# HOW TO SAFELY

# Own 5 Properties In 10 YEARS AND RETIRE!

*"I was negatively geared by $10,000 dollars a month and I felt like I was drowning financially. I had a strategy session with Michael and within 11 months of working with Michael I know have a positive cash flow property portfolio earning me approximately $4,000 a month. That is a whopping $168,000 dollar turn around in just under a year. I highly recommend you read Michaels book "How to safely own 5 properties in 10 years and retire." and then have a strategy session and Michael will change your life just like he did for me. Michael has now transacted a number of great investment properties on my behalf in Brisbane."*

**NATALIE COOK 5 X OLYMPIAN OAM**
**Beach Volley Ball, Gold Medal Winner.**

**Michael Kelly** - Real Estate Transactions Specialist

# HOW TO SAFELY Own 5 Properties In 10 YEARS AND RETIRE!

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Michael Kelly

A CiP catalogue record for this book is available from the National Library of Australia.

National Kelly, Michael, 1969-

Title: How to SAFELY own 5 properties in 10 years and retire! / Michael Kelly

ISBN: 9780980649406 (pbk.)

Subjects: Real property--Australia; House buying--Australia; House selling--Australia;
Real estate business--Australia; Real estate investment--Australia.

333.330994

Published in Australia by:
The Real Estate Strategist
Suite 4/162 Queen St, Woollahra
NSW 2025

Designed By NGirl Design
Typeset By NGirl Design

Printed in Australia by BookPOD

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# About the Author

## Michael Kelly, Author, Transactions Specialist

Michael Kelly is a highly sought-after transactions specialist, negotiator and property investment strategist, whose success has been so celebrated that it has lead him to become a best-selling real estate author.

A former electrician, developer and project manager with a 20-year history transacting real estate successfully between buyers and sellers whether it be for mums and dads buying or selling a home, investors maximising and building a property portfolio or transacting development sites or bulk apartment purchases for superannuation funds. Michael is an active property investor and offers his clients first-hand knowledge and industry experience with an inside, competitive edge.

Across his esteemed career, he has established an extensive network of connections, allowing him to continuously open doors to off-market opportunities across Australia especially in Brisbane and Sydney.

Specialising in off the plan and off market owner-occupied homes, investment properties and development sites, no project is too big or small.

He is passionate about achieving his clients' goals – be it purchasing a brand-new family home or a wealth-generating investment – and has successfully navigated a myriad of contract types on properties ranging from $400,000 to $150 million in value on a daily basis.

Passionate, determined and honest, Michael is well respected by his clients and colleagues, and continually exceeds their expectations with the utmost integrity.

Outside of making the property market work for you, Michael enjoys spending quality time with his daughter, playing and watching sport (he represented Australia in Oz Tag), and personally investing in property transacting many different property transactions.

# Introduction

# Introduction

You may think it's odd to be writing a property investing book at one of the financially bleakest times in world history. You would, after all, have to have been living under a rock not to realise what a dire situation the global financial markets are currently in. As I write this in May 2009, I have no idea what the extent of the fall-out will be. The only thing the experts do agree on is that I haven't hit the bottom yet.

I'll explore a little further what has happened in Chapter 2 and look at how Australia is still in a very strong position, but for now let me assure you that financial freedom is still possible. This book is about recession-proofing your earnings and securing your financial future, whatever the economic climate.

I will be giving you the TRUTH about real estate investing, and explain the ONLY strategy you will ever need in order to build real wealth when investing in real estate. The strategy is called positive cash flow properties. What's different about this strategy is that unlike most positive cash flow properties, yours will be found in capital cities.

This book is for you if:

- You have been investing in property for years but can't understand why your current portfolio isn't performing that well.
- You are about to start investing for the future and want to know what strategy really works and what is nothing more than hype, so you don't waste valuable years.
- You are tired of your hard earned income getting sucked out of your pocket on a weekly basis to support your negatively geared properties.
- You feel like you are treading water with your investments, and never getting ahead.
- You want a strategy which will secure your future and allow you to replace your income – either from a business, sporting or professional career.
- You want a proven strategy that gives you total certainty that cash will be deposited into your bank account weekly when you choose to retire.
- You are time poor and need to find a fast, reliable way to build a positive cash flow property portfolio that can replace your current income while you continue to work?
- You want to learn how to have cash deposited into your bank account every week without you having to do anything and be able to buy and FULLY PAY OFF one property every 4 years using other people's money (OPM).

I will show you how you can achieve all of this and more by leveraging your time and money effectively. I can help you replace your current business, chosen career, sporting or professional income with a passive income so you can choose to do whatever your heart desires, whether it be work, rest or play, whenever or wherever you want.

In Chapter 1, I'll explore what financial freedom really means. In Chapter 2. I'll take a look at what's going on in the world economy in simple terms, so you can appreciate the financial problems the world now faces and what caused them. I will also explain why Australia is more protected than Europe and the US and what that is likely to mean for us in the long term.

More importantly you will come to understand that financial crisis' come and go! This one, whilst bad will be no different. This investment strategy offers you a genuine way to recession proof your future so that it doesn't matter if we are in a boom or a bust!

I firmly believe that the road to property wealth is not paved with gold – it's paved with bull***t – and that's the reason so few people actually make a success of property investing. There are too many misconceptions that lead would-be investors down the wrong path. Standard, trusted, conventional wisdom that is simply not accurate – especially now as the financial landscape changes. Don't get me wrong, I'm not saying we were lied to. Many of these strategies did work – but they worked at an unusual moment in history – where easy credit, reasonable interest rates and a booming economy made it hard for anyone to lose. Part 1 is all about exposing those misconceptions for what they are, so you can separate the truth from the BS!

Part 2 will look at the various solutions that have been put forward to take advantage of property investing. I'll explore their respective advantages and disadvantages so you can separate fact from speculation.

Part 3 will detail the strategy that I advocate you adopt and the reasons why it works now and in any financial situation. If our strategy works in a downturn, then it works in an up-turn – there is no need to alter your trajectory based on the financial world around you. Just follow the rules and achieve financial freedom in just 10 years!

When it comes to creating real wealth, most people don't have a proven strategy to win the game. What is your goal? How long will it take? How will you know you've won the game? Is your goal to achieve $100,000 a year in passive income? How many houses/units do you need to achieve that? Do you know the difference between a paper millionaire and a liquid millionaire? Which are you aiming for? (For the record, a paper millionaire is someone who may have a property portfolio of $1 million dollars, however if they had to sell the properties today, they would only receive in cash the difference between the sale price and the outstanding mortgages. A liquid millionaire, is someone who, if they sold their properties today, would receive $1 million dollars cash..) Do you have a professional team around you to help you achieve your goals? One of the reasons the rich are rich is because they pay for the best advice and the best support. Smart people know they can't do and be everything themselves. They are smart enough to pull in experts when they need them..

Remember the game Monopoly... the fastest way known to mankind to cause a family feud! In Monopoly we learn that buying property is the fast track to wealth. Build four green houses and one red hotel and you're almost guaranteed to win the game. Then you just have to sit back and wait for the other players to land on your property and cash in with the rent payments. When you play real estate monopoly in real life, you will have the ability to live the life you choose to live, without having to work or rely on anyone for money. You become financially independent and TIME RICH instead of busting your buns earning a living without having any time to enjoy it!

If you are to win the game of monopoly in real life and become financially free, you need to find a winning strategy to create monthly passive income so money rolls in whether you decide to work or not. That passive income needs to be more than your monthly living expenses.

To make sure you achieve this dream, the last chapters discuss the resources you need to gather around you. For those who love the idea but simply don't have the time to follow through with the strategy, then chapter 15 holds the answer.

***"Watch, listen, and learn. You can't know it all yourself. Anyone who thinks they do is destined for mediocrity."***

Donald Trump


# Chapter 1

# Chapter One: What is Financial Freedom?

I asked 50 people on the street what they most wanted in life, 45 of them mentioned “more money”. People talk of wanting “to be rich”, but when pressed about what rich actually means and what they would do with the money they rarely have any idea. Generally, they run out of things to spend it on after a new house, new car and a holiday! When you dig a little deeper, what people are actually seeking is more security and perhaps, most importantly, they are seeking more time to do the things they love without being hindered by the necessity of going to work and paying the bills.

Is this true for you? Let us ask you something...

“If time and money were not an issue, what would you be doing with your life?”

Take a moment now to think about that question and write down your thoughts.

Money isn’t the only ingredient for wealth. Being able to spend your time the way you choose is often just as important as the money. Certainly our experience working with wealthy individuals is that it is the ability to choose how to spend their time that is considered their most precious gift.

All too often life, bills and commitments get in the way of the dream and we don't do what is necessary to give us that financial freedom, or we labour under some false truth and waste valuable time. I am reminded of a story of a guy who worked all his life in a job he hated so he could save enough money to buy a ranch and raise horses. That was his dream and it was what kept him going year-in, year-out for 40 years. Finally he retired with his savings and went to buy himself a ranch only to find to his horror that he could have been living his dream 15 years earlier. The amount of money he thought he needed to live the life of his dreams was actually considerably less than he thought it was.

What we are ultimately seeking is more freedom, not necessarily billions of dollars!

In today's world freedom and wealth are inextricably linked, yet in truth the two don't often go together. Do you think for example that Bill Gates has the time to do whatever he feels like? No – of course he doesn't. It's likely that every second of his day is accounted for.

More and more people are coming to the understanding that our most precious resource is time. Some would also add money to this statement but time is finite, money is not. You can't make more time, you can't stop it or speed it up – it is what it is. And once this second has gone it will never come again.

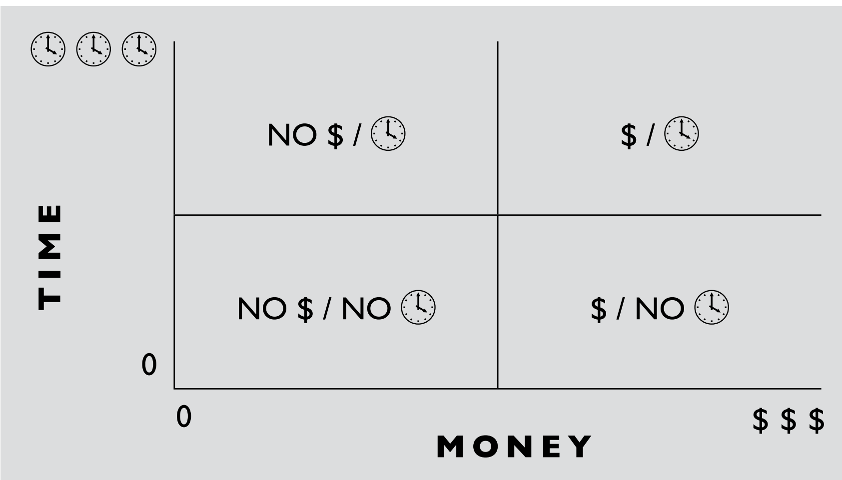
That isn't true of money. You can always make more money but you can't make more time.

This distinction is vitally important.

The strategy that I outline in this book can help anyone achieve financial freedom. If you have an average income but an above average determination to succeed, then this strategy will work for you. But I make no illusion about the fact that this strategy is particularly relevant to high-income earners and/or those who have money in the bank or equity in their homes.

Making money is only one part of the wealth creation trifecta. The other parts are keeping it and growing it. All too often however as individuals climb the income earning ladder, they lose the very thing they need in order to use that income wisely and set themselves up for life. That thing is time!

## The Time/Money Quadrant



## NO$/NO🕓

This is the quadrant that a huge number of the population inhabits. They have no money and no time and are probably working two jobs, for the benefit of others. If you fall in this category you are probably just scraping by each month and don't have the time or the spare cash to enjoy life. You may work two shifts just so you can provide for your kids. You rarely see them but at least there is food on the table. This is the worst situation because even working all the hours possible there is still too much month at the end of the money. You also don't have any spare cash to enjoy the fruits of your labour, and even if you did you don't have the time or energy to do anything about it. The last thing you'd want to do if you were in this quadrant is spend the few remaining hours you do have studying a way out of the situation. You just want to sleep!

To be brutally honest, this book may not be for you. If you are seriously motivated to make a change and you'll do whatever it takes, then it will work for you too, but it's not going to be a walk in the park. You will have to find better ways to make more money if you are to make this strategy work. But those opportunities do exist.

## NO$/🕓

This is the quadrant of the unemployed - no money but plenty of time. Unfortunately many of the people in this quadrant waste their most precious resource by indulging in too much T.V or finding other meaningless ways to fill in their days rather than finding ways to constructively use their most precious resource - time.

If you're in this quadrant you may not realise that you're actually better off than the person above who is working double shifts just to make ends meet. At least you have the time to dedicate to finding a better way. You don't need money to go to the library and start reading the goldmine of information contained there. You don't need money to change your attitude and search for solutions. And certainly, if you have this book in your hands, you are on the right track. Money is never the major handicap to wealth – time and attitude are!

## $/NO🕓

This quadrant is occupied by the countless people shackled to a job by "golden handcuffs". They have money but no time to spend it.

People in this category have usually worked bloody hard to make the money they now hope to enjoy, only to find themselves trapped by their own success. What often happens is that as the income has grown so too have desires and aspirations. As a result these people often live in a lovely house they rarely spend time in, fund children they never see, spend more time in their lovely car than they do with their family! They leave for work before the kids are up and don't get home until they are fast asleep.

But they can't leave; they are trapped in a vicious cycle. They need to stay in that high income job, regardless of whether they like it or not, so they can keep on top of their increased expenses. Chances are, that along with their impressive job title and the gorgeous car, they've an equally impressive credit card debt! In fact their net worth is probably not that much greater than any of the prior two quadrants! They are usually just broke at a higher level. And even if they do have loads of cash in the bank they have no time or energy to enjoy it!!

Wealth is never about how much you make – it's about how much you keep and what you do with what you keep that really matters! Whether you are a professional sports star with an earnings window of say 10 years, a successful entrepreneur or high income earner, this strategy can convert that potential into real long term sustainable financial freedom.

If you resonate with this quadrant then this book is perfect for you because you have the capacity to put the strategy into action immediately and really see the benefits fast. You don't need to be a prisoner of your own success; instead you can start to use your income and savings to create genuine wealth and financial freedom.

$/🕓

This is the Promised Land and the destination you can confidently expect if you follow the strategy in this book.

In this quadrant you have the money and you have the time. You are generating passive income that covers your monthly expenses and allows for all the "play money" you require. You are now free to explore the things you've always really wanted to. Whether that's helping out in the local community, or spending more time with your kids, or going back to school to become a natural therapies practitioner! It may be that you actually want to stay in the job you currently do but you can do so in the safe knowledge that you are in control of your financial destiny. You're future is secure regardless of downsizing or outsourcing. You're life is truly your own – you are financially free. And that's what people are really searching for – the ability to live their own life on their own terms!

Being rich is not just about how much money you have in the bank. It's about how much time you have to enjoy the things that are important to you without concern for how much money you have in the bank!

You can easily create more money – this book will show you how, but you can't create more time – this is all you have. Once this moment is gone it will never come again so what are you going to do with it? This is particularly poignant for professional sports players who have a high income earning window – but what happens after the final whistle is blown. Using the strategy in this book you can ensure you maintain your lifestyle and secure your financial future.

Every self made individual who enjoys huge wealth has worked out the distinction between long-term and short-term gain. The work ethic which used to suggest that a fair day's work for a fair day's pay is now at odds with what I call the "I want it now syndrome". If you want both then you have to work out how to use that fair day's pay to create passive income and long-term security so you can have whatever you want.

I'm not going to tell you that you can have it all tomorrow. You can't; but you can have it in a remarkably short period of time. You need to balance your need for a fun lifestyle with your desire to be financially independent within a few years.

Yes, you will have to work hard for your money at the beginning. But if you are making a 6 or 7 figure salary then you are already working hard for your money – why not learn how to get your money working equally as hard for you!

Financially free people understand that YOU have to work hard UNTIL your money works hard enough to take your place. Middle class and poor people work to earn money to live today, financially free people work to earn money to pay for their income generating assets, which will in time pay for their future.

Financially free people buy income-generating assets, things that provide income today and over time are likely to go up in value. Poor people buy liabilities, things that may go down in value. Financially free people collect property, poor people collect bills.

Think of your property investing strategy like Monopoly. All too often we get seduced by Park Avenue and Mayfair and we miss the other opportunities that could easily win the game. In Monopoly, whoever secures the property and builds the houses and finally the hotel, usually wins because they can collect rent from the other players. Real life isn't much different – although you don't need to be building hotels!!

This book is about buying a few properties in the right place so you can build your portfolio and create passive income. The best way to do this is in real estate because someone will always need to rent out your house or unit, and if you buy in the correct suburb and street your property should grow in value over time, thereby creating even more wealth.

The idea is to have your money work as hard for you as you do for it, and that means you have to save and invest rather than make it your mission in life to spend every cent. This strategy doesn't require you to live like a hermit for 5 years either – it just means that you divert some of your income and some of the tax you would normally pay to the government into building your future.  And remember, the Government wants you to do this! They know that an aging population without adequate retirement arrangements is going to put an enormous burden on the country's finances. Everything you can do now to ensure you are not part of that burden is greatly encouraged by Governments all around the world. That's why there are tax breaks available for those who seek to invest in their own future.

Whatever you want to achieve in your life you have to apply time and/or money to that objective. The irony of this fact is that those people with one don't usually have the other. Those who have the time to apply strategies to wealth creation rarely have the money to get started and those who have the money rarely have the time to dedicate. If you are a busy professional making a six-figure salary chances are you don't have huge amounts of spare time. If you have a family the chances are even slimmer.

You also know that if you don't take control of your financial destiny, no one else will. You will drift into retirement wondering where the hell the past 30 years went and you'll be no closer to financial freedom than you were in your 20s. It doesn't have to be that way – you have the financial capacity to create genuine wealth, not paper wealth, so that you can choose to work or not! Now that's REAL financial freedom.

> ***"If you want to be financially free and time rich, simply spend your life buying income generating assets. If you want to be poor, spend your life buying liabilities."***
>
> Michael Kelly

# Chapter 2

# Chapter Two: The Silver Lining on a Dirty Big Cloud

It would be silly to write this book without some reference to the financial crisis that began in 2007. At the time of writing in 2009, doom and gloom merchants were forecasting financial Armageddon but there are some silver linings that surround this rather ominous cloud.

Before I get to what they are, let's just recap on what actually happened.

In the 1990s and early 2000s the developed world was booming. What was particularly unusual about this time was that both property and stock markets were booming. Normally they are counter cyclical, so if property is down, the stock market is up and vice versa.

Part of the reason for the boom years was the huge injection of funds caused by the invention of "home equity" and the easy availability of cheap credit. We saw for the first time in history the creation of "Accidental millionaires." People who had bought property in the 50s or 60s for next to nothing, now found themselves sitting on an asset that happened to be slap in the middle of an affluent suburb. The home they bought for a few thousand dollars was now worth millions. These people were encouraged to "release the equity" lying dormant in their homes and enjoy life.

Margin lending appeared so that people could not only borrow money from their property to invest in the share market, but they could then also borrow more against those shares to buy more. It was also available to high-income earners who could prove they could easily meet the repayments from their salary. Borrowing money was cheap and the market was booming so there was still a profit to be made even after paying the loan repayments.

And it worked! Interest rates were sufficiently low and credit was sufficiently easy to come by that not borrowing money was actually considered stupid!

As it turns out, what was stupid was lending money to people who had no way of paying it back. In the US the slippery slope began in the Reagan years. But the really slippery slope can be traced back to when George W. Bush signed *The Dream Downpayment Act of 2003* claiming that every American could own their own home.

What followed was a de-regulated free for all of ninja lending (No income, No job or assets), where mortgages were offered to those that simply couldn't repay them. These were people who were below the lending criteria hence the name sub-prime. The theory was that it didn't really matter whether they could pay the mortgage, because the value of the house that under-pinned the loan was increasing so it was a win/

win situation. Low initial interest rate deals meant that the new owner got a nice new home for the same or even less than they were currently paying in rent. The fact that they had no way of meeting those commitments once the rate reverted to the standard variable interest rate was deemed irrelevant because by then the house would be worth more so they could sell for a profit or draw down some equity.

In truth it sounded like a reasonable plan. Problem was house prices started to drop and the wheels fell off. Thousands of people defaulted on their loans and because of US regulation or rather lack of regulation the owners had no financial liability to the house and simply posted back their keys to the bank and moved out.

This was of course a problem but the bigger problem was yet to come. Banks only have a certain amount of money in their coffers made up of savings and investments. As such this boom in lending was a challenge because they only had so much cash to lend. So some bright spark came up with collateralised mortgage obligations (CDO). CDOs had been around a while but they took on a new form. Basically, once the bank lent money, they needed to recapitalise so they could continue to lend. Say you borrowed $500,000 from the bank at 5% interest rate. They would then turn around and package that debt up with other mortgages and sell the debt to the secondary money market. The bank would sell the debt to investment houses looking for fractions of a percentage point more in interest payments. If you consider the size of some of the super funds and managed funds, a tiny increase in interest rate can make a huge difference in the returns they could report to their members. So these investment managers would buy the debt at say 4.5% interest. The bank would cream off the 0.5% profit plus all the fees etc and have the money back to repeat the process all over again.

Investors were busy people so these re-packaged debt products were assessed by ratings agencies such as Standard & Poor's and Moody's. Their job was to assess risk and assign a rating to allow would-be investors to match the investment to their portfolio. When people invest in a particular organisation they will tell that organisation how much risk they are prepared to take in the investment. If they are conservative, they would want to place their money into conservative investment vehicles and therefore the investment managers would chose conservative investments with AAA ratings. These AAA rated investments were in theory supposed to be as safe as Government Bonds.

The dodgy mortgages were shored up with good mortgages and split into "assets" based on risk. Those with the highest risk of default enjoyed higher interest and those that were "safer" paid the lowest interest. Only the ratings agencies got their assessment of their complex financial instruments wrong – very wrong. In some cases these toxic investments were being given AAA and AA ratings!

