 to 110% of the loan value of their home. These homebuyers effectively had no savings, limited deposits and limited capacity to repay the loans. In 2008, the bubble finally burst as many of the loans began to default. In March 2008, Bear Stern was the first investment bank that went into liquidation, and by the end of 2008 most investment banks were being bailed out by the U.S. government at the expense of the taxpayers.

In Australia, it is standard operating procedure for banks to value a property before lending money to a borrower. Banks (may) often even assess a property below its market value and below what investors are willing to pay in order to cool the market and prevent exaggerated price increases. It is such conservative banking measures that prevented a housing market collapse similar to that in America.

After the Global Financial Crisis (GFC) had hit, many Australian investors flocked to the USA in order to

capitalise on the capitulation of the housing market there, however, these investors have met with limited success.


There are many barriers to international real estate investing success and now many Australian investors have bought a lot of problem real estate in the U.S. Australian investors are being encouraged to purchase in the U.S. by Australian companies that have much more than the client's interest and financial goals in mind.


The following describes the pros and cons involved with investing in the U.S. Let's first look at the pros of investing in the American dream.

The Pros

- 👍 **Credit**—Getting a credit score in the States is very important to be able to get financing. What a good credit score allows you to do is to get finance down to 2% and 3%. Who'd like interest at 2% and 3% on their loans?
- 👍 **Returns**—Here are the good points about investing in the States: Strong rental yields, full stop. Depending on the price point, they can range from 10% and can go right up to 20% or 30%. These are positive cash flow properties.
- 👍 **Stamp Duty**—Australians pay tens of thousands of dollars on a property in stamp duty. Transferring a title of a property can literally cost you as little as a few hundred dollars in the States.
- 👍 **The High Dollar**—At the time of printing, September 2011, the Australian dollar is around parity with U.S. dollar.
- 👍 **Population**— Three hundred million plus people live in America. There are also many illegal immigrants in America, especially in the southern states and






California. Illegal immigrants won't make bad tenants as they don't want to get found out and don't want to cause any hassles, so they pay the bills and they pay the rent.

 **How do I kick out bad tenants?** In some states the tenant laws are very similar to Australia and work really well for landlords. One of those states is actually Texas. The sheriffs can go around to the unit in under a three month period and get non-paying tenants out, but in other states it can take up to three years to get them out. There are very different laws in every single state of America.

 **What's a lien?** Basically anyone in the States from a plumber through to a bank can have a mortgage or an ownership, or debt registered against your property. Debtors can consist of anyone you may owe a debt to. For example, the city, the Council, water rates, a builder etc., have the ability to put your property into foreclosure if you don't pay up. **This makes up part of your buying process. If you owe someone money they can put a lien on your house and can default you on your mortgage and wind you up or send you into default. Good deals are bought as foreclosures.** Definitely a pro if you are buying a property, but a con if you are a home owner.

Foreclosure rates in the States are still increasing. In Nevada alone, one in every 75 homes has been foreclosed on or is in the process of being foreclosed on. That's almost 10%. That's pretty significant.

The Cons

-  **Am I paying what locals pay?** Investing in the States without a trusted representative can be difficult and may often result in you paying higher prices than locals. You can avoid these price hikes by doing research on the internet and calling a number of agents to see what kind of offers and advice they can provide. Be very careful what you're buying and who you're buying from if you are considering buying property in the States, as there have been reports of two-tier marketing occurring.
-  **Are cheap U.S. properties really that great?** The U.S. has cities with populations larger than the whole population of Australia. Many may look like great investment options, however, there are a lot of bad areas in cities and you can't know where they are without having boots on the ground. A real estate agent will generally not tell you that you are buying in a bad area. As a rule, I believe that the cheap properties that look like a steal are in suburbs you wouldn't want to walk through.
-  **High vacancies!** In some states there is a 30% vacancy rate.
-  **Who likes property managers here in Australia?** If you don't like them here in Australia you're not going to like them in the States. Rental statements do not come on a continual basis as a monthly statement, and the banking system in America is archaic, since cash is still the most preferred method of payment.
-  **How's the rent paid in the States?** One Dallas property manager actually goes around with not only one, but two guns when he collects the rent. They go and knock on the door and say, "Rent, please," and they expect to

get cash. The property manager carries around a gun, because criminals are aware of the property manager's rent collecting route and they follow him to the end of his route and then grab the money that he has collected, which is supposed to go to landlords! See, there is no Trust Accounting System in the USA. If your money is missing, they send you a police report and say, "Sorry, we were held up again, the money is gone."

👉 **Renovation is known as "Rehab" in America:** The ARB, "the after-rehab value," as they call it in the States, is part of the process of buying. In Australia, a renovation involves us adding curtains, carpet, paint job and maybe adding some light fittings. That's a pretty simple renovation that is common for Australian property.

👉 **Renovation** in the States is a lot more work as it's a complete rehab and, more often than not, involves the fact that undesirables go into vacant homes and take everything. They will take a power point, knock a hole in the wall to find the wire and they'll pull the whole wire out of the wall. They'll keep pulling all the sheathed wire out of the wall and have it on a big pile on the floor. Then they'll sit there for the rest of the night to pull off all the sheathing so they end up with their little ball of copper wire. They take the copper down to the recycler the next morning and sell it, because copper is quite pricey at the moment.

Can you imagine the sort of damage that would happen to a property if someone went through it and literally ripped the walls apart, ripped out the copper wiring and the copper piping for the water? How much damage could this cause to a house overnight? This could

be ridiculously expensive for you and until you find the money to fix it, it will leave you with a property that simply cannot be rented out! Imagine all of this happening whilst you're in Australia?

Is cheap sensible in the USA? I don't believe so. Cheap comes with a lot more problems. Do you know where the right part of town is in every city in America? Texas has got 30 million plus people living in the state. That's already 50% more than the whole of Australia. Do you think there might be some undesirable parts of Texas, perhaps more than one of them?

What do cheap properties look like inside in the States? Really scary!

Could you buy in a slum unknowingly? A recent Australian investor in America wondered why he wasn't getting rent. Out of pure frustration he flew to the USA to actually look at the place. When he realised where he'd bought, he saw that he was surrounded by hundreds of vacant homes neighbouring his. He'd bought in a slum. Could he rent the places? No.

Is it different in every state? Yes it is very different. Every state has different laws, including those applying to foreclosure, and has different rules about investing in property. There are also different rules on taxes, the way you pay taxes and how they're scaled. So, every state is different.

The Outcome! Cashflow is the seed capital to service investments. It is important! The two-pronged approach to wealth by using cash flow property and capital growth

property is very sensible, as cash flow is the fuel that runs the engine and without it, advancement is not possible. Today, the major attraction to real estate in the USA is indeed the rental returns.

The reality in Australia is that about 80 percent of portfolio investors don't buy cash flow positive properties, as they're happy with the family home and perhaps one other investment property.

Around two percent of the population invest in more than one property and approximately 20 percent of those are whom I would call portfolio cashflow investors. This tiny group of people has ample cash flow investments to pick and choose from in the Market. Returns of 10% + are available in capital cities today in Australia. Savvy investors know how to find them or create them. Buying in America for cashflow isn't prudent, when it can be done in Australia just as easily.

If you had somewhere between \$50,000 and \$200,000 to invest in property, where would you choose to invest? Australia or the States? I know where I would prefer to invest! The biggest fundamental difference in the Australian and U.S. markets is the fact that in Australia we have an undersupply of available housing, whereas in the USA there is a massive oversupply in the market and until the tables turn, there will be limited market growth in the USA. In 2010, there were six million foreclosures in the United States, with lenders predicting a further nine million foreclosures to come over the next three years.

Investing locally allows for the sleep at night factor; when it comes down to it, we are taking money that we've worked long and hard for and investing it for a safe and happy retirement. There is no sense in experimenting in 'Do It Yourself' real estate in the U.S., when you can make money right here in Australia.

Chapter 9

Guide 5 – Town Planning



72-76 Bayswater Road in Potts Point in Sydney is now a luxury apartment complex. The combined property value is \$25 million dollars. My family owned this piece of land for over 40 years and operated a bed and breakfast there. After becoming tired of the bed and breakfast business, my family chose to sell the property for \$200,000 in 1982. At that time, my parents spent the profit! My mother bought a Datsun Sunny motor vehicle and a two-bedroom unit at North Bondi. Five years later, 72- 76 Bayswater Road, Potts Point, sold for millions of dollars and has since re-sold again for more and now the land alone is worth over \$9 million dollars.

So what did those original buyers understand about the property and the area that my parents didn't? At the time, Sydney's Potts Point was a very different landscape to what is today. Being the neighbouring suburb to Kings

Cross, it was the underbelly of undesirable activity and its close proximity to the city made it a hot bed of action.

However, at the top of Bayswater Road in Potts Point you have amazing city views, including a view of Sydney Harbour. To see through the mist of undesirable activity and know that the property was a diamond in the rough would have taken a lot of market knowledge, surely?

I think every family has a story about the property that got away from them. Most people look at real estate retrospectively and those that do tend to be homeowners and not investors. Buying, holding and selling real estate requires some understanding of the suburb where you find the property and the suburb's ability to change. In real estate, we call this change in a suburb *gentrification*. Success in property investing requires some foresight. This involves being able to consider the possibilities that might arise in the future and determine how they can change the area. It doesn't require you to be a psychic, but rather a critical thinker.

A great pathway to find capital growth is to follow the spending habits of government and the consumer habits of people and learn about the places they will soon inhabit. It is the social media of the real world, not the internet! Though real estate embraces the social media revolution, information and power in real estate comes with understanding one key tool, the "**Town Plan**".

See, in the end it was my family's naivety to the "highest and best use" of the suburb that robbed them of an achievable small fortune. If my parents had looked at the town plan and understood the pending alterations that would allow zoning and infrastructure changes, they would have known that gentrification would soon follow.



Existing Buildings Bayswater Road, Potts Point

Town Planning

Town planning reveals the thousands of moving parts in a city, town or suburb and how these parts relate to one another. When factoring in real estate and the town plan, it's best to break down town planning into just a few sections.

- 1) People
- 2) Places
- 3) Infrastructure
- 4) The State Town Plan
- 5) The Local Environment Plan or LEP (NSW terminology) and The Development Control Plan or DCP (NSW terminology)

The principle behind examining the town plan is that investors can find a better property in more sustainable areas if the locality is progressive and well planned. Extracting value through real estate is most easily done

when the market does that for you. Ultimately, you want to control assets, add as much value to them as possible, or have the market add value to ensure that the yields remain high for as long as possible. A town plan will allow you to find this kind of area through easily accessible research. Let's examine some of the variables.

People— Demographics are a huge driver in real estate and it's important to know that people and their migration have a huge impact on property prices. At the moment there are a number of subcultures present throughout Australia, and these subcultures can be further divided when you focus on smaller areas.

Generationally speaking, we have the baby boomer generation and generations X and Y. Each particular generation is having an impact on the property market right now! The key is working out where they want to live next and what they are likely to spend their money on. For example, there is a theory that the average person/couple buys their most expensive property between the ages of 40 and 44. This timing is due to expanding family numbers and higher incomes that justify spending more on property.

Below are some new subcultures that have been on the rise in the past couple of years. (Source: *ABC of XYZ* by Mark McCrindle).

- ✓ TWITS: Thirty-something women who act like teenagers
- ✓ NETTELS: Not Enough Time To Enjoy Life
- ✓ DOWNAGES: 60+ who act younger than their age would suggest

These changes in household structure mean that Australians have an evolving desire to reshape what property looks like and what it means to them. Australians

are becoming less interested in the quarter-acre block and within fifteen years, 30% of all homes in Australia will be single-person households.

By studying demographic shifts, you will understand where people are considering to move next and you will find an emerging suburb to purchase property in. This is where the town plan comes in. The area's town plan may have already begun to accommodate the needs of the emerging community and will act as a gauge as to whether to invest there or not. In the 1900s there were five people to a house in Australia, now it's around two. Everything we do affects housing, such as divorce, which might explain the rise in single person households! Nowadays, one out of three couples gets divorced, which also puts pressure on the property market.

Places

The town plan will show you the future initiatives that will be occurring in a certain place. It's important to look at places that haven't previously been on your radar as good investments. There are so many examples of grungy, cheap areas that we thought were undesirable, but have quickly become fashionable and spectacular investments. Some examples are Collingwood in Melbourne, Redfern and Marrickville in Sydney, or Fortitude Valley in Brisbane. These areas show the extensive impact of urban renewal and gentrification.

If an area is slowly starting to change, but hasn't been fully transformed, it is a good time to get into the market and see what opportunities are available. In real estate there is an old phrase "it is better to buy the worst house in the best street, than the best house in the worst street", but I would like to coin a second phrase; "It is better to buy into a suburb that is a blank canvas rather than into a suburb that is a Picasso". When thinking about purchasing in these

areas, it needs to show that it has potential, but it might lack a definitive identity that it will soon have the potential to develop. An area that is like a Picasso is a place with a distinct lifestyle, tons of merchants to choose from, a café and restaurant culture and an identity that is known outside of the area. This also means that the area won't have the best investment opportunities as it has already been discovered and people are already paying a prime rate to live there.

Infrastructure—Developers and governments spend billions of dollars on infrastructure each year. They provide roads, schools, hospitals, transport and commercial and office infrastructure to address the needs of the community. In doing so, the government and developers reshape and redefine the planning requirements of both the state and local government areas. You will find growth if you can locate where infrastructure spending will be allocated to next. Be sure the infrastructure is real and forthcoming rather than a just a government promise or political swaying. Check the town plan and government reports to validate your position.

Purchasing an investment property in close proximity to infrastructure projects is a sensible way to gauge future growth and have a higher likelihood of a better return. I also always look at the places where publicly listed property companies are choosing to invest, as these people have the best town planners and researchers working for them. I follow their investments with great interest and work out how to buy for less in the same area. Governments and listed companies will spend a fortune, literally billions and billions of dollars influencing areas. Capturing that influence is a very smart way of buying property for the long term.

State Town Plan—Each state puts out a plan or vision for the future. It is usually a 25-year agenda of what the city will look like. The state town plan focuses on the following elements in order to create better towns and areas. Understanding these elements can help you determine whether there will be enough growth drivers to make the area a good investment.

- Develop Standards
- Protect Bushland
- Ensure Traffic Flows
- Develop Surplus Land
- Promote a Higher Density
- Re-Zone Areas
- Arrange Aged Care

These factors show nothing but improvement, but remember that governments tend to over-promise and under-deliver.

At 18 I was a real estate agent in North Ryde in Sydney. During that time, a government planning initiative planned on linking Chatswood to Epping via a new rail link that was to unfold over a three-year period. As a result, numerous investors purchased property in the area; however, it took about six years before a track was laid and ten years for the infrastructure to be wholly delivered. So the lesson is to buy just at the start of the construction.

