Great Tips, Strategies and Easy to Access Advice to Fast Track your Real Estate Investing Success!

101 TOP TEN TIPS IN REAL ESTATE

DYMPHNA BOHOLT

Australia's #1 Real Estate Wealth Coach, Mentor, Financial Expert and Property Multi-Millionaire

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Dymphna Boholt

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PO Box 944, Buderim, Qld 4556
Email: admin@dymphnaboholt.com
Website: www.dymphnaboholt.com

Project Coordination by Petra Frieser
Contributors: Justin Boholt, John Barry, Sarah Kerr
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Dedication

Success is never achieved in isolation. There are always many people's talents that come together to create a successful result. I dedicate this book to all the people that have supported me and believed in me over the years; my family, friends and especially my eldest son Justin who co-authors this book with me.

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SPECIAL GIFT

Free Offer and Resources from Dymphna Boholt

Congratulations! You've come a long way already. If you've read this far then you have distinguished yourself from the rest of the pack and elevated your potential to join the top 5% of the wealth builders on this planet.

I'd like to reward you with ongoing education and free resources so you can continue the momentum that this book has created for you. The value of these resources is well over $985.

Gift #1: The Ultimate 1 Day Real Estate Success Seminar. Spend a whole day with me and I will reveal to you my unique real estate secrets quadrant which is protect, maximise, wealth, cash flow. Some teach one or two of the secrets but nobody teaches all four and how important they are in growing your wealth fast.
Value $495, Yours Free!

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Gift #3: Online audio newsletter, The Property Prophet Report. Every week I keep you updated with my audio newsletter. The property market is always changing, get the inside knowledge and the unfair advantage on how to capitalise, regardless of the economic climate.
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To qualify for the bonuses, you need to register at the following exclusive link:

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Introduction

My intention for this book is to create a reference style, educational motivator. One that you could leave on the coffee table (or even in the toilet for when you need to sit a while) and pick up from time to time and read a page or two then contemplate how the various ten top tips can be implemented to make you PROFITS.

There are one thousand ways to make money in real estate. What is important is to find the niche that works for you. What strategy suits your current financial status? What strategy suits your personality? What strategy suits your portfolio, and what does your portfolio NEED next?

The pages in this book are filled with ideas, strategies and tidbits on a multitude of strategies. Use them to learn something new, remind yourself of something you might have forgotten and inspire yourself to **'just get out there and make it happen'** (my favourite saying).

Let me explain why I started this book. It was actually quite a selfish reason. My eldest son Justin decided he didn't want to go to university (yet), and so in an effort to teach him my 'game' – the property game – I decided to utilise his talents and set him a task.

Justin is a really talented writer, with an almost photographic memory. University bored him to tears, so I gave him everything I have ever written or recorded and made him go to every one of my seminars for one whole year and said, 'I need you to reorganise all this information into a succinct, 101 Top Ten Tips in Real Estate'.

This not only taught him a tremendous amount about property and strategy and what I do in real estate, it gave me a really good insight into what a fresh young mind found interesting and important. I then reviewed and added to, and in a few cases, corrected, each tip. It was a double-edged sword; to help my son, and to compile tips and strategies to help and inspire you, the reader.

You may be interested to know, my cunning plan worked – he has bought his first property and yes, of course, it's a positive cash flow deal. With any luck he will have caught the real estate bug and will rebound into deal number two very soon.

Wishing you HUGE success,

Dymphna

Top 10 Tips
on getting started...

1. Your goals

Before you start any type of investing, you need to know what you want. Set your goals and work backwards from there. What will you need financially to get to your destination? You will be surprised how much it helps when you have clear-cut goals and are working with a direction in mind.

2. Your assets and liabilities

You need to get serious with the numbers. Find out where you are. The number one thing you need to remember when trying to figure out your starting position is – don't delude yourself!

What do I mean by that? Well, only count the assets that a bank will lend you money against, or that you are prepared to sell in order to allocate funds towards investment. You may consider your spouse or kids an asset, but unless you plan on selling them and cashing in because a bank won't lend you any money against them, don't count them as an asset. Of course, I'm kidding, but you get the idea.

The same goes for liabilities. You need to include *everything*; store cards, credit cards, car loans, private loans to family, property loans etc.

You may not choose to tell the banking institutions about all of them – but that is not the purpose here. It is for you to get an honest snapshot of your financial whereabouts.

3. Income

Making your position clear. How do you earn income? Job? Business? Remember, if you have negative cash flow properties (you know how I feel about that!), then that money you actually have to subsidise the property with, is NEGATIVE income.

I like to fill out a cash flow statement. The cash flow statement will give you an accurate picture of exactly how your investment properties are performing without the confusion of tax and depreciation in the calculation.

4. Becoming market ready

You need to get your fundamentals in place. Make an appointment with your financial strategist and have them carry out a financial health check. Take on board any other strengths and weaknesses that they may have identified in your portfolio.

You may have to sell a property. Often, my students will have a 'trophy property' that, because of the emotions involved, they cannot see the strain that it's putting on their portfolio.

5. How much Superannuation do you have?

Do you have access to your super to roll it over into a Self-Managed Superannuation Fund? Some government employees will not be able to release their super into another fund until they reach a certain age, as their fund does not allow it.

If you think you have enough super to make it worthwhile, then check out the process to do this with your existing fund. Look at the returns you are currently getting and decide whether you achieve a better result by investing in the fund yourself?

Some accountants will advise you to not set up a SMSF with less than $100,000, whereas the ATO prefers you to have $200,000.

If you only have $50,000 it may still be worthwhile setting up a SMSF and investing in the share market or buying a property in the USA. You would only do this so long as the net return after administration and audit costs is better than where your super is invested now.

Make sure you take into account that the SMSF will have to be audited every year and a tax return done for it and with only a small amount of money invested through your fund – these costs could make your own fund not worthwhile.

6. Remove the clutter from your life

De-cluttering your life is readying yourself. Is your life cluttered with junk and distractions? Are you unable to see through the mess around you to the place you want to be? A messy house is a messy mind. When you have de-cluttered your house, move on to de-cluttering your mind. Learn to meditate or just clear your head. This then makes you ready – physically, financially and emotionally!

7. Money management

Part of the process of moving forward financially is knowing your present financial position. This then allows you to manage your money most effectively. The best way to know your current position is to do a money tracker. You need to know where your money goes and where it comes from.

In other words, to manage your money, you need a 'budget'. No, it's not a dirty word. It is actually an excellent tool to enable you to determine your financial capabilities. It is an important part of your wealth building strategy.

Now go prepare a budget!

8. Becoming aware

Start to notice your surroundings. Notice not just your physical environment, but also the vibes from other people around you. Do some people watching next time you are in a crowded area. Notice how people react in situations or to certain stimuli. For example, are the people around you talking gloom and doom from the news last night? Are they able to rise above this and put their personal self apart from another's bad situation or are they wallowing in the quagmire, bringing themselves down?

Next, look at yourself. How do you react to negativity around you? Journal your reactions and whether they are good or bad. Do something about it if yours are the latter.

9. Market ready

Before you start your first deal, you need to pack your bags and prepare. Make an appointment with a financial strategist and get a financial health check. You want to know if you're in a position to act on any opportunities that you may find in your research and due diligence. You may even have some untapped assets or equities that can positively affect your serviceability.

If you feel confident enough, you can proceed with any recommendations that your financial strategist makes.

It is worth mentioning that if you are going to be a property investor, you want a financial planner/strategist that understands and can give advice on property. Then start the process of accessing any available lazy equity in your properties and dealing with any cross-securitisation issues.
What strengths and weaknesses has your financial strategist identified? These could be a number of things e.g. Will reviews, insurance reviews, trust structures etc. Putting these things into action is only going to speed up your property investing process.

10. Joint ventures

Joint ventures can be an extremely successful tool for starting investors to get a foothold in the property market. You may be time-poor with available equity and serviceability and need someone to handle the logistics and details of the deal or vice versa.

The only thing you have to be careful of with JV deals is correct structuring and partnerships. It is best that you consult a lawyer or solicitor that has a good understanding and specialty for property investing.

A big aspect of joint ventures and partnerships is networking. You need to be socialising with like-minded people that are driven and willing to give things a go. Whether you do deals together or not, having mates in the market is always a good thing. It is important to never burn bridges. I still buy deals from real estate agents that I have known for 15 years or more. Strong relationships with people in the industry can be mutually beneficial.

Top 10 Tips
on goal setting...

1. Setting goals is a must

It's not a coincidence that every single successful person has set goals for their life before setting out to achieve them. They are extremely effective at pushing you to do the things that will benefit your life. You will never get what you want in life if you don't set out to achieve them. That is a fact. So what do you want in life? Would you be happy if you didn't achieve them?

2. Give your goals structure

A lot of people think that setting goals is something that is really easy and that they already have them. That is, until I ask them to write it down. I believe it is important to follow a structure when you are setting your goals, but the most important thing is to actually set them and keep them current, relevant and meaningful, all whilst actually working at achieving them.

3. Create S.M.A.R.T. goals

This acronym is a smart method that was invented by George Doran, Arthur Miller and James Cunningham in 1981 in their issue of Management Review (vol. 70 issue 11). I like it and it is a methodology that has been used and reused successfully in the past.

So what does it mean then? **S**pecific, **M**easureable, **A**ttainable, **R**ealistic, **T**imely.

4. Goals should be 'specific'

A specific goal has a much greater chance of being accomplished than a general goal. To set a specific goal you need to have the age old 5 'W's:

Who: Who is involved?
What: What do I want to accomplish?
Where: Identify a location
When: Establish a timeframe
Why: Purpose or benefits. Why do you want to do it?

5. Goals should be 'measurable'

Establish a concrete criteria for measuring progress toward the attainment of each goal that you set. Answer questions like: How much? How many? How will I know when it is accomplished?

When you measure your progress, you stay on track, reach your target dates and experience the exhilaration and satisfaction of achievement that spurs you on to continued effort required to reach your ultimate goal.

6. Goals must be 'attainable'

When you identify the goals that are most important to you, you begin to figure out ways you can make them come true. You develop the attitudes, abilities, skills and financial capacity to reach them. You begin seeing previously overlooked opportunities to bring yourself closer to the achievement of your goals.

You can attain almost any goal you set when you plan your steps wisely and accurately and establish a timeframe that allows you to carry out your steps. Goals that may have seemed far away and out of reach eventually move closer and become more and more attainable.

7. Goals must be 'realistic'

To be realistic, a goal must represent an objective toward which you are both willing and able to work. A goal can be both high and realistic; you are the only one who can decide just how high your goal should be. Be sure that every goal represents substantial progress. A high goal is frequently easier to reach than a low one because a low goal exerts low motivational force.

8. Goals must be 'timely'

A goal should be grounded within a timeframe. With no timeframe tied to it there's no sense of urgency. If you want to lose 10 kilograms - set a date by when you want to lose it?

9. Maintaining focus

Many people, when they are setting goals, start out really motivated, focused and driven. They then start to gradually decrease in their energy levels until their goals end up becoming forgotten hopes.

I believe this is mainly due to not writing them down and keeping them around you, but also because there is a lack of focus in the long term. Maintaining focus on your goals can be the hardest thing about goal setting. Incidents that are unforeseeable will occur in your life. It is inevitable, and they will distract you.

This is why you need to put strategies in place so that when you feel you have forgotten about your goals or are being distracted by various external forces (work, family, kids etc.) then you need something on which you can rely to bring you back into the right frame of mind. There are many ways of maintaining focus, but one of the most effective (if done correctly) is sharing your goals and using another person to bounce your energy off.

Find someone in your life that is close to you and genuinely wants you to succeed. Go to that person and share your goals. Ask them to keep encouraging and pushing you to continually work at your goals. You can do the same for them. A good idea is to actually write your goals down with them (or together at the same time).

10. Cure for 'analysis paralysis'

You've read what to do. You know how to keep your motivation up and maintain the focus. The next step is actually doing it. I teach thousands of people every year and it always shocks me to see the people that seem so energised and driven to succeed go back home and fall into the same routine without any change in their life. They procrastinate and procrastinate until they sit back into their comfy couch with their pillows of guilt. It's self-discipline and nobody can push you but you.

So what are you going to do? Are you going to let this information fade away or are you going to use this and achieve what you *really* want in your life.

Top 10 Tips
on having a successful mindset...

1. Create your 'peg in the sand'

The most common factor amongst all multi-millionaires is goal setting. They all do it. They always will. I believe it is the most important part of being a successful real estate investor. Take a moment to think about what you really want in your life. What do you need to do to achieve that? Set those goals and put a realistic time limit on them. Give yourself a reward for achieving your goals. This will help you stick to them.

2. Attitude

I think getting your head and attitude in the right space is the first thing you need to do on your road to success. Of course, you will need the right structures, the right financial strategies and all the hard yards, but the reality is, you need your head in the right place in order to succeed at all those things. Be totally honest with yourself and understand that it is just a matter of course; a sequence of events that will take you to where you want to be.

When you can get yourself to that position mentally, without any peripheral doubts, that's when you will achieve success.

3. Action

When it comes to success, wealth and achieving the goals that *you* set; action is mandatory. You have to put in the work and be dedicated. I see a lot of people procrastinate too much. Their thinking gets in the way and causes problems. They are waiting for something to happen. Admit that the problem isn't the universe, but that it is you not taking control. It is up to you to achieve success for yourself.

4. Education

Contrary to popular belief, what you don't know *will* hurt you. Education is never a waste of time; it is power. You'll never learn from the book you didn't read. There is an old adage that says ' The rich get richer and the poor get poorer and the middle class go shopping'. The prophecy of your life is linked to those that are the closest to you. That's why you've got to access the greats. You've got to access great minds and great thinking and learn from them. The solution to your problems is not less education.

5. Self discipline

A simple example of exercising personal power is changing a habit e.g. quitting smoking. Desire is the key factor in exercising personal power. The stronger the desire, the faster and more successful the change will be.

6. Create a 'Bucket List'

The movie 'The Bucket List' was based around two older men with terminal illnesses, who created their bucket list of things to do before the illness took them. I'd advocate making your list while there is still no end in close sight, while you still have the energy and resourcefulness to make it happen.

Creating a bucket list is one of the best ways to make sure you use your time and resources to accomplish and experience what it is that you really want in life. Write down your goals, don't just think of them.

Creating your bucket list:

- Write everything down that comes to your mind without worrying how you'll accomplish it.

- The main things that 'might' keep you from doing the things on your list are money and time. So guess what, if you want to accomplish everything on your list you will need to make more money or free up more time. Why not do both?

- I like to have over 100 items.
- Once you have your 100 items, go over them and see which ones you want to do first. After you've picked 1 or 2 items to complete on your list, go and do them or set a deadline for when you'll do them.

- Continually go over you list (I like weekly) and keep working towards achieving 'X' instead of making excuses.

7. Seven Daily Rituals

I find that structure is the main tool for maintaining focus. To keep focused on improving my life I ask myself, 'What have I done today to improve my life in the areas of:

- Health?
- Wealth?
- Family relationships?
- Education?
- Spiritual Development?
- Gratitude?
- Fun?

8. Vision boards

At least annually, I recommend you do a vision board. This is where you put pictures of things that you want in life on a board and keep it near you in the household or work. This visual representation will help you to focus on realising your goals and what you ultimately want out of life.

9. Your daily meditation

I find that the important thing when working with visualisation or meditation, is to set your intention and detach from the outcome. Always work from an emotional standing of happiness and positive intention. In other words, don't even try when you are cranky or upset. Go for a run or swim or whatever to calm you down and fix your headspace first.

10. Control your company

Hang out with positive, likeminded people. These people will want you to succeed. Having negative company will pull you down to their level of mediocrity. They will sap your motivation, so ditch them and be around people who are like you in your will to succeed.

Top 10 Tips
on protecting your assets...

1. Understanding asset protection

Asset protection can be broken down basically into three areas:

- Structure
- Debt
- Insurance

Each of these has their own merits, but a combination of all three is most likely the best scenario to adequately protect your assets. Basically, asset protection is armour plating your assets. It is as much about prevention as it is about cure. It acts as a deterrent to being sued and places your assets out of the claws of creditors.

2. Structuring can protect you

Buying assets is an important part of your wealth creation, but *how* you buy them is also an important aspect of asset protection. For example, if you buy an asset in your name as an individual or a partnership, you have little or no protection whatsoever; and in partnerships particularly, you bear unlimited liability for the actions of the other partners.

These laws are always changing, and it is up to the specialists in the area to constantly keep track of them. For now, at least, the most protected structure we have available to us in Australia is called a 'discretionary trust' with a company acting as a corporate trustee, or a variation thereof.

The use of structures is generally the most popular choice of asset protection, and provides the most bulletproof protection from litigation and creditors. It is also the most complex and misunderstood area of our legislation, which is why many professionals often only take into account taxation as a reason for structuring, and asset protection becomes a poor second reason, or at worst, is completely overlooked.

3. Debt can be an effective means of asset protection

I understand that it may sound like a strange way to protect your assets. However, when used correctly, debt can be an extremely effective means of asset protection. Of course, before starting the litigation process, a solicitor will generally conduct a search to determine the value of a potential target's assets. If these assets are tied up with debt, and the person is penniless on paper, then the chances of being sued are greatly reduced.

It all comes down to 'friendly' debt and 'unfriendly' debt. It can be categorised as both, and equates to whether or not the tax is deductible. 'Friendly debt' is when you lend money to yourself or your business through the use of trusts and other structures. 'Unfriendly debt' is when you are actually in debt to another person or entity such as a bank.

4. Insurance is there to help

Insurance is everywhere. There's not much that goes on that isn't covered by insurance. Whether it is your weekly game of soccer, buying a new car, going to a concert, chances are you've paid for insurance either in your annual fees, ticket price or through a conscious decision to pick up the phone and cover yourself.

I believe that thoroughly reading and checking your insurance policy is vital. The legal jargon and professional waffle can be over the top, but give it a go and if you are having trouble, ask for the assistance of your insurance broker. After all, that's what they are paid to do. By asking for your broker's help to fully understand the fine print, you will be able to determine whether your particular broker or agent really knows their stuff, or whether they are merely a salesman who is there purely for their commission cheque.

I also recommend having an insurance review on an annual or bi-annual basis with a representative from your insurance company. It is important to know exactly what you're covered for and what you aren't. Have you recently changed your car in some way? Done a minor renovation? You may not be covered, and it is important to notify your insurance company.

Finding the right insurance is often quite hard, and there is no easy answer. You have to find the right combination so that you are completely covered. You need to work out how much you are prepared to spend, and prioritise which types of insurance policy you wish to purchase.

5. Worst case scenario

In Australia, there are two ways in which people can become bankrupt:

- Voluntary Bankruptcy – People can voluntarily declare themselves bankrupt

- Forced Bankruptcy – People can be declared bankrupt as a result of legal action taken against them by creditors to whom money is owed.

The advantages to declaring bankruptcy are that you are released from your debts and no longer have to deal with your creditors directly (this is the role of your trustee in bankruptcy). However, the disadvantages far out-weigh the short term advantage. Not only is there a stigma attached to bankruptcy, but it could also affect your career path. It will most certainly have a negative effect on your credit rating and may also result in certain restrictions being placed on you.

These restrictions can include among other things, the following:

- You may be required to surrender your passport to the trustee
- It can affect some insurance contracts
- On going contributions from your salary may be required
- You cannot be the director of a company

6. Business structures

There are six basic types of business structures that are used in Australia:

- Sole Trader
- Partnership
- Company
- Trading Trust
- Co-operative
- Incorporated Association

Sole Trader

As a sole trader the individual named as the legal proprietor of that business is personally liable to ensure the debts of the business are paid. Legally, as a sole trader, you are acting on your own behalf and are therefore holding up yourself and all of your assets for everyone to see and potentially litigate against.

Partnerships

Partnerships are a very common form of business structure but one that tends to leave your assets exposed to the threat of loss. Partnerships can vary greatly, from very simple to very complex. As partnerships are not a separate legal entity and the partnership of individuals has the same risks when it comes to asset protection as the sole trader structure, there are provisions allowing for limited liability partnerships that act more like companies than sole traders.

Company

A company can be a highly effective vehicle for both asset protection and tax saving purposes, depending on how it is used. A company is a separate legal entity in its own right, where shareholders have limited liability and are therefore not responsible for the company's debts. When you really start to get your asset protection ticking, and your structures are making good money, you will find you will have need of a bucket company. This is a company specifically set up to receive trust distributions. It pays tax at a rate of 30% (the current company tax rate).

Trading Trust

The ultimate solution for both asset protection and tax advantage is to set up a company as a corporate trustee to control or manage a trust that runs the business. What type of trust you decide to use will depend on the style of business, who the owners of the business are, and whether they are related or not. If the owners of the business are Mum and Dad and maybe some kids, the trust selected will usually be a family trust which is a type of discretionary trust.

Co-operative

A co-operative is a registered legal entity like a company, but there must be at least five shareholders and all shareholders have equal voting rights.

Incorporated Association

An incorporated association is a registered legal entity, usually for recreational, cultural or charitable purposes, with at least five members and all profits are applied to the purposes of the association.

7. Wills as a form of asset protection

I'm often surprised about people's views on Wills. "Who cares? I'll be dead." is a statement that I've heard many times. It is ultimately a legally enforceable declaration directing the disposal of a person's property upon their death. If you die without a Will, or with an invalid Will, according to the law, you will be considered 'intestate' and your estate will be divided up according to the legislation in the state or territory in which you lived by the public trustee's office. Estate planning has two main aims:

1. To try to avoid the likelihood of any next-of-kin suffering financially; and

2. To minimise the risk of family squabbles about who gets what.

Estate planning was initially used when there were death and estate duties, and even though these no longer exist, there are other taxes, such as Capital Gains Tax, that make estate planning just as worthwhile now. An estate plan should:

- Be administratively simple to operate;
- Not be too expensive to maintain;
- Balance life-time enjoyment of assets/income with preserving assets for family after death; and
- Be regularly reviewed

The only person who doesn't need a Will is someone who will not die.

8. Liquidating assets

Liquidating assets can be a way to avoid going into more debt to afford a lump sum. If you get sued for whatever reason, or have to pay a large lump sum, you need to decide whether you're better to sell off part, or all of your portfolio, or whether you should use the equity you've built up in those properties over the years to borrow against in order to pay out those obligations. It will always be a tough choice without a perfect answer.

The best blanket advice I can give is to sit down with an experienced real estate agent who can tell you what you can sell, how long it will take, and for how much. You will then contact a skilled mortgage broker, who will be able to tell you how much is available for additional borrowing on each property, and how much that borrowing will cost. From there you would formulate your plan of attack.

9. Planning for the future

Whatever stage you are at in life, you can always be planning for the future through wealth creation strategies, tax savings, retirement and estate planning and most importantly, asset protection.

With such a complex range of insurances and other asset protection choices, to put the pieces of the puzzle together for yourself and achieve your financial and lifestyle goals, you will need an action plan which will determine what is most important and relevant to your particular situation. The key to an effective action plan is to start off with the right advice, and the key to getting the right advice is to make sure you have enough knowledge on the subject yourself so you ask the right questions, and understand the financial decisions and their implications. Don't ever become complacent about your assets either, or you may end up regretting it. Asset protection planning simply means taking steps to preserve your assets before they are threatened.

10. Create an action plan

Step One:
Determine what assets you have and how they are owned.

Step Two:
Identify and write down your asset protection goals. You may wish to keep the family home in your own name (even with all the associated pitfalls) but want to secure your other investments. You may also feel that certain assets are not worth insuring, because their value is too low. A clear outline of what you want to achieve will give your professional advisor a more defined starting point.

Step Three:
Determine what insurance policies you have and what you are specifically covered for – Ensure that you read and understand the fine print. Then make a list of anything that is not covered and prioritise the items on this list.

Step Four:
Work out who your assets will go to upon your death and ensure that you have a current Will and Power of Attorney in place.

Step Five:
Educate yourself! With a little effort, you can learn enough to make educated decisions that may affect your overall asset protection plan. I am a big believer in self-empowerment through education.

Step Six:
Educate your kids and those around you, including friends, colleagues and other families. The greatest gift you can give your children is to educate them.

Step Seven:
Take action. Based on the knowledge you have acquired, make an appointment to see a professional such as an accountant, financial adviser or solicitor and set the wheels in motion for a more secure future.

Top 10 Tips
for making a Will...

1. The importance of a Will

I cannot stress enough the importance of a Will. If you die without a Will, you are considered to have died intestate. When you die intestate, your assets are given to your next of kin through a legal formula. If you have no next of kin, then your assets are given to the state. They then charge their own fees and then whatever's left usually goes to charity.

If you are going to die, then you need a Will.

2. Assets held in trust

If you are one of my students and your assets are sufficiently protected, then chances are, you will have most of your assets held in trusts. Well you may die, but your trusts do not, and consequently the assets that you have held in trusts remain in trusts. What is important, is to pass the control of the trusts to the next generation.

In a typical corporate trustee/discretionary trust structure there are two positions to consider;

1. The shares in the corporate trustee
These shares may be owned beneficially which means they are held in an individual's name. If this is the case they need to be left to someone in that person's will. If they are held in a trust such as a 'piggy bank trust', refer number 2.

2. The appointor of the trust
Sometimes the appointor is called the principal or guardian in older trusts. This is the position in the trust that has the ultimate control as it is the position that can either sack or appoint the trustee and it's the trustee who says who gets what distribution from the trust. This position needs to be passed to the next generation and can be done either in the former

appointor's Will or as an addendum or statement of wishes to the Will. Alternatively a co-appointor can be appointed while you are alive and then this person or persons just continue on after your death.

3. Enduring Powers of Attorney

A Power of Attorney is someone who you assign the legal authority to look after your affairs on your behalf, if you are unable to do so yourself. Choosing your Powers of Attorney is not to be taken lightly. You need to nominate someone who is genuine, trustworthy and financially educated. Usually, there are three different types of Power of Attorney.

A ***general*** Power of Attorney is probably the most common. It is where you appoint someone to make financial and legal decisions for you (typically in a specific period of time). Remember that this person's appointment becomes invalid if you are suddenly unable to make decisions for yourself.

A ***medical*** Power of Attorney can make medical decisions on your behalf if you become too ill to do so for yourself.

An *Enduring* Power of Attorney is someone that you appoint to make financial and legal decisions for you if you lose the capacity to make your own decisions (usually if mentally ill or dead).

4. How to create your Will

I highly dislike the DIY Will kits that you can buy from the Post Office. They're too simple and 90% of the time you will make a mistake. Solicitors do 5+year degrees on this subject, so it is best to talk to your solicitor when making one. The other possibility is getting a Public Trustee, who are often free while you are alive and then charge your estate when you die.

You also need to understand and adhere to the correct witnessing of signatures when creating your Will. Once again, employ the assistance of your solicitor/lawyer. They really are your best friend when it comes to this.

5. Who is allowed to view the Will?

You are allowed to view a Will if:

- You are named in the Will (whether or not you are named as a beneficiary).
- You are named or referred to as a beneficiary (even if not latest Will)
- You would be entitled to a share of the estate if the deceased had died intestate
- You are an attorney who held an Enduring Power of Attorney
- You are a guardian, parent, spouse, de facto partner or child of deceased
- You are a person entitled to bring a claim against the estate
- You are a person (or entity) who had formal management of the deceased's estate.

6. Naming your executor

An executor is someone who is named in your Will to look after your estate. Normally there will be two executors in a Will who will be in the same state and at least 18 years of age. This is for security, in case one executor dies or no longer wishes to act as an executor for you. Remember, if you do not name an executor in your Will, the Supreme Court will appoint an administrator.

It is not only important that you name your executor(s), but that they are people who are trustworthy, genuine and generally close to your age. These people will essentially be responsible for seeing that the terms of the Will are carried out, defending it against any potential challenges and even applying for probate if necessary.

7. Testamentary trusts

I find it appalling that the general public is mostly unaware of testamentary trusts and what they are. Testamentary trusts are just like normal trusts, except created through a Will in order to maintain a stronger level of control as well as some tax advantages.

In 2013, in Australia there are two types of testamentary trusts; discretionary testamentary trusts and protective testamentary trusts.

A ***discretionary testamentary trust*** is where an executor gives the beneficiary (one who will receive assets) a choice to take all or part of their claimable inheritance through the trust.

For ***protective testamentary trusts***, the beneficiary must receive their inheritance through the trust and is not provided the option or choice to appoint or remove trustees. This is typically used for beneficiaries who aren't of age or considered not responsible enough.

8. Does divorce, marriage or birth of a child negate a Will?

The answer is yes, and the answer is no. It is not definite. What is definite however, is that you need to consult your lawyer. It does depend on your situation, Will and the state that you live in (location, not standard!).

Whether your Will has a continued effect or is revoked and cancelled will depend on your State or Territory in which you live. In every State save W.A. and Tasmania, anything provided to your former spouse and any appointments they have under the Will, is automatically revoked (though there are exceptions e.g. children etc).

In Tasmania, the whole Will is completely revoked and cancelled upon the commencement of a divorce. For W.A, the current Will continues to be valid until it is manually revoked and cancelled by the testator (Will-maker).

Does marriage have an effect on your Will? Well, generally, a Will is revoked and therefore invalid (meaning if the testator doesn't create a new Will after the marriage, they die intestate). There are, however, two instances in which the Will stays valid after marriage. That is, when the Will was made with regards to a possible future marriage (they request for Will to remain valid through marriage), and the second is where the Will was created to employ the use of a 'power of appointment.

9. Challenging or disputing a Will

There are many grounds for challenging a Will in Australia. For example; you can challenge a Will if there are clear doubts about the Testator's mental capacity at the time they wrote the Will, if there is an indication of pressure on the Testator into leaving their assets to certain people, suspicions of forgery, unclear witnessing of the signatures, or concern that the Testator did not split the assets adequately between dependants. This is by no means an exclusive list, but some examples of typical challenges.

There is no better way to bring out the conflict in a family than estate disputes. These days, judges have to carry a large amount of discretion when dealing with Will challenging as it is largely derived from Common Law. You should consult your Lawyer to seek advice on your particular situation.

10. Safe-keeping of a Will

Once you have signed your Will and it is properly witnessed and complete, it is time for you to keep it in a safe place. The original copy is the only copy that is accepted in the Supreme Court. You can have your Will registered, but contrary to popular belief, this does not mean it is stored. If you are looking for a relative's Will, some common places are; among other legal documents, banks, deceased's lawyer, deceased's accountant etc.

Top 10 Tips
for time management ...

1. Avoid the distractions

You need to protect the time that is spent on your personal development. It can be stolen by a thousand distractions, and in a busy life, you need to make every minute count. When you are juggling many competing interests, your focus can be lost, so make time for 'you'. Pencil 'me' time in your diary.

2. Create a weekly time schedule

Create a weekly planner. Set out and account for every hour of your week. There are many time wasters that will interfere with your work / investing. Emails and phone calls can be very disruptive. Set aside two time slots per day to deal with these. I schedule late morning and late afternoon time slots – this ensures that I catch up on all the important and pertinent communications. This is especially important if you are working from home. You need to learn to ignore the interruptions during your working hours. You need to have concentrated focus time.

3. To-Do-Lists

A to-do-list is very beneficial. Each day you need to prioritise your work-load and systematically work through it. Anything that was a priority for the previous day, that was not finished, goes towards the top of the next day's list.

When sourcing a deal, don't think that meandering all over the internet is actually working. You must be specific in your searches. With any tasks in this business, write a specific objective statement before you start. It will help you to keep focused. Then do it!

4. Becoming a problem solver

We, as humans, are innate problem solvers. All through history, if man had a problem, he looked at how he could solve it. If we clearly outline our goals or tasks to be accomplished, we go about achieving them - look at the problem and solve it. It is too easy to flit around from task to task and ultimately achieve nothing.

5. Prioritising

Reprioritising is another time waster. Everyone is guilty of it! We can all be accused of finding something else that is much more important than the task at hand. For example, you may not like cold calling – calling real estate agents for example – so you put it off and bake biscuits for the kids instead! I will admit that I'm guilty of this, but that call to the real estate agent that you put off making may have been the million dollar deal.

6. Avoid procrastination

Procrastination is another great way to put a hole in your time management schedule. After your initial thinking through of the task, and your list making, get to work! Thinking about it won't see your end result, and over thinking things is a waste of time.

7. Recognise your fall back position and stop it

Everyone has a fall back position or activity. This is what we do when we should be doing something that we know will take us closer to our goal, but it might be uncomfortable or boring or tedious. All of us will have a common activity that we justify to ourselves as being productive, and often even vitally important, that we prioritise over the things we really need to do. What is your fall back activity?

I'll let you in on a little secret – here is mine. When I have something I know I should be doing but for whatever reason I don't want to – I am very good at convincing myself that I NEED to be a good Mum and bake some biscuits or cakes for my kids - talk about false justification.

8. Time tracking

If things are out of control and you are really having trouble managing your time, do a time tracker. You may think that this is a poor use of your time, but it will get you results. As an accountant, I was taught to use six minute intervals per client. My time was broken down and costed out in six minute timeframes. I'm not asking you to track your time in six minute increments, but fifteen minutes to two hour timeframes would suffice. This will identify how you are spending your time. This time tracker can then be analysed to see if you are using your time to service your best interests or if you are frittering it away. It can help you correct old bad habits. I know it can be painful, but well worth the exercise.

At the end of the day, it's your choice. If you want a good grasp on time management, do the tracker, analyse the results and make a commitment to correcting the habits.

9. Write a Mission Statement or an Outcome Statement

Before you start any task whether this is researching a property, phoning agents, chasing up tradies etc., write a mission statement or what is sometimes called an 'outcome statement'. If you have a clear objective from your time allocation you are automatically pre-programmed to achieve the desired outcome. Time wasting comes from not having a defined result in mind before commencing. Try it. It works a treat, with everything.

10. Allow yourself some thinking time

We, as a nation, do not think enough. How much time do you actually spend thinking? Thinking about you and your financial future and where you want to go, who you want to meet, how you want to spend your time, or how you want your life to pan out? In reality, probably not much and certainly not enough, especially when you take into account that we have somewhere in the order of 10,000 – 90,000 thoughts per day and of these 98% are repetitive. That's a lot of wasted energy and brainpower. Our thoughts are very powerful – so make sure they are positive ones, otherwise you are better off not having them at all.

Top 10 Tips
for saving dollars ...

1. Create a spreadsheet of your spending patterns

Do you know what you spend your money on? It is important that both you and your partner keep an accurate account of your current spending patterns, if you are serious about saving. This will give you an indication of where you can start to make cuts in your spending and save, without living like a monk. Some of your lazy lifestyle habits could be the leaks in your budget. Taking lunch instead of buying it every day can save you a lot of money over a year. Monthly magazines can be very costly, and so too, can a few drinks after work. All of these are fine on an occasional basis, however every day they can be eating away at your hard earned cash. An account of your spending will highlight where you can make cutbacks.

2. Try making a meal plan

How often do you buy take away meals? These are often expensive and unhealthy. Try making a meal plan every week. You will be prepared in advance so you do no need to be making a decision about dinner when you are usually tired and hungry. Look online for diet and meal plan books. They will save you money and time.

3. Luxury item vs. necessity

Is mindless entertainment worth it? Do you really need pay TV? Can you reduce your plan to a lower monthly fee if you cannot escape the contract immediately? It continues to amaze me that research shows that the Australians who earn the least and depend on the social security system the most, are the biggest subscribers to pay TV. Luxury or necessity?

4. Credit cards

Cut up your credit card. This can be a frightening thought if you have come to rely on it for your daily essentials. However, if you're serious about eliminating your debt and unable to resist temptations for buying items, this is necessary.

5. Shop around

Once you have your debt under control, and you feel you must have a credit card, shop around for the best deal. Look for low interest rate plans with a long interest free period, and pay your balance off completely each month to avoid it becoming unmanageable.

6. Sell your old junk

A cluttered house causes a cluttered mind; you need to make way for new and better things to come into your life. All your old junk, while useless to you, could be just what someone is likely to pay you money for. If you don't use it, lose it. The internet is your best friend for this with sites like eBay and Gumtree.

7. Factory 'seconds' and scratch and dent sales

If you are in the market for white goods and other major price items, look at the factory seconds and scratch and dent sales. A scratch on the side or back of your washing machine will make zero difference to its performance.

8. Reward yourself for budgeting

It is important to keep a list of your target goals – some small goals for along the way and some large ones to keep you focused on the bigger picture. The more you share your goals and reward your objectives with family and friends, the more real you make the achieving process. Obstacles appear when you cease to focus on your core objectives.

Choose times when your surplus is sufficient to reward yourself and your family. Without regular rewards, the budgeting process can be soul destroying and counterproductive, as it is easy to slip into an attitude of poverty rather than one of wealth and abundance.

9. Online banking

Use online banking. Banks have been pushing it as a form of banking and they prefer it. Consequently, there are incentives. You can save money on pointless paper billing costs and you will find that you're more in touch with your financial accounts.

10. Buy in bulk

It's not an urban myth... buying in bulk saves you money. It works especially well for non-perishable items that you use regularly (plastic bags, stationery, laundry detergent, nappies etc.). Not only will you save cost per usage over time, you will not have to continually go shopping for them.

Top 10 Tips on researching...

1. Start with what you need

Find out what you need next in your portfolio. Do you need to build up your equity? Cash flow? Chunk deal? Long-term wealth? Talk to your financial strategist and find out what your weaknesses and strengths are, and work on them. From there you will know what type of property you are after and which strategy suits you best.

2. Where are you going to find it?

Find out where you want to invest. How far am I prepared to travel? What does the deal look like? Do I need to travel further to find better deals? Make a list of characteristics that you want and then locate a town, area or even city that fits your list. Once I have found a place that I think is not only a good market to target, I will write down a plan of attack and allocate a schedule of time for me to work on researching and sourcing the next deal for my portfolio.

3. Grid Analysis

Grid analysis is an aspect of real estate investing that is extremely important when canvassing an area for profitable deals. It is a tool for systematic analysis of a particular area. It can help you greatly in areas such as time management, focus, area selection, understanding the market, and knowing what strategy to apply.

Firstly, I will start by identifying the price levels of properties that are selling in any given area. I will then start to identify boundaries by looking at council maps (town plan, density zones) and from there, I can gauge the council's attitude. This enables me to work on the feasibility of the project.

4. How to do it

After selecting the area you are interested in, you should get a visual representation of that area. You can usually buy these from the council for about $20-$30, or electronically (prices vary). I then draw grid lines on the map at a reasonable amount of density, which will often change depending on the total population of the area. I will then start working through the grid squares in a methodical way. To do this, select a grid square to start. Identify the suburb(s) within that square. Choose a suburb (if more than one) and then start to identify pricing levels within that suburb and the council that has jurisdiction in the identified area and council planning parameters (local plans, density boundaries, changes, costs etc.). You then need to identify broader economic supply and demand pressures going on in the neighbourhood - commercial developments (shopping centres etc.), infrastructure spending and community change. From this, you will be able to see places that have a potential for growth, whether they be surrounding areas to CBD, higher socioeconomic areas etc.

5. Identifying price levels

Identifying price levels is a relatively easy, but often time consuming practice. A good website that is useful when finding prices is www.realestate.com.au and also www.homepriceguide.com.au. You are going to want to have an idea of variations. Are they in the low, mid, high price range? Are they houses? Are they units? Is it land?

Ask yourself what strategies would work in what areas. I like to cull the search areas by understanding what price level I am looking for.

6.Know the current and future town plan zones

Find out, through council websites and online council .pdf files, what the current and future town planning zones are in the area you're interested in. Is there urban renewal going on? Are the demographics of the area changing? Increase in subdivisions /strata titles? Are lot sizes changing? Who are the buyers and sellers? Ask these questions, of yourself and of your town planner, and you'll be able to confidently know if an area is getting special attention from the council.

I also like to know what is selling in the area (particularly if I plan to sell), by talking to a variety of different agents in the area. What I find works, is if you put yourself in the position of a buyer – would you buy what you are producing?

7. Road infrastructure searches

- Type "Main Roads Australia" into Google to find the main road department for your state.
- Search for project works within the websites
- Look at expanding areas
- Show roads planned for coming years
- Look at the aerial images of infrastructure
- From there, find out the statistics and project costs.

The government releases an annual report from the Main Roads Department of Australia, which shows a comprehensive report on the projects undertaken as well as case studies etc. These will vary depending on state websites.

8. State infrastructure searches

Department of Planning websites are a great source of information when doing grid analysis or any type of market research for that matter. Each state varies, but most of the websites will be able to provide you with information on topics such as:

- Reports on major projects and planned infrastructure
- Urban and regional planning
- Growth strategies
- Population forecasting
- Land planning
- Fact sheets, plans and satellite images

You can find these websites at:

- New South Wales – Department of Infrastructure, Planning and Natural Resources – www.dipnr.nsw.gov.au
- Northern Territory – Department for Planning and Infrastructure – www.dpi.nt.gov.au
- Queensland – Department of Planning and Infrastructure – www.dpi.qld.gov.au
- Western Australia – Department for Planning and Infrastructure – www.dpi.wa.gov.au
- Victoria – Department of Planning and Community Development – www.localgovernment.vic.gov.au
- South Australia – Department for Transport, Energy and Infrastructure – www.infrastructure.sa.gov.au
- Tasmania – Department of Energy, Infrastructure and Resources – www.dier.tas.gov.au

9. Research tools

In Australia, there are a wide range of property data research tools, and they are either the property god's gift to investors or can be expensive, confusing or just don't work as well as they could. You would be surprised at how much time you can save by just using the tools that other people have created. The following are just some of the tools that I use and find to be highly effective when carrying out my due diligence on a deal.

Real Estate Investar: Real Estate Investar is a search engine for property that acts as a sort of 'data-spider'. It searches, records and filters all of the real estate websites and gives you the ability to easily track down the information you're looking for. It is a piece of software that can perform a number of tasks like:

- Searching investment properties for sale
- Perform valuation estimates
- Research data on suburb and property trends
- Analyse financial viability of a deal
- Help you to learn investing strategies and principles

Archicentre.com.au: Archicentre is a website that is owned by the Australian Institute of Architects. It provides up-to-date information on building, construction, design, inspection and service costs. It is a very good source of information when you are doing any type of build.

10. Developing a system

It doesn't matter what type of person you are, whether you're visual, organised, anal, or slovenly, so long as you have a consistent system to help you carry out your due diligence and research properly.

When sourcing a property deal, after you've ascertained your direction and the appropriate strategy, you are going to be looking at multiple properties which will likely entail multiple feasibility and due diligence studies. Develop a system that works for you to help you efficiently and effectively know whether a property deal is the right one for you.

Top 10 Tips
on creating your business plan...

1. Business plan?

Most property investors will be in a position where they need to do a business plan to some degree. It may be a business plan on whether you should be buying a particular property or not. Maybe you need to do a business plan because you want to do a joint venture with someone else? The point is, the numbers have to be done first. It should flesh out the project and convince the reader that it is a profitable investment.

I have found that doing a business plan will bring a lot of the nuances out; a lot more than a feasibility study will.

2. So what does it entail? What's in it?

Your business plan outline should look something like this:

Executive Summary

a) Objectives
b) Mission
c) Keys to Success

Company Summary

a) Business Overview
b) Company Ownership
c) Company History (for ongoing companies) or
d) Start-up Plan (for new companies).
e) Company Locations and Facilities

Products and Services

a) Product or Service Description
b) Competitive Comparison
c) Sales Overview, Forecast and Proof
d) Sourcing of product and costs of fulfilling service

e) Technology required
f) Future Products and Services

Market Analysis Summary

a) Market Segmentation
b) Target Market Segment Strategy
c) Market Needs and Customers
d) Market Trends and Seasonality
e) Market Growth
f) Industry Analysis
g) Industry Participants
h) Distribution Patterns
i) Competition and Buying Patterns
j) Main Competitors

Strategy and Implementation Summary

a) SWOT Analysis
b) Value Proposition
c) Competitive Edge
d) Marketing Strategy
e) Positioning Statements
f) Pricing Strategy
g) Promotion Strategy
h) Distribution Patterns
i) Marketing Programs
j) Strategic Alliances
k) Milestones

Web Development Plan Summary

a) Website Marketing Strategy
b) Development Requirements

Management Summary

a) Organisational Structure
b) Management Team
c) Management Team Gaps
d) Personnel Plan

Financial Plan

a) Important Assumptions
b) Key Financial Indicators
c) Break-even Analysis
d) Projected Profit and Loss
e) Projected Cash Flow
f) Projected Balance Sheet
g) Business Ratios

3. Executive summary

This section is usually written first and then once you have worked through the rest of the business, you will probably have to go back and either re-write it or at least tweak it to reflect the essence of the body of the business plan. The executive summary should outline the objectives of the project – what it is you are trying to achieve – both for you and the other party / audience / JV partner.

4. Company summary

This is where you would introduce yourself and your history along with your experience. A brief overview of the structure through which you are doing the project and an analysis or how any joint venture would be structured into the deal should be included as well.

5. Products and services of the deal

This is a detailed description of the deal – how the project will be carried out and a summary of the planning schedule which indicates expected completion dates, and a statement of the exit clauses for both parties. Most joint venture partners or even financiers want to see where they can exit the project and with what profit. A joint venture partner wants a deal where they can join forces, do the deal, make some money and then be able to move on. They do not want to be joined at the hip with you forever.

It is in this section that you would try to sell the deal to a prospective reader. You should work through a 'cost benefit analysis' of the deal and how it affects all parties involved.

6. Market analysis summary

This is where a market analysis is worked through. It should include any due diligence you have done on the project such as historical sales data of similar properties in the area, costings of equivalent projects that either you or others have completed, and how their profitability worked out.

7. Strategy and implementation summary

This is where you would carry out a 'SWOT analysis'. You look at the strengths, weaknesses, opportunities and threats of the project. This analysis would take into account your pricing strategy of the end completed project and your marketing plan of how you intend to sell the project upon completion.

This section should outline a possible 'Plan B' for every stage of the project and corresponding values at each stage of the project. This plan B should also take into account the relative risks associated with the project at each stage of its development.

8. Web development plan summary

This section really only relates to business and doesn't need much attention from a property project perspective unless Web marketing is a major part of your sales exit strategy.

9. Management summary

This is where who does what in the project is detailed very thoroughly. Both you and any potential investor need to be very clear on whose responsibility it is to organise, supervise, finance and carry out each stage of the project. A detailed schedule of all contractors, professionals and consultants should also be set out in this section.

10. Financial plan

Finally, this is the section where a spreadsheet of income and expenses is put together. This Profit and Loss Statement should be broken down into project stages and timeframes.

The spreadsheet could highlight any assumptions that have been made in the calculation and should take into account a sensitivity analysis on how the project will perform and what will be the bottom line profit of the project if factors such as interest rates change or building costs rise, or the project is delayed due to bad weather etc.

A break-even calculation should be done to work out at what point the project is neutral; e.g. what is the lowest price the project could be sold for and still not lose money.

A month by month, or in some cases, a weekly cash flow, needs to be calculated so that all parties know what the project funding requirements are going to be and who needs to be contributing what amount of funds at what point in time.

A balance sheet of the project could also be useful, although in most cases the assets of the joint venture excluding the project asset would be minimal. And finally, the short, medium and long-term projections for the project are calculated, particularly if the project is large and complex. Calculations such as ROI and the use of graphs could also be advantageous in the business plan depending on the project.

A business plan, if done properly, really makes you analyse the project in detail, look at the exact process of completing the project, and acknowledge any risks associated with the project as well as the expected profitability of the project.

Top 10 Tips
on kids and money management...

1. Allowances for jobs

Allowances or 'paid chores' are a very popular and simple way of teaching your children money management. I find that paying money for particular jobs that children do, can be extremely effective for younger kids who want to save for their next toy. However, as they get older, more effective and complex strategies can be put in place.

As an example, I once said to my youngest son that I would pay him $1 for every gladioli bulb that he collected on the farm; he ended up receiving $160 after I told him that he had collected enough. As the parent, it is more about vision and motivation, than it is about how much money and what job it is. I personally have tried many systems with my children and have found out what works best for them - I could not have got my eldest son to collect that many gladioli bulbs.

I have implemented systems that allow interest, credit/loans, cheques and income protection insurance in case they get sick. Whatever system or offer you decide on, remember, it is less about the money you pay them and more about the fundamental skills and habits they adopt.

2. Savings account

Percentages are something that 10-12 year olds are learning about in school. I find that at this age, it is a good idea to approach them with a strategy to save money for when they are older and need to buy a car or something. Go to them and say that they should save 30, 40 or even 50% of their income and not touch it until a certain age. Do some figures with them and show them the possibilities. I also find that this is a good age to take them to a bank and set up their own bank accounts, especially if they decide to put in a savings program.

3. Credit and loans

I have also offered to be their faux-bank. I said that I would lend them money so they could buy something that maybe they couldn't afford at the time. For example, if they had saved $10, and wanted to purchase something worth $30, I would loan them $20 and charge 12% interest a year (1% a month as a year is hard to comprehend). I explained to them the concept of interest and it took a while to grasp the idea. However, once they did, they were delighted to find out they could buy things they couldn't afford (much to my dislike).

If they ever went into debt, they had to write it all out. They had to show how much their loan was for, the date and interest to be paid (which I of course helped them out with). These type of basic real life simulation strategies are a fantastic method of teaching children what happens in the adult world.

4. Tax is a good thing

If you are paying your child an allowance or 'money per job' type deal, then you should consider implementing tax. Tax is something they are inevitably going to learn about, so why not have a positive influence on their education? I would tell them that in the real world, everyone had to pay tax and that it wasn't a bad thing. I taxed them a flat 10% and it was displayed (and locked) in a jar. Anything that went into that jar was used to pay for things that would benefit the entire family. It taught the kids that tax was not necessarily a bad thing and it would ultimately come back and benefit them in some way or another.

5. Shopkeeper

There is no better way to teach a toddler-age child about money and its value than playing shopkeeper with them. Teaching them that things have different monetary values is a huge step in their development. They need to understand that a toy is worth less money than a car (although it may not be to them). Sit down and trade things with them.

6. Buying and purchasing with their savings

You should encourage them to save, but don't be openly opposed to them spending it on material things like toys or lollies. They need to understand that if they spend their money all at once, they will have no money to spend in the future. If they want to buy something with the money they have saved up, make sure they actually carry out the transaction themselves.

It's important that you don't get carried away with protecting them and ensuring they make the correct decisions, otherwise they won't learn. If they make a mistake or have a bad habit with their money management, as long as it's not too destructive, let them come to the realisation themselves. It will be a more valuable lesson.

7. Recordkeeping

As they get older and into their teenage years, the motivation will wear thin and they will be less likely to be as enthusiastic. It is important to actually recognise they are getting older and to engage their brains a little more. Getting them to do things like filing of receipts or bills or any general administrative work for you, will teach them the processes of record-keeping that they will ultimately adopt when they are old enough. If you can read, then you can file.

8. Entrepreneurial skills and pay structures

Some pay structures will encourage more entrepreneurial behaviour than others. Much like the example of the gladiolis I did with my son, their approach will differ depending on the structure. Had I said to him that I would pay him $20/hour for collecting the bulbs, he would've been less productive and not worked as long. What can you do to motivate them? Commission based payment? Finder's fee on a property deal you purchase? Hourly rate? Don't forget that you can consult your children as to which one they would prefer to work under (provided they are willing to do some things for cash).

9. Your attitude to money

Your outlook on money is meaningful to your child. Parents often don't realise how much their children are influenced by their parents' ideologies and views on things (money, political etc.). You need to make sure you have a positive approach to money and wealth. Be conscious of what effects your behaviour will have on your kids. Do you harp about a lack of money? Is money hard to get and elusive? Break whatever stigmas and misconceptions you may harbour.

10. Encourage them to be philanthropic

Start them thinking about kids less fortunate than themselves and start a family charity jar where part of their earnings and savings goes towards helping someone else. Whether it is buying a toy for another child at Christmas time at K-mart or giving to a particular charity, this habit will stay with them all their lives.

Top 10 Tips
on getting children into real estate...

1. Giving them confidence
When buying your first property, it is always a daunting and frightening process, even more so when you're young and straight out of school. Therefore it is important that you provoke enthusiasm in your child by giving them the confidence they'll need to do all the things as part of buying a house (talking to real estate agents, solicitors, bank managers, etc.). Particularly if it is an investment property, try going through the figures with them slowly and carefully so they fully understand the opportunities and requirements that need to be met.

2. First Home Owner's Grant
You cannot use FHOG (First Home Owner's Grant) for an investment property. There are conditions around how long you have to live in the property, so be sure to check with your finance strategist or bank/loan manager. It also means that you have to purchase the property in the purchaser's name. For this reason, you are better off saving FHOG for a chunk deal that you intend to live in, or a property you want to live in for quite a while.

Finding out that, as a young adult, you can receive a significant amount of money from the government for 'free' is going to make your child feel pretty happy about using it. Thus, it is important that you consider all the possible options that come along with using the FHOG, or holding it to use later.

Remember state and federal grants vary from time to time depending on the government of the day so make a point of going through the respective websites and checking out what is available.

3. Joint venture

It is very easy to set up a joint venture trust structure in order to purchase a property together. Before undergoing a JV with your child, be sure to write down all the terms you agree on. Who is the money partner and who is the working partner? Whose name is the loan going into? These are all questions that need to be asked and agreed upon prior to going into business with each other as sometimes the lines can be blurred due to having lived together with each other for years.

4. Aim for a higher LVR

If you're looking to help out your child, rather than acting as a guarantor (which can have considerable risks involved), it is better to help them pay for the deposit with a lump sum loan, or help out with the repayments and aim for a higher loan-to-valuation ratio, which will in turn decrease the amount of the initial deposit and reduce the monthly / weekly / fortnightly repayments.

5. What have you done?

If you're an avid property investor, be sure to run them through the deals and investments that you've done. Once they've seen you go through the process, they should be a little more energised about the idea of investing in property.

6. Show them the money!

Maybe it's just my kids, but I think it's just most young adults in general, they often don't see the possibilities that come from passive income and long term financial goals. If you sit down with them and show them what an extra $200 dollars a week for nothing could do for them, you can really excite and motivate them.

7. Family guarantor

Many parents often 'gift' or 'lend' their child an amount of money to help them get started on their first property, this is probably the best way you can help your child into a property. However, if you for whatever reason, are unable to gift or lend them money (which majority of parents aren't), you can be the family guarantor of their loan. This works by the bank taking security over your child's loan but also makes it your loan. If the loan repayments don't come in on time, you are at risk.

This process can have bad publicity for the bank. I remember a court case where a pensioner grandparent was the guarantor of a loan that didn't go to plan and she lost her home. I believe the bank had to give her back the home as the lady was allegedly 'ill advised', but it just shows you the consequences that could potentially be around the corner. It is worth mentioning that being the guarantor of your child's loan will negatively affect your own serviceability to the banks.

8. Bring their friends on board

Your children will be much more courageous going into a business venture deal if they can chat about it to their friends or even with their friends involved. Depending on the figures of the property, your child can purchase a home with some extra bedrooms that can be loaned out to their friends or roommates.

This way their loan repayments are cut down by a lot (due to the rent coming in) and will not inhibit your child to do something extra with the property whether that be renovating, subdividing etc.

9. Help them figure out what they want

It's pretty common to have a child that doesn't know what they want. Show them that doing a little property investing on the side of whatever they want to do can be a lucrative and positive force on their life. Do they have any hobbies? Go through it with them and show them how an investment property could help fuel their hobby. It's important not to get frustrated due to their indecisiveness; the world has changed a lot since you were going through this kind of thing and they just need to see for themselves where they want to be.