As banks around the world woke up to the fact that the ratings were wrong and therefore if they were wrong what else was wrong – panic set in. So they quietly closed their lending doors until they could work out how exposed they were.

One of the first scalps of the US subprime meltdown came to light in the UK in late 2007. Northern Rock Building Society who were themselves involved in sub-prime lending couldn't recapitalise on the interbank lending market because no one was lending money, so they had to seek emergency funding from the Bank of England. What followed was a string of high profile collapses both in Europe and US. Today most of the UK's national banks are partly privatised!

In April 2008, The International Monetary Fund (IMF) estimated that the subprime mortgage collapse will cost the world economy a staggering $945 billion! In more recent times that estimate has been pushed even higher.

The full impact of this disaster is yet to be seen, but the good news is that Australia is more protected than most. For a start we were not lending nearly as much money as some of our European and US counterparts. One statistic is that for every $1 in savings, UK and European banks were lending $50. In the US they were lending $30. In Iceland they were lending a staggering $300 for every $1 invested – no wonder they got into serious problems! In Australia however, tighter banking regulation limited it to $13 for every $1 invested in savings. It's still not great but we have not been nearly as badly exposed.

The figures for the global credit crisis regarding property prices showed that in 2008 the USA had dropped by 18.6%, and in London it had dropped 16.2%. In Australia, we have been sheltered from these high figures and there have been price drops in certain price brackets. However across the board there has been a moderate fall in property values of 7% per cent during the 2008 calendar year.

According to RP Data national research director Tim Lawless the moderate fall in property values in 2008 has been assisted by the low interest rates and dramatic growth of weekly rents.

So far Australia has not been as badly affected in the employment market either, although if more people are laid off this could have ramifications for the property market as people struggle to meet their commitments.

## A Second Chance

For now, there is more interest in property than ever as more and more people recognise that this drop in property prices could herald a second bite at the cherry that they didn't feel they would ever get. Booming years have their consequences as more and more people are priced out of the market. This changing economic cloud will therefore also have its own silver lining as prices drop and opportunities open up.

With the lowest interest rates Australians have seen for the past 45 years, a shortage of housing, escalating rents and fewer job losses than anticipated, Australia is still in a strong position. More banking regulation and greater bank liquidity means Australia has been better protected through the Global Economic Crisis thus far and from all indications that is set to continue.

Property offers an incredible opportunity if you know what you're doing. This book will give you that knowledge. Unlike the stock market, which is at the whim of fear and panic, property stands relatively unscathed. As long as you buy in the right place and can meet your repayments there is no reason to panic. Your investment and the value you've accumulated in that property can't be wiped out overnight as the market panics. If you own shares there is nothing you can do as you watch your investment hit the floor through no fault of your own and with no control to stop it.

What was seen as one of the downsides of property is now considered its strength. In the share versus property argument, supporters of the share market have often pointed to the fact that the property market isn't very liquid. In other words, there isn't always a buyer when you want to sell. And this is true. Do you think that the owners of shares who had to sit by as their investment halved wished their investments were a little less liquid?

Napoleon Hill once said that, "every adversity carries with it the seeds of an equal or greater benefit." The world is in financial crisis that is true, but within that adversity lies an opportunity for you to take control of your financial destiny. Property prices are now lower than they have been in decades, so too are interest rates. This is a potent combination if you seize the opportunity it presents now!

*"Don't wait. The time will never be just right."*

Napoleon Hill

# Chapter 3

# Chapter Three: Why Real Estate is Still Your Best Bet – regardless of the economic climate.

In his book Cash Flow Quadrant, Robert Kiyosaki talks about the 4 avenues for wealth:

- A job
- Become Your Own Boss
- Business
- Invest

## A Job

Certainly there are people that have accumulated wealth as an employee. Senior management for global businesses, software engineers for high tech companies and CEOs of multi-nationals who make millions each year. But generally speaking being an employee doesn't allow you to leverage your time and earning capacity.

All you are doing is spending your most precious resource making someone else rich – be that private individuals or faceless shareholders.

As an employee the cycle goes something like this. You start your job full of enthusiasm for the future. You soon realise that there is more to climbing the corporate ladder and gaining promotion and earning more money is not necessarily about being good at your job. Politics and personality play a big part and if you don't "fit" you can start to get disillusioned pretty quickly. After a while, you convince yourself that getting another job would make all the difference, so you leave your employer and find a new position. This position pays a little more money so you're enthusiastic about the future. You spend more and gather a few more toys – a better car or a nicer house. Only in this job you are expected to work a bit later. You used to love playing squash with your friend on Tuesday nights but you've had to give it up. Plans to decorate the house on Saturday mornings are replaced by an extra few hours in the office. Again, politics and personality play as big a role as ability in moving up the pay scale and you find that you get passed over a few times for promotion because your face doesn't fit. Disillusionment sets in and so the cycle begins again.

The only reason people wander down this road is because that's what we're taught through popular media. Go to school, get good grades and then you'll get a good job. The only beneficiary of this philosophy is the business owners that you work for and the government you pay taxes too.

Benjamin Franklin once said, "In this world nothing can be said to be certain, except death and taxes." As an employee that is certainly the case because the tax is removed at source. Swapping your time for money is never a wise or sensible route to wealth and it will never deliver financial freedom unless you use that income to invest in your own future.

Expecting a salary – even a huge salary – to make you rich and give you financial freedom is pure fantasy. The great news however is that it can be used as a tool to create genuine wealth and freedom.

## Become your own Boss

Often what happens is that someone goes from one job to the next searching for the recognition, fulfillment and freedom they crave. Finally, they meet a boss that pushes them too far and they quit and swear never to work for anyone again. Fired up and excited they embark on the journey of self-employment.

Things are going to improve – right? Not necessarily. Generally speaking, as a self-employed person you work harder than you've ever worked before. Only now, you have more responsibility because you need to find the work and also do the work!

Very often people who jump out of paid employment are fundamentally different to those that stay there their entire working life. They are generally seeking more than just money. Freedom is a driving force, and being able to control things also plays a big role. Being your own boss may give you more control over the work you do and the time that you spend doing it, you may even enjoy more tax advantages than you would as an employee, but it is certainly not an automatic route to financial freedom.

Once again the income you generate from self employment or entrepreneurial activities can be the foundation for genuine wealth if you find and follow a proven strategy.

**Caveat: For the Love of the Work**

Whilst Kiyosaki's cash flow quadrant has really helped people get a handle on where they are and what they need to do to build wealth, it doesn't take into consideration one major aspect of work. People don't just do what they do because it allows them to pay the bills. For some they love what they do and they get a real sense of fulfillment and happiness from the job. In my case, I'm self employed and absolutely love helping people build financial freedom. I get a buzz from seeing someone who thinks there isn't an answer for them suddenly light up as they understand the simplicity of the strategy and just how possible it is for them. I love the excitement when a client tells me how they are progressing or when they have enthusiastically told some friends. I don't just do this work because it pays the bills, I do it because I enjoy doing it and it makes me happy.

It's like a dedicated nurse – they may not make the most money in the world but the idea of not being a nurse makes them sad. I need to feel valued and useful to feel content with the world, so classifying work only from a money perspective is short sighted.

This strategy is about finding ways to leverage what you make from your job or career to make it work more effectively for you. If you make your money work for you, then one day you'll have the choice to leave a job you hate or to stay and do a job you love without having to worry about how to make ends meet.

## Business Owner

If the self-employed person can learn to delegate and is keen to employ smart, talented people so he or she can step back, then they have created a true business. But the qualities and skills required to make a successful self-employed person are very different to the qualities and skills required to create a successful business.

Having a business requires that you go from being good at one thing to having to be good at a lot of things or at least have the vision and understanding to accept you don't have the necessary skill and hire it in. Managing and keeping good people is hard work. It takes a certain type of person to start and successfully operate a business. If you were to believe the statistics that see up to 90% of businesses fail in the first 5 years you can assume there aren't many true business people out there.

The test of whether someone is self-employed as opposed to running a business is simple. If that person can leave the business for an extended period of time and still have a business on his or her return then it's a business. If not then they are probably a self-employed person. And the only way that a self-employed person can convert their ability into a business is to be able to turn what they do into a system that can be duplicated by people other than them. There are significant tax advantages for those that run a business but they are only relevant if you're making money!

Even as a successful business owner you are still tied to the machine. Look at Bill Gates – he is still inextricably involved in Microsoft, even though he's not leading it anymore. So whilst owning and running a successful business is a route to financial success it's rarely a route to the financial freedom we're after!

Again you have to learn how to use the revenue you make from your business to build real wealth so that you can enjoy financial freedom. Otherwise you may wake up in 40 years and realise you've been a slave to your business rather than the other way around.

## Become an Investor

The answer is to become an investor. This is where true wealth is created and it's accessible to you as an employee, self employed person or a business owner. It doesn't matter which of the three previous categories you are currently in. If you want to enjoy financial freedom you must become an investor.

As an investor there are many tax advantages available to you and you are learning the art of making your money work for you rather than working for money. Becoming a successful investor can be done in your spare time. It can be financed from your existing situation, even if that's a job, and it can provide you with the future you dream of. Becoming an investor requires that you understand the two most important concepts of being rich – OPM (Other People's Money) and OPT (Other People's Time) which is known as leverage.

## Why Real Estate?

### Tangible

The most obvious thing is that real estate is tangible – you can walk around your investment and touch it. You know where it is and what it is and short of a natural disaster it isn't going anywhere. Once you understand the market you can also tell with your own eyes what it's worth. You can visit the property and you know immediately if a window needs fixing or there are missing slates on the roof. You can hear if there is a dripping tap and smell if the property is damp or not. You can't do that with shares. You can't go to the head office and wander around to find out if it is run well or whether there are glaring inefficiencies. And even if you could you couldn't exert any influence. Besides, even if you could influence it or the business was run perfectly there is no protection against fear and greed. If the market is in freefall the shares of even the best companies in the world are not immune.

### Control

There is so much more control with real estate than share investing. If you bought shares in a business on the stock market, unless you bought a controlling interest which would cost a lot of money, you have virtually no say in how that business is run. The average shareholder has no control what-so-ever in business decisions that could affect the company, nor do they want them. Instead you have to trust

that the business is well run and won't make any stupid mistakes. You can't therefore do anything to increase the value of your investment. Instead you have to sit back and hope that the business will do it for you.
In property, the moment you buy the property you can do all sorts of things to increase its value. You could spend a little money and just paint the property and do minor repairs. Or you could spend a bit more and modernise the kitchen or bathroom, paint the exterior of the house, put new windows in or install air conditioning. You could even extend the property and build an extra bedroom. All of these things can significantly increase the value of a property.

Regardless of what you decide to do, it's your choice and you have control over whether you invest in the property to increase its value or sit tight and wait for the market to increase its worth. Of course that doesn't always happen but in a buoyant market in a good location time is all that is required to add value to the property.

**Liquidity**

As I mentioned in the last chapter, one of the disadvantages of property is the lack of liquidity. This is true. However it's only a disadvantage if you've bought in the wrong area.

The liquidity in the stock market which is so often touted as an advantage has been central to the collapse of the markets. Because it was possible to sell out positions in a heartbeat

– people did – millions of people did and that panic crashed the market. But this is not a new phenomenon.

Remember the dot.com crash of 2000. A conservative estimate on the 14th April 2000 stated that $1,000 billion was wiped off the value of American companies. Taking the NASDAQ market on its own, the combined value of the companies listed on it had fallen by $2,250 billion in just five weeks. The Dow Jones crashed 617 points in a single day – the biggest point drop in a day, ever, except the first opening after 9/11.

In house prices, things don't change that quickly, and while you may make a loss on a property you will never lose everything! And if you follow the strategy in this book you only buy in high demand areas so you will never lose.

**Security**

How do you know that a share price is fair? Or that the business is actually well run? How do you know that your broker actually knows what he or she is doing and their recommendations are accurate? How do you know you're not buying shares in a potential Enron? Enron was still being recommended as a "Buy" stock by many of the leading share tipsters in the national newspapers weeks before its spectacular collapse! That isn't very comforting is it!

With property, you know if it is over-priced because the independent valuation will tell you. So you are protected from paying more than it's worth. Obviously property values can go down as well as up and this valuation may change over time, so you need to do your homework about the area and any potential changes to the area that could affect the value of your investment. At the time of purchase a valuation will tell you whether or not you're paying too much for a property. The bank demands this document to make sure that they are making a good choice by lending you the money. It may be that you are getting yourself a real bargain!

And there are bargains out there. You just have to know where to look and how to spot them. There are many reasons that people sell their property for less than it's worth. An owner may think they know better and doesn't want to "waste money" on a valuation and thinks it's better to save the $500 and take a guess based on the rest of the street. Divorce is also a reason that people are motivated to sell quickly. Repossessions are also sadly going to rise as a result of the financial trouble around the world. It's still unclear whether Australia will experience a rise in repossessions but certainly the US and Europe is already experiencing this.

**Tax advantages**

Remember what Benjamin Franklin said about death and taxes! Well real estate is definitely one way to control the amount of income tax you pay. More importantly, it's the cornerstone of wealth building in this country and many others.

Whether you realise it or not the ATO is already your business partner. As an employee, the government pays itself even before you get paid. For every dollar you earn over $80,000 dollars the government pays itself a minimum of 40% to 45% of your hard earned money.

Real estate investment allows you to legally reduce the amount of income tax you pay. In other words, if you pay attention to your buying process and buy well, you not only get a property whose value is increasing over time, you also earn income from the property by renting it out. All maintenance costs and mortgage interest costs are offset against that income to reduce your tax liability.

I have a team of financial experts who can advise you on how to structure your investments for asset protection and maximum tax effectiveness.

**Leverage**

This is the best bit! When you buy a property you don't use all your own money. In today's financial climate you will need approximately 15% deposit to own a neutrally geared property although as you'll see from the strategy it is often recommended that you put down more. But even with a

50% deposit the property is still bought with OPM – other people's money. In most cases, the bulk of the money will come from a bank loan.

As long as you buy well in high demand areas and are sitting on positively geared properties the bank will still be keen to lend you money. And that allows you to develop your portfolio and pay them off as soon as possible.

Everyone needs a home – so property is not a fad or a fashion that's going to someday pass. Certainly there are risks involved but only if you don't know what you're doing. You have to get yourself educated and you have to know what you're looking for and be able to assess a property from an almost scientific perspective. Emotion has no place in buying investment properties.

***"If you work for money, you give the power to your employer. If your money works for you, you keep and control the power."***

Robert Kiyosaki

Part One: The Road to Property Wealth isn't paved with Gold – it's paved with BS!

# Chapter 4

# Chapter Four: Is your home an asset or a liability?

Over the years I have asked literally hundreds of people if they thought their home was an asset or a liability. About 97% of them said it was an asset.

In order to invest in positive cash flow properties effectively we need to understand what the difference between an asset and a liability is. You may think that this is simple finance 101 but too few people really know.

We've been told by the banks that our home is an asset and therefore buying our home is a smart thing to do. Buying assets is the cast iron way to wealth – that part is true. Only your home doesn't qualify, so we've been led up the garden path.

Quite simply, an asset is something that puts money INTO your pocket and a liability is something that takes money OUT of your pocket. Does your home put money into your pocket? If it doesn't then clearly this illusion is a fabrication designed to make you feel better about signing your life away on a big fat mortgage!

If you are still paying a mortgage on your home then that property is taking money OUT of your pocket and therefore it is not an asset – it's a liability.

This usually comes as a bit of a shock and you may be wondering why on earth I am drawing your attention to this fact considering this book is all about how to effectively build a positive cash flow property portfolio.

But before I get to all that let's just get really clear about how much of a liability it really is. The two big benefactors of this widely held misconception are the Banks and the Government. If you consider the loan fees, mortgage repayments, stamp duty and council rates involved it's a tidy little sum. If you also consider that people upgrade their home on average every five to seven years then it's a gold-plated money-spinner!

The banks have been very clever when it comes to home ownership and have in the process created a massive business out of using your home as a vehicle for them to make cash flow out of your monthly mortgage repayments.

The banks know that when you buy your own home it is going to be an emotional purchase. Whether you are buying your first home together after getting married, having your first child or just wanting to achieve the great Australian dream of owning your own home – the purchase is meaningful and significant and that emotional attachment favours the bank.

The banks know that as long as you can pay the monthly repayments and you have a job then you will be locked into a false sense of security of owning your own home. Remember the Australian cult film The Castle – that is exactly what the banks are counting on. An irrational attachment to a pile of bricks that will ensure you fight to keep it and as such will fight to make the banks more money! It's a brilliant system – for the banks (and the Government).

So surely when the mortgage is paid off your home is an asset? Well, actually, it's still a liability because even if you are mortgage free you will still have council rates, water rates, maybe even strata fees and a sinking fund. The only property that is an asset is one which puts money into your pocket. And that usually means one you don't live in!

The only time your home is an asset is when it's on the banks balance sheet. On your balance sheet your home is a liability, although it's deliberately portrayed to you as an asset because it makes you feel comfortable with a large debt.

Banks lend you money at an interest rate to buy your own home to live in as most Australians aspire to. You are emotionally attached to the property you are buying, and it gives you a sense of security and a feeling that you have made it in society.

For that privilege you pay back the bank a monthly repayment that consists of part principal, part interest and after 25 years you own your own home.

Here are 3 examples of how companies use houses, cars and mobile phones as vehicles to create a monthly passive income for their companies and shareholders.

## Banks Asset Sheet

Purchase price $1,000,000

Interest rate 7% loan term 25 Years

$7,068 per month repayment.

Over a 25-year mortgage the bank makes $1,120,330 in interest + the $1,000,000 purchase price gives you a total purchase price for your property of $2,120,330. As your property is clearly putting a lot of money into the banks pocket it is an asset for the bank.

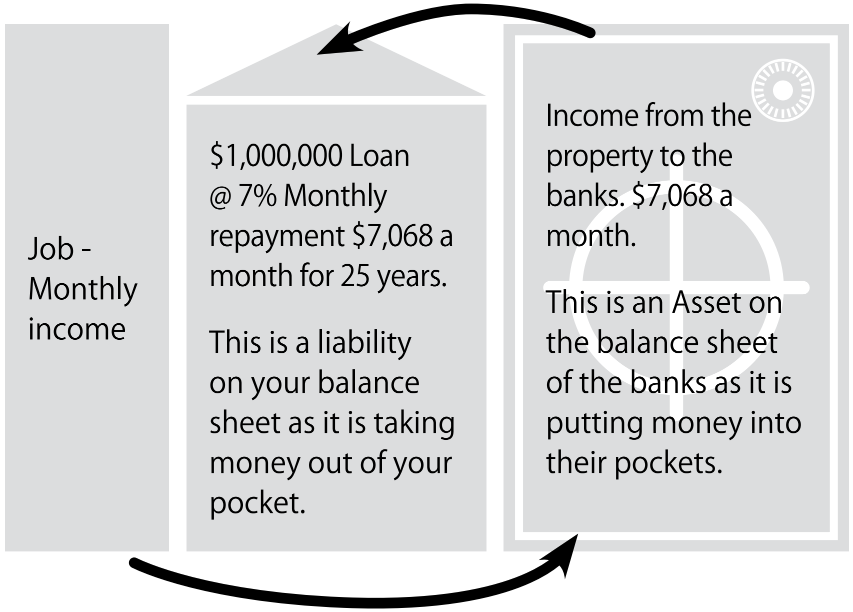
## Your Liability Sheet (not your perceived asset sheet).

You owe the bank $1,000,000

Monthly repayments to the banks $7,068 per month repayment.

Over a 25-year mortgage you lose $1,120,330 in interest to the banks + $1,000,000 Purchase prices gives you a total cost to own your own home over 25 years of $2,120,000. Clearly this is a lot of money to take out of your pocket so your home is a liability.

This example doesn't even include stamp duty, solicitor's fees, council and strata fees, or interest rate rises that all increase the size of your liability.




This sort of business model is so lucrative for the banks it has been copied across a number of sectors.

Another example is the car industry. Many people need a car to get to and from work. We also feel good driving a new car and it is also a status symbol in society. We need our cars – especially in a country the size of Australia. For that privilege, the car company gives you finance on the car and you pay them a monthly repayment. Once again the car is an asset for the car companies and a liability for you. The car company has created a brilliant way to create billions of dollars for the owners of those car companies.

## Car Companies Asset Sheets

Purchase price $35,000

Interest rate 11% loan term 5 years

$761.00 a month repayments

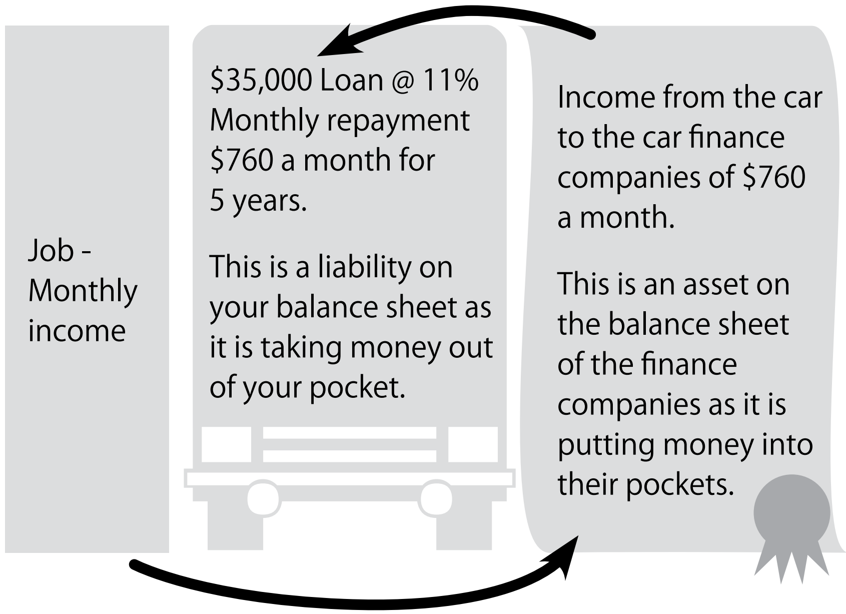
A car company's finance division charges interest over 5 years which equals $10,659 dollars + the $35,000 purchase price giving the car company's finance division a total income generating asset of $45,659.