The Local Environmental Plan and Development Control Plan

LEP— Each local government area puts out a plan or vision for the future, which can be accessed by visiting that area's Council. The single biggest change that can occur in the local town plan is height and density changes. This

forms the backbone of subdivisions and extensions and adds value to real estate.

The photo below is an example of air space changes in an LEP. The property located at 444 Marine Parade in Biggera Waters, QLD, was built some twenty years ago. At the time the height restrictions were two levels; today, however, the height restrictions are at seven levels. Understanding such changes by looking at the LEP can ensure that you stay ahead of the trend and plan accordingly to get the best use out of your real estate.



Development Control Plan or DCP

Each local area has a development control plan, so when factoring in the highest and best use of real estate, you need to be able to determine whether your plans have the plausibility of approval. In other words, will the parcel of land pass the development considerations that need to be taken into account? If it does, you could well be on your way to extracting a bigger profit!

Some elements for consideration are listed below and can be found in the DCP:

- Car parking
- Height limits
- Building lines, such as distance shadows
- Laundry facilities
- Water, sewerage, drainage and electricity
- Beautification of unused land – landscaping
- Minimum frontage and depth
- Minimum block size
- Plot ratio – number of floors
- Density ratio – number of 1, 2 and 3 bedrooms
- Ingress and egress, (in and out) driveway, right-of-way, walkway
- Fire ratings
- Covenants, caveats and encumbrances

Town planning is a key education requirement for your journey through investing. It can be the difference between selling a property for \$200,000 or for \$4,000,000. By carefully researching attributes of people, a suburb, and having explored an area's ability to change (all information found in the town plan), you can diligently find great investment opportunities.

Chapter 10

Guide 6 – A Guide to House and Land Packages



A popular method for securing an investment property is to buy in a new housing estate; this strategy is known as purchasing a house and land package. At the time of writing, we are in the middle of the biggest residential undersupply Australia has ever seen —some 180,000 dwellings short across the country. The majority of the shortage is on the east coast of Queensland, New South Wales and Victoria.

Although a house and land package is an excellent way to acquire a residence as well as a plot of land, not all of these packages are ideal investments. With every piece of real estate you find interest in, these also need to be heavily researched. The principle behind examining a house and

land community is that investors need to find the best property and estate from which to extract value. Let's examine some of the variables we need to consider when looking at these packages.

New Established Benchmark

The real estate market often exposes investors to a mixture of new and old properties, leaving some investors perplexed as to whether to buy new or old. For example, if an old property in a micro market (suburb or town) is worth \$200,000, and a comparable new property is worth \$300,000, then the old property would be the better buy because the New Established Benchmark (NEB) variation is \$100,000. One could add value to the old property through renovation and extract a profit because of the high NEB variation. If the old property was \$280,000, and a similar new property in the micro market was worth \$300,000, then the NEB variation is low at \$20,000. The new property is the better buy, as the investor would not be able to add value through renovation to the old property to compete with the new property.

Blue-Chip Zones

When considering a house and land package, look at investing in premium localities and estates often known as blue-chip areas. If you do not locate a house and land package in one of these areas, do NOT enter the cheaper estates of the area. A new house and land neighbourhood or suburb may be made up of several estates. As the state government releases land, major developers, who have been waiting for the rezoning changes, dominate the landscape. These big-time developers then allow smaller developers and builders to control land in their estate and sell the properties accordingly. To minimise their risk, some major land owners will sell to developers who sell only to

investors, which then creates a neighbourhood of tenants rather than a house-proud neighbourhood of owner-occupiers. This often creates a poor-looking and non-family environment, which can minimise your profit potential. You should buy in areas where land owners and developers are targeting owner-occupiers, and will only sell limited positions in their estate to investors, in some cases less than 10%. These are great estates to buy in because of the upside of a house-proud neighbourhood that will take better care of the area than tenants.

Resale

Purchasing a property with less investor activity in a house-proud neighbourhood will also be helpful when reselling your property. New purchasers prefer to buy in areas where there are more owner-occupiers than tenants.

Supply and Demand

As is the case with off-the-plans, house and land packages are also often released in stages so that the developer can attain higher profits. The first release will generally have the lowest entry point price, whereas the last release will most likely have the highest price. The major difference when purchasing house and land packages with developers that are catering to owner-occupiers is that land is only released when the developers know they have more interested purchasers. This suggests that investors flooding the market do not artificially drive up the stages and prices. So there really is never a huge oversupply problem and prices do go up. Further, more established stages become more valuable than new sections drip released.

Rental Returns

Rental returns are a significant factor in the success of many areas. If yields are high, growth usually follows. Owner-occupied estates with limited investor stock have yields that are up to 1% above close neighbourhoods that have a greater investor influence. Yield variation is an instrument to gauge future growth of markets, because as the yields expand, growth will follow and compress closer to already expanded yields. The further the yield advances, the more likely that a growth expansion phase will follow. Simply remember that **growth follows yields**.

Infrastructure

In housing estates, well-planned infrastructure focuses on underground power, lots of green space, community supermarkets and day care centres. They all add up to explain why one housing estate will be a success and another will not.

About the Builder

It's important to use a proven builder with a successful track record. Too often, investors engage a less expensive builder only to have their home project delayed, costing them both money and opportunity. Remember, your new home will come with a new home warranty for seven years. So you will need to engage a builder with a long tail approach to business, rather than a less expensive alternative.

Chapter 11

Property Guide 7 – Guide to Mining Markets



The influence that the **world's biggest mining companies** can have on world markets is profound, let alone what their activities can do for local Australian property markets. Over the next decade, trillions of dollars are expected to be made from mining in Australia.

Mining towns are central to high rental returns in Australia. Huge returns well over 11% can be achieved by navigating your capital to small towns controlled by BHP, Rio Tinto and others. I have brokered around 1,000 positive cashflow properties, from small towns to secondary cities

and in particular, in mining markets. Passive cashflow returns are especially available in the market. When negotiating high-yielding properties, remember to do the numbers and make sure you are truly buying positive cashflow. Genuine positive cashflow properties should give the benefit before tax and not be reliant on deductions.

Properties within the market that can't produce a pre-tax positive cashflow result are either positively geared by tax deductions or still negatively geared. I am a big advocate of positive cash flow real estate, but as Australia rides the next commodity boom, there are a few essential facts to keep in mind before investing. As many educators continue to re-deliver buying strategies in what I consider to be "old boomtowns" or towns that experienced high rates of capital growth from 2004 to 2007 and thus are excessively expensive, I do believe a checklist is needed when applying a positive cash flow strategy.

The main drivers in mining towns, where positive cash flow investments are available, are socioeconomic factors, also easily represented as Average Income vs. Average House Price. By way of example, let's use the history of old boomtowns to explain these factors.

During the Howard years the country experienced an impressive and profitable resource boom. This boom slowed during the GFC, but is once again experiencing a renaissance. However, the socioeconomic driver of average income vs. average house price is no longer viable in many of the mining market towns. These are what I call old boomtowns.

Continuing with this example—in 2003 I was brokering a property deal in Port Hedland and South Hedland in Western Australia, which were towns with a combined population of approximately 15,000, and were experiencing high wage increases due to the mining boom. The average

wage was well up around \$100,000 or \$1,400 a week after PAYG. Conversely, the average home price in 2003 was very affordable at around \$200,000 or a weekly repayment of \$250pw.

To fuel socioeconomic growth, a market needs to be bearable, equitable and sustainable in order for both investors and owner-occupiers to purchase there. To understand the example mentioned above, let's ask the following questions of the Port Hedland/South Hedland market in 2003.

Was the market:

- ✓ **Bearable?** Yes. The average income of \$1,400 could afford the average debt of the average house price of \$250 pw.
- ✓ **Sustainable?** Yes. The market could sustain fluctuations in house price growth. Let's take the 120-year Australian average of house growth of approximately 10.4% (10%) and compound the growth for three years. The house initially costing \$200,000 would be worth \$220,000 in one year and \$266,000 by the third year. Could \$1,400 income a week afford the house price of \$266,000? Yes! In 2003, the Port Hedland/South Hedland was very sustainable and the future looked good!
- ✓ **Equitable?** Yes. Assuming the owner of the property wanted to take the gain made in property growth in the form of equity, could the average income afford it? Yes. The Port Hedland/South Hedland markets in 2003 and the pursuant years were very equitable markets.
- ✓ **Viable?** With the above formulation that the market was bearable, equitable and sustainable in 2003, the

Port Hedland/South Hedland was extremely viable to buy within.

The towns of Port Hedland/South Hedland went to outperform the market and posted huge profits to those property investors who understood the socioeconomic factors driving the market. Much has changed since 2003, including major global economic fallout, and the Port Hedland/South Hedland market is bearable, but no longer sustainable, equitable, or viable.

Personally, I am not a fan of single market economies, unless the entry-level price is very low. The new mining markets of this decade, the “new boomtowns”, have high return and low entry points, but many of them are also not solely dependent on commodities and international commodity prices. The GFC proved that single market economies are not sustainable if there is a monumental economic shift, and I have seen single mining markets shut down and vibrant communities turn to dust.

The current wage of individuals working in mines is still around \$100,000 per annum due to the limited supply of people interested in working in the mines. The old boomtowns saw an undersupply of housing that increased property prices and hence, put pressure on wages. Mines in old boomtowns are attempting to provide “dongas,” which are portable shacks available to miners. These shacks minimise the undersupply of housing and also decrease wage pressures. If you consider investing in mining towns, you need to ensure that your rentable property will not be replaced by a “donga.”

Further, remember that real estate is an investment that will help you retire comfortably. With that in mind, you need to ask yourself this final question in regards to mining towns: will the mine be yielding and operating the day I

retire? Or will that be the year they close or slow down production of that commodity and my valuable asset becomes significantly less valuable?

Mining Checklist:

1) Single market economies are towns that have one resource, for example copper! The fate of the township fluctuates with the price of world supply and demand, and therefore with copper prices. The new mining markets of this decade, i.e. the “new boomtowns”, have high returns and low entry points, but many of them are also not solely dependent on commodities and international commodity prices.

2) **Was there a purpose to the township prior to the boom?**

Take Gladstone for example. Prior to the \$90 billion dollar announcements and the LNG plant occurring, Gladstone was seen as a port, a bauxite refinery to aluminium. It had a purpose. Conversely, take a town like Middlemount; prior to coal being a need of China, there was not much in Middlemount except maybe a fish and chips shop!

3) **Is there more than one company in the township?**

If there are multiple heavyweight collaborating forces, it means there will be huge capital injections: accommodation will be needed, jobs will be created, which forces rental and house prices up. Additionally, if one company has an unexpected share market dip, there are other companies still operating!

4) **Are the mining companies planning to provide housing to miners in the form of “dongas”?**

Some mining companies provide on-site accommodation for fly-in fly-out (FIFO) employees to ensure they keep costs down. One reason miners earn such high incomes is their need for accommodation, often due to the housing shortage. Some mining companies have started camps and roped that into their salary, which reduces wages and ultimately affects the growth of property. The more "dongas", the lower the wages of the workers are, therefore house prices will stay the same in that town.

5) Is there a local property manager in town?

Having a good rapport with your property manager means you are protecting your investment. If there are no real estate agents in the township, you can just imagine the nightmare of trying to look after your property, especially if you are located in Sydney.

Chapter 12

Guide 8 – Joint Ventures & Self-Managed Super Funds

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Joint ventures (JV) involve an enterprise taken between two or more parties who work towards a common goal under a mandate. In real estate it is a common practice to join together with a friend, family member or money partner to purchase property. Joint ventures arise as a combination of the following elements:

1. The investor does not have enough deposit to put into a deal, or does not have the income to support a loan from a lender.
2. The investor does not have either the time or the knowledge to structure the investment opportunity.

3. The investor wishes to transact a more complex property investment and requires one or more investing partners.

In each situation described, a JV is always different as no two people or two opportunities are identical. I have found that there are some crucial things to keep in mind before leaping in.

3 BIGGEST Mistakes When Investing with Relatives

1. No clear goal
2. No decision and action-taking process
3. No legal documentation

1. No Clear Goal

When investing with another person it is vital to have a clear goal as to what you wish to achieve in your JV. Be clear on your timeframe, whether you are after long-term growth or income, a short-term profit, an experience, or something else. Without a clear end goal for all parties involved, JVs are destined for failure from the start. I recommend confirming with a mentor that the steps you are taking are the appropriate ones.

2. No Decision & Action-Taking Process

Once a good idea has been hatched and some thoughts written out on the back of the beer coaster or BBQ napkin, everyone walks away with a smile, excited that the other person is taking the next step, until the other person returns saying, "But, I thought you were doing that!" After you've decided what results you are after, it's important to allocate tasks to people. As an investing group, work out who is going to call the mortgage brokers, who is going to deal

with the Council, who is responsible for keeping all the paperwork and what action steps need to be taken once you have covered the basics.

3. No Legal Documentation

One of the **most costly mistakes** is the lack of any sort of legal documentation. Not only does this include financial and legal repercussions, but could also lead to significant family disputes if agreements have not been made binding. There is nothing stronger than money that can tear a family apart.

All joint ventures, even those with family and extended relatives MUST have a legal agreement drawn up. This does not need to be costly. It needs to clearly outline your end goal, everyone's responsibilities, where the money is coming from, what happens if someone wants to pull out or does not complete their side of the agreement and what happens with the property or profit at the end of the venture.

Joint ventures can be a wonderful way to get ahead - they just require a solid understanding of who you are going to be working with, roles, obligations and income participation. I still often buy real estate through joint ventures and I enjoy seeing other people succeed, as well as the companionship and teamwork of working with others. One new way for all investors to create a JV is to team up with their own retirement fund or superannuation entity.

"When two or three people believe in a common goal, anything is possible."

BUYING USING SUPERANNUATION: The New Joint Venture between Your Pension Fund and You

The purpose of your superannuation is to provide you with money for your retirement. In the next 20 years, as the

baby boomers reach 65, there will be many more people retiring. As previously mentioned, many of these people won't be able to retire comfortably and will often be plagued by the shortfall in their income and the desire to do new things, see new places and buy different items.

Today, approximately \$1.18 trillion dollars sit in the accumulated super funds of Australians. For a long time the responsibility over these funds and ultimate control over investment decisions was left to investment banks and companies, whose goal was to invest the monies and provide direct dividends and returns to the beneficiaries in retirement. It was long believed that these institutions had the knowledge and expertise to make financial and investing decisions over everyone's retirement money.

For the most part, superannuation became a pooled savings plan with fund managers using the money in attempts to outperform the share and property market. The evolution of **the self-managed super fund (SMSF)** has given Australians the ability to challenge the idea of institutions and gain more control over their retirement funds prior to reaching retirement.