10. Do up a budget

Depending on how old your child is, they probably haven't had extensive experience in budgeting. Whip open an Excel spread sheet and go through their expenses, savings, income, etc., with them. This will be an excellent life lesson for when they're older and actually need it.

Top 10 Tips
on motivation in real estate...

1. Keep a scoreboard

What are your goals? Do you want to have $100,000 passive income a year? I don't know many people who would say no to that. Keeping a scoreboard is an effective way to maintain your focus on your goals. Put a whiteboard up in your living room or on your fridge, and each time you get a little bit closer to that goal, record it and keep track of it. If you have young kids, get them involved. They will be equally (if not more) excited about the whole process.

2. Train your self-discipline

A simple example of exercising your personal power is changing a habit e.g. quitting smoking. Desire is the key factor in exercising personal power. The stronger the desire, the faster and more successful the change will be. If you really desire a millionaire lifestyle, then you need to use your self-power to make it happen.

I see a lot of people get discouraged, when trying to build up their self-discipline, because they start too big. Start small, and build up into larger habits that you may have. It will keep you motivated and moving forward.

3. Take notice of the 'saps'

Often, when we start out all energetic and motivated to try and change a habit or achieve something, there will be something or someone that saps out energy and motivation over time. It could be not getting enough relaxation time, watching the negativity on some TV shows, mixing with people who pull you down rather than emit positive energy. It could be anything. You can counteract this by understanding what those factors are that sap your energy and motivation. Sometimes if it is people near to you who affect your motivation, you need to look to see if there is a compromise?

4. Share it

This can be a good thing or a bad thing, depending on the attitude of your confidant. If you have someone in your life that genuinely wants you to succeed, then tell those people of your motivations and your goals. Share with them your energy and they will bounce it back. Unfortunately, Australia is renowned for having the Tall Poppy Syndrome, so be careful not to talk to the people who you feel might criticise your newfound energy and focus.

5. Reward yourself for your hard work

When setting up your big goals, look for smaller goals along the way. Anywhere along the line where you can stop and look at your effort, and feel you have achieved, stop and reward yourself for your hard work. It will strengthen your will to achieve further.

6. Don't try to be perfect - be better

We are humans and therefore not perfect. Stop trying to be perfect. It will not happen and you will lose your motivation. Instead, constantly work on being better. If you keep trying to improve just one thing a day, you will see an extraordinary change in a year's time.

7. Change your perspective on failure

A big part of this is learning to overcome setbacks. In life, and property investing too, you are going to see setbacks, obstacles and failures. The best thing you can do about them is to learn from them. When you run into an obstacle, learn from it and become stronger and thirstier for success. Take it as a challenge.

8. Think about things you like to do

Write down a list of things that you genuinely enjoy and find to be uplifting. Why don't you do these things more often? Not enough time?

Money? Whatever it may be, use them as a motivation. Property investing is a terrific way of setting yourself up to do these things more often in the future. When you are feeling too stressed or busy to continue, and have no time to do these things, take a deep breath and contemplate your life while doing these things. Think of your future self.

9. Perspective of motivation

You have to change your perspective on motivation. I find that viewing motivation as an elevated plateau rather than a burst of energy and gradual decline helps me keep focused. If you are motivated by something (e.g. a new book, movie, knowledge etc.) then you are not the same person you were before; you are better; you understand the motivation you have been given and it drives you. Think of motivation as a level up, not a temporary burst.

10. Monitor your thoughts

Make sure you keep track of what kinds of thoughts go through your head. You need to quell any negative thinking immediately. If you find yourself thinking anything but positive thoughts, take a deep breath and think of your goals.

Top 10 Tips
on feasibility studies...

1. What is a feasibility study?

A feasibility study is simply a calculation based on known and/or assumed information of whether a project is profitable or not. Sometimes a feasibility study is also called a 'cost benefit analysis', because what you are doing is assessing the cost of a project against the potential benefit or profit, to analyse whether the project is worth the time, money and effort required to make the profit.

You should always have your feasibility study completed pre-purchase. It is no good spending time and money on an investment only to find it is not a feasible proposition at all.

2. Work involved

Cost each stage of the project and create a 'work-to-be-done' list. Sometimes not every step can be accurately priced and an estimate will have to be used. Try to gain as much information as you can from quotes with timeframe limits. Write down who will perform each stage of the project (and record their contact details so you will have them in future). Is it you, or will it be a tradesman or consultant? This will be the basis of your continued database of professionals and tradesmen.

I also like to find out if there is anything I personally will be doing, and calculate my hourly rate (by using an estimate end sale price or wherever your profit comes from).

3. Timeframe

Remember, time is money and the last thing you need is an overrun on your project for which you have to fund the holding costs. A budgeted time schedule will more accurately allow you to determine your bottom line profit and assist you to decide whether the project is worth doing.

Create a time schedule in whatever form that you feel helps you and stick to it.

4. Market analysis

List out comparable sales in the surrounding area of similar completed projects. For example, if the project is a renovation, list out what fully renovated, similar size houses on similar size units have sold for in the area. If the project is a build and construction of a block of units, find out what new units of similar size etc., have sold for.

5. Does it suit your portfolio?

Your next property investment needs to make sure that your portfolio has the 'get-up' to move forward. Yes it may make you a lot of equity or passive income, but you need to think of your next move or investment. Consult your financial strategist and put together your business plan.

A financial planner / strategist that has a good understanding of property investing should be able to tell you whether your next deal should be about increasing your equity or passive income.

6. SWOT analysis

A 'SWOT analysis' is mainly used in commercial property investments, and is an extremely effective tool to help understand your market. It should be done in your feasibility study and should give an indication as to the profitability of your tenants (and therefore yourself).

SWOT is an acronym for Strengths, Weaknesses, Opportunities and Threats. Doing a SWOT analysis means you assess your strengths, your weaknesses and if there are any external opportunities or threats that may affect you and your business. It is as much a part of your general due diligence as your actual feasibility study.

7. Loans, funding and numbers

You need to look at what type of loan you are going to use. Work out exactly what the payments are that you'll be making weekly, monthly and yearly and calculate that into your feasibility study. What are the numbers saying? Are you still profitable? What could happen that would put you at a loss? Possibility of that happening?

8. Your time

This is something that often gets overlooked. How much time will this take from you? Will you have a project/property manager look after it for you? Can you afford to run and care for the investment in the long term? You do not want to set up a block of units without doing the numbers on property management fees only to realise that you don't have the time to manage it yourself. Ask yourself how much time the investment is going to take from you.

9. Identifying and understanding the risks involved

There is always going to be risks in investing. That is a fact. However, there are things you can do to protect yourself. Fortunately, property investing is significantly less risky than other investment vehicles. Consult your financial professionals (accountant, lawyer, financial planner) and find out where there is risk and what you can do to mitigate it. Trusts, insurance and contracts are all useful factors to consider and take full advantage of when you are investing in property and trying to minimise your risk factor as much as possible.

10. External forces on the market

There are both beneficial external forces and harmful external forces that can affect property in any given area. For example, the introduction of a golf course or a nuclear plant will have huge influences on property prices in the area, regardless of historical performance.

Another example is in mining, what ore bodies are likely to have a strong future in terms of supply/demand? If you are investing in mining towns for the purpose of growth, you need to look at the ore body itself (not just 'ore', but things like coal seam gas, oil etc.). Is there an interest in the ore from large corporations and international investors?

Take a look at any future zoning changes or infrastructure funding that is being funnelled into an area to better understand the potential external forces that may affect your property.

Top 10 Tips
websites & software for investors...

1. iLoveRealEstate.tv

iLoveRealEstate.tv is my website where I upload daily and weekly webinars and podcasts with special guest speakers, talking all about real estate, investing, and how to make the most out of your investment dollar. You can learn tonnes from this website that will help you to become extremely successful at real estate investing. I go through things like tax audits, auctions, motivation and mind set, asset protection, passive income in property and much more.

2. Investar

This is a piece of software that compiles all current relevant property data and gives it to you in an extensive and accurate search engine. I love using this program for any type of research that I need to do (comparable sales, days on market, average price listing of an area and much more).

3. Archicentre.com.au

This website is owned by the Australian Institute of Architects, and provides up-to-date information on all building, building design, inspection and advice services costs. Archicentre can be extremely helpful for you when doing constructions.

4. PlanningAlerts.org.au

I use this site to search for any type of development applications around properties and they can provide email alerts. It is really simple to use and can tell you crucial information about what is happening in your area simply by typing in your address.

5. Delicious.com

This website lets you save your links and bookmarks, and is really useful if your memory isn't what it used to be whilst searching for properties online. Easy to use and free!

6. SmartDraw

This program lets you easily create graphs, floor plans, charts, mind maps and much more. Incredibly easy to use and helpful. I use this for any presentations or charts for meetings.

7. Google SketchUp

This is quite popular among those who are tech savvy enough and want to ensure that their plans are crystallised. SketchUp is a CAD program that lets you draw up house plans, although I only use this as a rough draft to get my point across to the building designer/architect.

8. HomeDesignDirectory.com.au

Extremely valuable website with a lot of free and useful information and articles on anything you need to know about home design. It has DIY articles on absolutely everything around the home and is a good source of information.

9. RealEstate.com.au and Domain.com.au

These websites let real estate agents and buyers alike post ads and sales posts of their homes for sale, rent or lease. They are very extensive and large websites with an abundance of deals for you to find! Both websites also let you search for sold properties in an area, so as to research comparable sales or just to give you an idea of the market.

10. HomePriceGuide.com.au

This website lets you access free heat maps to find prices in any given area simply by entering in the address. This website has an extensive search criteria section to choose from and is worth checking out if you are looking to buy property but need to carry out the research first.

Top 10 Tips
apps for real estate investors...

1. Gmail

I like to create a Gmail (email) account specifically for the property with which I am dealing. If I ever need to email someone about anything with regards to the property, I will use this email account. I find it saves a lot of time otherwise spent organising and finding information. I use Gmail specifically, as it has very good integration with a lot of other computer programs and other devices e.g. phones, and tablets. This also can prove very useful.

2. Picasa

Picasa is also a program that I use. It is a good organisational tool that deals well with photographs. When taking a photo, you can store it in Picasa, which also then records the Google Maps address, so you can save a collection of photographs that are tagged to a specific address. Picasa is also helpful when keeping track of scanned documents.

3. Commonwealth Bank Property Guide

The Commonwealth Bank Property Guide is an app that can prove extremely useful when looking for comparative sales, researching areas and general due diligence. It's a phone application that shows last sale prices on properties just by pointing the camera at the house. This application can also give fairly extensive overviews on properties. Note: Not popular with Real Estate Agents (especially when they're trying to sell you an area!).

4. Magic Plan App

This app is extremely useful if you need to give specifications on a property to a contractor when the real plans are not handy. This app lets you photograph every room, wall and corner in your house; to eventually put together into a plan. I never use these as my official plans though.

5. Domain.com App

This is a real estate app that is essentially a search engine for real estate properties on the market. It lets you enter a search criteria and can be useful when looking for properties 'on-the-go'.

6. SignNow App

This app lets you sign documents online, fantastic when interstate and you need to sign all kinds of contracts and documents. Your Lawyer should give you the go-ahead to use this app.

7. MyMeasures App

This app is great for working with contractors and tradies. It lets you add measurements onto photographs taken on your phone. I love using this and your tradies will appreciate your organisation.

8. Ready Set Goal

I absolutely love this app. Although I always write it on paper, I keep my goals with me at all times through this app. It is extremely good at keeping you organised, motivated and working towards achieving your goals.

9. Layar Planning Alerts

This app is great when looking or researching an area or market. It lets you know what applications are being approved or applied for, by searching all the planning authority websites.

10. Evernote

This app is fantastic when you are in the peak of real estate business and super busy! Evernote is an easy-to-use electronic note organiser. This app lets you record meetings, put time notes on them to retrieve info easily, and store photographs to a specified location.

Top 10 Tips
on diversifying your portfolio...

1. What do you want?

You need to have goals to get what you want. If you do not know what kind of lifestyle you want in the future, how can you plan or do things today so that you get there? You can't. What type of lifestyle do you want in 10 years? What does it require? Once you can answer these questions, develop your plan and do what needs to be done in order to get the financial backing you want for your future goals/lifestyle. Do you want the passive income to replace your job and go data sampling (read 'travelling') or do you want big chunk deals with high equity and big spending power. They are different lifestyles, different portfolios and require different investment strategies.

2. Why you should diversify your portfolio

The aim of diversifying your portfolio is for security. Let's say that you only target mining areas for your investment properties. If certain legislation were to affect mining, you might see a downturn in your profits (tenancy rates, rental averages etc.). If you have diversified across a wide range of not only ore bodies, but types of areas such as ports, mining areas, tourist areas, student areas, you are more secure and will hold a better position if negative effects were felt in particular areas.

3. Ore bodies

Mining is a massive industry in Australia and entire town property prices can be booming or plummeting solely on the movement of mining companies. There are different types of ore bodies in Australia, the largest of them being iron ore, natural gas, copper, zinc, coal, gold and even uranium. It is an enormous part of Australia's wealth as a nation. The problem is though, the global market is just like any other market –

demand and supply, and when there is little demand for a certain mineral, the effects trickle down through the mining companies into the towns themselves. You can see how this could potentially affect your assets.

When investing in a mining town, make sure you do extensive research on the industry itself. Find out who the big players are, where the money is coming in from and if it has a big future. Having your portfolio based around one particular ore body may prove fatal in the long run if that ore body does not go as planned (uranium and nuclear energy is a good example of this).

4. Ports

Ports are generally slower than the mining boom towns, but safer and usually better established. There are many rumours about the 'new port towns' but, for the most part, they are there for a reason; practicality, and they're unlikely to pick up and move.

5. Non-mining

Mining might be a great way to increase cash flow quickly, but it can be a scary place to be when mining is not the flavour of the month. For this reason, you need to have a strong cashflow base in your portfolio, which is non-mining related. It is easy to get greedy in the mining sector and that's when you jeopardise everything. A little bit is great. Too much is too risky.

6. The two sides of the argument

Traditionally, there has always been 2 sides of the 'diversify or not' debate. I am openly pro-diversity when it comes to real estate assets as it reduces the risk of external factors having a negative effect on your investments. Things like local economy, political climates and any other global force that may affect real estate are cut down. It is very unlikely that someone with a diversified portfolio would see the negative effects on all of the assets or markets that they have invested in at the same time.

7. Diversity is not just location

Diversification is about control. It is about having the authority or the safeguard against risk. You need to diversify your portfolio with banking institutions. If you have multiple loans with one bank, you tie your asset control up to one bank and in turn become less and less serviceable from a loan perspective.

8. Drivers of a market

If you are investing in an already established market in Australia, you shouldn't have to look too hard to find out what the main driver of the place is. Is the area a hub for transport? A Port? Manufacturing plant? Whatever it is, you can research it and find out what type of demographic it brings. Then look at what you can provide as a property investor that will complement the area and will be popular with or at least attractive to prospective buyers or renters.

9. Resale opportunity

This depends on what type of investment strategy and property you are going to be dealing with, but re-sale opportunity is something you'll have to look at. If you've picked the correct market, then you should (through your due diligence) be able to select the appropriate strategy (manufactured growth or passive income type deals), so that you are able to either redraw equity out of the property or sell it as a chunk deal.

10. Working with councils

If you are diversifying your investment strategies, you will be working with councils a lot. You can see how progressive and cooperative a council is by looking at the rate of building approvals. It should be done as part of your due diligence/cost benefit analysis and feasibility study, and it will give you an indication on the cooperativeness of the local council.

If you find yourself up against a hard-ass council, there isn't much you can do. Your town planner will again be your friend and source of help and knowledge. They are the ones who will be able to tell you if the council is slow, pro-development, anti-development, anything. They deal with them every day and you need to make sure you buy them a bottle of wine! When I say town planner, I do not mean the council's town planner. They are there to answer your questions, whereas a private town planner is getting paid to *work for you*. That is the difference and you will be amazed at how much the relationship changes for the better. Communication is key.

Top 10 Tips
for conducting due diligence...

1. Check for an ideal market

The attributes of an ideal market will vary depending on what strategy you want to use and what your circumstances are. An ideal market to a multi-million dollar developer is going to be different from the ideal market for your mum and dad investor. There are, however, certain things that you need to look at in order to understand the market.

Things like:

- Population
- Median Income
- Vacancy Rates
- Owner-occupied areas
- Stable and diversified industry base
- Investment in local infrastructure
- High affordability

2. Research tools and resources

One of the hardest things for property investors that are new to the industry, is finding where to look for the right information that will benefit you in your due diligence and feasibility study.

The Australian Bureau of Statistics is a good place to start looking for any information regarding demographics, median income, economy statistics etc.

There are also many software programs available that canvas all real estate listing websites and provide extensive search criteria in order for you to really limit and define what you are looking for in terms of vacancy rates, comparable sales, average rental income etc. Investar is a good example of this.

Your local Council is an excellent place for information regarding any zonings, town plans, regulations etc., for a relatively small price.

3. Understanding local market and trends

If you are looking at investing in a market and are looking for a growth indication, there are factors to look for when doing your due diligence. For example, what is the unemployment rate and what is the trend? Are there any major corporation investments being funnelled into the area? Will this create jobs?

If you are doing a renovation or plan to have any building approved by the local Council, you need to find out the number of building permits issued in your due diligence. Is the Council pro-development or will you have to wait 6 months just to find out?

Your due diligence is purely so you run into as few unforeseeable circumstances as possible. Your aim is to know exactly what you have to do and if it's even possible.

4. The feasibility study

My favourite. The numbers are your best friend. They are the factor that tells you whether a deal can be done or not. A feasibility study is simply a calculation based on known and/or assumed information of whether a project is profitable or not. I like to work on a worst-case scenario first, to get an understanding of what really matters in the deal and where the risk can lie.

You need to look at the work to be done. I like to make a list of all the jobs that require doing. What is your hourly rate? Are you going to get contracted work done? What are the costs? Lists and details should be prepared regardless of whether the project is a sizeable development or a small land subdivision.

5. Cost the job

This is a part of your feasibility study, and should be of high priority and importance to you. Cost each stage of the project from your work 'to do' list above as best you can. Sometimes not every step can be accurately priced and an estimate will have to be used. You need to gain as much information as you can in written quote form (with regards to timeframes) stating how long the contractor will hold to that quote.

Get at least 3-5 quotes for every single contracted work that you need done. I am often appalled when I see people take one contractor's word for 'average price' and labour fees.

6. Market analysis

List out comparable sales in the surrounding area of similar completed projects. For example, if the project is a renovation, list out what fully renovated, similar sized houses on similar sized blocks have sold for in the area. If the project is a build and construct of a block of units, find out what new units of similar size have sold for.

Remember, though, not to take too much notice of list price, but focus on what has actually sold. List price is not necessarily a true indication of the actual market value.

7. Due diligence when selling

Due diligence is not only necessary when you are buying into a new area, it is important to do it prior to selling. You need to understand your market, what your house is worth, and how long you should expect to see it on the market.

Many Australians have a difficult time determining a selling price. If you price the property too high, it will sit on the market and go stale, but if you set your price too low, you may be doing yourself out of potential profit. Typically, people will take the advice of their trusted agent to set the selling price of their property, and that's fine, as long as you are getting multiple opinions from multiple agents in the area.

You should then carry out your own market research as well. Before you list your property, one thing you should do, is visit all the homes for sale in your market area at that time. Take a note pad and pen with you and you can even be cheeky and take some photographs, and start to catalogue your competition. In the past, I have even started a numbering index system, where I rank my house as a 5 and rank the competition houses, 1 to 10...1being a lot worse than mine and 10 being a lot better. This will give you a great understanding of the market and where your property fits into it.

8. Grid analysis

Grid analysis is important when you are looking at the location of your prospective property. It is particularly useful when you are looking for a property that will grow in value over the course of your ownership. You should be able to map out any nearby schools, universities, hospitals, infrastructure funding, zoning changes and more. You can purchase maps of entire districts from your local Council.

Develop a system where you can see the differences in suburbs. Is this area an expensive area? Why? What are the chances of nearby suburbs riding on that value? Should I build a family home or student accommodation in this area?

9. State government website searches

There are many government owned websites that provide a wealth of information that you need to spend time going through. I like to canvas my State Government's infrastructure (including Main Roads) website for any information or updates that they may be looking at in any given area. If you want to go a step further, you can ring your state department up and ask them some questions (be polite though, they might feel a bit stand-offish at first).

10. Helpful websites for sourcing data

apm.com.au – Popular site for property pricing, valuations and general property data

myrpdata.com.au – comprehensive property database

realestate.com.au – most popular real estate listing site (good source of information)

findmeahome.com.au – pricing guide for Australian housing

homepriceguide.com.au – APM's free property pricing guide

domain.com.au – real estate home listing site (good source of information)

onthehouse.com.au – Fantastic site that provides free information on markets and homes in Australia.

Top 10 Tips
on debt elimination strategies...

1. The 'debt avalanche' technique

When starting to pay off debt, you will need to determine which debt to pay off first. The debt you select to pay off first will be the debt you target for rapid pay off, your 'debt avalanche'. Should any extra money come your way by either windfall or additional earned income, or by careful budgeting and reducing your expenditure, this money should all be applied against this debt. I find that 6 simple steps works best when using the 'debt avalanche'.

1. Simply list out to whom you owe and what the debt was for

2. List the amount or balance owed

3. List the minimum monthly payments for each debt

4. Divide the amount owed by the minimum monthly payment. The higher this number, the less immediate impact it is having on your cash flow. Conversely, the lower the number the greater its effect on your cash flow. Consequently, the debt with the lowest number is the debt you should target first for your avalanche repayment strategy.

5. List the interest rate for each debt.

6. Determine which debt you will pay off first. In most cases you will want to pay off the highest interest rate debt first, but not always.

2. Debt consolidation technique

Debt consolidation is the process of increasing one loan, usually the home loan which has a much lower interest rate, to pay out other smaller debts that have a higher interest rate and higher monthly repayment requirements. These higher monthly repayments mean your cash flow can be severely stretched.

The big trick, then, is to keep those debts paid off and not let them creep up again. I like to discuss this strategy with my friendly loan broker. It is important that you find a good loan broker.

Refinancing your mortgage with your current lender or an alternative lender, could also reduce your payments in the interim while you eliminate other higher interest debts. Exploring this option may be helpful, although you should be sure that the benefits outweigh the cost of refinancing as there may be penalties and fees for such a process.

It is also advantageous to arrange to pay your mortgage every fortnight or even weekly instead of monthly. You will save a significant amount of interest doing this as you are reducing your mortgage every week or two weeks. As a word of caution, when using this strategy, ensure the bank or financial institution calculates your repayments on a daily basis and not monthly, as this one difference in the mathematics of your loan, could save you thousands.

3. Mortgage repayment accelerator – using 'lines-of-credit'

One of the more aggressive approaches to your debt elimination could be to use a form of debt called a line of credit. Imagine your house being used as a security for one big credit card. The interest rate you would pay on that credit card would obviously be lower than other credit cards as the bank has your home as security. Essentially, the interest rate is similar to that of any other housing loan.

This loan is called a 'line of credit' facility or 'revolving line of credit'.

With this type of loan, the bank will normally lend you up to 80% of the value of your property and interest is calculated on a daily balance from the amount outstanding. Mortgage insurance may be required for a higher percentage. As interest is calculated daily on the balance of the loan, the balance is best kept as low as possible by keeping money in the account longer. With money in the account longer, there is less interest to pay and more money goes towards paying off the loan amount. This in turn means you have less interest to pay and so on.

But remember, it can be a dangerous tool if you do not control it!

4. Use equity to produce passive income

Extensions to this basic philosophy of using interest free credit arrangements to maximise your personal mortgage reduction, include using the unused equity in your home to buy assets that have a positive cash flow over and above the cost of borrowing the money. By buying higher income yielding assets than the cost of the borrowed funds, you are able to apply the extra income to reduce your mortgage even further.

It doesn't matter what type of investment you choose – what is important is that you do your due diligence and make sure whatever it is you are buying does actually put back more money than it is costing you.

Make sure that the amount of passive income that the investment is paying you every year also is sufficient to warrant the time and effort you spend earning that extra cash flow.

5. The last resort

Up until now, we have covered processes for reducing your debt. Unfortunately, some of you may have gone too far into debt and may not see that there is any way out. When things seem out of hand, there are several arrangements that can be entered into with your creditors to work through for the best result for all concerned. The next few tips are arrangements that are to be considered the very last resort when all other avenues have been unsuccessfully attempted.

6. Informal arrangement

This is an agreement made with your creditors to give you more time before legal action is taken. Once creditors are contacted and realise your financial hardship is genuine, they may assist you by giving more time to pay before taking the matter any further. This arrangement is not binding and all creditors must agree. If one creditor rejects the offer, this may impact on the entire informal arrangement.

7. Debt agreement

A debt agreement is a simple way to enter into a binding agreement with your creditors. A proposal such as this could be periodic payments out of your income to the creditor or a transfer of property from you if repayments are not met. There are certain criteria that must be met to be eligible for a debt agreement, and these would need to be investigated in full. Under this agreement all provable unsecured debts are frozen. Not all creditors have to agree, and it can even be decided by a vote from creditors whether to agree to the proposal or not.

This agreement can still result in a record on your credit reference file for 5 years and it will also be recorded on the public insolvency record. You cannot set up a debt agreement if you have been bankrupt, or have had a previous debt agreement or Part X arrangement in the last 10 years. If you set up an agreement and fail to make the repayments, it is considered an 'act of bankruptcy' and your creditors can make you bankrupt.

8. Part IX and X arrangements

These arrangements can be an alternative to bankruptcy providing your creditors accept this proposal. The main difference is that this arrangement may still allow you to retain some assets and/or continue to operate your business.

Once the proposal is drawn up, a meeting of creditors is called to vote, so long as the majority agree, and 75% of the dollar value of creditors vote, the proposal will then be set in place.

The difference between the two arrangements is basically that a Part IX has a limit on your assets or debts and a friend is able to act as an administrator. Part X has no income, asset or debt limits and can only be done by a registered trustee, which makes this a more expensive option.

9. Bankruptcy

Bankruptcy should be considered as a last resort, as it has serious consequences, and there can be many alternatives, which should be thoroughly investigated. When you are being increasingly pressured by creditors, bankruptcy could seem like an easy option. You can become bankrupt voluntarily or through a creditors action. A period of bankruptcy is usually 3 years, however this may be extended to 5 or 8 years if terms of agreement are not met for example.

Unsecured creditors are unable to take any further action against you to obtain any money owed. Creditors may lodge claims in the bankruptcy. Bankruptcy does not protect you from ongoing utilities payments, breaches of law fines, or Department of Social Security debts or any form of maintenance payments. You are also limited in what you can own and your credit rating is badly damaged for 7 years. Furthermore, your name will be added to a Government database for life.

It is not something that should be entered into lightly. However, if there is absolutely no other way then make sure you realise the impact it will have on you and your credit rating in the future.

10. Preventative measures

You can be guided through debt management, debt elimination, debt negotiation and debt agreements with an experienced financial counsellor. This may be a viable option before embarking on any of the above strategies or agreements. Learning to manage your money and how to take financial responsibility will help prevent you from ending up in the same situation again.

Do not put your head in the sand when debt seems to be looming over you. Ensure that you take the right preventative or strategic options so that you are able to succeed financially in the future.

Top 10 Tips
on passive income fundamentals...

1. The Wealth Formula - W = (P + S + I + C) x L

W = Wealth
It is something that is very subjective and means different things to different people. I challenge you to write down your definition of wealth and what degree of wealth you genuinely NEED and WANT, and are committed to make happen in your life.

P = Planning
Planning is sometimes called goal setting, creative visualisation, budgeting, or even zero-base costing. Set your goals and work towards them. Realising your goals is what *you* want, after all.

S = Savings
Saving, for many of us, is a dirty word – a bit like budgeting and going to the dentist. Yet, in reality it is one of the most powerful tools you can employ, especially if you can combine it with time. Save 10% of your gross income. Although it is a simple strategy, it can be the most powerful and successful strategy.

I = Investment
Sometimes in the investment world you are going to make good decisions and sometimes you are going to make bad decisions. There is one constant, however, which is the higher the level of knowledge on a particular topic, the lower your risks of making a bad decision. Spend time learning a variety of investment strategies.

C = Compounding
Compounding is a product of time, i.e. the multiplying effect of gaining an investment return on your previously earned investment return. That is, interest on your interest.

L = Leverage
When investing it is important to get the right mix of equity to borrowings. Gearing or borrowing can be a great friend or similarly it can also be the sword that fatally wounds you.

When considering risk factors, things such as age, income stream, taxation, attitude, other commitments, goals etc., all come into play. My philosophy is to always have a back door or a 'plan b' if circumstances go against you and things do not turn out as you planned.

2. The doubling 'rule of 72'

This is just a quick little strategy to help you work out what things could be worth in the future. The 'rule of 72' enables you to determine how long it will take for something to double given a fixed growth rate.

If we wanted to invest $10,000 and we knew we could get a return of 10%, how long would we have to invest that money for it to increase or double in value to $20,000? Well, simply divide 72 by the 10% - that is 7.2. Therefore it would take 7.2 years for our $10,000 to grow to $20,000 given a growth rate of 10%.

3. The 'rule of two'

When you are looking at the 'rule of two', what it refers to is:

Take the purchase price – for this example it is $200k – divided by 1000, multiplied by two. That should give you $400 per week.

$200k / 1000 x 2 = $400.00

This is the minimum weekly return or weekly yield that you are going to be looking at if you want to borrow 100% on the purchase price and still have this property looking positive for you. There are, however, three factors that influence the rule of two; borrowings, cash returns and tax deductions.

4. Commercial property and the 'rule of two'/'percentage point split'

The 'rule of two' does not work for commercial property. With commercial property, your outgoings are normally paid by your tenant. Generally, for commercial property, you won't have a managing agent which means whatever the tenant is paying, is your cash flow coming in. The only real expense you have against the income is the interest you are paying on the mortgage. So when you take out all of those other expenses, you will find that a commercial property will be positively cash flowed a lot sooner.

When you are talking about valuations on a commercial property; the higher the rental yield is, the higher the value of the property. The difference between the income yield and cost of funds is called the 'percentage point split'. This means the difference between what your money is costing you to borrow and what that property is actually returning you.

5. Cash flow in property

Property is the most understood form of investment as it is tangible - you can walk through it, touch it, alter it, insure it and even demolish it.

Obviously, property is my passion and there are amazing benefits of having a swag of them in your portfolio, even if cash flow of income is not your primary goal or objective. However, it is just as important to have a balance of both properties bought for income purposes, and properties bought for growth purposes - i.e. yield and growth.

If you really want to accelerate your cash flow or growth from your property portfolio, you will want to be pro-active in the market. That doesn't just mean managing the property yourself (although it is an option if you wish). I mean being pro-active in searching for deals, talking to people, analysing your next move and knowing what type of property you need to progress.

6. 'Principal and interest' or 'interest only'?

When doing investment properties as a general rule have them at 'interest only'. Sometimes a bank will not let you into a deal on that scenario, depending on your income and your debt levels for example. In which case, if the deal is a great deal and 'principal and interest' is the only way you can get it, go for it.

7. Multies – multiple income stream properties

While direct cash cows can be sourced buying single residential houses, the yield or passive rental return is usually higher when you purchase multi-use or multi-dwelling premises, i.e. properties that have more than one income stream. These properties could come in the form of either residential units, commercial premises, small shopping centres or properties with the potential for income generating alterations (additional housing, storage units etc.).

In the residential market, the most common forms of multiple income streams are blocks of units, complete residential apartment buildings, or even a basic house that rents out both upstairs and downstairs.

For commercial, examples of multiple income stream properties would be a number of warehouses or strip complexes (that's a row of shops, not a strip club!) rented out to different tenants. Shopping centres, office complexes and storage sheds are also examples of multiple income stream commercial properties.

8. Dual occupancies / granny flats / room by room rentals

An example of dual occupancy / dual income properties would be where a house would rent upstairs and downstairs separately. Strata-titling, lease options, student accommodation are all strategies that can be used to increase the income on property.

Have a look at what other options you can explore with your property to increase its income. Can you do something to that old shed at the back used for storage? Turn it into living quarters (granny flat). Can you build something on your premises? These are questions you have to ask yourself, when you are constantly on the lookout for things like this then you will know exactly what you can do when the opportunity arises.

9. Lease option purchases

Lease Option Contracts are similar to 'rent-to-buy' or 'lease purchasing' and 'instalment contracts' (wrap properties), and seem to contain the best characteristics of both.

Essentially, using a Lease Option Contract for wrap properties has the same principles as instalment contracts, except that the sale does not take place at the outset of the contract (but rather the end). Instead of making repayments, the tenant makes lease payments (even though they may work out to be exactly the same figure).

The tenant then leases the property for the duration of the agreement, as well as having the exclusive right to purchase the property at an agreed price. If, or when the tenant exercises their option or right, the purchase price reduces by the notional principal that they have paid during their contract period. This notional principle is calculated as though the lease payments were actually loan re-payments.

10. The 'scatter' technique

The 'scatter' technique is where you waltz into an area, visit every agent in town, work out the median price of your target houses on the market and then submit offers on multiple properties at 70-80 cents in the dollar of what the properties are being listed for.

You will most likely get laughed out of the real estate offices on occasions, but sometimes those offers are accepted. Investors who are after 'wrap properties' commonly use this purchasing technique as there is no emotion attached and the buyer is just after the best deal, not the house.

This technique is effective because you are not after the properties for sale, you are after the people who no longer want their property. Using this strategy, you are able to buy properties significantly under market value, do a cheap cosmetic renovation (depending on the property), work out the real market value and required profit for you, then put the property for sale on a lease option basis at the new price.

Top 10 Tips
on market growth indicators...

1. Population

Is the population in your target area increasing, decreasing or flat lining? Obviously an increasing population gives rise to increasing demand and therefore puts an upward pressure on pricing.

Where is the population movement coming from? How long are they likely to stay? What style of housing do they demand? How quickly do you expect the markets to move in response to these population movements? All these questions will help you determine what manufactured growth strategies you should employ on the property.

2. Government spending

Governments normally spend money on an area in response to expected demand. Look for which level of government is spending the money – is it Local, State, or Federal? Which type of government spending generally has an impact on the site and nature of the expected growth? Look for the tell-tale signs such as:

- Regentrification of CBD and suburbs
- Infrastructure developments
- Departmental expenditure
- Medical facilities
- Education facilities

3. Industry spending

Just like Government spending, industry expenditure creates jobs and brings people into an area, thus increasing population and demand for housing and property. It also places an upward pressure on pricing.

Identify large industry projects gaining any approvals or government funding e.g. mining zoning changes can be a huge indicator.

Look for evidence of projects being granted approval and construction being started, and estimate the timeframe for implementation. The media is normally a help here as they tend to monitor the announcements of publically listed companies on the ASX who have to make public to their shareholders when such expansion is taking place or likely to take place in the future.

4. Mining

Mining is still a big growth area in Australia at present. The expansion of this industry as a whole is having a huge impact on regional towns as well as coastal ports and manufacturing areas. It is an industry to watch closely and to capitalise on. It is a huge beacon for jobs and population increase, so it is easy to see why this has a positive effect on property investing.

5. Manufacturing

This is not as strong an industry as mining as our cost structure (predominantly labour) is too high and expensive. However, we do have a fledgling industry here and it does have some impact on growth areas.

6. Tourism

This industry has always been a strength industry for Australia, but since the GFC, it has certainly copped a battering which is why we see areas such as the Gold Coast, and to a lesser extent Cairns, which are predominantly reliant on tourism, going through an absolute blood bath at present.

7. State infrastructure maps

Go onto the State Development Board website, and some state infrastructure websites and buy a laminated state infrastructure map. It will cost you $27.50 in most states and it is the best $27.50 you will have ever spent. They are updated periodically, and list all states and federal funding projects stating how much will be spent, how it will be spent, and over what timeframe the money will be spent.

It includes additional websites for further information. The maps also show most industry projects and infrastructure, both planned and underway. Again it will list websites having more information. Aren't they great? I love them!

8. Quick analysis

It is all about jobs and timing. One quick, on-the-move analysis you can do, that will give you an indication of depth and volume of a market is to look at days on the market, clearance rates and variance between replacement and old.

Without wasting much time, you will quickly see if an area is hot or not, and whether it is worthy of further due diligence and investigation.

9. The town

You need to look for a town with a population that is growing but still less than 20,000, but over 5,000. You need to find a town that will be advantageously affected by the growth of the industry, and will grow with it, but you also need infrastructure that will enable you to on-sell your investment if you require. In very small towns, your exit strategy may be adversely affected.

10. Low supply, high demand

Good old economics 101. Rapid changes in vacancy rates will be a clear and obvious indication of changes in supply and demand in an area. You will be shocked how much a lack of supply and high demand can change rental prices in an area, and therefore property prices.

Top 10 Tips
on growth strategies...

1. The 10% strategy

One of the many growth strategies that people with an interest in real estate investment talk about, is the 10% growth yield. It is the strategy that most real estate agents hang onto with a death grip, and think that the only way they can actually sell a property is if they say it is going to go up in value. That is not always the case.

Ideally, an investor should aim at buying properties in areas where they expect to have at least a 10% growth. A good way to find that information is researching 'historic growth'. When looking at areas that have had a 10% or greater growth rate over the last 5 to 10 years, you will generally find that these are areas that have always shown decent growth.

You will want to look at the 'Median House Price' which is the price at which half the house prices in the target area are above the median price and half the house prices are below the median house price (remember that this is different from the *average* house price). Ensure that you are aware of the data you are looking at when making decisions on growth properties, as your calculations can be thrown out greatly if relying on average prices and not median.

A tool that I use to quickly work out the significance of growth in a particular area is the 'rule of 72':

$$72 \div \text{growth rate} = \text{years to double investment}$$

This will help you find out how long it takes to double your investment if using a fixed growth rate. This is just simple economics – the demand and supply of housing has a direct correlation to price, and therefore the growth of your investment. Understanding this will help you to make a smarter, calculated decision on your property purchases.

2. Strata titling for manufactured growth

This is my favourite. It is the process of taking an existing multi-family dwelling, block of units or number of townhouses and applying to the local council to have the building broken down into a number of separate titles. This process usually involves an increased rates bill for water and sewerage etc. It does, however, mean that each unit or townhouse can then be sold off individually.

There are two main advantages to strata titling;

1. The banks look at the investment differently. It is not classified as a commercial deal, but a residential deal. Consequently, they are more willing to lend at a higher ratio (the process can often lift your borrowing capacity from 70% to 80% and even higher if you wish to pay mortgage insurance.

2. As the property can now be sold in individual increments, valuers will value the property higher. Also, because the investment can now be sold to a wider section of the general public (not just investors like you), the individual properties will be worth more than they were under one title.

3. Renovation strategy

The renovation industry in Australia is a $3.6 billion industry. That is mainly due to the advent of all of the television shows about what is happening in the market, like Ground Force, The Block, Location, Location and even Burke's Backyard.

Renovation of your principal place of residence, if you are starting out, is an easy place to start. You will be entitled to your first homeowner's grant, which you would use to buy something you can live in and do renovations on, to increase the value of the property. Buy something that is structurally sound, but just a bit messed up, a bit dirty, and in need of a cosmetic fix up that will drive your sale price up.

Renovating a property can also be a form of manufacturing growth. It is a good way for investors with a smaller amount of initial capital to get into the property market, gain equity (by using their own physical exertion) and rebound into the next investment.

That said, it is important that you do your feasibility study and be careful not to over capitalise. Find out how much the renovation would cost and look at comparable sales to find out how much you could sell it for. Is it worth it? You will need to know numbers before you start.

4. Subdivision strategy

Generally, subdivisions range in size from splitting a large house block into two blocks, up to smaller acreages being subdivided into 4 or 5 blocks. Sub-division is best employed in larger built up areas with high demand for land.

It is important that you do your due-diligence before purchasing land that you plan to subdivide. For starters, on your option contract, you're going to have to pay something, so that's a cost. Though you may not want to go ahead with the deal if you're not going to get approval, there are some things that you can put into place so that you can get out of a deal if you were so inclined which won't cost you any money. You could put a contract clause in that states 'subject to council approval'. This may be acceptable to the seller, but also may not be.

5. Rezoning for profit

Zoning is the council term that determines what a particular piece of land can be used for. Real estate investors can often make a profit by changing the zoning of a particular piece of land.

Although the terminology varies from state to state, most councils will use Residential A and Residential B. Residential A means the land can be used for single residential houses, whereas a zoning of Residential B means the land can be used for multi-family dwellings i.e. blocks of units and townhouses.

If you were to get approval to change a zoning on a block of land from Residential A to Residential B, it will be exponentially more desirable to a builder or developer who wants to build townhouses. When I say land, quite often the land in question will have pre-existing buildings on it, however the proportional value of the land is normally much greater than the value of the buildings currently on it.

I have seen a number of ‘Residential A’ blocks converted to ‘Residential B’ blocks thus rendering the owner tens and hundreds of thousands of dollars growth in the property. I have also seen rural cane land re-zoned to commercial and light industrial thus doubling and sometimes trebling the value of the land.

The problem, though, is that the decision relies heavily on the council and is mostly speculative. You will need to get clues from pre-submission appointments with the officers of the council, and by reviewing the current town planning policies with employees from the Town Planning Council Department or private specialists in the area.

6. Deceased estates

Another source of buying immediate growth is through purchasing properties that are sold off by independent bodies such as administrators of deceased estates. The administrators are often local lawyers, solicitors, relatives or public and private trustees such as the Public Trustee and Perpetual Trustee.

Both these trustee bodies have internet sites with properties that are listed for sale or properties that will be put to auction. Sometimes they have an indicative price stated on the property and other times it is up to the investor to determine fair market value. The reality is, as an investor, you will need to know the market very well. You will need to be able to determine if a particular property is genuinely below market value and how much similar properties in similar areas are being sold for (and this goes beyond just the list price).

Quite often, properties purchased from these sources will need at least some sort of cosmetic renovation. The properties have generally been previously owned by an older person, who has not necessarily kept the maintenance up to date. You must be market ready to take advantage of the opportunities that come along so that you are ready for the best ones.

7. Capitalising on external forces

Both advantageous and disadvantageous external forces can affect the growth of property in a particular area. The introduction of a nuclear plant, for example, may well have an adverse effect on the property prices in that area, regardless of historical performance.

Alternatively, the announcement of a major university or shopping centre being built in an area would have a beneficial effect on the growth rate, so local knowledge, with respect to potential property purchases, can be advantageous. This means that it is up to you as an investor to keep current on the local council plans and news of any major funding being put into an area.

8. Targeting multi-unit developments

The developing or building of multiple unit dwellings, sometimes referred to as high density housing, can also represent a manufactured growth strategy. The comparative unit cost of the dwellings is less than building single-family houses and as such, the potential for profit can be higher. You will need to be aware of zoning when conducting your feasibility studies.

9. Mortgagee-in-possession

There are critics out there who say current market value is the purchase price of a property. However, I have found that as we live in an imperfect world with an imperfect market place, this is not always the case.

Quite often, a mortgagee-in-possession sale can be a source of property being sold off at fire sale prices – as the bank may only be interested in covering its outstanding mortgage. These properties are normally advertised in the local papers and are usually sold at auction.

Fortunately, an investor can sometimes buy these properties directly from the bank after it has foreclosed on a property, provided any offer is greater than the independent valuation that the bank has done on the property.

More often than not, you will have to give the properties a jolly good scrub. They are usually in a rundown condition and may call for some cosmetic renovation at the least. If you are required to buy the property under auction conditions, then you will need to be market ready. You will need to have all your due-diligence completed, along with your reverse-feasibility studies prior to the auction date.

10. Purchasing rates default properties

Another form of buying immediate equity is through purchasing rates default properties. These are properties that have been put to auction because the owners have not paid the council rates on the properties for a considerable amount of time.

This method is not without its disadvantages, that is, if the owner did not have sufficient finances to pay the rates on a particular property, then they are unlikely to have had the funds to keep the property in good repair. Furthermore, a very large percentage of properties that are listed for auction never go to bid, as the owners miraculously find the money to pay the rates at the last moment.

The market is always a lot hotter for properties with houses on them than for vacant land, however bargains can be obtained in both markets.

Top 10 Tips
on researching rental properties...

1. Look for where you can be innovative

With properties you already own, or with properties you are looking to buy, assess the potential for add-ons to give you more income from the property. What can you do to increase your rental return? How can you bring in more income? Granny Flat? Storage Facility? Dual Occupancy?

Think about your rental properties and brainstorm ideas on what you can do to increase the yield on the property. Sometimes you have to think a little bit alternatively as to how you can manufacture that increase. How can you make it, or how can you create it? What you cannot do now, still may be possible in the future with zoning changes.

2. Research your rents properly

Magazines such as Australian Property Investor and/or New Zealand Property Investor are a good source of information. They have fairly current statistics at the back. Just because a town has given 15% rental return over the last 5 years, doesn't necessarily mean it is going to continue to do that in the future. It might be 2, or 3 or 6% depending on any number of circumstances. Generally though, there has been a recent downturn in rental return across the board. Be realistic in your assessment of what the yield is now and in the foreseeable future.

3. Comparing properties

When comparing one property with the next, you need to weigh up all the pros and cons. None of us has a crystal ball, so we need to rely on the numbers. Property investing is ultimately a numbers game. Do up a spreadsheet for each property so comparison is easier. List your buying price, your outlays such as insurance, renovations, refurbishments etc., and then look at your projected income from rent for each property. If you crunch the numbers carefully, you should be able to get a more black and white picture of which property will work best in your favour. Always consider your return on investment (ROI) and compare this to the return that you might also get in other investment areas.

4. Maintenance and return

There are some real 'dives' in Sydney that you're going to have just as many maintenance issues with as you might have on a place in Broken Hill. It is all relative to the maintenance on the property, not the area. It's good to keep rental properties at a well-maintained level, and be active in making sure that each one of your properties is at a good level of maintenance to ensure better return to you. Keeping your rental property well maintained also brings in a better class of tenant and reduces your risk of litigation because of negligence should an accident happen. Very often the upfront tax deductible cost of new carpets and paint is negated by the increase in rent and also the ultimate value of the property when it comes to revaluation or resale.

5. Check sustainability

In this economy, we are seeing a lot of fluctuation; meaning you need to look at the issue of sustainability. Some towns are going to skyrocket, other towns are going to get hit very hard over the next 3-5 years because of resource prices dropping. There are many factors that will affect a lot of regional towns from a house price perspective as well as a yield perspective. You need to be aware that that's a consequence of buying in some of these areas. Mining towns are a great example as they can often give a town extremely strong growth but before buying, ensure that you do your research on the ore body being mined, it's future and it's demand in the global market, or you could suddenly find that you own a duplex in a ghost town in rural no-where. It's not being said not to do it, just understand what you're doing, because there's still fantastic opportunities in a lot of these places, you just need to be smart about it.

6. Look for settlement rebates

An associate of mine found a property via the internet on the coast in central Queensland. The figures looked very good. He'd actually agreed on a price, went through all the ROIs and went and looked at the property before the finance clause was due, and there was a little bit of repair and maintenance that needed to be done; just some general stuff. It was in a reasonable state of repair.

Because of this repair work to be done, he negotiated a $15,000 rebate upon settlement to reimburse him for the costs or any outstanding maintenance that may occur. The purchase price of the property was $220,000. He then negotiated a $15,000 rebate, but the bank actually went through and valued the property at $220,000 so he still got a 90% loan at that stage. Chuffed, he ended up paying $205,000 after rebate and he had a $197,000 loan because the bank was happy with the valuation. Make sure that you research and look online or to your accountant/financial strategist to see what settlement rebates you may be able to negotiate.

Anybody, when inspecting a property and looking at those things that may fail in the next two to five years, should look to have it rebated or fixed before they buy it or allow for it in the purchase price (up to negotiation with owner).

7. Manufactured cash cows

Manufactured cash cows exist in both the residential and commercial markets and are generally easier in the commercial market. They are available on either new or existing purchases. Manufactured cash cows are where all the fun is had. The idea is to think outside the square to find creative methods of adding value to your investment (strata-title, subdivision, room by room rentals). They may not, however, be immediate cash cows. It is always a good idea, as with any investment, to do all your necessary due diligence (cost benefit analysis, feasibility study on each strategy) to establish your Return on Investment (ROI) for all value adding activities.

8. Look for multiple income streams

Converting a property to dual occupancy (upstairs and downstairs), or room-by-room rentals is a fantastic way of increasing rental return on a property. The rental return is higher on properties with more than one income stream, because you have a number of rent paying tenants. It also insures against total vacancy rates. I have many clients who focus on purchasing properties that have multiple income streams, or are easily converted to multiple income stream properties.

9. Look for loan defaults

These can be a good source of not only positive cash flow, but growth deals as well. They are a good strategy because you're buying in at lower than real value (lenders will repossess an asset after a loan default and look for a quick sale), meaning you'll be able to rent it out in normal values to then yield positive cash flow. Ensure that you do your due diligence on the property as there could be a reason the mortgagee defaulted on the payment.

10. Choose something that suits your investor profile

No matter what strategy is employed to accumulate passive income, it must be one that suits your lifestyle, risk tolerance, portfolio and personality. This is why self-empowerment and knowledge is so important! No-one is going to be more diligent, more persistent and more attuned to your wants, goals and desires than you are.

Top 10 Tips
on international property investing...

1. Diversification across portfolio

This is a part of your due diligence, but goes beyond that. You need to look at *your* portfolio and see whether *you* will benefit from international investment. Look at any of the potential external factors that will have an effect on your asset. Look at the political conditions and any risk that may come from that. You may find that whilst the country's economy is fairly stable, the political climate within is unfriendly to foreign investors.

There is a good chance that the international property market will differ from the Australian market. This is why you must conduct your due diligence on any market cycles, currency issues, bank strength etc., within the country where you are looking to invest.

2. Is the grass actually greener?

There is no point investing in another country if it does not offer you something that the Australian market does not. You will simply run into extra costs and logistical money-pits. Only invest in another market if there is something you can gain that the Australian market cannot provide. You need to properly conduct your due diligence and seek all the necessary financial and legal help.

3. Investing in other jurisdictions

Having assets in various jurisdictions gives you both additional asset protection and income diversity. However it also gives you more complications with taxation, legalities and paperwork in general. It's a decision you should not take lightly, however it's a decision that if done correctly can be very rewarding. I have been successfully investing internationally now for nearly ten years.

4. International investment can give you protection

Imagine having passive income coming into your bank account in a number of different countries. Sound alright? Well that's the reality of building positive income portfolios around the globe. It gives you protection against any one economy, any one political system, any one currency and any one country to reside in.

5. Take advantage of lower taxing regimes

Taking advantage of lower tax regimes in some countries is valuable for obvious reasons. It is something that you need to speak with your accountant about (and often a specialist accountant will be required).

6. Stick to fundamentals

It is important that you stick to the fundamentals, that is, positive cash flow and manufactured growth investment strategies. Do not get caught in a tourist-trap holiday house fervour. You need to remember your property investing fundamentals and create the cash cow.

7. Due diligence

This is the most important thing you will do when it comes to international property investing. You need to look at potentially viable markets, appropriate research tools, local trends, property management and any inside information that you will require to be successful. It is important that your due diligence is done extensively and comprehensively. When calculating your numbers and doing your feasibility study, ensure that you are aware of the exchange rates prevailing at certain times (all foreign income and deductions must be converted to AUD).

8. Travelling becomes tax deductible

One of the benefits of being in the business of real estate and having international property is that travelling becomes tax deductible. Any Australian resident that owns a rental property overseas may travel overseas to inspect that rental property. However, if the main purpose for the trip was the holiday, you cannot claim on the cost of getting there, only the local expenses directly related to inspecting the property.

It is worth mentioning that you cannot claim for travel expenses to inspect a property prior to purchasing it.

If you want to travel and claim it against your tax, you need to keep all records and invoices (things like a travel diary, or document that shows the nature of the activities, dates, places and times of your travel).

9. International assets and Wills

Ensure that you educate yourself on the laws in the country where you decide to invest, your Australian Will may not be relevant according to the laws in that country. You may even need to have a Will in each country so that your assets are distributed in accordance with your wishes.

10. Perpetual travelling

If you have multiple international assets and you seem to be constantly travelling, consider becoming a Perpetual Traveller (PT). As a PT, if you stay less than 90 days in any one jurisdiction, you are not a tax resident of any jurisdiction and therefore may not need to pay individual taxes. Income tax may still need to be taxed through whatever structures you may have, but the tax payable will be significantly reduced or even negated.

It is vitally important that you consult your accountant/tax strategist about becoming a PT as there are a lot of hoops you have to jump through.

Top 10 Tips
on joint ventures...

1. What is agreed on, is law

Much like US legislation, whatever is agreed upon in a Joint Venture (JV), is law and that's without Government intervention or regulation. Consequently, your asset protection control lies in the contract. When you have thought of everything that is a potential outcome from a JV and you have both signed the document, you need to take it to your lawyer and have it drawn up formally. Doing this protects both parties and minimises any potential misunderstandings and miscommunications that too often cause grief.

2. People who typically are interested in JV's

There are many reasons why people come together to do joint ventures. Some people have plenty of equity and capacity, but have no time. Some people have equity and capacity and no knowledge. Some people have equity and no income. Some people have no income or equity but have the knowledge. Others can do more deals or bigger deals by pooling together and getting things done.

One thing I need to stress is the need to have your Joint Venture Agreement written, signed and formalised by a lawyer, prior to the commencement of the deal. What I recommend you do, is sit down and discuss all possible outcomes. You need to ask yourselves all the "What if?" questions and document your answers accordingly.

3. Determine your structure

Long gone are the good old days when a handshake was legally binding. Protecting yourself is the new name of the game, and having the structures that protect all parties as well as minimising taxation, *and* reflecting the accurate distribution of profits, is paramount. There are three main ways in which a joint venture can come together.

1. Equal party contributions
   Where both parties are either contributing equal amounts, or one party had equity to contribute but little serviceability for the loan, and the other party had good serviceability but little or no equity. I call this a 'NEED' relationship – each party 'needs' the other. Typically in this scenario both parties would be on title either as joint owners of one structure or as a partnership of their own structures. Usually the structures used here will be discretionary trusts with corporate trustees.

2. Unequal party contributions
   These can be done as tenants-in-common using a partnership of discretionary trusts. Alternatively, a unit trust can be formed with a corporate trustee, with the units held in a discretionary trust.

3. Money partner and worker
   In this scenario, the money partner would not need the worker partner on title or on the loan in order to buy the property. The money partner would form a corporate trustee with a discretionary trust and the trust would own the property (money partner would be the primary beneficiary and the appointor and director of the trustee). Then a contract will be drawn up between the companies as trustee for the discretionary trust, with the worker's personal company as trustee for a discretionary trust to protect the interests of the worker party. This contract would outline the agreement between the parties including work commitments, financial contributions and both distribution of profit AND losses as well as contingency factors.

4. Vendor deals

Vendor deals are a type of joint venture. There are three types of vendor financing - instalment sales, rent to own, and deposit finance deals.

Each of these has different contractual obligations, taxation outcomes and negotiation procedures.

5. Taxation for JV deals

For taxation on an equal party joint venture trust structure, whether you use a partnership of two trusts, or one corporate trustee discretionary trust distributing to two piggy bank trusts doesn't matter, as the taxation implications are virtually the same. Each party looks after the taxation both capital and income, that they receive via trust distributions.