## Your Liability Sheet (not your perceived asset sheet).

Owe the car company's finance division $35,000

Monthly repayments to the car company's finance division of $761.00 a month.

A car company's finance division charges interest over 5 years which equals $10,659 dollars + the $35,000 purchase price giving the car company's finance division a total income generating asset of $45,659. This car is taking money out of your pocket therefore it is a liability.




The final example is telecommunications companies who have also found a way of making a great deal of money allowing owners to make monthly payments.

Most people couldn't live without their mobile phone or their Blackberry. Those in business see it as an essential asset in their business life and yet it's not an asset it's a liability. It may be helpful and a necessary part of business life but if it's taking money out your pocket, it's a liability.

You are enticed into a new 18-month contract for a flash new phone that does everything but make you a cup of tea in the morning. You can tell yourself it's an asset and it allows you to stay connected all you want but your old phone probably did just as well and at a fraction of the cost to this one...

Worldwide this results in millions of people paying phone companies monthly amounts, and creating billions of dollars for the owners and shareholders of those telecommunications companies.

## Telecommunications Asset Sheet

Price of the mobile phone $576

Monthly plan $149.00 dollars which includes the monthly repayment of the mobile phone of $24.00 a month.

The telecommunications company makes over a 2 year contract period $3,576.00 dollars.

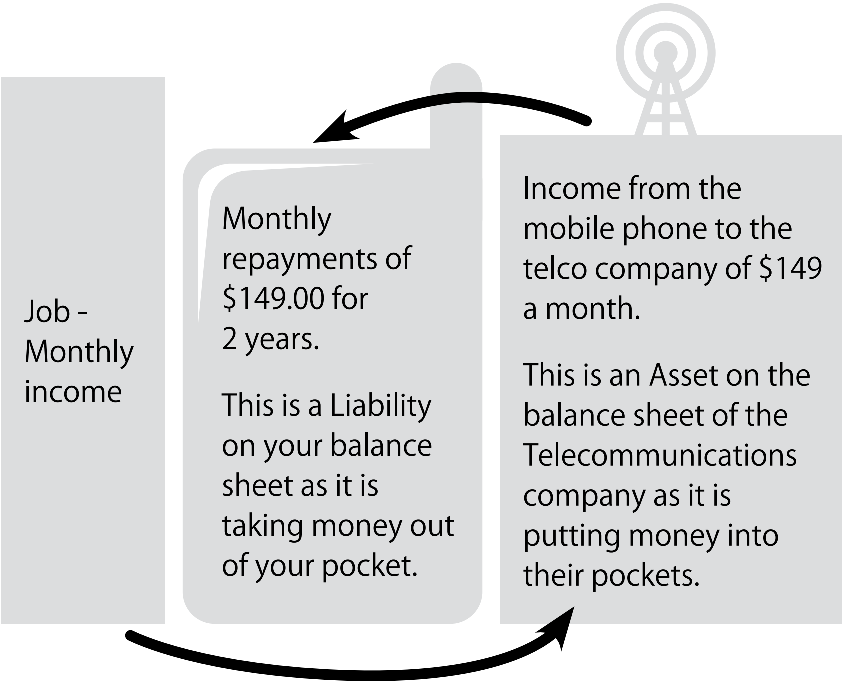
## Your Liability Sheet (not your perceived asset sheet).

Owe the telecommunications company $576.00

Monthly repayments to the telecommunications company $149.00 a month

The mobile phone is taking money out of your pocket therefore it is a liability.

However it is a necessary liability because we all need and use a mobile phone as part of our business to make an income. I wouldn't be without mine.




For way too long banks and businesses have found innovative ways to remove your hard earned cash from your pocket. This book will show you how to leverage the banks money and use property to create a vehicle so YOU can make a positive cash flow property business just like the banks, car industry and telecommunications companies do.

I will show you how to leverage the bank's money so that over time you will get an apartment for FREE. That's right - for FREE. I will also show you how you can then go on and buy more positive cash flow properties creating real wealth from incoming generating assets.

Property can be an asset – that has been conclusively proven by the amount of money banks make out of your property. The key to transforming a property liability into an asset is doing what the banks do – don't live in it!

# Chapter 5

# Chapter Five: What is Capital Growth and what can I do with it?

The definition of capital growth is: A capital gain which is a profit that results from investments into a capital asset, such as *stocks*, *bonds* or *real estate*, which exceeds the purchase price. Conversely, a capital loss arises if the proceeds from the sale of a capital asset are less than the purchase price.

Capital appreciation is when you invest in real estate that achieves capital growth over time, minus your outgoing costs and mortgage repayments.

Professionals in the real estate industry quote continually that property values double every seven to ten years. This is a BIG myth about capital growth – it's simply not true.

Capital growth is not something you can touch, see, or hear. It is just an opinion about the future based on the past. Quoting capital growth figures in our opinion is just a sales and marketing spiel to sell property.

When people invest for projected capital growth they are investing in opinions and as the financial world has discovered – that's risky. Property investment, especially over the last ten years has been built around capital growth. The whole system has been geared toward capital growth and the "fact" that property increases in value year in and year out. It is the idea of capital growth and the misconception that there is only one way for property to move that has been instrumental in the global financial collapse. Property values can go down as well as up and it is this simple fact that lies at the heart of our current challenges.

Many investors who invest in mutual funds or real estate, invest based on opinions that the share market or the real estate market will go up 8 to 10 percent a year on average. If the opinion is wrong they can loose a great deal of money.

A smart investor knows the difference between facts and opinions. In general, someone who invests for capital gains is investing in opinions or fancy computer programs projecting an 8 to 10% increase in value per year. A CASH FLOW investor invests on facts. The even smarter cash flow investor will invest using both facts and a learned opinion, and invest for both cash flow AND potential capital growth. This is why buying correctly in major cities where demand is strong is the best property investment. And before you dismiss this as, “can’t be done” I’Il promise you it can. I only source positive cash flow properties in major cities. You don’t need to buy in the middle of nowhere in order to make this strategy work

According to the myth property prices double every seven to ten years. Doing the math over a 100 year period from 1908 to 2008, and using the purchase price of a property in 1908 which was $1,000 dollars (or pounds back then), if we doubled it every seven years, which would be fourteen times, you will be astonished to see that this myth is not true, and in fact is grossly inaccurate.

| | |
|---|---|
| 1908 | $1,000 |
| 1915 | $2,000 |
| 1922 | $4,000 |
| 1929 | $8,000 |
| 1936 | $16,000 |
| 1943 | $32,000 |
| 1950 | $64,000 |
| 1957 | $128,000 |
| 1964 | $256,000 |
| 1971 | $512,000 |
| 1978 | $1,024,000 |
| 1985 | $2,048,000 |
| 1992 | $4,096,000 |
| 1999 | $8,192,000 |
| 2006 | $16,384,000 |
| 2013 | $32,768,000 |

If the myth in real estate says that property prices double every seven to ten years, my question to you is how many properties, whether it be a free standing house, a studio, 1, 2 or 3 bedroom apartment can you find in Australia that is worth $32,768,000?

At the time of writing this book I live in one of Sydney's most beautiful and affluent suburbs called Neutral Bay, which is next to Kirribilli on Sydney's Harbour. The apartment has incredible harbour views including the Sydney Harbour Bridge, and it's worth about $800,000 - not exactly $32,768,000!

At the time of writing there was a property on the market in Bellevue Hill - one of the most exclusive suburbs in the Eastern Suburbs of Sydney. The property, a 3 bedroom, 1 bathroom apartment in a boutique block of 12 apartments was on the market for $515,000 in 2009. It was originally purchased for $415,000 in August, 2002. Approximately seven years had passed therefore if property did indeed double every seven years this property should be selling for $830,000, and not $515,000.
Clearly it's BS!

Capital appreciation, or capital growth, is by far the most popular reason investors buy property. If you are investing for capital growth, which I call capital hope, to create real wealth, then over time you may be sadly disappointed.

Sure there are boom years like 2000 to early 2003 where the property prices increased in many suburbs in the range of 30% to 60%, and even doubled depending on the popularity of the suburb or the demand of the properties in the suburb. However if you have watched the market between 2003 and 2009, you will see that many properties have remained flat with no growth and many suburbs have even experienced negative growth especially in the luxury home sector.

I am not saying you don't get capital growth – what I *am* saying is that property does not automatically double every 7 to 10 years in every suburb and if you buy on the assumption it does you're going to get burnt!

Even if you get capital growth you can't spend capital growth on your lifestyle expenses like going on holidays, dinners, groceries and living costs. My strategy will show you the cash flow required to pay for your lifestyle expenses and you get to keep your properties rather than having to sell them to access the cash in the property to pay for your lifestyle expenses.

When there is no capital growth due to high supply and low demand you can still achieve capital growth by renovating the property to increase the capital growth of the property. By adding another level to a home and by paying down the property you are creating “Capital” Growth. Capital meaning wealth in the form of money.

There is an old saying that is “Cash is King”. I say “Cash flow is King”.

***"Every choice you make has an end result."***

**Zig Ziglar**

# Chapter 6

# Chapter Six: Negative Gearing is it really a strategy to create real financial freedom!

Far from being the saving grace and the icing on the property cake, negatively geared property is just a strategy to lose money from day one!

Buying negatively geared property is designed to give you access to a tax deduction, which occurs when the expenses relating to the property are more than the rental income you receive from the property. Hence the name negative gearing which is a term intended to make you feel better about the fact that you're losing money every month.

Here is an example of how you would lose money if you were on a tax rate of say 30%. Say your mortgage payments were $1000 a week and you got $900 a week in rent from your tenant. That means you would have to contribute $100 a week out of your pocket to make up the shortfall from the rent to the mortgage payment. Of that $100 you would get a $30 rebate on your tax but it doesn't detract from the fact that you actually lose 70% of the $100 a week in order to get a 30% deduction.

Another way to look at this is if I asked you to pay me $100 a week in return for $30 – how long would you think that was a good idea for? I've used this example with real cash with clients before and it's not long before they work out that negative gearing sucks!

Wouldn't it make more sense to receive $100 a week in positive cash flow and pay tax of $30 to the government and make $70 profit instead?

There are plenty of ways to reduce your tax obligations sensibly and efficiently but negative gearing isn't one of them! And yet this is one of the BIG myths that keep people away from achieving real property wealth.

To make up the shortfall between the rent and the mortgage repayment, you need to fund the difference with your hard earned after tax dollars. I have known people who have had to work longer hours or get a second job to cover the shortfall, as interest rates rose and the cost of holding the property became much higher. That is no way to live.

By owning negatively geared properties your lifestyle is likely to suffer eventually. You have to cut back on going out, the annual holiday isn't quite so nice and it's no longer possible to have dinner with your friends when you catch up each week – now it's a quick coffee. The luxuries and fun of life can sometimes be completely swallowed by negatively geared properties.

Add this myth to the previous one and you have a marketers dream and a buyer's nightmare... "Buy this property now – it's negatively geared for maximum taxation advantages and because your property will increase in value in the next 7 – 10 years you will be wealthy in no time.

Clearly it's BS!

The only way an investor can make money from negative gearing is if the property rises in value over time to offset the cash flow losses.

Negatively geared properties also leave you extremely vulnerable to the external economic market. If the market is flat, interest rates are high or both, then it can be increasingly difficult to meet the shortfall. If you were to lose your job or become ill for a long period of time, it can prove very difficult to keep meeting the monthly repayments. Often people are forced to sell their investment property.

If capital growth is flat for a long period of time people end up selling the property for less or the same as they bought it for and therefore make a substantial loss when you take into account the monthly repayments they have had to repay to the bank, the stamp duty paid when purchasing the property, strata and council fees and selling fees to the real estate agent if the property is sold.

I have seen so many people who buy negatively geared property only to get the matching set with negative equity. Negative equity results when your mortgage is higher than the value of the home.

Negative gearing *can* be a valuable profit making strategy in a rising market, but you need to be able to time it right. Besides, even if you do get it right you have to sell the property in order to realise your profit and that leaves you open to capital gains tax which could take a big fat bite out of your profit.

Negatively geared property is usually one of the first strategies that qualified accountants or financial planners recommend to legally lower your tax. This is true, it will do that, however it is a very risky way to minimize your tax. For every dollar you lose you will only ever recoup a maximum of 48.5c back as a tax saving.

The only sensible way to use negative gearing is when the positive cash flow from the other properties in your portfolio cover the shortfall in the monthly repayments. That way you offset the negatively geared property, benefit from the capital growth, it costs you nothing out of your pocket AND your lifestyle does not change.

*"Making money is common sense. It's not rocket science. But unfortunately, when it comes to money, common sense is uncommon."*

Robert Kiyosaki


# Chapter 7

# Chapter Seven: Renting is dead money. Or is it a path to real financial freedom.

This is the classic idea that has fueled the property owning dream all over the world. The idea is simple if you rent you pay a monthly payment each month but you never own the property. If on the other hand you buy the property you pay monthly repayments to the bank until you pay off the mortgage and own the house over a long period of time approximately 25 or 30 years.

Again this is one of those arguments so popular in property investing that makes so much sense on paper. After all if you are paying $500 a week in rent and you could buy a home where the mortgage payments were $500 a week then you would be better off buying because after 25 years you'd own the property.

The trouble is it rarely works like this. For a start you end up paying back more than double what you borrow for the privilege of owning your own home. Until that fateful day arrives, you are paying rent – only you are renting from the bank at a significantly higher monthly repayment.

The argument follows on that, "well at least it's mine – I'm secure in this home." No you're not – if you miss the repayments that home will be repossessed. In truth, you have more rights as a tenant in rented accommodation than you do as an "owner" of a mortgaged house!

Sure if you rent you don't end up owning that property, but there is no reason whatsoever that you couldn't end up with a profitable property portfolio.

In years gone by, people would save up their deposit and buy their home and sometimes the mortgage payments would actually be lower than the rent they had been paying previously. The decision to buy was therefore a "no-brainer." Unfortunately things have changed and escalating house prices have meant that even if you do save religiously for your deposit it doesn't buy the house you dream of in the suburb of your choice – it buys something smaller much further away.

In the past high income earners have considered renting to be an option for the poor who can't afford anything else. Owning your own home was a status symbol but all that is changing.

What if I said that you didn't have to give up your lifestyle and you didn't have to move to the boondocks to be able to buy your home. What if I told you that you could live in the suburb of your choice indefinitely and still become a property investor?

Well it's true.

There is a significant difference in the hard cash out of your pocket between renting the property from the bank, and renting the same property from the real estate agent. You may not own your dream home in your dream suburb but you can live where you enjoy living with the same experience and use the money you save to build positive cash flow properties instead of just giving it to the banks.

In human psychology various commentators have indicated that there are about six basic human needs. We may all have different values and beliefs but we are innately driven by similar needs. One of those needs is the desire for security and certainty and it is this need that has made buying over renting traditionally more appealing.

We want to feel safe, secure and certain in our lives. An example of this is that people want to feel secure in their jobs and in their relationships, that is why the majority of the population work for a company because the perception is that a company can offer job security - although that perception is always seriously tested in an economic downturn.

When we buy our own home to live in, it is purchased to meet this desire for security. Owning your own home is an emotional decision for most people.

But much like the illusion that having a job makes your income safe, owning your own home also comes with a false sense of security. In truth you are more secure renting than you are owning your own home.

In Sydney for example there are over 100 suburbs whose median house price is $1,000,000 or more. Say you decide you are going to buy a home in one of those suburbs. You've worked hard and you've saved $200,000 for the deposit and you make a good living so you've been told you can borrow another $1 million from the bank. You currently live in a modern apartment on the world famous Bondi beach. Each morning you wake up to a breath taking 180-degree panorama of the beach and you can be running in the sand in minutes. You have decided that you'd really like something similar but when you investigate further you realise that to buy the sort of home you currently live in would cost you three or four times what you want to spend.

Your alternatives are to move farther from your ideal suburb or scale down your dream home. Neither is particularly appealing.

You may say, “yeah sure but there are no guarantees in renting. I can always be moved on if the owner wants their property back.”

And that is true but it’s not always true. We assume that renting offers no protection but it doesn’t have to be that way. Investors love long leases as there is a constant stream of rental income, which helps their cash flow projections and allows them to build more assets because they can rely on that money. This will provide you with the certainty and security you require. If you need to leave the rental property for any reason it is much easier to do and does not cost anywhere near what it would cost if you had to sell the property. You can break a lease, put an advert in the paper or pay for the leasing agent to put the property up for lease, and you move on without paying the very expensive costs associated to selling the property.

If you own the $1,200,000 home and are making your monthly repayments to the bank you could suddenly lose your job or become ill for a long period of time. Your business may suffer from a downturn in the economy, or it may simply be that the lender calls in the loan, which many people are unaware can happen at any time. In the UK for example there are now cases of families having their loan called in even when they have never missed a single loan repayment. These are cases of people who have consolidated a credit card debt onto their home or drawn down equity in their home and the loan is now greater than the value of the property. The banks are so nervous they are pulling in their money, which is within their rights to do so. Most people don't realise this is possible!

The cold hard truth of the situation is that if anything happens to you and you cannot make these repayments to the banks, you WILL lose your home and the banks will sell your property. If this happens your security is gone.

If you are renting this $1,200,000 property and you lose your job or become ill for a long period of time, if you own a business and it goes bust, or there is a downturn in the global economy, BUT you own positive cash flow properties, the monthly income from the properties pays your monthly rent, which gives you REAL SECURITY, because your lifestyle does not change at all. The banks don't take your properties and you continue renting the $1,200,000 property. You may even be able to negotiate a discount to extend your lease still further! Our strategy will help bullet proof you from these stressful situations impacting upon your family and social life. Now that's genuine security and certainty.

And it gets better... Going back to this $1,200,000 property you wanted to buy for all that security you'd get. Say you borrowed $1,000,000 and you were paying 7.5% interest (which is about a good average to take over time) then your mortgage payments would be $7,390 per month. You'd have to find $7,390 each month to pay back to the bank if you wanted to stay in your apartment. Yet to rent a high end property close to the beach in the more exclusive suburbs of most cities around the world will cost you approximately $850 per week, or $3,683 per month.

In other words if you were to rent the property of your dreams instead of owning the property of your dreams you would save $3,707 after tax dollars a month. That's a significant investment opportunity that could then be used to pay off a loan on a positive cash flow property creating wealth and long-term security without having to sacrifice your lifestyle.

That works out at $44,484 after tax dollars every year and at those rates it wouldn't be long before you were mortgage free. If you buy a home to live in you are taking on a money sucking liability. In effect you are paying a sky-high rent to the bank for the privilege of living in a less desirable suburb away from all your friends! Does that make sense?

Instead, let the money that you save renting your dream home instead of buying the dream home go toward buying genuine assets that will create even more wealth and security for you.

The mortgage payments when you are buying that luxury home are just part of the killer. The stamp duty alone for a purchase of your $1.2 million home would be approximately $52,000! That's a deposit on an asset for your positive cash flow property portfolio. In addition you don't have to pay selling commissions and purchasing costs every time you decide to move, and as we have already seen, statistics say people buy and sell every 5 to 7 years for different reasons. Don't bother – just rent where you want and use all the savings you make from not *buying* the dream home to buy property that will give you real wealth, real cash flow and a lot more choice.

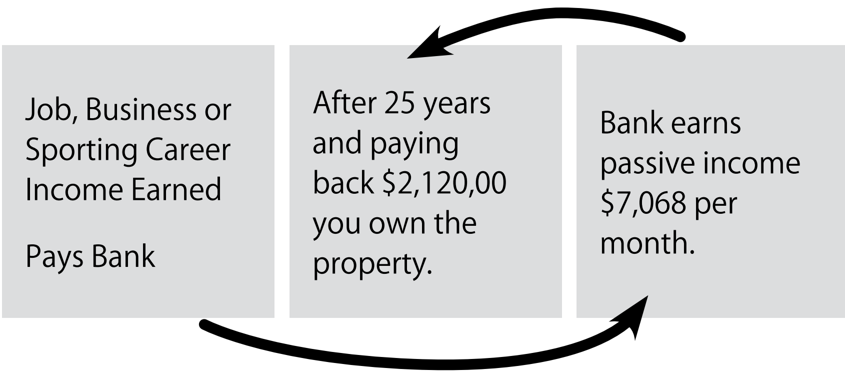
Therefore, renting is not dead money at all! It allows you to live in a more desirable suburb because it gives you far more choices in terms of where you can live, rather than being limited by what the banks will lend you. You can have the best of both worlds, live where you choose to live, not limited by where the banks say you can live according to their lending limits, AND you can have money left over to pay down your positive cash flow portfolio. This strategy will create real wealth for you and stop you throwing money at the banks. Obviously the higher the purchase price of a property, the more money you will save between mortgage costs and renting.

Most people I speak with are totally unaware of how much money they actually waste when repaying loans to the bank. It is interesting to see how much interest you pay back to the banks over a 25 year loan, and how very little principle is paid off in the front half of the term. Using the example of the purchase price of $1,200,000 from above and borrowing $1,000,000 dollars over 25 years, let's see how much money you would be wasting to own that home. This example does not include stamp duty, solicitor's fees and outgoings like water and council rates etc.

| | |
|---|---|
| Loan amount | $1,000,000 |
| Monthly Repayments over a 25 year term @ at 7.5% principle and interest loan. | $7,390 per month |
| Total Interest paid over the 25 year loan | $1,216,971 |
| Total paid back to the banks for the purchase of your home of $1,200,000 | $2,216,971 |

That's right – that $1,200,000 home you were so keen to own actually cost you $2,216,971. And that is without taking into account buying and selling fees, legal fees, stamp duty, water rates, council rates, insurance, on-going maintenance, strata fees and all the other sundry expenses of owning a home. And remember all those costs and sundry expenses are tax deductible if you don't live in the property yourself so there is not the same out of pocket expense associated with buying positive cash flow properties as there is if you are buying a property to live in.