The greatest fault with managed superannuation is the fact that regardless of the results, the industry is still remunerated. Fees and charges can often cause super funds to stagnate. For example, a salary of \$100,000 with 9% compulsory super payments from your employer would see your fund rise by \$9000 during a 12-month period. However, institution fees can often eradicate up to 100% of the contributions, leaving the beneficiary barely better off.

A SMSF isn't necessarily complex, but it is advisable to arrange an accountant to set them up, as their core structure and anatomy needs a professional touch. Only recently has new legislation come about that provides a SMSF the ability

to borrow and leverage further funds to increase your wealth. This simple opportunity creates two major benefits:

- 1) Investors can buy property via a SMSF.
- 2) Investors can further borrow money on behalf of their SMSF to leverage into bigger deals and generate greater returns for their SMSF.

Funding a SMSF is just like borrowing to buy a property outside of your super. You will need security in order for the bank to lend you money. You can choose to borrow using the assets held within the super security (non-recourse loan) or using your personal assets. Non-recourse loans are leveraged from 50% to 70% LVR.

Look at leveraging your super as an exposure prospect, because purchasing property and using the LVR% of a SMSF will allow you sizeable exposure limits. On average, a SMSF can borrow on a 70% LVR or up to 95% LVR with a line of credit.

Let's use some simple mathematics and two examples.

\$100,000 of superannuation is invested in the share market or an international property fund, the market performs at 10% and your investment is now worth \$110,000

or

\$100,000 of your superannuation is invested into direct property, which would allow you to buy a property for the approximate value of \$320,000, the market performs at 10% and hypothetically your investment is now worth \$132,000. The difference is that by starting with bigger assets, the

asset is working for you, not you working to build up the asset.

Setting up a SMSF takes between 60 and 90 days. Once operational, banks will lend on the structure and you can choose a property investment. There are few elements to consider when talking to your accountant or financial adviser about investing in direct property. These include the following:

1. Purchasing the property outright or leveraging other funds.
2. Joint venturing into a pooled superannuation fund.
3. Adding employer super payments to the property to further pay down borrowings.
4. Salary sacrifice or employee contributions to the property to further pay down borrowings.
5. Re-investing gains from the investment.
6. Using rental returns from the investment.
7. Understanding instalment warrants.
8. Understanding bare trusts.

The Benefits of the Strategy:

1. Use leverage to create wealth and generate income.
2. Fund an investment property without effecting your personal cashflow or lifestyle.
3. Interest deduction on the loan.
4. Pay off your loan sooner using tax free rental income, SG contributions and tax return, payments and salary sacrifice contributions.

The Specific Tax Benefits of Investing through your Super:

1. Property purchased through a super will not attract any capital gains tax (CGT) when sold after age 60 and if sold before 60, you pay tax at the 10% tax rate, compared to the average individual rate of 37%.
2. Rental income is taxed at 15% as compared to the average income tax rate of 37% if you owned a property in your name.
3. There is no stamp duty payable if you fund a property entirely with your super savings.

4 Ways to Fund your Property through your Super:

1. You can fund a property in super using your employer's super guaranteed 9% contributions.
2. Rental income is taxed at 15% in your super, which means you have more after tax (net) dollars to pay off your loan when compared with owning a property outside of your super.
3. You can make additional salary sacrifice contributions or use PAYG variations (*speak to your accountant or one of our property experts about this option*).
4. Using these four methods, you will be able to half the term of your loan by buying property in your super fund.

Interest Deductions/Terms of Loan: Just like the benefits of negative gearing, you can deduct the loan interest in the name of the highest tax paying entity (personal, trust or company). Further, the average loan term is 30 years, but by using the 3 different ways to fund your super, you can pay off the average super property loan in 13-15 years, saving yourself thousands of dollars in interest.

5 Different Property Strategies When Investing Through Your Super: Now that we are aware of the tax and funding benefits of investing in property through your super, let's look at how you can apply these savings to real life scenarios.

Investment Property Scenario: Investing through your super will ensure that you still can enjoy the things you love and not sacrifice your lifestyle. Purchasing a property in your SMSF ensures that you will not need to use the income generated from employment to fund the interest and cost of your super property. This is because your SG 9% contributions, rental income, and one other payment method will simply allow you to pay off the loan a lot sooner. Further, the funds in your super can be used as a deposit for your property so you don't have to use any other savings that you may have accumulated.

Income Property Scenario: You may have seen your industry fund super savings dwindle over the last three years, but you were impressed with the returns you received with your mortgage income fund investments, but want less exposure to debt as you are in your mid-fifties? Well, have you thought about buying a high-yielding unit to fund part of your retirement income needs? It works like this: If you are 55–60 years old and over and have some good savings in your super, you can purchase a unit with minimal debt and convert part of the fund into a pension phase. This will allow you to receive the rental income annually, totally tax-free. This strategy can be a great diversification and income retirement strategy and it will help fund your retirement lifestyle, while exposing you to the robust Australian property market and increasing annual yields, without the worry of a fluctuating share market.

Commercial Property Scenario: So you own your own business and you have heard that you can buy your business property in your super fund and you want to know what the benefits are? What if I told you that you could buy the suite or unit you are currently renting, and use your rent to pay off your business property loan and deduct all your contributions made to your super fund? It's fair to say that you would be interested. Business property in a super fund is a very popular strategy to create wealth for your retirement. It is without doubt one of the most beneficial property strategies in super, given the generous tax concessions offered to business owners.

Retire your Debt and Fund your Lifestyle in Retirement: Many middle-aged, affluent Australian couples find themselves on great incomes, but with a sizeable property debt that they use most of their income to support. Whilst it is great to live in an exclusive suburb with great views and neighbours, the reality is that high-end property is both overvalued and hard to sell at the best of times. The far greater issue is how these people will fund their retirement income needs given that most of their income is funding this debt, with little of it saved or invested for the future. Well, the fact is with an ever-increasing aging population and less money to depend on from the government, investing in lifestyle property using your super could lead to a more comfortable retirement.

The way to solve this problem is to purchase a cheaper retirement lifestyle property well before you retire, in a suitable coastal or suburban area, well before urban sprawl and population changes increase capital values significantly. This is achievable by buying your selected property in your super fund, where the cost of funding and managing it is not a concern, nor will it have any impact on your current lifestyle. The second step is to timeline the sale

of your expensive residential property, so as to pay off the debt and use the surplus funds to purchase the property you bought in your super fund in your own name. By doing this, the capital will be contributed into your super account to be used to generate a retirement capital stream.

Lifestyle Properties Sourced By Positive Real Estate 32% below Valuation



Property Syndicates: You like the idea of property investing, but you don't have enough savings and you don't earn a whole lot, so you don't think the bank will lend you money to fund a property? Well, what if we told you that by pooling your resources with other similarly young or old interested investors you could create wealth, buy your first property and create an enviable borrowing history to enable you to buy your own property at some stage in the future. Have we got you interested? Well, this is how it works.

Pooling two, three or five investors' funds in a property syndicate that purchases one property (unitised), owned equally or divided between these investors, is the simplest way for people to spread their risk when investing in property, create a credit history with banks and start their journey to property wealth creation.

Jeremy Allen, Positive Real Estate's member, has a recent success story about purchasing his property through

his SMSF. Jeremy recently set up a SMSF and successfully made a handsome profit for his retirement fund using direct property, earning him a profit that would make any fund manager stand up and applaud with respect. Below is Jeremy's story, according to Jeremy.

Jeremy Allen

My father is a successful businessman and knows some pretty impressive individuals. I remember one particular Sunday lunch at our house when a group of Dad's friends were talking about various investments they had won and lost. I will never forget something he said to me that day, as I didn't understand it then, but how it rings true now.

Blake: "Jeremy, just make sure whatever it is that you are earning, it is being put toward outearning you."

Your superannuation is not going to come down to your CONTRIBUTED SUPER; it is the house you live in. Like me, invest as much as you can in your own house, as it grows faster than a super fund. Now, I should mention here that I wasn't even looking for a superannuation strategy at the time I realised there was one. I joined Positive Real Estate in 2007 and they had taught me another way of looking at property. I was simply looking for a property to invest in and hold in a market where there was considerable growth forecast, using the "The worst house in the best street" strategy.

So I started looking for a property to buy through agent after agent and had a checklist in mind.

- 1. AREA — Check!*
- 2. PRICEPOINT — Check!*
- 3. HOLDING COST — Check!*

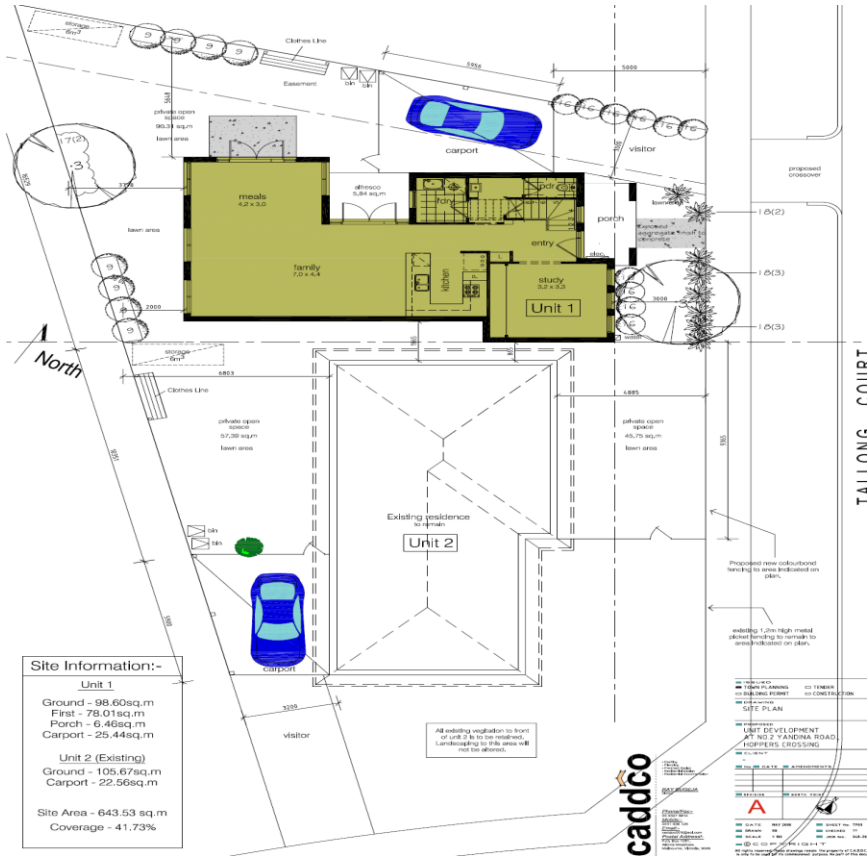
4. MARKET GROWTH — Check!
5. DEPOSIT TO BUY — Fail!

There I was, a new believer in property investment with the knowledge to move forward, but not the capital to get started.

I had heard of people creating a self-managed super fund and had already considered creating one just to simply keep the money in a bank account, as it seemed far more reliable than keeping it in a fund (which had lost me around \$40,000 during the GFC). My accountant showed me a way of using the money in the SMSF to buy a share in the property I wanted to purchase. This way I could buy the house in my name, therefore keeping to the 90% LVRs experienced by those buying outside of super and I could kick-start my property investing career. I found the strategy brilliant! It is the ideal strategy if you are someone who can quite easily service a property but doesn't have the funds (or the friends or family) to get started with some capital.

I chose subdivision as a strategy. I was able to use my super to secure a property for \$270,000 and negotiated a 6 months settlement with another \$5,000, so I paid \$275,000 to get the term I wanted. Once all the subdivision conditions had been satisfied, I put the block straight onto the market. The block sold within 3 weeks and I made 20% on the deal and returned the profits back to my retirement fund.

There are various strategies you can employ from this exercise, not just the one I have shown you here. Using super to subdivide gives you the flexibility to control time and profit and it gives you flexible options for new strategies to employ in the future.



Chapter 13

Guide 9 – What to Buy – New or Old?



By adding both new and old properties to your portfolio, you will have more diversified investments that will reap rewards for years to come. You will pay less tax by buying new property and you'll have a multiplier of value in your portfolio when you buy older property.

New Property

As a guide, depreciation allowances are a great way to minimise your tax. The newer the property, the better allowances you can claim both on the building value (if the property was built after 1984) and the fixtures and fittings or chattels. The average Australian can claim back 70-80%

of their tax for providing rental housing to the market. To put it more simply, the average Australian can actually claim back the money they earn by adding new housing to their portfolio.

According to the company, Depreciator, who are depreciation experts, 85% of people who own property investments do not claim all the tax deductions they are entitled to. You need to get a professional depreciation schedule performed by a depreciation company, otherwise you're throwing money away by not claiming it all properly. The ATO will often refund between \$1,400 and \$12,000, even if your property is cash flow positive. So provide this schedule to your accountant, because without it they will inaccurately estimate your claim, since they will not be familiar with the costing of your property's fixtures, fittings, furniture, common areas, etc.

New properties come with structural building guarantees and are often seen as a low-risk way for people with limited cash or equity to enter the property market, as reserves for unexpected repairs are usually not needed.

Old Property

The major advantage of older property is that it has the scope for potential improvements. The older the property is, the more funds for repairs and maintenance are needed to service it. Buying an old property is sensible if you wish to reap the rewards of achieving greater profits and multiplying the properties' returns through add-value strategies.

The age of the building is also relevant because of rental returns. Tenants often prefer more modern housing and if your property is too old, you will find that the property suffers from high vacancy rates and ongoing high cost of repairs and maintenance bills. Hence, these

properties are great to renovate, but they are not a good source of cash flow.

In order to buy an old property well, focus on the suburb and find benchmark sales, then purchase next to the newly created benchmark. In real estate, there is a phrase known as “Worst House, Best Street.” In other words, find a property that is literally a blank canvas and in need of work (worst house), close to properties that have recently been purchased at higher prices (best street), and the money entering the best street creates the new high Owners Established Benchmark (OEB).

The following table is a buying matrix for new or off the plan, renovated and old properties.



	Old	Renovation	Off the Plan
Tax Deductions	Low	Medium	Maximum
Occupancy	Low	Good	Over Supply Then Good
Rent \$	Low	Good	Low then good
Maintenance	High	Low	Low
Tenant Quality	Low	Good	Good
Marketability	Low	Excellent	Good
Stamp Duty	Medium	Medium	Low
Valuation Challenges	Medium	Low	Medium
Sqm Rate	Low	Medium	Medium to High

Chapter 14

Guide 10 – Property Management



Understanding the basics of property management is a key element to buying a profitable property. I don't recommend self-managing property because the work involved can far outweigh the expense of hiring a solid property manager. Further, many tenants get turned away from the idea of dealing with an owner-landlord as opposed to a professional property manager.

There are many elements to consider when choosing a reliable property manager. One of the most important elements should be ensuring that the property manager is relationship-based. Relationship building with different parties and tenants is the basis of successful property management, while the collection of rent, disbursements and bill paying, etc., are the mechanics.

