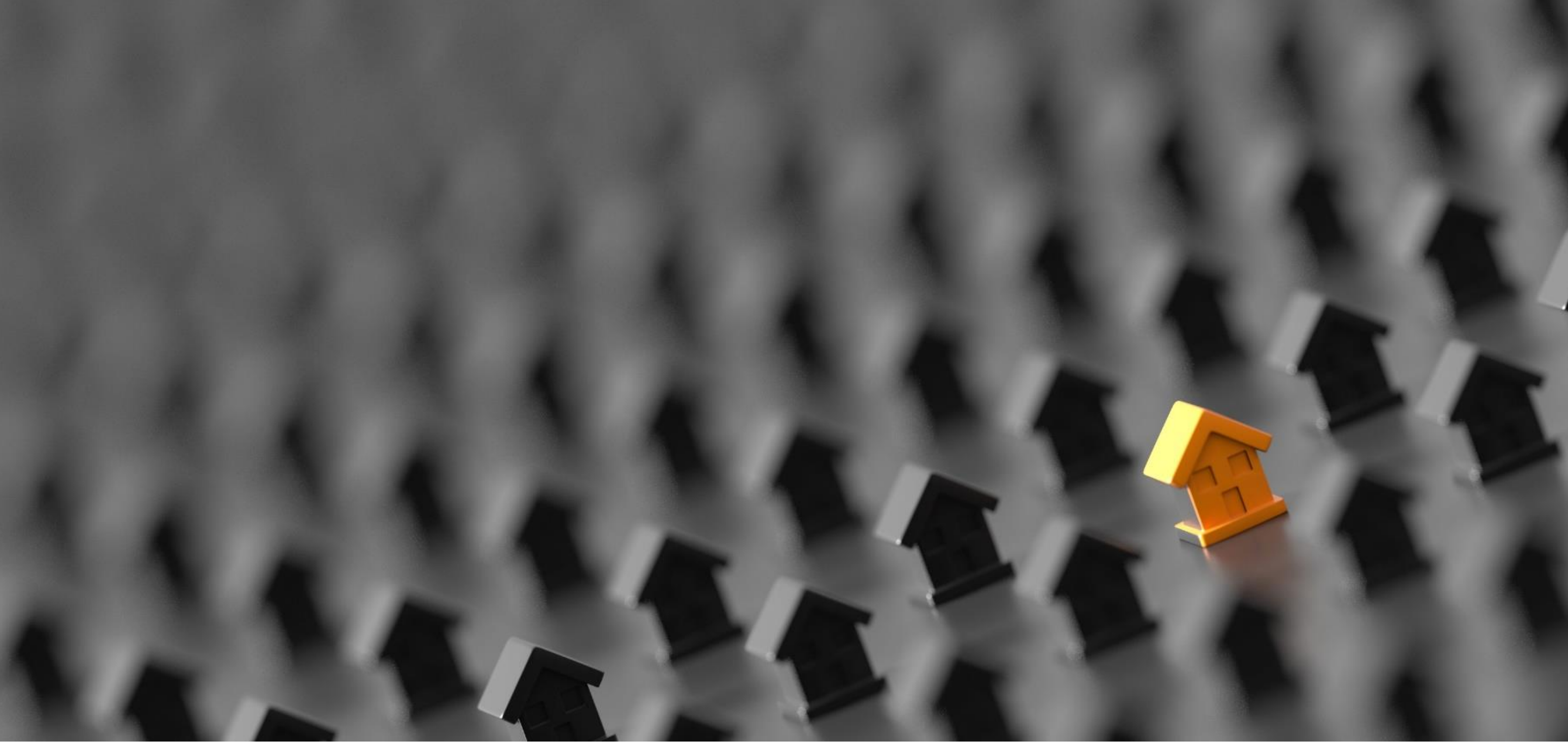
ifp ADVISORY

9 KEY POINTS

HOW TO OUTPERFORM IN PROPERTY INVESTING

2023 & BEYOND

ACCREDITED ADVISOR



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Legal Disclaimer: The information provided in the guide is general advice only and is presented for illustrative and educational purposes only. It is not presented nor should it be treated as real estate advice, legal advice, investment advice, financial advice or taxation advice. All investments involve risk and potential loss of money. If you require advice in any of the required fields we urge you to contact a suitably qualified professional to assist and advise you. Your personal individual financial circumstances must be taken into account before you make any investment decision. You should do your own independent due diligence and seek the advice of qualified advisors before making any investment decision.