Why would anyone want to pay back $1,216,971 to the bank when you could use that money to create real wealth? $1,216,971 + your $200,000 deposit will give you 3 or 4 properties in high demand suburbs potentially going up in value instead of just one. Not to mention owning liquid assets of $1.2 Million plus worth of property. That must be better than paying well over $1 Million dollars in interest back to the banks.



Check out the long list of figures below to see how much money the banks are making in interest charges, which equates to a clear profit per month. It will also demonstrate to you how much money a month we waste on interest and how much money is actually paid off the principle per month. I will show you how you can become a bank and receive a passive monthly income just like the banks do.

| **$1,000,000 loan at 7.50% interest for 25 years @ $7,390 per month** | | | |
|---|---|---|---|
| **#** | **Balance** | **Interest** | **Principle/ Capital** |
| 1 | $998,860 | $6,250 | $1,140 |
| 2 | $997,713 | $6,243 | $1,147 |
| 3 | $996,559 | $6,236 | $1,154 |
| 4 | $995,398 | $6,228 | $1,161 |
| 5 | $994,229 | $6,221 | $1,169 |
| 6 | $993,053 | $6,214 | $1,176 |
| 7 | $991,870 | $6,207 | $1,183 |
| 8 | $990,679 | $6,199 | $1,191 |
| 9 | $989,481 | $6,192 | $1,198 |
| 10 | $988,275 | $6,184 | $1,206 |
| 11 | $987,062 | $6,177 | $1,213 |
| 12 | $985,841 | $6,169 | $1,221 |
| 13 | $984,613 | $6,162 | $1,228 |
| 14 | $983,377 | $6,154 | $1,236 |
| 15 | $982,133 | $6,146 | $1,244 |

| | | | |
|---|---|---|---|
| 16 | $980,881 | $6,138 | $1,252 |
| 17 | $979,622 | $6,131 | $1,259 |
| 18 | $978,355 | $6,123 | $1,267 |
| 19 | $977,079 | $6,115 | $1,275 |
| 20 | $975,796 | $6,107 | $1,283 |
| 21 | $974,505 | $6,099 | $1,291 |
| 22 | $973,206 | $6,091 | $1,299 |
| 23 | $971,898 | $6,083 | $1,307 |
| 24 | $970,583 | $6,074 | $1,316 |
| 25 | $969,259 | $6,066 | $1,324 |
| 26 | $967,927 | $6,058 | $1,332 |
| 27 | $966,587 | $6,050 | $1,340 |
| 28 | $965,238 | $6,041 | $1,349 |
| 29 | $963,881 | $6,033 | $1,357 |
| 30 | $962,515 | $6,024 | $1,366 |
| 31 | $961,141 | $6,016 | $1,374 |
| 32 | $959,758 | $6,007 | $1,383 |
| 33 | $958,367 | $5,998 | $1,391 |
| 34 | $956,967 | $5,990 | $1,400 |
| 35 | $955,558 | $5,981 | $1,409 |
| 36 | $954,140 | $5,972 | $1,418 |
| 37 | $952,714 | $5,963 | $1,427 |
| 38 | $951,278 | $5,954 | $1,435 |
| 39 | $949,834 | $5,945 | $1,444 |

| | | | |
|---|---|---|---|
| 40 | $948,380 | $5,936 | $1,453 |
| 41 | $946,918 | $5,927 | $1,463 |
| 42 | $945,446 | $5,918 | $1,472 |
| 43 | $943,965 | $5,909 | $1,481 |
| 44 | $942,475 | $5,900 | $1,490 |
| 45 | $940,976 | $5,890 | $1,499 |
| 46 | $939,467 | $5,881 | $1,509 |
| 47 | $937,949 | $5,872 | $1,518 |
| 48 | $936,421 | $5,862 | $1,528 |
| 49 | $934,884 | $5,853 | $1,537 |
| 50 | $933,337 | $5,843 | $1,547 |
| 51 | $931,780 | $5,833 | $1,557 |
| 52 | $930,214 | $5,824 | $1,566 |
| 53 | $928,638 | $5,814 | $1,576 |
| 54 | $927,052 | $5,804 | $1,586 |
| 55 | $925,456 | $5,794 | $1,596 |
| 56 | $923,850 | $5,784 | $1,606 |
| 57 | $922,234 | $5,774 | $1,616 |
| 58 | $920,608 | $5,764 | $1,626 |
| 59 | $918,972 | $5,754 | $1,636 |
| 60 | $917,326 | $5,744 | $1,646 |
| 61 | $915,669 | $5,733 | $1,657 |
| 62 | $914,002 | $5,723 | $1,667 |
| 63 | $912,325 | $5,713 | $1,677 |

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|---|---|---|---|
| 64 | $910,637 | $5,702 | $1,688 |
| 65 | $908,939 | $5,691 | $1,698 |
| 66 | $907,230 | $5,681 | $1,709 |
| 67 | $905,510 | $5,670 | $1,720 |
| 68 | $903,780 | $5,659 | $1,730 |
| 69 | $902,038 | $5,649 | $1,741 |
| 70 | $900,286 | $5,638 | $1,752 |
| 71 | $898,523 | $5,627 | $1,763 |
| 72 | $896,749 | $5,616 | $1,774 |
| 73 | $894,964 | $5,605 | $1,785 |
| 74 | $893,167 | $5,594 | $1,796 |
| 75 | $891,360 | $5,582 | $1,808 |
| 76 | $889,541 | $5,571 | $1,819 |
| 77 | $887,711 | $5,560 | $1,830 |
| 78 | $885,869 | $5,548 | $1,842 |
| 79 | $884,016 | $5,537 | $1,853 |
| 80 | $882,151 | $5,525 | $1,865 |
| 81 | $880,274 | $5,513 | $1,876 |
| 82 | $878,386 | $5,502 | $1,888 |
| 83 | $876,486 | $5,490 | $1,900 |
| 84 | $874,574 | $5,478 | $1,912 |
| 85 | $872,650 | $5,466 | $1,924 |
| 86 | $870,715 | $5,454 | $1,936 |
| 87 | $868,767 | $5,442 | $1,948 |

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|---|---|---|---|
| 88 | $866,807 | $5,430 | $1,960 |
| 89 | $864,834 | $5,418 | $1,972 |
| 90 | $862,850 | $5,405 | $1,985 |
| 91 | $860,852 | $5,393 | $1,997 |
| 92 | $858,843 | $5,380 | $2,010 |
| 93 | $856,821 | $5,368 | $2,022 |
| 94 | $854,786 | $5,355 | $2,035 |
| 95 | $852,739 | $5,342 | $2,047 |
| 96 | $850,678 | $5,330 | $2,060 |
| 97 | $848,605 | $5,317 | $2,073 |
| 98 | $846,519 | $5,304 | $2,086 |
| 99 | $844,420 | $5,291 | $2,099 |
| 100 | $842,308 | $5,278 | $2,112 |
| 101 | $840,182 | $5,264 | $2,125 |
| 102 | $838,043 | $5,251 | $2,139 |
| 103 | $835,891 | $5,238 | $2,152 |
| 104 | $833,726 | $5,224 | $2,166 |
| 105 | $831,546 | $5,211 | $2,179 |
| 106 | $829,354 | $5,197 | $2,193 |
| 107 | $827,147 | $5,183 | $2,206 |
| 108 | $824,927 | $5,170 | $2,220 |
| 109 | $822,693 | $5,156 | $2,234 |
| 110 | $820,445 | $5,142 | $2,248 |
| 111 | $818,183 | $5,128 | $2,262 |

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|---|---|---|---|
| 112 | $815,906 | $5,114 | $2,276 |
| 113 | $813,616 | $5,099 | $2,290 |
| 114 | $811,311 | $5,085 | $2,305 |
| 115 | $808,992 | $5,071 | $2,319 |
| 116 | $806,658 | $5,056 | $2,334 |
| 117 | $804,310 | $5,042 | $2,348 |
| 118 | $801,947 | $5,027 | $2,363 |
| 119 | $799,569 | $5,012 | $2,378 |
| 120 | $797,177 | $4,997 | $2,393 |
| 121 | $794,769 | $4,982 | $2,408 |
| 122 | $792,346 | $4,967 | $2,423 |
| 123 | $789,909 | $4,952 | $2,438 |
| 124 | $787,456 | $4,937 | $2,453 |
| 125 | $784,987 | $4,922 | $2,468 |
| 126 | $782,504 | $4,906 | $2,484 |
| 127 | $780,004 | $4,891 | $2,499 |
| 128 | $777,490 | $4,875 | $2,515 |
| 129 | $774,959 | $4,859 | $2,531 |
| 130 | $772,412 | $4,843 | $2,546 |
| 131 | $769,850 | $4,828 | $2,562 |
| 132 | $767,272 | $4,812 | $2,578 |
| 133 | $764,677 | $4,795 | $2,594 |
| 134 | $762,067 | $4,779 | $2,611 |
| 135 | $759,440 | $4,763 | $2,627 |

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|---|---|---|---|
| 136 | $756,796 | $4,746 | $2,643 |
| 137 | $754,136 | $4,730 | $2,660 |
| 138 | $751,460 | $4,713 | $2,677 |
| 139 | $748,767 | $4,697 | $2,693 |
| 140 | $746,056 | $4,680 | $2,710 |
| 141 | $743,329 | $4,663 | $2,727 |
| 142 | $740,585 | $4,646 | $2,744 |
| 143 | $737,824 | $4,629 | $2,761 |
| 144 | $735,046 | $4,611 | $2,779 |
| 145 | $732,250 | $4,594 | $2,796 |
| 146 | $729,436 | $4,577 | $2,813 |
| 147 | $726,606 | $4,559 | $2,831 |
| 148 | $723,757 | $4,541 | $2,849 |
| 149 | $720,890 | $4,523 | $2,866 |
| 150 | $718,006 | $4,506 | $2,884 |
| 151 | $715,104 | $4,488 | $2,902 |
| 152 | $712,183 | $4,469 | $2,921 |
| 153 | $709,244 | $4,451 | $2,939 |
| 154 | $706,287 | $4,433 | $2,957 |
| 155 | $703,312 | $4,414 | $2,976 |
| 156 | $700,318 | $4,396 | $2,994 |
| 157 | $697,305 | $4,377 | $3,013 |
| 158 | $694,273 | $4,358 | $3,032 |
| 159 | $691,222 | $4,339 | $3,051 |

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|---|---|---|---|
| 160 | $688,152 | $4,320 | $3,070 |
| 161 | $685,064 | $4,301 | $3,089 |
| 162 | $681,955 | $4,282 | $3,108 |
| 163 | $678,828 | $4,262 | $3,128 |
| 164 | $675,680 | $4,243 | $3,147 |
| 165 | $672,513 | $4,223 | $3,167 |
| 166 | $669,327 | $4,203 | $3,187 |
| 167 | $666,120 | $4,183 | $3,207 |
| 168 | $662,894 | $4,163 | $3,227 |
| 169 | $659,647 | $4,143 | $3,247 |
| 170 | $656,380 | $4,123 | $3,267 |
| 171 | $653,092 | $4,102 | $3,288 |
| 172 | $649,784 | $4,082 | $3,308 |
| 173 | $646,455 | $4,061 | $3,329 |
| 174 | $643,106 | $4,040 | $3,350 |
| 175 | $639,735 | $4,019 | $3,370 |
| 176 | $636,344 | $3,998 | $3,392 |
| 177 | $632,931 | $3,977 | $3,413 |
| 178 | $629,497 | $3,956 | $3,434 |
| 179 | $626,041 | $3,934 | $3,456 |
| 180 | $622,564 | $3,913 | $3,477 |
| 181 | $619,065 | $3,891 | $3,499 |
| 182 | $615,544 | $3,869 | $3,521 |
| 183 | $612,002 | $3,847 | $3,543 |

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|---|---|---|---|
| 184 | $608,437 | $3,825 | $3,565 |
| 185 | $604,850 | $3,803 | $3,587 |
| 186 | $601,240 | $3,780 | $3,610 |
| 187 | $597,608 | $3,758 | $3,632 |
| 188 | $593,953 | $3,735 | $3,655 |
| 189 | $590,275 | $3,712 | $3,678 |
| 190 | $586,575 | $3,689 | $3,701 |
| 191 | $582,851 | $3,666 | $3,724 |
| 192 | $579,104 | $3,643 | $3,747 |
| 193 | $575,333 | $3,619 | $3,771 |
| 194 | $571,539 | $3,596 | $3,794 |
| 195 | $567,722 | $3,572 | $3,818 |
| 196 | $563,880 | $3,548 | $3,842 |
| 197 | $560,014 | $3,524 | $3,866 |
| 198 | $556,124 | $3,500 | $3,890 |
| 199 | $552,210 | $3,476 | $3,914 |
| 200 | $548,272 | $3,451 | $3,939 |
| 201 | $544,309 | $3,427 | $3,963 |
| 202 | $540,321 | $3,402 | $3,988 |
| 203 | $536,308 | $3,377 | $4,013 |
| 204 | $532,270 | $3,352 | $4,038 |
| 205 | $528,206 | $3,327 | $4,063 |
| 206 | $524,118 | $3,301 | $4,089 |
| 207 | $520,004 | $3,276 | $4,114 |

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|---|---|---|---|
| 208 | $515,864 | $3,250 | $4,140 |
| 209 | $511,698 | $3,224 | $4,166 |
| 210 | $507,506 | $3,198 | $4,192 |
| 211 | $503,288 | $3,172 | $4,218 |
| 212 | $499,044 | $3,146 | $4,244 |
| 213 | $494,773 | $3,119 | $4,271 |
| 214 | $490,476 | $3,092 | $4,298 |
| 215 | $486,151 | $3,065 | $4,324 |
| 216 | $481,800 | $3,038 | $4,351 |
| 217 | $477,421 | $3,011 | $4,379 |
| 218 | $473,015 | $2,984 | $4,406 |
| 219 | $468,581 | $2,956 | $4,434 |
| 220 | $464,120 | $2,929 | $4,461 |
| 221 | $459,631 | $2,901 | $4,489 |
| 222 | $455,114 | $2,873 | $4,517 |
| 223 | $450,568 | $2,844 | $4,545 |
| 224 | $445,994 | $2,816 | $4,574 |
| 225 | $441,392 | $2,787 | $4,602 |
| 226 | $436,761 | $2,759 | $4,631 |
| 227 | $432,101 | $2,730 | $4,660 |
| 228 | $427,411 | $2,701 | $4,689 |
| 229 | $422,693 | $2,671 | $4,719 |
| 230 | $417,945 | $2,642 | $4,748 |
| 231 | $413,167 | $2,612 | $4,778 |

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|---|---|---|---|
| 232 | $408,359 | $2,582 | $4,808 |
| 233 | $403,522 | $2,552 | $4,838 |
| 234 | $398,654 | $2,522 | $4,868 |
| 235 | $393,756 | $2,492 | $4,898 |
| 236 | $388,827 | $2,461 | $4,929 |
| 237 | $383,867 | $2,430 | $4,960 |
| 238 | $378,876 | $2,399 | $4,991 |
| 239 | $373,854 | $2,368 | $5,022 |
| 240 | $368,801 | $2,337 | $5,053 |
| 241 | $363,716 | $2,305 | $5,085 |
| 242 | $358,599 | $2,273 | $5,117 |
| 243 | $353,451 | $2,241 | $5,149 |
| 244 | $348,270 | $2,209 | $5,181 |
| 245 | $343,056 | $2,177 | $5,213 |
| 246 | $337,811 | $2,144 | $5,246 |
| 247 | $332,532 | $2,111 | $5,279 |
| 248 | $327,221 | $2,078 | $5,312 |
| 249 | $321,876 | $2,045 | $5,345 |
| 250 | $316,498 | $2,012 | $5,378 |
| 251 | $311,086 | $1,978 | $5,412 |
| 252 | $305,640 | $1,944 | $5,446 |
| 253 | $300,160 | $1,910 | $5,480 |
| 254 | $294,647 | $1,876 | $5,514 |
| 255 | $289,098 | $1,842 | $5,548 |

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|---|---|---|---|
| 256 | $283,515 | $1,807 | $5,583 |
| 257 | $277,897 | $1,772 | $5,618 |
| 258 | $272,244 | $1,737 | $5,653 |
| 259 | $266,556 | $1,702 | $5,688 |
| 260 | $260,832 | $1,666 | $5,724 |
| 261 | $255,072 | $1,630 | $5,760 |
| 262 | $249,277 | $1,594 | $5,796 |
| 263 | $243,445 | $1,558 | $5,832 |
| 264 | $237,576 | $1,522 | $5,868 |
| 265 | $231,671 | $1,485 | $5,905 |
| 266 | $225,729 | $1,448 | $5,942 |
| 267 | $219,750 | $1,411 | $5,979 |
| 268 | $213,734 | $1,373 | $6,016 |
| 269 | $207,680 | $1,336 | $6,054 |
| 270 | $201,588 | $1,298 | $6,092 |
| 271 | $195,458 | $1,260 | $6,130 |
| 272 | $189,289 | $1,222 | $6,168 |
| 273 | $183,083 | $1,183 | $6,207 |
| 274 | $176,837 | $1,144 | $6,246 |
| 275 | $170,552 | $1,105 | $6,285 |
| 276 | $164,228 | $1,066 | $6,324 |
| 277 | $157,865 | $1,026 | $6,363 |
| 278 | $151,462 | $987 | $6,403 |
| 279 | $145,018 | $947 | $6,443 |

| | | | |
|---|---|---|---|
| 280 | $138,535 | $906 | $6,484 |
| 281 | $132,011 | $866 | $6,524 |
| 282 | $125,446 | $825 | $6,565 |
| 283 | $118,840 | $784 | $6,606 |
| 284 | $112,193 | $743 | $6,647 |
| 285 | $105,504 | $701 | $6,689 |
| 286 | $98,774 | $659 | $6,731 |
| 287 | $92,001 | $617 | $6,773 |
| 288 | $85,186 | $575 | $6,815 |
| 289 | $78,329 | $532 | $6,857 |
| 290 | $71,428 | $490 | $6,900 |
| 291 | $64,485 | $446 | $6,943 |
| 292 | $57,498 | $403 | $6,987 |
| 293 | $50,467 | $359 | $7,031 |
| 294 | $43,393 | $315 | $7,074 |
| 295 | $36,274 | $271 | $7,119 |
| 296 | $29,111 | $227 | $7,163 |
| 297 | $21,903 | $182 | $7,208 |
| 298 | $14,650 | $137 | $7,253 |
| 299 | $7,352 | $92 | $7,298 |
| 300 | $0 | $46 | $7,352 |
| Because of rounding, the very last payment is $7,398 | | | |

You will notice from this scary list of figures that the principle/capital and interest are not paid off proportionately. Almost everything you pay back in the first decade of the loan is interest. The banks are not stupid they are in business to make money and the interest you pay them helps them make significant profits that we continue to hear about even in these turbulent times.

This book will show you how to leverage the bank's money and buy more properties, with each one generating rental income or cash flow, which can ultimately help you pay off the mortgages early saving you thousands in interest payments.

And you don't need an unmanageable portfolio – 5 properties bought and managed in this way can give you financial freedom in around 10 years, depending on your situation.

Here is a great example of renting versus owning. Take the family who rent a $6 million dollar home in the eastern suburbs, paying $10,833 a month in rent to the real estate agent. Compare that to if they owned it and had paid a 20% deposit, then the loan repayments to the bank at a 7.5% interest rate would be $35,472 a month. I know who the winner is here. The renter is as they get to enjoy the home where the owner is only getting a 2.2% return on his investment.

Therefore on the banks asset sheet, when you rent the property from a real estate agent it is DEAD MONEY... for the bank. When you RENT from a real estate agent there is no profit for the bank. The trouble is we have bought this myth hook line and sinker and we've limited our options as a result. Renting gives you some really exciting opportunities to live where you want to live. You can enjoy a better lifestyle in your ideal suburb whilst at the same time using the money you save by NOT buying that home, to build a positive cash flow property portfolio that can build you real wealth and financial security. You become the bank and over time you earn passive income from your positive cash flow properties.

***"Success is simple. Do what's right, the right way, at the right time."***

Arnold H. Glasow

# Chapter 8

# Chapter Eight: Diversification is NOT the best investment strategy.

They say, 'Don't put all your eggs in one basket' meaning, you should diversify your investment strategy across a range of investments so that if one of them falls you are not wiped out.

Again it sounds sensible on the surface but diversification is only relevant if you don't know what you are doing or don't have the time to find out. And that's not us telling you – it's one of the richest men on the planet.

Warren Buffet, billionaire investor, and philanthropist says, "Diversification is a protection against ignorance. Diversification is not required if a person knows what they are doing."

There are several types of diversification. The first is sensible. If for example you are a professional sports star then you already know that you can't play elite sport forever. You know that somewhere along the line the gravy train will pull into the station and you'll have to get on a different career train. Some are lucky and they can go on to coaching or commentating but all too many disappear from the limelight and end up broke.

Have you ever been flicking through the TV stations on a Sunday afternoon and seen a band from your youth or a TV show and wondered what happened to those people. The sad fact is that too many of us ride the wave of success in our youth but never plan for the time when the wave will break to shore.

This happens all the time and not just for sports stars or celebrities. I have a friend who met a retired salesman recently. In his prime he was making a seven-figure income, enjoying a champagne lifestyle with all the trappings of wealth. He had a Bentley and a Rolls Royce; he travelled first class around the world and was number one in his industry for decades. Now he's flat broke. And yet, if he had only had the foresight to diversify some of the income he was making in the prime of his life he now wouldn't be trying to make network marketing work at 78!

If you are clever and direct some of your money now into assets that will support you later, then that's clever diversification. And that's what this book is all about.

In fact, if you read through the BRW Rich List you will find that the majority of the truly wealthy have all made their money in real estate. If you find a different strategy that works then stick to it and make it work for you over the long term.