Most investors do not have a sound understanding of the different types of property management that exist in the market today. The choices typically are on-site property management, residential property management and investment property management. Property management is not about rent collection, bill paying and trying to negotiate

agent fees. I have found that the agent fees are well worth the trouble and stress that a property manager has saved me in the long run. Property management fees are relatively inexpensive for the work that they do, and cheaper fees are a sign of an agent that will not work as hard for you, because the incentive to do so is not there.

The most important relationship is between the landlord and the tenant. The agent is the conduit between the two. While this relationship is at arm's length, both parties should enter into it with the right frame of mind and a firm understanding of each other's goals. For example, the owner should understand that the tenant wants to live in a clean, safe environment with all aspects of the property in good working condition and in turn, the tenant must realise that the property they live in is a valuable commodity for the owner and they have spent a lot of time and money investing in it.

There is a saying I often use in my career that goes: "Build the relationship and the conditions become negotiable." This saying is especially relevant in property management. The agent must have a good working relationship with the tenant, otherwise major problems can arise, such as non-payment of rent, theft, and worst of all, vandalism.

Having a good relationship with the tenant doesn't just help with keeping them on your side for the reasons above, but it also works when the tenant's situation becomes dire and you need to get the tenant out of the property as quickly as possible, often using channels, such as the Tenancy Tribunal System.

There are certainly many stories in real estate. Some very positive ones and some stories that serve as a reminder to always work with the right people. Grant Simpson of Key Asset Management runs a very successful

property management business and is independently an Investment Property Manager.

Good Tenant Gone Bad

Grant Simpson

Key Asset Management

This next scenario outlines the importance of ALWAYS having landlord protection insurance in place, no matter how good your tenant is.

We had what I would call an A Grade tenant — he always paid his rent in advance, he always gave us access to the property when needed for either periodic inspections or maintenance and he kept the property in impeccable condition as though it was his own. As I mentioned earlier, it is good to know your tenants' habits so that if they step out of their normal payment times, it is noticed straightaway.

This gentleman was in his late 40s, working in a corporate environment and always very professional to deal with, so when I noticed he was on our arrears list being 7 days behind in his rent, I knew immediately that something was wrong. We tried to make contact to no avail, sent the relevant letters so that if we had to go to tribunal all would be in order and waited a few days for the tenant to respond. I then made the decision to go out to the property to find out what I could. I was at the unit door knocking without result. After knocking for a couple of minutes, the lady from the next door apartment came out to see what all the noise was. After speaking with her I learned that she had not seen him for some time, but that there had been very odd noises, including screaming, from the apartment at odd hours. This was definitely alarming. I made the decision to open

the door to the apartment to determine whether there was something really wrong happening inside the apartment. As I opened the door, a foul stench came from inside and I could see rubbish and mess everywhere, and I mean everywhere!! As I attempted to open the door fully, the tenant ran at it and slammed it shut.

He refused to let me in and told me that everything was fine and that he will be paying his rent tomorrow. I knew that this was not going to happen. It was not within my rights to force him to open the door, so I went back to the office, opened his file and found a relative's phone number and made contact.

To summarise, due to having a good relationship with the tenant I was able to extract information from him and negotiate him out of the property within days, instead of using the usual channels, such as tribunal, which would have taken weeks. Due to the condition of not only the apartment, but also the tenant, it could have ended much worse than it did.

Upon finally entering the apartment, there was rubbish everywhere, waste all over the bathrooms, he had ripped all of the light fittings from the ceiling, the air conditioner had been ripped from the wall, cigarette burns were everywhere and the kitchen benches had been burnt in places, and the list goes on and on. It took the cleaners two days to remove all of the rubbish and damaged furniture from the unit.

Luckily, we had landlord insurance in place as we had to do everything, from getting a new carpet to painting to installing a new air conditioner and fly screens. The final bill was over \$15,000! The landlord was very happy to have the insurance.

You are probably wondering what went wrong with the tenant for him to turn from a great tenant to a bad tenant.

Sadly, he was schizophrenic and he had lost his job weeks before and could not afford his medication. In turn, he deteriorated dramatically in a short period of time. We were told

by a family member that he thought that there were birds and aliens in the ceiling, which is why he tore the unit up in order to find them.



Choosing a property manager is important and just like when buying real estate, there are different tenancy laws in every state of Australia. Here are some general tips that can help investors assess a good property management agency.

1. Does the agency **specialise in provision of property management services**, or is the agency a general sales and property management business?
2. Is the **agency's principal** or one of the principals **actively involved in property management activities**?
3. **Check on the reputation of the principal(s)**. Speak with those who have had business dealings with them, assess their ethics, integrity and experience.

4. Will you be provided with a **dedicated property manager**, or will you have to liaise with several staff about your requirements?
5. Will you be supplied with the **direct contact details of your property manager** – phone, mobile and email?
6. **How many websites** will be used to promote your property?
7. Are prospective tenants given keys to inspect properties without supervision, or are they **personally shown the property by the property manager**?
8. Are prospective tenants required to provide **sufficient levels of identification** (100 points) when applying to rent your property?
9. Does the **agency utilise national tenancy databases** to check the renting credentials of applicants?
10. **Are reference checks completed** comprehensively from the applicant's employers, referees and previous and current Managing Agents?

There are three types of Property Managers:

Residential Property Manager – They tend to look after family homes or older established housing, such as a residential house or units. The benefit of using this type of agent for this kind of property is that their proceedings are fairly routine and there aren't many moving parts other than rent collection, repairs and maintenance requests.

On-site Property Manager – On-site property managers look after larger complexes and often are costly, as their fees are frequently also a component of the strata levy. Typically, on-site managers buy a business that allows them to run and manage the portfolio of real estate that is sold by a developer as part of a new development. There is

no legally binding agreement that says a buyer has to use their services. The success of an on-site manager is very dependent on the competency of the manager and their business abilities. Some are not real estate agents by trade and have actively invested in management rights as a retirement income. Results can be mixed. QLD properties often have an on-site manager.

Investment Property Managers — Investors of new real estate should consider an investment property manager. Buying new property has its advantages, but many of these advantages, such as defect clauses and warranties need to be enforced to builders, and this is often not done by residential property managers whose skill set is based on other types of real estate. Property investors buying new or near new investments should choose a manager who is focused on being able to keep builders accountable under the terms of warranties and defects. Investment property managers also understand the needs of investors in servicing debt and are conscious of keeping rents high to ensure an investor is able to increase his serviceability.

Below is an example of a defect procedure used by an investment property manager.

DEFECT POLICY

This procedure covers defects prior to settlement and defects that arise after settlement before the 90-day defect clause lapses on new property. This procedure only occurs when we have a signed management agreement from the purchaser allowing us to work on their property. Running defect claims are best handled by the following people: Lawyers, Selling Agents, Property Managers and Strata Managers.

Below are the following steps of trade.

1. *Initial defect inspection booked with developer/builder.*
2. *List created and sent to all parties, solicitors included. Do not rely on the client to forward it to their solicitor, as in some cases they do not have the time or it gets lost in the system.*
3. *Communication with the developer/builder begins as to the timeline for rectification. This is very important since as much of the defect work as possible needs to be completed prior to the tenant occupying the property. You must follow up the developer/builder as they will not, in most cases, initiate contact with our office.*
4. *The monitoring of the rectification works begins and the client and their solicitor are kept up-to-date as to the work occurring.*
5. *Ensure a pre-settlement inspection is booked in. Keep in mind we may have to work around the developers' timeline, so stay in contact with them as to when this will occur.*
6. *Pre-settlement inspection should ideally be done with the purchaser, if not, the purchaser and their solicitor must be informed of the outcome, as this may have a bearing on settlement taking place or not.*
7. *The purchaser's solicitor should register the final list prior to settlement with the developer's solicitor and we must receive a copy as this is the list we will now be working off.*
8. *If a tenant is not due to move in straightaway, prioritise the rectification work with the developer/builder so as much work is completed prior to the tenant moving in.*
9. *At the time of signing the lease, go through our procedure with the tenant as to the defect rectification work and issue them with the defect form that they need to fill in and send to us weekly if there are any issues that arise.*

10. *Book in now for a periodic inspection to occur 30 days prior to the end of the 90-day defect clause.*
11. *This date can be confirmed with the purchaser's solicitor, otherwise it will be on the client's file. This is very important, as it is one of the last chances we have to confirm if the work has been completed.*
12. *Conduct the inspection and report back any outstanding issues to all parties.*
13. *Should there be any outstanding issues at 90 days, the developer should then give us a timeline as to when they will be rectified.*
14. *Make sure that we provide access for the developer/builder to rectify; otherwise they will not come back later on.*
15. *If the developer/builder does not finalise the work effectively, refer all files to the purchaser's solicitor to follow up and await instructions.*

Common Property (Strata Area)

1. *The developer is responsible for the running of common property up until the first Annual General Meeting (AGM).*
2. *At the first AGM, a budget is announced. Possible common property defects are discussed.*
3. *Strata Managers are appointed.*
4. *The Strata Manager addresses concerns of any defects with the builder.*
5. *If concerns are not dealt with, the Strata committee orders a building defect report and possibly an engineer's report.*
6. *The report is given to the builder. If the report is ignored by the builder, then go to point 7.*
7. *The Strata Manager, under instructions from the Owners Corporation, applies for rectification of works through Fair Trading.*
8. *Fair Trading will issue a breach of license to the builder. If the works are not complete, the builder may lose their license.*

9. *A claim by the Strata Manager is made on the insurance for the building.*
10. *This is all, generally done once in the first seven years of a complex life.*

Conclusion

There is always a degree of defect work that needs to be conducted, but with diligent follow-through most of the defects will be detected.

Please note under the guidelines of Fair Trading, a 10% variation is given for defects.

For example, if a unit had 200 tiles and one tile was cracked at settlement, this would not be a defect. In fact, 20 tiles would have to be cracked for it to be considered a defect. The allowance of this is a fair trading guideline for consumers!

Tenants do have requirements and I think it prudent that investors study what is important to tenants. Property Managers who understand the consumer habits of tenants have a better chance of getting you a better return on your investment. Apart from the property's features, there are a number of factors that tenants consider when choosing a home to reside in. These include:

1. **Security.** It is important to provide a tenant proper locks for windows and doors, as well as lighting.
2. **Reverse cycle air-conditioning.** This goes a long way in providing comfort to tenants.
3. **Lock-up garage.** Your tenant will have greater level of comfort knowing they have both storage and a place to put their car.
4. **Dishwasher.** This simple object is often a deal breaker for many people.
5. **Light.** There is nothing worse than a property that is

- dark. Provide ample lighting.
6. **Location.** Tenants love living near transport.
 7. **Privacy.** It is very important to provide blinds and/or curtains to the property.

These considerations will ensure that you maintain low vacancy rates for your property.

The following matrix highlights the different types of real estate rental agents available in the property market and their various skill sets.

Property Management Matrix

Property Manger	Residential	On-Site	Investment
Dwelling Type	Old, Established	Large Complexes	New Property and Large Complexes
Expected Job	Repairs, Maintenance, Leasing and Rent Collection	Repairs, Maintenance, Rent Collection, Understands Defects and Warranties, but is Questionable as they Bought Business from Developer/ Builder	Repairs, Maintenance, Leasing and Rent Collection, Legal Direction, Strata Savvy, Understands Defects and Warranties, Understands Yield Variation and Serviceability
Typical Cost	5.5% to 8.8%	5.5% to 11%	5.5% to 8.8%

Part 2: How to Be a Part-Time
Property Millionaire

WISDOM

The Mentors

Millionaire Mentors Introduction

Though my name may appear on the cover, this book has many authors because the Positive Real Estate system has so many contributors with such a vast array of experience in property. It is a testimonial to the business itself that our team keeps getting better! After years of trading and deal making, Positive Real Estate has attracted some of the best property coaches and millionaires in the country.

In this next section of the book, I am going to introduce you to three ordinary people who have managed to do some extraordinary things with their lives and became millionaires in the process. They will share their incredible personal insights, achievements and outcomes through a series of questions that are designed to help you understand their experiences and mindsets.

All the authors you will hear from are professional property millionaires and mentors and run sections of the Positive Real Estate business through the powerful Positive Real Estate Mentoring Program. The program concentrates on real estate fundamentals that enable and teach property skill sets to our students, who in return invest with incredible results.

Look at the people around you and ask yourself the following questions:

- Who do I have around me?
- What are they doing to me?
- What have they got me reading?
- What have they got me saying?
- Where do they have me going?
- What do they have me thinking?
- What do they have me becoming?

Most individuals are not influenced by people with a purpose or who lead in their industry, but rather by the people around them who aren't always the best examples of success. True success comes when you still love those people, but choose to learn and adapt the principles of those who have rolled up their sleeves and got their hands dirty to be where they are! These are the leaders of their field!

Chapter 15

Jason Whitton



Jason Whitton
Positive Real Estate Founder

“I love what I do. I enjoy working more to help people than I do on the actual property deals.”

Jason’s love of creating something from nothing spawned from his trips to the local dump. On weekends, he would go there to make and fix bikes for himself and his mates. This was the beginning of his love of finding property deals and wanting to bring everyone along for the ride.

Jason grew up in a tightly-knit community in Far North Queensland’s outback. The eldest of three, he was always destined to be a leader, and from an early age his goals and dreams far exceeded his humble beginnings.

Leaving Queensland, Jason joined the Air Force as an Avionics Technician and travelled across the country and finally stationed in Perth where he met his lovely wife, Shay.

Always craving adventure, Jason left the Air Force and settled in Sydney. He did a variety of things, including building high ropes courses and becoming a School Sergeant at Knox Grammar School. It was here that he dreamed of having his own school after mentoring a number of future adventurers, including Rex Pemberton, who became the youngest Australian to climb the world's seven highest peaks, including Mt. Everest, and cross-Tasman kayakers, James Castrission and Justin Jones. His passion for education is being realised in partnership with the charity, Room to Read, and Jason and Positive Real Estate have a number of schools underway in Sri Lanka and Nepal.

Jason loves doing property deals and helping others build wealth through property. He is proud of the business he has created, which has offices in five states and provides mentoring, real estate and financial services.

He considers his greatest achievement as being his family and being happily married for 18 years.

What beliefs about money did you grow up with?

There were no real beliefs, either positive or negative, instilled in me about money. I just wasn't aware of money as a kid as no one really had any. I had everything I wanted because we usually made it ourselves. As a kid, I'd have four or five mates come to my place and you'd want them all to have a bike, so we went to the dump to get parts from push bikes, motorbikes, old cars and lawn mowers. We used the parts to build and fix bikes and motorbikes. It was a lot of fun and it meant we didn't need money to buy them.