When you have an uneven ownership structure (like the worker/money partner deals), where one party owns the asset and the other party contracts to the ownership structure, the trust that owns the property will be entitled to normal investment income tax and CGT rulings. Provided the trust ownership structure is not deemed to be 'in the business of real estate', any gain made when the property is sold will be subject to CGT. This gives the ownership entity a 50% exemption for owning the property for more than 12 months. This gain will be the calculated net of any payments made to the worker party entity.

For the worker party, however, it's a different story. They will not be entitled to any CGT exemptions, and all income received regardless of whether it was a result of a percentage of profit from sale, will be treated as income for tax purposes, and therefore a 50% CGT exemption will not apply.

6. Superannuation and JV deals

Joint venture deals between unrelated superannuation funds or unrelated parties are admissible strategies under the SIS act. However, the joint venture will need to be professionally documented. A joint venture deal with related parties is a strategy that some lawyers have been advocating for some time. However, I believe it is under investigation by the ATO, so my advice is to proceed with caution or not at all.

7. Spotter's fee

I have no problem paying a spotter's fee. If the deal is good and someone brings me the deal, I'm happy to pay a spotter's fee. The more people out there looking for what I want the better. In fact a good buyer's agent will often save you money as they often have inside information on the deal or they can be skilled negotiators and be able to secure the property at below market rates.

8. JV's from a vendor's perspective

The seller who chooses vendor finance is usually looking to sell their property for a better price than they are able to sell the property using the standard cash sale. Selling on terms therefore provides a better outcome than selling for cash.

Selling on terms means the seller can mould the terms of the sale to fit in with buyer's needs. The vendor finance terms are set by the seller to suit the seller's needs, as well as the buyer's needs. Significantly, the sale is not dependent upon bank finance.

In short, by using vendor finance, a seller receives two benefits. The first is that the seller sells the property more quickly than if offered at a cash price because the property is attractive to more buyers. The second is that the price does not need to be discounted for a quick sale, because the terms are being offered.

Sellers choose the form of vendor finance that meets their needs. Viewing vendor finance from the investor's point of view, once again needs to be looked at under the three types of vendor finance.

9. Networking

Networking with likeminded, driven and educated property investors is the best place to start looking for a JV deal or partnership. There are many good property forums out there that you can use including my own student website forum where many people post looking for a particular JV partner that fits their criteria.

10. Making your portfolio attractive

I often encourage my students that are looking for a JV partner to create a 'sales' booklet that you give out at any networking events. In this booklet, I recommend having details of what type of JV partner you are after (e.g. money partner, partner with time etc.) and how both parties can be rewarded by the joint venture.

When you are looking for a JV partner, you need to make yourself look attractive (and I don't mean put some make-up on!). For example, if you are someone with little equity but have a large amount of education and time, then you become an attractive business partner for someone with a lot of equity / serviceability and no time and/or little knowledge.

Top 10 Tips
on growth acceleration...

1. What are you after?

Property strategies fall into two main categories - income producing strategies and growth producing strategies.

Which strategy you use will depend on the outcome you want from your property investments. The lines between income properties and growth properties can get very blurred, especially when a property purchase can give you both strong income and good growth.

The strategies available to property investors are numerous and varied. It's a matter of finding out how the different strategies work, what the pros and cons are for those strategies, which ones suit your personality, and which ones suit your predetermined goals and direction.

Remember: there is no one way or right way or even wrong way to invest in property. It depends on your current situation, the future situation you want to be in, and the amount of time, effort and risk you are prepared to endure in between.

Property is one of the most forgiving investment strategies. In most circumstances, even if you don't make a particularly good property investment decision, but you hold onto it for long enough, it is highly unlikely that you will lose your money. It is very important to ensure the property investment decisions you are making suit your portfolio and do not put you in a situation of risk.

2. Educating yourself

Knowledge is power. The more you educate yourself, the lower your potential risk. The more you know about a topic regardless of whether it's playing volleyball or whether it is buying a piece of commercial real estate, the less risk you are going to have.

You will have less risk that you might get stuck with a GST bill or a property not zoned for current use or a bad lease, if you know more about all the associated things with buying a commercial piece of real estate.

Obviously, knowledge gives you the ability to be more confident in your dealings. It gives you the ability to make sure that you ask more questions - ask more appropriate questions - along the way so that you can get the answers that you need, to make an informed decision.

3. Portfolio analysis

This is another aspect of investing that is very underrated. No matter what deal you come across, if it doesn't suit your portfolio then it is wrong for you. However, it might not be wrong for the person next to you or someone you know.

As you gain proficiency in property investing, you will develop your own unique and intuitive methods for investing in properties that suit your personality, your goals, your timeframe, your financial situation and your personal commitment to achieving wealth.

4. Getting started – know your starting position

For most Australians, before they start investing, there are some money management skills that need to addressed. Budgeting, record keeping and accounting for where your money comes in and goes out are the most important and common aspects of money management that most people need to work on.

You need to know exactly where your financial position is. You should take an account of all your assets and liabilities. What are your monthly/weekly/fortnightly expenditures? What about your income? Track your money and find out where you are standing. This basically comes back to record keeping which will enable you to assess your position more readily.

5. 'Good debt' and 'bad debt'

I've explained this before and if you are one of my students then this should be something you are extremely aware of. 'Good debt' is debt acquired to purchase assets that produce more income than they cost you and therefore are tax deductible. Good debt is also debt between your own structures. That is where you are both the banker and the borrower. One of your structures has a loan to another one of your structures. This is a great form of asset protection, as your own structure will get paid before any non-secured creditor or potential litigant. 'Bad debt' is exactly as it says. This is debt that will keep you poor. It is the type of debt that you pay huge interest on e.g. credit card debt or store card debt. These debts should be eliminated as soon as possible.

6. How much does your money buy?

One of the secrets to true success is to ask yourself better questions. 'How much does my money buy?' is certainly a good one. Remember, when investing in property, that whatever you are starting with needs to cover your deposit (which could be anything from 5% to 30% - but usually 20%) plus your costs to buy the property (legal fees, Stamp Duty the cost of forming a structure etc.) and the costs to actually do whatever you need to do to the property to get your desired result (e.g. subdivide, renovate, extend etc.)

Understanding this is key to being a successful investor, as this will determine what you can afford to pay for a property and ultimately then where you need to start looking for a property that is within your price range.

7. How far are you prepared to travel to get the right deal?

When investing, price is obviously your first determining factor, however once that is determined the next decision to be made is how far you are prepared to travel to get the property that fits your price range and how far you NEED to go to get the property. These two answers may not be the same and if not you will need to rethink your strategy, motivation and determination in order to be successful. One of my extremely driven and keen students had to drive 6 hours west of where they live in Sydney to buy into their first deal. It was all they could afford at the time and they were willing to do whatever was necessary to start their property investing. They purchased a $79,000 property, which enabled them to buy their PPR. The couple are now doing multiple multi-million dollar deals.

8. How much time do you have to do the deal?

Time is definitely a major determining factor in selecting what strategy or strategies you are going to undertake in your property investing journey. Some strategies are more labour intensive on you than others. If you are short on time, you need to be selecting a strategy that doesn't require a lot of your input and time.

9. Always invest to strengthen your weakness

Your next property deal needs to be WHAT YOUR PORTFOLIO NEEDS NEXT. Therefore, what you need to analyse is what your weaknesses as an investor are, and concentrate on strengthening these weaknesses.

Let me explain, if you have equity but are low on serviceability, you need to be doing a cash flow deal to increase your income and therefore serviceability from the bank's perspective. This means banks will look at you more favourably when seeking your next loan on your next property.

Conversely, if you already have high cash flow like a job or a business but are low in equity then your next deal needs to be a chunk deal where you are gaining equity or value so that you have more available security next time to go to the bank to borrow money on your next deal. This way every deal you do is putting you in a better position to be able to move forward and buy your next deal.

10. Review your starting point when you buy/sell a property

Every time you buy or sell a property you are in a different financial position. Consequently, every time you have a new starting position and therefore you need to reassess what your portfolio needs next, what your new price point is, and what your timeframe is, along with everything that we have discussed in the above tips. This is an ongoing moving target that you are constantly adjusting and readjusting. Fun isn't it?

Top 10 Tips
on types of cash cows...

1. Multies (multiple income stream properties)

Multies are my favourite. While 'multies' is quite a broad term, and can apply to commercial, industrial and residential properties, in general, they are easy (with the right education and practical know-how!) and can be a huge source of passive income. If you're going to turn something into a multiple income stream property, you need to look at far more requirements than if you were going to turn it into a dual occupancy, so make sure you are communicating with your town planner.

The most effective method of utilising multies is 'selling down for debt reduction'. One of your reasons for wanting to construct a 2nd dwelling on an existing property could be to specifically build for resale purposes rather than cash flow. You would do this because building a 2nd dwelling (and even 3rd, 4th or 5th dwelling) for resale means that your profit is then able to be used to pay down the debt on your remaining property holdings. The property you are left with would then be positively cash flowed simply because your debt level is so low.

Essentially, you target a property on a large land size for you to be able to build multiple dwellings or unit developments. You then build 4, for example, and sell 2 to pay down the debt on the other 2 and pocket the positive cash flow from that point forth.

2. Student and single living accommodation

There are a number of specialised property managers who deal specifically with rental properties that are rented on a room-by-room basis. The returns are higher than if the property was rented to a single tenant (most commonly a family). Property management costs, however, are often higher and so too is your insurance. Do your feasibility study and find out if you can turn that 6 bedroom house into a multiple income stream property.

3. Granny flats for extra income

Granny flats are a fabulous method of manufacturing passive income within a property. It is often quite dependent on council outlook, however. The New South Wales State Government definitely holds the most pro-granny flat outlook. They have stepped in and created an option that allows investors to take advantage of properties that would normally be negatively geared. The Queensland Government has recently jumped on board with the granny flat revolution as well, making it much easier to turn your property to a positive cash flow one.

4. Commercial (semi-commercial and resimercial)

Commercial cash cows, unlike other cash cows, are treated a bit differently. They come at a higher level of risk (or potential risk) and bank LVR's are often lower. You will run into issues like Occupational Health and Safety Regulations, and disability access. In addition, your tenant's profitability is not just their problem; it is yours.

It's not all doom and gloom though! When you are looking at buying commercial, quite often it can be combined with some sort of residential element (e.g. flats on top).

5. Parking lots

These are a great low-maintenance method if you have a property with a large piece of vacant land that has commercial zoning. These land lots often get overlooked by developers and builders who think that it's too small to build commercial property on. They are especially effective in built up CBD areas.

6. Storage facilities

You would be amazed at the need for these types of facilities. They are a low-cost low-maintenance form of income that is versatile in that it can be located in most areas.

Like car-parking lots, you need to target commercially zoned land that has some sort of attraction (car traffic, near residential estate etc.).

7. Executive/short stay rentals

These properties range from the 'Quest' style serviced apartments through to units and houses that are completely furnished and may or may not have a cleaning service attached, even homes that are completely fitted out down to tea towels etc.

When setting up these types of apartments, you can do one of two things; go it alone or use a managing agent that specialises in this type of rental.

If you are going to do it yourself, you should create your own website and market directly to corporate and community groups that may require short-term accommodation. You can also use a number of existing websites that your property will be listed on; such as stayz.com. They will take a commission for property rental.

If you decide to use a managing agent, you can research into any executive rental agents that specialise in marketing and placing tenants in these types of properties. Their commissions are generally higher than normal (upwards of 15% plus any additional costs for cleaning and laundry) but the extra rental asked usually makes this option still profitable.

8. Leasing and sub-leasing

This strategy should only be used if you are someone who is prepared to take a risk and if you have the ability to negotiate a deal. You really have to know your market. It entails negotiating a primary lease with a landlord and then subleasing the premises to someone else at a higher lease value.

It is typically used in commercial situations and often on larger premises. Although it is not really suited to Australian legislature, it can be a useful strategy in the commercial arena and can create an income stream with little or no money.

9. Wrapping

This one is becoming more and more popular throughout Australia. It can come in a number of forms and originated in America. Since then it has been adapted to suit Australian laws and culture.

Technically, this type of purchasing is a little different and is treated differently for income tax purposes. Essentially, a 'wrap' is when you purchase a property (normally at the lower end of the market) then onsell it to someone else (offering vendor finance) who would not normally be able to get a loan to buy the property themselves through regular financing channels.

They then pay off the loan with similar interest on a typical bank loan on a standard 30 year principle and interest loan.

Because someone might not fit the traditional financier's box does not mean that they are not suitable purchasers or finance applicants for your vendor financing deal (self employed individuals who have not been in business for long, young people who are venturing into the market for first time, individuals coming out of divorce etc.).

10. Industry specific purchasing

When searching for high yielding properties, many investors end up looking at investments that are industry specific, or properties that have limited use. Examples of this are pensioner accommodation, student accommodations and even holiday rentals. On the commercial front, industry specific might include service stations, quarries, storage sheds etc. Whenever you have a property that has a restricted use you limit the number of potential tenants and ultimately buyers for your property. Whilst I don't like investments such as pensioner accommodation – unless I own the whole retirement village - as lending on this type of investment is also very limited, I am not opposed to some of the other types of industry specific properties providing your due diligence indicates there is a long-term need for that type of property for tenancy.

Top 10 Tips
on building your success team...

1. Financial strategist / broker

Before you start investing, make sure you get a financial health check. Your financial strategist will be able to help you with this and provide you with an understanding of your serviceability. From this you should be able to determine what type of investment you want to do; whether that be acquiring a passive income stream or 'chunk deals' for equity.

2. Solicitor

Find yourself a good solicitor and establish a good relationship with them. They can be your best friend sometimes. You will need them for drawing up contracts, trusts and many things. You should ask them if they invest in the property market themselves and to what extent. Ask if they understand your structure and strategies. If they don't, chances are you will know more than they do, so shop around. You are going to need someone who is on your wave-length, but also fully understands your long term goals for yourself.

3. Real estate agent

You are going to want to build up a team of Real Estate Agents as you research properties for sale in your target areas. Talk to the agents, tell them what you are doing and ask them about their town and the nearby areas.

I like to build a relationship whereby I know that I am on their priority list for notification of any new listings before they appear in the paper. The Agents need to know what it is that you are looking for and will go out and search for these properties as much as you do. They need to be of the same morals as yourself with a good work ethic and a willingness to achieve a win/win solution in deals.

4. Property manager

Your property portfolio will grow to a point where you will be spending too much time dealing with the small to medium sized problems. I hire a property manager to work part time or full time so that I have more time to continue building my portfolio. This property manager will need to be reliable, enthusiastic and most importantly, honest.

5. Tradespeople (plumbers, electricians, painters, builders...)

Find tradesmen that you know do a good job and are willing to work for you. Be nice to them and show them respect. A lot of people I know treat tradesmen as though they are dumb. They are not. Buy them lunch on a Friday, it will only cost you $60 but will mean a lot to them.

I also recommend paying them on time. Given the decision to work for you, or another client, they will pick the one who pays on time and is generally courteous. Once you find tradespeople that know how you want things to be done, you can continue to use them over and over.

6. Insurance agent

You are going to need to find a good Insurance Agent, not only for sourcing the best-suited and most appropriate insurance, but to constantly keep you updated on policy changes. You should know what you're insured for and not insured for at all times. The truth is, you don't know everything and there could be unforeseen circumstances around the corner.

7. Building industry consultants

These consultants would include Town Planners, Architects, Quantity Surveyors and Draughtsmen. You may have to shop around for this. Ask about their past and current projects in your target areas. Do you like their work? Become familiar with your selected area.

8. Building and pest inspectors

These two are very important, especially when looking to purchase a property. You will need them to be reliable and thorough. This is especially important if you plan to bid at an auction as you will need to have all pre-purchase checks done.

9. Valuers

When you are doing your research and investigating an area, you will need to seek out a Valuer. In most cases, the Valuer will work for the banks and be instructed by the banks unless you're dealing with large-scale commercial projects.

10. Your company

When you are successful in real estate investing and your 'friends' start to show signs of either jealousy or Australia's all too common 'tall-poppy' syndrome, you will need to control your company and who you hang out with. Like-minded people who are positive and success-driven will further improve you as a person and push you to achieve your goals.

Top 10 Tips
on what to ask an accountant...

1. Electronic or paper-based?

This will be up to you. If you are someone that loves emails, smart phones and 'the cloud', then you may get frustrated with an accountant that sends out all paperwork via post. Ensure that you can communicate effectively before you appoint your accountant.

2. Do you have any investment properties?

This question is important because an accountant who has properties of their own and has been through the thick of it will know every single tax deduction that is available and will be able to help you with your tax return. Again, if they are share-focused, you may have some communication problems and things can become frustrating.

3. How big is your accountancy practice and what is your role ?

Are you happy to go to a bigger firm that may have a larger body of knowledge, or would you prefer a sole practitioner where you can speak to the same person? Ask questions to get a really good understanding of how things operate in that firm. Is the person you are talking to going to be around for future years?

4. What services does your accountancy practice offer?

This will tie into the question above. Once again it is about what you want from your accountant. Are you purely after someone who will do your return at the end of the year or do you want someone you can communicate with all year round about your plans and strategies and who can offer pertinent advice? Do you want them to set up structures? Do you want them to do your bookkeeping? Do you want to allow them to outsource?

5. Ask yourself, 'Do I like this person?'

It is important to get along with your accountant. Sure, you can change and swap accountants every few years but it's beneficial to have some synergy with your accountant. Do they understand what you are doing and what your goals are? Where are you going in the future? They should have an understanding of your business area, and experience with people who have been in a similar position to you.

6. How do you charge for your services?

This may be an obvious one, but it's important to ask. An hourly rate may seem low or high to you, but it really doesn't give you a good understanding of how that will relate to costs unless you really understand how long a task may take. Try to get a quote for what you want done – not an hourly figure.

7. What professional training do you (and your firm) undertake every year?

Tax law is forever changing, which is why it is important that your accountant keeps their knowledge up to date. Do they attend regular courses and seminars?

8. Do you take a holistic approach to your clients' lives or just the tax aspects?

You may not want an accountant that will pick your brain about your whole life, but it can certainly be beneficial. Do they check if you have insurances and Wills in place? Will they give you advice based solely on the tax outcome? What are their views on asset protection, finance or even cash flow issues?

9. What are your views on Self Managed Super Funds?

Do you think investing in property with an SMSF is a good idea? Can they help you with it? If investing with your SMSF is something that you may want to do in the future, ensure that your accountant is knowledgeable on the subject.

10. Do you have all the appropriate licensing?

You will need to know if they are qualified. Do they have a degree and/or other qualifications like CPA etc.? Are they a registered tax agent? You can check online at www.tpb.gov.au. Another good idea is to ask them for any referrals or long-term clients they've dealt with over previous years. They should be willing to provide you with a name or number.

Top 10 Tips

on what to ask a financial strategist...

1. What is my maximum LVR (Loan to Value ratio)?

Find out what your maximum LVR would be. It is likely to change depending on rents, but your financial planner should be able to gauge a general figure.

2. Am I serviceable from a bank's point of view?

What are my strengths and weaknesses? – Find out what you can do to maximise your serviceability. You may have a property that is affecting you negatively. Would it be beneficial to sell that property in order to move on?

3. What do you think my next property deal should be?

Your financial strategist should be able to confidently tell you what you need in your property portfolio. Do you need positive cash flow? Should your next deal be manufactured growth and equity? I like to make sure that my financial advisor is on the same page as I am and can easily tell me where my portfolio needs to go in order to succeed.

4. Is there anything bad on my credit history?

Can you change or remove something on it? – Your financial strategist will be able to check your credit history. We are not like the U.S. in this area but we are slowly moving that way. What many people don't understand is that, whenever you're applying for a loan, you sign a form to say that the financier can make an enquiry to check your previous history. Each enquiry gets recorded and states the loan amount that is being applied for. If a bank can see all of these applications, it can be detrimental to your application. You can check your credit history online and can receive updates about when anything is added to your credit report.

5. How long have you been giving financial advice?

Do you have someone that has been in the business for 40 years? They are probably going to know their stuff. This is not always the case, however, as they can be quite detached from your lifestyle and may not be as empathetic as someone closer to your position in life. Also ensure that they have kept up with current trends/laws etc.

6. How do you charge for your services?

Find out how they charge and what costs you will be up for. If there are any on-going fees, find out what you are getting in return for those. They should be able to easily justify their charges.

7. What type of client do you specialise in? Do you have any other clients that are in a similar position to me?

As a property investor, it is vitally important to have a financial strategist that understands the property market. There is no point in having a financial strategist that specialises in stocks and trading as your financial strategist for property investment. They won't know your industry and what necessary actions you should take.

8. Ask yourself, 'Do I get along with this person?'

A financial planner can be the best in the world, but if you don't understand each other's goals or can't stand being around one another; they're not for you. You will need to communicate frequently with your financial strategist so make sure it is someone who you enjoy communicating with.

9. What are your qualifications?

Ensure that your financial planner, strategist, advisor has all the necessary qualifications and experience that you require of them. Check that they are up to date with their own education in the field. You may think some of these questions border on the personal, but it is you who is in the driving seat when you appoint a financial strategist, as it is you who is paying the bills, so you need to be satisfied that this person meets the criteria you set down as essential.

10. What is your typical annual contact time with your clients?

Find out whether it will be an initial consultation, and then an annual meeting before tax time or regular meetings scheduled by appointment. Work out what you require and ensure that they are able to meet those requirements.

Do you have any long-term clients that I could speak to? – Obviously, the strategist is not going to give you someone that has had a bad experience (if at all), so do take the testimonial with some caution. However, it is still a good way to get a better understanding of how your strategist works.

Top 10 Tips
on what to ask an insurance broker...

1. How long have you been in this business? What's your experience?

Find someone who has been in the business of brokering insurance for a while. You want someone who knows their way around the insurance market and can get you the best deal that you can get.

2. Can you do a comparison of fixed rate versus variable interest rates and advise me on the best option for me?

Get them to work for you. They should be able to find out what is best for you and it should make 100% sense to you. Ask them to justify why they think that one option is better.

3. Are you a licensed insurance broker that is RG146 compliant and operating under an Australian Financial Services license?

Ensure your insurance broker has all the current and relevant licences to operate and broker insurances.

4. Are you an insurance broker or an insurance advisor?

An insurance advisor works for one insurer and can only offer that company's product whereas an insurance broker works for you. It is their job to ensure that you are covered and looked after. A broker will also have a lot more access to differently policies as they deal with multiple insurance companies.

5. What insurance companies are you working for?

It is important that you consult multiple insurance brokers to ensure that you are seeing all the insurance options that are available and not just one company. Remember that insurance broking is a commission based industry.

6. What sort of waiting period do you think I need when it comes to income protection insurance?

If you are injured at work and for some reason you cannot work, there is normally a waiting period in which you have to live off your own savings. Make sure you know what the waiting period is (the insurance is often more expensive if the waiting period is shorter).

7. Run through hypothetical situations

There are so many potential circumstances that could happen in the future and the only way for you to fully understand what your insurance covers and doesn't cover, is to go through all the hypothetical situations. Get your insurance broker to inform you of what has to happen for you to not get insurance. Ensure that you are fully aware of what you are covered for and what you are not covered for. A common example of this is in storm damage insurance, flood damage may not be covered. By running through these hypotheticals, you are simply setting yourself up so that there are no unpleasant surprises.

8. Read the insurance policy!

95% of people don't read the insurance policy. I know it can be extremely boring, but it can mean bankruptcy or comfort later down the track if something were to happen. Again, understanding what you are and are not covered for makes a huge difference when things go wrong.

9. What insurances are suitable to be paid through my superannuation fund?

Super Fund laws are always changing and it is best to make sure that your broker completely informs you as to what happens when it comes to your insurance being paid out of your superfund. It is typically a very complex process to extract insurance payouts out of your super fund if you are under 65 (but not impossible).

10. Consult your financial strategist before seeing an insurance broker

Have a meeting with your financial strategist / planner and go through every type of insurance that you need. Where are your risks and what needs to be covered? What could happen that would ruin you? Can you fix it? Understand exactly what it is that you want prior to consulting an insurance broker.

Top 10 Tips
on insurance...

1. Landlord insurance

Determining whether or not you need landlord insurance is easy; if you are a landlord, then you need landlord insurance. It is, however, important to check and read the policy you choose, as there may be some unnecessary or irrelevant things you're paying for. I've found that most landlords have a negative approach towards landlord insurance until they get that one bad seed that costs them money. Screening your prospective tenants is a good way to ensure that your property is well looked after and treated properly, but even good tenants are capable of accidents or mistakes. I recommend that you do your research before taking out landlord's insurance and make sure that your insurance policy suits you.

2. Construction insurance

Construction insurance is mandatory when doing *any* type of construction (e.g. renovations, owner-builder extensions, new builds etc.). Construction insurance can be a little tricky, as it can change substantially between insurance providers. Be sure to check your policies so that you know you are covered if anything were to happen (e.g. storm damage, theft, fire damage etc.).

3. Public liability insurance

The main issues Public Liability Insurance deals with is property damage and personal injury. It can often range substantially from insurance company to insurance company, so ensure you are diligent when reading the policy. Public liability insurance is not just something you get when you own property either; it is sometimes mandatory and required by law for businesses and tradesmen to cover themselves.

As a property investor and landowner you can be liable for unwanted guests or third party injuries on your property.

4. Building Insurance

Building insurance is pretty self-explanatory, if your house was to burn down, or fall down due to a landslide or storm damage, insurance will cover you for the 'replacement cost' of the building. That is, what the insurers determine to be the total value of the building if you were to rebuild it. If you own property in an area where natural factors are known to be frequent, the costs and need for the insurance are increased.

5. Contractor Insurance

When employing the services of a licensed contractor you should always ask to sight a copy of their insurance policy. Just seeing a policy is not enough, you need to actually read it and understand what it covers and more importantly what isn't covered. All contractors should hold insurance cover for the following.

- Public liability: this protects you and your business from being found liable for death or injury, damage to property or economic loss – MAKE SURE THIS COVERS UNINVITED GUESTS!

- Professional indemnity: protects you from legal action as a result of your advice and actions in delivering your services

- Product liability: covers you against claims of goods causing injury or damage

6. When to take out insurance

In every state except Western Australia, you need to take out your insurances at contract stage of the purchase process as this is when your liability transfers. Clearly if you still have conditions in your contract which allow you to exit the contract then if something happens or a liability is incurred during this conditional phase you can still pull out of the contract under those conditional clauses. However once the contract goes unconditional there is no get out of jail card so you need to make sure your insurances are in place.

7. Life insurance

As a property investor, when taking out life insurance, you are going to need to cover your mortgages and whatever investment funds you have for income. If you were to pass away, you do not want to leave your loved ones with any burdens or financial struggles that they cannot deal with.

8. Income protection insurance

Unless 'immortal and indestructible' is one of your many traits, then income protection insurance is something you should be interested in. If an accident were to occur (which they have a strange tendency of doing without your permission) and you are unable to work, you need to have an income protection insurance policy that covers you enough to live without any major changes to lifestyle. Typically, Income protection insurance will pay you 75% of what you would have received if you had the ability to work (or until a certain time depending on your policy). Like all insurances, you should be checking the policy thoroughly and seeing if it is the right one for you.

9. Check your employee Worker's Compensation Insurance

Whenever you have employees you are required by law to take out Worker's Compensation Insurance in case an employee is injured at the work place. Something that is not as well known is that if you have a person who only does occasional work on an 'as needed' basis such as a baby sitter or a gardener etc., they too need Worker's Compensation Insurance. This type of Worker's Compensation Insurance is called 'Home Worker's Compensation Insurance'.

10. Contents insurance

If you have any contents insurance and you have recently done something to your PPR (principle place of residence) or investment property like a renovation or subdivision, then it may compromise your insurance policy and you will not be covered. Whenever you undertake work on your property that might compromise the security of your property, you need to tell the insurance company about the work being done and they may need to upgrade your insurance to a renovation or construction insurance while the work is being carried out.

Top 10 Tips
on what to ask a lawyer...

1. Are you familiar with discretionary trusts?

A big part of my education is dealing with asset protection and consequently discretionary trusts. Your lawyer should be adept at dealing with trusts. Your lawyer should be able to tell you how you can control assets without owning them whilst being the beneficiary.

2. Do you do any succession planning (Wills)?

I cannot stress enough the importance of having a Will. If you die, (which you will) without a Will, you are considered to be 'intestate' which means the State Government will split up your estate as they see fit, and not necessarily as you might want. You will want your lawyer to be able to assist you in the process of writing up your Will. Wording can often be extremely important and is a job best left to the professionals. I also don't recommend using a public trustee. They are often free while you are alive and charge like wounded bulls from your estate when you die.

3. Are you a specialist in property development and real estate?

You are a property investor and will require a specialist solicitor that can help you in the field of property. Your lawyer should be able to confirm that they are capable and confident in the industry.

4. Do you have any long-standing clients that could give me a referral?

Ask your lawyer for the contact details of one of their long term clients. You can ask that contact questions about the lawyer's prioritisation, quality etc.

5. How do you charge? Can you give me a ball-park figure?

Lawyer's charge in different ways. Some may charge you per 10 minutes, and others nothing less than an hour. It is all very hard to get a good estimation on that, so I prefer to ask for an approximate quote of the end cost for a task (drawing up a Will, establishing trusts, lease agreements etc.). Note that just because a Lawyer has cheap rates, they may not be the best for you. Lawyers can, at times, be your best friend, so paying more for a better consultant is often preferable.

6. Do you currently have any clients that property invest?

You will quickly be able to gauge your lawyer's experience in your industry if they have had an extensive list of prior clients that are in the business of real estate.

7. Are you capable of drawing up contracts particularly if they have complex clauses and conditions in them?

If you have to put a lot of complex clauses and conditions in a contract to make it as profitable as possible for you, then your lawyer needs to be able to do it. Your lawyer should be able to handle anything you throw at them and you should be able to rest easy knowing that your contract has enough 'get-out' clauses in there to protect you.

8. Do you have Professional Indemnity Insurance?

Professional Indemnity Insurance is beneficial for both parties. You need to make sure that they are covered in the event that something goes wrong. Hopefully you shouldn't need it, but it is better to ensure that all bases are covered.

9. Do you have all the necessary licences and qualifications?

This may seem like a no-brainer, but is important that you ask. In property, you are at huge risk if your contracts do not provide you with enough room to operate. Find yourself an educated, licensed and qualified real estate solicitor and you will be at a great advantage.

10. Ask yourself, 'Do I get along with this person?'

It is of great importance that you get along with your solicitor. Communication is often very important when going through a deal and you want your consultations to go smoothly.

Top 10 Tips
on clauses in property contracts...

1. Building and pest clauses

When purchasing an investment property, it is important to get Building and Pest inspections done. You do not want to have to pay an exorbitant amount of money for structural and pest problems because you were careless enough to not have the inspections. It's also important, though, to actually have the clauses in the contract, and detailed ones at that. This is where your lawyer will be able to assist you. In every state except NSW, there are conditional contracts. There are clauses in there to make these conditional contracts. There are the normal ones, like building and pest, finance, but it is important that they are detailed.

In most states, the Real Estate Institute standard contracts have wording like 'building and pest to the buyer satisfaction'. The terminology used is quite important, as in times gone past, real estate agents have tried to get away with just 'subject to Building and Pest'. This of course, means that you can walk away if there's any structural damage, or if there is evidence of pest infestation. However, if you have a report that comes back with 'no pests, but extensive prior activity', you cannot get out of that contract using that clause.

2. Finance clause

It is important that you have finance clauses in your contract that allow you enough time to organise your finance. You are going to want at least 21 days, preferably 28, if you can get it, for finance. What I prefer to do is get 'working days', not 'days', in the wording of the clause. I might do a '14 working day' finance clause as opposed to a '21 day' finance clause. It works out to about the same.

The finance clause does need to be to your satisfaction so you can pull out of the contract if you ever need to. If you don't need to go and get finance, the seller can come to you and say, "Prove to me that you cannot get finance, show me your refusal notice. Who have you spoken to?" You can see why you will need a mechanism in there to allow you to pull out on finance.

You also have the option of getting a finance approval subject to valuation. Revaluation may not happen until after the contract goes unconditional, so you've got to make a judgement - "I'll go unconditional subject to a satisfactory valuation on the property". You've got a partial condition there, that you've got to be able to fulfil. If the seller is happy that the property is worth what he's selling it to you for, they should have no problem with that.

3. Options

Again, in NSW, you cannot have a conditional contract. You've got to do everything in the hope that the seller won't sell it to somebody else in the meantime. In New South Wales, options are more prevalent than anywhere else around Australia. Options are generally used in the rest of Australia to buy commercial property, to buy property that can be approved for development, to get DA on a rezoning, a building approval to build a block of units or something to that effect.

You have an option on it while you go off, get all your approvals and do your due diligence to ensure that you can do whatever you intend to do with the property. For properties in NSW, options are used more freely, even on normal residential properties because it stops the seller from gazumping you (stops the seller from selling it to somebody else).

An option (or buyer's option), in a very simple way, is the right to buy, but not an obligation to buy. You obtain that right, but you do not have to exercise it, and you're not forced to buy the property. It becomes another tool to manage your transaction. Some people actually create value in the options, by doing development or building approvals etc., and sell the options off to the next guy to work up the land. They leave something in it for the next guy, but take a slab of profit out at the time.

4. Due diligence clause

One of those clauses in both the contract and the option agreement is the 'due diligence' clause. The due diligence clause is kind of a get-out-of-jail-free card. People use it to mean a lot of things, but from a legal context, what we mean when we say, "Let's put a due diligence clause in there", is, "Let's put a clause in there to provide us some time to look at whatever needs to be looked at before we proceed".

The due diligence clause is generally worded in a very general sense so that it allows the buyer the right to look at all aspects of the deal as far as he's concerned. Again, it comes down to the wording and terminology of these clauses that you have to be extremely careful about.

5. Nominee clause

There are no restrictions across the states with nominee clauses but there are with contracts. Contracts in Victoria seem to be the easiest ones to assign to somebody else, where you can sign a contract and it's written as 'and/or nominee' on the contract. So if you haven't got your structure set up, it gives you time to go out there and get set up and purchase property in that structure's name.

You've got to check with the Office of State Revenue on the issue of whether you're going to pay Stamp Duty or not. In QLD, if you've got a contract that's you and/or nominee, that means that's the name on the contract. So that's what needs to go onto your title, which obviously you do not want. You do not want to put another structure in there, or your trust, or anything else. You'll pay the Stamp Duty on the first one, and the second one. Avoid using nominee clauses in Queensland.

When you buy in other states, don't assume that the paradigm you live in will apply in other states. You need to instruct your lawyer accordingly.

6. Site inspection clause

If you want to get onto the site prior to settlement, make sure it's written in the contract that you've got access. Otherwise, once you've signed the contract, the buyer can say, "Sorry, I'm not letting your contractor come in and make a quote for the renovation". They can say no up until settlement.

If you want access for your contractors to go in, it needs to be in the contract. If you want to sign a contract or an option where you want to get council approvals, the only one that can apply to the council to have a zoning change, or to have something built, or developed, is the owner of the property. You're not the owner of that property if you've only got a contract on that property or an option on that property. You have to have written in your contract with the seller that they will sign all necessary documents that go along with the council's zoning changes and whatever else.

7. Cooling off periods

Most states have a statutory cooling off period for residential contracts. They're generally five days in Australia. That gives you five days to change your mind and walk out of the deal. However, there's a penalty of .25% of the purchase price if you are purchasing in New South Wales.

In NSW, as you do not have the ability to sign a conditional contract, what you can actually do is, contract to extend your cooling off period. It's the only state where you can do it, but in NSW, when you put your foot on the property and may not have your financing or structures in place, you could take a risk and sign a contract exchange where absolutely only you can buy that property. In the contract, however, you need to have written that the cooling off period is extended from five days (default) to 21 days. This will give you the time you need to get your structures and financing in order.

8. Insurance

In New South Wales, the risk of the property passes at settlement. However, the practice is still, once it's signed, as a matter of prudence, you should take out your own insurance for a number of reasons. You don't know that the seller has got their insurance up to date. They may cancel the insurance on signing. If something happens during the time between when you sign or exchange and settlement, you want some coverage. In

WA, you need to take out insurance on settlement, and in QLD it becomes necessary on contract date.

9. Pre-settlement inspections

Of course, on settlement day, one of the things that I highly recommend is that you go and do a pre-settlement inspection. If you are buying a place at a distance, then send around the building inspector. The building inspector has inspected the place to start with. He's been through the property before and knows what's there.

An example is one that I actually had, and on settlement day, I asked the building inspector to go around because it wasn't near where I lived. He inspected the property and he rang up and said, "Was there anything in the contract about the bath not being here?" "No, there wasn't. Isn't there a bath there?" He said, "No, there isn't. They've taken the bath." I immediately rang my solicitor and he got me a $2,500 discount. The bath didn't cost me $2,500 to replace, but because I acted prior to settlement, I was able to get a reduction in the contract price because of it.

10. Settlement day

A lot of people have to be there on settlement day. You've got both sets of bankers and both sets of lawyers. There are complications and consequently risks.

What if your bank makes an error? The seller can say, "Sorry, I'm keeping your deposit, you messed up." You could, however, make a recourse against your bank to say that they knew and that they had previously approved the loan.

Now, in terms of dealing with the seller, obviously at that time there will be all sorts of pressure because, if they don't settle they may have other interests to pay, so you've got to find some kind of compromise. Can this happen? Absolutely, it can.

Most sellers would agree to another day here, another there, but they don't have to. They may charge you interest. They could charge you a penalty of, say, $3,000. They could even sue you for the difference if the property's gone down in value in that contract time. This can happen in the reverse too. There is the scenario where there's a rapidly rising market. Somebody buys the property, exchanges contracts but hasn't completed the sale yet. The vendor finds that he can get another $100,000-$200,000 or whatever. So he sells to someone else even though he's exchanged.

He's exchanged the second contract, and he refuses to complete the first one. He's setting himself up for a very difficult fight in court, because the first contract takes precedence over the second. People play these games to test your resolve, to see whether you will go hard on them for your right of purchase. For that sort of gain they may be willing to take the risk on it, especially in a very rapidly rising market. You've got to take them to court even though you've got all the rights. The first contract has got all the rights, but then it's the cost of taking them to court, as well as the time factor and the ultimate question of whether you are ever going to get the property or not.

Top 10 Tips

on what to ask a real estate agent...

1. How long have you been in the industry?

Find out how experienced the agent is. If the real estate agent has been in the industry for a long time, then chances are that they know how to sell. Be careful though, older agents may be tired or on the brink of retirement and a younger, more enthusiastic agent could suit you better.

2. Are you a licensed real estate agent or a sales person?

Ensure that the agent has all necessary licences.

3. What's your clearance rate?

This is an important question to ask, but you will need to ask multiple agents to have an idea of what is good and bad in the current real estate market. Ask also for a breakdown of sales through auction, sales prior to auction and general sales.

4. What's your office's auction clearance rate?

Asking this question will likely give you an idea of how effective or skilled the agency is at auctions.

5. What's the industry auction clearance rate?

I like to first ask this question of an agent or multiple agents, then try to look online to see if the data matches. This then gives me an idea of whether or not to use auction as a selling medium.

6. What are your average days on the market?

I like to ask the Real Estate Agent this question as it will allow me to gauge how long I can expect to find a buyer. It will most likely only be a rough idea as not every property is the same.

7. What is the industry's average days on the market in this area?

An agent should be able to tell you the averages of the market. If you are asking multiple agents, then you will be able to correlate the data to get a more accurate understanding.

8. Can I talk to your last three auction vendors and ask about their experiences?

Unless an agent has something to hide for any reason, they should be more than willing to let you speak to their older clients. They will, of course, only give you clients that they think will give them a good wrap.

9. Who's the auctioneer?

Find out who the auctioneer is and do some research on them. Try asking if you could speak to the auctioneer or attend one of the auctions. Are they enthusiastic and skilled at their job?

10. Can you tell me what you offer that other agents don't?

The right agent for you should be able to confidently tell you exactly why they're better than their competition and be able to justify it.

Top 10 Tips
regarding property managers...

1. Take responsibility

If you have the problem of bad tenants, it is your fault, not your property manager's. It is your fault because you have not correctly managed your property manager. They need to be 100% clear about your expectations and how you want things to be done.

2. Make the managing agent your friend

Communication is important in a lot of areas in property investing, and especially when dealing with a property manager. You need to make the managing agent your friend. You will be surprised that if you are just friendly, how much better they will do the job.

3. Rental agreements

Your rental agreement is the document that sets out the rules and is a legal document. In it, you should have details on how long the tenant can occupy the property, rental prices, and any other procedural information you might have. All your tenants must have their names documented and signed.

Your rental agreement is legally binding. It is the document that will resolve disputes and deal with any issues that may arise. You should definitely consult your solicitor to seek assistance with your rental agreement.

4. Property management fees

When choosing a property manager, all charges and fees are negotiable and are to be recorded on the contract (including GST considerations). You will typically be charged a cost for the property manager to find and place a tenant which is negotiable and will be normally charged at the commencement of every tenancy. For most property managers, they will then charge a 'management fee' which is deducted from the rent each time it is paid.

5. Repairs and Maintenance

As a property owner, you are responsible for any repairs or maintenance that needs doing. However, you can authorise your property manager to carry out certain urgent repairs up to a maximum amount of money. This authorisation to carry out urgent repairs to a maximum spending limit, needs to be set out in the contract. If you choose not to let your property manager carry out or authorise tradespeople to carry out certain repairs, then you must give your contact details to your tenant.

6. Negotiating rent

An important task that your property manager should be doing is negotiating rent. They are the ones who deal with multitudes of properties in all different types of areas and will know the market rental better than anyone. I find it quite overwhelming how many landlords miss out on full rent.

Try asking your property manager what they think about the rent. Should it be higher? Do they invest in property? What would they do if they were in your position?

7. Discuss arrears and bad tenants

Your property manager should be able to handle arrears and ensure that the correct action is taken if the tenant is in default. If they are not issuing all the notices and following up until the rents are up to date, then they are not doing what you pay them to do.

Your property manager should screen all tenants prior to tenancy. They need to look at all prospective tenants and ensure that they are not going to cause trouble for you. You also should have Landlord Insurance.

8. Landlord Insurance

Landlord Insurance can cover you if you have the misfortune of bad tenants, and any rental defaults.

9. Biannual meetings

Allocate a scheduled time every 6 months to sit down and have a meeting with your managing agent. You need to ask your property manager for their opinion. Is your property renting at market rental? What's the condition of the property and does it need renovations? Find out, if you were to renovate, what the value and yield would increase to. Ask your agent if there are any market trends or anything happening in your area that you may need to be aware of.

10. Take photographs at inspections

I like to have my property managing agent take photographs at their inspections. These are incredibly handy when you are having a meeting with your property managing agent. It also helps you get a good understanding of the condition that your property is in (which you may not have access to otherwise).

Top 10 Tips

on what to ask a property manager...

1. Do you own any rental properties?

I love asking this question of my property managers. I find that if they do have their own rental properties, they value your rental property more than someone who does not actually own a property. They will understand, as an owner, what it is that you want from a property manager and how the general process of everything works.

2. How many units/apartments do you currently manage?

It is good to have an understanding of how busy your property manager is. It also helps knowing that, should one of your units be untenanted, that there won't be 5 or 6 or even 10 other units that your property manager is trying to fill first.

3. Can I speak to one of the landlords you currently work for?

This is quite important. Most landlords should be happy to answer any questions you might have about the performance of their property manager, and the manager should be willing to give you their contact details. If they don't, I see it as a bad sign.

4. How much do you charge and do you have a schedule of services?

Ask them how they will charge you, then work what they've given you into your feasibility study. Does it still work? Do you think that it should be less? If it doesn't compromise the profitability of the deal, and they are doing a good job up to your standards, then you should have no quarrels with it.

5. How would you handle a typical maintenance issue?

Go through a hypothetical maintenance issue with your property manager. Are you happy with how they handled it? What would you have done? This is definitely something I recommend doing.

6. How often do you make routine formal inspections?

I think these are quite important. You will find that property managers have differing opinions on the frequency of formal inspection. Make sure that the tenant is notified prior to inspection date.

7. What would you typically do when a tenant isn't paying rent?

Have them run through a typical situation where a tenant isn't paying rent. What are their actions? They should have a policy in place to deal with these problems. Your state government body will have '.pdf' files available for you to see all the rules and regulations around unruly tenants.

8. Are you okay with having a termination policy in the con tract?

This will be included to protect you in case of poor management, so if they are confident that they will do a good job, then there should be no issue with this question.

9. Is my property close to where you manage other properties and your offices?

If your property manager has one property that is 2 hours away from all the others, which ones are they going to do a better job of? Ensure that your property is within at least reasonable distance.

10. What are your vacancy rates for your current properties?

How good are they at screening for tenants? Do they have a lot of currently vacant units that they are trying to fill? If that's the case, then if you were to lose a tenant, there would be a waiting list in place before your unit gets tenanted.

Top 10 Tips
for first home buyers...

1. Understanding the fundamentals

For first-home-buyers, purchasing a property can be quite a daunting thing, but you can be confident in yourself if you have done all the necessary research. Learn the process of what happens in a property transaction so that you are better able to deal with any unforeseen circumstances that may arise. Do you have the right clauses in the contract (building and pest inspection, finance etc.)? Is there a cooling off period?

Learn the basics and understand the fundamentals of purchasing a property before you do anything.

2. Finance

Do you have pre-approval from your bank and know how much you can borrow? Have you talked with your financial planner about what your maximum borrowing capacity is? How will the loan affect your lifestyle? You need to answer all of these questions before putting in a contract. Consult your financial strategist and ask them their opinion on whether the purchase suits your investment portfolio. I recommend preparing a weekly / fortnightly / monthly money schedule and then trying to add in certain home loans to see how much it affects your lifestyle.

You need to consider whether or not you are going to use the first home owner's grant. You need to ask yourself what your plans are for the property. Will you live in it or sell it at a later date for profit?

It is extremely beneficial to speak to your financial planner / strategist and loan broker prior to purchasing a property or taking out a loan.

3. Saving for your deposit

I recommend saving as much as you possibly can for the deposit, and that is for a number of reasons. Firstly, it means you are going to pay less interest on the loan overall, and secondly, you have more equity in the property for redraw in the future. Also, the more you are able to use as a deposit means the less likelihood you will pay mortgage insurance which can be quite an added expense.

4. Clauses

This is something that is for your lawyers to do, but is still your responsibility. You need to have your 'get-out' clauses in the purchase contract. This is to ensure that there are no major surprises that may compromise the deal. Building and Pest Inspection clauses should be in the contract to ensure that there really are no structural or termite issues to deal with (do not take the owner's word for it, ensure that you get an independent inspection done).

5. First Home Owner's Grant (FHOG)

The First Home Owner's Grant is just that- it is a one-off grant from the Australian Government to help first home owners with either the purchase or the construction of a new home or the purchase of an established home (note this is only available up to 30 June 2014).

The amount and calculation of your FHOG will depend on a number of things, that is; state, zoning, property value and whether it is a construction/new home or an established property. The Australian government first introduced FHOG in 2000, and it was a $7000 grant, but was doubled in 2008/09 to $14,000, but has since returned to its previous amount. It does, however, change depending on State authorities. It is a non-tax payable grant and can only be acquired once. To find out how much you are eligible for, check your State's Revenue/Treasury authority's website.

Generally, your FHOG is paid through your lender (and often to reduce the deposit required) and will either be paid at settlement (if you're purchasing the property) or when your first payment is made e.g. the foundation of the house costs (if you're doing a new build).

6. Slow down and think

For many first home owners, buying or constructing a new build can be exhilarating and easy to make mistakes out of excitement and not enough patience. Is the property the right one for you? I've seen too many young couples with double income and no kids go and push themselves on a mortgage to buy a house and then realise that they have to hold off on having kids to pay it off. Just because you can afford to pay it off doesn't mean that you should buy it. Think about the long-term goals that you have set. Will the mortgage disrupt that?

7. Consulting a buyer's agent

If you are a rookie in the real estate industry and purely wish to find the right home, consult a buyer's agent. They are specifically hired to find properties to suit buyers. Whether your criteria is one of budget, location, size, whatever it may be, a buyer's agent is a good person to talk to.

8. Your PPR can be an investment

Just because you are going to live in it, doesn't mean that you can't make some money out of it. Try looking to buy in areas with strong growth, so that if you decide to sell, you can potentially see an increase in capital growth to move onto the next PPR or investment.

9. Ensure your purchase enables your future

Always make sure that your purchase and the deal that comes after will set you up to move forward and into your next deal. Think of it as a stepping stone to your next buy. This is something that your financial planner will help you with, but something you should actively and consciously think about. If income is low, you need to focus more on increasing cash flow. Furthermore, anyone with a low-equity standpoint (usually all of those first-home-buyers out there), will need to focus on manufactured growth strategies to build up your equity.

10. Chasing the large 'sinking funds'

For someone with low-equity, large sinking funds for unit purchases can be an extremely advantageous method of putting your foot in the door. It allows you to use the sinking fund to carry out certain growth manufacturing strategies.

For example, a student of mine once bought a unit in a small complex in which there was a body corporate. She, quite cunningly, lobbied the body corporate manager to use the sinking fund money to increase the value of the property (by doing small, cost-effective cosmetic renovations on the outside of the complex and common areas). She then re-valued and had enough in increased equity to renovate the inside of her unit and buy into her next deal.

List of State regulation websites:

QLD - www.osr.qld.gov.au/first-home-owner-grant

NSW - www.osr.nsw.gov.au/benefits/first_home

VIC - www.vic.gov.au/property-planning/real-estate-property/first-home-owners-grant.html

WA - www.finance.wa.gov.au/cms/content.aspx?id=344

SA - www.revenuesa.sa.gov.au/fhog

NT -www.treasury.nt.gov.au/TaxesRoyaltiesAndGrants/HomeOwnerIncentives/FirstHomeOwnerGrant/Pages/default.aspx

TAS - www.sro.tas.gov.au/fhog

Top 10 Tips
for the owner-builder...

1. Becoming an owner-builder

Obtaining the necessary qualifications to become an owner-builder, involves doing a course. This course, which is nationally accredited for 5 years, was developed by the Office of Fair Trading. The need for a standard course was prompted by at least 5 deaths on NSW owner-builder sites since 2006.

The course is aimed at improving safety for workers onsite, supporting the certification of construction, equipping owner-builders with useful knowledge and skills to be more able to avoid contractual disputes. Similar requirements apply in Queensland where an accredited course is required to be completed by prospective owner-builders.

More information on the actual course (Owner-builder Compliance Course in NSW) can be obtained from the training providers in each State. There are no exemptions from the need to complete the approved course unless you hold an approved equivalent qualification.

2. Organisation and planning

If you are going to be the owner-builder, you are going to need to be organised and self motivated. You are in charge of the project and you must be vigilant in your proceedings. I recommend developing an extensive plan or schedule of the construction. Try to have the duration of works as well as a description of jobs to be done. Get as many quotes as you can before you appoint a sub-contractor to your site. If there are any logistical problems or unforeseen circumstances, you are the one who needs to be on your feet and ready to make a decision.

Personally, I like to have a diary or notebook in which I keep track of literally everything, from contact details, to quotes, appointments and daily schedules. Everything! Find what works for you and keep to your organised regime!

3. 70% builder - 30% owner

When you contract a builder to work on your project, they are the project managers. They are being paid by you to ensure that everything is done to your plans. As an owner-builder, you have to be the same. I see too many people think of themselves as the owner more than the builder and they don't participate in the project. You have to be on the ground, organising your tradesmen and keeping on top of things.

I find that if you put the 'builder hat' on and have the 'owner-wallet' in your back pocket, you are always looking for savings, whilst guaranteeing a quality construction.

4. Insurances

If you are building or renovating as an owner-builder, you will need your own warranty and construction insurance, if you plan on selling the property within the next 5 to 6 years in most States. Check with the Building Services Authority or Office of Fair Trading in your state for more details.

Your policy should provide for optional cover such as sub-contractors, tools and existing property and contents. Insurance policy wordings should quickly and clearly explain what owner-builders can expect in the event of an unforeseen incident. Check to see what is covered before taking out a policy. Your insurance policy will be in effect until work is completed and a certificate of occupancy has been issued. Your normal home and contents insurance will take effect from this time on.
Sub-contractors are required to carry a minimum $5million Public Liability Insurance.

Before any subcontractors enter the work site, they must provide the owner-builder with a current contractor's insurance certificate. Check that it is current. I recommend that you include subcontractors as an option with your owner-builder's insurance. Read your policy and tailor it to suit your needs when you are owner-building. Some construction policies cover things such as blasting and explosive cover, underground works and tunnels, and irrigation and dam works. If it is written in the policy, then you are paying for it.

5. So what is an owner-builder allowed to do?

An owner-builder is an individual who does construction work on their own property and holds a relevant permit for that work under authority from the state body. Owner-Builder work is any work (including supervision and co-ordination) involved in the construction of, or alterations, repairs or additions to, a dwelling (which includes a house , terrace, townhouse, garage, swimming pool and certain other structures and improvement), where the reasonable cost exceeds $5,000.
The owner-builder is responsible for:

- Overseeing and supervising all tradespeople
- Ordering materials and the management of the building site
- Obtaining all necessary council and authority approvals
- Ensuring that the insurance requirements of the building work are met
- Being aware of your obligations under the Workers Compensation Act 1987 and Occupational Health and Safety Act 2000 and providing a safe work environment that complies with Work Cover requirements.
- Ensuring any contractor engaged is appropriately licensed and insured to do the work contracted for
- Warranting that the work and materials will be fit for the purpose and that the work results in a dwelling being fit for occupation.

6. You cannot do specialist work!

Remember, the owner-builder permit is not a building licence. It does not allow you to do work other than the project covered by the development application or complying development certificate. Nor does it allow you to do specialist work such as electrical, plumbing, gas-fitting, air-conditioning and refrigeration work (unless you specifically hold a separate licence for such work).

7. Financing as an owner-builder

If you are an owner-builder, you will not be able to obtain a 100% loan from any lending institution. Even if you are a licensed builder and you are building your own home, most banks will not approve more than 75% of the total cost of the land and construction. Lenders don't like to fund owner occupied projects because of the many risks associated such as running over budget, overcapitalising and the incurring of costly errors.

8. Owner-builder courses

As the process of building is high risk, the Course in Owner-builder Compliance aims to better prepare those owner-builders who are not trade trained, to discharge a range of legal responsibilities, including workplace safety and construction in accordance with approved council plans.

This course comprises units of competency in five main areas:

- Preparing to be an owner-builder
- Occupational Health and Safety requirements, policies and procedures in the construction industry
- Reading and interpreting plans and specifications and undertaking basic estimations and costing
- Managing contracts
- Managing the work, organising and communication with workmen

9. Owner-builder interactions with tradies

Many tradies roll their eyes when they have to deal with an owner-builder, and they have every right. As an owner-builder, you need to learn their language. You need to communicate well and let them know that if there is anything you can do to help, to let you know. You cannot tell them how to do their trade. They are the expert and you have chosen them to do the job on your construction site.

10. Time schedules and project planning

You need to develop a time schedule and stick to it. Create a whiteboard with your timeframes and the works to be done. I think, as an owner-builder, it is important to have a contingency plan. What happens when something can't be done? You're the project manager and you need to be able to communicate what needs to happen.

Top 10 Tips
for selling your property fast...

1. Real estate agents

Real estate agents sell houses for a living. Chances are they know what to do (I should hope so!). Choosing your real estate agent should not be something done on a whim. Ask around. Look for the agent that best suits you and your property.