You can't be an expert in all things – it's not possible. If you want to dabble in the stock market then wait until you have created a solid foundation of wealth through real estate before you start playing Russian roulette with your cash. And even then only invest what you are prepared to lose.

There are people that make huge sums of money from the stock market but its volatility makes it very hard to predict and you can exert no control over the investments. The smart stock market investors (rich ones) always have insurance on the shares so they minimize their losses. Their investments are always protected through insuring their share portfolio – usually through the use of options contracts.

When people diversify their share portfolio, they are only diversifying in paper assets. They might have a portfolio diversified across cash, managed funds and a range of direct shares, but their whole portfolio is still subject to the whims of the stock market. Managed funds are already a diversified investment in paper assets, comprising a portfolio of shares in good and bad stocks.

As it turns out, that diversification wasn't much help when the market crashed in 2008. Diversification did not protect paper asset values.

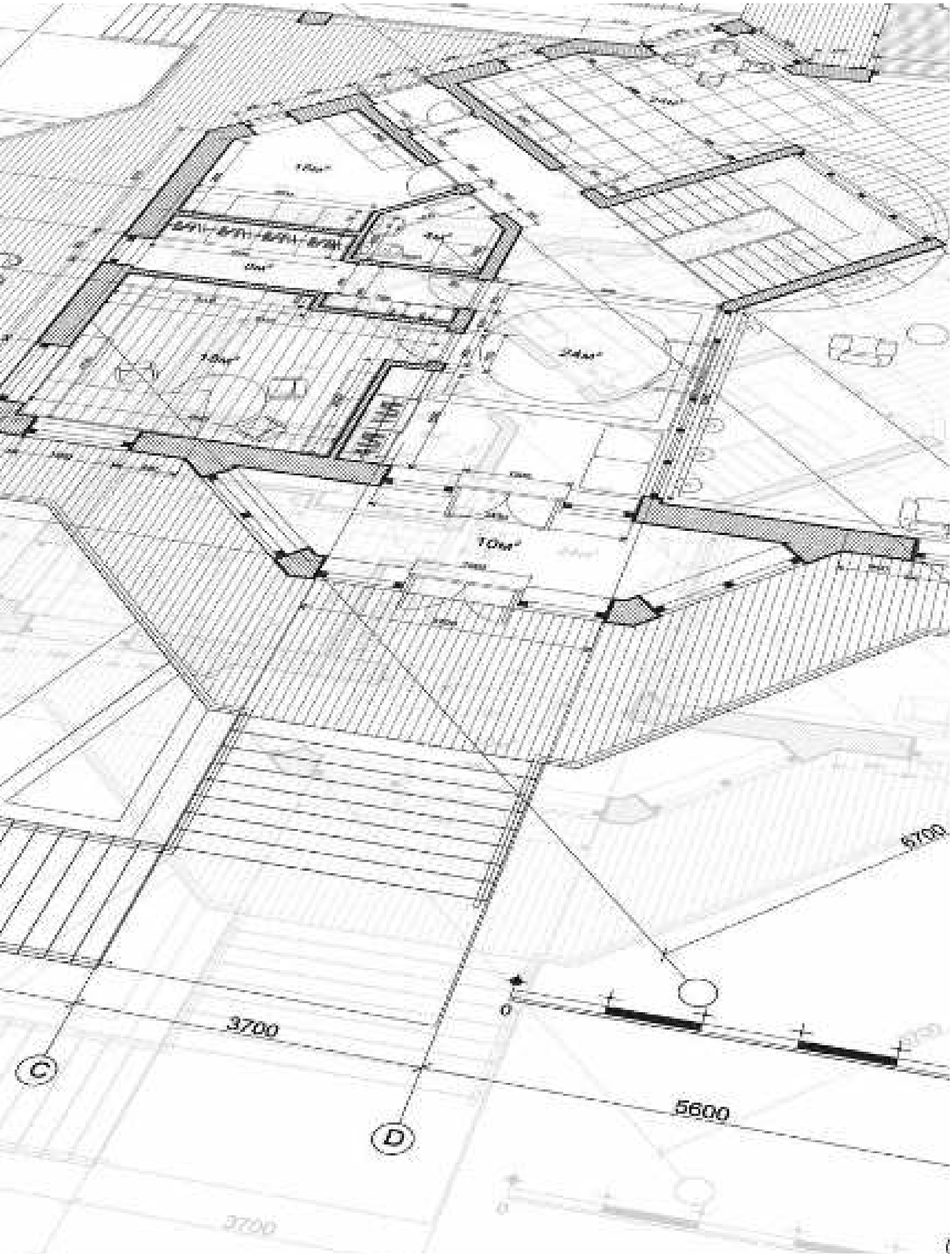
Professional investors do not diversify. They create a sausage machine that does the same thing day in day out – making money.

Build a foundation of positive cash flow property like the rich do, and only THEN if you feel the urge and want to diversify with other investments, do so.

Here's the difference - by using the money you are getting weekly from your positive cash flow you are not risking your foundation of income-generating assets.

If you lost money from investing in shares, for example, the money would have come from passive income, and you will never go broke and lose everything. If you decided to stop it next week, you would continue to receive your passive cash flow. If your new investments make money then you have the best of both worlds. You have maximised the use of leverage by creating a solid financial base.

Part Two: Investment Strategies that work - but do not guarantee Real Financial Freedom




# Chapter 9

# Chapter Nine: Buying off the Plan

Buying off the plan does exactly what it says on the packet and it became very fashionable in the boom of the 1990s. In order to secure funding from a bank to build the property, the developer had to pre-sell at least 50% of the development. That means that not a shovel of dirt was turned until those sales were made because without the funding the development couldn't start. There was therefore a huge incentive for the developer to sell those properties as soon as possible. In order to achieve the pre sales, the developer would create a display apartment with the inclusions and finishes that would fit out the apartment so buyers could get a feel for what they were buying to live in or as an investment property.

## Advantages

- Time to Raise the Deposit
- Capital Growth
- Choice

### Time to Raise the Deposit

One of the main advantages of buying off the plan is that it gives the buyer time to raise the deposit and secure the funding. By using a deposit bond or a bank guarantee you can secure the property for a fraction of the deposit as long as you can prove you have the deposit in other assets or in cash but you don't have to give the deposit to purchase the property, whilst having time, usually about 18 months to two years, to raise the rest of the deposit and all the ancillary costs and to obtain finance for the loan if required.

**Capital Growth**
Over the 18 month to two year build of the apartment if the market was in a growth cycle your property may well be worth more than you paid for it when you signed the contract. This is always great as your property will be worth more than you paid for it so you have made a profit on paper and your valuation will come in on purchase price or higher depending on the banks valuer at the time. If the market has remained stable then your property should be valued at purchase price and the transition goes through with the bank. One thing you have to be careful with is if the market has negative capital growth and your property is valued by the bank valuer on completion, your property maybe worth less that you paid for it when you signed the contract 18 months to two years ago. If this happens then you have to increase your deposit to make up the shortfall that the banks will lend to you.

**Choice**
The final advantage of buying off the plan was that you can choose your finishes and the floor layout and where in the building it will be situated and if you have a view or not. Usually the display apartment would be finished in a certain style and there were alternative colour schemes or finishes available which you can choose from. There would of course also be a variety of sizes and layouts available and you could choose your position within a development. You get to own a brand new apartment either to live in or if it is an investment property you can claim depreciation as a tax deduction.

## Disadvantages

- Have to wait till you own the property
- Delays or developer goes broke
- Developer Finance
- Reputable Builder

### Have to wait till you own the property

Once you sign the contract and pay your deposit you then have to wait until the property has been built which may take typically 18 months to two years or longer before you can move into your new home or until your investment property is ready to rent out.

### Delays or developer goes broke

When you sign a contract to buy an apartment off the plan the contract will have whats called a sunset clause in it which will give the developer a much longer time period for the developer to complete the build of the apartments. So you just have to wait longer to move in or rent your apartment. Essentially a Sunset Clause provides a maximum time limit for the project to be completed by. If the project does not complete by this time frame (or known as the sunset date) then the contract is void and the buyer's deposit will be refunded to them in full and they are free to walk away from the contract. If the developer goes broke you are likely to loose your deposit. From my experience this rarely happens. Make sure you buy from a developer who has been building for decades.

### Developer Finance

Many developers use bank finance to fund their development. Generally they will need 50% of pre sales before they start construction. So if you buy an apartment early you may have to wait extra time until 50% of the apartments are sold before construction takes place. The larger developers who have been building for decades can fund their own projects so construction can take place straight away.

### Reputable Builder

You must do your homework and look at other apartment blocks that the developer has built and completed so you can see if the builder or developer/builder is reputable and he has built the apartments with modern fixtures and fittings before you purchase your apartment. Do your homework on the developer/builder.

## Real Buying off the Plan Example

From my experience I purchased a property in Fortitude Valley for $390,000 in Brisbane in 2001. The property was a 3 bedroom apartment with a balcony and lock up garage. I did not do my homework on the developer and it was finished like a warehouse finish with a concrete rustic roof. I did not like the finish when it was completed so I decided to sell the property.

The property plus my buying costs of stamp duty and solicitors fees etc cost me approximately $400,000, I sold it for $410,000 and after paying agents fees etc I made a small profit of $2,000. The property would have been a good purchase if I was to live in it but I didn't like the finishes so I sold it.

I have seen many people make a lot off money buying off the plan as the capital growth over the time it has taken to build the property has gone up. I have also seen people buy off the plan property and there has been no growth and they have not made any capital growth whilst it was being built. I have also seen people loose money as seen in 2008/2009 when people were settling their property they had negative growth due to the global financial crises. Because they needed to sell just after the apartment build was completed they had to sell at a loss. If you are able to keep for the long term you could achieve capital growth.

## Tips for Buying New Properties Successfully

Here are some tips on buying off the plan property.

1. Do your due diligence on the developer/builder make sure you have seen some of their previously built developments for quality build and quality fixtures and fittings.
2. If you buy off the plan for an investment make sure you are buying for the long term to benefit from any capital growth you may achieve, I suggest 10 to 20 years.
3. If you are buying the apartment to live in make sure it has all the amenities you require for your lifestyle.
4. Buy in a suburb that has the potential for capital growth and that has great lifestyle amenities. Close to transport, cafe lifestyle, entertainment facilities like sporting grounds to watch you favourite sports, shopping centres, swimming pools for exercise, gyms, restaurants, theatres and close to the city.
5. If your downsizing and your elderly make sure it has a lift so you don't have to move if things get tough health wise.

# Chapter 10

# Chapter Ten: Flipping Properties for a quick profit.

Flipping is a term used primarily in the United States to describe the practice of buying an asset and quickly reselling (or "flipping") it for profit. Whilst the term flipping can apply to any asset, the term is most often applied to real estate and initial public offerings.

Profits from flipping real estate come from either buying low and selling high in a rapidly rising market, or buying a house that needs repairs and fixing up.

Under the "fix and flip" scenario, an investor or flipper will purchase a house at a considerable discount from market value. The discount may be due to the house's condition (i.e., major renovations and/or repairs needed) or due to the owner(s) needing to sell a house quickly (e.g., relocation, divorce, pending foreclosure).The investor will then perform necessary renovations and repairs, and attempt to make a profit by selling the house quickly at a price nearer to full market value.

## Advantages

- Potential quick profit
- Not necessarily waiting for capital growth

**Potential Quick Profit**

Because flipping successfully depends on being able to buy the property for a deep discount, the advantages are usually always weighted in the buyers favour. Although in the case of an imminent repossession, the owner may be more than happy to sell at below value if he or she can clear the mortgage and get out of trouble. Once the bank gets involved the owner will have no control at all over how much that property is sold for and the repossession will affect their ability to get credit from that point onwards. Selling may in these situations be a win/win.

This strategy is especially useful to trades people or where you have a team of reliable professionals who you can trust to turn the property around quickly.

In many cases small cosmetic changes can result in large increases in value. And quick profits of $30,000 or more are possible in a short space of time.

**Not necessarily waiting for capital growth**

If an investor buys a property correctly i.e. below market value then profit is possible regardless of whether the market is booming or not.

## Disadvantages

- Over capitalisation
- High sale costs
- Hard to find

**Over Capitalisation**

If an investor spends too much money on renovations, they risk over capitalising, meaning they will not get back what they spend. The whole idea of flipping is to do only the renovations that will create most bang for the buck.

This generally consists of a cosmetic decoration and tidying up the property (you'd be amazed at how many people try and sell their house when it's looking like a pig sty!). Also additional alterations to kitchens, bathrooms and creating open plan living space will usually increase the value of the property. Knowing what to do and how much to pay is crucial if flipping is to be successful for you. Getting this balance wrong will mean you lose money on the purchase.

**High Sale Costs**

Buying and selling property is not cheap. Legal fees, surveys and capital gains tax can all munch large chunks out of your healthy profit. That is why I recommend you buy property and hang on to it.

**Hard to Find**

To be successful at flipping property you have to know what you're looking for. You have to know where to look and you have to find property that is not yet on the market. And perhaps more than anything you have to be prepared to negotiate and go in hard to get the price down.

Depending on the situation of the seller that can sometimes be difficult. No one likes to see others in distress or going through a difficult time, and in the case of impending repossession it can be difficult to negotiate in the way you may need to in order to make flipping a success.

**Real Examples of Flipping Property**

I purchased a 2 Bedroom apartment in a small complex in the Eastern Suburbs of Sydney. I came across the property from a local agent to whom I had specified 6 months earlier what I was looking for and my intentions. I negotiated the property down to $360,000 including all my purchasing costs including stamp duty and solicitors fees.

The market value for the property was approximately $400,000. The vendor needed a quick sale as she was leaving the country for work. I also negotiated the right to renovate the unit prior to settling. Renovations included a new kitchen and appliances, new bathroom plus fittings, blinds, built in wardrobes, paint, new light fittings, and carpet. The cost of renovations was $40,000.

The agent who I purchased the unit from advertised the property the day I settled with an asking price of $480,000. I "dressed" the apartment and spent $3,000 on display furniture to ensure the property was viewed at it's best. The agent had an offer at full price within 48hrs to an owner occupier who was impressed with the presentation and quality of fixtures and fittings.

I made $60,000 net profit after all costs within 3 months of purchasing the Unit.

**Tips for Successful Flipping**

Do your homework and research your potential area. This strategy is best when you understand an area well so you know what you are buying and what can be achieved.

Have a plan, budget and timeline and stick to it. If you don't you may find your profit melting away very rapidly.

Get to know a few agents really well and let them know what you are looking for and what your intentions are. That way you will be told about properties earlier.


# Chapter 11

# Chapter Eleven: Options

Options are financial instruments that were originally invented for the stock market. Before options if you wanted to invest and make money in shares you would have to buy shares in the underlying business. Options on the other hand allow you to control and profit from shares without actually buying them.

If you've ever heard the term "shorting stock" or "shorting the market" this is what is being discussed. This is what happened with bank shares where traders, assuming the financial crisis would negatively impact bank share prices, bought options to give them the right to buy those shares in the future for a lower rate. So long as they were "in the money" i.e. they had the right to buy the shares for lower than their market value they would then exercise that option and buy the shares then turn around and sell them again for a profit.

In recent years this concept has been transferred into property. Basically if you take out an option contract on a property, it is a contractual agreement that gives you the right but not the obligation to buy that property (or assign someone else to buy it) for an agreed amount at an agreed time in the future. You would pay the owner or seller of the property a non refundable premium for the privilege.

## Advantages

- Control for minimum cost
- Rent to own
- Flexibility
- Lock in Profit

**Control for minimum cost**

Property call options allow you to control a property without having to have a deposit or even secure finance. The option fee that you will pay is usually 1% of the property value.

In effect you have the advantages of owning a property without the negative costs and risks traditionally involved.

**Rent to Own**

Rent to own means instead of renting or buying the property from a real estate agent you can live in the property and pay rent to the seller with the right to buy the property at a pre-determined price and date in the future. Therefore you work directly with the seller and there is no middle man e.g. the bank.

**Flexibility**

Options give a developer more flexibility. They can use them to secure land with a minimal option fee and seek council approval during the option period. Should they get their development application rejected then all they lose is the option fee. If it is accepted they exercise their right to buy the land and continue with the development.

### Lock in Profit

Options are also ideal for when the market is in an upward trend. Securing the property by way of an option allows you to lock in the price and if values increase you won't have to pay the increased value of the property – you end up receiving a capital gain straight away.

## Disadvantages

- Complicated
- Lack of expertise
- Unusual

### Complicated

I've barely scratched the surface when it comes to options. Options are perhaps a classic example of how a little information can be very dangerous!

In the stock market, options contracts are one of the fastest ways known to mankind to lose your shirt. In property there are risks and you really need to know what you're doing.

### Lack of expertise

You may understand how options work but don't expect to find many others that do. You may find a few that say they do but the percentage of people regularly using options in property and doing so successfully is miniscule. As a result you may be hard pushed to find a lawyer or solicitor who knows how to structure the contracts.

**Unusual**

Developers may use options frequently to secure land but using options with the general public can prove more difficult. Because they are complicated and there are few people who really understand them, property owners can be reluctant to enter into this sort of agreement.

## Real Examples of using Options

Options are a great instrument to use when buying property. I was able to create a large second mortgage by using an option on a particular property I found that I could buy below market value.

At the time of the deal, the most a bank would lend on a property was 90% of the property value. There were a lot of people out there who wanted to buy a home but didn't have the 10% deposit. I was able to help these people by doing the following:

I found a great home that I could get an option on, with an option price of 10% below the market value. I secured the property with the option fee of $1.00 (one dollar). The option price was $285,000.

Once I found a suitable buyer who could afford to borrow 100% of the property value, but didn't have the required 10% deposit, I assigned the option to them and they exercised the option with a contract price of $316,500.

The vendor was happy to accept $285,000 at settlement and the remaining $31,500 was paid back to me by way of a second mortgage over the next 5 year period.

It was a win/win situation as the vendor got what he needed, our buyer was able to buy the property and I created a second mortgage with a positive weekly cash flow.

## Tips for using options successfully

- You must know the area you are buying in so that you can recognise a great deal when you see one. This means knowing property values.
- Find a solicitor that really understands option contracts well.
- Take time to get to know a lot of the local agents in your area. Make sure they know what you want, so when an opportunity pops up they think of you.
- Do your checks on the buyer so they will have no problem refinancing you out of the deal in the future.

# Chapter 12

# Chapter Twelve: Buying in Rural Areas.

Steve McKnight made this strategy popular and for many people it's proved successful. The reason it was/is so popular is because the cost of property is so much cheaper in rural areas than it is in city areas.

## Advantages

- Properties are cheaper
- Cash flow

### Properties are cheaper

The main advantage of buying property in rural areas is that it is considerably cheaper than the city equivalent. The price of anything is determined by simple economics – supply and demand. If there is high supply and low demand the price of anything drops. If there is low supply and high demand the price increases. In rural and country areas there are fewer people buying property so the price is lower.

A deposit of $50,000 may be a minimum deposit for an urban property but that same $50,000 may be a significant deposit for a rural property allowing you to achieve positive cash flow with that property. The reason positive cash flow properties are generally only found in rural or country areas is because investors only like to put in a minimum of 0 to 20% as a deposit and they borrow the rest from the banks.

In addition, rents in the rural and country towns are still reasonable so it's likely that the rent will more than cover the low mortgage payments and provide a positive cash flow property.

**Cash Flow**

If you are looking for a way to replace income and want to use property to create cash flow then buying in rural areas can fulfill that criterion. In some cases if you buy wisely the rent you can achieve for that property can be comparable with the lower end of city living. Yet the property price is not comparable to even the lower end of city living. This means that there is far more opportunity to create a positive cash flow situation especially if you have a sizeable deposit.

It is possible therefore to use this strategy to buy a number of properties and create a reasonable cash flow.

## Disadvantages

- Low Liquidity
- Low Occupancy
- Low capital growth

**Low Liquidity**

You may be able to pick up a bargain or what you perceive to be a bargain but if there is very little real estate movement in that area you may find you run into difficulties when you decide to sell.

The nature of rural communities is that more and more people are leaving for the city life in search of jobs etc and so there is often limited demand for property.

It's also questionable how much this influx of city money has helped local communities. There can be little doubt that investing in rural areas has helped individuals achieve higher than expected sale prices but it has also artificially inflated property values meaning that the people who do live in these communities are being priced out of their own backyard.

**Low Occupancy**

Often when people use this strategy they assume that rental income is as stable and predictable as the city rentals. But that's not always the case. You may have bought yourself a positive cash flow property but that's assuming you can actually rent that property and keep it rented.

Many people have come unstuck with this strategy because they have not had the consistency of rental. It doesn't take long to run into problems if you can't find a tenant for the property – buying it cheap doesn't matter if you can't rent it!

**Low Capital Growth**

Even if rent from your rural property is covering mortgage payments and expenses, property in rural or country towns generally does not gain a lot of capital growth as there is no supply and demand for these properties. Rural areas usually have a small population with minimal infrastructure and a small number of jobs and this affects the turnover of property which limits capital growth.

## Real Examples of Buying in Rural Areas

Our team has never ventured into the country areas for reasons I've mentioned. However the example below is a typical country property purchase, which was possible at the time of writing this book.

This unit is currently selling in Dubbo, NSW. It has 2 bedrooms, 1 bathroom and 1 car parking space. The asking price is $130,000.

Using a 20% deposit which is $26,000 the loan amount is $104,000 @ 5.19% over a 30 year term = $570 per month principal and interest. The rental income per month = $693 dollars.

The property was last sold on the 04/02/04 for $103,000. The capital gain over the past 5 years has been 26%, which equates to 5% per year. Considering that property is supposed to double every 7 to 10 years, this property has a long way to go to achieve that result. This shows you that the capital growth in country areas is very slow and why people buy for cash flow and not capital growth.

As you can see from this example the property is earning $123 per month in positive cash flow. This example does not show buying and outgoing costs and it does not account for occupancy. If for whatever reason this property lay empty for any period of time then the owner may run into difficulties.