I grew up in the small northern Queensland town of Pentland. 95% of the town worked at the local abattoir. At 14, I got my first job there and I worked during the holidays and after school. I was the offal boy and my job was to sort

out all the inside bits of the animal. It all came down a big chute and I packaged the tongues, livers and hearts into boxes. I worked just until I had enough money for gun pellets and petrol for my motorbike, so sometimes it was just for a week. When I wanted to work, I would rock up and sit on the abattoir gate and just wait to see if there was any work. If there wasn't, I just went home.

When I got a little bit older, I understood you had to work for money. My mum and dad both worked part-time at the meatworks, as it was seasonal and not open all year round. The rest of the year they worked doing odd jobs around the town. We had a really big family and family was the most important thing.

Did you have to change your mindset in order to get started in property and if so, how did you do it?

When I finished Year 12 I entered the Air Force (with the lowest score possible to qualify for entry) to broaden my horizons. I was interested in becoming a pilot, but obviously wasn't interested in the study, so I went in as a general entrant and did my trade in avionics. I was in the Air Force for five years and while there, I became friends with Warren Bambridge, who gave me the book *How to Win Friends and Influence People* by Dale Carnegie. I loved this book and it had a big impact on me. He was with Amway® (a network marketing group) and invited me to one of the meetings. I joined and while I never sold a thing, I was in the tape club and every week we got a different motivational tape in the mail. The tapes were mostly on the topic of developing mindset and I really enjoyed listening to them. This was the start of my personal development.

In my 20s I took a \$25,000 redundancy from the Air Force and my wife and I travelled around Australia for five months. We bought a bright orange ex-Telecom vehicle and retrofitted it with roof racks and a bed. We went where we

wanted, when we wanted, and it was the best thing I had ever done. The tape player broke down during the trip, so then I started buying books. I had money in the bank and had no responsibilities, so I just read. By accident I cut myself off from every negative influence and poured nothing but positive information into my mind through books. If you want a good outcome, you have to control your input by choosing carefully what you are feeding your mind with.

*"It isn't what the book costs; it's what it will cost
if you don't read it."*

—Jim Rohn

Who was your first mentor or inspiration?

The book *Rich Dad, Poor Dad* was the start of our wealth creation journey. Robert Kiyosaki tells an amazing story and explains the concepts very simply. Kiyosaki talked about positive cash flow property investing and I thought I'd do some of that. I was working at Knox Grammar School at this stage and had 13 weeks holiday a year. I used this time to read books and go rock climbing, and after reading Kiyosaki I definitely had time to start to look for property. It was just when the Internet was starting to be a force and about the same time that John Burley, the author of *Money Secrets of the Rich*, held a seminar in town. That seminar and his book had a huge impact on me. It was the first seminar I had ever been to and it was here that I met property guru Rick Otton who, funnily enough, was a participant as well. I bought all the books and CDs that were sold at the seminar and just immersed myself in them.

What was your first property purchase?

I bought a houseboat for \$41,000. It was on the market for \$68,000. We lived on the houseboat and sold it for

\$57,000 four years later and moved to Knox Grammar as boarding house parents, rent-free. So with that profit and the money we'd saved, we bought a house in the Blue Mountains for \$157,000. I loved living there because I could go rock climbing on the weekends.

When did you actually decide to go out and do property deals?

In 2001, I had an entrepreneurial moment. I decided I was going to be a full-time property investor, so I quit my job and went out on my own to make property my full-time gig. We had some equity in our property at Blackheath in the Blue Mountains, so I bought a fax machine, got every real estate listing in the area and started firing out hundreds of offers for properties that were for sale. I was offering about 20 percent under the asking price and I offended a lot of people, but in the end I bought a heap of properties in Katoomba in the \$150-160,000 range. Despite being told I wouldn't get any properties for the prices I was offering, I did, and I was paying about \$40,000 less than they were asking, which was fantastic.

As soon as I had my first property, I was invincible. Until someone said yes to my offer, I wouldn't even inspect the property and it wasn't long before the agents were calling me. I just kept on firing the offers out and doing the deals. Getting another three properties this way and using John Burley's secret of wrapping them and turning them into positive cash flow, I literally replaced my income.

What has been one of the biggest lessons you've learnt in property development?

I saw an ad in the newspaper for a property development course, so we went along to that program and I saw dollar signs. Instead of making \$50,000 per deal, I could make \$1 million per deal— that's when I got excited

about doing deals. So I stopped doing the little deals and started chasing some big property development deals. I was really psyched about it. I learnt about doing property options and literally knocked on 1000 doors throughout Sydney's northern beaches. I used all of my available equity to option up some properties.

I optioned up one property that cost me \$40,000, thinking it would take six months to get the Development Application for 19 units approved and then I could on-sell and make \$1 million. What I didn't count on was that the Council would not let me develop the site without the property next door also being developed. To this day that property is still undeveloped. I lost all my money trying to do the DA on this deal and at the same time, my wife lost her job working for a dotcom affected by 9/11.

We moved in with friends for about four months until we got back on our feet. Our cash was gone and we had to sell our original property in Blackheath. We were licking our wounds. My wife got another job, but I had this imaginary line drawn in the sand that I was never going to go back to work. So I kept my focus and remember putting a sign on the wall that read, "Being poor was a disease of the mind, but being broke was a short-term cash issue."

Going back to work would have made life easier, but I knew if I did, I might get comfortable and not follow my dream of having a property career and educating people.

I kept doing property deals, but I needed a money partner. One of the guys I met at a course became my money partner. He had a fair bit of cash, but had no time, so he provided the money and I did the legwork. He saw me doing the deals and realised the business opportunity, so we started a company and operated from our garage.

Do you have a funny story surrounding a property deal?

When we lost everything and moved in with our friends, they had to buy all the food and pay for the Internet. We even had to borrow their car and on a few occasions I had to borrow my mate's suit. One of these occasions was when I was trying to sell the option on a Dee Why property. I had gone through the telephone book and called every developer until I got someone to meet me. I had one hour's notice so I put on my mate's suit, borrowed his pushbike and rode all the way to the property. Just before I got to the site, I threw the bike into the bushes, so the developer wouldn't see me arriving on a bike. Next time I met him I drove my car (a Hyundai Excel) and he said, "If you are going to be in property, son, you will need a better car than that." I said, "Well, last time I saw you I rode my bike!" He didn't buy the property, but he liked my attitude and I ended up doing some work for him, acting as a property finder, while still doing deals with my money partner.

What is your property business and what services does it offer?

My business is Positive Real Estate. It started in 2002 in the garage of a house that my mates and I had bought as part of a development project. From there, we created the property, finance and education programs. We now have business partners who coach and mentor our clients in each state of Australia, running regular education workshops and teaching the systems and strategies that we use to help people invest in property. To date, we have transacted more than 2000 deals through the property business, where we source and negotiate amazing property deals for people. We also have over 1500 people in our Lifetime Mentoring

program that we work with monthly across Australia to help them reach their property investing goals.

The Lifetime Mentoring Program is a family membership so everyone in the family can come and learn the process and the six strategies we teach.

Due to Positive Real Estate being so well-known in the property market, we have great buying power, which means we can negotiate great terms and prices, which we pass on 100% to our clients. We really want our clients to be raving fans and keep coming back to us for property and also to tell other people about us and our great service. The majority of our clients stay with us for a long time and are part of the family. Like family, sometimes we see them a lot and then other times we see them only occasionally. When they need some advice or help they come to us, as our door is always open.

If someone wants to get started in property investing, what is your advice?

Definitely do a few different courses. Don't just learn about one strategy and think it's the only way to do something. I encourage people to get all of the information and then make a decision based on their goals and decide on the strategy that works for them. I always ask people what they want to achieve and what they are prepared to do for it. There needs to be alignment to your goals and what you need to do to achieve them. You must have a set plan and commit to achieving them — otherwise it's just pie in the sky.

Don't measure yourself against anyone else. If you have nothing and you do one deal this year, then that's awesome. Remember where you have come from. I always remind people that they came in with nothing and now they have two properties and that's a huge achievement. Put your achievements in perspective and then have a plan.

Having a coach is a great way to keep on track. A lot of people need this when it comes to money, because money is tied emotionally to everything. People have huge wounds around money. It doesn't get taught or talked about. It's almost taboo.

How do you find great deals in property?

The Internet is amazing. If you do some searching on the Internet, you'll get a feel for a deal. I have also partnered with some guys to develop a search engine called *Investar Search*, which is a state-of-the-art search engine for real estate investors. It is a single web portal to search and sort property listings from all of the major real estate websites in Australia. Finding needles in a haystack is now possible by combining the standard search criteria of this tool with detailed investment data and keyword searches. For example, if you enter the words "waterfront", "discount" and "renovation", the program will highlight all of the properties that meet these criteria. It is run on a subscription base for anyone to gain access to.

We teach people to start a search by thinking about how they can add value rather than what is the best suburb and combine it with what is happening in the market.

What is the most important thing you have learnt about successful property investing?

Actually doing it! At some point you have to stop the analysis before you end up with analysis paralysis. A lot of people analyse until the cows come home. So just do the research and do a deal, but don't research yourself into a corner. Don't wait for the deal of the universe to come along.

Just start with a little deal that suits your budget. Don't go for the million-dollar deal on your first one.

I call it migration of money — eventually most property investors want their money to end up in the best quality blue-chip property they can afford.

We teach people to start a search by thinking about how they can add value rather than what is the best suburb, and combine it with what is happening in the market. Buying and selling is part of the process, because you can't always refinance to get your equity, particularly in difficult financial markets. Sometimes you have to sell one or two to get the better deal.

"Life is like riding a bicycle. To keep your balance you must keep moving."

— Albert Einstein

What have been your highlights in property development?

Making money is a highlight, of course. It's great to make some money out of a deal and put your first \$100,000 cheque on the wall as a reminder! I have made in excess of \$1 million gross profit on some deals. The first time you have a million dollar profit in a deal it's time to do a happy dance!

One of my favourite deals was on a block of land I had bought in Kalgoorlie for \$220,000. The DA to build 13 townhouses on the site cost just \$12,000 and this deal made me a motza! I guess I was in the right place at the right time. When I do deals like this I usually keep some of the properties and then use the equity elsewhere. Most of the stuff we do in the business though is smaller deals trading property to create fantastic cash flow.

In your opinion, is it better to invest in units or houses?

The general consensus is that houses are better because of the land content, but I have found units easier to look after. I like smaller blocks of units, particularly boutique blocks, as most are owner-occupiers.

The most important thing is that property doesn't cost me money. I always have a safety net so that if my cash flow stops, I can still pay for the properties. I don't want to be in a position where I have to sell urgently because I can't cover the holding costs. I always like to borrow before I actually need funding, so that when you find a deal you are ready to go and can act immediately.

What has been one of the biggest challenges you have had to face in your property business?

Doing my first big deal was a challenge because it was a change from what I knew. At that point in time I didn't have the knowledge, so I recommend you just start with a small deal and learn as you go. As you develop and educate yourself, your confidence and skill level grows too.

What are your secrets to being a top property investor?

My secret is patience and persistence. I have never done a property deal that has gone smoothly; there will always be challenges that you must get through. These challenges are what keep most people away. They hit the first challenge and they throw the towel in. There is so much elasticity and so many grey areas in property deals that you just need to be creative and base the decisions on your research and knowing the markets.

As a successful property investor, what is the most common question you get asked?

The most common questions are, “How do I start?” and “How do I keep going?” I actually believe they are the same question, as it usually means that people are stuck. The answer often comes back to working out what you want and what you are prepared to do to get it. Sometimes, it is just about shuffling what you have in terms of property and thinking differently. Perhaps putting tenants in your own home and renting close to work may suit your lifestyle and will work better in terms of changing how the debt is distributed across the portfolio, leading to tax savings and advantages. Things don't usually go straight from A to B. You might have to have a huge diversion along the way, especially in property.

I am passionate about mentoring people and helping them to answer these questions and get started in property. I realise that I'm a teacher of some description. I now enjoy working to help people more than I do on the actual property deals.

In your opinion, what are the most common mistakes new investors make?

- The first biggest mistake is buying something without a clear plan. Perhaps they heard it was a good idea to buy something and that's as far as the thought had gone. It's not the buying that's the problem; it's the problem of not knowing where you are going.
- The second biggest mistake is not learning the numbers that make a deal work. Perhaps a finance guy told them they could afford it, so they bought it without understanding it and what the deal is meant to be doing for them.

A plan can be simple. For example, I would like to own five cashflow positive properties. It needn't be any more elaborate than that.

- The third biggest mistake is not sticking to the plan. Do not be swayed by your mate at a BBQ who thinks he knows more about property.

What is the approx. value of your own property portfolio?

More than \$4 million and it was double that 18 months ago. I don't want to own too many properties — 10 or 20 is a good number, as I don't enjoy the paperwork, but I will trade hundreds and make great cash flow from that aspect.

What are some of your future plans or goals for the next five to ten years?

I want to be able to put the business on autopilot and its pretty close now. I enjoy creating our workshops and being the creator of the business, but I am ready to step away from the day-to-day operations.

My wife Shay and I plan to spend a year travelling through Europe with the kids.

I will definitely do more work with Room to Read®, which is the charity I am very passionate about. Further, along with my friend, Scott Harris, who runs our seminars and a couple of other people, we would like to put together a program for young men. Lots of men have challenges with money, so I would like to work with men in this arena.

What techniques do you use to achieve your goals?

I meditate using Bob Proctor's guided meditation. When I went through a rough patch, I bought Bob's 12-tape program — The Success Series. The challenge was to listen to the tape on success as many times as you could. I would

listen to it eight to ten times a day and I have continued that habit. If I am ever feeling a bit down, I link it to not having fed my brain with the good stuff. I like to detox my mind and I challenge my mentor clients to do the same by avoiding negative people and turning off the TV and radio for one month. I practice this all the time now. Get rid of everything that has any negative inputs — only have positive influences in your life.

I'm also obsessed with www.Ted.com. It's a great site that is full of inspirational people and leaders from around the world talking on a variety of world issues. I am also an avid reader — I probably read one or two self-development or business books a month, or a week when I have the time. My getaway is a good science fiction novel, but I love all books.

What have you found are the best methods or strategies for keeping motivated and focused?

I think it's important to have mini-breaks along the way, during which the mobile phone and computer are turned off. It is easy to wear yourself out by being too available with technologies. I take time every other day to spend time with my kids and family. It's about what is most important. My family is most important to me and so I nurture these relationships. For many years it was all about me while we were growing the business. My wife was at home with the children, but now we have much more balance. Nothing is ever linear, and in business you have to be completely out of balance to get it off the ground, and then you can bring it back into balance once it gets momentum.

Who was your first mentor or inspiration?

Rod Hills and Paul Kelly were my first property mentors. Tony Robbins and Bob Proctor have always been

mentors because of their influences in personal development.

Do you have a mentor today and if so, who?

Scott Harris. Scott is an extraordinary coach and mentor, working with people all over the world. He helps you maintain perspective and focus, and like any great mentor, he will call you out on the negative stuff you are trying to tell yourself.