1 TREAT PROPERTY INVESTING AS A BUSINESS

Property investment is a business proposition. Do your due diligence, build a team of trusted advisors and get involved for the long term. Whether your goal is to expand and generate cashflow or build a portfolio of assets then sell down to realise a profit, you must have a business mindset to be successful long term building wealth and income through property investment.

The short-term pain of sacrificing some of your disposable income now for the long-term gain of having a healthy nest egg needs to be achievable yet deliver a definite benefit to the future "you".

Your business plan will include a cash flow management strategy, a finance strategy, asset protection, insurance, and correct asset selection.

2 HAVE A STRATEGY AND STICK TO IT

Buying another property in your area or just owning an investment property is not a strategy.

You must use your business head to make decisions based on what you want to achieve, where it is best suited for that goal and what sacrifices must be made in order to make it all happen.

Once you have made a decision based on cold hard facts and aligned your affordability and mindset to this, you must be willing to stay the course. Recent history has taught us (once again) that we cannot predict the future. We have also learned (been reminded) that a long-term mindset allows us to ride out any short-term unforeseen events.

3 BE REALISTIC

Another reason investors fail is that they are not patient enough.

They have read too many stories about "overnight successes" and go into property investment hoping to make quick profits or thinking they can buy seven properties in seven years, or possibly ten properties in ten minutes.

Successful property investment is a get-rich-slow process. It takes most investors up to 30 years to grow a big enough asset base to provide a cash machine for their retirement.

By then, though, many people have thrown up their hands and sold up because they had unrealistic expectations to start with.

Too many investors look for that one big deal that will make them rich – property just does not work that way. As Warren Buffet wisely said: "Wealth is the transfer of money from the impatient to the patient."

Successful property investors go through the following five stages of their journey:

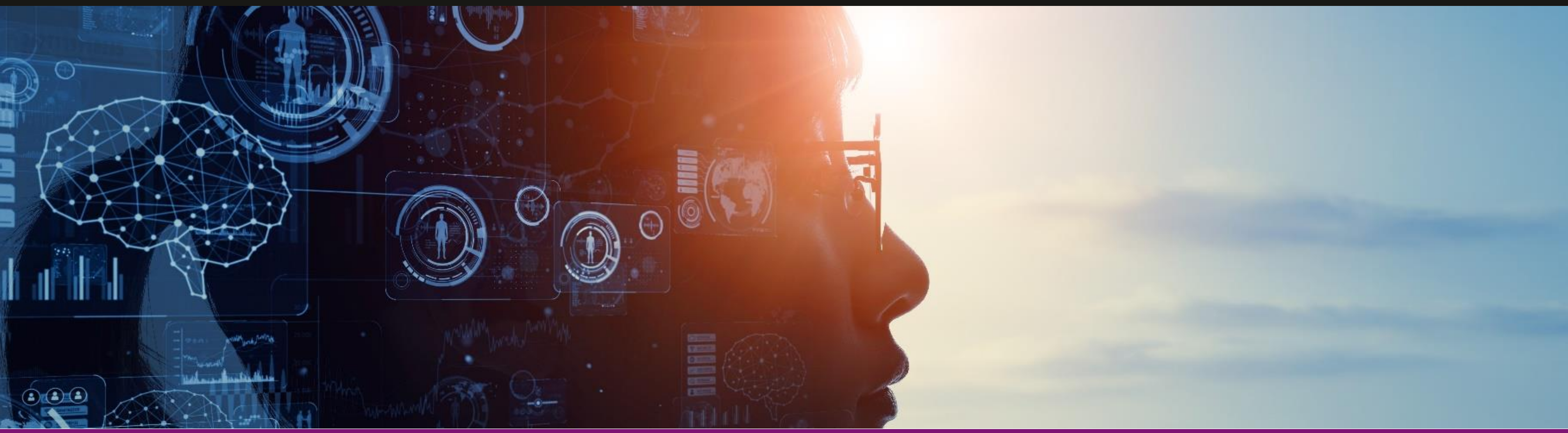
The education stage: learning what property investment is all about.

The saving stage: they spend less than they earn and trap this extra cash flow in a savings account, to increase the buffer for their portfolio

The asset accumulation stage: it will take two or three property cycles to build a sufficiently large asset base of income-producing properties to retire independently

Lowering their Loan to Value Ratios: asset accumulation requires borrowing and gearing, but eventually, your LVR must slowly come down so you can…

Live off the cash flow from your property portfolio.