## Tips for successfully buying in rural areas

- Buy properties that you can add value to, so you can increase your capital gain for a small amount of money.
- Cosmetic improvements can be very cost effective and can greatly improve the potential of high occupancy, which is essential in rural areas.
- Do your research to see if the council is upgrading any of the suburbs and buy in those areas where it is more desirable to live in.
- Buy rural properties, which are close to amenities such as schools and transport links. These properties are always more appealing to potential renters.

# Chapter 13

# Chapter Thirteen: Vendor Finance.

There are many different ways people can buy and sell Real Estate using many different types of contracts to perform the sale. Vendor Finance is another system in which real estate can be bought and sold between a vendor and a buyer. Vendor Finance originally came about around prior to 1870. A seller (vendor) who owned a property would sell the land to a buyer for a set price (purchase price) and the buyer would make monthly or quarterly repayments to the seller for the right to live in the property. The buyer would also pay an interest rate for example 5% for the term of the loan and the balance would be paid to the seller after for example say 3 or 5 years. The whole of Australia was purchased under this system of buying and selling real estate and it is still used today to transact property.

This particular system of buying and selling real estate is known as selling on vendor's terms and the contract used to transact the sale is called a "terms or installment contract". It is a much more flexible way of buying and selling real estate for the seller and the buyer than using the real estate agents sales system which use the banks to come up with the money for the buyer to buy the property or unless it is a cash buyer of course.

Does this system of Vendor finance sound familiar? That's effectively what banks do today. They lend you the money to buy a property and you make repayments to the bank until the loan to the bank is paid off or you sell the property or cash out the loan to the bank. The only difference between 1870 and today is that the seller gets his money straight away (instead of say for example 1 years to 30 years on vendors terms) and you have to pay the bank interest for using their money. The bank is the middleman.

Selling your property using the vendor finance system you actually become the bank receiving monthly payments with interest for a set period of time and the seller can pick the time in which the balance of the loan is to be repaid. For example the seller may choose 3 years, 5 years 10 years or even 30 years. The buyer then at the end of the set term needs to pay the seller the difference on the balance by either paying the seller the balance in cash, that they may have in the bank or from a business they have sold or an inheritance or just get a bank loan from the bank and pay out the seller or they can sell the property and pay the seller the balance they owe them.

Using Vendor finance contracts is how I help my clients turn their negative geared property portfolios into positive cash flow property portfolios. Our clients no longer need to pay any outgoings on the properties like strata fees, water and council rates or land tax; they receive pure monthly cash flow. I also help my clients sell their homes using vendor finance contracts when the real estate agents sales system has failed to achieve a sale.

## Types of Vendor Finance

There are many different models of vendor finance available. They are not as common as the standard purchasing model that is in place, however as banks lending policies tighten up due to the global credit crisis they are becoming more popular. It is interesting to see many major property developers offering vendor-financing terms to their purchasers. Here are just a couple of examples of the many vendor finance terms available that I use on a day to day basis turning people from negative geared to positive cash flow :

1. Option to Purchase Contracts,
2. Lease Options
3. Assumptive Options
4. Installment (terms) Sales Contracts
5. Back to Back Lease Options
6. Joint Venture Contracts
7. Second Mortgage Carry Back Contracts

**Vendor Finance using a "Terms or Installment Contract".**

There are many reasons why buyers don't have enough money to use as a deposit when they look to purchase a property outright from a seller. This is generally where vendor finance terms can be used and is used by developers and vendors alike. There are many versions of vendor finance a seller can provide to the buyer, for example you can agree on a purchase price, then make monthly mortgage repayments directly to the seller until the purchase price is paid off over a set period of time using a "terms or installment contract" to execute the agreement between buyer and seller.

Selling on terms is when the seller of a property has either no underlying loan clear of any debt on the property or the seller has an underlying loan on the property from a bank or finance lender and is selling the property to you as you may not be able to get a loan from a bank for one reason or another (business owner, self employed etc).

As an example the seller is making monthly mortgage repayments to the bank for $2,000 a month and then you as the buyer pay the seller $2,300 a month at a set purchase price at a predetermined time in the future for example 5 years (the time is flexible between both the seller and the buyer).

**Carry Back Second Mortgage**

The seller can lend you the deposit to buy the property. The buyer can get a loan for 80% to 95% of the purchase price of the property from the banks or finance lenders and the seller will leave behind between 5 to 20% deposit from the purchase price and the buyer can pay the seller an interest rate on the deposit until you pay the seller the balance. Or you can refinance the property with the bank over time when you have enough equity and pay the seller the balance of the deposit or just pay them with cash. That is called a carry back second mortgage. The seller will generally leave behind anything from 5% to 20% as a deposit.

## Advantages

- No or Low Deposit depending on which contract is used.
- Less Paperwork & Credit Checking
- Faster Sale of Your Property
- Your Property is Now Saleable to 100% of Buyers

**No or Low Deposit**

The buyer does not require a large deposit that is often required by the banks to buy the property. This gives the buyer more flexibility and allows them to buy a property that they may not otherwise be able to buy as the banks are making it very hard to lend money to buyers since the GFC in 2008/2009 with a loan from a bank.

**Less Paperwork**

The buyer can purchase the property with less paper work than are traditionally required by the banks. After the GFC the banks want so much more application paperwork to qualify a person for a bank loan. Using vendor finance you still have to provide your financial information to show you can service the loan under the responsible lending requirements, and as long as the buyer can show they can comfortably make the repayments and have a secure job along with a credit check they can generally buy the property much faster than using the banking system.

**Faster Sale of your Property**

There are a lot of people that want to own a property however the banking/real estate agents sales system is limiting the amount of people who want to buy the sellers property. The latest statistic is if 100 people apply to the banks for a bank loan the banks are only approving 17 of the 100 people for a loan. That means 83% of people who want to buy a home using the banking system can't buy your home.

This is one of the main advantages of vendor finance. Often someone is earning good money and can therefore easily make the monthly repayments but they can't buy the property because they don't have a sufficient deposit according to the strict banking lending criteria buyers have to meet.

Vendor finance offers a viable solution to that problem. Once the seller and buyer come to terms it is all drawn up on contracts with solicitors and if the property is vacant the buyer can move straight into the property the very next day without waiting for example 42 days (in NSW, 30 days in QLD etc).

**Your Property is Now Saleable to 100% of Buyers**

Buy selling your home or investment property using vendor finance, which is not using the real estate agents sales system and banking system you open the marketing of your property up to 100% of all buyers who want to own your property or who didn't think they would be able to buy a property because they couldn't get a bank loan. The real estate agents sales system is only marketing properties to people whom either have cash or are lucky enough these days to obtain a bank loan.

This is a major consideration especially in light of the global financial environment where banking regulation is tightening across the board. This is the reason why vendor finance is very popular because it offers buyers and sellers a mutually viable alternative to both sell and buy the property under a win/ win formula.

## Disadvantages

1. Risk
2. Above Market Value
3. Higher and or Lower Interest Rates

**Risk**
If you are the seller of the property and the buyer defaults on a monthly repayment like the banking system or if you are renting your property to a tenant and by law the buyer has a period of approximately up to 3 months to make good on the defaulted payment before they default the contract and like the banking system are asked to vacate the property under the contract.

The seller then can either sell the property under vendor finance terms, sell the property using the real estate agents sales system, live in the property or rent the property out again.

**Market Value**

Sometimes a buyer can pay a little above market value for your property. However a property is worth what the buyer is prepared to pay for it and what a seller is prepared to receive for it. That is the true definition of market value. People get very confused with valuations and real estate agents appraisals. Using Vendor Finance a buyer and a seller set the price in a free market between a buyer and a seller no valuations or agents appraisals are entered into. People out buying and selling real estate get very confused with bank valuations and real estate agents opinions on the price of a property. When in actual fact a buyer and a seller set the price in a free market. The seller receives the price he wants as the buyer agrees to buy the property for that price, if the buyer doesn't agree on the sellers purchase price then the buyer will offer a lower figure until they both reach an agreement on price. The buyer then may also accept the terms of the purchase (for example a low deposit and a lower than bank interest rate, sometimes a little higher than the bank interest rates). Therefore both parties are in a win/win agreement. At the end of the day the choice is yours ultimately.

**Higher Interest Rates**

Sometimes you will pay slightly higher interest rates than bank rates. But considering the banks won't give you a loan under their strict lending criteria vendor finance is often a great solution. The prime lenders like liberty home loans, not the major banks have always lent their money out to people to buy homes at a higher rate than the major banks anyway. If you work with a licensed vendor finance consultant these properties can also be transacted at an interest rate below what the banks are offering which is very attractable to all buyers wanting to buy a home whether they have a bank loan or want to buy on vendor finance terms.

## Real examples of using Vendor Finance

I purchased a 3 bedroom brick family home in a quiet cul-de-sac. I came across the property on the Internet for sale for $205,000. I negotiated the property down to $195,000 including all my purchasing costs including stamp duty and solicitors fees to be paid by the seller. The law says stamp duty must be paid but it doesn't state who must pay the stamp duty.

The market value from the real estate agent for the property was approximately $225,000 so I advertised the property for sale for $225,000. At the time my interest rate was approximately 6.5%. I was able to sell the property at an interest rate of approximately 4.5%, which gave me a monthly profit of $500 per month. That was the difference between my underlying loan to the bank and the amount the new buyer was paying me.

On answering more than 70 calls in one week and many of the potential buyers telling me the price was very cheap, I sold it for $237,000, which as it shows the price was set on the free market.  The value was set by the seller and the buyer not from a valuer from the banks who is employed by the banks to access the banks risk and not what the property is worth to the buyer or seller. The valuation is done purely by the banks valuer to access the banks risk on the contract price not what the property is worth. The banks will lend the buyer less than the contract price depending on the banks lending exposure in that suburb. If the bank thinks the property is not worth the risk to them on what the contract price is they will lend you less money than the contract price and you will have to come up with the difference between the purchase price and what the banks will lend you if you still want to buy the property. For example if you had a 20% deposit but the bank valuer said the property was worth less than the contract price by say 5% you as the buyer would have to put in 25% of your own money to buy the property.

The buyer paid a $6,000 deposit and moved into their new home 2 weeks later. They rang me about one and a half years later and said they wanted to sell the property. So they put their home on the market with a real estate agent who sold it for approximately $280,000. As my buyer who was selling the property to the next person owned what's called the equitable title, which means any increase in the sale price from what they bought the property from me for $237,000 was theirs.

My buyer who lived in the property made a profit of approximately $43,000, which then allowed them to use the profit for a deposit, and they were also then able to get a loan from the bank as they now had a deposit that met the banks criteria to buy a block of land in the country and build their dream home. This deal was a win/win for everyone and although I have never met them I still keep in contact to this day.

## Another example of using Vendor Finance

I was constantly on the hunt for a suitable property that I could buy very cheaply. One of the agents I got to know rang me and said she had a suitable property. It was a 4-bedroom brick home on a large block in a great street. The property was worth around the $320,000 mark and because the owners needed to get out I was fortunate to get it very cheap. I picked the property up for $265,000.

I advertised the property for sale for $330,000 with an interest rate of 4.09%! The rates at that time were around 6.5%, so you can imagine the response I got from the advertising. I successfully sold the property for $330,000 within 2 weeks and I received a $10,000 deposit and I was getting around $550 dollars a month in positive cash flow.

I sold it using an installment contract; I was able to lock in my capital gain of $65,000.

Because I was paying interest only on $265,000 I was able to offer a low interest rate to my new buyer and still get a healthy cash flow. This is another example of I the seller got what I wanted and the buyer was over the moon and became a home owner at below bank interest rates and with a much lower deposit than what the banks wanted. Another win/win.

Today as I've have had over 14 years experience buying and selling real estate using all the different types of vendor finance contracts I have become known as "The Real Estate Doctor". I help many sellers, sell their homes or turn their negative geared property portfolios into positive cash flow property portfolios in the price ranging from $300,000 to $25,000,000 million dollars using vendor finance contracts. This is also helping many people who want to own a home using another system in which they can obtain home ownership for them and their families.

## Tips for successfully using Vendor Finance

1. You must understand the property values in the city you work in very very well.
2. You must be licensed to work with vendor finance.
3. Do your finance checks properly on the buyer so they will have no problem refinancing the property in the future if required.

# Chapter 14

# Chapter Fourteen: Buying Positive Cash Flow Properties in Capital Cities

All of the strategies mentioned in the previous chapters have significant advantages but many also have corresponding disadvantages too. What makes my wealth creation strategy so powerful is that it harnesses the positive aspects of property investing and minimises the risks at the same time.

In other words the strategy you are about to learn has all the advantages that will build real wealth and long-term security with NONE of the normal disadvantages!

Is that possible? Yes it most certainly is and I'll show you how.

Buying positive cash flow properties in high demand suburbs of capital cities is the best of both worlds' property investing strategy. And it works all the time in any economic weather!

When I tell people this, their first reaction is that it can't be done and yet as you'll see from this chapter it can and is being done on a regular basis.

I am sure you have heard the term ‘Cash is King’. At the end of the day it doesn’t matter how much you have on paper – it only matters how much you have in cash. In the property boom you couldn’t have a dinner party conversation without someone telling you how many properties they owned but they NEVER said how much debt they were carrying on the properties.

This fascination with property has been a global phenomena but when someone brags that they own $10 million in property, more often than not their bank owns $9 million of the properties and the only one getting rich in that equation is the bank. During the early 2000’s and up until recently there was a fascination with no money down deals. People who bragged of owning $10 million in property often barely owned a single brick! They were banking on capital growth and there have been some serious casualties from that strategy. If you want to own something, you have to pay for it – it’s as simple as that. Being over extended and putting as little of your own money into the deal only extends the debt and limits your profit in the long term.

This is why my strategy is different. More importantly, it’s why my strategy works – all the time, every time. The strategy is not about accumulating hundreds of properties. If you are already time poor how on earth would you possibly manage that portfolio anyway! It’s about owning a few properties with the view to truly owning them outright as quickly as possible. That way you profit from your investments not the bank!

Cash is king and that's what this book is all about – finding a way for you to use the cash you have now to build real wealth. Whether that's from years of prudent saving, the spoils of a successful business or the income and bonuses from a lucrative sporting career.

I see clients from all walks of life. High profile Olympians and elite sporting professionals, doctors who all could recognise that the money they make today will not always be there and who want to ensure that their current lifestyle and income are replaced when the final whistle is blown.

I help entrepreneurs, business owners and highly paid professionals who perhaps don't lack the money to be able to invest but seriously lack the time to learn what to do and then implement a strategy! And yet in their own way each have come to the realisation that if they don't stop and take charge of their financial future they will be running on the treadmill indefinitely. What is the point of working hard to earn really good money when you simply don't have the time or freedom to enjoy it!

I help people who have received a significant windfall either through winnings, divorce settlement, redundancy, inheritance or some legal payout. I help first home owners, downsizes and millennials who want to build wealth, who live in any state or country. Often these people realise they have a once in a lifetime opportunity to set themselves up. They appreciate that without a plan the money could disappear in a heartbeat and are keen to translate it into long term security for themselves and their loved ones.

I also help investors who have perhaps already got a few properties who can't figure out why they aren't reaping the benefits. On further inspection of their portfolio it is always because they have bought in the wrong place. Remember – location, location, location!

Like any sort of investing you really do have to know what you are doing. Making a poor purchase can put your long term plans back five or ten years. It can even de-rail them altogether. The book you hold in your hands will allow you to assess your existing properties so you can get back on track.

Buying cash flow positive properties in high demand areas offers you a really smart way to put your cash to work so you don't have to unless you want to.

## Advantages

- Cash in Your Pocket From Day One
- Leverage
- Control
- Flexibility
- Capital Gain
- Diversification

## Cash in Your Pocket from Day One

If you buy the right type of property in the right location you can then ensure that your investment is not draining cash from your lifestyle. Obviously the right location is the key in that sentence and that requires homework in your area. I have already done that homework for you and I have identified all the high demand suburbs. These are areas where there is a constant demand for rental property.

If this is true of capital cities in Australia then I guarantee it's true of any major city in the world. As more and more people flood into the cities for work and lifestyle reasons the rental market will remain buoyant. This can't be true of buying positive cash flow properties in rural areas. In those situations there really is no guarantee that you will have 100% occupancy. In the cities though, as long as you choose the correct location and make sure the property is well maintained you can count on high occupancy at all times.

## Leverage

Property is a great way to leverage your time and money. If you buy in the right areas, time will leverage your investment through capital growth and the popularity of the suburb will allow you to leverage OPM or other people's money (the bank and the tenant) to own the property sooner rather than later.

The definition of leverage is doing more with less. It's about using what you have smartly so you get more bang for your buck!

When I buy positive cash flow properties for our clients, by structuring them correctly and by using OPM your property becomes a vehicle to create positive cash flow each month which is deposited into your bank account, instead of the banks'. You become the bank.

This sounds great, but a commonly asked question is 'Why don't I just put my money in the bank and receive interest for it rather than buying a property?' Our strategy is to create cash flow so that you can choose to work if you wish, and so you are guaranteed a pension through weekly rents being deposited into your account. The bonus is that if you buy these properties and pay them down you then own an asset that is going to increase over the long term – regardless of the economic environment. If you put your money in the bank you just make interest on your money, you don't own the bank! Plus you will be periodically ravaged as interest rates drop on your investments.

If you need to sell your properties as you get older for any reason, or you want to pass them to your children, the properties should be worth a lot more than what you paid for them, due to supply and demand (capital gains). By leveraging correctly, you can create positive cash flow whilst increasing the value of your properties over time. You can use the cash today or in the future when you leave your chosen career.

**Control**

If you use this strategy you have much more control over your investments and your future security.

If your property is negatively geared for example and you have to pay money out each month to cover the mortgage and expenses, then the property is a liability not an asset. Buying property in this way means that you are relying entirely on capital growth and in a slow market that can be disastrous. You buy and hope that the property market is in an upward trend to increase the value of the investment property. The increase in value of the investment property needs to increase enough to cover the total costs associated with the property, such as interest and the negative gearing shortfall paid back to the bank over the years.

You have no control whatsoever over whether the real estate market goes up or down. Therefore you have no control whatsoever over your investment and your future.

Most of the people affected by the real estate and share market meltdown in the USA and London in 2008/09 (which is also impacting Australia) are people who were counting on the real estate market to keep on going up and increasing their home's value. Many people borrowed money against their home and used the money to buy shares in the hope that they would make money in the share market. Those people are in serious financial difficulties now. In the US these people are "underwater" – meaning their loan is higher than the value of their home.

The crash in the property market has been most severe in Europe and the US but there was a dip in Australia too. In London in February 2009 it was reported on the news that 2.5 million people were repaying mortgages on loans that were higher than the value of their property.

At the end of the day there is nothing any individual can do when the s**t hits the fan in the financial markets. Buying negatively geared property exposes you to the quirks and whims of fate and that's no way to invest.

Investing in positive cash flow properties on the other hand allows you to keep full control of your investment, and enables you to have cash when you need it, such as producing a weekly income when you retire, or replacing your salary now.

A positive cash flow property is one that you purchase and rent out to receive rental income. You also have a mortgage with the banks, which is generally smaller than when you purchase a negatively geared property. The rental income you receive covers the mortgage repayments to the bank and in this case there is money left over to pay down the principal. In time, the property is paid off and all the rental income goes straight into your bank account.

Repeat that process again and again and you're building real wealth, giving you cash AND control over your future. You have total control over your investment so that even when times are tough you own the asset and it's giving you weekly cash flow. There is no debt on the asset so you don't panic every time interest rates moves. Yet regardless of economic climate, people still need to put a roof over their head, they still need to rent a home and pay for that.

Leverage and control are very closely linked. Using the banks at the start to secure a number of properties allows you to use your own money wisely to make it grow in a short space of time. By limiting your long term need for additional finance you maintain full control over your investments so that it no longer matters what is going on in the country or the world at large – you own your properties and they make you money week in, week out.

By leveraging correctly without unnecessary risk and taking control over your investment you can make money now and in the future. You can sleep at night with no stress. It also improves your lifestyle and gives you choices.

I put this full strategy into action using proper leveraging and employing control, so that we can work together to build you real wealth with positive cash flow, now and in the future. This strategy gives you choices and a great lifestyle to enjoy with your family and friends. I love what I do for our clients and I can sleep at night knowing that this is the best strategy in real estate.

**Flexibility**

If you buy in the correct suburbs of major cities then there is always demand for your investment property either for rent or re-sale. This gives you options and flexibility. If you know that there is always going to be rental demand in the area you buy in, then you can be assured of high occupancy and good rental income.

In addition, buying in the correct area gives you the flexibility and peace of mind that if you did decide you wanted to sell, then there would be immediate buyers ready and waiting to take advantage of that opportunity.

When you buy in rural areas this is not always the case – even if you can show that the property yields a positive cash flow.

**Capital Gain**

This strategy is built around the idea of owning a handful of properties in good areas and paying them off as quickly as possible so that all the rental income is cash flow which can be used to secure your future or replace your income.

Although the strategy is geared around cash flow the great news is that if you buy in high demand areas then you are also in the best position for maximum capital growth too. There are certain characteristics of property that will consistently result in an increase in value. For example, property located by the beach will always appreciate over time. But this is by no means the only characteristic – there are many.

### Diversification

This strategy allows you to diversify your income. Real estate is a fantastic way to diversify and put some of your eggs in another basket! If you read through the BRW Rich List you will find that the majority of the truly wealthy have all made their money in real estate.

So find a real estate strategy that works and stick to it. Making money in real estate is sometimes not that sexy or complicated. It's a bit like a sausage machine that does the same thing day in day out. But if that same thing is making you money without any additional effort then it's a winner.

## Disadvantages

- You need money

### You need money

There is a saying that you need money to make money, and it's a cliché because it's true. If you are reading this and you are a high-income earner then you already know there is no such thing as a free lunch.

For years the property investment "business" was full of guru's who would convince the masses that they didn't need any money to make money in real estate. The fact that they made most of their money through seminar ticket sales not property investing was at best ironic! There was a time in Australia where you could actually borrow money from the bank for the express purpose of attending some of these property seminars. The only people who got rich on the back of those seminars were the banks and the seminar companies.