Are they familiar with the area? Have they been a real estate agent for a long time? Are they motivated and enthused to sell your property? Experienced real estate agents often have quite a large number of contacts, and often will keep in touch with clients that may have missed out on a property and are still interested in buying in the area.

2. You're selling, not keeping

Making your property appeal to the masses is something that often gets overlooked. In my experience, anything personal stops buyers from becoming intimate or emotional with the property (none of Grandma's pottery or your daughter's first drawing framed on the wall!).

Transforming your property into something that a buyer would be able to buy and immediately settle into is optimal. Get the small and often trivial, annoying repairs done on those knocks, chips and damage that have built up over the years. Minimalism in all areas is the key.

3. Staging your property

This should be something that your real estate agent will suggest you do if the property is empty, or you have no idea of furnishing the property successfully yourself. It will normally cost you between $3,000 and $6,000 for 6 to 8 weeks hire. Additionally, included in the staging price is a team of designers and removalists, who bring the furniture in, stage it, and when you are finished, they remove it all, so you don't have to do anything. You don't even have to think about how many pillows are appropriate to put on the lounge or bed, or which vase looks best where. They will decide which piece of furniture will hide your house's shortcomings. They are professionally trained to do this for you. Your house will look so good, that prospective buyers will be lulled into dreaming of their ideal lifestyle. When putting an ad in a real estate newspaper, capturing the viewer's attention is paramount. Having a few strong, striking shots of your house at its cleanest and meanest is the number one goal. Avoid bland, average household pictures (e.g. toilets), you want your buyer to fall in love with it, so the best sitting areas and bedrooms in the house should be featured. It is also important to make sure that you do not go overboard with the amount of shots you display. I find that it is less effective when there are too many photographs cluttering your 'ad'. More is not always better.

4. Don't be a fusspot!

In property investing and indeed all aspects of real estate, negotiation plays a big part. I have seen too many people get hung up on trivial numbers when dealing with offers. If you are declining an offer of $690,000 on your property that you think is worth $700,000, and it is preventing you from moving forward with your real estate investing, then you are shooting yourself in the foot. You need to accept the offer and move on to the next deal. Remember, having a property on the market for a long time is not a good look, but sometimes unavoidable.

Negotiation with buyers can be helpful if you are willing to think outside the box and have an open mind. It can be a good way to fall into some JV-type deals, vendor financing, rent to buy etc., and also an effective way to appeal to a wider audience of potential buyers.

5. Street appeal

Many experienced Real estate agents are adamant that most buyers know if they will buy the property within the first 8 seconds of seeing it. So it's quite important to show the prospective buyer something people can love and be proud of in those first 8 seconds. I try to spruce up gardens (especially in spring) and add some bark or mulch as a cover. Washing the driveway with a pressure cleaner can make a huge difference to the street appeal of a property.

Does your house front need a re-paint? Is the gutter paint shedding? Look at all these things and if there is something cheap, yet effective; it's worth it. This can, however, backfire, as if your home is around the lower price echelon in that market, maybe those things would (while they may attract more people) drive your price up.

6. Interior presentation

K.I.S.S. – 'Keep It Simple Stupid', or 'Keep It Simple and Serene'. Think about your old Granny's house. How did you feel when you walk in there? Is it overcrowded? Is it cluttered with photos and a lifetime of collected trinkets? How does it smell? Is there pet hair on the furniture? Do you feel claustrophobic? Now whilst this may not be your Grandmother, I know all of us can picture this kind of house.

1. Get rid of all evidence that you live there. Your photos mean nothing to anyone else. Take down the photos, all the trinkets etc. A potential buyer needs to see themselves living in the house not you.

2. Do a spring clean - clean every surface, even under the couches. Throw out, donate to charity or pack away anything you haven't used recently.

3. Open up the windows and let the air in. Get rid of all the old and stuffy smells. Make some bread, bake some cookies maybe. This creates welcoming odours, especially if your buyer is a homeowner not an investor.

4. Sugar soap or paint the walls. Touch up the marks.

5. If cleaning isn't your thing, then get professional cleaners in to do it for you, especially in the bathroom and kitchen areas.

6. Make sure there are no bugs around - alive or dead.

7. Re-oil the decks and wood surfaces.

8. Make sure the family pet is not in view at inspection times.

9. If the rooms are small, put on the lights as this will make them appear larger.

7. Determining the right selling price

This is an area where too many sellers have great difficulty. How do you price the property? If you price the property too high, it will sit on the market and go stale, but if you set your price too low, you may be doing yourself out of potential profit. Most people determine their price from the advice of the agent, if you do this, make sure that you get at least three other agent's estimates and do a comparable sales analysis in the area before deciding on a figure.

When setting a sale price for your property it is all about balance. After all, we are talking about your bottom line here - how much profit you will make in an investment deal, or gain on your principal place of residence. You as the seller need to be happy with the price, but the buyer also needs to be happy.
You need to set a price that you are willing to accept, and that you believe someone is willing to pay, and then add a margin for negotiation.

8. Open Listings vs. Exclusive Agency

I get this question a lot, and unfortunately there's no real answer. Obviously, the Exclusive Agency Agreement is the best option for the agent as they are guaranteed payment if the property sells. Often, they will argue that this is the best option because they will be most committed to selling their exclusive listings first. Make sure that, if you sign this contract, the agent is willing to conjunct with other agents to sell your property. I also recommend that you don't sign an exclusive agency for too long. You may grant your favoured agent an exclusive agency for a short period of time e.g. 4 to 6 weeks, and after this time, you can reassess the agent's performance.

Open Listings is where you list the property with a number of agents and whoever sells it gets the full commission. Open listings are not liked by agents, as they can put a lot of time and effort into selling the property only to have it sold out from underneath them by another agent. From a general perspective, open listings very rarely work. It's the shot-gun approach, and not only do the agents not get too motivated, but if every agent has the listing, you look desperate. I feel that it dilutes the intensity between the agents.

A Sole Agency Agreement means your property is contracted to one selling agent exclusively. However, with this contract, you are able to sell your property yourself and not have to pay commissions to the agent. This gives you the ability to find a seller yourself (and also covers you if you end up selling to a pre-existing buyer that you have already spoken to).

9. When to look at auctions

The decision to take your property to auction is a difficult one, and a subjective one at that. Agents will generally like auctions. If the property sells 'under the hammer', it means that you are guaranteed a sale and the property is sold in 'as is where is' condition (and it is the buyer's responsibility to have all necessary checks completed). Furthermore, selling a property at auction will give you a confined marketing timeframe and can often create a sense of urgency. Even if the property doesn't sell at auction, I have seen many cases where a buyer will negotiate after the auction, giving them the security of signing a contract with terms and conditions such as finance etc.

On the down side, the property doesn't have a listing price, and some buyers may not look at an auction property simply because they don't know if the property is in their price range or not (these buyers are often scared by the auction process).

I believe the market and your type of property has a lot to do with whether or not an auction is appropriate. For example, when the market is hot for sellers and houses are moving quickly with rising prices; auctions are fantastic. When the market is flat; I am less enthusiastic about the auction process. Similarly, unique and exclusive properties suit auctions, as determining your market price can be difficult.

10. Internet marketing

When you are a buyer, you're in control. You've selected the property and you will decide how far you are prepared to go in price. You can also walk away whenever you feel like it. It's not all doom-and-gloom for sellers though, there are things you can do to help the process, and presentation is one of them.

These days, with the internet being as powerful as it is, we would be remiss if we neglected using it. More than 80% of real estate sales come from the internet, so your first consideration is, how to convert those buyers glancing at properties on the internet into a buyer that wants to have a closer look at your property. You as the seller need to encourage them to go from internet search to picking up the phone and talking to the agent or sending him or her an email.

Your real estate agent will insist on professional photographs, and may even organise a virtual tour of your property and have a professional film crew come through and video a walk-through of your home. This can be cut to music or have a voiceover that highlights the house's best features. Obviously, this can be expensive and unnecessary for a lower value property.

Your emphasis on photographs versus the descriptions of the property will be totally different also. A homebuyer will be interested in the feel of the house – how it looks, the grade, the street appeal, whether the style or colour scheme appeals to them. Appealing to the investor as a buyer, you want your internet ads on property listing sites to captivate the potential buyers' immediate attention and tell them what is in it, in money terms, for them. The description of a property for a homeowner is all about selling the dream, so converting the internet interest into an enquiry should be a priority.

Top 10 Tips
for selling through the internet...

1. Create a website for your property

For the not-so-technologically-gifted people, myself included, this may seem a bit intimidating. Fortunately, it's not. There are websites that let you create your own websites with relative ease. Simplesite.com lets you set up a website of your choice in three easy steps. You can use this to make a website of your property, which can have all the details and sales information. I make sure to let my real estate agent know and post it on the real estate property listing sites.

2. Canvas local social media groups online

Look on your Facebook for local social media groups. This could be something like a car club, a motorcycle club, a church group etc. Post your website there and say that you're new in town and are looking to sell a property. This will increase your audience and get more people to look at your website.

3. Staging and professional photographs

When it comes down to it, all internet marketing you're doing is ultimately trying to get buyers from clicking to picking up a phone to your agent. This means that you have to capture their attention. What better way to do that than a beautiful picture? You are going to want the picture to make the buyer fall in love. Hire a photographer to do 'twilight' shots (shooting photographs just before dusk is the best time for this).

4. A fitting description of your property

When posting your property (or when your agent does) it is important to give a description that highlights the strengths and interests readers. Be careful though, I have seen descriptions that are almost comical. They get too carried away and it sounds cliché.

5. Virtual tours

This is something that depends on the property. If the property is a high-end luxury family home, then I definitely recommend you set up a virtual tour of your house for the online listings. If it is a cheaper property, then it is unlikely to have a decent ROI.

6. Create an email for your property

Say you're trying to sell a property that is on 1 Smith Street. Create a free email address (gmail, yahoo, hotmail etc.). For example *1smithstreet@gmail.com*. This will help you keep organised and ensure you do not miss any emails regarding your property.

7. Remove old listings

If your house has been sold within the last 5 to 10 years, it is a good idea to check Google for any links on old listings of your house. Particularly if you have done renovations and are not reselling, if a prospective buyer sees the house as it was 5 years ago when it was listed with another agent, they may be put off.

8. For-Sale-By-Owner Sites

FSBO websites are the owner's rebellion against real estate agents. There are plenty of websites out there that advertise homes and real estate for sale by the owner (in an effort to circumvent real estate commission fees). Owner.com.au is arguably the most popular in Australia, which has an extensive range of listings all across the country.

9. Auction your home

This is generally considered a last resort, but can be a good method of advertising nonetheless. Posting your home on eBay or Gumtree for sale is a viable approach to selling your house online. You will, however, need to optimise your listing to be as attractive as possible, by providing a good description and uploading flattering, staged professional photographs.

10. Check up on your real estate agent's work

Real estate agents, love them or hate them are not always perfect. It is very much worth it to check up on your listing on realestate.com.au or domain.com.au and check that the listing is up to your expectations and standards.

Top 10 Tips
for sourcing a prospective buyer...

1. Your sales campaign

The aim of a sales campaign is to attract prospective buyers and encourage them to inspect a property. There are two main ways of doing this: Advertising and Direct Notification.

Advertising is the main way of attracting prospective buyers to a property. The nature of the advertising depends on the type and location of the property and the amount of money allocated to be spent. Advertising notifies prospective buyers that the property is for sale and may list the inspection dates and times. It also includes the names of the agents who are handling the sale.

Direct Notification is when the agent may have a list of prospective buyers who can be contacted when suitable properties become available. These are people who have previously registered their interest with the agency, and are what I call the 'A-list'.

2. The internet

The internet is the quickest and most popular way to find properties for sale. Almost all estate agencies list properties on their websites and on real estate classifieds websites such as www.realestate.com and www.domain.com and include information such as:

- Indicative prices
- Description of the property
- Photographs of the property
- Virtual tours
- Inspection times

Some websites also offer the opportunity for prospective buyers to register for free email updates of properties, which match their criteria, to be sent directly to them. When using the internet for your advertising campaign, you need to include as many good quality pictures as you can (staged photographs).

Since this is usually the first port of call for buyers, you do not want your property to be discounted without even a look. You need to include photos of not only the property, but also the view, neighbourhood or any other selling points you may have. A prospective buyer will scroll through the pictures very quickly, and they will miss details, so a short description ensures nothing is missed. If you are honest and write in your own style, it adds authenticity and credibility. You can mention any imperfections, as they will be discovered on inspection anyway. Be honest!

3. Facebook and Twitter

This is a new form of advertising that can work also. Do up a free website with all the advertising blurb about your property for sale, and get your friends to 'like' your created page. This will be then sent to your friend's friends etc., so the audience you are reaching out to becomes larger and larger.

You can also use Facebook groups to canvas prospective buyers. Look up any nearby church groups or any type of club local to your area and join the group on Facebook. Post in there saying something like "Hey guys, I'm new to the area, and I'm also selling a property at x on x street, come check it out!". As long as you are polite and respectful, it will be met with positivity.

4. Newspapers

Most local newspapers have a property section and major metropolitan papers have lists of properties for sale and inspection. The pricing of these advertisements will vary greatly depending on the size of the ad and the readership of the newspaper. Don't discount the impact of the printed word. People still buy and read newspapers!

5. Property guides

There are still many buyers out there who rely heavily on the printed media, rather than the internet, and the property guide of your local paper is another area of advertising to be considered. Typically, though, it will be done by your real estate agent.

6. Direct contact

Some buyers will directly contact estate agencies by telephone, email, fax or in person as another way of sourcing properties for sale. Others still, have put themselves on the agent's A-list so the agent can help source properties for them. When the agent hears of a property for sale that fits the criteria given to him by the buyer, he will in turn let the buyer know of the prospective property for him to purchase.

7. Promotional magazines

Many agencies produce colour magazines providing a comprehensive list of properties for sale. These magazines are available free of charge from most agencies, and your property can be listed in these either free of charge or for a fee, depending on your contract with the seller's agent.

8. Signboards

These are signs put out the front of your property for sale by either yourself or the real estate agent. In high traffic areas for either motor or foot traffic, these can be very successful. They need to be in colour, with easy to read printing and located in good fully exposed positions.

9. Open houses

Open for inspection times are usually advertised in newspapers and on the internet. Anyone entering the property may be asked for proof of identity and to leave contact details with the agent. This is a security measure and provides the agent with a ready database of potential buyers who can be notified if an offer is received on the property or if other properties become available. While this may be seen as advantageous to the agent, it is also advantageous to you as the seller, as your property may be sold to someone whose contact details were obtained from another similar property, which had open house viewings.

10. Start your own websites

There are hundreds of ‘website-maker’ websites out there that make it easy for you to make a website and choose the domain name. Many of my students swear by this and it works quite effectively when put at the bottom of an email signature for example.

Remember, property advertising must not be misleading or deceptive. It is illegal to misrepresent a property in any way when advertising or marketing, whether verbally or in writing or in photographs. Sellers must ensure any information provided to the agent about their property is factual and up to date. If advertising is not accurate, and a buyer can prove a property has been misrepresented, the buyer may be able to take legal action.

Top 10 Tips
on when to negotiate in real estate...

1. Buying a property

We need to negotiate when buying a property so that we can obtain the best possible deal for ourselves. Face to face negotiation with the vendor can bring the buying price down. For example, you can point out all the negatives of your prospective purchase and outline the costs involved in fixing these, all with the intention of lowering the list price.

2. Selling a property

Your negotiation skills can also be used to your advantage when selling a property. When you list the property, you will negotiate a sale price with your agent. It is up to you to point out all the property's features that would increase its value and downplay any negatives. You have to remember that a $20,000 difference in sale price may be a lot to you, but makes a very small difference to an agent's commission.

Do not, however, overdo it. You do not want your property to struggle to sell and go through a gradual decrease in sale price. People will notice the desperation start to set in.

3. Contracting tradies (builders, electricians, plumbers, etc.)

When it comes to contracting anyone to work for you, your negotiation skills can really come into play to help save you money. By shopping around and fishing for quotes initially, you should have come up with names and contacts from recommendations from friends in the business or the town planner in the area.

From these sorts of contacts, you have the ability to talk face-to-face, which is an excellent opportunity to negotiate prices. Do not be afraid to ask what their bottom dollar would be.

4. JV partners

When negotiating to gain a joint venture partner to do a deal, the negotiation skills necessary are really just communications skills rather than any negotiation prowess you might possess. Investors are interested in profit, so you need to cut to the chase. What's the deal? What's needed? When can we get started?

5. Seller joint venture and vendor financed deals

Sometimes the negotiation strategies dealing with the seller are the same as with a joint venture partner. However, sometimes, depending on the seller's personality, it could actually be less about money and more about non-financial things such as hassle free, quick or slow timeframes or attention to their needs.

6. Options

Negotiating an option deal is where your skills really need to be honed and practised, because quite often you are trying to persuade a seller into a deal he may not even have heard of, much less fully understand. This is particularly so when dealing with the 'mum and dad' seller on a residential property. This is why options are more prevalent on commercial properties (it is slowly becoming more popular among residential properties). You are, in the end, trying to sell them an investment deal with yourself.

7. Auctions

Negotiation in the auction arena is a completely different ball-game to negotiation on a direct purchase. It is more about establishing a clear plan and strategy to stick to than it is about your communication and negotiation 'skills'. You need to know how to play the game.

8. When dealing with a real estate agent

When you are negotiating a list price with your agent, you are going to have to be somewhat cagey even though they are working for you. Do not let them know what your bottom dollar is, or you can bet that that is the price they will be after.

On the other hand, when you are a buyer in the market, you will have to put your negotiation face on as well. Negotiation becomes somewhat more difficult when you are using a 3rd party to act as a messenger (as is often the case when you are negotiating a sale price with a seller). You not only have to blend and adapt and direct the questioning with the agent and understand his personality and objectives, but you also have to interpret through him/her the personality and motives of the seller. This is why I like to deal direct! Body language can tell you a lot.

9. Council authorities

Negotiating with the council can sometimes be very difficult and sometimes equally as beneficial. Negotiating with the council town planner, or any other person of authority can be the make or break of a deal.

10. Negotiating with neighbours

When you are having a subdivision or new development or even an extension put onto your property; you have to get the approval of all surrounding neighbours and put a sign up notifying the community of the change. This is where negotiation could be a big deal, as the council takes the opinions of the surrounding neighbours into account before giving the approval.

Top 10 Tips
for negotiating with a seller...

1. Research comparable sales

Research comparable sales in the area you're looking to buy into. Look through online property listing websites for current and recently sold properties that are similar. Is it a seller's or buyer's market? Ask the real estate agent what he/she thinks the property is worth and consider what the seller wants. If you have done your comparable sales research then you should know if you need to be wary of what the agent says.

2. What is the property worth to you?

Is the asking price realistic? How much profit can you make in this property? I suggest you do your reverse feasibility and work out what you need to pay for the property in order to make a profit. Once you know how much the property is worth to you, you will know how lenient or not you can be when negotiating.

3. Consider conditions in the clauses

Often, you can put in a condition that will greatly help you more than a mere reduction in price of the property. Something that I have used in the past is a negotiation technique called a 'red herring'. A red herring is a condition that has no value to you, but you pretend it does in order to show the seller that you're willing to compromise.

The seller may be strapped for time, and therefore you could cut a deal saying that you will settle early for a condition. Remember that it should be a win/win, not a war.

4. Disengage your emotions

When you are negotiating a price for a property, don't let your emotions show. Buying real estate is something that a lot of people get quite emotional about. It is important that you don't. If you allow the agent or seller see that you really want the property, the price will not come down. Rely on your numbers and feasibility studies. Know what you can afford and what the property is worth to you - be aware of your limit.

5. Accepting counter-offers

I often see people get too carried away with the negotiations. They offer and counter-offer so many times that their perception is deluded. If, say, the seller counter-offered with a higher price; do the reverse feasibility on that price. Do you still make a profit? Is that worth your time and the money? If you are going to be wasting weeks of offering and counter-offering, you may be better off paying the price if you are still making a profit, or else walk away on to your next property.

6. Talk to the seller in person

I have seen situations where a buyer was offering conditions upon purchase but was getting rejected time and time again. The buyer consulted the seller in person at the property and discovered that the seller was happy to oblige. The buyer then went to the real estate agent (never cut out the real estate agent) and explained what had transpired. While the real estate agent may not have been happy about this, both parties had agreed on a deal and were able to move forward.

7. Commitment and following up

Whenever I get an agreement on a deal, I always get some form of commitment on paper. If it is a straight forward purchase, being able to go to contract immediately is the best option and can be extremely beneficial for you. Whilst I like to deal directly with a buyer or seller in person (understanding that this is not always possible), I would never be trying to circumvent the agent. If the agent is present, I would normally get him/her to draw up the contract on the spot.

Obviously, going directly to contract means that you have to be confident enough that you will include everything in the contract that you need to, and have enough out-clauses (get out of jail free cards) to be able to pull out of the contract if necessary e.g. subject to finance to the buyer's satisfaction, due diligence clause, or extension of the cooling off period (for NSW only).

When dealing with a situation where there are multiple (and sometimes confusing) conditions and clauses in a contract, I will pull out a piece of paper and say something like, “Okay, so let’s just make sure we understand each other and we have all the details right.” I then systematically go through each point and detail the sale, outlining everything from who the parties to the contract will be, who our solicitors are, what price we have agreed on, to the final hand over date. I actually head this document up “Memorandum of Understanding”. As a follow up to this, I will give the other party a copy of what we both signed. I find that this strengthens the commitment that was agreed upon and gives the seller a form of confidence, thus minimising the chance that they pull out for whatever reason.

8. The Six Deadly Sins of Negotiation:

1. Failure to identify the situation
2. Lack of planning
3. Accepting power perceptions
4. Conceding instead of trading
5. Refusal to explore alternatives or options
6. Not confirming understanding of commitments

9. Know your strengths and create your own negotiating style

Everyone is different. It’s what makes life interesting, so we all have different styles of communicating. Is English your second language? Do you have a good sense of humour? All of these can work to your advantage if you apply them. If English is your second language, let the other person know, “Look, English isn’t my first language, so you may have to bear with me a bit if I say something that doesn’t make sense”. This not only breaks down barriers with the other person, it lets you have a sense of freedom when talking about something you’re unsure of.

Many people use humour as a way of building rapport or getting to know someone. It often lightens up the mood of a meeting and relaxes everyone involved. Find your style of communication and use it to your advantage.

10. Conduct a post-mortem - you are going to make mistakes

Chances are, unless you are some kind of demi-god, you will make mistakes. That is good, but only if you understand why you made them, and how you can improve next time. After every deal, whether you think you succeeded or not, conduct a post-mortem and think about ways you can improve and become more successful. This doesn't just work for negotiations.

Top 10 Tips
for negotiating as a buyer...

1. Swift executions
In a seller's market, where there may be multiple buyers competing with you, you need to be strong and swift. Don't pussyfoot around with pro-negotiation offers. Hit them with your highest offer first. If any one of the other buyers are trying to negotiate the seller into a smaller price (even by a tiny margin), the seller is going to forget about them and start talking to you.

2. Can you go unconditional?
As a property investor, you have an advantage in the field. Provided you have your finances up to date and in check, you may be confident and in a position good enough to offer the seller an unconditional contract. Where other buyers could have families and be juggling work, kids and soccer as well as talking to their accountant, this is your job, you may be able to give the seller the instant outcome. Unless the seller is just kidding about selling, this will give you a lot of attention very quickly.

3. Talk to the agent!
The agent is your little birdie. The agent is the one that is talking to the seller *and* you, so whether or not they believe it, the seller's agent has a lot of power. Talk to the agent as much as you can, get as much information about the seller's needs and wants as you can. You may be able to extract some information about the seller's motives. By doing this, you open yourself up to making alternative offers that the seller has a particular interest in.

4. Think first!
In a seller's market, things can go sideways quite quickly in heated bidding wars. It is important that, before offering *anything*, you think about it and ensure it is really what you want. Remember, you are not going to

win them all, so it is important that you know when to walk away and what your breaking point is. Do not get emotional, you need to maintain interest as long as the property works for you. Never the other way around.

5. Make the agents know you

Talk to everybody in the market. You don't have to divulge any information about what your interests are, but talking to all the agents in the area can give you a surprising amount of knowledge about a market. Ensure that all the agents know what you are looking for, so that when that gold mine comes running to the agent, the agent knows who to talk to for a quick commission! Be careful, however, as you don't want the agent to use the information of your interests against you.

6. Auctions

Auctions have become more and more popular over recent years, particularly in the south of the country, and can be absolute carnage in a really hot market. Be prepared to go to auctions and have a game plan for what you are going to do.

7. Grass can be a little too green

In a seller's market, it is easy for deals to look a little bit better than they actually are. Due diligence will never be unimportant. Ever. It is the single most important aspect in property investing. Do your homework on the place. Where does it start making you money and where does it end? Know your figures better than your left and right. It will make negotiation easier and give you an upper hand over a competitor.

8. Go grab a coffee

Go get a hit of caffeine before starting your offer sequence on the property. In a seller's market, it pays to be fast. Call the seller's agent every day. Make the agent love and hate you at the same time. If you're really serious about buying, you need to know everything that goes on.
Knowledge is power for buyers! It allows you to be well informed at all times and if anything, the agent will start calling you when he sees another buyer walk into his office.

9. Don't expect to be called back

So many times I see students waiting patiently for the agent or the town planner or the surveyor or whoever, to call them back. Don't assume they are as keen or passionate about their job as you are, or that they will run their business as well as you would. In fact don't assume anything – you know what 'assume' is don't you? When you ASSUME you make an ASS out of U and ME. Always schedule in a follow up phone call the afternoon of when you expect to have your call returned. The squeaky wheel gets the oil.

10. Know your target area

You should know your target area really well. So much so that when you hear about a particular property you know instantly whether it is good buying or not. Have real estate alerts on all new listings for the style of property you are after in your target area. A mate of mine bought a property at 7:20 am when it was listed on realestate.com at 7:00 am – sight unseen (which I wouldn't recommend) - because he knew it was undervalued. He subsequently sold it 6 weeks later and made $25,000 after paying Stamp Duty and costs.

Top 10 Tips

to do when inspecting a property...

1. Create a floor plan

If you are serious about purchasing a property, draw an initial floor plan so that you can gain a sense of clarity for later. You would be surprised how much your perspective of a house changes when you see the floor plan. More importantly, take photographs so that you can refer back to anything you may see. Even if you do not buy the property, the floor plan will help you with comparable sales analysis.

2. Structural components

This is something that your building inspection will cover if you go ahead and contract the property, but is handy for you to look at when you are seeing a property for the first time. You are going to want to be able to identify any structural issues e.g. unstable floorboards and skirting boards. If possible, look underneath the house to inspect the soundness of the foundations.

3. Rising damp

Rising damp is something that you want to identify early as it can lead to huge waterproofing costs later on. Look for rotting carpet or any mould on the bottoms of walls. If you see any decaying skirting boards and flaking pant with damp stains in the walls you should see it as a red flag. Dealing with rising damp may be something that can be relatively large or exorbitant in costs. Try using it as a negotiation tool to lower the purchase price for repairs.

4. Exterior inspection

The following areas need to be looked at when inspecting a property for potential investment as they are all areas that can cause more expense to eliminate problems:

- Fences and gate sturdiness
- Sub-floor ventilation
- Roof condition
- Street appeal
- Large trees with potential root problems
- Pathways

Once again, these can be used as negotiation tools to lower the purchase price for repairs.

5. Swimming pools

Long gone are the days where swimming pools were just filled with water and your best friend in summer. These days, they are a filled with as much regulation as water. Jump on your State's fair trading website to seek any information about the legality of pools and fencing. Also check that the pool is registered.

6. Electrical

A sub-par switchboard and electrical system will be cited by the property inspector and will need to be repaired. This is something that is not your fault, but that of either the owner before, or the electrician that implemented it. It is required by law that all homes built since 1992 must have safety switches implemented on all circuits. If you are buying an older property, then you must have a safety switch installed within 3 months of the title being transferred to your name.

7. Insulation regulations

Your insulation regulations will depend on two things. Firstly, your local Council, and secondly where in Australia that you live. The Building Code of Australia (BCA) determined that there were 8 different climate zones in Australia and each has its own minimum requirements for building insulation and materials (rooves, walls and floors).

8. Drainage

You need to inspect the drainage of a house, to ensure runoff water and storm water are not a problem either from your own or the neighbours' yards.

9. Do not be deterred

If the building inspection report comes back to you and there are problems cited, do not automatically be deterred. Depending on the severity of the problem, you may be able to work the issues into the negotiation of the purchase price.

10. Review the contract of sale

I shouldn't have to tell you this! You need to sit with your lawyer and review the contract of sale and implement any clauses (building inspection, pest, finance etc.) that you may need. It is required by law that the vendor must declare any facts that consumers or buyers should be aware of when looking to buy the property.

Top 10 Tips
when looking at comparable sales...

1. When to research comparable sales

You should be looking at comparable sales every time you are looking at a new market. You should be researching comparable sales if you are selling as well as when you are buying. I use comparable sales when looking for real estate agents, constructing a home, adding granny flats, deciding on paint palettes, fences and more. It is your go-to data when you're not sure on absolutely anything in the property market.
Comparable sales are your best friend when it comes to knowing a market, and understanding a market is crucial to successfully investing in property.

2. Comparable sales tools

Traditionally, comparable sales data was only available through real estate agents. With the advent of the internet, there is a wider range of tools available. Realestate.com.au has a very extensive 'Sold' section that has its own search engine - Domain.com.au also has an equivalent database. This search is usually the first step you take when researching comparable sales.

3. Comparable sales software

Online websites are not the only option, however, Investar is a piece of software that acts like a 'Real Estate Google'. Investar works by selecting and recording all the property data across the internet and then carries out its search criteria on that data. It not only shows comparable sales data on sold properties, but valuation data, rental return data, growth data etc.

4. Factors to target when researching

It is important to ensure that, when researching comparable sales, you are targeting the correct data that you can use to your benefit. There is no point in looking at 3 bedroom, 1 bathroom houses near a university if you're dealing with room-by-room rentals aimed at students. Therefore you need to know exactly what it is that you are looking for.

5. Timeframe of sales

When was this property sold? Was it sold in a huge mining boom where property was hot and it has since died down? Ask yourself questions about the timeframe in which the properties were sold. Look at the history of the area and any future council town plans. PlanningAlerts.org.au is a good website to keep track of any future planning applications.

6. Recent renovations or amenities upgrades

If you are investigating a market , you will be able to see, through comparable sales, which properties have been recently renovated and how much effect that renovation had on the sale price. You will be able to gauge how much you have to renovate your property to achieve a price range of around the other property's list price.

7. Comparable sales when selling

Contrary to popular belief, comparable sales is extremely important when trying to sell. Often, you will see homeowners, who have an attachment to their property, list their home prices at a high list price. The first 3 to 4 weeks on the market is the most crucial time for a property, which is why it's a good idea to have a good grasp on the market prices in the area going into the selling stage.

Let's say, for example, you have a 2 bedroom, 1 bathroom house that you want to sell. You go and look at all the 2 bedroom, 1 bathroom houses in a close proximity to yours and make a checklist of why certain properties are better or worse than yours. From there you should be able to find a 'ranking' of sorts to gauge a list price for your property. I do, however, suggest talking to as many real estate agents as possible before actually doing so.

8. Comparable sales as a buyer

This should really go without saying. Before purchasing a property in any market – even if you have lived there for 20 years – you need to have looked at comparable sales in the area. Find comparisons and get a general sense of the approximate pricing. If there are properties like the one you wish to purchase selling for a good $80,000 cheaper in nearby, similar areas, you're going to want to know.

9. Valuations

Valuers must also use comparable sales as a tool in their studies. Their criteria, however, is regulated. Their data should be less than 6 months old, which can sometimes cause complications. An example is if there were any recent environmental hazards e.g. flooding or cyclones that had an effect on homes and infrastructure and as a result are considered distressed and not used. Alternatively the property might be in a regional area where not many sales are made and there it is hard to find recent comparisons, or the property might be unique and have little or no comparisons. In these circumstances the valuer will often resort to the unit cost method of valuation which you need to know as you may be able to influence the ultimate result by providing evidence costs of construction and improvements etc.

10. Visit open homes

Visiting open homes is a great way to get some practical, primary information on comparable prices. I often like to switch up my role whenever I'm at an open home to get different perspectives or information altogether. Act as a buyer that is inquisitive and curious about the property, and then examine not *what* you are told but *what type of information* you are given. Do the same as a seller. Are you given different information? Why? Are you alerted to something as a seller that you weren't as a buyer? Check it out – you will be shocked at the differences!

Top 10 Tips
on types of motivated sellers...

1. High vacancy rates

If a property has been vacant for some time, an absentee landlord is generally very keen to sell the property. Contacting the seller directly may mean that you can assist the current owner to free themselves of their 'problem asset'. In reality, they may simply have a bad property manager, need for cosmetic renovations, incorrect or poor marketing.

If you can look at a property as a buyer and identify why the property isn't selling or isn't attractive to tenants, you have to ask yourself if you can provide a solution and later a profit. They win because they've 'unloaded the problem asset' and you win because you've picked up a property at below market value.

2. Quick or forced divorce sale

Chances are, if you live in Australia and have seen the light of day in the last 6 months, you know someone that has been divorced. What this means to the property market is that every day, properties are being offered for sale because two individuals want to split the equity which has been built up in a property.

The splits are not always amicable and sometimes sellers make irrational decisions that lead to the property selling far below market value.

I have seen numerous situations where one party is living in the house and the other party has moved out and is renting. They see no perceived benefit in holding the property for any length of time, and are happy to take a lesser monetary split on the house in order to make a quick sale. They then get their share of the property settlement and can get on with their lives. As a property investor looking to buy, unless you directly find out exactly why the seller is selling, then you won't have the chance to take advantage of these deals.

3. Rundown or distressed properties

A property in disrepair is always a good sign of a motivated seller. If there are insufficient funds to keep the property in good order, then usually the seller is in a pressured situation and needs to get rid of the property urgently. Astute investors are able to capitalise on the situation and buy immediate equity.

You might look at run down or distressed properties – buying a property that is distressed or ugly and in a state of disrepair can often mean that you are able to buy it at a price that is under real market value. What this means is that usually a very basic fix up or cosmetic renovation will significantly increase the value of the property.

The owner might be older and simply cannot keep the maintenance of the property up, or they may just be busy (or too lazy) and can't find the time. In all these circumstances you have a motivated seller that will take a progressive role in the sale process.

4. Mortgagee-in-possession

When a company goes broke, it gets sold up by a liquidator. Those liquidators sell up any assets that the company might have. If that company happens to own real estate, then that real estate gets sold as well. Now, provided they get the fire sale value, which is under current controlled market value, they will be happy to sell that property either directly to an individual or via an auction, provided they can justify that they sold it at a fair price to them, under their criteria.

When an individual has their property taken back or repossessed by a bank, the bank does a very similar thing. It onsells the property, normally through an auction, sometimes just through a real estate agency and very occasionally directly, provided they get their fire sale valuation price. So buying a property in a mortgagee situation or 'mortgagee-in-possession' means that there is a financial urgency to selling the property.

You need to understand the mindset of the banking institutions. When a financier has properties that they have on their books that they have foreclosed on, they are bad debts. Until such time as that property is then sold, particularly if the property is sold for enough to cover their costs, then they no longer have bad debts on their books. This obviously makes them look better to their shareholders and helps maintain their share price.

If at the end of a reporting period – usually at financial yearend - the property is still on the bank's books as a bad debt it has to be reported in their shareholder's reports. They don't like that, particularly coming up and close to reporting dates for AGM's. If you study this, you find that there are often a rash of properties that are dumped, sometimes at below mortgage value on the property because of the timing, where as in other circumstances they are prepared to hold them for a much longer period of time.

Timing, if you understand what's actually going on, can be a valuable tool in negotiating on mortgagee sales particularly with smaller banks and building societies and particularly in the U.S. where there are hundreds of banks and financiers.

5. Death

When an owner dies, their property can be disposed of in a number of ways.

If the owner dies with a legal Will in place, and they nominate someone as their executor of the Will, it is this person's responsibility to actually sell that property. Sometimes they are a relative, sometimes it is the solicitor or accountant or a friend. Quite often those people are not very advanced in the art of selling a property and they make mistakes in that selling process and quite often you are able to buy a property that has still got a chunk of equity in there.

Now, if the owner dies without a legal Will, then what happens? It has to go through the intestacy state law process, which is different for each state. For instance, if someone dies in Queensland without a Will, the estate will automatically be apportioned to that person's wife or husband

50% and 50% will be divided amongst their children. But who actually manages the process? Well, normally the public trustees.

These properties are often put to auction and when they go to auction there are only a limited number of investors that actually bother to turn up. There are only limited timeframes when the property can be inspected and they are usually midmorning or mid-afternoon on a week day when the majority of people are working. Then, when the property does actually go to auction, it is during the day on a weekday when it is most difficult for people to attend.

6. Non-payment of rates

When a property owner doesn't pay their rates in Australia or New Zealand, the local councils, after a period of time that varies from council to council, will sell the property up to recoup their outstanding rates.

Buying properties at rates default auctions is a great way to buy immediate equity as most of the properties that actually make it to auction are sold significantly under market values.

7. Economic changes

Economic changes are things such as:

- An abattoir opening up in the area (obviously here we would be talking about regional areas)
- The shunting for a railway station is being built opposite
- A nuclear plant that has just been announced is going to be built in the area

What do you think is going to happen to the prices?

These economic changes in an area can either have a favourable or adverse effect on property prices. Quite often the property market prices are sluggish to move and an astute investor can capitalise and pick up immediate equity in their purchases.

8. Signs of mismanagement

Some investors opt to save the agent management commissions and manage their own properties for rental. Quite often these investors are ill-equipped to perform management duties.

These could be things like:

- Inadequate checks are done on tenants
- Mishandling unpleasant duties like evictions
- Mishandling tenants who cause major damage

The amateur investor often doesn't look after the property very well. They will get disgruntled with the property market and quite often short sell a property at under market value, when the property might simply need a makeover and a good active managing agent.

9. Old property listings

Properties may be on the market for a long period of time for a number of reasons:

- They might have a useless agent
- It could be because the property is not particularly appealing
- Poor presentation
- The property may be overpriced
- Or it could be that the right buyer hasn't come along

There are many reasons why some properties sit around for a long period of time and most times it does not mean that there is anything wrong with the property. So actually buying a property from an old listing can mean that you are picking up a bargain The owners are sick of trying to sell the property and may accept a particularly low offer or because the property prices may have increased during the listing period and you may be able to buy a big chunk of equity that is already in the property.

10. Long distance owners or managers

Owners and managers and/or agents of a property who are not in touch with the local market don't make fair assessments of the property's current value. I love buying property where either the owner or the property manager, or the selling real estate agent doesn't live in the local area, because quite often they are out of touch with the current market prices for both the selling price and market rentals.

You can use all of these situations to capitalise on picking up a property at a price under where it should be.

Top 10 Tips
for buying at auction...

1. Disengage your emotions

Auctions are fast-paced, legally binding and often emotional. It's important to have confidence in your financial bearing, your due diligence and your research on the property. I find if I know exactly (through comparative sales data and the like) what a property is worth, I have a significantly easier time disregarding the emotional factors that come into play when bidding or outbidding someone on a property that could benefit me greatly.

What are you prepared to spend? Be mindful of your finances and don't get carried away - it isn't a casino. Having a price guideline or limit can help you set those guidelines and give you a sense of direction when bidding

2. Do background checks on the seller – know the whole story and reasons for selling

When doing my research on the property, I will quiz (or interrogate) the real estate agent on why the seller is selling. Why are they selling? How long have they lived in the property? The agent will only have high blood pressure for a week or so, but if you're polite and let them know that you're a potentially serious bidder, they will usually be happy to oblige.

3. Know your opposition

Give the agents the Spanish inquisition on the property and other potential bidders but keep your mouth shut about your intentions. Agents can be cagey about other bidders and what is said is not always correct, so you just have to ask a lot of questions and monitor the answers. Compare the property to others available, you could write a pro's and con's check sheet. Is the property really worth what the owner thinks it is? You cannot know without external knowledge of the market at that time. Looking at similar properties, that have sold and are on the market, can give you a feel for the market. Are they similar? Different? How? Are there differences in prices? I prefer to write it all down and list the pro's and con's of all. It is surprisingly easy to see the ones that are overpriced.

4. Have a financial check – get a pre-approval for finance

When you buy at auction, it is an unconditional contract. It is important that, pre-purchase, you know 100% what your financial capabilities are, and what you can spend. Speak to your financial strategist/planner and they can tell you what you can do and if the property is even profitable for you (if it's an investment property). I like to be confident and not have to be guessing or estimating on the day when bids are flying.

5. Put your team together

If the property is a manufactured growth property, get quotes, even if they are just rough quotes on work to be done. Notify your 'A-team'. Your A-team should include a town planner, necessary contractors (building, plumbing, electrical etc.), solicitors, financial planners and loan brokers. Having your 'A-team' notified and in tuck-position can help enormously as when the time comes around, they can dive in headfirst.

If you don't have an 'A-team' on speed-dial, start asking around, and get at least 3-5 quotes on jobs that you will potentially need. This will make your feasibility study smoother and more accurate.

6. Complete your feasibility on the project

Do a reverse feasibility to work out what your maximum buy price is. Get as many written quotes as possible and get really good estimates on the rest. Allow extra funds for over runs and work out what your minimum profit is on the project. Have clarity around your numbers.

7. Learn the auction procedure

Go and watch other auctions. Got a day off? Jump online and look for a nearby auction, just to go and see how it works, what people do, or anything else for that matter. Familiarising yourself with the auction process is not going to hinder you. Less education is not the solution. If you know who the auctioneer/real estate agent is for the property, attend one of their auctions. Learn how they operate. It could help you know when the agent is about to close, or has reached a target price.

8. Understand the contract and conditions of sale

Understanding the conditions of sale can help you tremendously when trying to understand what is *really* happening at the auction. Your lawyers / solicitors can help you with this - it's their language. One of the unique traits about auctions is that the seller sets the terms of the sale. Often, the seller (or someone organised by the seller) can act as a bidder to inflate the price. However, the seller is required by law to specifically show if they intend to bid on the day.

9. Take a buddy to the auction who will hold you to your pre-determined buying guidelines

I discovered this to be an extremely useful tool when bidding at an auction. A friend or colleague will ensure that you stay true to your pre-determined guidelines if you get carried away. They can also act as a lookout whilst you are bidding and pick up things you may not.

10. Ask questions from non-related parties

I always find it beneficial to ask a lot of questions - a lot of obscure and sometimes unrelated questions from everyone I can find who knows anything about the property, the area, the owners, the agent, the auctioneer, everything. I ask neighbours, rental agents, other sales agents, information centre employees, taxi drivers, publicans, whoever. I don't necessarily believe everyone, but the more I hear the more I can filter through to the truth.

Top 10 Tips
on commercial negotiation...

1. Be objective

You need to be objective and not emotional in your decision making process. Objective and positive negotiation of a deal could earn you more money on a rate per hour basis than anything else you might do. Sometimes you can, in a matter of seconds, make or save tens of thousands of dollars through negotiation. It's worth taking any negotiation seriously and preparing for it.

2. Be positive

Having a positive attitude in the negotiation process is also important. Body language is easily read, so if you are positive and confident, your body language will reflect this. You want the other party to think of you as someone who is trying to work to a win/win situation and not purely for yourself. This will see you get a better result than any other style of negotiation (e.g. aggressive, passive etc.).

3. Gain the vendor's confidence

You need to ensure that the vendor is confident in you because you will be asking for a considerable amount of information, of which most will be confidential. A good way to earn trust is to be upfront, honest and try to educate and communicate as much as possible.

4. Confidentiality agreement

Sign a confidentiality agreement for all information provided by the vendor and for the terms of sale. This will instill a lot more confidence in the vendor and will enhance the sale. Commercial vendors are often running a business and don't want confidential figures leaked to their opposition.

5. Use third level questioning to determine the correct reason for the business being on the market

This is a great technique to find out all the background information on why the property is being sold, how the seller or buyer thinks, whether the tenant is running a profitable business etc. Ask questions of everyone associated with the deal, which at first may seem unrelated but when put into context give you a complete picture of the deal and who is involved, even the agent.

6. Obtain the vendor's approval to deal directly with his or her accountant or lawyer to expedite the process of the sale

This is particularly useful when the seller or a member of his team such as the accountant or lawyer is not experienced is this type of transaction. Whenever you are trying to do a deal which is a little unusual, it is also a good idea to have your lawyer dealing directly with their lawyer or accountant. My lawyer, whom I have been with for nearly twenty years, has coached many a seller's solicitor in a deal, simply because they haven't understood the finer points of what I might consider an easy deal – they may never have dealt with commercial sales before.

7. Don't be afraid to seek concessions in price or terms

The biggest skill to learn when negotiating – particularly in commercial property – is to trade not concede. Whenever you concede a negotiating point such as timeframes, trade something else such as dollars or vice versa.

8. Make offers carefully and in conjunction with your solicitor

Commercial contracts should never be signed without your commercially experienced lawyer reviewing the documents. There are simply too many things to consider such as leases, GST consideration, zonings, permissible use etc.

9. If the offer is rejected, ask the vendor to justify their asking price to enable negotiations to move forward

This is often a great way to put the ball back in their court. This is particularly useful when the property is over-priced and comparable sales will highlight this.

10. Don't preach to the choir

If you constantly describe all the things that are wrong in an attempt to weaken the vendor's bargaining position, it may destroy the negotiation process. Be positive, you can make any changes you want after they've signed the little dotted line at the bottom.

Top 10 Tips
on looking at commercial leases...

1. Original lease document

Is the lease a copy or the original? As part of your due diligence process when looking to buy commercial property, ensure that you see the original lease document. It is dangerous to sign a copy without ensuring that it is word for word the same as the original, as you will be legally bound to the original lease, and the copy may have been altered and photocopied. This may have been done fraudulently or inadvertently.

2. Signatures

Each page of the lease should have at least two signatures... the landlord's and the tenant's. This is to ensure that no extra pages have been added.

3. Chattels

It should be stated in the lease who owns the chattels. Quite often the chattels are not listed or not comprehensively listed, and over time, the landlord and the tenant may forget who owns what. This information is necessary for calculating the depreciation and the maintenance costs. It is not uncommon to buy a building with up to a quarter of its value tied up in fittings and chattels, which can give you huge depreciation, and save on tax.

4. Rent and rent reviews

The rent due should be stated as to whether it is net or gross. Most commercial leases are net, but there are more and more about where the landlord pays at least part of the outgoings. This difference is crucial.

The rent reviews are generally every three years. This is your opportunity as the landlord to increase your yield and the value of your building. If you are receiving $100,000 p.a. in rent and you can increase this to $120,000 then you have increased the value of your building by 20% (presuming the cap rate is the same). If you have bought a building with below market rental, this is a great opportunity to increase the rent and get the added value.

Another factor to consider is if the rent review coincides with the lease renewal. It is better for you as the landlord if it doesn't, as an increase in rent will give the tenant an opportunity to say, "If we can't agree on the rent, then I won't renew the lease".

It is also becoming more and more popular to link the rent review clause to the Consumer Price Index (CPI). On the plus side, this arrangement gives both the landlord and the tenant some degree of certainty, and can save arguments at rent review times. However, a review to market can be more beneficial to the landlord as the CPI may not necessarily reflect commercial rent jumps in your area.

5. Rights of renewal

A right of renewal or ROR gives the tenant the right to remain in your building until the end of the renewed term if they want to. If you want to evict them, you can't.

The ROR's are not advantageous to the landlord and in fact can be detrimental. Despite what some advisors may tell you, they are NOT part of the lease term. As an example, if the initial lease has a term of 20 years, with 3 rights of renewal of 5 years each, this is written as: 5 X 5 X 5 X 5. The three ROR's add up to 15 years, which added to the original 5 year term, gives you 20 years, so some agents will try to tell you that it is a 20 year lease. It is definitely not. It is a 5 year lease with three lots of 5 year ROR's. Banks will look at this as if you only have a 5 year lease and a series of renewal options, and will fund accordingly. They may want significant principal reductions over this 5 year period, not the 20 years, when you take into account the renewals.

One detriment here, is that if you are offered good money for the building by an owner/occupier, you can't sell to them because you have to wait for the tenant to refuse the right of renewal, which may not happen, or else buy the tenant out of the lease (which may be worthwhile and you should do your numbers).

A rule of thumb when negotiating a lease with ROR, is if the tenant agrees to a 5 year term, be prepared to give a 5 year ROR but no more. If the tenant wants to remain in your building at the end of the lease term, let them renegotiate with you then.

6. Outgoings

Outgoings are the expenses associated with the building, and form part of every commercial lease. You must qualify: What are the outgoings? Who pays for them? Or even, what percentage is payable by the tenant and the landlord.

This last percentage payable can become very messy if you have multiple tenants in the building. The outgoings in this case are usually apportioned in accordance with floor space... 15% to one, 20% to another etc. When checking a lease, make sure that the figures add up to 100% (or more if you are lucky). You don't want to be left with a shortfall, as this will negatively affect your net rental income stream.

Most leases include local rates as part of the outgoings to be paid by the tenant(s). These rate notices will be sent to the landlord who then has to pass them on to the tenant. However, the onus to pay still falls back with the landlord, so you need to ensure your tenant is paying these outgoings, otherwise you will be up for these rates plus penalties.

7. Reinstatement

This means that the tenant, on vacating, must return the building to original condition taking into account the normal wear and tear on the building (this can be a grey area). This is a useful clause for the landlord but not the tenant. For example, if the incoming tenant is asking for a refurbishment of the premises before moving in, you as the landlord will be up for the cost of this. However, if you have reinstatement clauses, the outgoing tenant will be up for all or at least part of the cost.

8. Ratchet clause

Full ratchet clauses went out of favour over recent years as businesses and companies were locked into paying higher rentals when the market rental dropped. In this situation, tenants can become very unhappy, and may decide to leave the premises. You, as the landlord are much better off with a lower rental figure and a happy tenant, so consequently a 'soft-ratchet' clause is a good option.

A soft ratchet clause ensures that the rent will never go below the starting point. The rent can increase and decrease over the term of the lease, but even if the market rental decreases significantly, there is still a bottom figure. Banks, of course, love ratchet clauses because they know you are guaranteed at least the starting figure.

9. Insurance

This one's a big one. Normally, the insurance on the building will be covered by the landlord, but can be written into the lease agreement that the tenant is responsible for this. This could be dangerous, if the tenant is less than conscientious, and lets the insurance fall behind, your building is then not covered if there is an incident.

10. Subleasing

The consent of the landlord may, or may not be required for any assignment of the lease or subletting of a commercial property. This will need to be written into the lease agreement.

Top 10 Tips
that influence commercial returns...

1. Location (of course!)

It's a boring #1, I know, but it's true. More prime locations are going to have a lower cap rate, which means they're going to be valued higher. However, as a commercial property investor, you need to understand a lot more than just what the cap rate is for a certain type of property in a certain area. How the area is trending is vitally important. Is it a business district that is becoming more popular? Is it static? Is it dying? More importantly, does it have the potential to die?

2. Competition both now and in the future

As a property investor, your tenant's business is your business as it directly affects you. If your tenant is making a loss, they cannot afford to pay you rent. Thus, it's important to analyse your tenant's competition (even though they themselves may not have done it). I recommend doing the good old in-depth SWOT analysis as it is perfect at understanding the potential risks or opportunities that may happen in the future.

Sometimes, though, competition works in favour of your tenant's business (e.g. restaurant strips, factory outlets etc). This becomes a destination for the customer and one feeds off the other. An example of this is Lygon Street in Melbourne. It is the restaurant area where everyone goes to eat. The same goes for any Factory outlet, where customers specifically go for the wide range of choice.

These are examples of positive competition. However, competition can have a negative impact as well. This is normally the case when the catchment area for a particular service or industry is not large enough to support the number of commercial outlets. If there are too many of the same thing together where the catchment area is not big enough, you will see vacancies, low yields and low property values.

3. Use of the property

Some property uses have a higher value attached to them than others. When you are targeting commercial properties for investment, you need to research the per square metre rent on different types of properties. For example, a I in an industrial area may not yield the same on a square metre basis as the industrial building next door, and vice versa. The square metres of both properties may be the same, and the only difference between the two properties is the permissible use.

4. Specialised properties (industry specific)

Industry specific properties can be both good and bad. They are great if there is a demand for that type of property, as it usually means your tenant stays for a very long time. However, if the tenant does vacate you are left with fewer potential tenants.

Interestingly, some commercial property such as dental surgeries, can prove to be hidden gems (particularly buying older ones), as the costs to set up all the specialised drainage and wiring for dental chairs is exorbitant, so renovating and remodelling older surgeries which already have the drainage and permissible use in place can prove quite lucrative. It is just up to you to do your due diligence on the project.

5. Investor and buyer confidence

Buyer confidence is such a fickle commodity, and the media has a lot of influence, particularly in the short term. I remember when shows like Hot Property, and The Great Southeast, and Getaway featured Russell Island, which is one of a small group of islands just off the coast from Brisbane. They have no road access and limited ferry and barge access. During the following six months after the programs were aired, property prices on the islands increased by nearly 50%. Naturally, the boost wasn't sustainable enough to hold those prices, and the prices came back, but not to their original starting figure.

6. Prospective rental growth (potential and contracted)

Part of the valuation process involves reviewing the lease on your commercial property. Building indexation into your lease agreements can be tricky. If you go with CPI, you are basically keeping up with inflation, but if demand in the area outstrips inflation, you are the loser. Conversely, if you go for a fixed 5% per annum, you may end up with a property with rents way above the going market rental. This makes for an unhappy, and sometimes, broke tenant. This can in turn cause vacancies.

Normally, written into the lease, there is a rent-to-market review every 3 to 5 years, and this adjusts for any abnormalities. However, a weak or badly worded lease agreement does devalue your property.

7. Access

Access is a necessity when you are looking at commercial property. If a manufacturer can't get his goods delivered to or taken from an industrial building, he won't lease it. Even small concerns have deliveries made by large trucks and trailer units.

Truckies need to be able to easily manoeuvre without drama. An otherwise great building in a narrow street is useless.

8. Equity participation

When the market slows, and funding gets tight, particularly in the commercial sector, you start to see a plethora of unusual 'anything goes' deals – joint ventures, neighbours merging, combined developments between owners, deferred payments, seller JV's etc. Any way you can get two parties to agree on a deal, it can be done.

9. Ability of tenant to meet current and future commitments

This all boils down to your tenant's profitability. When assessing an applicant to rent your commercial property, you need to take this consideration very seriously. This is when you need to do some due diligence on the potential tenant's business.

10. Flock of sheep behaviour

Humans demonstrate what philosophers call the 'flock' or 'herd 209peciaiour'. Just watch sheep going through a race to understand what I mean. There will be false starts, and then a few will go, and then a few more, until there is a stampede and then this will straggle off to the last few. The same behaviour is exhibited with people buying or selling when the prices are low or high. Some will miss the boat too, because they have wrongly timed their movement either to buy or to sell.

You must watch the indictors. In a strong market, you'll see returns on property get lower and lower. More buyers than properties for sale drives prices up and returns down. This is observable and measureable. You can observe what cap rates properties are selling at (and the trend), and the length of time properties are taking to sell. These are indicators.
In a down market, e.g. when the market has crashed, fear is the prominent emotion – fear that it will go down even further, and fear of even more loss. Your aim is to be aware of this emotion but stay out of it, and be consciously aware of where the market is, so you can time your move into or out of the commercial market in order to grow your wealth. These factors are by no means exclusive. However, it does provide a good indication of the types of factors that affect cap rates.