Is there a significant quote that you live by?

If you don't stand for something, you'll fall for everything.

How can kids get into property?

I talk to my kids about money and teach them that we put some money in the bank, use some to buy food and other essentials and then some is for fun stuff. They know daddy buys property, and we are opening their mind to think in terms of what is possible in business and property. My son wants to have companies all around the world and wants to help people. Just planting the seeds without any limiting beliefs is a great start.

So talking to your kids about money is a beginning, but actions speak louder than words. At the last two-day workshop we did, a client brought her daughters along and one of them came close to winning our property game — not bad in a room of 200 investors. I think it's great to include the kids early. Exposing kids to renovation projects you are doing is a great practical way for them to see what's possible when you renovate and make money. A lot of our clients will use their equity to do a deal with their kids once they turn 16 or 18, and this helps to set them up for their future.

What do you think stops people from achieving the level of success they desire?

The main thing I come across is what people think they desire and what they actually want is completely different. Success is multi-faceted. My success is totally different to someone else's success. I encourage people to measure their own success from their own standards or goals. When someone starts with nothing and then goes to three properties and is able to leave work, then that is success.

Success is holistic. My coach spends six months a year one-on-one with his wife and then he works the other six months; personally, I think that is success — that's the richest person in the world, as far as I am concerned.

“The size of your success is measured by the strength of your desire; the size of your dream; and how you handle disappointment along the way.”

—Robert Kiyosaki

What is the most important piece of advice anyone has ever given you?

It comes from my Mum and Dad: “Don't forget where you came from.” It reminds you to be a real person and to not get caught up in self-importance. Don't take it too seriously. There can be tough times, but learn how to let go and do everything you can in your power to get an outcome that you desire, but if you don't get the outcome, so what? —You've done the best you can. You can't live with regret.

Chapter 16

Tabitha Bright



Tabitha Bright
**Positive Real Estate VIC and New Zealand Mentoring
Coach**

“Take responsibility for your situation. Put your hand up and say, ‘I am entirely responsible for where I am right now’. Then it is in your power to change it.”

Tabitha Bright is a self-professed ‘property-nerd’. Born in New Zealand, she moved to Melbourne in the late 1990s and, not long after, began building a multi-million-dollar property portfolio across both countries.

Tabitha used multiple strategies to build her portfolio, including positive cash flow, discount deals, no-money-down deals and strata which, in a short period of time, allowed her to quit her business and take some valuable time off. Once the novelty wore off, both Tabitha and her partner, Vin, started looking around for a new challenge.

Tabitha's passion for property and people lured her into a new career path of property investment coaching. As Head Coach of the Positive Real Estate Mentoring Program in Victoria, Hobart and Auckland, she now combines both passions and considers herself extremely fortunate to be able to do so.

Drawing on her personal experience, Tabitha and the team at Positive Real Estate help clients build their property portfolios and support them in their investing journey to overcome the challenges and enjoy the successes along the way.

Tabitha believes that when people have a coach or mentor they trust, it gives them the confidence to take action towards their dreams, rather than being stuck in what is commonly referred to as 'analysis paralysis'.

Tabitha speaks regularly for Positive Real Estate in Victoria and as a guest speaker in Adelaide, Hobart, Auckland, as well as in Canberra alongside her friend and colleague, Naomi Beaumont.

Tabitha also relishes some quiet time, reading books on a sunny afternoon, spending time with friends and family, travelling, and of course, the odd pamper session at a day-spa with the girls.

What beliefs about money did you grow up with?

In my early years, my parents were hippies in the very truest sense of the word. We lived and travelled in a Kombi van throughout Europe, and although I didn't consider us short of money, we were certainly always on a tight budget. When we moved back to New Zealand and into our family home, I remember my mother was an avid gardener and she would save hard and budget to buy a single plant for the garden.

So it would be fair to say my parents were conservative with their finance. My parents didn't share a lot of

information about money; it wasn't really something you spoke about, like politics. That's just how it was. So, my first foray into any finance was without a lot of financial education. I was offered a \$500 student overdraft at university. The bank had a stand in the campus foyer where you filled out a form and got an instant overdraft complete with a cheque book, totally regardless of your circumstances. Back then in the 80s that was a lot of money to me. I hadn't learnt to balance an account or manage money, so consequently overdrew my overdraft pretty swiftly. My parents (after sizeable pressure from their teenage daughter — I've never been one to take 'no' for an answer) bailed me out of this debt. As a result I didn't learn any lessons from the experience at the time and I took no responsibility. Hence, I went on to learn some larger financial lessons later down the track.

In my early 20s, I distinctly remember thinking that if I could just earn \$40,000 a year I'd have it sorted; but I was measuring myself with a very short stick, and at the time I doubted that I would even earn that in the near future.

So all in all, I had to have big shift in mindset to change my financial landscape. I've heard it said that 80-90% of building wealth is your beliefs and your mindset. I believe this to be very true!

Were you a high achiever at school?

Because we travelled overseas when I was young, I had a rocky start at primary school in some subjects, particularly Maths. I had missed out on a lot of the building blocks that come from those first few years of school. I felt this acutely and combined with low self-esteem, I didn't do well in Maths, but I loved Art and Literature. At 16 I was asked to leave high school, because I wasn't very motivated, and I was deemed to be leading the other kids astray. I think I was just bored. I had no idea what I wanted

to do with my life so I decided to follow in my parents' footsteps into graphic design, and was accepted into TAFE to study for a Diploma in Visual Communication, but 12 months into the degree they kicked me out, because I hadn't been completing assignments and they felt, once again, I wasn't a good influence on the other students' work habits. I still hadn't really worked out what I wanted in life and I wasn't passionate about any career at the time. I felt lost and undervalued, and as a way to cope I developed a bit of an 'attitude'. As you can imagine, this didn't really serve me well and my poor parents were at their wits' end; rightly so, they 'suggested' (in a not very subtle way) that I sort myself out. I came home one evening to find that my bedroom and belongings were packed in boxes!

How did you first get into property?

My version of 'sorting myself out' was to walk down the aisle and get married (to a much older man) when I was 19 years old and then get pregnant. I knew deep down it wasn't really what I wanted, but I thought adults made choices that were hard sometimes, so I thought I was being 'adult' about it and just getting on with life (packing away my dancing shoes!). Unfortunately, and not surprisingly, the marriage wasn't a happy one. Financial pressure certainly contributed. My husband and I had bought a brand new house out in the suburbs — an emotional purchase that we paid too much for, with a short-term honeymoon interest rate (two points below the real interest rate). When the honeymoon rate ended (in 12 months) and we hit the full standard variable rate, we could barely afford the payments. And then, unexpectedly, my husband died. I was left with a house that was worth less than what we had bought it for and I couldn't afford the repayments. My daughter was 18 months old, and I had no

qualifications and no job; it was a massive wake up call for me.

What saved me was that, unbeknown to me, I had ticked a box when we applied for finance that insured my husband's half of the mortgage. This meant that I could sell the property (for less than what we'd bought it for) and I still came out with about \$40,000 in the hand. Now remember, I hadn't learnt anything more about managing money or making money work for me and so I repeated old patterns and spent the entire \$40,000 on parties and lifestyle. I recall my mother saying to me: "Tabitha, don't fritter that money away — buy another property with it, it may be the last time you get a lump sum like this". And I remember thinking "Really, the last time?" Always up for a challenge, I made a decision then and there that that was NOT going to be the case and I was going to be a wealthy woman at some stage. The next question was, how?

I just knew that I had to do something to change the negative patterns I kept repeating. It was about this time I met my wonderful partner, Vin, who had lot of faith in me and believed I could change my circumstances. He introduced me to Robert Kiyosaki's book, *Rich Dad Poor Dad* and it really opened my eyes. Vin and I felt we needed a fresh start, so we moved to Australia and Vin started a graphic design company, which did really well and this was our first focus for wealth creation. Funnily enough, I was sworn off property for the short term. However, we realised very quickly that, while the business had great cash flow, it was never going to create true wealth for us; it relied heavily on us trading time for money and there are only so many hours you can work in a day. We often told our daughter Amber that she was going camping and by this we meant a camp bed at the office with a bit of cardboard pitched as a makeshift tent, while we worked

through the night. She swears to this day she will never be a graphic designer.

We started to reassess what we were doing and looked at property with fresh eyes, devouring books on property investing and the different theories and strategies. Slowly we started to accumulate property. We had around five properties in New Zealand and Australia when Vin suggested that I quit the design business and focus on investing — and it was my job to retire Vin in two years. I was at a bit of a loss, as what we were doing with property was going to work in a 15-year timeframe, but certainly not in two years.

So I started looking around for a mentor — someone who was where I wanted to be. It was about this time we came across Positive Real Estate. They taught me some very effective strategies that I applied in the market, and in eight months I bought eight properties; making my money when I purchased, and forcing further value through renovation and strata titling. The results I got allowed Vin to quit work and sell the business, and he and I took a well-earned break (in between more property deals) for a couple of years.

Can you tell us about your business—Positive Real Estate Victoria?

I loved Positive Real Estate and the work it did so much that I bought into the business! I'm Head coach for Positive Real Estate in Victoria & Tasmania. As coach and mentor for my clients, I take people through everything from the initial goal setting to a strategy to build a property portfolio to enable them to reach their goals and I then guide them along their path.

We have six main strategies that we use:

- Discount

- Renovation
- Strata titling
- Subdivision
- Development / Re-zoning
- Off-the-Plan

People come to us to learn how to create wealth so that they have financial choices. The first thing I ask them is “What do you want — be specific?” Large portions of people don’t know or don’t want to put it down in writing because they think, “What does it mean if I don’t achieve my goals?” If you don’t know what you want, how are you going to know when you get there, and how do you plan for something if you don’t know what it is? So they need to define what they want and I coach them through that.

I use their goals and their current financial position to set them a strategy to get them a result in a specific timeframe, understanding that it’s not a get-rich-quick scheme.

People often ask me why I choose to teach and coach. I am fortunate to love what I do and the people I do it with: clients and colleagues. I also want to surround myself with people who are going to teach and expand my mindset, business and investing skills. I believe wholeheartedly you never stop learning; I will always have a mentor of some description and I know those who mentor me have their own as well and so it goes on up the line. I’m also sure I learn as much off my clients as they learn off me; they’re always challenging me.

What made you get into mentoring and coaching?

My daughter is one of my biggest inspirations. Amber has been with me through some very tough times and I really want her to be proud of me. She always says to me, “Mum, you can’t just teach people how to buy Ferraris and

big houses. You're in a position where you can really make change." A mentor of mine, Scott Harris taught me that true fulfilment is not about the things you have, it's often disguised in contribution and getting out there and making a difference. I like to introduce this concept when people are doing their goals, if they are not already contributing in some way. We have a responsibility to give back; this can be in the form of time, money, whatever it is that works for you. This ties in really beautifully with the charity work Positive Real Estate does with Room to Read®.

Who is a typical client?

I don't really have a typical client and that's one of the things I love about what I do. My clients range from young single people, gay couples, older retired couples, middle-aged married couples and everybody in between. All walks of life, many cultures, financial profiles — you name it. I genuinely feel so privileged to work with these people because they teach me so much and it's so incredibly rewarding when I see them getting results.

Can you tell us about an inspiring story from one of your clients?

One of my clients is a beautiful single mum with two teenage sons. She was on a low income and had a family home that she had renovated over time. She really wanted to change her circumstances, but had been told by people and banks that she couldn't do anything. She wouldn't take no for an answer and came to see us. We worked with her to determine her goals and develop a strategy, which included her moving out of her own home and renting it out, so that she could buy three more properties. She now has her dream job, has tripled her income and bought her dream car, which is so exciting because she is a car buff. She's done an amazing job.

A young couple came to see me and had very little in the way of deposit funds, but really wanted to invest. After careful planning we decided they had to move in with their parents to be able to save money for their first deposit. Eight months into the mentoring program they made \$96,000 profit and had bought two properties. By using their savings effectively and by investing shrewdly they made their money when they bought. They were able to force-value and enter at the right time of the property cycle, which got them a fantastic result. They are getting ready to invest again and will then take a well-earned holiday and make some wedding plans.

Both of these clients had clearly defined goals and a team to get them results. If people have extraordinary dreams and limited circumstances, it comes down to how badly they want it, having a plan and taking action. There is always a way forward.

What's been a highlight for you in business?

A highlight for me is that I have had to grow as a person to be able to work with my clients. No day is ever the same. I am constantly kept on my toes with clients bringing something new to the table, and as a result I have the opportunity to continue to grow and learn.

'Don't wait until everything is just right. It will never be perfect. There will always be challenges, obstacles and less than perfect conditions. So what! Get started now. With each step you take, you will grow stronger and stronger, more and more skilled, more and more self-confident and more and more successful.'

—Mark Victor Hansen

What's been a challenge that you have had to overcome in business?

Certainty: those times at night where you lie awake, and everything seems so much bigger or problematic than it is. My biggest lesson, which in all honesty I am still learning, is to get my certainty from within. Have faith in your decisions, yourself, your ability and know that everything is perfect, even the challenges; learn from them and move forward.

What is a millionaire mindset?

Jason Whitton once said to me: 'Tab, you need to see things as they are, don't make them more or less than they truly are. Take action when action needs to be taken.'

A skill I have had to learn is to listen — stop talking and truly listen. Not just take a breath to let someone else get a word in while you consider what else you are going to say, truly listen, you might learn something.

You also need to believe and have faith in yourself and when you set a goal, don't let anyone talk you out of it.

You talk about self-belief as being an important part of a millionaire mindset; if someone doesn't believe in themselves, how can they change that?

My mindset and lack of direction as a teenager led to a lot of poor decisions. I married young and it was a poor relationship. In order to overcome things that hold you back, you have to find a reason. One of my compelling reasons was my daughter —I needed to get out of an unhappy marriage for her and I didn't want her to suffer as a result of my poor choices, so I sought assistance to change. You also need to read a lot of mindset books, find a mentor, and be aware of your inner voice. You really have to monitor that voice and be aware of what you are telling yourself. Surround yourself with positive people and set

yourself small goals that are achievable — it's important to tick things off along the way — as well as setting big goals. Reward yourself and be kind to yourself: if you're having a bad day, don't beat yourself up about it; it's so important that we don't feel bad about feeling bad and stack more negative feelings on top. Please note, I would not change a thing. If I hadn't made the poor decisions, I wouldn't have had the lessons and personal growth.

“Believe in your dreams and they may come true; believe in yourself and they will come true.”

—Author Unknown

What are your tips for getting through a difficult time in business?

We've all been through tough times and it's easy to run away from them, but as a leader, or someone who wants to create an extraordinary life, you have to make a choice and take some action to work towards getting through it. A friend of mine was recently going through a very difficult time, and to get through it, he would section off a period of the day where he dealt with the problems, and then in the afternoon he'd go and do something positive for himself. See it for what it is, take action and then go do something that makes you feel good: a run, a bush-walk, a massage, read a good book, etc.