A booming world economy together with easy credit made for an exotic and as we've seen explosive cocktail. There are some people who have been lucky but in truth they are rare.

Time and time again I see people who are making really good money but have no strategy for turning that into long term security and prosperity.

You have to make hay while the sun shines and use your current financial resources to protect your future so you can step back and enjoy it – either when your sporting career is over or when you decide you would like to stop and smell the roses.

This is how it works...

The strategy employs the best use of leverage and control by finding a property in a high demand suburb.

Once I have purchased the right type of property your goal is to put whatever deposit down that is necessary to ensure that the property is not draining money from your income on a weekly basis. The interest rate at the time will also have a bearing on this calculation. It is ok to negatively gear property with the long term goal to turn it into a positive cash flow portfolio so you can retire on the cash flow.

Coogee for example is one of the most popular suburbs in Sydney's eastern suburbs. Coogee is a beachside suburb with many cafés, restaurants and bars. It is close to universities, sporting facilities, shopping centres, hospitals and schools. Rental potential is always very high. There is almost constant interest in property in this suburb and properties that do come on the market don't stay on the market for long. It is however, still possible to buy a one bedroom property in Coogee for $400,000. In truth you can get studio apartments for less than that but let's stick with a conservative realistic example.

To own a positive cash flow property in Coogee you need to put down a minimum of 15% deposit with an interest rate of 5%. This means you would be paying $1,825 per month on a $340,000 loan (less $60,000 deposit). Rental in this area would give you $425 per week ($1,841 per month). That gives you a cash flow positive property ($1841 - $1825 = $16).

This means that you are not forking out any additional money each month to service this property. Then you simply pay the mortgage off as quickly as you can, using your income from other sources.

If you have the capital, this can be achieved even quicker if you put down more deposit. This is especially relevant as the world recovers from the financial meltdown. Finding smart places to put your money that is going to yield good returns without the risk is going to get harder and harder, yet this strategy offers just that.

In the same example above if you were to put down a 50% deposit then you would be paying $1,074 per month and making $1,841 from rental income. This provides you with positive cash flow of $767 per month which you can also use to pay down the underlying loan.

As you see the properties being paid down, it creates momentum which you don't ever see when you have negatively geared properties or your own home. You can now see the achievement of your strategy coming to reality right in front of your eyes.

This can also re-inspire you in your working life as you can see a reason to be working hard. You are no longer on the treadmill; instead you have a goal and a vision that is driving you forward. It's hard to stay motivated in a position when you can't see the bigger picture or you're simply too tired to think about the future. This strategy gives you something to aim for so you can enjoy true financial freedom.

Although these examples don't include all the buying costs it does give you an easy example of how the strategy works. The idea with this strategy is to pay the loan off as quickly as possible which then allows you to buy another property and then you buy another property and you just keep paying the properties down. This is helped massively by borrowing the money from the bank and then getting the tenant to pay down your loan to create real wealth over time. Obviously, the more you put down as a deposit the better. With a lower loan your tenant will be paying not just the interest on the loan but also principal, thereby ensuring that it is paid off more quickly. (Remember the figures from Chapter 7 – paying more early on will dramatically reduce the amount you pay back to the bank and reduce their profit and increase yours!)

You may ask “When do I buy the second, third or fourth property?” As everyone’s finances are different there is no clean cut answer to this question. You will need to do the math on how much deposit you need to buy the next property and add both the rentals together and the outgoings and see what works best for your situation. If you are unsure, I will work through your personal scenario to work out the best strategy for you.

The idea is to add more money from your income or any other incomes you have like bonuses or income from other investments to the monthly payments, paying down the loan as quickly as possible.

The faster you pay the properties down the faster you will be financially free, and be able to choose work or play, or spend more time with your family and friends. This strategy can be employed at whatever pace you would like depending on your financial situation. Some people can achieve this in a couple of years and some may achieve this within 5 to 10 years or so...

## Saving the best till last... FREE PROPERTY!

Remember in the opening chapter I promised that I'd show you how to buy and FULLY PAY OFF one property every 4 years using other people's money (OPM). Here it is...

Lets say you have bought your 1 bedroom apartment in Coogee for $400,000 and over time you have acquired another three similar properties at the same purchase price. In 2009 terms they would be worth $1.6 million dollars and returning approximately $425 per week. This equates to $22,100 per year in rental income. With four apartments fully paid off bringing in $22,100 per year that makes $88,400 per year, so your next property which is at a purchase price of $400,000, would take only 4.5 years to pay off using other people's money ($400,000 divided by $88,400). In effect, you would get your 5th apartment, which is the red hotel for free!

This example does not take into account tax and buying costs as everyone's situation is different as explained throughout the book. This example shows that if you did nothing for 4.5 years you would have another property added to your positive cash flow property portfolio. You can now see how the snowball effect takes place. The more you buy and the higher your deposit the quicker the tenant pays the loan down leaving you to spend your money elsewhere. In only a few years you are able to build up a positive cash flow property portfolio, enjoy passive income, financial freedom, REAL security AND capital growth.

It's like rolling a snowball down a hill, it starts off slow and then builds up pace and by the time it gets to the end it is going so fast you cannot stop it. That is how you want your wealth strategy to grow so it is self perpetuating. Its own momentum keeps it going for your benefit as your investments grow and grow.

## Real Examples of Buying Positive Cash Flow Properties in Capital Cities

One of my team members has been actively engaged in the property market for the past 35 years. Each and every property was purchased for a purpose - to produce capital growth and an income stream to generate passive income. To achieve that goal he had to endure severe recessions, where interest in some cases exceeded 23%, through to the property boom years that followed. They were challenging times, but he remained committed and focused on his wealth building strategy to enable equity to build up over time. It really is about attitude and having a belief system that enables you to invest so that your future can be assured.

This team member always believed in a diversity of investments (within property) to the extent that his property portfolio was built from an involvement in building development projects, property renovations and property trading.

As a result of this activity he generated sufficient profits to purchase a mix of income and capital growth properties in well located areas. He currently holds 7 investment properties plus his family home and is debt free. These properties generate a regular weekly income supported by a sustainable growth of capital value.

**His current portfolio comprises:**

Property 1
3 bedroom home located in the inner west purchased 15 years ago for $180,000, which has a current market value of approximately $675,000. Monthly rental return is $2,195.

Property 2
3 bedroom home in the inner south west purchased 7 years ago for $198,000 which has a current market value of approximately $565,000. Monthly rental return is $1,708.

Property 3
2 bedroom apartment located in the inner west purchased 4 years ago for $265,000 which has a current market value of approximately $335,000. Monthly rental return is $1,500.

Property 4
2 bedroom apartment located in the inner west purchased 5 years ago for $223,000 which has a current market value of approximately $295,000. Monthly rental return is $1,350.

Property 5
2 bedroom apartment located in the inner west purchased 2.5 years ago for $421,000 which has a current market value of approximately $495,000. Monthly rental return is $1,923.

Property 6
3 bedroom home in the inner west purchased 5 years ago for $795,000, which has a current market value of approximately $985,000. Monthly rental return is $2,388.

Property 7
3 bedroom home in the inner west purchased 6 years ago for $655,000, which has a current market value of approximately $825,000. Monthly rental return is $2,350.

This strategy has enabled him to accumulate a property portfolio of over $4 Million dollars DEBT FREE, which generates $13,414 of POSITIVE CASH FLOW INCOME into his bank account on a monthly basis. He also owns his own home that he lives in which you can also choose to do when you have a performing positive cash flow property portfolio.

As a result he is currently able to have choices in his life about what, when and where he goes. He has achieved financial independence and an abundance of time to enjoy the things he loves. And if he can do it – so can you!

Not taking control over your financial destiny can have severe consequences...

I had a client approach us in May of 2008 for a financial assessment. This process simply allows us to determine how best to structure the investments and what can be achieved in what sort of timescale. I will sit down with a client and look at where they are financially today, and where they would like to be in five to ten years time. I then look at a strategy that will achieve those goals using positive cash flow properties as the vehicle to create the real wealth you desire.

This gentleman was earning around $400,000 per annum and was an accountant for a very big firm in Sydney. He said that he had been investing for about 10 years now and that he should be doing a lot better than he was. He had over one million dollars in shares, cash and two negatively geared properties located in underperforming suburbs that had not really appreciated much in value. He also had a family home that was fully paid off which he was prepared to sell so he could buy more positive cash flow properties. He planned to then rent a bigger, more modern property in a sought after suburb and improve the lifestyle for himself and his family, by living in an area that he would not normally be able to afford to live in.

With the negatively geared properties, he couldn't really do much as far as adding value to increase his capital gain. So he asked us to review his situation and prepare a strategy to enable him to be able to retire in five years' time.

After a thorough review of his financial situation, I presented him with a strategy that within 5 years' time would have him own outright a fully paid off block of 4 x 2 bedroom apartments in the eastern suburbs of Sydney. The apartments were one block from the beach, worth $2.1 million dollars in 2008 terms and would bring in $110,000 per year in positive cash flow without him getting out of bed. He would also have an apartment for each of his children when they grew up, and a beach side apartment for him and his wife when they retired - if they wished. He would have been a liquid multimillionaire in less than 5 years time.

This plan was very conservative; allowing him to still invest some of his money in shares, as he still wanted to invest in the stock market because of his **projected** earnings of 8% per annum. I had about three meetings with him, and as an accountant he kept saying to us that he just couldn't get over the fact that our investment strategy would give him a **real** return of 5% and his share portfolio would give him a **projected** return of 8%. That is where, sadly, he made perhaps the biggest mistake of his life. The word **projected** means someone's **opinion** compared to hard facts.

This strategy of positive cash flow properties gives you cash literally flowing to you weekly, giving you choices and the freedom for what you want to do, when you want to do it. In just five years' time he could have retired if he chose to, or worked part time and spent more time with his wife, or hung out with his kids while they grew up. This strategy is not based on returns (even though there would have been a

5% return in this case), however it gives you what projected percentages don't give you and that's real choices of how you want to spend your time. It gives you freedom to do whatever you want.

What this client was fixated on was the possible return on investment projected into the future when he should have been working on the principle of control and leverage.

The end of this story is a sad one. In the end our potential client decided against going ahead with the strategy because he couldn't get past the perceived drop in return. His share portfolio was projecting an 8% return and I was recommending a completely different strategy of financial freedom with a 5% return. He chose opinion over fact.

The end of the story came about in November 2008 when he gave us a call. He told us that he should have sold his shares and bought the block of apartments I recommended. He got stuck on the 8% return compared to the 5% return, and he now saw that the 8% was not real, it was a projected figure based on an opinion. Through the market crash of 2008 he lost approximately $1 million in shares and the decision of not acting on the strategy put to him over a 5 year period has cost him approximately $3.1 million dollars (Approx $1 million lost in shares, super and $2.1 million lost in property) and the option to retire when he wanted to, as well as many other choices. He had no control over his future and now has to work for many years to come.

An important point to note here is that property leverages your time. We can always make more money, however we can never get time back into our life. If this prospective client had gone ahead and bought the block of units, in five years' time the properties would have been paid off while still earning him an income over time. Those assets would then have given him serious choices about what he wanted to do with his most precious resource – time. We are all working to create an income so we have money to live off at the end of our careers. You can fast track that by building a performing positive cash flow real estate portfolio which will replace your salary in terms of wages and give you what we are working so hard to achieve - and that is freedom. Time is our greatest asset and a passive income gives us the freedom to choose what to do with it.

This strategy allows you to use the money you make now to remove uncertainty from your future. You can replace your chosen career, business or sporting income if you choose, or do anything you wish. It will never change, money will just keep flowing in and you are not reliant on the property market going up or down. You have total control over your future.

Currently, we are working for money in exchange for something we do. We have no control and there is no chance of capital gain coming from that work! Compare this to a positive cash flow property portfolio, which effectively becomes your employer and gives you a wage (weekly cash flow from the rent) with 12 months' annual leave and the potential for capital growth on your property portfolio, as long as you have bought correctly in a supply and demand suburb.

The figures for the global credit crisis in property prices show across the board that the USA in 2008 has dropped by 18.6%, and in London it has dropped 16.2%. In Australia, we have been a little sheltered from these high figures but there have been price drops in certain price brackets. For example, I know from speaking with many real estate agents that the market from the $1 to $3 million dollar price bracket has dropped about 10% to 15%, and even more in higher price point properties. However, below the $1 million dollar mark, out in the western suburbs of Sydney, the prices have also dropped 10% to 15%. If you have bought in a supply and demand suburb, and purchased the correct property type meeting the correct buying criteria, you will have found that the prices have actually gone up in value as the first home owners are back in the market wanting to buy these properties. Due to supply and demand these properties are going up in value. These are the properties our clients own.

## Remember...

## Negative Geared Properties impacts your lifestyle in the following ways:

1. You become a slave to your job as you have to work to pay for someone else to live in your investment property.
2. You work longer hours and you may have to get a second job to make the repayments. You become time poor and although you have earned more money, you can never get the time back.
3. You spend less time with family and friends as you are constantly working more.
4. Your stress levels increase as you are working to make sure those loan repayments are made.
5. When interest rates go up, there is less take home cash in your pocket because of the bigger shortfall between the rent and your mortgage payments you have to pay to the bank.
6. The financial pressure that you feel may impact on important family and personal relationships causing you even more stress.
7. Your lifestyle drastically reduces, meaning not as many dinners, coffees with friends, and holidays because you have to tighten your belt to make the repayments on your negatively geared property.

8. You can only borrow enough money from a bank to buy a couple of properties before they say you are too much of a risk to them because you are stretched to the max with the money you're putting in to cover the shortfall. So you are limited to only buying one or two negatively geared properties.
9. You are at the mercy of the real estate market, hoping for capital growth. If the properties do not go up in value and they go down in value you will have what's called negative equity in your investment property or even your family home.
10. If you do end up making some capital gain, it is not as much as you think because you must consider all the cash you have put into the property to cover the shortfall between the rent coming in and the mortgage repayment. In many cases I have seen people actually lose money even though they have made a capital gain on paper.
11. You are spending $100 to save $30 dollars with negative gearing.
12. Buying negatively geared properties does not give you control over your investment.
13. If you get sick or lose your job you can also lose your property.

### Positive Cash Flow properties give you the following choices:

1. You have REAL SECURITY knowing whatever happens in the real estate market or the global market you have cash coming in weekly to do whatever you need to do. CASH is KING.
2. You are financially independent which means your monthly or yearly passive income is higher than your monthly or yearly expenses.
3. You have a passive income. Money flows into your bank account without you having to do anything.
4. Your lifestyle improves as you have more time to spend with friends and family.
5. It gives you the freedom to do what you want, how you want to do it and when you want to do it. Isn't that what life is all about?
6. You have more money to do whatever your heart desires. Like going on more holidays with family and friends, having coffee whenever you like, or having dinner with friends whenever you choose.
7. You can replace your income with the positive cash flow from your positive cash flow properties.
8. You can choose to work if you wish or you can pursue a hobby you have always wanted to do, but have never had the time or money to do until now.
9. You can live in pretty much any suburb you wish. You can move very quickly any time when and if you get bored of where you're currently living.

10. You can live for free as your weekly cash flow can pay for your rent and food bills.
11. You are not at the mercy of the real estate market. You are not reliant on the property market going up to make money. You are making money weekly whether the market is going up or down.
12. Not only do you have cash flow, but when your properties are purchased in the correct suburbs, correct street, correct blocks of apartments etc, you will enjoy capital growth over time.
13. You can sleep at night knowing YOU are in control of your future and you will always have "superannuation" that is growing in value and giving you weekly cash to live on. You have total security.
14. You can feel good knowing that you have created a start for your children (if you have them) providing them with property when you pass on.
15. You will have cash in your hand weekly to enjoy where you live both now and in your retirement, rather than having your cash tied up in your family home which you may need to sell to access the equity, forcing you to move away from your life-long friends and family when you retire.
16. You will have cash constantly coming in if - God forbid - you become ill and need to pay for the best in medical treatment.
17. You will have a portfolio that buys more properties for you without you investing $1.00. That's right - not $1.00 out of your pocket once you own a certain number of properties.

18. Your cash flow can pay for your kids' university bills if you choose.
19. You can use your weekly cash flow to pay for your repayments on the new car of your dreams. You are leveraging by having other people's money (OPM) to pay for your lifestyles greatest luxuries.
20. It's good for your health, as it does not cause stress or add an emotional rollercoaster in your life, which can cause health problems.

So which property strategy would you prefer to work with?

## Tips for buying positive cash flow property

Here is a snapshot of what I look for when I buy properties. I actually go into much deeper research than this before I buy our properties, however this is the basic buying criteria.

- Select properties within sought after "lifestyle locations" that will gain the highest rental income by a professional tenant.
- Buy within a five to ten kilometer radius of the CBD of major cities, as they are close to transport, work and leisure facilities, hospitals, shopping centres, cafes and restaurants, schools, parks, beaches, universities, sporting facilities and all the main infrastructure we require to live conveniently.

- Select properties within suburbs and streets where land is limited. Limited land also means that the area is in demand - people want to live there. Property values will also increase at a greater rate.
- Select properties within a $350,000 to $750,000 price range in the correct supply and demand suburb, street and block of apartments. If you find a good studio apartment in a supply and demand suburb with great rents that is priced below $350,000 that can also be a good buy.
- Select properties close to water, like beaches or rivers, or that have “to die for” views of the city lights or harbours.
- Select properties that have a high rental demand and low supply of rental properties, which drives up the rental price.

***"I have a problem with too much money. I can't reinvest it fast enough, and because I reinvest it, more money comes in. Yes, the rich do get richer."***

Robert Kiyosaki

# Chapter 15

# Chapter Fifteen: I love the idea but I don't have time...

Even though the strategy is simple in theory we all know that finding the time to dedicate to finding the right properties, securing finance, negotiating the sale and finding tenants are all time consuming activities that require knowledge and expertise if you are to get it right.

The challenge with this strategy, like every investment strategy, is that it requires time and/or expertise. If you are already a high income earner then you are probably already working your tail off doing what you do. You are obviously a smart person, otherwise you wouldn't be making the big bucks so chances are you are well aware that you should be doing more to secure your financial future and create long term wealth but you probably also have difficulty finding time to read the newspaper never mind learning about property investing.

Besides, there is an opportunity cost involved in you diverting time and energy away from your core skills to gain expertise in a new field. All the great business leaders and entrepreneurs have learned the art of delegation and outsourcing.

So why not let me do it for you?

Working with a real estate strategist  you have 24 hour a day access to me and my team of licensed professionals who are property investors in their own right, who have learnt what works over the many years of investing in real estate, and how to build real wealth as a result.

## Your Team Includes:

**Real Estate Strategist**

Most people buy property without having a strategy that is proven to be successful. They don't spend the time to sit down and work out what will work when investing in real estate, which as we know can be extremely risky.

I will sit down with you and look at where you are today, and find out what you would like to achieve with certainty over the next five to ten years or more.

The real estate strategist  has the most important role in our company because I know what works when investing in real estate, as you have seen throughout this book, and I can work with you to put a plan in place to achieve your dreams.

You would not jump on a plane unless you knew what your final destination was going to be. The pilot sets a course and you end up there with pin-point accuracy every time. You don't set out wanting to go to London and end up in America. Without a strategy to follow you won't reach your financial destination either on time or along the easiest route possible to achieve your financial and lifestyle dreams.

A big advantage of working with me to buy your investment property is that I do not get emotionally involved, and will only buy based on facts and if the property meets the needs of the client. Also through my many contacts, I have access to property prior to it going on the market known as an 'off market' property. This means that as my client, you get the first look and choice of quality property before the rest of the market sees it advertised.

**Off Market Property**

An off market property is where a property is sold to someone before it is sold on the market via the real estate agent or on the internet real estate websites.

Having access to properties before they go on the market is a massive advantage, especially in a very competitive market where the demand is much greater than the supply and you get to buy the best apartment in the block which is gold!

Once you become a client of mine you also have full access to these properties that you would normally miss out on because they are not advertised.

**Independent Valuer**

A valuer's role is to accurately determine the value of different types of properties. They do this by compiling a list of comparable sales of similar properties that have sold to give you an accurate valuation of what the property that you are looking to purchase is worth in today's market.

An independent valuer is one of the most important people you can consult when purchasing a property. As I am buying investment properties on a daily basis, all of our property purchases are checked by an independent valuer.

Paying too much for a property can put you behind the eight ball and your investment won't be achieving the returns from day one that it should.

Valuers are valuing property on a day-to-day basis and they know exactly what the property is worth. Using an independent valuer negates any emotional decisions that may come into play which can turn a potential good investment into a bad investment by paying too much for the property.

**Accountant**

An accountant is a very valuable member of the team as he can set up your property purchases in a company and / or a trust. The reason the properties are purchased in a trust or company is for asset protection and tax minimisation. You can lose profits if your property portfolio is not set up correctly.

If your accountant is not an experienced property investor you may lose a lot of money in profits to the government in the form of tax, as the general accountant may not understand what you are trying to achieve and include everything allowable that you can claim to minimise your tax legally.

It only costs a few thousand dollars to set up a company and a trust structure to have peace of mind to know that your assets are protected, safe and secure and that everything is in place for maximum tax savings.

**Solicitor**

A solicitor is a must as you want to have everything checked and be confident that the sale of your property is lawful. A solicitor completes all the relevant checks with the councils, strata companies, land titles office etc to make sure that you are actually buying what is on the contract, and that everything goes through legally and correctly with the banks and relevant government departments.

It is my advice that you should not and must not ever buy real estate without using a solicitor to act on your behalf. Their fees are well worth it to give you peace of mind to know that everything is lawful and correct with your property purchase.

**Superannuation Finance Specialist**

When buying real estate in a self managed super fund you need the expertise of a superannuation finance specialist, as there are many legislative requirements that must be complied with..