Top 10 Tips
on what to ask your loan broker...

1. What industry do you specialise in?

As a property investor, you cannot be held back by a loan broker that doesn't understand the business and the processes that you are trying to do. Find someone that is knowledgeable in the industry.

2. What makes you different from other brokers and why should I choose you?

A good loan broker should be able to justify why you should choose them over another loan broker, by citing their history of performance in the industry.

3. How are your customer service and timeframes on keeping your clients involved?

Property investing can be a fast business at times and you may need your loan broker's advice or a service in a short period of time. This means you want to see good communication on their end of the spectrum. Do you think they can provide what you may need in the future?

4. Do you do upfront bank valuations?

In NSW where conditional contracts are not common, or when buying at auction where you are effectively signing an unconditional contract, it is necessary to get a preapproval to make sure you are in a position to be able to purchase the property. Whilst preapprovals are not watertight they are better than nothing. A good broker will be able to give you an indicative idea about what your capacity is as a buyer and be able to order a preapproval for the type of property you are interested in, in the area in which you are planning to purchase.

5. Do you recommend a specific lender?

This is a bit of a sneaky question. If the answer is yes, it's not necessarily a good thing for you (the mortgagee). It shows that they may not do what's best for you, but do what's best for them. Find out their reasoning behind the choice. Is it because they offer a better loan from an investment perspective, or because 'they normally deal with this bank and prefer using them'...?

6. Do you have investment properties and are you an active investor?

Again, you are going to want someone that can empathise with you and understand what it is that makes a loan good for you. If they are property investors themselves, then I can guarantee you they will have a better understanding of what your needs are.

7. What banks do you deal with?

Your loan broker should deal with a lot of different banks. You need to make sure you are getting the best deal out there and it will not be found with only a handful of banks.

8. What are your thoughts on cross-securitising?

If they don't say you need it, get up and leave (I'm kidding, of course, but it's a warning sign). Cross-securitisation is vital when you are looking to keep up your serviceability and wish to remain in control of your portfolio.

9. What are your thoughts on LMI (Lender's Mortgage Insurance)?

Ask them what their opinions on LMI is, and if you should get it. Normally it is only purchased on LVR ratios that are higher than 80%. The banks see this as a high-risk area and will typically require you to have it.

10. Do you get along with this person?

You're going to need to communicate with this person, so it really (really) helps if you get along. Are they genuinely listening to what you're saying and interested to hear your thoughts and opinions (and answer your interrogation questions!)? Does this person have your best interest at heart?

A big thank you to Investor Loans Network for their help in providing knowledgeable advice on the right questions to ask your loan broker!

Top 10 Tips
before applying for a loan...

1. Getting 'market ready'

Getting 'market ready' can mean different things to different people. For instance, someone looking to buy their first home has an extremely different scenario from someone who already has an existing 'owner occupied' home and is looking to buy an investment property. Getting market ready for everyone though is ensuring your finances are in order and you can afford the property you are looking at. This is especially the case when you are looking to buy at auction, as there are no 'get out of jail free cards' at auction. Your finances and loan approval must already be in place.

2. First homebuyer

When looking to enter the real estate market for the first time, sometimes it can all look very daunting. If you are going to use Lender's Mortgage Insurance to assist you to purchase your first home, they will want to see that you have <u>saved</u> a minimum of 5% of the purchase price plus costs associated with the purchase.

You can apply for the First Home Owner's Grant to assist you with the costs, but the 5% must be saved over a minimum of six months. If there are any lump sums in this, the bank will ask you to explain and show the origin of these funds.

If these funds have come from a sale of an asset or a gift, they will not qualify as savings. If you are not using Lender's Mortgage Insurance and you are only borrowing less than 80%, you will need to show that the funds to complete the purchase are sitting in an account in your name.

The funders/banks will need to see that all the funds required to complete the transaction are available to you at the time of application. They will not rely on you 'saving the rest'.

3. Cross-securitisation

This is where you just use your existing house/s for security to cover the deposit and costs for the new purchase. For example, if your current house is valued at $200,000 and your loan is $100,000. That is a 50% LVR (Loan to Value Ratio). If you now buy an investment property for $250,000 and want to borrow the full purchase price plus costs of say $2,000, this now gives you a security total of $450,000, with a loan value of $312,000 which is an overall new LVR of 69.5%. As you can see in this instance, this is easy enough to do but there are a few traps you need to be aware of:

- Both security properties need to be in the same name, i.e. you cannot have one property in personal names and the other in a company and trust name.

- As your portfolio increases, all the security properties will need to be re-valued if you are wanting to add a new loan.

- As your portfolio grows, your LVR will usually start to decrease.

- If you are using LMI, they have a maximum exposure limit (around $750,000)

- If the property you are looking to purchase has a short valuation or has a reduced lending ratio because of the style of property, you may not know about the problem until the next time you go to borrow. Going back to the previous example, if the valuation came back on the proposed purchase at $200,000 instead of the $250,000 purchase price, that would mean the bank's security held would be $400,000. The loan would be $312,000 putting the LVR at 78%. So effectively the bank could proceed as it is, still within their lending limits of 80% without needing LMI but it has effectively ended your ability to borrow further as you are now at 78% LVR with not much room to move, if any, without needing LMI.

4. Acceptable income sources

Banks and other lenders have policies, which state the types of income acceptable for calculating whether the applicant qualifies for a loan. Listed here are the base incomes and additional income sources which they deem acceptable.

- PAYG – 100%

- Rental Income – Generally an amount equal to 80%

- Multiple Permanent Part Time Jobs – 100%, provided the number of hours worked does not exceed 40 hours per week

- Additional income streams, among other things:
    - Overtime – Generally 50% of average weekly figure
    - Casual/second Job (minimum length of employment 12 months) – 50% of income of second job can be used
    - Shift allowance – 100%
    - Bonuses – not acceptable unless directly related to a sales position

5. Acceptable security

Real estate offered as security for a loan must be in sound condition and meet the objective of having marketability sufficient to offset the lender/ bank's exposure during the term of the loan.

6. Proof of funds

Before purchasing a property, you will have to show the financier that you have the funds to complete at settlement. What this means is that you have enough money in your bank account or line-of-credit or available equity in other properties to cover 20% of the total, or 10% of that which is not being borrowed on the new purchase, as well as associated costs such as Stamp Duty, legal fees etc. Using available equity in a line-of-credit is quite acceptable. Using a credit card, however, is definitely not as favourable. It would be better to have the cash in a savings account and the credit card limit fully extended, than to state that that is where the funds are to come from as the credit card limit will be taken into account in your application even if it is unused.

7. Setting up your own bank

This method is my preferred method of operating, but it does take some forethought and action to get in place before it is required, otherwise you may lose a prospective deal or be forced to cross-securitise if not set up in advance. It is highly recommended that you be pro-active and organise your line-of-credit/redraw facility/mortgage offset account ahead of time and have it ready and waiting for when it is needed.

What you are looking to do via one of the products listed above is to get access to your available equity and have it sitting ready to use for the deposit funds and costs for your proposed purchase.

This gives you far greater control of your future purchases.
You can:

1. Buy in structures
2. Assess the market and get the best loan available at that time
3. Use LMI on a deal and not pay the extra premium
4. Have more flexibility in assessing your portfolio
5. Be aware if the proposed new deal does not stack up in any way
6. Develop a relationship with multiple lenders
7. Tailor your portfolio as you go, to complement your strengths and overcome your weaknesses by using different loan products available
8. If your 'own bank' is large enough you can do your own buying and selling of properties without ever needing to apply for a bank loan, thereby saving all the entry and exit fees

If you are able to do this, you can capitalise your interest costs so that you have no cash flow worries, then sell the property and repay all the outstanding debt, pocket the profit or repay any bad debt and then repeat the process again.

This strategy can work with the line-of-credit, redraw facility and mortgage offset accounts.

8. Choosing your banks

This is primarily something that you will let your financial strategist / loan broker do for you. However, with investment properties being (normally) in trusts, it's not unrealistic to have one or two or even three properties with a single institution.

Sooner or later, you're going to run out of banks and you've really got to make it manageable for yourself to operate as well. The primary thing you are looking at here is keeping your home (which is usually something that you are vehemently protective of), away from any other external risk if at all possible.

The more properties you have, the more likely it is that you're going to have a handful of banks that you deal with and your home's going to be separate with or without debt, depending on how you want to structure. You're not going to have nine banks, but you might have three or four banks involved.

9. Understanding real rate interest

Whether it is purchasing your first home or increasing your investment portfolio, interest rates will always play a part in your costings of your loan.

I do agree that you need to consider this, but don't make it your only focus. Too many people I talk to concentrate solely on the interest rate or alternatively, they don't care so much what the interest rate is, they just object to paying fees to the lending institution.

Add these together and divide the total by the loan amount percentage rate and that will give you the 'real rate of interest' (R.R.I).

10. Mortgage Insurance

Some people can have a misconception that when mortgage insurance is required on a loan, the insurance covers them in some way for loss of income or death. This is incorrect. When a loan requires mortgage insurance, the person/s taking the loan, pay for the insurance, but the cover is for the bank/financier in case at some stage they have to foreclose on your mortgage and there is a shortfall, then the insurance company pays the financier the shortfall and pursues the borrower for the monies.

You are generally going to only require mortgage insurance when you wish to borrow more than 80% of the value of the security (in residential 1st class security), however that percentage may change depending on the security offered. Thus, to borrow up to 80%, in most cases, mortgage insurance will not be required. If you are to borrow more than 80%, you will pay the insurance on the whole amount borrowed not just what is in excess of the 80%.

The mortgage fee is also refundable. If, for example, you pay for the mortgage insurance fee with one bank and then, after a year, you finance the property with 80% with a different bank, you can claim back that mortgage insurance fee that you have paid.

Generally the mortgage insurance lasts for around a three year period, so within that three years, if you can prove that the property has gone up enough in value that the bank's position is now 80%, and you get a revaluation proving that, you can get a refund on some mortgage insurance. Obviously, you need to prove that you have increased the value of that property especially within a twelve-month period for a bank to even consider going back and re-evaluating it.

Top 10 Tips
for types of loans for real estate...

1. Principal only loans

Principal only loans can be employed to a buyer's advantage when you have a motivated seller. Firstly, you need to put yourself in the seller's shoes. If you had a property that you were in a hurry to sell, or if you haven't had a lot of interest in the property, and a buyer came to you with this deal, how would you feel?

Okay, let's assume the price was $230,000 as it had just been dropped $30,000 for a quick sale. A purchaser comes along with an offer of $260,000, if the seller agrees to carry a second mortgage of $40,000 for 10 years with no interest payable on the mortgage. How would you feel and would you take the deal? Well, some vendors would be happy to.
It is clearly a good deal for the purchaser as they are able to get a regular 80% loan from the bank and have the commitment to repay the additional $40,000 over a relatively long period of time. At any point in time, the purchaser could refinance, access the additional equity and repay the 2nd mortgage loan, but why would they? It has no interest repayments. Physical exertion and knowledge can then be employed by the purchaser to increase the growth on the property, thereby creating manufactured growth from very little.

2. Principal and interest loan

A principal and interest loan is where you are paying down part of the principal on the loan all the time, because your home is something you want to pay off and get rid of the debt as it is non-tax deductible debt. By paying principal and interest , you are actually paying principal off that loan, which, if you need to, you can go back and get that principal back (obviously it is a whole new loan application to do this). You would think a principal and interest loan would be a good thing, but actually, you should look at doing an interest only loan.

3. Interest only loan

Interest only means, as it says, that you are just paying the interest on the loan. They usually have a finite life – 5, 10 or even 15 years. Personally, I prefer only up to a 5 year interest only loan when you are first going for that loan, purely because of serviceability.

From an investor's mindset, you are trying to maximise your cash flow by doing this. So it gives you flexibility. If you have got a situation where maybe a tenant has moved out and you have got to cover extra mortgage, you only have to make the interest whether it be on the rental property or on your own home. The minimum requirement is only the interest, but you have got the flexibility to pay more. You pay whatever you can afford, particularly if you can put it in and it is still available to draw back out for an investment property if you want.

There are other ways, obviously, that we can continue to pay more off our personal debt – non tax-deductible debt – but have it accessible back to us if another deal comes up or if we need to access that money. Redraw offset accounts among other things are obviously ones where we can pay more, but at least the funds will be available back if we need them.

4. Lines-of-credit

Lines-of-credit come in different forms. If you have a line-of-credit of a limit to which your loan can extend, and you owe less than this amount, you are able to redraw or access your funds up to that limit. This form of loan is usually operated on an interest only basis on the amount owing calculated daily.

For example, let's say we have a $500,000 house with a $100,000 mortgage on it. Let's just say we typically take it up to 80%, which would be around $400,000 meaning there would be $300,000 available. That's kind of like a big $300,000 credit card, if we put in a line-of-credit facility. It all comes down to your money management skills. The difference between a redraw facility and a line-of-credit, is that with a line-of-credit, the payment will actually come out of a line-of-credit. Therefore you pay nothing. So, you can have $50,000 owing in this line-of-credit and not make a payment and it would just keep paying for itself. But, obviously, your line-of-credit is going up and up and up. With a redraw facility, it is a set payment that has to be made, but it can have redraw. Those funds would be available for redraw.

5. Redraw facility

A redraw facility is very similar in nature to a line-of-credit facility except that with the loan they usually have a cheaper interest rate and the interest on the loan can not be compounded as it can with a line-of-credit facility. In most cases a mortgage broker will opt for a redraw facility over a line-of-credit facility as they work in virtually the same way yet one is cheaper than the other.

6. Offset accounts

An offset account is a transactional account that sits alongside a loan account. Whatever funds are sitting in that offset account at that point in time will be 100% offsetting the interest being charged.

Let's say great Aunt Bertha died and left you $10,000 and you didn't want to use that to pay off your loan because you were going to use that for a holiday to Hawaii. If you had an offset account, it means that for the time it is sitting in that offset account, you are only paying interest on the $90,000 instead of the $100,000.

You would use an offset account as opposed to a line-of-credit or redraw facility if you were ever going to be thinking of paying down your home loan debt, or if the future use of funds is going to be for personal use. However, if your future use for the money is for investment purposes, a redraw or line-of-credit is better.

7. Fixed loans

Most financiers give borrowers the option of fixed loans. These are loans that maintain a guaranteed interest rate for a specified period of time. Usually, loans are fixed from 1 to 5 years but can sometimes be fixed for 10 to 15 years. Essentially, fixed loans are when you contract to the bank for a specified period of time for an agreed interest rate.

Financiers vary a little in what repayments you can make during this period of time. However, most financiers only allow you to repay the minimum repayment during this period of time, while some allow you to only repay up to 20 % above the payment required.

There are, however, some traps that you need to watch out for. Usually, you are not guaranteed the rate you sign for. Banks will usually have written into the loan contract that it is the rate on the day of settlement not the rate on the day of application. So if the rates go up or down, you get the rate on the day of settlement. I have seen instances where the fixed rate has increased over 1% between the time of applying to have a loan fixed to the time of settling the loan.

Another trap is that if you decide to sell the property or refinance it either with the same bank or another banker, there will quite often be a discharge penalty during the fixed term of the loan, which can be quite significant.

8. Variable loans

These are the standard type of loan that can fluctuate anytime. Usually bank rates are the same or very similar, as their rates are linked to the reserve bank wholesale rate plus a margin. That is an extra percentage that is profit to the bank. Variable loans can also be taken out as either principal and interest loans or interest only loans. All line-of-credit facilities and redraw facilities are based on a variable rate loan. These loans can have early repayment fees, but usually only in the first one or two years.

9. Honeymoon loans

Some institutions offer a six month or one year discounted or honeymoon rate to attract new business, usually about .5% to 1% below current variable interest rates. When the 'honeymoon' is over, the loan will revert to the standard variable rate or you can elect to fix the interest rate for a period of time.

10. Basic loans

A basic loan is again based on the variable interest rate, but the banks give you a discount for the life of the loan. However, as the price for this discount, you have restrictions on the usage and flexibility of the loan.

Quite often, you can only repay a minimum amount per month and if you want to repay a lump sum, it has to be in large amounts.

Top 10 Tips
on finance for real estate investors...

1. Character

When applying for a loan, banks will look at you in three places. The first of these is your character. Your character takes into account your past credit history, including any defaults or judgements that may be lodged against you, as well as considering how many loans that you have applied for in recent times. Too many loan applications and you may have to answer questions as to why you have made numerous applications and what loans were accepted and whether any loans were refused.

Whenever you apply for a loan, an inquiry note appears on your credit reference report. Whenever you apply for a loan, you sign a form to say that the financier can make an enquiry to check your previous credit history. Each enquiry is recorded and includes the amount that is being applied for. Hence, when you are considering applying for a loan to buy real estate, it is not a good idea to go out and get numerous store cards, credit cards, or finance company loans for furniture and cars etc., as all of these will be recorded on your credit card history and may be detrimental to your application.

2. Capacity

Capacity is the assessment of the applicant's ability to service or repay a loan. Most financiers in Australia will look at your combined net income, and then they will take an amount off for general living expenses. The total is then divided by 12, to give a monthly expense total. These calculations are general, as not all institutions use the same formula. They will then deduct your monthly loan repayment or in the case of a credit card, 3% of your available limit will also be deducted, even if there is no outstanding balance on the card.

For example, if we have two applicants whose combined monthly income is $6,250 and they have two children (which are usually a $5,000 a year deduction), their living expense deductions will be:

($20,000 + ($5000x2)/12) = ($2500)

Existing loan repayments are $1,200.
They have two credit cards with a combined limit of $10,000 ($300 expense monthly).

Residual left to apply to new debt is therefore $2,250

Now, that amount has a repayment at a rate of 8% over 30 years, it will service new borrowings of approximately $300,000. Again, this is only indicative and financiers generally have slightly different assessment criteria (as do mortgage insurers).

3. Collateral

This is basically what usable equity you have in your home or other real estate investments. I say usable, because in some cases it may be beneficial to utilise the Mortgage Insurers and get 90% against the value if your equity position is weak. Most lenders will lend up to 80% without the need for the applicant to pay for Mortgage Insurance, but this can get as low as 60% with some institutions.

The percentage of equity, which is deemed to be usable, is also affected by what type of property is to be used as security. Generally speaking, most applicants are weak in one or more of the ‘three C’s’ (Character, Capacity or Collateral). It is then the job of smart finance brokers to assist their clients to overcome the weaknesses.

4. Cross-securitisation and control

Let’s say we’ve got $830,000 worth of assets and we’ve got $430,000 worth of loans. This means we’ve still got $400,000 that we can go off and use as security for more lending - not to borrow - but to have as security. You now have security of $830,000 and a loan of around $430,000. So you’re at just about 50% LVR and you’ve got two properties tied up.

Let's say that we're really motivated and we want to go and buy another one. We then go back to the same bank manager because he was so good to us last time and we want to buy one for $200,000, what's he going to say? If it's serviceable, the bank manager will say 'yes'. Now you've got the income to service it but the bank manager has incorporated this house into your first two properties as well. You now have three properties listed as a security to the bank.

Can you see what is happening? Say you were to get a court case against you for something to do with one of your properties. When you bought the property, the balcony was unsafe and despite this being in the building report upon purchase, you didn't do anything about it. Say the tenant had an incident and hurt themselves. The insurance will not want to play ball because in this instance you knew about the balcony and didn't take 'due care' to have it fixed. "Sorry mate, you've got a $2 million dollar claim against you and it's your fault."

Now, because the bank has all your properties as security, they are all totally exposed. You will lose your family home, and if the other two aren't in trusts, you could lose them too. It's about you having control too. If you've got nine different properties with one bank, it's the bank manager who's controlling you not the other way around.

They're determining whether you can go and do an investment or not, or whether a particular type of investment is something that you do or not, and they start dictating the terms. You don't want to be there. You like to take control. You want to be the one who's deciding whether a particular property is right for you or not, not having some bank tell you, "Oh no, you're too exposed at the moment. We've got too much exposed on any one client so we're not going to lend you any more money. We're not going to lend you money on that kind of deal, why don't you go and buy this kind of deal?" That might not be the kind of deal you want, but that's what they start doing when they have too much control over everything that you've got. Thus, the problem of dealing with one bank. As you're cross-securitising and each one's getting listed in, it's that much harder every time to try break the whole thing up. It's not impossible but it just becomes a more complex situation to try to unravel the whole thing.

5. Your financial buffer in real estate

Something you should always remember, especially when doing feasibility studies and lending, is your buffer. Try to always have a buffer. Exactly how much buffer will depend on your circumstances – what you do, the security of what you do; how much income you have coming in; what's the likelihood of that income ever stopping; whether you have income protection insurance in place in case something happens to you, etc.

If there are any unforeseen circumstances that may have a negative effect on the deal you're in, you never know if you're going to need an extra lump sum of money to cover the costs and keep the project's momentum going.

6. The higher the debt, the lower the LVR

The higher the debt you get, the lower the LVR (Loan to Value Ratio) the banks will lend you. At the beginning you might start at 80%, but if you start getting up above $1 million they might be only comfortable with 70%. Even though it may be in multiple properties they want to increase their safety net against you. If something disastrous were to happen they just want to increase their profit margin/get out margin.

7. Keeping your cash flow

Let's say you've got a number of investments, and one in particular's on interest only, and then you've got another one that you're looking to buy. You have also got your PPR. It's on a P&I loan and it's got a small debt on it. You've used some of that line-of-credit as your deposit into each one of those properties. In order to purchase more property you had to go into a P&I loan. How could you restructure so as to get a bit more cash flow?

For investment loans you are looking at predominantly interest only loans, unless there is a definite need. The other thing you could look at is converting the loan on your principal place of resident (PPR) to an interest only loan, or a line-of-credit or something like that, again to alleviate cash flow if that's what the immediate issue is.

When talking about investment loans particularly, it's about interest only primarily. P&I might be okay on your principal place of residence because you're really trying to get it down provided that you've got the kind of loan that you can put more money into.

8. Use the ATO

Utilise your best friends at the Australian Tax Office (ATO). If you're entitled to a tax deduction, lodge the forms. Get the extra money along the way. If you've got investment loans as principal and interest loans and you've got a personal debt and non deductible debt, switch the investment loans to interest only so that extra amount of money that you're paying over there can now be put against your personal debt. Just be smart about the whole thing.

If you have a property – a principal place of residence, and it's got an element of non deductible debt, you've got an availability here to increase the bar and pick up all of this. Most people don't get the split facility.

Let's say that you've got personal expenses coming out of this facility as well. What you're doing is you're mixing up the difference between the deductible debt and the non deductible debt. You're allowing your personal debt to creep up, and then when you do make a repayment or it goes down in value, you're reducing both equally, or both in proportion. So you're messing up the amount that is tax deductible.

There have been people that can clearly say that they had $30,000 of investment and $10,000 worth of personal debt in this account, and when they paid $10,000 off that they said that's only for the personal debt. It doesn't work like that. That's three quarters to one quarter. So when you pay $10,000, three quarters will reduce your investment portion and one quarter will reduce the personal portion. So $2,500 will go off that and $7,500 will go off the investment. It is pro-rata. So it doesn't work. Whereas if it's separate, you can designate 100% to go to where you want it to go.

9. Full doc, low doc and no doc loans

A no doc loan is a straight equity loan, loaned at the maximum (generically you can get 70%). With low docs you can get up to 80%. Banks will closely monitor the mortgage insured loans above 90%. That's the area that they are more concerned about than anything else.

If you've got a 70% loan and 30% equity tied up in that loan, are you likely to default on that? Not likely, because you've got a fair amount of hurt in that deal and you have something to lose if that loan goes bad. Whereas somebody that's got a 90-95%, what's the hurt in that for them? They're full doc loans that they can walk away from at any time and nothing's happened to them. That is why loans are done at 80%. Also, the Reserve Bank made a ruling a couple of years ago, that any loan, low doc or no doc above 60% has to be mortgage insured.

10. Your active industry

You will need to understand your active industry. For some of you, it's going to be a job. For others it will be property. Some of you are active share investors, so your primary activity is shares – not property. For some, you're in business. You're going to have varying things that make up your active industry.

Presumably, this primary activity is going to make a profit. There are a lot of people that make the fatal mistake of throwing all of their profit into one activity. Then, when something goes against them because they're totally in the one industry, they risk losing everything.

Builders and developers typically do it all the time, and it's a little bit of an ego thing. They keep going to the next thing and the next bigger opportunity. They forget to stop and think about where they are headed. The point is, don't put all your eggs in one basket. Grab some of it and put it into other baskets. Take your profit, assess what it is, take a percentage of it, go and put it into an inactive investment base. Over time, if you do this consistently, you're going to build up passive investment bases that are working for you regardless of what else is going on. You've diversified away from totally being dependent on whatever your active industry is, and over time you're building an asset base that you can fall back on.

Top 10 Tips
on vendor finance...

1. Instalment sales

This is where the owner (the seller or the vendor) sells the property under a 'Contract for Sale' and finances the deal themselves, instead of the buyer needing to look for bank finance. It is very much like a bank loan. The term is usually 25 or 30 years, the repayments are principal and interest, and the purchaser can pay out the finance at any time by refinancing or by selling the property. The interest rate is generally 2% p.a. above the bank rate.

The advantages are that the purchaser can move in immediately after the contract is entered into, and is able to make improvements to the property to build up their equity.

This form of vendor finance is also known as a 'WRAP', because the payment terms the owner provides, mirror the terms of the owner's own mortgage, and because the owner is permitted to maintain their own mortgage over the property.

2. Rent to own (lease options)

This is where the seller rents to a buyer for a predetermined time, and the buyer then can either buy or walk away. It is a 'try before you buy' because the purchaser is not committed to buy. Rent to own is like a rental, but has some attractions for both landlord and tenant. Firstly, the property is rented for usually 2 years, which is in contrast to a standard residential lease which is usually for 6 months. The rent is also fixed for the term of the lease. Another attraction is that the purchase price of the property is fixed up front – there is no formula for increasing the price. The purchaser can also improve the property, to make it more pleasant to live in, and to make it easier to obtain the finance to purchase the property at the end of the agreed period.

3. Deposit finance

'Deposit finance' is when a vendor finances a deposit, or a shortfall between the amount of loan that an outside lender will advance, the cash deposit available and the purchase price of a property. An example, is when a lender might approve a loan of 80% of the price, and the purchaser might only have 5% deposit, and so the second mortgage carry-back finance will be 15%. It is called a second mortgage, because it ranks second in line to the first mortgage that the 80% lender takes over the title to the property. It is called a second mortgage carry-back because the vendor carries it back, which is to say, finances that part of the price.

The Deposit Finance is usually put into place for a fixed term of 2 to 5 years, and is usually interest only at the same interest rate charged by the external financier, payable monthly, and the interest rate payable is usually fixed.

At the end of the fixed term, the Deposit Finance is usually paid out from savings or refinancing, as a lump sum payment.

4. Sandwich lease

A 'sandwich lease' is where you are both the buyer and the seller for the one deal. Often a seller will be hurting for some reason. It may just be a flat market. It may be badly presented. Whatever the reason, the property is slow to sell and the seller may be experiencing financial difficulties such as job loss, negative gearing pain, illness or financial hardship of some description.

These sellers are an ideal candidate for negotiating a vendor finance deal of some description. The best type of vendor finance deal for a sandwich lease is a lease option, where a small amount of money is transferred to the seller up front (e.g. $5,000 to $10,000) and an option to purchase the property at an agreed price and time in the future is signed.

You then take over the existing owner's repayment obligations, and outgoings on the property such as rates, insurance etc. The current seller of the property moves on and he is out of the picture.

Usually when someone is having difficulties selling a property or keeping up with repayments, they don't keep up with the repairs and maintenance. Consequently, your newly acquired lease option property will need a renovation before re-presenting it to the market. You would then do a renovation and present the property as you would for any normal sale or revaluation process. Do not over capitalise and take the property to the standard of surrounding well-presented properties.

This is where you will need to be the seller and find a buyer for your newly acquired sandwich lease property. The ideal buyer of the property is someone who is experiencing bank, or financing difficulties, or someone with low savings, who needs more help than a normal buy to purchase a property.

Ask them to pay an upfront fee when entering the agreement (make sure it is more than you had to pay to the original owner). You will then become the financier in the deal, and the terms and conditions need to be such that whatever commitment you have made to the previous owner on repayments is covered. You lease option a seller, you lease option a buyer, make an on-going positive cash flow on the margin between the two lease options, plus a profit on the difference between the upfront fee you pay the seller and the upfront fee you receive from the buyer.

5. Joint ventures

'Joint ventures' are a little bit like US legislation. Whatever the two parties agree on, is law, without government intervention or regulation. Unlike Australia where everything is over regulated and a deal is only a deal between two parties it if complies with council, state and federal legislation along with as much red tape as they can find.

One thing I need to stress is the need to have your joint venture agreement written, signed, and preferably formalised by a lawyer, prior to the commencement of the deal.

What I recommend you do, is sit down and discuss all possible outcomes. Ask yourselves the 'What if?' Questions and document your answers.

- What if it doesn't sell?
- What if we run out of money?
- What if someone dies?
- What if someone gets divorced?
- What if someone gets sued?
- What if we don't agree on something?
- What if we make a loss?

When you have thought of everything that is a potential outcome from a JV and you have both signed the document, take it to a lawyer and have it drawn up formally. This protects both parties and minimises misunderstandings and miscommunications.

6. Spotter's fees for vendor finance deals

If you've got the gift of the gab, negotiating vendor finance deals is a relatively easy way to pick up a few bucks. Many people would love to be able to do vendor finance deals, as they don't require much, or any of your own funds to make the deal happen. All you need is to be good for a loan. The reality is that very few people have the personality to complete this strategy successfully.

Obviously, if you are someone who is good at sales, a good people person, able to relate well with others, or just purely determined, then negotiating deals on vendor terms is a great way to create cash flow for yourself. If you are unable to gain banking finance because of a bad credit history, it is the perfect deal to pass onto someone else for a spotter's fee. Everyone wants to do a no-money down deal. Few people have the confidence to be able to negotiate them. Consequently, even if you are a bankrupt, you can make good money finding and negotiating this kind of deal, and then passing them on to fellow investors. You certainly won't have a shortage of people wanting to do the deals.

A typical spotter's fee has been arbitrarily set at $5,000. Of course, if you plan to do this a little more professionally, you need to be licensed, and do a real estate sales course which varies depending on the state.

A lot of the time, doing a successful vendor finance deal, is having the guts to ask, and being able to think on your feet, to work out what kind of deal will truly benefit both parties.

7. Vendor finance from a buyer's perspective

As an investor, understanding vendor finance from the buyer's perspective can help you understand the whole process of vendor finance, and realise why it can be a win/win situation for the investor *and* the buyer.

Vendor Finance is often the first step on the path to home ownership. The buyer who chooses vendor finance is usually looking for a home to live in, but can also be a business looking to buy a shop, factory or office for business.

When you buy your house, you'll receive a Contract of Sale that includes additional information about your loan repayments. You will receive regular statements showing your payment history, which may assist you in refinancing with another lender, which you are entitled to do at any time, and recommended to do within the 5 year timeframe.

As a buyer, think through each one of the topics below:

- Affordability
- Refinancing
- How to get equity
- Deposit required
- First Home Owner's Grant.
- Who pays the outgoings?
- Can I make extra payments?
- Process of making repayments?
- Legal contract and advice.

8. Vendor finance from a vendor's perspective

Recently, vendor finance has become popular in Australia not only as a way of selling properties at a good price, but also as an attractive real estate investment strategy. The seller who chooses vendor finance is usually looking to sell their property for a better price than they are able to sell the property using the standard cash sale. Selling on terms therefore provides a better outcome than selling for cash.

'Selling for cash' means the sale of a property in the standard way, with a deposit of 10% of the price payable at the time the 'Contract for Sale' is entered into; then waiting 30/42/60/90 days (depending in which part of the country the property is situated); until the remaining 90% of the price is paid – from bank finance. The sale is therefore conditional upon bank finance.

'Selling on terms' means the sale of the property on vendor finance terms, where the seller can mould the terms of the sale to fit in with the buyer's needs. The vendor finance terms are set by the seller to suit the seller's needs, as well as the buyer's needs. Significantly, the sale is not dependent upon bank finance.

In short, by using vendor finance, a seller receives two benefits; the first is that the seller sells the property more quickly than if offered at a cash price because the property is attractive to more buyers; the second is that the price does not need to be discounted for a quick sale, because terms are being offered.

9. Desperate seller

I love doing desperate vendor deals, not because you are ripping the other person off, but you genuinely are helping the other party out, and creating the ultimate win/win deal.

1. Target uneducated sellers who are not maximising their capacity for gaining full value on the sale of their properties

2. Identify what strategy would create maximum profit for the seller (and you), in the most efficient timeframe.

3. Do a draft feasibility of your potential costs, and profits on the deal

4. Contact the seller directly and negotiate a mutually beneficial deal

5. Sign either a handwritten or pre-prepared 'Memorandum of Understanding'

6. Engage lawyers to draw up the final document.

Go for a drive in your local area, and find a property that has been on the market for a while, and where you can easily see the reasons for the property not selling. Note the address of the property, and go home and research to find out who the seller is, how much the list price is, whether the agent is competent or not, and do a mini feasibility study on what strategy could be implemented to improve the property's sale price. Determine if there is enough margin for you to warrant doing a JV deal with the seller.

10. Joint venture structures

There are three main ways in which a Joint Venture can come together:

1. Equal party contributions
2. Unequal party contributions
3. Money partner and worker

Equal party contributions – This is where both parties are either contributing equal amounts of money and are both included in the loan documents.

There are two main ways that this type of arrangement can be structured. The first is a partnership of two discretionary trusts. Each would have a corporate trustee and the property would be owned as tenants-in-common between the two trusts. This would allow for fractional ownership as well as 50/50 deals, as the tenants-in-common ownership can be split in any percentage.

Unequal party contributions - These can be done as tenants-in-common using a partnership of two discretionary trusts. Alternatively, a unit trust can be formed with a corporate trustee, with the units held in discretionary trusts.

This type of structure can have a few Capital Gains Tax problems, as they are treated as fixed trusts and may not be entitled to the 50% exemption for owning a property for more than 12 months. Alternatively, the trust could be a hybrid trust which would eliminate any CGT issues. However, hybrid trusts can be difficult to finance.

Percentage ownership can be distributed in whatever proportions are agreed upon between the 'piggy bank trusts'.

Money partner and the worker – In this scenario, the money partner would not need the worker partner on title or on the loan in order to buy the property. If this was the situation, the money partner would form a corporate trustee with a discretionary trust and the trust would own the property. The money partner would be named as the primary beneficiary and the appointor, and the director of the corporate trustee.

A contract would then be drawn up between the company as trustee for the discretionary trust, with the worker's personal company as trustee for a discretionary trust. The worker's trust would be protected by contract which would outline the duties and responsibilities of each party, and the agreed upon distribution of profits.

Top 10 Tips

on options...

1. The benefits of options in real estate

Interest free for the life of the option – no interest payments mean there will be more profits in an upward market. The longer the option period, the greater control you have without the added costs of ownership.

No job or prior finance necessary. Getting finance can often be very difficult. Options, however, have no financial application requirements. There is minimum risk and no obligation with an option - it gives you the choice to pull out of the deal if the circumstances change. That flexibility isn't usually available in a property purchase.

An option gives you control over the property and with the owner's written consent, you can apply for development approvals or planning permits through the local council. You may even choose to undertake other manufactured growth strategies such as renovation, strata titling or subdivision.

With options, it allows you to keep the upside. If you add value to the property and onsell it at a higher price than your exercise price on the option agreement, you keep the profit. If the property price falls, you can walk away from the arrangement and not lose out.

Options give you greater certainty. An option allows you to carry out your due diligence and get concrete quotes during the option period and have more security and certainty over your feasibility and ultimately your profit. Options also have no holding costs. Given that you haven't really bought anything and the property hasn't been transferred to your structure, there's no real financial burden from taxes or local council rates.

2. Stamp Duty secrets

One of the clauses in an option contract covers how much you are paying as an option fee to secure the property. However, there is a trick with this, because you pay Stamp Duty on the value of your option fee.

So what you want is for the option fee to be as low as possible (preferably $1). Of course, your seller is going to want more than $1 to compensate them for taking the property off the market for the term of the option, because payments are usually released immediately.

On the other side, if that payment is called an option fee, it will be income tax assessable in the year that they receive it. However, there is a sneaky way around this that benefits both parties. What you would do is pay an option fee of $1 on which you would pay Stamp Duty and the seller would declare it as income.

You then pay the seller a deposit in advance, which again is released to them immediately. This deposit in advance will form part of the settlement proceeds when the option is ultimately exercised. This way, there is no Stamp Duty to be paid at your end and the seller does not have to declare it as income, but will have to declare it as part of the capital gain when settlement eventually occurs in the future. It's a much better solution for all parties involved.

3. Selling an option to a third party

Let's assume you already have an option on a property and you have gone about increasing the value of that property through renovation, rezoning, gaining a DA or whatever, and you are now in a position to sell your option to someone else.

You have to consider the 'Nominee Clause', which means that the option is transferrable. Transfer your option to the new buyer for a fee (which is the sale price of your option). They then exercise the contract with the original owner.

The new purchaser would pay Stamp Duty on the execution of the contract with the original owner, and Stamp Duty on the sale price of the option contract from you. You, on the other hand, will pay on the sale proceeds of the option.

Any deposits in advance or option fees, are usually released to the seller immediately and are forfeited if you or a third party exercises the option and does not proceed to settlement

4. Put, Call, Put and Call

An option is simply a document between a seller and buyer or potential buyer – it's a contract to transact. But let's take a step back and explain what the different types of options are.

Put Option – A 'put option' is commonly called a 'seller's option'. It gives the seller the right but not the obligation within an agreed timeframe to '*put'* the sale contract to a lawyer and the buyer must proceed with the purchase.

Call option – A 'call option' is commonly referred to as a 'buyer's option'. It gives the buyer the right but not the obligation within an agreed timeframe to '*call*' on the seller to proceed with the purchase contract. These are the most common options in Australia.

Put and Call Option – A 'put and call option' is basically a combination of the two. When signing a 'put and call option', both the buyer and seller are effectively signing an unconditional contract and both buyer and seller must go to settlement on the property.

Generally, you need to give the seller something in exchange for taking his property off the market while you renovate and gain council approvals and whatever else you need to do to the property. The tradeoff is usually money. You pay a premium price for the property, but don't have to settle for an extended period of time (if at all).

5. Tax and property options

Like most aspects in property investing, your tax bill will depend on whether you are in the business of real estate.

An option is just a form of securing a property. In itself, it has no tax effect. However, if you on sell your option at a profit you will pay income tax on the gain or profit you make. If you exercise your option and buy the property, the tax treatment will depend on your intention for the property when you buy it and what you ultimately end up doing with the property.

6. Make sure your option period is long enough

As a purchaser, it's important to ensure the term of the option contract is long enough so that you have time to do the required due diligence on the property or to get whatever council applications you may need through council.

If the development application has not passed through council successfully within the life of the option contract, normally the potential purchaser can apply for an extension of the contract, for an additional fee. However, whether the extension is granted or not will be entirely at the discretion of the vendor and if you have spent significant money on the property in applications etc., the vendor may not be so keen to grant you an extension. The down side for the vendor is that they have to wait for another buyer for their property.

7. Insert a 'nominee clause'

Always have a 'nominee clause' in your option agreement, as this gives you the ability and flexibility to change entities or onsell the option to a third party at a profit. In most states of Australia, nominee provisions are not available in a standard contract.

8. Have a caveat placed on the property

When you're drawing up the paperwork, as the option holder, ensure that you've got a 'right to caveat clause' to protect your interests. A caveat is like a padlock on a property and will prevent the owner from selling it to someone else or refinancing the property which could cause financial hardship to the owner.

9. Legal considerations for option contracts

You need to ensure that everything is done correctly and that you're seeking advice from someone that is an expert in the field that you're in. Keep your solicitors and lawyers on your speed dial; you are going to need them.

It's a good idea, if possible, to talk directly with the owners. If you are negotiating the contract, you can find out what the owner's intentions are and work to cut a deal that benefits both of you.

10. Important considerations

Like most property investing strategy deals, it is not always straightforward and there are a lot of small things to pay attention to. It's important to start on a small scale to get a complete understanding of how options tend to work.

Do you have an exit plan? Talk to a financial strategist that knows and works with property options; show them your due diligence and discuss the potential outcomes.

Top 10 Tips

on preparing for a valuation...

1. More than just a coat of paint

If you want to sell your property at the highest possible price that your market will allow, or if you want to have the highest possible valuation to get equity from your property, chances are, you will need to do some renovations (even just cosmetic renovations). A fresh coat of paint on your home will do wonders for your house and your valuer will take it into account. It may be only a few hundred dollars, but can increase your valuation by tens of thousands of dollars.

Look to see if your property has any flaking paint (gutters and window sills are a good place to check).

2. De-clutter, de-clutter and de-clutter

When you have a valuer on the property to inspect the house, nothing will hurt you more than clutter. Clean everything. Even if you are just picking everything up and moving it for the day - put personal stuff away.

3. Put yourself in the valuer's shoes

You need to ask yourself: "If I was a valuer; what would I look at and would anything affect my price estimation?". A property valuer is a qualified person who gets paid to assess and put a number on properties. They will not be emotional like the typical homeowner. Can you see anything that, if you were the valuer, you would use to discount your property's value?

4. Prepare a list of comparable sales

A valuer will look at comparable sales (recently sold properties) to gain a better understanding of the market and where your property lies. I like to prepare a few comparable sales that the valuer can use. Ensure that they are recent and are similar to your property (bedrooms, land size, close proximity etc.).

5. Give your garden some life

Street appeal is important when looking for a buyer, and therefore is important to a valuer. Prior to the valuation, give your front garden some TLC. You can add some mulch around the plants and trees to make it more attractive. If your trees or hedges are getting too wild, it is a good idea to trim them back.

6. Think of the little things

When you walk into a home, it is easy to tell if the house or even a particular room is neglected. I like to make all beds before the valuation inspection, and open any windows a good half hour prior. This will air it out and ensure it doesn't give off a sense of stuffiness. If you have any fresh flowers, it can be a good idea to put them on a kitchen table or bench. They all add up and can make you money. Consider if there are better times of the day for your house (e.g. busy road or road noise, properties near schools etc.).

7. What type of valuation method will they use?

There are a few different methods of determining a valuation. The two main methods used today are the direct comparison method and the summation method.

The direct comparison method: This method is where the valuer will look at researching the recent sales of similar properties within a close proximity in the last 6 months.

The summation method: This valuation method is more commonly used in residential property. It is the addition of the individual value of each of the parts of a property to arrive at a total sum that is the value of the whole property.

8. List any improvements you've made

I like to make a checklist of all the improvements (if any) that I've made to the property, including the costs. It ensures that the valuer will notice the improvements and not overlook them.

9. Sit down with your valuer

Sitting down with your valuer before the final report is released can be beneficial on bigger deals. You need to make sure it is coming in at the value you need. It is at this point that you still have the opportunity and influence to sway an outcome.

10. Assigning valuations to financial institutions

When taking out a loan with a financial institution like a bank, they will prefer to use their own valuers, or ones that are on their panel of valuers.

Top 10 Tips
on valuations...

1. How important is it, really?

Valuing a property is determining a real value for a property at a given moment in time having regard to the nature of the property and the purpose of the valuation. By purpose I mean, who is asking for the valuation and why they want it.

For example, if a financier is requesting a valuation for the purpose of securing a mortgage on a property, they will usually request a 'fire sale' valuation, whereas a valuation to determine current market value in a controlled sales situation would obviously be a much higher figure. Experience shows that a fire sale valuation for a bank is usually about 80% of a current market valuation.

Market value can be defined as the price which a property should exchange on the date of valuation between a willing buyer and the willing seller in an arm's length transaction, after proper marketing, wherein the parties had each acted knowingly, prudently and not out of compulsion.

2. The valuation depends on multiple factors

The valuation of a property can vary depending on for what purpose the valuation is being sought. Other factors that might also influence the valuation of a property would include:

- Whether the property is residential or commercial
- What the use of a particular property is
- The income return of a property
- Future opportunities for the property
- The investment environment at the time of valuation
- The length of leases on the property and their security

3. Comparable Sales Method of valuation

This is the simplest and most straightforward method of valuing the property. It is used predominately in the residential market. Because of its simplicity, this method is the most reliable and is the most favoured when valuing non income producing properties or properties in the residential market. To collect data on comparable sales, a valuer will firstly do a search on RP Data or similar computer generated sales statistics information. However, the information on these search engines is usually at least three months old.

The astute investor, requiring an accurate valuation on their property, should assist the valuer and provide him or her with this type of additional information. Firstly, comparative sales should only be used if they are voluntary sales. By this I mean the owner has not been forced to sell a property due to liquidation or mortgagee-in-possession or forced sale conditions of any kind.

When looking at comparative sales in an area, consideration should be given to the following;

- Land use and zoning
- Location
- Date of sales
- Physical characteristics
- Title and tenure
- Tenancy composition

4. Capitalisation Method

We would assume that if a commercial office which had been strata titled was placed on the market, the evaluation process would be similar to:

1. Sales in vicinity have been selling for $3,200 per sqm to $4,400 per sqm. In valuing the strata title office, a valuer needs to determine the degree of variation between sales on a square metre basis.

2. Differences in values could relate to situations such as views, height in the commercial building, services provided (per floor), delayed or urgent settlements etc. After making allowances for these factors the valuer might determine, for example the correct square meterage to be used for valuation of this office might be $3,600 per square metre.

As you can see, the process of valuing using the capitalisation method and the comparable sales methods are quite different. Knowing how each method of valuation works will assist you in determining fair market value when purchasing a property as well as accepting an offer for sale on a property, regardless of whether the property is commercial or residential.

5. Discounted Cash Flow Method

The 'discounted cash flow method' of valuation is most commonly used by institutional investors to determine the investment value, i.e. the value they would be prepared to pay for a property.

Factors that are taken into consideration include:

- Estimates of rental growth
- Economic variables involved in arriving at this rental growth
- The risk adjusted return

This method sometimes relies on subjective input rather than on the historical sales data used in the capitalisation method. The use of the discount cash flow method is becoming more popular for properties with complicated and variable cash flow, such as shopping centres, and where there is insufficient comparable sales data to permit a reliable valuation using the comparable sales method.

In reality, the market value of any property is simply the present worth of all future income that is expected to be realised during the anticipated term of ownership of the investor.

This means the valuation process must involve an estimate of the quantities of income which are expected to be generated over the investment period.

The discount rate that is used to determine the present value of future earnings is dependent upon the investor's required rate of return.

The disadvantages associated with using the discount cash flow method for valuation is that it relies upon projections of income, which in many cases are only a wild guess.

6. Hypothetical Development Method

The 'hypothetical development method' is primarily used to value land that is not yet developed but its value is highest as a developed site. This method is used to value underdeveloped land that has an apparent immediate potential for further development. This method of valuation, however, relies upon a number of assumptions;

- That the highest and best development for the site can actually be determined

- That the value of the property upon completion of the development can accurately be assessed

- If the property is an income producing property upon completion, potential rentals upon completion can accurately be determined

- That the cost of the actual development can be estimated within a fair margin of accuracy. These costs would include construction costs, interest holding costs while the project is being developed and sold if necessary, specialist fees, agents' commissions, legal costs etc.

- A margin for profit and risk is included as part of the development and is appropriate to similar project profits.

Because of the complexity of determining all of these variables, this method of determining true value of a development site can be risky for the inexperienced.

7. Units of Production Method

The 'units of production method' of valuing is most commonly used in valuing rural properties but it can also be used for urban developments. This method uses as its valuation base the units of production of the property being valued.

For example, rural production units would include 'dry sheep carrying capacity', 'acres per head carrying capacity' or 'planted acre value' which is often referred to with regard to agricultural land.

By 'acres per head' or 'acres per beast' or a 'beast acre', I mean, the number of acres required to support one sheep or one beast etc., without the aid of supplementary feeding. So while land in Western Queensland might have a carrying capacity of one beast to 50 acres, more coastal land could have a carrying capacity of one beast for an acre.

The problem with using production units as a method of valuation is that the method has a direct correlation to profitability of the property, and management becomes a critical factor.

A valuer would adopt a comparable sales attitude assuming average management and would make a value judgment regarding the profitability of a particular property. Other factors a valuer would take into consideration would be an average season's production, and how variable climatic conditions will have an effect on the profitability of the property.

8. The Summation Method

This method of valuation is commonly used in valuing residential property, however it is mainly used as a checking method against other valuation techniques. The 'summation method' is the addition of the individual value of each of the parts of the property to arrive at a total sum that is the value of the whole property.

Generally the land value of a property is obtained by comparing all sales, and value of improvements is obtained by analysing improved sales or alternatively by using replacement value less depreciation factor.

9. Before and After Method

The before and after method of valuation is generally used to calculate compensation payments for the acquisition or resumption of part of the property.

It could be used for example, to calculate the cost of resumption or acquisition as a result of the creation of an easement, or thoroughfare, or road resumption, or the imposition of a covenant or encumbrance on part of a property which may diminish the value of the remaining land.
This method is the difference between the value of the property *before* the acquisition or resumption and the value of the property *after* the acquisition and resumption, i.e. how much has the acquisition or resumption affected the original value of the property.

This method requires two valuations;

- The value of the property prior to any acquisition or resumption taking place, and

- The value of the remaining property after the acquisition or resumption has taken place.

10. Understanding valuation fundamentals

As you can see, learning how to value properties accurately is invaluable to all astute investors. Becoming proficient in doing these calculations can only assist you in determining appropriate purchasing prices on properties particularly those properties which you intend to apply growth manufacturing strategies to, such as development sites, subdivision sites, renovation properties and resort and commercial developments.

These are the fundamental techniques and strategies you will need, to truly become one of the big boys (or girls!!) in the property market.

These basic fundamentals apply, regardless of whether you are talking about your very first residential purchase or a complex commercial or development project.

Top 10 Tips
on risk management...

1. What level of risk am I prepared to live with?

There are many risks that people need to consider when they approach any property deal, whether it is commercial or residential, and whether they are the buyer or the seller. There are obviously different levels of risk and they come from many directions. Everyone has different tolerance levels to risk, but everyone needs to see and acknowledge these risks to know if they are acceptable levels for the individual. Structures and insurance can help minimise the risks of litigation against you.

2. Minimising personal risk

If you've got personal risk when you go into any kind of deal, there are tools to manage this. In terms of relationships, there could be risk associated with your personal and/or your business relationships. If you're tied in with a partner and you're about to do a property deal, you need to consider whether you are bringing that person totally on board or whether you are going to guard this deal away from them?

Maybe you are looking at a Joint Venture, in which case you need to look at the contingent liability of this. How close is your partner to bankruptcy? How likely are they to be sued by another source? How does it affect the deal that you're going to go into? There are all of the backgrounds to be looked into, not only yours, but the other party's as well, if it's going to be a JV agreement. In these cases, you need to talk to your lawyers. You need to sit down with them and see where there is risk. Can you get insurance for that? Would a different structure help mitigate that? Lawyers will tend to look at the worst-case scenario, which is what you need to do too.

Death is also a personal risk for everybody. Things like insurance can actually mitigate part of your personal risk in that area. It's the same with accident trauma and disability. If you're going into business arrangements, particularly if they're long term business arrangements and one person is essential to the business, protection via even short term life insurances that protect the profitability of the business that you're going into are important. If, for example, you are going into a hairdressing business and your partner is the hairdresser, and you are going to do your apprenticeship with him, he is essential to the business – you can't go cutting someone's hair if you don't know which end of the scissors to hold. To protect yourself and the business, life insurance would manage the risk.

3. Is there risk in business partnerships?

There is risk if you are going into business with other people. If you are doing a joint venture with other parties, you need a joint venture agreement. I heavily recommend getting your solicitor's assistance when choosing a JV Partner (whether it be a finance partner or working partner), and with the joint venture agreement.

4. Your advisors will still carry risk

If you're entering into any kind of deal, you're going to require advisors. There are all types of specialists in their fields that you will need to give you the best advice- solicitor, accountant, building and pest inspector, financial advisor etc. These specialists, through their expertise will help manage your risk in any deal, but will also carry some risk. You do not want to be given the wrong advice in any deal, so you do need to source specialists that you can trust and have a rapport with. It's still another layer of risk that's coming in. You still have to manage it.

5. Risk during transactions; contracts are your best friend

Whenever you're transacting, whether it be on a property, or on a business deal, or whatever else, there's obviously risk involved that needs to be controlled. When entering into the deal, there are things that will interplay and bring with them inherent risk. It could be the buy/sell process that may or may not occur. It could be the parties involved that you are dealing with. If they are only verbal agreements, promises can be broken. If it's not written down, it could just disappear and then you have got a fight on your hands. Put it in writing and sign it. This is where your solicitor who can help write in clauses into any deal agreement is your best defence against risk.

6. Risks to consider as a buyer

Not being market ready holds its own risks. Where are you at? Are you ready to transact? If you're going to contract on a property and you haven't got your finances in place, your structures in place, or you're not absolutely market ready, it creates risk. The deal may not go ahead and you will miss your chance.

7. Commercial buyer's risk

Obviously, some deals, particularly commercial, hold more risks that other. Risks with commercial property far outweigh risks with residential property, but all contracts need to be overviewed by your trusted advisor/solicitor. You should never buy a commercial property unless your solicitor has seen the contract. There's too much involved. There are GST issues and there are tenancy issues. There are a lot of things in commercial that do not relate to residential that your solicitor *needs* to have a look at. This is your best risk management strategy.

You may think you're buying property where it's being rented out as a fish and chips shop, but the zoning is for commercial and that doesn't befit your fish and chips shop, so suddenly you've got an illegal use by the council. You can be shut down tomorrow and you are without tenants. Your solicitor should pick this up and bring it to your attention before purchasing.

There is a lot more in commercial that you will need to go through with your solicitor. Leases for commercial property must be read and checked thoroughly by your solicitor. The first right of refusal is a common clause in lease agreements that can cause you risk. When you buy a commercial property, your tenant may have first right of refusal to buy that property. You will then need to make sure this has been honoured. With commercial, you need to be very wary, because some of these details are hidden in other documents that you may not be aware of as a buyer. Apart from rights of first refusal, sometimes commercial leases are also options for tenants to buy. This actually goes above the first right of refusal. The first right of refusal is, before I sell, I'll let you have a crack at it first, but I don't have to sell it to you if you can't meet my price. An option is a right, not an obligation, but the tenant can force that position.

8. Residential buyer's risk

Residential is a little easier. However, there are certain clauses, like 'get out of jail clauses' that should be considered. In NSW, there are different rules from the rest of the country, so your solicitor will need to be a part of the drawing up of contracts.

When buying property in any other State, you can sign a contract as a buyer and you can buy that property under the conditions of that contract, and the seller cannot sell it to anybody else. When you commit to the contract then you absolutely have to buy that property after all conditions have been met. In NSW, that is not the case. In New South Wales, you can sign a contract on a property and the seller can still sell it to somebody else until such time as you exchange. That process of exchanging is where your property goes unconditional in everybody else's terminology. During that timeframe you've got to arrange all your money, get your finance approved, do all your searches, do everything else and you're still hanging yourself out to dry because your seller can still sell it to somebody else during that time until you actually exchange contracts.

9. Document risk

This is one area of risk that lawyers are more renowned for dealing with. They will be the people that tell you what to put in the contract.