4 KNOW YOUR CASHFLOW

Clearly, you require cash flow to hold your portfolio for long enough so that the power of compounding kicks into gear, meaning you must have a financial buffer to see you through the lean times.

Too many investors don't recognise that property investment is a game of finance with some houses thrown in the middle and leave themselves open to financial woes by not having rainy day money that they can draw on when needed, which often results in them selling at a bad time.

Know your numbers and stress test them. Go into each investment with a "worst-case scenario" picture to allow you to sleep at night knowing you can make it work!

5 DON’T GET SIDE-TRACKED BY THE MEDIA

The 24/7 news cycle is hard to ignore and property investors are fed a constant stream of misinformation designed to create one of two reactions.

The media loves the extreme reporting cycle of the property market. Either property is about to “crash” or it is starting to “boom”.

The scenario of property creeping up in value over a long period of time does not excite the reader or make attention-grabbing headlines.

6 DON’T GET SIDE-TRACKED BY FAMILY & FRIENDS

Friends and family are exposed to the same media as you are. They may however become experts in re-sprouting the information once they hear of your intentions.

If you are lucky enough to know the one that has actually “done” and is successful, listen to them and take on board their wisdom. Make sure you can apply the advice to the current market and interpret the same actions for success.

For Example: If Uncle Frank made a motza by buying on Sydney’s North Shore in 1920, apply the same thought process to future growth and demand, instead of hunting around for a 3-bed semi with an outhouse selling for 30 thousand quid.

7 THERE ARE MULTIPLE PROPERTY MARKETS

While the media keeps talking about "The Australian Property Market", there are hundreds and hundreds of property markets within Australia and there are markets within markets.

Each state is at a particular stage of its property cycle. Within each state, there are multiple property markets separated by geographic location, price points and type of dwelling.

And each of these markets are performing differently based on local factors, including demographics, economics and supply and demand. So, listening to market commentary about the Australian property market or even the Sydney or Melbourne property market is far from helpful.

8 X-FACTORS RULE

Estate agents may keep going on about "location, location, location". Reality is that the X factor gives you a unique advantage.

Population growth does not equate to capital growth. Do not confuse the two!

Instead, a significant driver of capital growth is the strong demand and scarcity of accommodation options in aspirational or gentrifying suburbs with excellent amenity, good public transport, and multiple lifestyle drivers. Access to a CBD or other major employment centres or saltwater, for example, puts a turbo under the amenity!

In general, these will be locations where the locals have higher disposable income and are able to and prepared to pay more to live there. Research who lives there, what they do and how much they have to spend, this will give yourself the best chance of success.

9 BUILD A TEAM AND TAKE ACTION

Because everyone lives in a property, many novice investors believe that investing in real estate is easy when it's not.

They try to go it alone or fall prey to spruikers or marketers and soon they are mortgaged to the hilt on a property that will struggle to grow in value enough for them to leverage from it.

The one thing that I hate about the property industry is that salespeople will stitch up a client to make their own monthly quota and sleep soundly knowing a client will struggle to make their money back on a sale in a decade. Don't let this be you!

Intelligent investors take responsibility for their own education but also understand that building a team of experts around them will help them succeed.

They know that they won't ever know as much as the professionals and realise that it will take years and many transactions to gain a true perspective.

So they formulate a strategic plan, get the right finance and ownership structures to suit their needs and only buy investment-grade properties that will outperform the averages. They then regularly review their portfolio's performance to ensure they are on the path to financial freedom.

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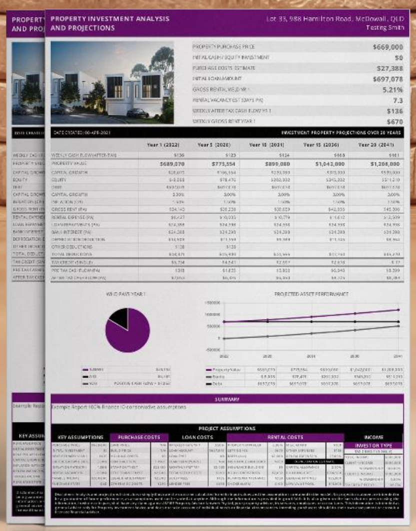

WEBINAR

DATE: Wednesday 10th May 2023

TIME: 7:00 PM for 7:15 Start

RSVP: kathy@ifpadvisory.com.au

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