A superannuation finance specialist works in a niche market and you cannot just employ a normal mortgage broker or bank to do this work. This is a specialist field, and a specialist must be used so that no mistakes are made in setting up the finance for your self-managed superfund.

**Mortgage broker**

In the world of finance education [having a clear understanding of what is available, the ability to unravel loan proposals] beats a bad experience EVERYTIME and a good mortgage broker provides, day after day as they expose the GOOD, THE BAD and the UGLY home loans.

It's all about choice, understanding what the "fine print" means and how to negotiate fees and charges.

Our clients have the benefit of finding the best loans available in the market to get the maximum return on their positive cash flow property portfolio.

**Building and Pest Inspector**

When the numbers work and you are happy with progressing with the purchase of the property you must hire a building and pest inspector to make sure the property's construction is sound, and that there are no termites and bugs that can destroy your property.

Paying the building and pest inspector a fee of around $500 is very cheap insurance. You will learn from their report whether the property needs any work done to it immediately, or if it is a sound building and a good purchase.

**Property Manager**

Having a very highly skilled and professional property manager is very important as they can increase your rental income for your investment. They can save you time and stress. If you have 5 or more properties you don't want the tenant to call you at midnight if the toilet overflows and having to search for a plumber. You don't want to get a call while you're at work or on holidays to fix a problem with your unit.

As a professional yourself you are generally time poor so you need to delegate this task to a professional. Their job is to make sure you are getting the highest rental return possible and that everything is taken care of so you are not bothered with the day to day running of the property.

A good property manager is worth every cent they are paid.

***"Coming together is a beginning. Keeping together is progress. Working together is success."***

Henry Ford.

# Client Testimonials

*"I was negatively geared by $10,000 dollars a month and I felt like I was drowning financially. I had a strategy session with Michael and within 11 months of working with Michael I know have a positive cash flow property portfolio earning me approximately $4,000 a month. That is a whopping $168,000 dollar turn around in just under a year. I highly recommend you read Michaels book "**How to safely own 5 properties in 10 years and retire.**" and then have a strategy session and Michael will change your life just like he did for me. Michael has now transacted a number of great investment properties on my behalf in Brisbane."*

Natalie Cook 5 x Olympian OAM
Beach Volley Ball, Gold Medal Winner

www.nataliecook.com

*One evening , around 8 months ago, I headed down to my local sauna, thinking it would be a regular night , quick sauna session, in and out. I sat down, and got chatting with the lovely Michael who was also there on a regular evening. We started chatting property (one of my favourite topics)*

*Fast forward to today after an incredible strategy session with Michael, Michael transacted my second investment property in Brisbane for me, as well as my third overseas. He also helped link me up with a great real estate agent in Melbourne, in order to sell my first investment property. He's the man for all things property ! Michael is AMAZING at what he does. He's very thorough with everything and doesn't leave any questions unanswered. I have been extremely calm and positive through this entire process due to his excellent due diligence!!*

*Whenever I am ready for my next property investment - Michael will be the first person I call!*

**Eileen Cassidy Model/Influencer with 215,000 follower on Instagram.**

*"Hi I'm Robert my wife Maree and I met Michael about 4 years ago  and we did a strategy session with Michael. We wanted to double our passive income from our property portfolio. At the time of meeting Michael we owned 9 apartments with cashflow of approximately $145,000 dollars a year and we also owned our own home. All properties had a combined mortgage of $1,400,000 million dollars at approximately $9,000 a month mortgage repayments.*

*We sold our family home and used the surplus money to re invest into an additional 13 apartments to bring the total to 22 apartments and we have just bought a new family home only 5 minutes from my work for $1.7 million dollars. The big difference is our monthly positive cash flow of approximately $35,000 of other people's money (OPM) is now paying off our mortgage on our home of approximately $11,000 per month. We had to pay the mortgage on our family home from our business.*

*We have worked with Michael and with the strategy he created for us and we now own 22 apartments and 1 house worth over $10 million dollars with a positive cashflow of approximately $420,000 a year. Only $3 million of it is a mortgage from the bank. We couldn't be happier.*

*Michael has been incredible with us, without Michael we would not be in this amazing financial position with massive positive cashflow. I live much closer to work so I spend more time with my family now. We trust Michael with our financial life.*

*If you want to change your financial position and have Michael work with you and build you a positive cashflow property portfolio over time then Michael is the guy you MUST work with. So give him a call and do a strategy session with him and he will change your financial life. We are 42 years old and can now retire when ever we want to with massive monthly cashflow. Thank God for Michael Kelly."*

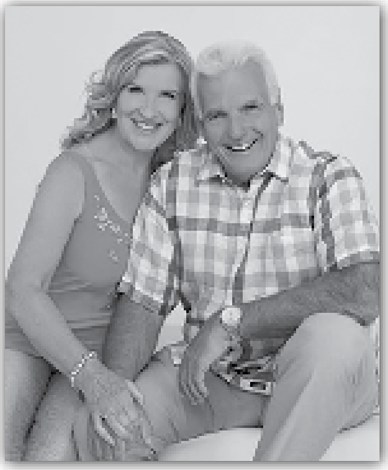
Robert Martin, Business Owner, Sydney

*"I first reached out to Michael 6 years ago now as I was looking to build a property portfolio and didn't know where to start. I met with Michael for coffee and he suggest I build a property portfolio geared for capital growth and cash flow.*

*Michael purchased a 1 bedroom apartment for me, he then purchased another three properties for me which included a 1 bedder that can be converted to a 3 bedder with parking. Michael has purchased 4 Investment properties for me and they all have performed extremely well, now all doubling and more in capital growth and the rental return now is off the charts great.*

*Michael brings a wealth of knowledge on property investment and I highly recommend him if you are building a property portfolio."*

**Chris Smith, Business Owner, Sydney**



*"We have known Michael Kelly for over 6 years now. During that time he has purchased 3 investment properties in Sydney and Brisbane for us. Each purchase has been extremely profitable for us. Michael makes the experience of property investing easy and simple. We both highly recommend him."*

Suzanne and Paul

*"I had the pleasure of meeting Michael three years ago through mutual acquaintances. After thoroughly immersing myself in his book, How to Safely Own 5 Properties in 10 Years and Retire! I recognized his expertise and decided to arrange a strategy session with Michael. As a result of our strategy session, Michael has successfully acquired three, off-the-plan properties in the thriving city of Brisbane. They were all OFF MARKET properties through Michael's many years of contacts. I am extremely satisfied with the outstanding performance of each investment and would enthusiastically endorse Michael's commendable knowledge and guidance in wealth creation."*

**Stephanie Banis**

*"We thoroughly enjoyed working with Michael Kelly whilst we are living in Singapore. We will do so again with absolute confidence when we buy our next investment property. Over the period of 2.5 years while our off the plan apartment in Brisbane was being built, Michael kept us up to date and well informed throughout every stage of the process. Michael also made himself available, if it was to answer any questions we had, or send us any information we had requested.*

*Whether via phone or email, Michael truly does offer an end-to-end service and made us feel relaxed and at ease right from the start before a brick was laid, and up and until completion and settlement. Our investment property purchase was profitable and is returning a great rental income and I would not hesitate in recommending Michael to anyone looking to invest in a property, multiple properties, to review an existing property portfolio, or to design and structure a new property investment portfolio which suits your personal situation like Michael did for us."*

**Paul and Deana**

*"Michael has a thorough knowledge of home building and apartment construction; he knows who are the good developers with a proven track record and what is a good property investment both in Sydney and Queensland. Michael has purchased 2 incredible townhouses off market and off the plan in Brisbane and both townhouses have risen in capital growth substantially and they are not completed as yet (well under construction)...*

*Michael's advice was spot on and we were very confident that we were on to great investment's with our property purchase's working with Michael. We are building a property portfolio with Michael and are very happy with Michael's many years of knowledge and service."*

**Adam and Sheetal**

*"My dream was to acquire five houses within a decade. In 2023, upon my return to Australia and with 2 properties under my belt, I had the privilege of meeting Michael and we had an amazing strategy session. It was a delightful revelation to learn that he had written a book with the very same title as my cherished dream! It was a great read. Michael's unparalleled expertise and deep understanding of the Australian real estate market, coupled with his invaluable guidance, played a pivotal role in my journey to purchase property number 3 in Brisbane. I am incredibly excited for this new market and I'm pleased to share that my property is generating positive cash flow right from the start. I highly recommend you read Michael's book and then do a strategy session with Michael. I wholeheartedly recommend Michael."*

Tracey Miller

*I was referred to Michael Kelly by my bank manager to help me with all things pertaining to real estate···What a great referral that was, Literally life changing···I had to sell my house and Michael chose a great agent to sell my property on my behalf. Michael worked with the agent to get the highest possible price and they made me an extra $400,000 on the sale. Thank you Michael.*

*Michael then negotiated and purchased a house for me on a large parcel of land in Agnes Water in Queensland (my dream home). Michael saved me over $100,000 on the asking price. I now live in this house and could not be happier.*

*I am now building an income generating property portfolio in Brisbane with Michael over the next 10 years as Brisbane real estate is booming···Michael has purchased my 1st of 5 off the plan and off market apartments for me which I am stoked about···For all things real estate you MUST work with Michael Kelly. Life Changing..."*

**Diane Zirps**

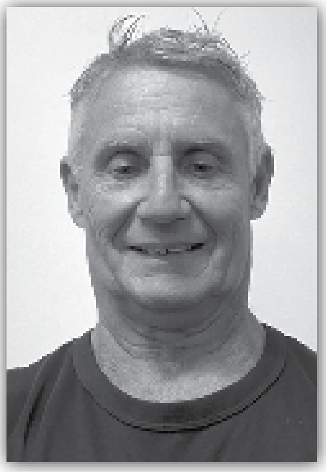
*"Michael transacted an amazing property for me "off market and off the plan" in Brisbane.*

*I wandered around aimlessly for over a year wasting weekends trying to find something suitable with zero success and I realised I had no strategy in place to build wealth with property.*

*I had a strategy session with Michael which was life changing and he then showed me a great 1 bed apartment "**off market and off the plan"** and boooom I brought it. It fitted my new strategy perfectly.*

*The apartment has gone up over $75,000 in under 12 months and the rental return is approximately 5.5% which is incredible. Thank you Michael your access to off market properties is incredible. I wouldn't have purchased the property without you."*

Graham Horvath Owner of the Golf Caddies App



*"Thank you so much for your help transacting an incredible* ***"off market and off the plan"*** *one bedroom investment property in Chermside in Brisbane for me.*

*It is a 50sqm internal size apartment with an 8 sqm balcony and an undercover carapace.*

*It was an incredible price of $397,000* ***(unbelievable)*** *and the rental return will be around $475 per week when it is finished (Nov 2023).* ***That is an incredible 6.2% rental return.***

*Michael you made finding the apartment so easy with your over 20 years of connections which I am truly grateful.*

*Your understanding of the Brisbane market and what investment property would be best for my strategy with a great purchase price and rental return was perfect.*

*I appreciate your expertise and patience, your insight was invaluable to me and I could not have done it without you..."*

**Anthony Kelly Firefighter**

*"I was referred to Michael by my mortgage broker and was very grateful to have his support in purchasing my next investment property. Michael is so approachable and personable, while also being extremely professional. From the outset he really took the time to understand my goals and requirements for the purchase and he took the time to talk through and help de-scramble the many thoughts I had around the right plan for the way forward in this crazy property market. Michael helped me to access an off-market opportunity that was perfect for what I was looking for. He was extremely patient with the many questions that I had along the process and did everything possible to support me from start to finish to get the answers I needed. I would have no hesitation in recommending Michael for your next purchase. He is a pleasure to work with and really helps get the best result while also taking the pressure off what can be a very stressful process!"*

**Belinda Hughes**

*"Michael Kelly is a Stella transactions specialist, he is a true professional with a down to earth manner, and is results orientated, backed up with years of knowledge in the real estate market both in Sydney and Brisbane, which is testament to his success and longevity in the industry. I have used Michael's services personally, and as a result have had NO hesitation in referring him to my clients, who have all been thrilled with his successful results."*

**Samantha Cranny** MBA, Dip FMBM, MFAA, JP, LREA
**Personal Mortgage Advisor**

*"It was no coincidence meeting Michael Kelly all the planets aligned a real "meant to be" meeting. Having never bought a property previously I really needed someone I could trust to guide me. Michael's strategy session was fantastic. From the very beginning I felt Michael showed absolute integrity. He is a man of his word and someone I could trust.* ***Michael bought me an amazing apartment off the plan and off market only 2km's from the CBD in Brisbane,*** *which meant my relationship with Michael was going to be longer than a turnkey sale. In the last two and half years Michael has been there for every question I presented, his response was always prompt, an excellent communicator. As a first home buyer the highlight of this experience was having Michael 's experience in transacting properties for the last 20 years and his network, he is nothing short of brilliant and his knowledge on property meant a very beneficial purchase for me. Thanks Michael for everything."*

**Sunday Lucia**

*"I was referred to Michael from my solicitor and we did a strategy session and it was incredible.*

*I followed the strategy and Michael transacted a brand new finished apartment direct from the developer in Westend Brisbane for $450,000 with rent of $475 per week which is a 5.5% rental return which you cannot get in Sydney.*

*Michael then transacted another off then plan 1 bedroom apartment in Toowong in Brisbane for me and it settles in a couple of years time which fits perfect with my new strategy of building wealth through property.*

*Michael I can't thank you enough for all your help and guidance you were with me through the whole process and it was seamless...Thank you."*

**Matthew Bottaro**

*"Michael Kelly is a fantastic! He listened to exactly what we were looking for and found us a great property that we never would have secured without him and his contacts. He was extremely professional and has great communication skills, keeping us informed on properties at all times.*

*I really appreciated his honesty and advice when considering properties, he is an extremely experienced transactional specialist with such a wealth of knowledge. I would highly recommend his services and will continue to use him for all of our future purchases!" Michael has now purchased 2 properties for our family."*

Chloe & Thomas Miller

*"Michael Kelly came highly recommended to us and was given a challenge to find us an apartment to buy with very tight criteria in Sydney's eastern suburbs during the two weeks we were back in Sydney late last year. We live in New York City. Michael rose to the challenge and worked with us tirelessly searching for properties off and on the market, resulting in successfully finding and negotiating the apartment that met our very strict buying criteria in the area of our choice. He has deep knowledge of the eastern suburbs property market and is very well connected. Michael also introduced us to a property management company that we have been working with since. We highly recommend Michael if you are living overseas or in Sydney and need a professional transactionals specialist to search, locate and negotiate your property purchase. Thank you Michael."*

**Very Satisfied, Raymond Kwok**

*"A developer friend of ours refereed us to Michael Kelly and said Michael was the guy you need to work with as he has a large network of connections and has been buying development sites for me, for many years now.*

*Well our friend was right about Michael within 1 week of signing with Michael he showed us 3 homes that matched our buying brief and we fell in love with 2 of the homes. We dismissed one and Michael negotiated the purchase of our 4 bed 4 bath 2 car house in Bronte with amazing water views…*

*Michael negotiated a below market offer and a 6 month settlement and it is now worth about $1 million dollars more than what we paid for it…If your looking to buy a family home you need Michael on your side, we couldn't have been happier with the house we purchased and the price we paid…Thank you Mike."*

**Damon Hanlin**

*"I met Michael at an open house, at this point I'd been searching for an apartment for about a month. We chatted about what he did for his clients and my requirements. It was a perfect solution that I hadn't previously considered to be an option as Michael was able to become my eyes and ears - particularly as my job commitments and hours often prevented me from attending open houses. He understood my key requirements and showed me properties that matched, while giving honest advice and guidance.*

*Michael took care of everything, including recommending a solicitor and strata inspector; as well as going to auction and bidding for me (a process I did not want to do and I was able to be involved in via phone from work). He blew the other bidders out of the ball park and Michael got the apartment for $90,000 less than my budget. I couldn't recommend Michael more."*

**Dr Ilma Khan**

*"Our mortgage broker referred Michael to us and it was the best thing she could have done for us. Michael was incredible as soon as we spoke with him we knew we were in the right hands. Michael's knowledge was incredible. He walked us through everything and checked off everything that needed to be done. He gave us the re assurance we had found a great apartment to buy.*

*On the day of the auction there were 9 other bidders and Michael started the auction and absolutely wiped out bidder by bidder so fast that we were the winners on the day. Michael and the valuer's said the property is not worth more than $1,100,000 and we had a budget of $1,300,000. We were so happy and impressed with Michael we would highly recommend Michael's service and knowledge when buying real estate especially in the fast moving eastern suburbs of Sydney."*

Roozbeh and Mehri

*"Having the right contacts is everything when buying prestige property. Thanks to Michael we have been able to secure a $2.7 million dollar property at well below market value before it was advertised in the newspapers and on real estate websites. If you are looking to buy a multi million dollar property for you and your family, I encourage you to use Michael. They are well connected and can save you valuable time, which means we get our weekends back and they also negotiated a fantastic discount for us"*

Ben Doyle, Business Owner, Sydney NSW

*"Hi my name is Suzanne Skillen and last year I decided I wanted to invest in real estate. I actually had no idea how to do it but I always look for a thoroughbred team and I wanted to find my thoroughbred to help me with this. I asked everybody and one name kept coming up and that was Michael Kelly. So I contacted him and met him and the whole experience of buying my first investment property was so easy it was ridiculous. I kept waiting for a problem and it never happened. We bought "off market" he stood by me through the whole experience from getting my money, right to the end signing up my final contract, even getting my tenant. It was amazing so if your looking at investing in the property market. I promise you Michael Kelly is the person to cont*act.

Suzanne Skillen, Business Owner, Sydney

## Yet more things people are saying

*"We have been buying, subdividing, building and selling real estate for 20 years now. We live up in the Hunter Valley area. We hired Michael to search, evaluate and negotiate a property for us as a family home when we were in Sydney. As Michael knows the Sydney real estate market like the back of his hand, he went in to negotiate against the real estate agent and the result was amazing to say the least.*

*The negotiation took about 6 days of offers and counter offers in battle with the agent. Michael negotiated the property down from $1,350,000 to an incredible $1,175,000 saving us a whopping $175,000! If you are looking to buy a property make sure Michael is looking after your property buying needs. If you're not using him you'll pay more than you have to."*

Ray and Jenny Lewis, Business Owner, Hunter Valley

*"Hi I'm Pam and I am a publisher and I have been based in Melbourne. Michael was fantastic he purchased a property for me that wasn't even on the market and not only that the property in the eastern suburbs of Sydney and it has gone up in value. I couldn't be happier. If your time poor and live anywhere in Australia and want to get a great investment property. Get in tough with Michael."*

Pam Brewster, Publicist, Melbourne

*"I had been searching for a suitable investment property for over a year without success. I was referred to Michael to assist with locating a property. Michael really listened to what I was looking for and why. Michael was then able to provide a list of suitable properties which I then culled. We then visited each of the properties over a number of weeks. Finally with Michael's assistance I was able to negotiate an acceptable property which achieved our goals. At all times Michael was professional, patient, courteous and working for my interest. If you need guidance or just don't have the time to search for properties yourself I would highly recommend Michael."*

**Geraldine Waters**

*"I had the opportunity to work with Michael Kelly in 2019 when my daughter was trying to buy an apartment in the eastern suburbs of Sydney. I found Michael efficient, knowledgeable, honest and understanding. He listened to us and worked with us effectively- his quick response and timely actions and great negotiating skills enabled us to buy an amazing 2 bed 1 bath apartment in Double Bay. We are based in Newcastle and it was great to have Michael working on our behalf in Sydney. We used the full search, locate and negotiate service. I highly recommend Michael and would be delighted to work with him again if the opportunity arose."*

**Dr Usha Pavarthy**

Michael Kelly is a highly sought-after transactions specialist, negotiator and property investment strategist, whose success has been so celebrated that it has lead him to become a best-selling real estate author.

A former electrician, developer and project manager with a 20-year history transacting real estate successfully between buyers and sellers whether it be for mums and dads buying or selling a home, investors maximising and building a property portfolio or transacting development sites or bulk apartment purchases for superannuation funds. Michael is an active property investor and offers his clients first-hand knowledge and industry experience with an inside, competitive edge.

Across his esteemed career, he has established an extensive network of connections, allowing him to continuously open doors to off-market opportunities across Australia especially in Brisbane and Sydney.

Specialising in off the plan and off market owner-occupied homes, investment properties and development sites, no project is too big or small.

He is passionate about achieving his clients' goals – be it purchasing a brand-new family home or a wealth-generating investment – and has successfully navigated a myriad of contract types on properties ranging from $400,000 to $150 million in value on a daily basis.

Passionate, determined and honest, Michael is well respected by his clients and colleagues, and continually exceeds their expectations with the utmost integrity.

Outside of making the property market work for you, Michael enjoys spending quality time with his daughter, playing and watching sport (he represented Australia in Oz Tag), and personally investing in property transacting many different property transactions.

**Michael Kelly - Real Estate Transactions Specialist**

**FREE STRATEGY CALL**

I hope you enjoyed reading Michael's book. Now join Michael for a **FREE STRATEGY CALL** to see how Michael can help you build real financail freedom! Visit www.mkbrisbaneproperties.com.au to register for a Free strategy call.

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QLD Licence Number 4312558

**The Real Estate Transactions Specialist gives you the Real Truth about real estate and what investment strategy really works when investing to build real financial freedom.**

Michael Kelly is a highly sought-after Transactions Specialist, negotiator and property investment strategist, whose success has been so celebrated that it has to lead him to become a best-selling real estate author.

A former electrician, developer and project manager with a 20-year history as one of the country's first buyer's agents, as well as being an active property investor, Michael offers his clients first-hand knowledge and industry experience with an inside, competitive edge.

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Outside of making the property market work for you, Michael enjoys spending quality time with his daughter, playing and watching sport (he represented Australia in Oz Tag), and personally investing in property (more real estate in Sydney's Eastern Suburb's and Brisbane is next on his list).

**Enjoy reading the book and then join Michael for a *FREE STRATEGY CALL* to see how Michael can help you build real financial freedom!**

ISBN 978-0-9806494-0-6
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