Verbal contracts do exist, but are always problematic and essentially, if it's not in writing, it's not much good. If you both agree on something, write it down and sign it. At the end of the day, hopefully you end up with a contract document that spells out everything, with zero room for negotiation.

The wording of your contract is very important if you want to cover any risk. You need to work with your lawyer to ensure all contingencies are covered to your advantage. The way to do this is to add clauses into your contract.

10. Clauses as a way to mitigate risk

In every other state, with the exception of New South Wales, we have conditional contracts. We put clauses in to make these conditional contracts. There are the normal ones like building and pest, and finance, but how detailed do they have to be or can we just put 'subject to building and pest'? This is probably not a good idea. In most states, the Real Estate Institute standard contracts have wording like 'building and pest to the buyer's satisfaction'.

Obviously, that terminology becomes important because if you're not reasonably happy with it, then you're able to walk away. There were, I guess in times past, agents who were quite canny with that, and tried to override it, and just put in 'subject to building and pest'. You can walk out if there's any structural damage, or if there is evidence of active pest infestation activity. However, if you have a report that comes back, 'No active pests, but riddled with prior activity' you can't get out of that contract using that terminology. However, with 'to buyer's satisfaction' added, you have a 'get out' clause

If you're buying a residential property that has a pool, make sure you tell your lawyer, because now, in more states, pool fencing laws and regulations are becoming much stricter. Your lawyers then have an opportunity to look into that issue a lot closer before you go unconditional. The same goes for an extension to the house. Tell your lawyers about this so they can verify and check that it has been approved and registered with the council. They will not know to look for these things unless you tell them. If the pool or extensions aren't approved, then your insurance is at risk if someone has an accident.

Top 10 Tips

on tax for real estate investors...

1. Use your PPR as a tax-free haven

Profits made on certain assets are exempt from Income Tax and Capital Gains Tax. In New Zealand, these types of assets include most real estate. In Australia, it is limited to your PPR (principle place of residence). Maximising capital growth on your PPR is a great way to gain wealth without paying tax on it.

2. Deduct your business related expenditure

You need to think like a business owner. Running your activities like a business can slash thousands of dollars off your tax bill. Many expenses are costs that we would incur in our every-day living and investing, but may well be tax-deductible if we can relate the expenditure to the income being earned. Don't over-do it though; jet-skis aren't office stationery.

3. Depreciation

Laws exist to allow you to postpone or defer your tax payment until a later date. In this way, the Tax Office is acting as a financier to you until you decide to sell your property, at which time an adjustment is made for the previous year's credits. This intriguing phenomenon is called depreciation. It is a tax deduction for the estimated decrease in value of part or all of the real estate purchase.

4. Convert profits to capital profits

This is a process of having profits counted as capital profits, and therefore taxed concessionally, rather than income profits where the ATO shares in the profits at a much greater percentage.

5. Structure for maximum tax efficiency

Structuring your business correctly will ensure that you are streamlined for your tax returns. The most obvious way to own / hold assets is in individual names. The problem with this is that not only do you leave yourself open to litigation but also any income you receive from that asset is added to the income you earn from your salary or wage and may push you into a higher tax bracket. This may result in you paying more tax than would otherwise be necessary, all due to poor understanding and lack of preparation. It is best to speak to your financial strategist or a skilled accountant about this so that you are ready and well versed for end of tax-year.

6. Make your lifestyle a business

The true secret to saving money on your tax bill is being able to deduct expenditure that you have incurred anyway, before you pay your tax. It's a simple little formula, but it can mean big dollars in tax savings if you structure yourself correctly:

Step 1: Earn Income
Step 2: Pay your expenses
Step 3: Pay tax on the balance

Unfortunately, most people (especially those who work for someone else as an employee) will:

Step 1: Earn Income
Step 2: Pay Tax
Step 3: Pay expenses out of balance

You need to convert lifestyle choices into business decisions.

7. Salary sacrificing

Salary sacrificing is a great innovation. If you are an employee and you have the ability to sacrifice some of your salary, then what that means is that instead of being paid $100,000 a year, you can elect to only be paid $80,000. However, before you actually get your money and are taxed on your $80,000, that other $20,000 goes directly into superannuation.

As part of your overall financial planning, perhaps you should be looking at the possibility of using salary sacrificing as a wealth creation tool.

Sometimes you have the ability to salary sacrifice things which are going to be used in your employment such as a computer or car. If you use a car 100% for business purposes, that is something that could be salary sacrificed.

It starts to get a little bit personal depending on what situation you're in so please just take that one to your advisor and talk through those issues.

8. GST and property

We'll start with residential property first (that is houses, apartments, units and the like).

There is no GST on residential rent. Nice and simple. When you go off to sell the residential property, in most circumstances, there is no GST either.

There are some exemptions to this, mainly to do with new properties or where you have made substantial renovations to the property before sale, and it may pay to see your accountant. Commercial property is another thing completely. If you're registered, or required to be registered for GST, then the rental on the property attracts GST.

You can always voluntarily register for GST, but you are legally bound (i.e. it's not an option) where the total rent on the property is $75,000 or more.

If you're already registered for GST due to another business venture or something similar, then your property dealings will also be caught in the GST net, whether you wanted this or not.

9. Quantity Surveyor's Reports (QSR)

You should always get a Quantity Surveyor's Report, particularly on relatively new properties. By doing this, you're taking part of the price of the property and claiming it as a tax deduction each year. This is certainly a worthwhile task. For the most part, I wouldn't do this for an old property unless there were major renovations in the last 10 years (if so, it might be worth getting the quantity surveyor to figure out the cost of the renovation then claim depreciation on that).

When buying rental property, you should get a QSR on it. There are reputable people doing it for about $600 and it's a tax deductible expense. Overall it should make money for you because it will set out specific deductions for depreciation which you otherwise may not be aware of (or for which you don't have enough evidence to make a claim).

The report sets out what assets are depreciable or subject to the building write-off. It means you can maximise your claims and have the evidence to back it all up. The Tax Office will not argue with a bona fide Quantity Surveyor's Report and they have already had discussions with the Australian Institute of Quantity Surveyors to ensure that members of this professional body are following all the relevant standards.

10. Record keeping; taking care of your business

This is the most common problem that everyone goes through, but is so vital for end of tax year is record keeping. It is your number one friend when it comes to the ATO. All well run businesses know where they are at all times. They don't wait until it's time to do their Income Tax Return to work out 'how they went' last year. You also need to have your finger on your financial position all the time (or at least at regular intervals – say monthly). Keep all your paper trail together and sort regularly before it becomes a mountain.

Knowing what your figures are like is a critical part of your financial success. It is extremely important that you find a system, whether it be electronic like MYOB, Xero or QuickBooks etc., or something as simple as keeping a cashbook or ledger.

Top 10 Tips
for the end of the financial year...

1. Book-keeping

This is the time where all your bad record-keeping habits come around to haunt you. Conversely, if your record-keeping skills are fine-tuned, you are walking around with a smug look on your face as other people are stressing. It is important, if you have been slacking off on your book-keeping, to get your figures in order as soon as possible. Start giving all your property managers a friendly phone call. You should be asking to have all annual and monthly returns of rental expenditures and income sent to you.

2. Don't forget about your travels

All your travel expenses related to property investing are tax deductible. If your travel is in the set-up phase of your business, then this would only be tax deductible against the future income that you're then going to have. It needs to be quarantined against that income. It couldn't then be offset against other income you've got somewhere else.

If you travel to look at a property once before you buy the property, as an investor, those expenses are not a tax deduction. This travel expenditure is only a tax deduction if you are in the 'business' of real estate. However, your costs of travelling to have a look at a property after you have purchased it, are tax deductible – but it does have to be reasonable.

It is important to consult your Accountant on the laws of travel expense tax.

3. Repair and maintenance claims

Claims for expenses incurred for repairs and maintenance to your property or in your business are tax deductible. Deductions will normally be allowable in full provided they are not of a capital nature. Make sure you have the paperwork to back up your claims.

Be careful when you're doing repairs and maintenance. If you do them too soon after you buy the property, and before you actually rent the property, the Tax Department will perceive that to be a reduction in the purchase price and that you actually got it for cheaper because of the state it was in when you bought it. For rental properties, ensure your property managers have kept detailed statements of any repairs and maintenance costs that have been done.

4. Body Corporate fees and levies

Fees charged by a body corporate normally fit into two distinct categories. These are:

1. A fee to cover the cost of the day-to-day administration and general maintenance and repair of the common property; and

2. A fee to cover non-routine expenses such as the cost of capital works (e.g., improvements) to the common property.

If an apartment owner is earning rental income, body corporate fees are only deductible where they are in the first category. That is, body corporate fees that relate to the day-to-day administration, maintenance and repairs of the common property. If the fee relates to capital works, it will be non-deductible.

5. Depreciation

A big mistake that many property investors make, is not spending the $500 on a Quantity Surveyor before claiming depreciation. Another is that many people think that if they haven't owned their property for a long time, then it's not going to be worth getting a depreciation schedule.

A common misconceived perception about depreciation is that it's only available on newer properties. This is not true, as both old and new properties are up for some depreciation deductions.

6. Visiting your accountant

It is the job and duty of any good accountant to reduce a client's taxation liability by claiming all legal deductions and structuring the client in the most tax efficient manner. Your accountant does need some help from you to be able to save you tax. It is your job, then, to keep adequate records, communicate your dreams and intentions for the years ahead and to have a broad understanding of what you are able to claim.

As a property investor, you have chosen to specialise in one particular field – it is to your advantage to deal with professionals who also specialise in that field.

Many people have the misconception that they only need to visit their accountant once every financial year and they consequently miss the opportunities to put into place effective strategies to reduce their tax. For this reason, I can't stress enough the importance of interim visits to your accountant, especially around that April/May time of year, to have a pre-year-end review.

At this point of time, it can be decided whether or not it would be tax effective to bring some of your business expenses (that you are likely to incur over the next year) forward, so that you can take advantage of deductions this financial year and thereby lower the tax payable.

7. Asset registers

An asset register for each property should be part of your record-keeping, as it is an important tool. If you own a property for fifteen years, you have to keep all records pertaining to that property for at least twenty years. That's a long time to keep renovation receipts, stamp duty particulars, costs of purchase, searches etc. and even how much depreciation you may have claimed on tax returns years ago.

It is for this reason that an asset register can be extremely useful. It will help you, the investor, keep the documentations that you need to calculate and minimise your tax obligations.

8. Do a checklist

Once your tax return has been prepared by your accountant, it is important to double check the assessment to make sure that all the information provided is correct and complete. Be sure to retain pay slips and invoices, passbooks and other investment information and check these against your payment summary and other records, so that you pay tax only on the income earned in that financial year.

Sometimes there can be mistakes, as simple as a decimal point in the wrong place that can mean a difference of hundreds of dollars, so check your assessment carefully once it has been issued by the Tax Office and make sure you receive full credit for:

- PAYG withheld from salary and wages
- PAYG instalments (check the figure is correct)
- Dependants and other tax offsets
- Check Withholding Tax withheld on investments due to the Tax File Number not being quoted
- Imputation credits on franked dividends

9. Develop a record-keeping system

I think this is important, and it is up to you how extensive you want it to be. Developing your own method of record-keeping is your personal choice. It needs to work for you and make sense to you. It is important, however, that you make sure your records can be understood by some-one other than yourself (your accountant, auditor etc.).

10. Be tax smart, not tax ignorant

Being tax smart saves you money; being tax ignorant costs you money. Tax is something you are going to deal with for the rest of your life, so learn about it. Ask your accountant questions on why they did this or that. Read into articles of any changes. The more you understand and know the tax laws and how they pertain to your business, the better off you will be when end of financial year comes around.

Top 10 Tips
on record keeping...

1. Accounting software

Accounting software generally operates using a ‘double entry’ system. This system assumes that you have a working knowledge of accounting. In most cases, it is a wrong assumption. If you don’t have that knowledge, all you have done is computerised your shoebox – and that’s not good for either you or your accountant (or your fees!).

If you already have MYOB or QuickBooks and can use it, well done – stick to it.

On the other hand, if you have one of these programs and you’re using it like an ‘electronic shoebox’ or you don’t use anything at the moment – the cashbook option could be your hero.

2. Cashbook record keeping

Cashbooks may either be a manual or electronic (‘computerised’) cashbook. Usually, cashbooks are places where you record every receipt and every payment from your cheque book and deposit book. It also means that at regular intervals (monthly, usually) you do a bank reconciliation. This method lets you work out your financial position really quickly.

3. Tax records that you will need

Generally speaking, people wanting to claim tax deductions in their income tax return must have receipts to support their claims. Normally, no receipt, no claim. Tax law refers to receipts as ‘written evidence’. Of course they do. Why call a receipt a receipt?

Anyway, you can get written evidence to claim a deduction in one of the following ways:

- From the supplier
- On a payment summary (once called a 'group certificate') or;
- It can be a record that you create, or;
- Small expenses and expenses that were basically too hard to be able to get a receipt for (parking meters, vending machines etc.).

I recommend that you do not claim for work expenses until you have the receipts. If that means you have to lodge your tax return without making certain claims to avoid lodging it late, so be it.

4. What a receipt should contain

A receipt should contain the following information:

- The business name of the supplier;
- The amount of the expense;
- The exact nature of the goods or services purchased;
- The date; and
- The date it was made out.

5. Travel diaries and travel records

If you travel on business, or in relation to your investments, for more than 6 nights in a row, in addition to keeping written evidence, you'll normally have to keep a travel diary (does not apply to employees who receive a travel allowance from their boss).

Keeping Travel records means you have to keep notes of what you have done and where you have been in a diary. You'll need to note down the following:

- The nature of the activity;
- The day and the time it began;

- How long it lasted; and
- Where it was

6. Logbooks for vehicles

It is important to keep a logbook for your motor vehicle when you intend to include the use of this vehicle in your tax return. A written record of all business related travel over a period of 12 weeks must be kept.

You are only required to keep a log book for a period of 12 weeks. This record will then stand for five years, so long as you continue in the same employment and your circumstances do not change. You may wish to keep a new log book before the end of the five years if you believe there has been a change in business usage.

You must enter every trip in your log book during this period, regardless of whether it is for business or private use. This will calculate the percentage used for business purposes, which is the percentage applied in your tax return at the end of the financial year.

7. When you won't need written evidence

There are some special circumstances when you won't need to provide written evidence.

These are:

- Laundry expenses of up to $150
- Work related expenses including laundry up to $300
- Expenses for any accommodation, food, drink and incidentals claimed against a domestic travel allowance that are reasonable according to Tax Office guidelines (the ATO puts out a ruling every year).
- Amounts actually incurred for food, drink and incidentals claimed against and overseas travel allowances that are

reasonable according to Tax Office guidelines (again, the ATO puts a ruling out every year).

- Expenses claimed against overtime meal allowances under an industrial award, where the Tax Office considers the amount claimed by the taxpayer to be reasonable

8. Bank accounts

Let's say that you have got three properties with individual bank accounts for each structure. Each bank account accounts for everything to do with that property, and you probably have a separate loan statement for each structure as well. Of course, with more bank accounts, you will have a higher cost; more fees etc.

When you get a lot of properties it becomes a very costly exercise to service all of these accounts. Therefore it gets to a point where it is economically viable to go and set up a management structure in the way of another trust, which manages all of the other structures that you have in place.

I have a management bank account where all of the rents from all of these properties, go into that bank account and all of the expenses that relate to those properties, go through this bank account. However, you can only do this if you keep really good records.

I run a complete set of reconciled management accounts for this bank account and job cost everything. Everything that goes through that bank account then needs to be job costed for each one of these properties, so at any point in time, I can print out a profit and loss statement for any one of my properties. It cuts down enormously on the paperwork!

9. Asset register

The biggest defence you've got against claiming the most amount of money, is record keeping. In the business of buying and selling property, you need to have an asset register for *every* property.

Include a summary of each property, a legal description of the property, the address, property managers, a picture of the property, ownership and structure of the property, including whether it is structured in a hybrid, discretionary or unit trust and what the associate entities are. A list of purchasing expenses, initial costs and bank documents etc., all need to be included in your asset register, as well as a summary of your annual operating expenses as given to your accountant.

The asset register will then become a complete summary of your annual operational situation, including depreciation, which is offset when or if you sell the property.

Everyone in the property market needs an asset register per property. It makes accounting a lot easier, so your accountant's bill goes down. It is also your best defence when you are getting audited.

10. Pre-year-end health checks

You have to sit down and talk to your accountants. They're not monsters and they don't work for the Tax Office. They work for you. There are certain questions you should be asking them in order for them to help you in the best way that they can:

- Should I be keeping a logbook on this or that?
- When I go overseas to have a look at my properties in America:
    i. What should I keep?
    ii. What do I need to do?
    iii. What do I have to set up before I go?
- If I go skiing in Colorado for two weeks before I actually go and do some work, how much of my trip is then going to be tax deductible?
- What about the kids?

This is all stuff that you should be communicating with your accountant. It will all help you in the long run.

Top 10 Tips
for Capital Gains Tax & property...

1. CGT in the foreign market

In the U.S.A, you can 'roll over' your capital gain that you make from one property to the next and you can keep deferring it. In New Zealand, you don't have it at all except on the bottom line. However, you can be considered to be tainting in New Zealand. This means that if you buy property in NZ that you want to develop and subdivide, move this around here and add in a couple more buildings over there, you suddenly find you're considered to be a developer. You're tainted for 10 years. This means any of the gains you might make on just a normal rental property that you bought and sold later on, you'll be paying CGT (Capital Gains Tax) on.

2. Trusts as a pass-through vehicle for CGT

We can do business as a sole trader, as a company, as a super fund or any of the pass-through vehicles that we have available to us. Partnerships, even though they do tax returns, are taxed individually with apportioning as to what percentage is set out for each partner.

A trust is a pass-through vehicle. The income that was made in the trust, passes through to either the beneficiaries or the unit holders and they are the ones that actually pay the taxes on from that income. Consequently, this gives you the ability – with a good trust – to actually pass through that income, not only to individuals, but also to other companies or trusts or super funds that you may have.

3. CGT and PPR's

Your Principle Place of Residence (PPR) is something that is not assessable for CGT. Your PPR is something that you buy to live in. So when you sell, it is exempt from any CGT that you have to pay.

However, if that property was an investment property, you would have to pay CGT on the profit that you make when you sell that property. Profit is that margin when all costs are subtracted from your selling price.

You pay CGT on that profit as an individual (at your marginal tax rate). This means that if your marginal tax rate is 48 cents in the dollar, then you pay 48 cents in the dollar on 50% of that profit margin but only if you've held the property for 12 months and one day. If you haven't held the property for more than 12 months and one day, you still pay CGT, but it's going to be without the 50% exemption.

4. Structures and CGT

When you're purchasing property where you expect to have a capital gain, you would be crazy to buy it in a company because you lose out on the CGT exemption. You would also be completely crazy to buy it as an individual, as this would leave you open for litigation.

Now here's the fun part. If you have it in a trust, you then have the ability to pass the gain through to an individual. Also, if you want to shift the income to a bucket company, in a trust, you've still got the ability to be able to distribute it off to a bucket company and take full advantage of the 30 cents in the dollar tax bracket if you want to (for income tax purposes).

5. The 'six-year-rule' on PPRs

There is a 'six year rule' when it comes to your Principle Place of Residence.

So how does this work? Well, let's say you buy a property in Brisbane and you live in it for a couple of years, then you suddenly get transferred to Perth for work or whatever. You don't know how long you're going to be there so you decide not to buy a property and your house in Brisbane is going to be rented out. You have six years from the time you leave that property to continue to claim it as your PPR should you choose to.

Five years later, though, you decide to buy over in Perth and your property in Brisbane ceases to be your PPR. You have six months that you can claim both of them should you choose to sell the first one, and you're obviously not paying any CGT when you sell it, or you can have it re-valued within that period of time. Somewhere in there you're going to get a valuation. If you're revaluing the property for CGT purposes, you want it at the upper limit because what happens is when you ultimately sell that property, CGT is going to be levied from that upper limit to whatever it is that you sell the property for.

It is that margin that you're going to be paying CGT on.

All the gain you've made up to that point will be CGT free, and onwards (from the time you've bought another PPR) will cease to have the exemption.

If you didn't buy another PPR, but the six years lapses, then it's important to go in and get a valuation at that higher level, at the six year mark, as you will then start to pay CGT from that point onwards. If you decide to move back to Brisbane, you only have to live there for a month and your six years starts again.

6. Renovating your PPR

If you are constantly buying a property that you live in, do up, fix up, establish the gardens etc., the Tax Office may come down on you like a ton of bricks. If you do this again and again, you are in the business of trading your PPR and this will be seen as business purposes.

The Tax Office will look at your residential history and whether or not you have paid tax on any of it along the way. They can tax you for all the gains that you made on all those properties over the last three or four years. Where the line is, is a grey area. You cannot be sure how many you can get away with. You may move into a property as your PPR, build it, establish gardens, and then it's so beautiful that you get bored so you go and do it again. The point is, you have to be careful of how often you change your PRR and this is most likely a matter for your accountant.

7. Inherited property and CGT

If a property is given to you via a Will, it will depend on whether it was a pre-20th September 1985 or post 20th September 1985, as to how it will be treated with regard to CGT. A pre-CGT asset that you have inherited (which was left to you as a beneficiary under a Will) is deemed to have been acquired on the date of death of the deceased at market value. For example, say if someone died and left you a house. On the day that they died, CGT on the property is payable (unless you sell it within two years). If you inherit a property which is post CGT (meaning the deceased bought it after 20th September 1985), the post CGT property left to a beneficiary under a Will is deemed to have been acquired on the same day that the deceased acquired it. So if you've inherited a property under a Will, ultimately, when you sell that property as a post-CGT asset, you will have to pay CGT on the gain that the deceased might have had on it plus the gain you're going to make on it as well.

8. Death of a joint tenant and CGT

In the event of the death of a joint tenant, the deceased person's interest in a property passes to the survivor by operation of law and it automatically goes to the joint owner. This is where you've got joint tenants-in-common. The property will automatically pass to the survivor. The survivor is deemed to have acquired the property on the same day the deceased acquired it.

9. Divorce and CGT

A property awarded under a divorce is the same scenario as joint tenants. If you get a property settlement of a rental property and it's passed to you as part of a divorce settlement, you are deemed to have purchased that property when you both bought it, for CGT purposes.

10. Land and CGT

When you build on a piece of land that was purchased pre-20th September 1985, then that property is going to be treated differently. The building will be taxable under CGT but the land will not be. Only the land will be exempt from CGT.

Top 10 Tips
for GST in real estate...

1. Residential property and GST

With residential property, there is no GST on rents and GST Input Tax Credits are not claimed back on your BAS form. If you're a residential investor and you just rent things out to individuals on a residential basis you do not have to be registered for GST. You also do not have to remit GST on the rent that you receive.

2. Commercial property and GST

For commercial property, if you're receiving commercial rents in excess of $75,000, you are subject to GST. You need to be extremely careful not to get caught on commercial. If the total rental income is $74,000, but the tenant pays the outgoings that are included in the turnover, then GST is payable. If the total is less than $75,000 (outgoings included), GST is not payable.

Make sure you keep in mind that if GST is payable, all of the Input Tax Credits that are associated with the expenses you're paying reduce the amount of GST.

3. Commercial vs. Residential conversions?

If something is commercial and you turn it into residential, there may be GST implications. It is best to consult your accountant for advice.

4. New constructions in real estate

When you create a new premise or construct a building, and you then go to sell that property, you have to remit GST (one eleventh of the sale price to the Tax Office). If you do a house and land package, and put a new building on that piece of land, but decide to rent it out for five years first, before selling it, it is consequently exempt from the GST on the new buildings. Whether commercial or residential, new constructions are subject to GST. There are, however, a number of ways to tackle this issue, and you're probably better off consulting an accountant before you start structuring how you're going to claim your GST.

5. Major renovations (new residential) and GST

If you have property that's been sold before as a residential property, then when you continue to sell it as residential, there is no GST. If you do a renovation on a property and it's major in the sense that it 'completely' changes the whole of the building, it then becomes what we call new residential property. Unless you rent it out for five years on an Input Tax Basis for residential, then it will be subject to GST when you sell it.

The Tax Office sets the rules based on a case-by-case basis. It is an area that they are auditing because it's an area in which they believe they have missed out on a lot of GST money. So, when looking at renovations, what constitutes 'new'? It's a grey area and you really need to go through your own personal circumstance to decide how much work constitutes creating a new building versus how much work is just a renovation.

6. Shifting property and GST

If you are shifting a house from one block of land to another, chances are you will be creating a new residential premise. The thing you have to be careful with is that the definition of an enterprise under the GST rules is very broad compared to some of the other definitions.

The question I get asked a lot is what happens if you've got a situation where you've bought a property which has a house on it and you want to move the house to the side and subdivide? You'd think that GST wouldn't apply, right? Well, it doesn't if the property is your PPR and you have owned the property for some time and are just cutting it into two. However, if you bought the property with the intention of subdividing to make a profit regardless of whether the property was your PPR or not, the process would be considered as a business enterprise and both GST and CGT would apply.

7. Strata-titling and GST

If you take a block of units and you break it down into individual titles rather than just one title, it's not going to have the GST implication. This is the case because you haven't created a new building or a new premise.

8. Subdivisions and GST

If you are looking for an investment block, to be traded exactly the same, you are going to have to pay GST on the subdivision. Just as an extension to that, if you have got a property that is your PPR, and rather than just chop it in half, you are going to cut it into four 1 acre land lots, that is a commercial enterprise so you would be paying GST and CGT.
If you have lived there for a while and it is your home – it is clearly private – then you can subdivide it into maybe one or two additional lots and avoid paying GST or Capital Gains Tax.

When it comes to commercial property and selling as a going concern, you have to be registered for GST if your turnover is greater than $75,000. So when you sell a commercial property, there is GST on the sale of the commercial property. However, if you are selling the property with a tenant in it, it comes under another catch which is a 'going concern'. If you sell a 'going concern' as in a business, there is no GST. So, a commercial property with a tenant in it can come under the classification as a 'going concern' and, therefore, there is no GST on the sale. However, if you sold it as a vacant, commercial property you clearly can't say it is a 'going concern' and, therefore, you would have to pay GST on the sale of the property.

Just because you happen to be in the residential market, not even considering commercial at this point in time, you may think GST has got nothing to do with you. That's not correct.

What happens if you build a new residence? What happens if you buy a block of land and develop it? What happens if you put a little house and land package on it and then sell it off in a couple of years? Suddenly you're in a situation where you have to pay GST on the sale of that property.

This is a very big area that the Tax Office is auditing because it is an area where there is total lack of knowledge by the average mum and dad tax payer and they are the ones that are actually out there saying, "I could buy that block of land, pop a little house on it, rent it for a couple of years and then sell it off". They might even declare the fact that they made some gain on the property as it was an investment property.

Or what they might have done is gone out and bought an old property, and after 12 months or a couple of years they go and put this big extension on the side, raise it up, make it two storeys, really change it around, rip out the insides of the property.

Suddenly it's a major renovation, and while they're prepared to pay income tax on the gain that they made, or Capital Gains Tax depending on what it was, they don't think about the GST. If they sell it and don't rent it out for five years before they sell it, then they have to pay GST when they sell it; one eleventh of the sale price then has to be remitted to the Tax Office.

9. Being registered for GST

Being registered for GST means your rental property is dragged in too. For example, Sally is a sole practitioner doctor. She is registered for GST. Sally also owns a small factory and gets an annual rent or $30,000 (which is below the $75,000 GST threshold). GST is payable on the $30 000. If Sally was not registered because of her medical practice, no GST would be payable on the rent.

If Sally held the factory in a different entity (e.g., a family trust), then it wouldn't be caught for GST unless the trust was also registered for GST.

10. CGT is not GST

Unlike CGT, there is no 50% exemption available to us if we allow GST to be passed through an individual rather than a company. This only applies for CGT.

Top 10 Tips
for tax on rental properties...

1. Costs that you can and cannot claim

When buying a rental property, it is important to understand what you can and cannot claim as deductions.

Costs fall into 4 categories:

- Those that can be claimed in the income year you bought the property
- Those that can be depreciated or written off over a period of time
- Those that can be included in the cost base of the property for CGT purposes (and therefore help to reduce any capital gain on eventual sale)
- Those that can't be claimed at all

2. Costs you may pay when buying a property

In addition to the actual cost of a rental property, an investor will also incur other costs associated with the purchase, such as Stamp Duty, legal fees, rates adjustments and the costs of taking out a loan to finance the purchase of the property (borrowing costs). Some of these costs, such as rates, will be deductible straight off. Others may be deductible over time or they may be a capital cost, which means they will probably be added to the cost of the building.

3. Jointly owned rental properties

People often buy properties together. Most commonly, couples will buy a rental property in joint names. That is perfectly fine, but after they've bought it they may think about the tax consequences and don't always want to split the income or negative gearing losses on a 50/50 basis. For example, the husband or wife who is on the highest marginal rate of tax may want to claim the whole, or a higher proportion, of any losses. On the other hand, that same husband or wife would want the other party to earn all the income if the property was positively geared. Bad luck! Profits or losses from rental properties must be shared according to the legal interests of each co-owner – even if one co-owner has paid for all of the property expenses. Any oral or written agreement between the owners to split profits or losses in any other way is not effective for tax purposes.

4. Claiming interest deductions

Interest on loans taken out to buy rental properties is usually by far the biggest cost, and tax deduction. As such, before we get into all the other claims you can make in relation to your newly acquired rental property, let's have a look at a few of the ins and outs of claiming interest. Interest on money borrowed to buy a rental property is deductible in the year in which it is debited to your account. If that's all the money was used for, then that's the end of it.

However, when money is involved, people can be strange. When people get money in their hands, it doesn't always end up where it was supposeed to go. So, if any of the money was used for private purposes, then the interest on that part of the loan is not deductible. Basically, it is the use to which the borrowed funds are put, that decides how much interest can be claimed as a deduction. Therefore, for rental properties, this generally means that:

- If the borrowings are used solely to purchase a rental property, the interest on the loan will be deductible, as long as the property is rented or available for rental (Note: It is worth mentioning that this means the interest will be deductible from day 1 after settlement. It is even deductible where the new owner does some renovations to get the property ready to be rented).

- If you had to borrow some of the money for the deposit that will also be deductible from the moment you started paying interest.

- If the borrowings are used partly to buy a rental property and partly for a private purpose, only the percentage of the interest on the loan related to the purchase of the rental property can be deducted.

- If the rental property begins to be used for private purposes at some later stage, some or all of the interest will not be deductible. For example, if you had a holiday house that you and the family used sometimes, the interest would have to be apportioned to take into account how much time the property was available for your own private use. Or, you might have bought a property that you live in, but you rent out some of the rooms. Again, the interest would only be deductible on the areas that were rented out.

5. What if your house starts to earn rental income?

Normally, interest on a loan that was used to buy your own house is non-deductible as it is private in nature. However, if you decide to move out of your own house, say, because you've bought another one or you have taken a job overseas for a few years, then if you are still paying interest on the loan, it will be deductible. The interest will start being deductible from the minute the house becomes income producing.

6. Interest incurred before rental property produces rent

An expense can still be deductible even though it is incurred before any rental income is derived. Basically, if you buy a property and fully intend to rent it out, interest and other expenses will still be deductible even if no rent is received for a short period of time because, for example:

- You are looking for a tenant – maybe the right one.

- You are doing some renovations to improve it and make it more presentable as a rental property.

- The loan was used to pay the deposit and you haven't yet got possession.

7. Rental property deduction checklist:

- Accountant's fees
- Adjustments for rates/land tax
- Advertising expenses
- Agent fees/commission
- Bank charges
- Body corporate fees (repairs, maintenance - not for capital works or sinking fund)
- Borrowing expenses
- Building write-off where available. Check date of construction (generally construction must commence after 17/07/1985 for residential buildings; or 26/02/1992 for structural improvements)
- Deposit bond fee
- Depreciation
- Gardening/lawn mowing
- Insurance premiums on the building and contents, burglary, public liability, loss of rent (but not life and trauma)
- Interest on money borrowed to purchase rental property
- Land tax
- Lease preparation, registration, stamping
- Legal costs (e.g. recovering unpaid rent)
- Mortgage discharge expenses
- Mortgage insurance
- Penalty interest on early loan repayment
- Pest control
- Postage and stationery
- Quantity Surveyor Report
- Rates (council and water)

- Repairs and maintenance
- Telephone
- Travel (some, including to collect rent, inspect the property during, or at the conclusion of a tenancy, maintain/undertake repairs to property).

8. Have a pre-year end review

Always have a check on how your taxes are looking around April/May of the financial year as this gives you enough time to put tax strategies into place before the end of the financial year if you need to, and is still late enough in the financial year that you will have a rough idea of how your tax situation will be. You will even have enough time to set up a 'bucket company' or more commonly called a 'corporate beneficiary' if necessary. Remember, after 30 June, it is too late.

9. Watch out for GST requirements

When renting out commercial property you will be required to register for GST and collect GST on rents if your turnover from the property exceeds $75,000. Landlords can often get caught on this if their rent goes up during the year and they don't think to check if it has exceeded the $75,000 threshold. If the landlord doesn't collect the GST and is required to do so, then the GST will be coming out of his profits. I have seen many a landlord get caught in this way over the years.

10. Keep good records

I really can't stress this enough. The golden rule with the tax office is, 'If you can't prove it, you can't claim it'. Records need to be kept for as long as you own the property plus three years, if you own it in your own name, and plus five years if you own it in a structure's name. However, if the Tax Office thinks there has been any fraudulent activity, they can go back indefinitely. The safest thing is to keep the records indefinitely. Digital copies of records is sufficient.

Top 10 Tips
on depreciation in investing...

1. A common misconception

Many investors seem to think that, just because a property is old, it is not eligible for depreciation deductions. This is not so, you are actually able to adjust previous years' (up to 2) tax returns, so if you haven't been claiming depreciation, and are eligible to, make the adjustment and make the claims. Those dollars are better off in your pocket than the ATO's.

2. Quantity surveyors

First and foremost, you should always get a Quantity Surveyor's Report, particularly on relatively new properties (or properties that you have recently bought). What you're doing by getting this report, is enabling yourself to take part of the price of the property and claim this as a tax deduction each year. This is certainly worthwhile doing.

Generally, you wouldn't bother doing this with a very old property unless there seems to have been major renovations in the last 10 or 15 years. If you buy any rental property, do it. It's a tax-deductible expense and will cost you no more than $700 (as well as being tax deductible in itself). Overall, the report should make money for you because it will set out specific deductions which you otherwise may not be aware of (or for which you don't have enough evidence to make a claim). It sets out what assets are depreciable or subject to the building write-off and you can then maximise your claims and have the evidence to back it all up.

3. The 20% rule of thumb

Generally speaking, as an average rule of thumb, if you're trying to work out the depreciation effect, it's going to be roughly 20% that you will get on fixtures and fittings. To be able to claim the tax deduction for your fittings and fixtures, you can't just say it was worth '$x'. You *must* have a Quantity Surveyor's Report to be able to claim those tax deductions. As a general rule, though, when trying to do your sums, work on 20%.

4. Asset pooling in depreciation schedules

There are a few rules about asset pooling where there might be small items but they add up to be one big total. That process is called 'pooling', and it means that the bigger item has to be depreciated rather than claiming the little tiny bits along the way.

5. Depreciable assets (splitting up the costs of the property)

One of the first things you should do when buying a rental property is allocate part of the purchase cost to depreciating assets. A rental property typically has various depreciating assets in it (curtains, blinds, hot water service etc.).

The determined 'cost' of each depreciating asset will be a certain amount of the purchase price of the property that can reasonably be attributed to each asset. Again, to determine those costs, you will need the Quantity Surveyor's Report.

6. Building write-offs

The building write-off allows you to claim an annual tax deduction based on costs incurred in constructing the property. For your normal residential buildings (houses and apartments) the building write-off is only available where the construction started on or after 18 July 1985.

There is also a write-off for structural improvements, such as a driveways or fences, that were built on or after 27 February 1992. Once again, you will have no idea or serious method to find out the costs of these constructions, so a Quantity Surveyor's Report is necessary.

The reason you need such a report is that the building write-off is based on the amount of 'construction expenditure' – meaning the actual costs of the construction.

7. Working out if it's a depreciable asset or building write-off

This can be quite complex, but to give you a general idea, if an item is part of the building's structure or is fixed to it, it can't be depreciated. However, it will probably be eligible for the building write-off.

The AAT (Administrative Appeals Tribunal) has a list of items in a rental property considered to be non depreciating assets and therefore, disallowed depreciation deductions. The AAT felt that these items were part of the 'fabric' of the rental property. In its reasons for the decision, the AAT stated that the property would be incomplete without the first four items on their list (switchboards, gas and telephone installations, kitchen counter fittings and a security system). You can access this list on their website.

8. Depreciation on recently renovated properties

Let's say, for example, you have a house that was built in the 1950's, and you can see that it has had major overhauls or renovations sometime after that? You should get your quantity surveyor in to do an assessment of these renovations, and they can be depreciated at 2.5%. So, just because you've got an older building, this doesn't mean that you won't be entitled to building depreciation.

9. Tax Depreciation report

Your quantity surveyor should prepare a schedule that clearly sets out the maximum depreciation allowances for the building, structural improvements and plant and equipment, and other items including hot water system, kitchen appliances etc. It should then be compiled into the full report with the allowances for the future. You give this report to your accountant to prepare for your tax return.

10. Tall things get older faster, apparently

The taller a building stands, the higher the allowance is for plant and equipment and, consequently, the depreciation. You will probably only run into this sort of thing in commercial deals, but things like elevators and piping up to the higher levels all become things you need to claim depreciation on.

Top 10 Tips
on how to blitz a tax audit...

1. Don't invite the auditor over for dinner!

When the ATO sets a time and date, ask for a reschedule for a later time at your accountant's office – this will put the audit on neutral ground and will give you more time to prepare your records and ensure they're correct and in order. The presence of your accountant will give you a sense of confidence which will carry through to the auditor.

2. Tell them what they want to know

At the end of the day the auditors are human beings like you and me. They are just doing their job, so respect goes a long way. That said, don't give them your autobiography. Answer their questions. Remember, you're there to discuss your tax returns, not all aspects of your life (even though it may sometimes seem like it).

3. Talk to your accountant and seek professional advice

Talk to your accountant immediately after the Tax Office notifies you. Acquiring expert advice and knowledge on the subject will always be a good idea. The more you understand the complex laws of the ATO, the better chance you have of not making mistakes. Seeking professional advice will help you learn the ins and outs of a tax audit and while it may cost you consultation costs, it could save you thousands of dollars in penalties or interest costs. The ATO will be lenient with honest mistakes, but not brazen disregard or negligence of the tax laws.

I like to get my accountant to do a 'trial run' of the audit. By playing devil's advocate on your own accounts you will be better able to see or correct any faults that you may have missed.

4. Organisation and efficient record keeping

When the ATO gives you a call and informs you that they'll be conducting an audit on you, you don't want to be scared. You want to be 100% confident in your record keeping. Develop a system that works for you. There are quite complex electronic systems (MYOB, QuickBook etc.) or there are your plain old ledgers and paper-based systems. I personally use a combination of both, where the electronic system is a back-up.

5. Don't cry, panic or fall in a heap

Be confident in yourself, your accountant and your record keeping. You have not tried to cheat the system and are an honest and financially savvy real estate investor. Prove it to the auditor. If you are organised and exude confidence, the audit will usually go a lot smoother and faster.

6. Know the industry standards

Check the industry standards for your particular occupation or industry on the ATO website www.ato.gov.au. If your tax return reporting is outside the industry standard by more than 10% - up or down - this will trigger an audit.

7. Take out Audit Insurance

Audit Insurance doesn't cost much (approximately $400-$800 AUD) and is tax deductible. This will cover any of the costs associated with the audit.

8. Do not falsify records or documents

Absolutely under no circumstances should you ever falsify any records or documents. I have seen ATO case studies of log books and receipts being falsified and caught out by the ATO through carbon dating and forensic accounting. The same can be done for electronic files through time stamps. This is particularly important for transport taxes (fuel, vehicle etc.).The log books are carbon dated and the ATO can find out when it was logged.

9. Audits that result in a tax return adjustment

If the audit results in your having to adjust your tax return and you have money to pay, talk to the ATO about setting up a payment plan. The Tax Office is usually reasonable in this regard but whatever terms you negotiate, ensure that you *never* fall behind in payments. This will immediately result in the full amount falling immediately due and they will not be as lenient or compromising the next time round.

10. Private rulings may sometimes be necessary

If you are unsure about whether something is tax deductible or not – or if you are unsure of how to treat a particular situation, talk to your accountant. If your accountant is unsure (they will normally ask around), then you may have to consider getting a private ruling. This is where the ATO makes a private ruling on your particular case and circumstances and it is legally binding (this is only for you and in this particular situation). Remember that the ruling could go either way and you will have to live with the outcome.

Top 10 Tips
in setting up your SMSF...

1. Does a SMSF suit you and your investment portfolio?

Before setting up your SMSF (Self Managed Superannuation Fund), you need to ensure that it is the right decision for you. Can you fully utilise it? Do you have the time it takes to educate yourself and keep up to date with any changes that may happen to current legislation that may affect the way you invest with your SMSF?

2. Check that you are eligible to be a trustee of your SMSF

You've come this far, so why stop now? You need to make sure that you fit the requirements to be a trustee or beneficiary of the SMSF trust.

The ATO website states that you can be disqualified if you have ever been convicted of an offence involving dishonesty, have ever been subject to a civil penalty order under the super laws or considered insolvent under administration among other things. It is important, also, to note that you cannot be a trustee of a super fund if you are under 18 years of age.

3. Check the residency of your SMSF

You need to make sure that your super fund is a resident regulated super fund during the financial year. If your SMSF does not meet the requirements, then its assets are taxed at the highest marginal tax rate. Look on the ATO website to check that your fund meets the requirements.

4. Creating your trust

You are applying to be the trustee of your SMSF trust. A SMSF is slightly different, as it is set up in the sole purpose of providing retirement benefits to you (the beneficiary). You now need to create a trust deed, which means you need to have the following; trustees (you and/or spouse), property, identifiable beneficiaries, the intention to create a trust. You need to then consult your solicitor or someone who is qualified to prepare a legal document.

5. Appoint your trustees and record their details

All trustees and directors need to sign a declaration. The declaration should state that all members understand their responsibilities. They need to do this within 21 days of becoming a trustee or director and must keep the document for as long as it is standing.

6. Opening a separate bank account for your super fund

For your SMSF to be recognised as a super-fund, and to be legally established, it needs to hold assets. Typically, you (the trustee) will establish your super fund by contributing money or any assets (shares, securities etc.) to the fund. You need to ensure that you keep this bank account separate from any of your or any other trustee's individual bank accounts.

7. Let the ATO know!

Now that you have your SMSF legally established with all trustees having signed the declaration, you now need to register your SMSF with the ATO. You can do this by going onto their website and following the instructions.

8. Start educating yourself

This is the business end of setting up your SMSF. This is where you need to start educating yourself on what your SMSF can and cannot do. How are you going to use your super as an investment vehicle in real estate? Rules are constantly changing and it's best that you consult a tax professional or a SMSF specialist.

9. Audit annually

Your SMSF needs to have an audit carried out annually by an independent auditor to ensure that you are complying with SMSF regulations.

10. Retirement

When you have reached your preservation age, and you wish to utilise the benefits of your super-fund, you need to talk to your accountant / financial planner. How are you going to retire? Will you be able to survive? You need to work out your retirement strategy with your accountant to find out what you can afford and what will be the best option for your portfolio and super-fund. Retirement pensions are set to end in 2018, they've called a timeout. How are you going to survive if you can't work?

Top 10 Tips
on investing with your super...

1. Exploiting an opportunity

Exploiting is not a dirty word. To exploit is to make full use of and derive benefit from a resource. That said, Superannuation is our last remaining tax haven that's legal in Australia. The laws keep changing and that does make it a little bit more difficult to organise your future. However, the Superannuation laws are actually getting better. Using super as a major part of your overall wealth strategy is essential these days regardless of your age. I don't care whether you're very young or whether you're close to retirement age, Superannuation has to be part of your wealth strategy.

2. So what can be done?

Many Australians are a bit uncertain when it comes to super, and that's totally understandable. It's contemporary legislature and is constantly changing. The reality, though, is that there are so many advantages to having part of your wealth accumulated by a Superannuation fund now that it has to be part of everything that you do. You can get pensions tax free; you can sell properties without CGT; you can salary sacrifice and draw it out as a pension and not pay any tax on your wages if you do it right. You can pass things down onto the next generation and not have any tax implications. You can joint venture with your super fund! You can even borrow from your super fund.

Superannuation has to be part of everything you do, no matter what your age. Super funds have concessional rates, so that Superannuation pays Income Tax at 15c on the dollar. Super funds pay Contributions Tax, so when you claim a tax deduction for making a contribution to superannuation or your employer claims a tax deduction for a contribution to super, 15% gets taken out by your superannuation fund. Unless you manage your own superannuation fund, you may not realise that, and you may think, "Hmm, I'm putting in all this money and now there's nothing left". Well, 15% comes off the top, straight up and that's just tax. But remember, if you're the one putting the money in, you're getting the tax deduction at maybe 30c in the dollar or higher (depending on your tax bracket).

3. Setting up your Self Managed Super Fund

When you set up your own Self Managed Super Fund (SMSF), you control what happens to it and do all the fun parts; the investing. There are, however, some restrictions. There have to be no more than four members. Every member must be a trustee, or if you have a corporate trustee (which I highly recommend) then every member must be a director of that. Essentially, it's a trust, but because it's regulated under the Superannuation Industry Regulations, there's a lot more in the deed than what you'd find in a normal trust. This means that if you've got a fund that has a company as a trustee and a deed with four members in it, it can last forever because you can continue to bring other members into it. So, there's no 80 year life. It's an excellent way then to start building up your wealth and pass it down to the next generation.

If you are currently in private enterprise and you work for the private industry, you have the potential to roll out your Superannuation money from where it sits and move it into your own SMSF. However, there are some government employees that are restricted and it's not because you can't set one up, it's just because your employer (your government employer) won't let you roll the money out to go set up a new fund, or to put it into a new fund. Defence forces, military, education and all the public servants have restrictions, but then some are loosening their grip as well. It's best that you talk to your current super provider and see what options you have.

4. The costs to set up your SMSF

The rollover process, where you shift your current super funds into your own SMSF doesn't incur tax because you're simply moving its residency. So, to set up your own fund, I always recommend that you use a special purpose trustee company which will increase the set up cost, so you're looking at about just under $3,000 for your original set up. Now, that's not tax deductible, but you can be reimbursed from your super money when you roll it over.

The super fund is not allowed to actually run a business. To write off that cost of setting it up wouldn't be allowed like it would be for another trust, but it can be reimbursed. Auditing and accountancy fees will probably cost you around $2,000 to $3,000 each year.

5. Superannuation contributions

There are restrictions on how much per year you can contribute each year. There are two types of contributions.

Concessional contributions are contributions that an employer or you as a self employed person, get a tax deduction for the contribution. Once in the fund, it is taxed at 15%.

Non-concessional contributions are contributions that are not tax deductible to anyone and therefore are not taxed in the hands of the superannuation fund.

6. Can a superannuation fund give a loan?

A Self Managed Superannuation Fund can give a loan as long as it's not to someone who's related; not to members, or anybody associated with members, but it can to someone who's a third party. If you did loan to a third party for whatever reason, for a joint venture or something like that, and you were getting a good commercial interest rate, then that is acceptable to a trustee. That would be what you were earning and if it was good as an investment, you could do that. There are certain obstacles when talking about related parties. There's such a thing as an 'in-house asset'. An 'in-house asset' is a loan to, or an investment with, or acquisition from, anyone who is a member, or the relatives of that member from the fund.

So, for example, if you had a holiday house in the super fund and a member used it, that would be an in-house asset, and would be a breach unless the value of that asset was less than 5% of the total asset value of the fund. The only things that you can acquire from yourself of related parties are securities. If you have, in your own name, shares or something like that, the super fund can buy them from you at the market value at the time of transfer. With other assets, say artwork or a life insurance policy or even an asset classified as 'business real property', it needs to be less than 5% of the total value of the fund. A 'business real property' is generally something that's commercial which somebody, or an entity, is using wholly for running their business.

If a member owns that, (say they've got their own business and they've got a factory that they use to do crash repairs or whatever), they can actually sell that or transfer that asset into the super fund because it's wholly used for business. However, those are about the only assets that you can acquire from a member. Your super fund can buy a commercial property from you, but it can't buy a residential house from you. Even if you were to get a rental property in some area where it's going to have a very good return, because it's residential, you can't transfer that into the super fund. You can't buy it from yourself, but you can buy it from somebody not related or associated.

7. Can the super fund borrow?

Superannuation funds for a long, long time were never able to borrow, but then they became a bit of an anomaly, and now they can -well, sort of. What actually happened was they realised that the super fund industry was investing in a lot of things called 'instalment warrants'. This was where you could buy shares and you could pay them off in different instalments. When the regulators looked at that they said "Well, that probably is a borrowing", and since then they've said, "No, you can't do that, so we had better change the Act!" which they went and did.

The act was changed gradually to allow the super fund to borrow if it was an instalment type of warrant. That's since been changed again. They've legislated again, and super funds are allowed to borrow. It's here to stay, but it's taken a little bit of a different complexion because it's not just shares. In fact, it's even more difficult to borrow now for shares than it is for property because it's a single asset that the super fund wants to buy.

The ATO has come out with some guidelines on what the super funds can do. What they want is the super fund to find a property that is either a new asset or a replacement asset for one that it has had. It goes to the bank and says that it wants to borrow, but the documentation that needs to be put in place is quite restrictive in the sense that it has to take the form of a trustee company as trustee for what's called a custodial trust. It is called 'custodial' because it's going to be the custodian of the property for the duration of the loan.

The only beneficiary of the trust is the super fund. So, the super fund then receives the rents or whatever the proceeds are from the property. It pays the outgoings of the loan and the outgoings to do with the property, but it doesn't really take legal title to it until the loan is paid out (the term of the loan has actually increased to 25 years). In that case, generally that trust dissolves, and the property goes into the super fund.

Now this scenario from an asset protection point of view is a no-no. It's high risk. What if something happens to that property? All the rest of your superannuation fund money is now up for grabs. However, they also now allow you to refinance an existing mortgage, which they didn't allow you to do before. You can also now borrow, not for improvement to the property but for an asset. So, you couldn't borrow to improve the asset or develop it, but you can include your own costs of borrowing and repairs to the property in your original loan. Not bad, right?

8. Can a Superannuation fund refinance

That depends on what you call refinance. If you mean refinance the exact same amount of the loan from one bank to another, then yes, a Superannuation fund can refinance. However, if you mean refinance and extract extra equity out of the property then no, a Superannuation fund cannot refinance.

You cannot refinance a property because it's gone up in value, to buy another property, but you can refinance the loan. The objective is to get a positive cash flow and pay it off over time and then you end up with a nice little return sitting in your Superannuation fund. That's how the super borrowing system actually works. It's kind of like an instalment process. It's non-recourse, so there's no other property that's used as security. They tend to take a long time though. They're definitely not quick, so, if you're going to buy a property with your superannuation money and you're going to get a loan, allow lots of time because it just takes much longer to deal with the banking system when you're buying it using the superannuation monies.

9. Vendor financing and joint ventures

You could be the vendor. If you had a property which was a warehouse and the super fund was going to buy it from you, then you wouldn't necessarily have to go to a bank. The super fund could pay you off over time. You could vendor finance yourself, provided the loan document was non-recourse.

JV's are really quite interesting; not the most inexpensive to set up, but if the project that you're looking at doing is feasible, they can be really good. The idea is that you go to a really good solicitor and ask them to prepare a JV agreement with you and another entity, whether it's your own entity or somebody else - usually it's with yourself.

10. Accumulation, Transition and Pension Phase

Every member will eventually, the closer they get to 60, have two phases to their super fund. The 'accumulation phase' is where the money is coming in, and it's still taxed at 15% and all the earnings, and capital gains are taxed at 15% and 10% respectively.

Between 55 and 65 is what is called a 'transition phase'. If you decide to take a pension from your Superannuation fund between 55 and 60 you still can, but until you actually retire, you can only take 10% of the balance that you've moved into the 'pension phase'.

In the 'pension phase', the earnings on the assets that have been moved over to support the pension no longer are taxed once the pension person is 60, and any Capital Gains Tax is free and any pension that is with-drawn is tax exempt.

Top 10 Tips
on what SMSF can invest in...

1. Residential property

Self Managed Superannuation Funds (SMSF) can invest in real estate provided the trustees, members and all associated entities do not get a current benefit from the property. Consequently, this means the super fund could go and buy a property in a nice holiday resort (if the trustees thought that was the best investment) however, neither the members or anyone associated with the members would be allowed to stay in it. The current benefit laws also relate to non-real estate assets such as artwork, gold, diamonds, car parking spaces, golf memberships etc.

2. You cannot buy from yourself

Whilst investing in residential property is permitted within the SMSF, a residential property cannot be bought from a member or any associate of the member. It can buy property from someone else just not from you.

3. The contradictions of super legislation

Whilst you cannot buy residential property from yourself or any associated entity, you can buy a commercial property from yourself or an associated entity. I know this doesn't make sense, but that is what the SIS Act states. Commercial property is considered to be business real property and therefore does not come under the in-house asset rules.

4. In-house asset rules

An 'in-house asset' is an asset that you buy from yourself or an associated entity. Whilst there are strict regulations around transfer values and what can and cannot be purchased from an associated entity up to 5% of the value of your superannuation fund can be used to purchase such assets. One asset type that does not form part of the in-house assets is publicly listed shares and unit trusts.

5. Lending funds from your super

Something which most investors may not consider possible within your superannuation fund is the ability to be able to give loans to third parties at commercial interest rates. The stinger in the tail, of course, is that these loans cannot be given to yourself or any associated entity, regardless of whether they are at commercial rates or not.

6. Borrowing

One of the really cool things that SMSF's are able to do is borrow to purchase assets. There are quite a lot of rules and regulations around borrowing with super funds, however, if you follow the rules precisely it can be very beneficial. A separate company and bare trust (or custodial trust) needs to be set up to house the asset and this trust will then be wholly owned by the SMSF.

Acquiring finance within a SMSF takes a little longer than normal, so ensure you allocate at least 28 days for finance approval.

7. International investing with your SMSF

There is nothing to prohibit SMSF's from investing in international property. Provided the structure used to purchase the property within the foreign country is directly owned by the SMSF and all other rules of the SIS Act are complied with.

8. JV's with your SMSF

Although it is not a strategy that is usually implemented, you are able to joint venture with your self-managed superannuation fund. Now, before you get too excited, let me first explain that the asset you are buying cannot be used as security for a loan. What this means is that you would have to have savings or funds available from a line-of-credit to invest in a unit trust where the proportionate ownership of units would be owned by your SMSF, and the unit trust would own the asset. However, this asset cannot be used for any form of security.

The way I see it, you would be better to buy the property outside superannuation as the gearing ratio would be more desirable.

9. Active investing in SMSF

There is a lot of talk about whether a self-managed superannuation fund can be active in the real estate market. For instance, questions are often raised around whether a self-managed superannuation fund can renovate a property or whether a SMSF can develop a property. Well the first question that needs answering is: is your SMSF borrowing? Because if borrowing is involved, the strategies for investing within SMSF are far more restrictive.