Can you tell us about a typical day in your life?

My day starts with Vin and I going for a one-hour walk. We come home and have a 'green' smoothie, which includes avocado, two fresh dates, filtered water, a banana and a few handfuls of spinach — recipe courtesy of Scott Harris. It tastes like a banana smoothie and it's so good for you!

I'll then typically head to the office for meetings with clients. I touch base with the Positive Real Estate team and prepare for seminars. In the evening I spend time with my family. My days are busy, but flexible, so I am learning to take time off when I need it. I do have a tendency to focus hard on one thing, so I'm learning life-balance at present — sometimes more effectively than other times. I can be a slave to email! Although, I'm getting better!

What techniques do you use to achieve your goals?

You need to start by actually setting your goals, and a lot of people find this challenging, because you need to write down what you want and be accountable. So I tell my clients to make it fun.

Every six to 12 months Vin and I review our goals. We check into a nice hotel and we start on our goals a Friday afternoon. We then go for dinner at the hotel so we don't have to leave, and on Saturday we get up and work on our individual goals — what we want in the short-term and then long-term. In the afternoon we come together and (using lots of paper and Blue Tack) we map out what we want for the next 10 years. We plot it against a timeline and then work backwards to determine how we will achieve each goal. Then we celebrate! When we come home we stick our goals and the timeline on the bedroom wall; it doesn't look pretty, but it's so important that you're reminded of your goals all the time, and you achieve things faster when you have it written down. Remember to tick them off as well. It feels great!

I was also taught the importance of having morning and evening questions that put you in a good mindset. Examples of morning questions could be: "What am I grateful for today?", "What will be fun today?" These questions put your mind in the right frame for the day. Evening questions might include, "What did I achieve

today?" "How did I show my partner I love him today?" "What made me laugh today?" "Who did I help today?" It's all about focus. When you're asking quality questions, it goes a long way to how you feel about everything.

Is there a significant quote that you live by?

*"To live life to the full, throw your heart forward
and run to catch it."*

—Ancient Arab Proverb

So if you follow something that is your heart's desire, even if you are too scared to take the leap, just throw your heart out there, run like crazy to catch it, and it will serve you well.

Do you think everyone should have a coach or mentor?

Always. I don't think there are many of us who can say they don't have room to grow, learn and contribute. We all need guidance and there are people who are where we want to be, so you need to get around them. I am very careful about who I surround myself with.

Scott Harris has mentored me and he had a big impact on me. Jason Whitton and Sam Sagers are my business partners and property mentors and I continually learn from them.

I really can't emphasise this enough: network, attend groups, join programs, engage in self-development, whatever it is you need to do to be around people that will help you learn and grow.

*"Successful people turn everyone who can help them into
sometime mentors."*

—John Crosby

What are your biggest lessons around money?

Take responsibility for your situation; put your hand up and say I am entirely responsible for where I am right now. The decisions I have made have got me to where I am now; then it is in your power to change your circumstances, or keep moving forward, or reward yourself — whatever the case may be.

Can you share with us an opportunity money has given you that you are most proud of?

The most unenjoyable part of not having money was that I was really at someone else's whim, so having the money gives my family and I the freedom of choice and flexibility in our day-to-day life. It allows me to spend time with my daughter and partner, and has given me the choice to have coaching and go into this business of helping people; to choose to take time out or have a lazy day off as I please. It has given me the ability to now teach what I have been taught and to educate people. Property education has set my clients on a path that enables them to have choices; feel fulfilled and be able to look after their families.

If people are procrastinating about a task, what's your tip to get on with the job?

Outsource or delegate. The things I don't like doing I pay others to do. Alternatively, you just have to schedule time for the task, do it and then reward yourself. I encourage my clients to reward themselves every time they do a property deal and realise the profit.

'The best way to get something done is to begin.'

— Author unknown

Where do you see yourself in 10 years?

I would like to do a lot more travelling and spend more time with friends and family. I still want to be out there speaking and coaching, because I love what I do.

What is your number one tip for people wanting to create wealth through property investing?

Can I have two?

Get a Mentor *AND* it is really important to understand the outcome that you want; you need the end goal in sight, because you're not just acquiring property for property's sake. There has to be a strategy to your property acquisitions, and you have to make sure you are making your money when you buy. Capital growth is the cherry on top.

Making money when you buy might mean you get a discount on the property, or force value through a renovation to push up the rental yield. We have to be proactive in our investing and not passive, if we want a better result faster. So, if we combine that by buying in the right market cycle, it fast tracks your results as opposed to just buying and holding in an area you're familiar with.

Tabitha Bright - Positive Real Estate

Chapter 17

Naomi Beaumont



Naomi Beaumont

Positive Real Estate NSW & ACT Mentoring Coach

“Surround yourself with like-minded people.”

Naomi Beaumont has an absolute passion for finance and property— two things she believes go hand in hand. As a highly regarded financial speaker, coach and strategist with more than 12 years in the lending and finance industry, Naomi can offer you a comprehensive understanding of the complexities and intricacies of finance. She explains, “Your investing potential is limitless if you structure your finance correctly. Knowing how to control your equity and keep your cash flow positive is the difference between investors who own one property and investors who own 10+ investments.”

Naomi has strong foundations within the industry, beginning her career as a broker where she learnt the many particulars of writing and structuring finance, and eventually moving her way up into a Branch Manager’s Position. From there she moved into a Business

Development Management role, working for major banks around Australia for many years.

Naomi now works as a highly sought-after national finance coach and presenter for Positive Real Estate, and has a strong following of loyal clients on a national scale who seek her financial expertise regularly.

Naomi started investing in property at 23 and has created multi-million dollar portfolios for hundreds of her clients, using the successful strategies taught in Positive Real Estate's Lifetime Mentoring Program. Specialising in Investment Property Finance, Naomi works with thousands of investors Australia-wide to ensure their finance structure minimises risk. This allows them to continually build their portfolio whilst ensuring minimal impact on their current lifestyle.

Naomi's charismatic and energetic presenting style captivates audience members all over Australia and she is widely respected within the industry, being called upon regularly to speak at a variety of high calibre industry events. Naomi simplifies the jargon and complexities often surrounding financial advice. She engages honestly with her audience in an entertaining, yet intelligent fashion, giving her clients a sense of assurance, and empowering them with strategic financial advice to help them go out and make some changes, and invest in property with confidence.

Born in Canberra in 1977, Naomi lives on the Gold Coast, and when she's not on stage speaking or meeting with clients she is spending time at the beach with her son Blake and two dogs, going to movies, reading and spending time at home.

What beliefs about money did you grow up with?

I had a belief that if you have lots of money you spend lots of money. My parents were quite wealthy from

business and while they bought property, it was never about accumulating wealth; it was about getting the wealth and spending it. They didn't reinvest their money. My dad had aeroplanes and hot air balloons — all these things we had that were wonderful as kids. Dad would sometimes say "let's jump in the plane and go to Coffs Harbour for the weekend". We got everything a child could ever want at Christmas and I thought all of this was normal.

But this doesn't last forever and when my parents divorced, there was nothing really left but the house. So for all of those years, spending money frivolously meant there was nothing left at the end of the day, and they are now starting over. I have learnt some tough lessons from them.

I was 23 when I bought my first property, and while I made \$200K equity, I lived the same life as my parents and spent it on a new car, holidays and renovations. I didn't understand what I had created and what I could actually do with that money.

If I'd only known what to do and had gotten some guidance from someone, it would have made a big difference at that time.

Did you always want to be a coach and mentor?

I didn't like school at all. I wanted to hang out with my friends and have fun, and as a result my Year 10 certificate results weren't fantastic, especially in Maths. When I left school I had no idea what I wanted to do with my life, but my father said I had to get a job or go to university. So I went out and got a job in customer service, and then as a receptionist at a mortgage broking company and that's what started my career. I went from reception to looking after the files to becoming a mortgage broker. I found that I had a love of finance and the people I was working for and with. To see a client go from one property to two or three, and seeing the look on their faces, I just knew this was

where I had to be. I still go and see the guys that gave me the opportunity and thank them for the belief they had in me as a young mum.

I learnt more and more about how to grow my wealth, and I spent a lot of time learning a lot of my own lessons. I think you have to go through some of that stuff to be able to teach other people, to be able to give someone the ability to grow their wealth.

Did you have a mentor growing up?

I loved the way my Dad did business and how he had an art for business and negotiating deals. He was an amazing businessman, but he just didn't have the right people around him.

He was also quite tough and I think I was a lot like my father when I started in this industry, as there weren't many women in it. But I think I have been able to bring softness and femininity to it. Women don't need to be masculine to be successful; we can still be feminine and beautiful in a male-dominated industry.

"For every one of us that succeeds, it's because there's somebody there to show you the way out."

—Oprah Winfrey

What is your business about?

Naomi Beaumont and Associates was created to educate and coach people around the country on how to build property portfolios and not live on baked beans and rice. I see people in pain everyday because they are struggling financially, or they realise that there is something bigger out there, but they don't know how that thing can be realised.

A lot of people live day to day. They get up in the morning and go to work, come home from work and that's

their life. They don't think outside of the square about what they love and what they could have.

A builder recently came to me for some advice, and when I asked him what he wanted he said, "I love working." I said, "No you don't — what do you love, you're a builder you love using your hands. If you retired tomorrow, what would you want to do?"

In the end, he realised that what he wants is to live in Thailand with his wife and buy her beautiful clothes, and donate his hands to build things for people. He said, 'But can I really do this?' I said, 'Absolutely. With a plan in place you can do those things.' A lot of people come to me and say they just want to retire at 60, because they don't realise they can do anything else. I work with them to really drill down to what it is they want and develop a plan about how they can get there using property, and without having to struggle. To see people go through this change is really cool.

Can you tell us about a client success story?

I have so many amazing client stories. One particular young couple wanted to pay their house off within a year which, with no debt reduction strategy, would have taken them 15 years. Their plan was to be mortgage free within 12 months and increase their overall wealth. We devised a budget to reduce their bad debt, which in turn increased their overall wealth, and then we increased their good debt by purchasing another four properties. Within 12 months they were mortgage-free and property millionaires with no personal debt.

Another couple had been working with me for four years and called me one Saturday night to ask if they could realise a dream. You may want to know what that means exactly. When clients start with me we go through their goals or "dreams" they wish to achieve in Positive Real

Estate's Lifetime Mentoring Program. This is essential as it keeps people on track, motivated, and heading towards something tangible. This particular couple's dream was to buy a brand new Audi A5, and they wanted to be able to pay for it with cash! This was something they achieved by following the personalised plan we had structured.

At the same time this couple had built up their portfolio with capital growth and cash flow positive property, and had sold down some negatively geared property so they could sell their home and fully pay out their mortgage. They then rented their dream home and had no bad debt at all! By using strategic planning for cash flow they were able to pay off some debt and their home loan and buy themselves an Audi. I feel so privileged to have worked with them to reach their goals.

One of my clients has a son with cerebral palsy and one of his goals is to spend more money on his son's development. I am able to help him to do that and that's humbling; it humbles me that people choose to work with me. Working in this industry is not just about the money you need to get out; it has to be about the client.

Who is a typical client?

A typical client is someone who has one or two properties, but doesn't know what step to take next. They listen to what's in the media and they get confused and start to feel fearful. Some of the people I meet could do some amazing things, but they are so afraid. I have met multi-millionaires who don't know how to retire because they are so afraid. Then I get those people who have one or two properties, and they're so eager to make it work. They are the best clients, because you get to see them from the beginning and watch them grow to meet their goals.

My clients have to have the mindset or be willing to develop the mindset because that's what property is about. We had some clients in Melbourne who had \$2000, and now they have two properties. It's all about mindset — money is made in the mind.

What is a millionaire mindset?

You have to believe that anything is possible. You have to believe that every goal you set is attainable, and not be afraid to say what you want. Wealth means so many different things to different people. To me it's about being able to give to those around me, and being able to make a contribution to others so I can have a beautiful home, where family and friends can come and feel safe and loved. It's also about having money in the bank to give presents. Wealth to someone else might mean they can jump on a plane to go and visit their daughter overseas. I get my clients to write about their 'perfect day' and when they start writing they can't stop. They start to really visualise what they want, who would be there, what it looks and smells like. Then they need to believe that this is really possible.

How does one develop a millionaire mindset?

It comes with growing and learning, and most importantly what you think you're worthy of. A lot of people, especially in Australia, don't think they're worthy of anything good. I feel that I am worthy of amazing things, and I hope that my son feels the same about himself. I really nurture my clients and am often firm with them when they start to think negatively. There are so many good things to have and be in the world, why should someone be worthy of them and you shouldn't? There is no reason.

What makes your business stand out from your competitors?

We don't stick to one strategy, because property does not follow a one-size-fits-all strategy. I strategise with my clients specifically around what they are trying to achieve and then choose a strategy that fits. So if a client wants an extra \$50,000 so they can travel overseas, we would look at a different strategy than to someone who wants to retire early on \$200,000 a year.

Can you tell us about a challenging business situation you have overcome?

Someone challenged who I was as a businesswoman and coach. When someone tells you you're not good at what you do, you feel very vulnerable. Sometimes in business it's good to be vulnerable, because you go back and remember why you're doing this. Do I really love my clients, or am I just doing this for money? Am I really good at this? I had to really address all of this. It took eight months and it was a hard slog, but I was fortunate to be surrounded by people who really believe in me and I had to get back that belief in myself. It probably ended up being the best thing that could happen to me, as I really had to look at my own self-worth, and I came through it as a much more centred businesswoman.

What techniques do you use to achieve your goals?

I write down what my perfect day looks like and what my goals are—and I am VERY specific when it comes to both. I also have a team around me that keeps me honest and moving towards my goals. When I had my son I was 17, and people would stare and tell me I would never amount to anything and that I would struggle. I decided that I was not going to be a statistic, and that being a single

mum wouldn't define me. I had a belief I could create anything in business, and that it would be amazing.

I worked with some clients just recently and I could hear their negative self-talk around money. So we changed what they were saying about money, and every morning they now say positive things about money. I use self-talk all the time during the day. I automatically do it, because I have trained myself for so long. If I had a tricky situation, I would notice the negative self-talk start, but my positive self-talk comes in automatically now.

Is there a significant quote that you live by?

“If we did all the things we are capable of, we would literally astound ourselves.”

—Thomas A. Edison

Do you have a mentor today?

Absolutely! I have three mentors! Because I am a mentor, I need to be mentored so that I can continue to grow. I need to continue to grow so that I can help others to grow. I'm always working towards the next level, and you need a mentor to help you through challenging times and to give you feedback about where you can improve. Having a mentor is important for everyone; even as a young mum it would have been really nice to have other younger and older mums around to mentor me. I have a mentor for three areas of my life — emotional, nurturing and business.