Let me explain. You can borrow, usually, up to 80% of the initial purchase to buy a property. However, once the first tier of borrowing is in place, you cannot go back and revalue the property for the purpose of extracting equity. You only get one bite at the cherry with borrowing. Consequently, if you were to renovate a property owned by a SMSF, and borrowing is involved, you can renovate the property, you just cannot borrow to do so. Similar rules apply if you were to extend or develop the property.

10. Separate acquirable asset

Another little sneaky rule that often catches people unaware, is that a Self Managed Superannuation Fund cannot have a separate acquirable asset if there is borrowing involved. What does that mean? It means that if borrowing is involved, you cannot have more than one title in the bare trust. Therefore, you cannot subdivide or buy a property on two titles within the one bare trust. If borrowing is involved, you must have one bare trust per property.

Top 10 Tips
before renovating...

1. Appliances

Appliances such as hot water systems, heaters, air-conditioners and whitegoods will usually be replaced if over five years old rather than repaired. These are all expensive items, that in a rental property can cause you stress if they aren't working. In your PPR, the good news is that replacing any of those items that are over five years old may be an expensive upfront hit, but will definitely save you money in energy use over the longer term.

2. Windows

Old windows that are made of timber can usually be repaired rather than replaced. If they are made of metal and are corroding, leaking or in any state of disrepair then they are probably better off being replaced.

3. Doors

Doors that are made from solid timber should last as long as the house. You can fix most problems yourself. If the door isn't solid timber and it has warped or moved, it's much harder to repair (although not impossible). A sagging or ill-fitting door should be rehung first to ensure that it's centred correctly in the frame. If the door doesn't suit your local climate, it's best to replace it with something that will. New internal hollow-core doors can be purchased for as little as $30 per door, and hard wood external doors can often be purchased second hand from demolition yards quite cheaply.

4. Tiles

Re-grouting or repainting tiles makes a huge difference to a shabby bathroom. If the tiles are loose, cracked or leaking, then replacement will be required, and quickly, as there could be more serious problems lurking underneath.

If the tiles are in good condition and are not a pretty colour then you can spray them and the bath with an epoxy finish. This is a good middle range price option.

5. Wiring and electrical

Wiring should be repaired if it is a modern circuit board with a safety switch installed. If it is black wiring over 20 years old, then it should be replaced. There's nothing worse than opening up a meter box to discover there is no electrical safety switch in place (although it is illegal to sell a property without a safety switch in some states). It means any dodgy wiring could accidentally electrocute people in the house. Plenty of old houses in Australia don't have compliant wiring. Any wiring that is covered in cotton, rather than plastic, is also dangerous.

If your meter box has cute old-fashioned looking clock-like things in it and no safety switch, then it's likely you have really old wiring and should replace it immediately. It's not cheap but a good electrician who has worked with your style of old home should give you the best advice on what to do. Wiring that's older than 30 years also becomes compromised, with the casing becoming brittle and gradually breaking away.

6. Roofs

A roof is the most important part of a structure – without it, the walls and floors would literally rot away. Many homeowners tend to ignore any small leaks or problems with their roof until they become a major problem. If the roof is leaking or sagging, it needs urgent repairs.

Before the roof has deteriorated, you may choose to extend its life with a roof restoration company. Restoration is largely appropriate for tiled roofs with re-pointing and repainting being the main works to be done. With metal roofs, the replacement of some sheets or nails, rather than the entire roof may be advisable, but it is easier to replace an entire roof at once rather than patching constantly. High pressure cleaning can be done to remove dirt and grime which has built up on your roof, affecting the appearance and consequently the value of your home.

Some roofs are beyond restoration and re-roofing is the only option. This involves replacing your existing roof with a new roof. It is the most expensive way to revamp your roof, however the value and benefits you get in return could outweigh this. Insulation, ventilation and skylights are other things to think about if you're already going to the expense of re-roofing. They're cheap to install while the roof is off, increase thermal efficiency and also add a good selling point when marketing the home.

7. To what extent?

You need to plan what extent your renovation is going to go to in order to fit your market. Overcapitalising for your area is not advisable. For this reason, I like to break it up to three categories:

1. Basic: Intended mainly for price efficient renovating for mining towns or regional areas. These usually include shower cubicles, cheap basins and baths made of fibreglass, painting over existing wall finishes and standard laminate cupboards.

2. Standard: Used in low end to middle renovations and rental tenancies. These usually include standard ceramic tiles or bathroom resurfacing, ceramic basins, steel baths, new downlights, roll top laminate bench-tops and inbuilt wardrobes.

3. Luxury: High end finishes that are required for luxury homes and executive rental properties. These finishes include stone bench tops, solid core doors, walk in robes, glass splashbacks, stone tiles and high gloss timber floors.

8. You or the tradies?

Generally, it is illegal for any unlicensed person to work on a jobsite. If you are unlicensed and on a job site you are considered to be a labourer. As a minimum on a jobsite, you must complete a Construction Whitecard Induction course. These courses are a safety course to enhance the safety of all job sites and their workers. They can be completed online, through private providers of TAFE or Government equivalent.

Typically, any construction work needs to be completed by Tradesmen. In my renovations, including the early ones I generally only project managed the renovation, demolished and cleaned up.

Being a DIY expert is best kept to cosmetic renovations. If you do decide that DIY is your thing (which I do not recommend), you will need to have a licensed water-proofer, electrician, plumber and carpenter complete your works, or your insurance will be null and void.

9. Organisation

Keep an expandable folder with individual sections for each category of work for your recording of the project work and costs. Log your phone calls and meetings, and take photographs especially of plumbing when it is exposed, for future reference.

There are a few apps that help with finding tradies in your area and also help with the legal perspective of the renovation. These apps include 'Pick-a-Quote' and 'The Builder App'. These can help you find a good a tradie in your area – one with good reputation – and a minimum of time outlay. They both help consumers to find tradespeople, but they have different features.

10. Reverse feasibility

You need to ensure that your renovation will have a positive outcome. The secret to making sure that you will make money in the deal is to ensure that you have profit by calculating the end sale price less your renovation and holding costs less your desired profit. If you cannot buy a property for that figure after doing the reverse feasibility calculation then the project should not be done.

Top 10 Tips
for a successful renovation...

1. Plan thoroughly

From the tedious tasks of drawing up a well-calculated budget, to ensuring the plans are spot on, and getting tradies well and truly organised, planning is paramount. A poorly planned project is the beginning of many failed or at the least, highly stressful renos.

2. Preparation

Don't ignore the boring bits. Prep work, such as thoroughly cleaning walls before painting or waterproofing the bathroom, can often be tedious and unsatisfying, but you should never skimp on them.

3. Overdoing it

Nothing is more satisfying than taking a sledge hammer to a wall, or an ugly bench top, but it can be too easy to get carried away. Depending on the size of your reno, maybe the bones of the cupboard underneath that bench top are still OK, and can be salvaged, saving you a lot of unnecessary expense. Be careful too with knocking down walls that they are not load-bearing.

4. Overcapitalising

Love that $50,000 kitchen? Do you think it is not too excessive for your one-bedroom, $250,000 unit? A big reno failure is to spend more on the property than is appropriate or than you can possibly recover.

5. Educate yourself

Even if you hire an architect to project manage and a builder to do all the work, it pays to educate yourself on every element of the project, from paperwork to materials. The professionals will respect you much more if you know what you are talking about.

6. Budget

Always have a buffer in your budget and your timeframe to allow for the unexpected. Not expecting surprises is a reno no-no.

7. Practicality

Failing to include adequate storage for your six bedroom home, or insisting on three bathrooms in your two bedroom apartment are decisions made by renovators who aren't thinking of their end product and its appeal to owners or renters. Ask yourself, "What do I *need* in a house or unit?" and then provide this. Don't ask, "What do I *want*?" as this may not be practical.

8. Lighting and paint

The lighting and colour schemes you choose greatly impact the feel of the property you are renovating. The more people you appeal to with these, the more people you are likely to attract to your property for either sale or rental.

9. Tools

Sure you can save cash on buying your hammer from the two-dollar shop, but you may regret it. Even for small projects, invest in quality tools, and they will see you through a number of renovation projects. Use the right tools for the job and it will make your life so much easier. A reno job may take months to complete, and many a DIY renovator has pulled the plastic back from their materials, to find they were ruined in the last lot of rain. Take care of your timber and tiles and also your tools, and keep them out of the weather. Rust just loves a shiny new hammer.

10. Think green

Whether it's installing solar or a water tank, or going for more environmentally friendly materials, many renovators will dismiss green additions, thinking it will be too costly. Educate yourself on the options, and you might find that going green costs no more and can actually be a bonus. Over recent years, green additions have become selling points.

Top 10 Tips
on renovation...

1. Finding the right area to buy

When looking to renovate, you will need to find the right area. Doing your research and feasibility and knowing the numbers on your initial project, you will gain an understanding of the project and be able to focus and concentrate on the logistical side of the renovation. The target areas should have a large variance in price from the bottom of the market to the top of the market. This makes it easier to sell at the top of the middle market range in a suburb than the very top.

For example: If you were to buy in a suburb that had a buy price of $400,000 for the bottom of the market and $450,000 for the middle of the market and $500,000 for the top of the market then there may not be enough money in the market for you. Whereas if you could buy into a suburb at $400,000 for a reno, and the middle of the market was $600,000, with a top of $800,000, there is more room for you to operate and a higher profit margin available.

2. Choosing the right property to renovate

When looking for a renovation project, there are a few physical aspects to look for that can work wonders for your profit margin:

- Structurally sound and in good structural condition
- Good basic layout that will suit conversion to modern living
- Potential to create city or water views
- Space to extend without incurring opposition and delays from neighbours
- Properties with a rarity value e.g. location, style of property, architectural design, landscaping,

- Well situated (preferably north facing)
- On a good street (worst house on a good street!)
- Ability to create extra bedrooms
- Good design for creating underroof granny flat particularly for NSW (dual occupancy)
- Room to create indoor /outdoor living particularly for warmer parts of Australia.

3. Financing a renovation and reverse feasibilities

How you finance your renovation project will come down to a factor of size. The bigger your project, the greater your potential is to gain separate finance. Smaller projects will need to be personally funded.

Is my project large or small? If your project requires a complete remodel, and possibly an extension and you have a fixed builder's contract, you may be able to gain construction finance through normal banking channels. The organisation of this type of finance is similar to that of construction finance, but you must have that standard HIA Builder's contract to secure the funding.

Normally, smaller renovations will be privately funded through your line-of-credit or savings. This means you will need to ensure you have sufficient funds for the completion of the renovation.

This would include:

- The renovation funds per your budget
- Contingency fund for overruns - 20% is nice, 10% is essential
- Holding costs to cover your interest payments for the duration of the project

There are then the selling costs, which will include:

- Advertising
- Staging
- Agent

4. Legal requirements to consider when renovating

As with all forms of construction, when renovating, you enter into a contract to engage the services of tradespeople and professionals to do some of the work for you. All contracts must be in writing and will cover you if you are to run into any legal worries regarding poor workmanship/accidents etc.

You will need to ensure that all contractors are operating under a current and relevant licence for the work they will be doing. Are all contracted prices clearly stated? These will all be important, particularly if any unforeseeable incidents were to occur. It is also important to know whose responsibility it is to obtain council approvals.

If you engage a contractor for work of $1,000 or more in value, your tradesperson is required by law to give you a contract for the work which should contain the date signed by both parties, names and addresses (including the address of where work is to be done), contractor's licence and number, and a description of work and plans attached. All warranties, prices and statements of cooling-off period should be discussed with the tradesperson.

5. Insurance and renovation

When renovating a property, there is a certain amount of inherent risk. There is risk if you are DIY or if you are DIWT, and there is risk if you have contracted a builder, so you will need insurance. It is an absolute <u>must</u>. All your contractors will need their own insurance as well as warranty insurance (mandatory for all works over $12,000, and will cover non-structural defects for 2 years and structural defects for 6 years).

If you are an owner-builder, you should take out your own builder's warranty insurance. This covers you while building, and also after the home is sold. If you have no warranty insurance and you sell the house, and there is a defect, you are personally liable.

When undertaking work over $5,000, builders, building supervisors, engineers, draftspersons, and quantity surveyors must also take out personal/professional indemnity insurance through the Builder's Practitioners Board. You also need to ensure that the tradies on the job have worker's compensation insurance or wage insurance.

The contractors also need to have Public Liability Insurance. This insurance is in case they damage property or damage your goods while they are in possession of them. For example, most plumbers will carry a Public Liability Insurance of $10 million. This is to protect against any damage they may cause to the infrastructure or any damage that a person may suffer as a result of their daily routine.

When you are renovating, your property is quite vulnerable. There will be doors missing, windows knocked out etc. It is important to check out your contents insurance to ensure that your insurance policy will still cover you through the renovation process.

6. Renovation trends and fashion

Like the fashion industry, trends can come and go and while there are some classics, it is good to understand all the changes. In the past, it was illegal to change the colour of your house without approval. Thankfully there is now a list of states that allow exempt development tasks (these are tasks that allow you to do works that do not require approval as long as you fit into a certain criteria).

There will always be the 'classic style' that is very popular to a large number of people. That is, the neutral cream coloured theme. It lets the furniture bring the depth and design. For kitchens, use a standard kitchen with stainless steel appliances if it is a high-end reno. For basic finishes, the standard black top with white cupboards.

Once you find something that works and was successful for you (this includes tradies!) keep them, and replicate it when you have to in the future. It will save you time, stress and after a while your tradies will know exactly where you want power outlets, light fittings, taps, tile sets, paint and so much more.

For bathrooms, whether basic, standard or luxury; there are a few things that you will need to be aware of. Try not to change the plumbing around unless the functionality really doesn't work. Plumbing is expensive to move and most of the time is not worth it. For a basic finish, it's a good idea to regrout the tiles. There are some grout whitening products that you can buy along with grout removal tools. Add some basic, cheap chrome shower heads and taps. You may need to change the toilet cistern to be compatible with the actual toilet.

With a standard finish, you will probably either retile the bathroom or resurface the bathroom. Bathroom resurfacing will cost about half the price of retiling. They etch the tiles with an acid and then spray an epoxy on to the wall, floor and bath.

You will need to install new tapware, vanity and toilet for the best finishes. For a luxury finish you will remove all the tiles and waterproofing. Use the largest tiles possible on the walls and floors and use lineal floor grates. These are stainless steel grates that are long and make it easier for your tiler to use large tiles on the floor, as it does not need as much concave fall.

Use brand names and square fittings. Freestanding baths are also very trendy at the moment, and can make a room appear larger. Using multi showerheads in the shower is also great for luxury.

7. Tax and renovation

The major consideration when it comes to tax and renovation is whether you are renovating to increase equity, or whether you are renovating to sell, and if this is the case, whether you are in the business of real estate or not. All these factors affect how you are taxed. When renovating for equity, there is no sale outcome thus no immediate tax implication. You haven't conjured a profit and no Income Tax or Capital Gains Tax are payable. All the costs of renovation (materials, labour, consulting fees, council fees etc.) will be added to your cost base for Capital Gains Tax purposes when you sell.

When renovating a property that you have owned for some time, with a view to increasing its value to attain a better sale price, you have every right under the Tax Act, to get the best possible value for your property without being classified as being in the business of real estate.

This means that the cost associated with the renovation will be considered capital expenditure and will reduce the CGT payable on sale, as it will be added to the cost base. Paying CGT on the sale of a property is mostly preferable to paying Income Tax as you get the benefit of 50% exemption for holding the property over 12 months. Essentially, your tax bill is halved.

If you are one of my students, and are in the business of real estate and it is clear that you are renovating for profit, there are three questions to ask yourself that will tell you whether you will be assessed under the Income Tax Act or the CGT act. If you are, like myself, in the business of real estate; it will be Income Tax.

The questions to ask yourself are:

1. How long did I own the property before I commenced renovating?
2. Was it my intention to buy, renovate and sell at a profit?
3. Did I have access prior to settlement with the express purpose of renovation?

The most telling factor in determining whether you're in the business of real estate or not, will always be length of ownership. The ATO will consider your history and pattern of previous ownership of properties.

The other downside to being in the business of real estate is GST. It's not only a pain, but there is a grey area around GST in real estate and what constitutes a substantial change in nature of a property.

GST is payable when you are creating a new dwelling and you go to sell it for the first time (there is the exemption if you hold and rent out the property for 5 years). The same goes for doing a construction or a removal house. It is pretty clear what you have done. It is, however, not so straightforward when it comes to renovation. The wording in the Tax Act is somewhat unclear. Essentially, the wording says that if you make a substantial change in nature to a property, you are effectively creating a new property for GST purposes, and therefore GST is payable on sale.

It comes down to what a 'substantial change in nature' really means. The best way to acquire an absolute answer would be to apply to the ATO for a private ruling which would be binding to you and the situation you are in only.

If your renovation is deemed to make a substantial change to the nature of the property, you will need to remit one eleventh of the sale price to the Tax Office. However, you can claim the GST component of all related expenses.

It's not all doom and gloom for tax purposes though! There is an upside to being in the business of real estate. That is, a lot more expenses are tax deductible. This could be anything you buy and use that has a nexus or connection with your income earning activity.

8. Order of process when renovating

After doing many renovations, I have found that being organised and keeping a checklist or guide is a must. It helps more than you know and keeps everything flowing.

9. Renovation safety

Safety during a renovation is extremely important. While you may have covered yourself from any legal repercussions, it is not something you want to go through and you should do whatever you can to minimise the risk of an incident. Occupational Health and Safety (OH&S) is an important part of the construction and renovation industry.

When tradies arrive on the job, they should present you with a Job Safety Analysis (JSA) and a Work Method Statement (WMS). Both these are important for the record keeping on site.

Job Safety Analysis looks at a particular job and lists the tasks step by step to ensure you will not be at risk. The Work Method Statement looks at every task needed for a job and breaks down the risks. These risks then need a category from high to low and then an acceptable solution to overcome the risk.

There are things to look out for when carrying out a renovation. Asbestos is harmful to anyone that is exposed to it. Asbestos can be handled in different ways. You can have it removed by specialists or you can leave it untouched. Leaving it untouched means either painting over the top or putting cladding or Gyp-rock over the top. This is legal as long as you do not cut or break the asbestos below.

Lead based paint is something that you should look for as it can affect the health of humans, especially children. You can purchase Lead Paint Test kits from all major hardware and paint stores. If positive, you should involve a qualified painter to handle the job as they will ensure it is dealt with safely.

I always like to regularly clean the site. You are not hiring the tradesperson to clean it. There is often a lot of mess and you can increase the work efficiency of your tradies by keeping it clean.

10. Respect and politeness go a long way

I find that if you keep a good, honest and friendly relationship with all those involved in your renovation, it creates a smoother environment and decreases the chance for unnecessary complications. Tradies especially are likely to do a better, or quicker job if you buy them lunch on a Friday for example. Showing respect and an understanding of the work to be done can help you a lot and while you may fork out a mere $75 feeding them for a day, they will appreciate it greatly and not hesitate to work for you again.

Top 10 Tips
on the renovation process...

1. Conduct your research

You start by conducting your grid variance analysis on a suburb to ensure that there is enough variance from the bottom to the middle of the market, as there will be a greater potential for finding a seller.

2. Get intimate with the suburb

You need to research the chosen suburb and also research the demographics and properties in the area and nearby areas as well. Researching the current stock and market is extremely important. You need to know exactly what you can get out of the area you're buying into, and therefore if there is a margin of profit to be made.

3. Finding the property

You will then find a property that suits your needs. Do a quick feasibility study on the costs to renovate into the middle of the market and whether you can gain a profit. If it looks good, go and refine the feasibility (in NSW you will need to take an experienced builder in to give you feedback before you sign contracts).

For everywhere else, you can have an offer accepted with clauses that give you the ability to withdraw from the contract if you later find the costs of renovation will be too high to enable you to generate a profit. It's a good idea to get in touch with your solicitor at this stage.

4. Contract conditions and clauses

Whilst negotiating, make sure that one of the conditions is that you are able to gain access to the property for quoting and measuring up prior to settlement, thus enabling you to have firm quotes even before you own it.

This helps with quicker turnarounds on the property.

5. Applications

You will need to start working on any applications that need to be processed through any authorities (council etc.). This can also be done during the contract phase. Your building designer / architect can help you with this.

6. Timeline

Ensure that all your quotes have been put in and create a timeline for the renovation jobs to be done. Ask the tradies for an approximate ETA on the projects. Make sure they understand the importance of your time... politely, being nice to your tradies is vitally important.

7. Sign building contracts

Every state differs, but generally, if there is work above $1,000, you will need a contract between yourself and the tradesperson. It will insure you against any faulty work or pay disputes that may happen in the future.

8. Start the renovation!

You are now underway! The start of the renovation has commenced after you have collected all paperwork and insurances. Create a safe work place and ensure that there are regular meetings for safety of all the workers.

9. Manage the project

It is your job to ensure that all materials are ready and tasks are done for the next tradesperson to continue. There is no use confirming with the tiler to turn up if the waterproofing is still incomplete, or asking the electrician to finish off if you have no lights. The success of any project is in the management of the day-to-day process and having all materials available when needed.

10. Sell or revalue

Towards the end of the project you can start interviewing agents to take your property to market once it has been finished. If you plan to revalue the property, speak to your financial planners and strategists during this process so the Valuer can be booked as soon as the renovation is complete.

Top 10 Tips

on working with tradies...

1. Tradies are not dumb

There is an ill-conceived perception out there that tradespeople (tradies) are 'too dumb for school', that they dropped out at one point and became a tradie. That is fundamentally wrong and, if you believe that, it will be detrimental to your work projects. If you treat your tradies without respect, they are not going to be cooperative with you. They are specialised, skilled workers in their field and are employed to do tasks that most cannot. A tradesperson will, either subconsciously or not, work better when employed by someone who treats them with respect.

2. Look over their shoulder

When any type of tradesmen are working, have a look over their shoulder to see what they are doing and they are going to hate it. Let them know that you're not 'checking up to see if they do a good job' but that you actually are interested in the process. They will relax at that and typically be more than happy to show you how it's done. Show a general interest in what they do. You'll eventually gain an understanding of how it's done and be able to make a better decision on aspects like cost, process, time etc., in the future.

3. Network with them

Let's say that you have just done some building work and you get along quite well with the builder, but you first need to get some plumbing installed before you can move any further. After you've looked at some quotes, try asking your builder if he knows any quality plumbers or if he has worked with any plumbers in the past. Chances are the builder knows better than you (particularly if it is not an area you have lived in) who is, and isn't a good quality plumber. They will work better together, as they have done the process before, and will cut down on your construction time overall.

4. Pay them on time

This is something I find to be extremely important. If you pay them the day the work is done, they will appreciate it. I have seen examples of this where a builder gets two jobs in the one day. Who is he going to prioritise? Someone who has a reputation of being respectful and of paying on time, or someone else? These are all things that add up and will greatly benefit you.

5. Shop around for quotes

Not enough people do this and they end up paying exorbitant prices because of sheer lack of education. Shop around for quotes on every single job you do. It will save you money and really, it only takes a few phone calls. Students of mine are known to get 6 quotes before they even think about choosing.

6. Draw up a timeline

I like to leave a whiteboard at the property with the time schedule there. Tradesmen hate it when there are other tradesmen on the job at the same time. It is inefficient and makes it harder on them. Having the whiteboard there with the time schedule will help the tradies know who is doing what, what is being done and when. A little note though, just make sure you use permanent marker, otherwise the due date for things may be in the following years!

7. Ask for their advice

Tradies work in this industry. They will know what you need to do next. Ask them for some advice in advance. You may not know that you need the fireproof paint before the wall goes in. The tradies will know and be able to help you.

8. Buy them lunch

Spending the $80 on some subway down the road will mean a lot to them. They will appreciate the good gesture and, chances are, you'll get the extra half an hour of work from them just for buying them some lunch on a Friday.

9. Establish a timeframe

It is important, when writing up the contract, to include the timeframe. Ensure that your time management is correct and in order. Make sure that you allocate enough time for the tradesmen to get their job completed (without shortcuts/rushed jobs).

10. Copy success

If you see a property in your local area that you particularly like, don't be afraid to ask that person for colour schemes, materials, sources, tradesmen used etc. You can save thousands by asking a few simple questions and most likely the owner will be more than happy to tell you about it (letting them know you really like it will do loads for their ego).

Top 10 Tips
when renovating bathrooms...

1. Copy what works

Unless you're an enthusiast in the bathroom industry, you probably won't know what the latest trends are or the newest 'tech' in the bathroom. I've found that it is a good idea to go and do some reconnaissance on a freshly built hotel. Whilst you may not want to have the granite and marble finishes in your investment property, you will be able to pick and choose what you like or dislike, and then be able to tailor your bathroom to suit your needs.

What size tiles are they using? What colour or patterns are they using? Is there a feature wall? Ask yourself these questions and see how you can replicate it.

2. Large tiles

If you are trying to save room, or make a bathroom feel and look bigger, then you need to consider using large tiles on not only the floor but walls as well. I'm not sure why, but there is something in the human brain that makes us think a room is bigger just by the materials used on the wall.

3. Lineal floor grates

I love lineal floor grates. They look neater, they're easier to clean and your tiler will absolutely love you. Particularly when using larger tiles, it can be very difficult to cut the tiles to funnel the water into a central round drain. However, as the lineal floor grates tend to be as long or wide as the bathroom, the tiles will naturally slope down towards the grate (often saving money on tiles too!).

4. Gone are the old diverters

If you're doing a new build, avoid the shower-bath-combo with the shower/bath diverters. They are not well liked and will hinder your selling ability. For high-end homes with luxury finishes, try using the diverter for two different showerheads. Men tend to prefer the rainfall showerhead whereas women prefer the normal flexible shower arm.

5. Think about the little things

There is nothing more annoying than walking into a shower, turning on the taps and getting blasted with cold water. Offset your shower taps and bath taps away from where the water is being directed. It seems like it would be common sense but so many bathrooms are like this due to poor planning and a general lack of thought.

6. Don't move anything

When renovating a bathroom, avoid moving any of the plumbing fixtures and pipes as you will see exorbitant costs for very little reward. Sometimes it is worth leaving a poorly designed bathroom and make it look pretty than to spend thousands on redesigning it and then seeing no change in sell price.

7. Waterproof it

On any new build or renovation, you have to waterproof it. It is best to use a specialist to carry out the works as they will be able to provide you with a certificate.

8. Ventilation

Unless mould is a look you're going for, you are going to need to install proper ventilation. Windows are a needed tool if there is no room for a proper ventilation/exhaust fan. You are going to experience multiple problems in the ceiling and any roof spaces if you do not have adequate ventilation systems put in place.

9. Don't be vain with your vanity

Keeping your vanity small can be an extremely effective method of saving or freeing space. It is better to have more storage in your vanity than extra bench space (which only ever gets used up for mess!).

10. Less is more, and cliché

It's cliché, I know and I'm sorry, but it's just so true when space is a limited factor. A crowded bathroom is much more likely to give you grief than a spacey bathroom with less in it. It makes it easier to keep clean, and adds a flow to the room.

Top 10 Tips
on building & renovating kitchens...

1. Build it to your environment
Before starting any kitchen build or renovation, you need to understand what type of property it is. There is no point in putting in an expensive and high-end kitchen with quality materials for a small two bedroom rural flat. The same goes for cheap, small kitchens in big family homes with a high price tag. Think of the demographic that will be using the kitchen and install a kitchen that will suit.

2. Useful bench space
If you have ever cooked a dinner for a family, you will understand when I say that all kitchens need useful bench space! It is even worse when there are the usual appliances sitting around. Bench space is the most important aspect of the kitchen. Think about where you would stand if you were cooking. Again, size and room will be another limitation, but you cannot sacrifice valuable bench space.

3. Open plan
If size is an issue, it is always a good idea to remove adjacent walls (although ensure they are not structural or load-bearing) in order to add a more open-plan feel. I am very pro open plan kitchens, as I feel they not only sell better, but are genuinely easier to cook in.

4. Mirrors
Mirrors are a tool you can use to make a room feel and look bigger. Mirror splashbacks are definitely an excellent way to open up a kitchen, but you have to be careful, as it is really obvious when it is dirty. If you decide to go with the mirror splashback, consider putting a little mezzanine level along the front of it in order to stop that inevitable flying cooking mess.

5. Link the dining room

Incorporating the dining room with the kitchen is an excellent idea. You can easily do this by separating the two rooms with a freestanding island, although that is not always possible. If you have a wall between the two, making an opening to pass plates and food through for easy access and efficiency is a great idea.

6. Lighting and windows

Appropriate lighting is extremely important in a kitchen. Dinner is typically the meal that takes the longest and is often done in darkness, so it is important to have good lighting or you may indirectly be the cause of someone losing a finger while chopping onions. You need to have general ceiling lighting and appropriate lighting over your bench top and work surfaces. There will normally be a light attached to your range-hood, so you won't typically have to worry about lights over the stove.

The same goes for dining tables; you are not creating a restaurant! A good chandelier or light directly over the dining table is perfect - it creates a feel similar to sitting around a campfire.

7. Storage

This should be something you think about when determining what type of kitchen it is going to be, and who is going to be using it.

A city, one bedroom, studio apartment won't need a walk-in pantry. It is, however, important that you have more storage than you need as a too much will never hurt as much as too little!

8. Themes

Unless you're confident with your interior design skills, you should always pick or follow a theme for your knobs, drawers, handles and bench tops. It is really important that they complement another. Mismatching features can be a real eyesore and also something people notice easily.

9. A little simulation never hurt anyone

When you find yourself planning the kitchen (and nobody is looking) do a little simulation of how you would cook a dinner. Where do you start? Where do you chop shallots, etc.? Take important notice of your movements, as you could find yourself doing a mini-marathon trying to make some soup. I find this a really good way to foresee any problems that may arise in the future.

10. Appliances

This is a tough one. Stainless steel appliances really struggle to find themes that they do not complement, so they are always a good option. It is really important not to go overboard with the appliances, as you can quickly go from homely to cluttered.

Top 10 Tips
on demolition...

1. Pre-demolition inspections

Whether you are doing the demolition yourself or having professionals do it for you, you are going to need a structural engineer on-site to conduct and document a thorough investigation of the structure that you plan to demolish. This will help enormously when dealing with council regulations and licence applications.

2. Obtain a demolition permit or licence

Make it legal! Check with your local council before starting your demolition. Chances are, they will need to approve it and there will be costly penalties for unlicensed demolition.

If this is a DIY, you are going to need to provide business information, contact information, supervisor information, evidence of public liability insurance etc., but check with your local council as these requirements may vary.

There are a lot of demolition requirements that you will need to be aware of and comply with, so make sure you are 100% compliant with council rules and regulations before starting ANY stages of your demolition. All it takes is one building inspector to drive by or show up and you've got yourself a pretty hefty fine.

You are likely to get one of two licences; either a class 1 unrestricted licence or a class 2 restricted licence. These both vary depending on the State that you are in and information can be found on your local Council's website.

3. Due diligence for DIY demolition

Make sure you are certain where the water, sewer and electrical services run. If you have done your due diligence and, if something is to go awry, you are not going to see yourself in a negligence lawsuit. I recommend consulting the town planner or council to find the necessary information.

4. Safety, safety, safety

If you're doing a demolition by yourself, you're going to need to be conscious of safety. Even if you have called in the professionals, safety is paramount. Demolition can be extremely dangerous. Above all else, ensure that all the services (water, gas, electricity) have been turned off before you start. Ensure that all your workers have hard hats and boots on at all times. You'd be surprised at how many people wear their average sneakers on site and complain about upended nails.

When knocking out the insides of a house, be aware of what beams are load bearing, and prop these or turn to alternatives. You don't want the roof/upstairs coming down on top of you.

I also recommend using face-masks, especially when dealing with older houses as they are more likely to have toxins such as asbestos, mould and lead, as well as incredible amounts of dust. Gloves and hard leather or steel-capped boots are a necessity.

5. Do not underestimate demolitions

Do not start a house demolition with the preconceived notion that it is just fun, or chaotic destruction without much forethought. That is a sure-fire way to get injured. Demolition requires a lot of systematic physical labour. There is an order to demolition unless you are just taking a bulldozer to the premises. Then, when everything has been ripped out or down, there is the problem of waste disposal.

6. Tools for a DIY demolition

Firstly, you should analyse your house materials. Will a sledge hammer be the weapon of choice? Maybe not. Here is what I find, among other things, essential for carrying out a home demo:

- Crowbars – these are a fantastic tool for pulling out nails and loosening flat wall or floor materials (tiles etc.).
- Excavators – while a bit more expensive, easy to rent and time efficient.
- Hammers – you're going to need your standard claw hammer, as well as a light-medium sledgehammer for taking out those support beams/rafters.
- First aid kit – never undertake any demolitions without appropriate medical resources
- Hard hat
- Gloves
- Boots
- Protective eyewear and masks
- Electrical testers – you need to be certain that the power lines and electrical cables are dead

7. Don't be the bad guy

Let your neighbours know ahead of time what is going to happen and don't start in the early hours of the morning (7am is reasonable). I like to buy them a bottle of wine to thank them for their patience. It will go a long way and can prevent some of the hassles that come with a house demolition.

8. Disposal and waste management

After your demolition, your site is likely to look somewhat post-apocalyptic. This is normal. However, it is important that you dispose of all the materials correctly. If you have any recyclable or reusable material, consider using it. The more you divert from landfill, the better it is for the environment and your pocket.

9. Secure the premises

Make sure you secure the premises and ensure that it is off-limits to the general public. You should have already taken out all the necessary insurances (including Public Liability Insurance) as you can never be certain about what is going to happen on your work site. Remember that sometimes, you can be liable and penalised for something that isn't necessarily your fault (typically unauthorised access which Public Liability Insurance covers you for). I like to gate off the worksite, especially when it is in the demolition stages; you can rent cheap temporary fences from any industrial tools rental warehouses (Coates Hire, John Deere etc.).

10. Budget for the unexpected

You will need to budget for the unexpected. Demolitions are notorious for encountering problems, especially when it is a part demolition e.g. a front verandah but not the whole house, or where the structure being demolished is in close proximity with other buildings. I like to add 10 to 20% to my costs, just to be sure, and then if all goes well, I have a bonus in my budget.

Top 10 Tips
on the steps of strata titling...

1. Town planner meeting

Your town planner is your weapon of choice for this type of property investment. You are going to need to sit down with them and go through any zoning requirements for the Council approval.

2. Parking requirements

You need to then check car park requirements (part of the development control program in the Council that you are working under). It is usually available for download on their website for a small fee or free.

3. Land surveyor

Meet with a Land Surveyor who will advise you on the exact size of the land, and any encroachments by or upon the property plus any easements or covenants on the title. The Land Surveyor will draw up the strata-plans in accordance with any local Council regulations. You will then have the Land Surveyor draw up your Development Application, and attend the lodgement of registration of the draft strata-plan at the Land and Property Management Authority in the area.

4. Services

Contact all the relevant service authorities such as Unity Water, Telstra and whatever electricity supplier is in place. You would do well to investigate requirements for separate meters for each lot and the related initial costs for setting this up.

5. Safety inspections

You next need to arrange a building and pest inspection of the property. This includes getting a fire safety rating. Ensure that particular attention is made to the foundations, sewers, fire rating of the walls, and compliance with fire safety requirements.

6. Quotes

You need to get quotes for the cost of any works needed (which should've been done in your prior feasibility study) and see whether the fire safety upgrade will affect the deal.

7. Contract of sale

Get your solicitor to review the sale contract and be sure to tell them of your intention to do the strata-title process. They will be able to advise you on zoning, land tax, existing building compliance, heritage issues etc.

8. Existing contracts in place

Check out any existing leases and agreements (if any). The terms of these may have an impact on your intention to renovate or make any changes to the internal walls. If there are long leases in place and unco-operative tenants, your time schedule will need altering, or you may have to consider the cost of breaking leases.

9. Insurances

You need to know what type of insurance you are going to need. Speak to your insurance broker about what you will need to be covered for, including things like common property issues etc.

10. Fire ratings

In order for a building to be acceptable for strata-titling there has to be adequate rate separation between the units. If a fire starts in one unit there must be a minimum in most States, of a two hour burn ratio before it enters the next unit. Council and State regulations differ around the country so check out the requirements in your area with a town planner or building inspector.

Top 10 Tips
on strata titling...

1. How can you use strata titling for profit?

Strata titling is just another method of manufacturing growth. It is simply the process of taking an existing multi-family dwelling, block of units or number of townhouses and applying to the local council to have the building broken down into a number of separate titles. The process usually involves an increased rates bill for water and sewerage etc. It does, however mean that each unit can be sold off individually.

2. Common, Company, Community and Group titles

Common Property - Common property is defined as everything on the parcel of land that is NOT contained in any current strata lot(s), such as common stairwells, foyers, driveways, rooves, main gates, garbage areas, swimming pools etc. The common property is owned by the Body Corp and all owners must contribute to the management, maintenance, repair and insurances of these areas through a 'sinking fund'. This contribution is proportionate to how much of the entire space is owned by any particular lot holder.

Company Title – Prior to the formalisation of strata titling, the only way to purchase part of a building was through the company titling procedure. This is where the purchaser would buy shares in a company that owned the entire building. The purchaser's share allocation would have a designated 'Right to Occupy' a portion of the building, and 'An Exclusive Use Right' for designated land such as courtyards, driveways etc. To my knowledge the only two banks financing company titles are St George and Westpac, as it generally is not well received in the market.

Community Title – There are two types of Community Title. A 'Community Scheme', which is a property that has been divided into individual lots usually without height restrictions, plus a common area property. There is also a 'Community Strata Scheme', which is where a building has been divided into individual units, but must have one unit above another (unless it was a strata plan), plus a common area property. One of the biggest differences between a community title and a strata plan, is that owners arrange their own insurance and are responsible for their lot. The community corporation still insures and manages common area property and the bylaws.

Group Title – The term 'Group Title' comes from the Group Titles Act of 1973 and deals with the horizontal and vertical subdivision of both land and buildings.

Community Title and Group Title are variations on the strata titling model and vary little from what we know as strata titling. Some states and councils use community title synonymously with strata title. Effectively, all three deal with the horizontal and vertical subdivision of land and buildings and the use and governance of common areas. In Victoria, strata title is not as widely used and is often referred to as a subdivision, even though it includes the dividing of land and buildings.

3. Features to look for when sourcing a property to strata title

Strata titling is a great way to manufacture equity in your property. Unfortunately, not every property is suitable for this strategy. There are certain aspects of a property that you must identify to determine whether it is suitable or not.

Firewalls – When assessing whether a property is going to be a viable strata titling deal, one potentially high cost consideration is the firewall rating requirements. When breaking down a building into smaller title-able lots, any adjoining walls must have a minimum of a 2 hour burn ratio.

Service – Before units can be individually titled, they must have separately metered services e.g. electricity, water, phone. If this is not already done, it is an added cost to the strata titling process. Check out where the access point onto your property is for services, and get quotes from a number of contractors on splitting the services across the units, and installing meter boxes.

Access – In more built up areas, councils tend to be more particular about whether they will allow strata titling of a building if it fronts a busy road. Sometimes a traffic report will need to be done before the council approves your application. This is normally not a consideration in regional areas.

Parking – Once again, more built up areas have tougher requirements regarding the provision of off-street parking. In some cases, where land is at a premium, a finicky council may prevent a strata titling of a property because insufficient off-street parking can be provided. Again, regional councils tend to have little concern for off-street parking requirements. *Grandfathering* – Quite often, you will find a block of units in a residential area which is not zoned for a block of units. This is generally a result of 'grandfathering'. At the time the block of units was built, a more relaxed town plan and building code could have been in place and the construction of the block of units or warehouses or shops etc., would have passed the building code of the time, but would not pass the more rigid buildings codes of today.

Council attitudes – One of the first things you should do before getting excited about a property is make sure the council is relatively pro-strata titling. Some councils make it extremely difficult to do anything and realistically, you can spend a lot of time banging your head against a brick wall with a council that doesn't want to change.

4. Ensure that you correctly finance a strata-title

The process of taking a block of units from one title to strata title is basically an identical process to subdividing land as far as financing and how you manage it are concerned. The only significant difference is even though the bank may agree to take the group titled block of 4 or 6 as security for a residential loan, once the strata titling process is completed, the existing mortgage holder will not want any more than 25-30% of the units in a strata titled building.

This means you will need to have alternative financing in place for the remainder of the units before the strata titling process has been completed or you could find yourself in a very sticky situation and maybe even being placed into default by your existing bank if you are unable to have the units financed by other funders.

Talk to your finance broker and make sure the product you do decide on suits all your requirements.

5. Create a Body Corporate

Creating a Body Corporate is an essential part of the strata titling development. However, the by-laws of that body corporate will be set down by you before the registration of title. These can be changed at the first AGM or later on, but basically what you want to be the guidelines for behaviour within the whole complex, can be addressed here to suit your best intentions.

6. Saleability – will you sell, keep, or both?

Before venturing into the purchase of your property for strata title, you need to determine whether your intention is to sell it, partially sell it or keep the lot.

The only reason you would go through the process of a strata titling, is if you intended to entirely or partially sell the property, or if you were exceptionally low on equity. The reason I say this is because a strata titled block of units, block of shops, or whatever, will cost you more to hold than a non-strata titled property. Therefore, why would you strata title when your holding costs will be substantially more, if your intention is to hold the property. I can only think of one viable reason, and that is, if you were very short on equity, you could manufacture equity or value in your property by splitting the titles.

7. Find out what type of tax you will pay

When we talk about tax and strata titling, one of the greatest things is that, unlike subdivision, GST does not apply. Clearly, if you make a profit on a deal, and sell the newly strata titled units, tax needs to be paid on the profit. This needs to be declared in the year in which the profits have been received. The question is, do you pay Income Tax or do you pay CGT?

To put it simply, the answer to that question comes down to two things:

1. Was it your intention to make a profit out of strata titling? In this case tax is applicable.

2. When you purchased the property, was your intention to keep the property as an investment property? However, over time, you have changed your mind and decided to take your best opportunity to gain the most amount of profit by selling all or part of your property by strata titling. In this case, provided you have owned the property for more than 12 months (from contract date to contract date), CGT will apply, thus giving you a 50% exemption on taxable income.

CGT is payable in the year in which you contract the sale of the property, not necessarily the year in which you receive the income. Unlike subdivision, you haven't created a new property and therefore GST does not apply.

8. Super funds and strata titling

Strata titling is a strategy that can be utilised within the confines of a Self Managed Superannuation Fund (SMSF). However, care needs to be taken to ensure the SMSF is not seen to be running a business.

The SMSF is within its rights to gain the best profit for its members by selling the property or part of the property in strata titled lots. However, care needs to be taken (and this will be demonstrated by the trustees' actions), that the sole purpose of purchasing the property at the outset was not to jump in, strata title, and sell off part or all of the units. The primary intention needs to be demonstrated that it was one of investment and thus not a business making activity.

Talk to your accountant and auditor about their attitude to strata titling within the confines of a SMSF.

9. Costs involved in strata tilting

There are huge discrepancies with cost depending on different states. For example, in WA, costs have been done for $2,000 for a block of 7. In QLD, $10,000 for a block of 4. NSW is more expensive, at $7,000 a unit. It greatly varies and depends on your council.

If you're considering a strata title in a certain area, go and find out what the costs are; just talk to the council upfront. Talk to your town planners (your private town planners as well, as they'll actually give you an indication on how easy the council planners are to deal with).

10. Sinking funds

When you own the whole block under one title, you don't need a body corporate, but when you have separated it into separate titles even though you still own the lot, you officially do need a body corporate. It may be ridiculous to have a meeting with yourself and decide to paint the entrance or whatever. However, when you start selling off the titles, you need to have that body corporate and the sinking fund in place. The sinking fund is a certain amount of money that is put away each year to pay for major repairs and upgrades.

Incidentally, this leads me to a tip. If you are looking to buy a unit or units, regardless of whether it is an investment unit, or a PPR, target a unit in a complex that is not too big (the smaller the better), which has a large sinking fund. This is money that the other unit holders and previous owners have put away and the money doesn't get spent; it just accumulates.

As a property investor, you need to take control of that sinking fund and use it to benefit not only your investment, but the other owners' investments.

Top 10 Tips
on boarding houses & multis...

1. What is suitable?

If you are on the market for boarding houses or multiple occupancy properties, then you want to look for well-located houses that have an abundance of 'rooms'. You want to see houses that are on the market that have a separate living room, dining room, rumpus room, anything that you could easily convert into a room.

When looking at cash cows and in particular boarding houses, you need to know what the predominant characteristics you are looking for are. Certainly, one of the strongest underlying themes for either buying a cash cow directly or manufacturing a cash cow would be multiple income stream properties. So, let's take that a step further. What are the characteristics you need to look for in a property you already own or a property you want to purchase that could turn into a room-by-room rental or boarding house?

If you're going to turn something into a multiple income stream property, you need to look at far more requirements than just converting a property to dual occupancy. A multiple income stream property could quite feasibly be either subdivided or strata-titled and potentially sold separately. Having said this, why would you sell a positive cash flow property unless you had to?

2. Town planner

No doubt you've heard this before, but your town planner is once again going to be your best friend. These are valuable people to a property investor and when looking to invest in a boarding house strategy deal, they are going to be the ones that can tell you how much natural light you need per room, bathroom to bedroom ratios, what types of rooms you will need etc. You are likely going to need a private town planner (not the council town planner). They are being paid by you to help you along your investment, the council town planner is there to answer questions. You can see the motive and incentive for more quality work, can't you? Maintain contact with your town planner the entire way through the deal.

3. Property management

Property management for this strategy will likely cost you more than normal residential properties/units but requires a greater amount of work. You are likely going to see lower socio-economic demographic tenants, which should be no problem provided that your property management is adept and competent.

The negative side to boarding houses is the changing regulations and the effect that has on it as a business.

4. Sourcing boarding house opportunities

When sourcing a boarding house, you need to look for 3, 4 or even 5 bedroom homes that have the ability or potential to create more bedrooms. Look for homes that have potential bedrooms e.g. rumpus room, home office, large dining rooms etc. You are trying to convert rooms that don't add value, into bedrooms that can be rented on a room-by-room basis. There are also council bylaws and regulations that require you to have a specific amount of bathrooms to bedrooms.

5. Council attitude

During the setup process, you need to find out the council's attitude towards boarding houses. Firstly, I recommend not telling them you're thinking of investing in one, but go through your town planner to get the advice. The last thing you want to have happen to you is for the council to reject your offer on a trivial or unimportant basis. There are strong views about boarding houses, even though there may be a clear and real need for it in the market, so you have to be careful.

Secondly, find out the council's attitude to new developers and projects. Some are fast, understanding and helpful, whereas others can be biased, slow and hold a negative approach to development which it has a pretty major impact on your investment.

6. Potential value adding

Due to the hefty start up costs of a boarding house, you may need to consider performing a value adding strategy. For example, you could subdivide on the back, acquire a construction loan and build another boarding house on a battle-axe type lot. Obviously, it will depend on other factors like the minimum lot size and is all subject to council approval, but if the potential is there, it can be a good way of paying down the loan on the second one if you refinance and sell, or it can be done for a pure cash flow advantage.

You should be doing your feasibility studies on these types of strategies prior to purchasing a property. You might have to pay a little extra upfront, but if it let's you pay down your loan quicker, or increases your passive income by another $10,000, then it's worth it.

7. Demographic research

Before entering into a boarding house purchase, you need to do your due diligence on the demographics of the area. What type of people are going to pay your rent? Is it a large enough populace? Will you be able to keep your property tenanted? You need to be asking yourself these questions.

Location is an important factor to consider. A boarding house near a university is going to be much more sought-after than a boarding house near a primary school.

8. Services are all provided?

All services such as heating, water and electricity are provided by the owner. This can be an area which is open for abuse of excess water charges and over the top electricity bills with air conditioners and heaters being left on unnecessarily. Try and have energy saving appliances such as efficient heating and cooling systems and energy saving showerheads and the like.

9. Provide suitable furnishings

Boarding houses will need to be furnished. Always have really sturdy furniture. It is much better to have solid, even if somewhat dated, furniture than to have new age trendy furniture that is flimsy. Chances are, things will break and end up costing you more anyway. The boarding house will normally have everything provided from the cutlery to tea towels to bed sheets.

10. What leases are required?

As boarders and not tenants, there is no requirement to have leases in place. This can be a good thing and a bad thing. On the positive it means if they play up or don't pay or are unsatisfactory, you can move them out relatively quickly, however on the down side it does make financing the property harder because you don't have security of income which is protected by lease agreements.

Top 10 Tips

complying with council regulations...

1. You have to comply!

There is no excuse these days to go against council regulations with the age-old "I didn't know!" With the advent of the internet, there is so much information available at our fingertips through council websites, that you need to access this and be knowledgeable about what you can and can't do.

2. Your town planner is your best friend

Whether it is construction, subdivision, strata-title, fire ratings, driveways – anything - when it comes to a council that you are not familiar with, your town planner is your best friend. They help you with the regulations, with finding where the services are in the ground, strategies to get development applications approved, and pretty much anything that needs to go through the council. It is also worth mentioning that I prefer using a private town planner over the council's town planner as the former works for you and the latter works for the council.

Without the help of a town planner, you can and will spend hours getting lost in council websites and PDF's, I prefer the easier option of calling up my town planner and asking them a direct question and so will you.

3. Council contributions

These are a little bit like a bribe, but they are super effective. When applying for a subdivision, you donate money to the council as a head-works cost. This is called a 'council contribution'.

4. Know where the services lie - it could cost you

Knowing where your sewerage line runs, where your telephone cables are, your electricity cables are, where your gas lines run, and your storm water run-off is, could mean the difference between your project running on budget or over-budget. Before you spend too much time and money getting involved in a project, you need to know where all your services run.

5. Print out a map of the area you're researching

You will be able to see all the zonings, zoning changes and any potential deals on a map.

Councils will have maps of sewerage lines, electricity, internet cabling, zonings etc., and you need to make sure that none of the existing service lines run across your property where they could potentially interfere with your building and construction plans. Get a copy of these maps. Some Council websites will have them available online, while others will provide them over the counter for a small fee.

6. Be wary of commercial changes

A common trap for young or inexperienced property investors, looking to buy into commercial, is M.C.U (Material Change of Use). Check that all your tenants comply with the allowed material use. Most of these applications go through without too many problems, provided your request is reasonable and doesn't cause traffic or congestion problems.

For example, you wouldn't want a heavy machinery manufacturing facility in a light industrial zoning because semi-trailers and high traffic could disrupt foot traffic to the light industrial area. The applications for MCU's normally go through a public notice period similar to that of a DA or rezoning application. Once again, you should always consult your town planner, as they are working for you to help you with all the differing regulations and by-laws that may be in place.

7. Rezoning

Rezoning can be something that you have to be wary about. It is, essentially, changing the classification from one zone to another. As you would know, some of these categories are far more profitable than others.
As with development approvals, a rezoning will require a public notice period where the public has a right to lodge objections. The council must

deal with each objection on its merits, and there is a specific procedure that councils use to do this. Unless the objectives have sound town planning ramifications, they will be discarded, but they are always addressed.

8. Council inspectors vs. Private building inspectors

Hmm – Which one is better? Well that's a political one. Private building inspectors were introduced to cope with the backlog at councils and there are certain types of buildings which they can approve without going to council. Private building inspectors are usually easier to deal with and quicker than council building inspectors.

If I want advice on a site, I will always ask a private inspector and pay for their services accordingly because a council inspector is paid to answer your questions. The trouble is that you need to know what questions to ask to get the right answer. You can pay a private inspector to give you advice and they carry insurance for giving that advice.

9. Pre-lodgement council meetings

Pre-lodgement meetings are absolutely essential. Why pay application fees if you are paddling the proverbial uphill? A pre-lodgement meeting will alert you to any concerns the council may have about your proposed project and give you the opportunity to change any contentious issues before lodgement. Additionally, if a council planner, plumber, or building inspector has an opportunity to add value and input into the project prior to lodgement you can almost guarantee the application approval process will be a whole lot smoother.

10. Schedule of fees

Every council has a schedule of fees for varying application processes. It is advantageous knowing what these are in advance, not only so that your feasibility study will be accurate, but also because you may be able to stream line your application process to save costs. E.g. Submit a DA and BA at the same time (DA = Development Approval, BA = Building Approval).

Top 10 Tips
on what to ask a town planner...

1. How do you view the Council? Slow? Fast? Pro-change?

Your town planner, in many property investing strategies, will be your best friend. They are the ones who know how to get applications through the Council and will know what the Council likes and doesn't like in terms of developments. His perception of the council will be fairly accurate.

2. Can we do a hypothetical run-through?

Get your town planner to run through the process briefly and set out a timeline for things to happen. A good town planner will be able to tell you the length and duration of applications and other approvals that you may need.

3. Have you done anything similar to my situation?

Try to get the Town Planner to show you some local examples that they have worked with in the past. These can be valuable when you are relying on the Council to approve a development.

4. How long have you been working in this area?

Ask your town planner about their experience not only with this Council but as a town planner in general. If they have an extensive history of Town Planning, then they will most likely know the ins and outs of whatever it is you are trying to achieve.

5. What are the regulations and rules I should keep in mind when looking for a property?

If you are looking for a subdivision in a particular area, the Council may have different rules and regulations that may determine whether properties are eligible or not (parking space, minimum lot size, drive-way space required, etc.). Get a good understanding of the criteria that the Council requires before you start researching and sourcing your next deal.

6. Do you know of any future zoning changes?

Town planners deal with the business of real estate day in and day out. They should be up-to-date with any potential zoning changes or nearby development application approvals.

7. Are you willing to have a property managing role in the project?

Your town planner should be quite adept at coordinating with other consultants. You will need to have him in a managing role to discuss reports and coordinate with the engineers (structural, civil, electrical, geo-tech, etc), draftsmen and architects, the Council and any other specialists that may be required to work on your property.

8. Will there be any pre-lodgement meetings or inspections to be done with Council town planners?

Ensure you know of any possible meetings or inspections ahead of time so that you are able to prepare.

9. What are the possible costs that I might run into?

Find out if you have to pay any Council fees, infrastructure charges, approval contributions etc. Take them into account when doing your feasibility studies and checking your finance.

10. What is the plan of action if the surrounding community/ neighbours object?

It is often the case. Surrounding neighbours will object to whatever you're trying to do. If this is the case, there are a number of options you can try. Consult your town planner about what the plan of attack is if this were to happen. Note that you may need to consult your solicitor depending on the situation at hand.

Top 10 Tips
on what to ask your builder...

1. Are you currently working on any other projects?

Determine whether your builder is busy on a number of builds, or if your project will be the number one priority. If a builder is completely swamped, your schedule may be affected, no matter how many employees he has.

2. What are your qualifications?

You should get a detailed reply to this question. They should be able to tell you their license documentation, their history, and past projects that will act as examples.

3. Can I see some of your previously completed projects?

Every quality and honest builder should be more than willing to show you some of their past work. You may be able to quiz the owner to get some feedback on reliability, efficiency, quality etc.

4. What insurances do you have and recommend?

Whoever you contract as your builder should be fully insured for any accidents, injuries, unauthorised access or any unforeseen circumstances that may happen during the construction process. Public Liability Insurance and Worker's Compensation Insurance are a complete must. All insurances must be taken out before commencing the construction stage and will often need periodic inspections to ensure that guidelines are being met (by the insurance company). I like to ask the builder for copies of the insurance contract

5. 'Fixed price contract' or a 'cost plus contract'?