“The purpose of learning is growth and our minds, unlike our bodies, can continue growing as long as we live.”

—Mortimer Adler

How do you choose your mentors?

I choose mentors based on my model of the world — mine is based on family. So, all my mentoring students have family as their highest value. I believe that the right mentor comes into your life when something is missing — as soon as something is missing, it will be replaced. For example, when I had my son I used to worry that he was missing out, because his father wasn't around. But I noticed that whenever he was missing something in his life, a male would come along and fill that void.

Can you tell us about a typical day in your life?

A typical day is waking up early, eating healthy food and taking my dogs for a walk on the beach. I then jump on a flight at around 11AM to head interstate for a seminar. I spend time with my mentors, see some clients and then I usually present in the evenings. I am away for about two and a half weeks a month.

Where do you see yourself in five years?

I'd love to still be coaching and speaking, I just think the events I speak at will be bigger. I think I will always be doing what I do, because I love it and feel very humbled every day. I would also like to have a wonderful husband and have a baby together, and be able to have more time at home.

Was there a moment in your life when you made a decision and everything just fell into place?

About five years ago I was in a transition period during which I was starting my own business and had made the decision not to work for someone. I wasn't sure how to take the next step. I believe that people come into your life for a reason and you can either ignore it or run with it, and that's when I met Jason Whitton from Positive Real Estate, and it

totally changed my life. He was aware of my potential and said I needed to quit my job and start my own business. As scary as it was going from my well-paid banking job to no income in my own business, I just knew I had to do it. I was following my heart's desire and I just bit the bullet. This is how I deal with everything in business. A lot of people stay stagnant for a really long time because change seems too scary.

What is the one thing in your life you are most proud of?

Blake, my son! He is just so honest and beautiful. It was tough becoming a mum at such a young age, but he has grown up to be the most beautiful boy. He teaches me every day about being humble. I am now able to give him the education around building a property portfolio and about nurturing other people. He comes to me now and says he wants to buy his first property by the time he's 18. I am not telling him what he should do, but just educating him so that he can have all the beautiful things in life and then educate his own children.

What has been a highlight in your business?

I am so grateful that I get to stand up in front of 500 people and educate and coach. I am so grateful to be living my dreams.

I remember the first time I spoke at an event it was the scariest things I had ever done, but I knew that I had something to give those people, and that if they walked away learning even just one thing, it would be worth it.

What is your number one finance tip?

You need buffers and play money. Buffers are important, because they cover any shortfalls and help when life throws you something unexpected, like interest rate

hikes or costly car repairs. Buffers ensure that you're not living in fear for the rest of your life.

Play money is also important so that you can reward yourself and have fun.

If you started over, would you do anything differently?

If I understood what to do with the equity I had in my first property, I would have invested in more property. This is one of the reasons I get quite emotional about coaching, because I am able to give people, especially young people, the advice that I didn't have at that time.

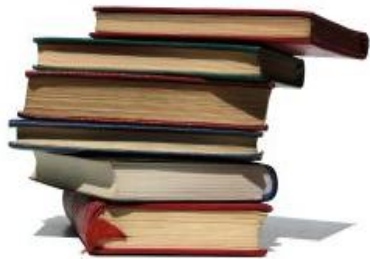
Chapter 18

Library

Every property investor needs a library. Without reading and educating oneself, one can often feel frustrated by the process of seeking, finding and analysing, buying and owning real estate.

Consider the following books as a start to your wealth creation and investing library. They will not only be a constant reminder of your goals, they will also help you create a plan and provide actionable steps so you can start building your wealth NOW!

- *How to Be in Debt for Millions and Be Happy About It*— Sam Siggers
- *Unlimited Power*— Anthony Robbins
- *Wealth Magic*— Peter Span
- *The Richest Man in Babylon*— George Clason
- *Rich Dad Poor Dad*— Robert Kiyosaki
- *Think and Grow Rich*— Napoleon Hill
- *Think and Grow Rich in Property*— Stuart Zadel
- *ABC of XYZ*— Mark McCrindle
- *Leaving Microsoft to Save the World*— John Wood
- *Clicking*— Faith Popcorn
- *Losing my Virginity*— Richard Branson
- *Who Moved My Cheese*— Spencer Johnson and Kenneth Blanchard
- *Good to Great*— Jim Collins



- *Buffetology*— Mary Buffet and David Clarke
- *One Minute Manager*— Kenneth Blanchard
- *Illusions*— Jonathan Bach
- *The Alchemist*— Paulo Coelho
- *Googled*— Ken Auletta
- *Crossing the Ditch*—James Castrission and Justin Jones

Chapter 19

The Last Word



Attitude and wisdom aren't things that everyone learns about all at once. There is always an ongoing quest to strike the right balance between confidence and doubt, and between action and reflection. As we have seen, mindset and a nagging conviction that nothing is ever quite good enough are huge driving forces for most successful property investors.

Yet, learning skills and a dash of inspiration are equally important. Developing self-belief through education in real estate and using a property guide are imperative for success. You have seen the mindsets and checklists of millionaires, as well as discovered the ways and means that will allow you to take action. We've discussed the essential principles of real estate; the key signs of growth, the property strategies and tax ideas and heard from a great team of real estate educators and mentors.

"Success requires no explanation and failure permits no alibis."

—Napoleon

Wealth is available to everyone. Learn real estate principles and you will soon be graced with its power; you will find an ability to provide certainty and variety to those you love and enjoyment for yourself. There is no overnight success in real estate; it is all done from the preceded years of learning and doing.

Remember, life is just a series of small wins over time! There will come a day that you will reminisce about your life. Don't look back with any regrets! Most people live life on a path without definitive direction, too afraid to explore any other. Once in a while, people or events come into our lives to knock down any obstacles put in our way and we can finally move forward. These are the people you need in your wealth creation team.

With the lessons you have learned in this book, create a wealth plan and start being active about investing in real estate. Don't be the kind of person that hinders you from success. No one has done anything successfully by working alone, so find a strong mentor for your team and keep making the small steps to the small wins, which will lead to a life of great satisfaction.

The Last Quote

“Even people who want to go to heaven don't want to die to get there. And yet death is the destination we all share. No one has ever escaped it. And that is as it should be, because Death is very likely the single best invention of Life. It is Life's change agent. It clears out the old to make way for the new. Right now the new is you, but someday not too long from now, you will gradually become the old and be cleared away. Sorry to be so dramatic, but it is quite true.

Your time is limited, so don't waste it living someone else's life. Don't be trapped by dogma — which is living with the results of other people's thinking. Don't let the noise of others' opinions drown out your own inner voice. And most important, have the courage to follow your heart and intuition! They somehow already know what you truly want to become. Everything else is secondary.”

Steve Jobs



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Glossary of Terms

AAPR—annualized average percentage rate, sometimes referred to as the comparison rate. This figure takes into account all the costs associated with the loan and is used to compare loan products.

Amortisation period— the length of time a loan is calculated over and repaid.

Appraisals/valuations— a written report of the estimated value of a property, usually prepared by a valuer.

Appreciation— an increase in value.

Basic variable— a variable home loan at a lower rate with fewer features than a standard variable home loan.

Break costs— the fees incurred when a loan is paid off ahead of time.

Body corporate— an administrative body made up of all the owners within a group of units or apartments of a strata building. The owners elect a committee, which handles administration and upkeep of the site, also known as Owners Corporation.

Bridging finance— a short-term loan used to bridge the gap between buying a new property and selling an existing one.

Building approvals— the number of dwellings approved to be constructed in a given month, quarter or year.

Capital gain— the amount by which your property has increased relative to what you had paid for it.

Simplistically, if you bought a property for \$200,000 and it is now worth \$350,000, you've made a capital gain of \$150,000.

Cash rate/bank rate— the cash is the rate of which the reserve bank of Australia sets interest rates. It's currently 4.5 percent. The bank rate is the interest rates that banks offer and is above the cash rate to allow for a profit margin.

Cash flow positive— you have a cash flow positive investment if the incomings are more than your outgoings after tax-deductible items have been claimed. You receive more rent than your mortgage repayments, plus you are still ahead after taking into account items, such as interest on the loan maintenance, insurance, land tax, rates, etc.

CGT (capital gains tax)— the tax you pay when you sell an investment property if you've made a profit.

Conveyancing— the process that legally transfers property ownership from one entity to another.

Cooling-off period— a period of time given to the purchaser to legally withdraw from buying a property. The length of time varies in each of the states and territories.

Cross-securitisation/cross collateralisation— when the financial institution uses your property (whether owner-occupied or investment) as security for other property you purchase.

Default— Failure to pay a debt by the due date.

Density— the level of occupancy in a given area, or the number of people permitted to reside in an

area. For example, inner-city areas are usually higher density than outer-suburban areas.

Depreciation— the decrease in value of an item (e.g. a building) over time.

Equity— the difference between your mortgage and your property's value. If your home is worth \$400,000 and you owe \$150,000, then you have equity of \$250,000.

Fixed rates— where home loan is locked in at a specific interest rate for a specified term, usually one to five years.

Interest-only— only repaying the interest charged on your mortgage and not paying off any of the principal or amount owing.

Joint tenants— each owner has equal shares and rights in the property.

LMI (lenders mortgage insurance) — usually required by lenders when you're borrowing more than 80 percent of the property's value. It provides insurance to the lender in case the borrower defaults on the loan.

LOC (line of credit) — a facility available from financial institutions that gives you a credit limit that you can draw down anytime. It's similar to a credit card except you don't have to make set repayments of the principal.

Low-doc loans — relatively new, these are loans that don't require as much documentation to set up. They are popular with self-employed people and those who have not yet established a credit rating.

Lower quartile— the price point below which 5 percent of sales were recorded. If there were 100 sales in a suburb, the 25th lowest price

would be the lower quartile price.

LVR (loan-to-value ratio) — to calculate it, divide the loan amount by the value of the property, then multiply by 100 to get a percentage.

Banks and financial institutions use this as a measure of whether you can afford the loan.

Median — the median house price is the middle price of all sales recorded in a particular suburb, postcode, city or state. If there were 100 sales in a particular suburb in ascending order, the median would be number 50 on the list. It's commonly assumed that the median price is the same as the average price but that's not the case. To calculate the average, you would add up the 100 sales and divide the total by 100 (the number of sales).

Negatively geared — this is where the incomings are less than your outgoings

after all tax reductions have been claimed. For example, you receive rent on a property of \$600 a month, but your mortgage repayments are \$900 a month. Your shortfall is \$300 a month, which you claim as a loss when doing your tax return. Many people on high incomes use negative gearing to reduce their taxable income.

O&A (offer and acceptance) form — when you make an offer to purchase a property you sign one of these forms. When the owner accepts the offer, it becomes a binding contract.

Off-the-plan — when you buy off the plan, you are buying a property before it is built, having only seen the plans. This is commonly used for apartments of units under construction or about to be built.

Passed in — when the highest bid at an auction

doesn't meet the reserve price set on the property. In effect, the property does not sell at the auction.

Portfolio (as in property portfolio) — the number and type of investments you own.

Positively geared— this occurs when the investment income exceeds your interest expense (and other possible deductions). For example, the rent you receive may be \$1000 a month, but the monthly repayments are only \$750 a month. You can also receive additional tax benefits on any income derived from a positively geared investment.

PPOR or PPR— principal place of residence.

POA— price on application. You may see this in a real estate advertisement.

Principal and interest— the amount borrowed or still to

be repaid, plus the interest on the mortgage. The principal is part of the repayment that reduces the balance of the mortgage.

Property cycle— property values usually follow a cycle of growth, a slowdown, a bust and an upturn. History shows this occurs every 7 to 10 years.

Refinance— to obtain new finance for something on different terms, usually involving the paying off of an existing loan by means of a new (and often cheaper) loan.

Reverse mortgage — designed for seniors who are asset-rich (usually with their PPOR) but cash-poor. The facility allows them to access the equity in their homes without having to sell it. Most often the loan is not paid, or until the borrower dies, moves into a nursing home or relocates.

Rental yields (and calculations) — the return on an investment as a percentage of the amount invested. Gross rental yield can be calculated by multiplying the weekly rent by 52 (weeks in a year) and then dividing by the value of this property and multiplying this figure by 100 to get the percentage.

Reserve price — the minimum amount a seller will accept at an auction.

Sold under the hammer — this means a property that goes to auction sells at the auction.

Serviceability — whether or not you can manage your mortgage payments, based on your income and expenses.

Stamp duty — a state government tax on the transfer of a property calculated on the value of a property.

Strata title — also known as unit title. This title grants ownership of a section or a 'unit' of a larger building. This 'unit' can be sold or transferred by the owner.

Subdivision — a parcel of land.

Supply and Demand — the number of properties on the market at any given time determines the supply-and-demand equation. If there are lots of properties on the market, it's a buyer's market. If there are few properties on the market or those that come to the market sell quickly, then it's a seller's market.

Tenants in common — two or more buyers own a property with unequal shares and rights.

Upper quartile — the price point below which 75 percent of sales were recorded. If there were 100 sales in a suburb, the 25th

highest price would be the upper quartile.

Vacancy rates — a measure of how many dwellings are available for rent over a specified time period. A low vacancy rate means there are not very many dwellings available for rent, while a high vacancy rate means there is an ample supply of vacant properties.

Vendor — the seller.

Vendor's terms — refers to instances when a property owner is prepared to offer buyer finance or other assistance, such as staged payments to assist with the purchase of the property (also known as wrapping).

Wrap — see 'vendor's terms'.

Yield — the return by an investor on an investment, shown as a percentage of the amount invested.

Permissions Acknowledgments

Any book on the subject as complex as property investing depends on expansive borrowed thoughts. While many of the interpretations contained herein are my own, I have relied on the numberless contributions of members of my profession who have, over the years, helped organise buying information in the marketplace for property investors. I have not named any of the many people who have enlarged the wider understanding of property investing in our small fraternity, and you can be sure that in their next books they will not name me.

I would also like to acknowledge the hard working team at Positive Real Estate who, over the last decade, have always offered invaluable guidance through the frequently confusing world of property investing. Many of their actions allow me to write such interesting content.

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Source for the Part 2 — How to Be a Part-Time Property Millionaire — WISDOM from The Property Millionaire and Millionaire Mentors Books by Fiona Jones.

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THE 10 COMMANDMENTS OF POSITIVE REAL ESTATE

1. *Our beliefs are our actions.*
2. *Do not treat others poorly.*
3. *Listen to the market.*
4. *Ask good questions of our customers.*
5. *Ask for help and gratefully accept.*
6. *Do not hesitate to say I don't know.*
7. *Fight for your values.*
8. *Express gratitude for business.*
9. *Know flaws exist and they need to be corrected.*
10. *Never enter a deal that all involved won't profit from.*

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