Generally, these are the only two contracts that you will really deal with when contracting a builder. A 'fixed price contract' is fixed in advance and is independent of costs incurred in respect of the construction contract. I do, however, recommend getting your solicitor to review it (as should be the case with all contracts!) and ensure that you will not get tagged with certain costs that were overlooked in the contract.

'Cost plus contracts' act as a sort of massive quote. They allow for a profit margin and then quote you on the costs and labour. Generally, I dislike these as they usually have no incentive to improve on costs. I have seen it work successfully, but it is entirely dependent on you and the builder.

6. Do you have any other tradesmen that would like to quote the other jobs (electrician, plumber, tiler, etc.)?

If the builder you select has a few friends or people that he has worked with previously, it is a good idea to get them to work on the site. It will help things run smoother and they will get along.

7. Can you offer me any advice on what you think should be done on my job?

Your builder builds houses for a living and if you have a particular issue, chances are that he will know how to achieve a solution better than you. Ask their advice; your builder is a business partner.

8. Are you happy to sign a contract for the work you need to do that is a standard contract from the Licensing/Building Authority?

Your builder should be more than happy to answer this question and provide you with a contract of the works to be done as per the standard contract of each building authority (varies depending on state).

9. Will you be able to stick to my timeframes?

I like to get my builder to commit to getting the works done in a reasonable amount of time. When the construction period goes too long, you're losing money. Get your builder to commit to your time schedule and it will save you stressing later down the track.

10. Are you happy if I ask questions while you are working so I can learn?

It is important, when asking this question, to let the builder know that you are not checking on them but you're genuinely trying to find out more about the process for the future. Your builder should be happy to show you their good work. Communication is key to having a strong relationship with your builder and is extremely rewarding.

Top 10 Tips

on what to ask your designer...

1. Are you a member of relevant professional organisations?

Most professional organisations require their members to maintain minimum insurance requirements and have a minimum qualifications standard. By knowing that your designer is registered with professional associations, you are awarded some comfort as they have the necessary qualifications.

2. Could I have a copy of your insurance?

Investors don't ask for copies of professional's insurance often enough. Whether they're dealing with a contractor, a tradesperson or any professional for that matter, I think it is essential and anyone who is suitably qualified or holds the correct insurances shouldn't have any trouble with the request.

3. Can I have a look at your previous works

It is important to ascertain whether your building designer's style fits what you are looking for. By looking at previous works, you can ascertain whether or not the building designer will be able to provide you with the right plans.

4. Ensure you discuss fee structures

It is important that you are fully aware and on the same page on the structure of your payments. When you look at their previous works, ask how much (approximately) the previous works cost. You could see something you really like, but later be hit with significant fees.

5. Why should I choose you? What do you offer me over the others?

This is a good question to ask as you are the one paying the money, but you need to be careful when asking, as it is extremely easy to sound pompous. Try and get the building designer to sell themselves to you. By doing this, you'll find it is a lot easier to make a decision, particularly if you have a few different designers in mind.

6. Ask to speak to some previous builders that he/she has worked with

I find asking the builders about the designer a really easy way to figure out if the plans are easy to work with and cost-effective to boot.

7. Ask to speak with previous clients

Just like asking to talk to the builders, asking previous clients can be an effective method of determining whether or not the designer is easy to work with. These are people that have gone through what you're about to, so they are a wealth of information. Just be a little wary, as the designer isn't going to give you contact details of previous projects if they didn't go particularly well.

8. Ensure that timeframes are met

This is really important. You need to gently force the designer to commit to a timeframe, or at least confirm that the works will be completed approximately when you need things to be finished.

9. Be clear!

You can have the best building designer to ever set foot on Earth, but if you are unclear on what it is that you want, you aren't going to be happy about their works. That is why it's vital to be extremely clear (and I like giving instructions in writing so you can go back and see them) about your needs.

10. Can you come and inspect onsite?

When looking around for quotes, you will find that some will not request to see the property before giving you a quote. I have always preferred those who are a little more meticulous and request to see the property in person before making any decisions (although that's not always an accurate factor when determining a designer's skill).

Top 10 Tips
understanding building contracts...

1. What should it include?

Among other things, the contract should:

- Be in writing
- Provide a detailed description of the work
- Include plans and specifications
- State the names and addresses of the parties
- State the registration number of the builder
- Provide a start date or how that date is to be determined and, if the start date is not known, require the builder to do everything that is reasonably possible to ensure the work will start as soon as possible
- State a date when the work will finish or the number of days that will be required to finish the work once it is started and
- State a contract price.

2. The deposit

As part of the contract signing, the builder may ask for a deposit. However, there are regulations regarding the amount. A builder must not demand or receive a deposit of more than 5% of any contract where the contract price is $20,000 or more, or 10% of any contract price that is less than $20,000.

3. Cost escalation clause

There are once again regulations in place to restrict cost escalation clauses. These are quite common in building contracts and provide for an increase of the contract price in certain circumstances, such as variations in the building works, delays caused by the owner, etc. A cost escalation clause in a domestic building contract is void unless the contract contains a notice alerting the customer to the effect of the clause and the customer places their signature or initials next to the clause in the contract.

Once construction has commenced, if a builder asks for money that has been allowed in the contract price, review the contract carefully before agreeing to payment. A builder cannot demand more money because of wage increases, inflation etc. Check all builder demands against the cost escalation clauses that you signed or initialled at the time you signed the contract.

4. Builder's caveats

It used to be common practice for builders to place a caveat on the owner's property. The caveat provided the builder with some security and leverage in respect to payment of the contract price. This has changed now, and legislation has ruled that a domestic building contract does not entitle a builder to place a caveat on the owner's property title.

Some builders have sought to overcome this provision by requiring owners to sign a side agreement which, strictly speaking, is not a domestic building contract and therefore falls outside the legislation. You should never sign such side agreements without your solicitor checking the paperwork.

5. Material costs

When viewing the contract before signing, you should always try to ensure that every item of work and material is properly priced and that price is fixed in the contract. However, this is not always possible. Some items to be included in the work are not agreed on prior to the signing of the contract e.g., tile selection, white goods, or bathroom fittings may be decided upon after a building work is commenced. In respect to these items, the builder normally estimates and includes them in the contract as a prime cost item.

Similarly, certain works may not be agreed prior to the contract e.g. fencing, landscaping, etc., and for these works a builder will normally estimate and include in the building contract a provisional sum.

Most contracts allow the builder to charge a substantial loading if the consumer spends more than the agreed estimate for a prime cost item or provisional sum. Further, before entering into the building contract, you should receive a list containing a detailed description of each item of work, a breakdown of the cost estimate for each item, and how the builder proposes to charge for any extra amount. Also, you should clarify in writing whether the amounts include or exclude GST. Avoid verbal agreements or assurances about GST, or about other contract matters - make sure everything is in writing.

6. Major domestic building work

The relevant builder's associations place more onerous provisions on builders in contracts for major domestic building work, i.e. where the contract price is more than $5,000.

The Master Builders Association and the Housing Industry Association market their own contracts, which are often used by builders who are members of those associations. The Royal Australian Institute of Architects, in conjunction with the Master Builders Association, has produced the ABIC suite of contracts, which have been adapted for domestic building work. Any other form of contract offered by a builder should be reviewed carefully by your solicitor.

It is *extremely* important that you obtain legal advice before signing any building contract.

7. Foundations

The construction of footings and slabs can sometimes involve additional work, resulting in significant increase to the contract price. To protect consumers against these uncertainties the builder is required to thoroughly investigate the site prior to preparing a footing or foundation design.

The builder needs to have access to all reports, surveys and test results necessary for the preparation of a proper footings design and an adequate estimate of the cost of constructing those footings. It is your responsibility to obtain these reports and pay for them, and then make them available to the builder.

If the builder believes this information is not adequate, they must make their own enquiries. Some builders require owners to enter a preliminary agreement covering things like surveying the site, a structural engineer's report and preparing preliminary designs and drawings. A builder cannot ask you to pay additional money in respect of foot work if this additional amount could have been reasonably ascertained had the builder obtained all necessary foundations data before construction commenced.

You should ensure that the preliminary agreement does not require you to assign or transfer intellectual property to the builder. Unless you retain copyright on the work, you may not be permitted to give the design to another builder to construct.

Some builders allow contingency sums in the contract to cover any additional foundation work. You should attempt to minimise these contingency sums and, in respect to foundation work, and you should require the builder to do the necessary investigative work and prepare and cost a proper footings design.

8. Cooling off period

A consumer may withdraw a major domestic building contract at any time before five clear business days after they receive a copy of the signed contract. Contracts are required to contain a written notice advising you of this cooling off period. If you as the investor, wish to cool off, you simply complete the notice and serve it on the builder in accordance with the contract provisions.

However, you cannot cool off if you have previously entered into a similar contract for the same work, or have received legal advice before entering into the contract. If you do withdraw from the contract at this stage of proceedings, the builder can legally retain out of the deposit, $100 plus any out of pocket expenses. All other monies must be refunded.

9. Variations

One of the biggest headaches with contracts is variations to the contract price. These may arise from either you or the builder. Changing your mind about the works after the contract has been signed can be a very expensive exercise.

Should a builder request to vary the plans or specifications, the builder must give you written notice of the variation, state why the variation is necessary, and state the time it will take to complete the works. The builder must also provide a cost of the variation and state the effect it will have on the contract price.

Unless a building surveyor requires a variation, a builder cannot carry out any variation without your signed written consent. A builder is not entitled to recover any money in respect to a variation unless he can establish that the variation is both necessary and could not have been reasonably foreseen at the time the contract was entered into.

If you wish to vary the works, you must provide a written notice to the builder requesting a variation. If the variation is of a very minor nature, i.e. it will not add more than 2% to the contract sum, the builder may carry out the variation. However, be careful, as in large projects, 2% may amount to significant additional expenditure.

In all other circumstances, the builder must give the consumer a notice stating whether the variation will require a variation to the building permit, whether it will result in any delays and an estimate of those delays and the estimate of the cost of variation and its effect on the contract price. A builder cannot proceed with a variation requested by you unless you accept the builder's notice by signing and returning it to the builder.

10. Progressive payments

Building contracts normally provide for payments to be made to the builder at various stages of the work. The amount that can be claimed by the builder on completion of each stage of the building process, is regulated by the various state associations. Generally, in a contract to build all stages of a home, a builder cannot claim more than the following:

- Deposit 5%
- Base stage 10%
- Lock up stage 35%
- Fixing stage 25%

Ensure you are familiar with the progress payment provisions in your contract. Ensure your cash flow is adequate. Check to see that the stage is completed by the builder and that they are entitled to payment. A registered building inspector will be able to help you with this.

Progress payments should be paid within the time allowed by the contract. Failure to pay the builder on time may attract penalty interest. It is also a breach of the contract. Be careful not to commit to a large upfront payment to the builder. Such payments are fraught with risks should the builder later encounter financial difficulties. It may mean that there is not enough money left in the contract to complete the work. If the builder becomes insolvent, such payments may not be recovered, as home warranty insurance limits the amount of payments that are recoverable from an insolvent builder.

Top 10 Tips
for safety on your building site...

1. Insurance

The first, and best, safety tip there is out there, is insurance. Insurance is your #1 friend when unforeseen circumstances happen, which they tend to do. You *must* have all the necessary insurances (including Third Party and Uninvited Guests Insurance) before starting any construction on any site.

When undertaking work over $5,000, builders must also take out Personal/Professional Indemnity Insurance through the Building Practitioner's Board. Professional Indemnity Insurance indemnifies the builder or tradesperson against legal liability resulting from any claim made during the period of insurance. Your building surveyor, inspector, quantity surveyor, engineer (civil, mechanical, electrical and fire safety) and draftsperson are required to undertake their own personal indemnity insurance.

When choosing insurance, price is important, but nowhere near as important as being protected to fully recover from any unforeseen incident. That's where insurance experience and owner/builder knowledge is paramount. When it's your home, family and wealth all on the line – make sure you choose an insurer with a track record.

Public Liability Insurance is required by the following tradespeople:

- Builder and owner/builder
- Demolisher (low rise buildings, medium rise buildings and unlimited)
- Erector or supervisor (temporary structures)

2. WH&S (Workplace Health and Safety) Rules

Particularly if you are new to construction, it is always a good idea to read your State Government's 'Building and Construction Industry: Workplace Health and Safety Guide' (also referred to as the 'orange book') which has all the regulations and laws surrounding construction safety and practices.

3. Proper machine use

Heavy machinery on a workplace is the most dangerous part of a construction. Statistically, they're the number one cause of injuries and accidents. That said, ensure all necessary safety precautions are taken (especially when reversing, getting on/off machinery and when you are working with other people). The Occupational Health and Safety department is strict on this type of potential hazard and you do not want to be left facing a fine.

4. Temporary fencing

For any construction, I recommend blocking off the site with temporary fencing. It is relatively cheap to hire/rent and will prevent any unwanted guests onsite (for which you should have insurance anyway).

5. Hazards

Walk through the worksite and list any of the potential hazards or areas where accidents are most likely to happen. What can you improve or what precautions can you take to ensure the likelihood of an incident occurring is minimised.

6. Proper equipment and safety wear (PPE)

Personal protective equipment is vital and it is important to have all workers on a construction site in the correct safety wear. Walk through the construction site and identify any potential hazards in which PPE could prevent any incidents. PPE can include things such as; protective goggles/glasses, gloves, high-visibility vests, steel-capped boots, hardhats and protective respiratory masks.

7. Access and allocated areas for materials

If you are doing any type of construction, you are going to have building materials come and go. It is greatly appreciated by truckies and tradies alike when there is an easy-access 'drop-off-zone' in which they can load and unload materials. It is, however, important that you do not have to manually carry or double handle any of the larger goods, so strategic placement of materials can greatly reduce the risk of injury.

8. Where do I find OH&S regulations?

Before starting any construction, extension or build, you need to familiarise yourself with all the local rules and regulations. Typically, and this varies depending on your state, you will see fines from $5,000 and $200,000 depending on the seriousness of the breach. You can see why there is an incentive to comply with any occupational health and safety regulations.

You can find all State's OH&S regulations at:

- SA: www.safework.sa.gov.au
- QLD: www.deir.qld.gov.au/workplace
- VIC: www.worksafe.vic.gov.au
- NSW: www.workcover.nsw.gov.au
- WA: www.safetyline.wa.gov.au
- TAS: www.worksafe.tas.gov.au/home
- NT: www.worksafe.nt.gov.au/home.aspx

9. Consideration for wet weather conditions

Much like the road, things can sometimes become a bit weird when it starts to rain. If you have any 'make-shift' scaffolding or ladders that are being used, you need to check and make sure they do not slip or slide under wet conditions. If you have no choice, try getting the tarp out from the camping gear.

10. Time schedule of works

A great idea to keep communication going and the construction process smooth is to erect a whiteboard somewhere on the site with your time schedules and project planning. Make sure you write it in permanent ink though! Having said that, it is important to have contingency plans. You are going to need to be flexible and dynamic. What happens if this person can't make it on that day? It will not only help keep the work within your timeframes, but it will let contractors know what is happening on what day to avoid confusion and a crowded workplace.

Top 10 Tips
for prior to construction...

1. Site selection

When looking to construct, your selection of the building site can be of great importance. This is especially so, if you are looking to keep costs down. How much a block slopes, or the type of the soil can affect costs dramatically. As much as 20% can be added to the cost of foundations if the block slopes more than 15 degrees.

Before signing a contract on a building block to be used for investment purposes, have a Quantity Surveyor check the soil quality also. The less cost involved with the site preparation, the more value is added to your bottom line as an investor.

2. Researching your design

Before selecting the design of your residential, commercial, or multi construction, you need to look at numerous open homes, and display villages. These will give you an indication of what you do and don't want. This research will also give you a good visual indication of your likes and dislikes, and modern and popular design ideas that you can incorporate into your own.

After discussing your requirements with the architect / building designer or drafts person (designer), they will start by drawing some rough sketches, which are presented to you for further discussion. Those sketches might be revised a few times until you are happy. The designer then draws up accurate plans, elevations and section views, and may also include a model, or three dimensional drawings.

3. Preliminary costing and feasibility studies

A preliminary construction estimate is a calculation of the cost of various trade items or work, and the expenses that are likely to be incurred in the whole construction. There are a number of different types of construction estimates.

Feasibility Estimates provide an approximation of the cost of a particular project. They are usually prepared for budgeting and planning purposes only and therefore the estimate is not as detailed or accurate enough to provide a basis for a firm costing.

Budget Cost Estimate is undertaken at the beginning of the design process and allows the owner to know up front what the project is likely to cost to complete. Once the Budget Estimate is prepared, the owner can then proceed with the Development Application.

Pre-tender Cost Estimate is a detailed estimate of the cost of a project that is to be undertaken when the scope of work is clearly defined and the detailed design is completed, so that all the elements of the building are designed and detailed. It is prepared by determining the quantities and costs of all the work that a contractor is required to do for acceptable completion of the work.

4. Check your plans!

You will need finalised construction design drawings of the building that show sufficient detail to allow the builder or tradesmen to construct the building. They will include to-scale floor plans that also show front and side elevation, and sections. It is important to thoroughly go through them to ensure that the plans detail exactly what you want. You will also need service diagrams, engineering details (footings, slabs etc.) and wet area details (bath, toilet, sink locations).

5. Project specifications

The project specifications is a working document usually drawn up by the designer. A standard and basic specifications document can be purchased from associations such as RAIA or MBA for around $20.

6. Development Application (DA) or Building Application (BA)

Although it is called a DA in NSW and a BA in QLD, it is still the same process. The DA is the first part of the council approval process. The application is submitted by the developer, or owner to the local council or private certifier for approval of new homes and renovations involving structural changes.

The DA will include design drawings, Statement of Environmental Effects, Materials Reuse Statement (sometimes called Waste Management Report) and a BASIX (Building Sustainability Index) Certificate. There are also other reports such as Flora and Fauna Assessments, Bushfire Assessments and Geo-technical Assessments which may also be required at this stage - talk to your local council. Together they describe the usage, style, size and location of the intended building and its surrounds, including the zoning and any special conditions that may be placed upon the property.

It should be noted that many alterations to buildings are made without DA's. Often the only record of the interior of an existing building is the plumbing diagram, which shows the building footprint and services. It is in fact possible to completely refurbish a house without a DA. Keep in mind that a DA will be required if you are changing the structure or window and door locations on a building.

7. Building Application Certificate (BAC) in QLD, Building Construction Certificate (BCC) in NSW

Again, the terminology may be different interstate, but the principle is the same. A BAC is the second part of the council approval process and a BCC will need to be issued by the local council before a development can begin.

The building's design/construction drawings and specification document is submitted to council and reviewed by a Building Surveyor who confirms that all construction types noted on the plans are compliant with building codes and regulations and minimum standards of quality have been adhered to.

A combined DA and BCC application can be submitted to council, which is cheaper, unless the construction is complicated.

8. Site preparation

Site preparation includes clearing of the site and preparation for services to the site. Site preparation is generally not a cost that is included in the initial construction costs, as it is often unknown what lies just below the site's surface. It includes demolition of existing structures.

Before demolition can begin:

1. All services such as power, water, gas etc., need to be disconnected
2. Stormwater and sewer drains will need to be sealed
3. Adjoining properties may need to be protected
4. The site must be fenced or suitably barricaded to prevent public access during demolition process

Council requires that a temporary electrical sub-station and toilet facilities be established on-site before construction commences.

If there are no or insufficient services (water, electricity, stormwater, sewerage, gas, telecommunications) on site, or they need extending, permission from council and relevant authorities will be required.

Site fencing will also need to be erected and is to remain for the entire construction period.

The builder may have to use a combination of swaling, hay bales and sedimentation fencing on a sloping block to stop earth falling onto the road or into drains and waterways.

The builder (and quite often the surveyor) will peg out the dwelling footprint from the design drawings. They start at a boundary corner, peg a corner of the building, then lay a string line to describe the perimeter of construction. If the building has walls that step in and out, each wall and its change in direction will need to be located on the site - this process usually takes one day.

9. Assess your competition

I like to attend open homes in the surrounding area to gauge the quality and norms of the area. It can also be useful to keep track of what is selling and copy some of the colour schemes that you like and are popular. Be sure to keep track of any materials that are being used as they may be easy to access in the area and you can always ask the owner/builder for advice. Attending open homes and even auctions around the area can give you good comparable sales data (rent values, middle of the market etc.).

10. Talk to local selling agents

Talking to the local managing and selling agents in the early stages of your construction will accelerate the process later down the track. Build relationships with the agents that you like and consider to be experienced and good at their job. I prefer meeting them in person.

These are the people in the area that can discuss and divulge information about the market in both style and price, and these are things that will affect your investment's bottom line.

Top 10 Tips
to consider in doing construction...

1. Construction as a strategy

Since the 1920's, the Australian model of new construction housing has become increasingly larger. With the higher cost of construction and land lot prices, we are starting to see an affordability resistance in the market, and with that, comes smaller lot sizes, more efficient design, smaller build footprint, with greater free construction areas (entertaining areas, rumpus rooms) and the emergence of the indoor/outdoor living space.

Construction materials have also become innovative with a lot of prefabricated freestanding wall construction materials on the market. Additionally, traditional natural products such as timber and clay brick, are being replaced with composite materials, such as concrete, plastics, metals, and composite fibre timbers. As they become more popular, the unit cost of production is coming down. As the price comes down, their popularity increases and the more they are used, the less consumer resistance the market experiences.

I believe the inclusion of new construction as part of your overall portfolio, is a positive and intelligent strategic move. What will make the big difference between the traditional investor investing in new construction and the smart educated investor, is that the latter will be very conscious of the design and yield ratios, which will allow continued passive income.

2. Design

When it comes to investment properties, design takes on a whole new meaning. If you are designing a property for investment, the very last thing you want to do is end up with the same old 4 bed, 2 bath, brick and tile in the 'burbs. It's going to be negative. For you, as an investor, design and efficient use of every square metre of the building is vital. If it's residential that you're doing, then bedrooms are what count. How can you maximise the amount of bedrooms you have? For mining towns, it's not how many bedrooms you have, but bedrooms with ensuites.

As a real estate investor, designing for dual occupancy and multiple dwellings is always first and foremost in your mind. You will always be looking at the maximum capacity of your site. However, this is not always the case. Let's assume we have an 1800 square metre block with an existing high set house. If you knock down the old house, you can build 6 to 7 two bedroom apartments, or 5 to 6 three bedroom apartments. In order to do this, you would need to gain construction finance for the build, and the bank would probably want to see a sizeable contribution on your part to the construction costs, and probably pre sales as well.

You would have holding costs throughout the entire project with no income for probably a year to eighteen months. However, if you chose to keep the old house, renovate, build in underneath, and rent out as a dual occupancy, and at the same time apply for a subdivision or a strata title on the block with approval to build two new duplexes, or two new dual occupancy properties which could be built in stages, one at a time, construction finance could probably be organised such that little or no money, other than the initial purchase deposit and renovation costs, would be required.

It is also extremely important to tailor your design to the demographics of the area.

3. Builder selection

If you are doing a construction, you are going to want a builder who knows what they are doing. You cannot afford to have a dodgy, or inexperienced builder. The cheapest is not always the best. You need to be confident that your builder has given you an accurate quote with all the appropriate inclusions and exclusions. Ensure that the builder you select has all necessary licenses and qualifications with the relevant state authority.

4. Understanding builder's contracts

The builder is required to provide to the consumer a legible copy of the contract. He is also required to provide a copy of any notice, order or other document that he has received in relation to the building work from any public statutory authority. Typically, there will be three parts to a building contract. There are the specifications, the drawings and the plans (then the actual contract itself).

It is a legal document and usually in standard form. Although they are standard documents, consult your solicitor to check that your contract is right for your project before signing.

The building specification is a list of the work to be carried out, the items to be supplied/installed by the builder, and the manner in which certain work is to be undertaken. It is a technical document and you should consult the builder or an architect if you are unsure about any of its contents. The other part of the contract is the drawings / plans. These are prepared by either your or the builder's draftsperson / architect. Review them carefully to ensure they do in fact show what work you want done and that they have been approved by the building surveyor.

5. Insurance

Even though you can take all the necessary precautions to ensure that an accident won't happen, it still can, and failure to organise proper insurance before you start your construction can cause a lot of trouble later on.

Warranty Insurance – A builder may have an annual builder's Warranty Insurance, or take a policy out for each job they do. Before you sign a builder's contract, ask to see the builder's Warranty Insurance.

Owner-builder Insurance – If you are building or renovating as an owner-builder, you will need your own warranty and construction insurance, if you plan on selling the property within the next 5 to 7 years in most states. Check with the Building Services Authority or Office of Fair Trading in your state for more details.

Renovation Insurance – Renovating can affect your home and contents insurance policy, so you should notify your insurance provider before you start the renovations.

House and Contents Insurance – Hopefully, your renovation or extension will improve the value of the property. Your insurance policy should reflect this, so be sure to update this once the work is complete.

Subcontractors and Public Liability Insurance – Subcontractors are required to carry a minimum $5million Public Liability Insurance.

Injury Insurance – You will not be covered for personal injury under your construction policy; however, you can take a separate insurance for this. Family and friends living in the building undergoing renovations are not covered under construction policies for personal injury incurred at the property.

Personal/Professional Indemnity Insurance – When undertaking work over $5,000, builders must also take out Personal/Professional Indemnity Insurance through the Building Practitioner's Board. Personal Indemnity Insurance indemnifies the builder or tradesperson against legal liability resulting from any claim made during the period of insurance.

When choosing insurance, price is important, but nowhere near as important as being protected to fully cover any unforeseen incident.

That's where insurance experience and Owner Builder knowledge is paramount. When it's your home, family and wealth all on the line – make sure you choose an insurer with a good track record.

6. Financing your construction

Depending on the scope of your construction project, the costs for which you may need finance can include:

- Land/building acquisition costs
- Construction or refurbishment costs
- Stamp Duty

- Professional/legal fees
- Architect, engineer, quantity surveyor - specialist consultant as required
- Finance costs
- Interest
- Selling and marketing expenses
- Contingency allowance

7. Financing small construction projects

A small construction project is normally an extension, a single house, or a duplex. Anything more than this, is going to require a bit more documentation and substance behind the borrower.

Finance is paid out on a 'drawdown', based on the percentage completion of the project. When assessing a construction finance application, the bank's credit team will look at the borrower's contribution towards the build costs as well as the end value of the completed project. The bank will pay the builder directly in a process known as 'construction drawdowns'. When the builder presents you with an invoice, all that you need to do is sign a form and fax it to the bank with the invoice. They will then deposit the money directly into the builder's bank account.

For the final drawdown the bank will send a valuer to the property to complete a final inspection, before final payment. A valuer can also be asked by the bank to do progress inspections along the way, like at the end of various stages (slab completion, framework completion etc.). A progress inspection may delay the payment to the builder, so you need to put in your drawdown requests as soon as possible so that payments to your builder are not held up for too long.

You will also need to provide a building contract/quote, builder's licence with insurance details, council approved plans (architects and/or engineer's drawings) and quotes for all other work to be done.

8. Financing large construction projects

When looking at a larger project (which for some banks will be three or above as in triplex, fourplex etc.), a full business plan needs to be submitted as part of your application for finance.

Lenders will look at a number of areas when considering if they will provide finance for a development project.

These may include:

- Your experience as a property developer
- Financial strength of the property developer
- How much equity you bring to the project
- The location of your proposed development
- The profit potential of the development
- Builder experience and capacity
- Project management team experience
- Type of development (residential vs. commercial)
- Level of pre-sales/pre-leases
- Ability to cover cost overruns
- Exit strategy

9. Types of finance for your construction

Land Development Cost (LDC) provides property developers with the funds to undertake the acquisition and construction of the development. It also includes soft costs such as architecture, engineering and interest costs. This is the most common form of development finance and is generally limited to between 70-80% of the overall Land Development Costs of the project. You may be required to achieve a pre-determined level of pre-sales before finance approval will be granted.

Gross Realisable Value (GRV) finance provides funds based on the projected end value (excluding GST) of the property development. Under this finance method, you may be able to borrow between 65-75% of the expected end value of the final development, which potentially enables you to fully cover both hard and soft costs without incurring any out-of-pocket expenses.

Pre-sales are often not required for this type of financing but it is generally used for smaller developments only (approximately under $5million) Mezzanine Finance is usually only available to experienced property developers. Mezzanine Finance involves the use of money from external investors rather than deposit capital from the developer or equity partners. This funding supplements senior debt (LDC and GRV funding). It traditionally involves both specialist lenders and private investors. The interest rate is usually higher and is based on a number of factors including risk.

10. Taxation and construction

The biggest implication for taxation in construction is GST. If you build a property and sell it at a profit, you will pay Income Tax. However, because you are creating a new dwelling and selling it for the first time, you also need to pay GST and remit one eleventh of the sale price to the Tax Office.

For CGT/Income Tax, it is entirely dependent on how long you have owned the property and what your intentions were when purchasing the property. If it is clear that your intention when purchasing a property was to complete a construction project and onsell it at a profit, you are clearly in the business of real estate and therefore any profit made when selling the property will be taxed at your marginal tax rate.

If you have bought and sold inside a 12 month timeframe, there will be no 50% exemption for CGT purposes, and all profit will be taxed at your marginal tax rate. If you've owned the property for over 12 months prior to selling, and your intention was investment and not in the business of real estate, then you are entitled to 50% exemption for owning the property for more than 12 months.

When looking at GST in residential construction, there are three conditions that qualify you to pay GST:

- The property has not been sold as a residential premise before
- The property has been created through substantial renovation
- A new building has replaced the demolished building on the same land (this includes removal houses).

Top 10 Tips

on saving money on construction...

1. Do it yourself

This can be a huge money-saver, as long as you are realistic about your abilities. Painting is a good example of this. Many people are confident that they can paint, but are then somewhat shocked when they realise the full extent of painting a whole house. Some areas of construction and renovation are OK to do yourself, but others need to be left to the tradies. Never touch electrical or plumbing work unless you are qualified or have the expertise to do so.

2. Quotes and quotes and quotes

You need to shop around for quotes. Even if you are quoted something that fits your budget, keep looking. There could be an opportunity to save and the more you look, the better chance you have. Another reason is that you may be able to get a better or upgraded service if you inform the contractor that you have been given a cheaper quote by someone else. Ensure that you're always polite and respectful about doing so.

3. Ask your contractors if they know how you can save

A common misconception out there is that it is owner versus contractor, and that they are always trying to up the price. This is certainly not true (although not all contractors are squeaky clean). I find contractors to be a great source of information when looking to save. They are experts in their field and have a wealth of experience when it comes to sourcing materials and tips to save.

4. Research your materials

Have you considered any new alternative building structure materials? If you are on a tight budget, consider the alternative building materials that may be available. Things like recycled steel, polyurethane, composite lumber/recycled wood etc., can be used as alternatives and cut costs not only because of their insulating qualities, but the cheaper upfront purchase costs.

5. Look online for oversupply

You save thousands just by doing online searches on websites like Gumtree/eBay. You will see some decent savings from people who have either bought too much of something, or are doing their own constructions/renovations and want to make some money out of old appliances and materials.

6. Set a budget

Setting a budget for your construction or renovation is something that should be done in your feasibility study. Your budget will put the pressure on you to always be looking for opportunities to save money on materials or services. You want your budget to play on your sub-conscious and force you to be adept at sourcing cheap, quality materials.

7. Deconstruction not demolition

You can save a considerable amount of money by deconstructing rather than demolishing. Carefully deconstructing and selling off various building materials through online auction sites is a fantastic way to encourage similar behaviour and save some money whilst doing so.

8. Prefabricated homes

If time and money is tight, consider prefab homes. They are becoming more and more advanced and affordable with an extremely fast construction time. You do, however, need to be careful as they can only be a limited width, which may not suit your property.

9. Try innovating, not redesigning

Sometimes redesigning can work against you. Moving things like toilets, sinks, showers and wiring can be hugely expensive and without much return on investment. Thus, innovating rather than redesigning can save you hassle and more importantly, money.

10. Planning

You need to have a plan. I like to break up the construction/renovation into stages. Go through each stage and meet the budget checkpoints along the way. It will take out the guesswork that so commonly brings mistakes. The more prepared you are for a construction, the more money you are going to save.

Top 10 Tips
consultants needed for subdivision...

1. Town planner

The town planner is the pivotal consultant who can advise you on the depth and scope of the work required on your subdivision. He/she needs to be involved early in he process and can provide the likely cost of the project. They will usually wear one of two hats...

1. The council hat
2. The private hat

A council town planner is employed to consult on long and short term management and development issues of the city/ town. Each day, at the council chamber offices, there will be a duty town planner assigned. This means that this town planner will be responsible for answering questions on an 'as needed' basis.

A private town planner will charge you a fee for service, but will give you advice on whether a project will be viable or not, what other consultants will be needed, and referrals to a number of other consultants you may need.

2. Engineers (civil, geo-tech, structural, hydraulic, electric)

You are going to need your engineers a lot. The most important, for a subdivision at least, is the civil engineer. Basically, they will act as a project manager and take your ideas for a subdivision, and turn them into a reality. They ensure the communication between the design consultants, engineers, landscape architects, quantity surveyors, and all parties, including the client.

Next is your structural engineer. They will be concerned with the design of buildings. In fact, pretty much anything that rises above ground level.

A geo-tech deals with the stability of soils. They will assess what type of soil and subsoil is on your property and what level of construction (piers / foundations etc.) will be necessary for a subdivision and building.
The role of a hydraulic engineer is to look after the water, gas, drainage etc. They will ensure that the service lines and pipes are drawn to scale, and will prepare schedules and cost estimates for relocation of these if necessary in the subdivision.

3. Draftspersons / architects

Most people only ever think of an architect or draftsperson being required to design a building, and for the most part, this is when they are needed. However, sometimes, depending on the size of the subdivision (when the land being subdivided is small), house plans have to be submitted with the subdivision application in order to have the land size requirements relaxed. In most situations, they may not need complete plans but rather a footprint of the proposed building.

Large scale subdivision and commercial subdivisions will normally require plans from a qualified landscape architect, which set out existing vegetation and proposed vegetation. For a simple 'chop-in-half' subdivisions, the surveyor/draftsman/architect and in some cases even the civil engineer will have the necessary vegetation drawn in.

4. Real estate agent

A real estate agent is also quite an important part of the subdivision process. Sometimes, the real estate agent you used to purchase the property is the one you also select to market your end product, but only if they are the best at selling that type of property. Don't wait for your subdivision to be completed before you start thinking about who to appoint as your selling agent and what pricing structure to set.

Ensure that you select the real estate agent who sells the most of your type of product e.g. vacant land, units, house etc., in your target area. Just make sure they are not discounting to offload stock.

5. Land surveyors

The land surveyor will be required at several stages of the project. He will come in when the research, location, negotiation and contracting phases are complete, but he will be the first professional to start on-site work. A title search will confirm the size of the land and the boundary dimensions, but the land surveyor will correctly establish the boundaries of your proposed land purchase as the boundary pegs are not always a reliable indicator. They will draw up the 'land survey plan' which is the starting point for the placement of your subdivision. It forms the basis of all future engineering and construction work.

Upon completion of the subdivision, the land surveyor will do a final survey check and will not sign off on the work unless the subdivision is in exact compliance with the plan of subdivision.

6. Subdivision specialist lawyer

Your initial contact with the prospective lawyer is by phone. Enquire whether the firm handles real estate development business. You will need a specialist in this field who has development experience. The actual development deal will not be discussed until you have hired the lawyer to work on your behalf. It is a good idea to ask for a schedule of their fees and charges.

7. Finance strategist

Just like any other consultant, your finance strategist needs to be someone you can get along with. They need to be specialists in the type of financing you are doing. The bigger the project, the more in-depth your feasibility study and finance application needs to be.

8. Accountant

Accountants, like many professionals, tend to specialise. Some specialise in business accounting, others in bookkeeping. Some even specialise in individual tax returns. You need to have an accountant who specialises in asset protection and property investment. When the accountant is an investor themselves, they understand all of the little pitfalls and idiosyncrasies that occur whenever you are active in the property market.

9. Traffic consultant

A traffic consultant is normally required when access is needed from a busy road. Most commercial subdivisions will require a traffic report. However, unless the access to a small residential subdivision comes off a main road, a traffic consultant report will not be required. Basically, the traffic consultant assesses the impact that the subdivision will have on traffic flow. They then make a recommendation to the council with regard to their findings.

10. Quantity surveyors

The quantity surveyor is sometimes considered an optional extra because many of the roles he will perform can be done by the civil engineer. They are construction cost management specialists. They typically do not work on small subdivisions. When projects are high end or large scale, it is useful to engage a quantity surveyor to come up with cost estimates when the builder and the civil engineer are widely differing. At the feasibility stage, quantity surveyors use their knowledge of construction costs to advise developers on the most economical ways to achieve desired end results.

Top 10 Tips
on subdivision...

1. Research

Have you every tied to navigate your way around a new city without a GPS? While not impossible, it's certainly a lot harder. The same applies to doing a subdivision on a piece of land without knowing the subdivision guidelines of that particular area. You need to spend a lot of time planning the subdivision out and ensuring you're successful and there's no unforeseen circumstances that could compromise your deal.

2. Finance applications for small splitters

As a professional subdivision developer, you live and die by the quality of your finance applications. Without money there is no project and without a project there is no profit. A small splitter block subdivision will normally be financed by a standard residential finance application on the initial purchase, usually at 80% on the initial purchase without mortgage insurance.

3. Finance for larger scale subdivisions

As the subdivisions get larger, the financing requirements get more complicated also. Larger subdivision which require more comprehensive infrastructure such as roads and full services provisions mean the funding may need presales of land lots before approval and the loan to valuation is more likely to be 50% to 60%. Additionally the bank will need to see prior experience with this type of investing.

4. Town plan and zoning regulations

In many councils, the town plan is a conglomerate mess of chaos resulting from many years of elected representatives, with little to no experience in building development and design, having their say and implementing ideas into the town plan. Every council designates areas for certain types and classifications of property. These zonings are outlined in the council town plan. You will need to make sure you are well versed in zoning requirements for the particular council you are dealing with.

5. Entering into the contract

For a subdivision, you need to take extra care when overseeing your contract. You need to be prepared.

Each state will have its own form of contract. You can download them from the Real Estate Institutes of each state (remember, that in NSW there are no conditional contracts and an 'option' will be more widely used for bigger deals). You will need to know what your rights and responsibilities are for each state contract.

The following is a list of things you need in your conditional contract:

- Contract Date - This is filled in only when you and the seller have signed.
- The Agent - Filled in with the Agent's details (in the above case leave blank)
- The Seller - Name(s), Address, phone / fax numbers.
- The Buyer - Name(s), Address, phone/ fax numbers.
- Property description - Enter the postal address. Your lawyer will fill in the exact property description from the Title Search later.
- Matters Affecting the Property - Encumbrances and /or tenant details.
- Deposit Holder - Enter your lawyer's (name) trust account.
- The Purchase Price - This is where the most focus will be.
- The Deposit - Usually 10% of the purchase price, but can be less.
- Finance - Fill in all details. Make sure your finance is to the 'buyers' satisfaction'
- Buyer's Inspection - This is where you enter the date by when your appointed Building and Pest Inspector will complete a building inspection.

- **Special conditions** - This is where you put all your special conditions in plain simple (non legal) language.
- **Settlement Date** - This can be a specific date (dd/mm/yyyy) or words such as, 45 days after Development Approval.
- **Place of Settlement** - The city in which you live.

Always make sure your lawyer reviews the contract.

6. Finance application

If you are just going to buy a suburban house on a large block and split it into two, much of the following will not be required. A small splitter block subdivision will normally be financed by a standard residential finance application on the initial purchase, usually at 80% on the initial purchase without mortgage insurance. The subsequent costs of applying to council for a subdivision would normally be funded from your own funds or from lines-of-credit/redraw facilities secured on other assets.

7. Process and procedures

The following is an approximate timeframe schedule for subdivisions. Some things may vary depending on councils.

• Prepare Development Application	3 months
• Lodge DA	1 months
• Council approval and advertising (Time assumes no objectors)	3 months
• Land Survey	2 months
• Engineering design	3 months
• Apply for electrical phone/broadband supply	2 months
• Site Analysis Traffic Report	2 months
• Construction prices obtained	4 months
• Construction period to month 20; Lodge bond at 85% uncompleted stage	4 months
• Approval float time	2 months
• Surveyor pegs site	2 months
• Council approval engineering design (+ 1 month float time)	5 months

• Lodge subdivision plan for sealing	2 months
• Council seals plan	2 months
• Plan registered	1 month
• Settlement/closing begins	2 months
• Pay headwork costs and loans	
• 12 months bond for road maintenance	2 months
• Commence estate maintenance (Finish in 12 months)	5 months
• End of maintenance defects inspection	2 months
• Return of bond on 13th month from	2 months
• Bond lodgement	

8. Market sector and demographics

Knowing your end market well, means you can specifically design and tailor your subdivision and/or subsequent build for the likes or dislikes of the particular region and potential buyers. What are the demographics? Who is the end buyer and what do they want? Do they want small blocks of land, big house footprint, no garden, or do they want big fenced backyards for kids to play in? It is no good producing something you can't sell.

9. Topography

If your target property meets the zoning requirements, town plan, market analysis etc., you could probably subdivide it. However, some properties are harder to do than others. I'm quite fond of the easy road Charlie. The topography of the land is something that can turn what might seem to be a relatively straightforward subdivision into a living nightmare

10. Finance sentiment

Part of the research that is often overlooked, is the research behind how the lending industry feels about the type of subdivision you are proposing. Are they gung-ho about financing development, or would they consider anything over a four lot subdivision, a major project and therefore more difficult to finance?

Top 10 Tips
on development applications...

1. Complying with council guidelines

Every council has its own set of guidelines to which they adhere and these can vary considerably from council to council. The first thing you should do, once you have identified your target area, is to print out a zoning map for the entire shire. These maps are excellent because they are colour coded and each colour represents a particular zone. Within each zone there will be a legend telling you what type of development will be allowed in the zone.

I cannot stress it enough:

Make good friends with a good town planner!

You can spend hours getting lost in council websites, and while some of you may enjoy that, I prefer calling up my town planner and having a chat about what I can and can't do at any particular site.

Stay up to date with, and keep an eye out for calls for public opinion which councils put out from time to time, and take an active role in the future development decision making process.

2. Researching and sourcing deals

Before you select a market to target, you need to investigate a few aspects.

These are:
Current zoning – Find out what the current council zoning is on certain areas. Most councils around Australia have a designated town plan where they have highlighted areas for future development e.g. some will

be highlighted for future high-density residential, some for commercial, some for industrial and some for town centre.

Current and future town plans – The best way to identify which councils are more progressive and pro-development, is to do your grid analysis and systematically work through the town plans within the grids.

Buying properties that aren't yet listed for sale – Knowing your council zoning well has another distinct advantage. That is, when councils put out a new town plan, zonings often change. They don't, however, write to everyone in the shaded block area and advise them that their land has been rezoned suitable for unit development, so you need to make it your business to know.

Market forces – Whilst this strategy is not predicated on the property market of the area actually growing, this does help. Find out what is happening in the area. Urban renewal? Changing demographics? This will give you an indication of any upward or downward pressure on the market.

Establish need/market demand – Talk to a variety of real estate agents and find out who your end buyer is. Families? Students? DINKS (Double Income No Kids)? This will impact on your feasibility study.

Know your parameters – What is your development to land size ratio in your target area? This kind of information can be gleaned from council websites, but you can also find out by making an appointment with the duty town planner at the council, or a private town planner of whom you can ask this and many other questions.

3. Development approval strategy

The development approval process has the potential for high upside with a comparatively low initial fund input. However, let me note that the funds that are expended in this process can be totally lost if the development approval is not approved by the council or is granted with so many onerous work impositions, that it becomes non-profitable.

The bottom line is that if you get a development approval that makes money for a developer, the underlying pre-development property value increases. This is where you make the money in the process.

Development approvals can be gained for a myriad of property types. The one that most people will start with and have the most to do with is a development approval for a unit development. Some of you may venture down the road of commercial development for special use structures e.g. a tavern, a child-care centre or maybe even a brothel. Whatever the end product, the due-diligence application process will follow similar guidelines.

The development approval strategy can be broken up into a number of stages.

- The research stage – collecting information on areas and zonings and what type of development can be done in what zones.
- The research of the council stage – their process will also determine the relative ease or not of dealing with them.
- Establishing relationships with a town planner stage.
- Targeting properties suitable to a development approval strategy stage.
- Investigating your competition stage – who's selling, what type of construction is selling least, what are the selling values? Who is buying? Basically, know your market!
- Doing a complete feasibility stage – this is to be done on all prospective properties right through to trial construction and sale – even if you intend to sell at the development approval stage.

Generally, development approvals will require a public notice period of around 4-6 weeks. Even longer for larger developments.

4. Put your team together

Here is a checklist of who I like to have on my team:

- Lawyer that specialises in development.
- Mortgage strategist
- Town planner
- Architect/draftsmen
- Landscape architect
- Graphic artist
- Advertising agency
- Real estate agents
- Engineer
    - Civil, hydraulics
    - Electrical, traffic

5. Back tracking

Whenever you see a unit development, a commercial building, or a warehouse development that you like, regardless of if it's just a colour scheme, material utilisation or the design of the project, take a picture of it, make a note of the address and upload it into an ideas file for later use.

When you are ready to take the idea further, all you need to do is get onto the council website, do a search on the address of the property, and you can find out when the development was done, who is the registered owner of the property, who the consultants on the jobs were, right down to the builder, the architect, the soil tester, the town planner, the plumber - absolutely everybody. You will know the size of the block the development was put on, and basically, you've now got a blueprint to go and duplicate the project.

6. Applying for MCU (Material Change of Use)

Applying for MCU is normally done on a building or premises, such as applying to have a warehouse in an industrial area converted to a take-away outlet to service the industrial area, or applying to have a light industrial business like a mechanic shop in a commercial zoning. However, it is not exclusive to buildings. You can also apply for an MCU on land. As the name suggests, you are applying for the ability to use it for different purposes from which it is currently zoned.

7. Re-zoning

You need to pay mindful attention to current and future council zoning plans and maps. I find the future town plan the most useful if wanting to have an area rezoned. Even though a particular area may currently be one zone, if it is in the future town plan as a different zone, when you lodge your application to have it rezoned, you will have a higher probability of success. If, however, your development application is not in the future town plan, your only course of action is to embark on a public lobbying campaign, which will either be successful or completely ostracise you in the council's eyes and pretty much ensure you will have a black mark against your name.

8. Subdivision applications

I have always loved subdivisions as a strategy, as it is a manufactured growth strategy. It has good potential upside for profit, a detailed feasibility can be done up front and with a high degree of accuracy to determine whether it is worth doing, and it is a strategy that can be implemented at any price level in any market.

The process of the council application for a subdivision approval, and the steps you will follow here are very similar to those steps you took in the development application for unit development.

The DA for a subdivision can really be broken down into a number of stages.

- The research stage – collecting information on areas and zonings and what size subdivision can be done in these zones

- The research of the council stage – their processes for the relevant task and dealing with them

- Establishing relationships with a town planner stage

- Targeting properties suitable for a subdivision strategy stage

- Investigating your competition stage – who's selling, what land lot sizes are selling, cost, what are the selling values and who is buying? Basically, know your market!

- The application stage – work closely with your town planner on what consultants you need and what reports will need to be submitted with your application

Stay on top of consultants, time lines and council submission timelines and politely follow up – all the time!

9. Services and utilities

Before you spend too much time and money getting involved in a project, you need to know where all your services run.

Councils have maps of sewerage lines, electricity cables etc., and you need to make sure that none of the existing service lines run across your block where they could potentially interfere with your building envelope.

For example, if your sewerage line runs diagonally across your block, it will probably make any subdivision or unit development unprofitable, because you would have to have these moved closer to a boundary or try to design a building envelope that bridged the services.

10. Feasibility studies

To have a successful and therefore profitable development approval deal, you need to do a full feasibility study and cost analysis of the whole project, starting with the approval process, the full construction phase, holding costs, comparative sales analysis, right through to banking the profit.

Even though it may be your intention to sell at development approval stage, without knowing the full feasibility of a project through to completion, how do you know where to price your development approved site for sale? Remember, your building developer/purchaser still needs enough fat in the deal to make it profitable for him, otherwise you won't be able to sell it. Again, your town planner will be the key person to assist you with this stage.

Top 10 Tips
on project management...

1. Project management

Project management in its simplest form is the ability to be able to manage a project. I believe anyone who can organise a family or any form of multi-tasking can project manage a real estate job. The first deal you do may not be as efficient as your tenth, however, no amount of study or learning can actually prepare you for hands on experience.

2. The task at hand

The first thing to do, regardless of whether we're talking about a renovation or subdivision or even a construction project, is to think through the stages of the project systematically. In what order should the varying stages be completed? What stages can be overlapped from a timeframe perspective? How much should that cost?

3. Having a wall-planner

I find wall-planners very useful. It will give you a visual representation of the jobs to be completed, commencement and completion dates, which contractors are on-site at any one time and should always be able to tell you what the next step is.

4. Reverse engineering

If you're starting out on a new venture, regardless of what it is or its complexity, I find that the best way to determine the process, and even which consultants to use in the project, is to reverse engineer an already-completed similar project. If you're going to do a subdivision or development, go and find a recent subdivision or development of a similar size in your target area and conduct council searches (including .pdf searches) on the address of the property to determine which consultants were used on the project, what difficulties they may have had with the council and how the problems were overcome.

5. Keep a library

When reverse engineering a project, start to create a file on the project you are researching. Either keep a manual file or a digital documentation of contact details, plans, submissions etc. Even if this information is not used immediately, you can store the information for future use. If someone has already created a similar project to your own, there is no point in reinventing the wheel. You are better off to use someone else's formula (provided it is profitable).

6. Determining the cost

Determining the initial purchase cost of your target reverse engineering project is relatively easy. Software programs such as Investar, Pricefinder and RPData all provide transactional details of properties sold around Australia.

Determining the cost of each stage of the project is more difficult. Once you have collated your file and list of consultants, it is a matter of picking up the phone and speaking to the consultants and asking them: If I were to do a similar project, what do you think the costs would be? Most consultants are happy to share this information if they believe you will be using their services for your project.

7. Negotiating cost-savings

When you are using similar plans or designs from a reverse engineered project, there can often be cost savings in duplicating existing designs. For example, if you found a efficient design of a 6 by 2 bedroom townhouse development on a 1200m2 block, and you had a list of all the consultants, contractors and tradies involved in the project, there is less work involved in duplicating something they've already done than if you were to come to them with a completely new project. This should translate to lower costs to your project, however in most cases, you have to ask for a cost reduction.

8. Determining the profit

Reverse engineering a project gives you a good idea of the profit the investor/developer made on the project. You should be able to tell within a reasonable margin how much profit was made on the deal. You know the purchase costs, you systematically work through the relevant consultants and determine the costs of each relevant stage. The same techniques used to determine the purchase price can be used to determine the sale price of the end product. Therefore, with allowances for holding costs and a 10% margin for error, you should be able to work out how much profit the investor made on the deal. This will give you a clearer picture of the potential your site holds.

9. Double check with the owners

Whilst your figures from reverse engineering should be relatively accurate, it is also a good idea to double check with the owners. Most owners will not be willing to discuss profits with you, however, they normally won't mind discussing the project in general and how they found all of the contractors and professionals. In my experience, a good question to ask is: If given the choice, would you use the same consultants again?

10. Preparation is the key to success

I cannot stress this enough. The more preparation you put into the planning stage of any project, the more efficient and the more profitable the project will be. Whilst 'analysis-paralysis' can be a procrastination tool, good and solid planning can make or break a deal.

Top 10 Tips
on making homes energy efficient...

1. Replacing old appliances

You'd be amazed at the difference in your utility bills if you replaced that old fridge, washing machine, dishwasher etc., with new and energy efficient appliances. The difference is quite shocking. Make sure, when you're purchasing a new appliance, you look for the Energy Star certified sticker. You should be able to tell whether you're picking up an energy efficient asset or just a bigger bill.

Remember to use your energy-efficient appliances efficiently. They are energy-efficient for a reason, and often have 'standby' modes that will minimise your expenditure on electricity.

2. Solar panels

This is quite a cookie-cutter tip for any energy tip sheet out there, but it's for a reason. Solar is, while expensive initially, one of the greatest set-and-forget energy saving systems there are. With the savings you make on your electricity bill, you can be earning up to 20% on your initial money outlay per year. It is the same with your solar hot water system. Shop around for some solar-panelling quotes and see if you can get a good deal.

3. Water heating

You can turn down the degrees to which a water heater will heat the water. By turning it down, you are saving energy. You can lower your water heater temperature to around 52 degrees. Typically, they are set to around 60 or more, which is a waste of power and likely your money.

4. Plumbing and water

Water saving showerheads and tap fittings are an excellent way to save water usage which in turn saves you dollars.

5. Rebates

There are a plethora of rebates available from state governments. Check out www.LivingGreener.gov.au to find out what types of rebates you are entitled to.

6. Eco-brokers

You may want to consider employing the use of an 'eco-broker'. These are people who come to your home and carry out a building-inspector type of inspection in and around your home and do a report on the areas that your house can improve on energy efficiency. You can then buy the appliances or products they offer or choose to source them yourself.

7. Swimming pools and spas

In a typical Australian home with a nice pool for summer, the costs to maintain the pool are around 30% of the household's entire energy bill. If solar heating your pool is not an option, there are a range of methods you can use to keep that bill down. Consider implementing a pool or spa cover, it can save you up to 30,000 litres of water a year from evaporation.

8. Insulation

Insulation can be an effective method of increasing your energy efficiency. Adding some good insulation to your ceilings and outer walls, particularly in colder climates, will cut down on your heating costs in winter and keep your home cool in the summer.

There are two main types of insulation: Bulk insulation or reflective insulation. Bulk insulation refers to insulation that acts as a barrier to keep heat in or out and is usually made from materials like recycled paper or wool. Reflective insulation keeps a home cooler by reflecting heat. Typically, it is made from aluminium sheets. When selecting the right insulation for your home, you need to speak to the manufacturers. They will be able to ascertain which type of insulation is best for your climate, direction and type of home.

9. Weak spots

On a windy day, in cold climates, go around your house and try to find any draughts or ‘cold-spots’. Aluminium window frames and doors with gaps between them and the floor are often guilty of the crime. You may need to pick up some extra blinds or curtains in order to prevent the cold air from seeping in.

For doors, you can pick up some draught-prevention strips that are made from foam and stick to the bottom of your door as a way of sealing the entryway.

10. Habits

You can do all the energy efficiency tricks and tips under the sun, and still have a high bill at the end of your quarter. You need to take a look at your habits when it comes to energy usage. Do you often leave the lights on in a room you won’t be in? Is the TV on while nobody is watching? Have an energy-saving approach in your home and you’ll save. It’s really as simple as that.

Top 10 Tips

on cost effective furnishing ideas...

1. Look online

We are fortunate enough to live in an era where we have instant information at our fingertips thanks to the internet, so there's no excuse not to take advantage of it. Looking online can save you hundreds when sourcing pieces, furniture or even finding quotes. Many websites offer databases full of auctions, and junk that people have put up for sale that could just be the thing you're looking for. eBay.com.au and gumtree.com.au are a good place to find cheap, eclectic, new and secondhand furniture.

2. Hire furniture for staging

If you only need to stage your property for selling, then staging companies usually offer hire furniture that is used for the duration of the staging / photography. This can be a more cost-effective road for you as you do not have to purchase new high-end furniture. Staging has become an industry all on its own. Interior designers these days, mostly have a warehouse full of the latest trends in furniture, cushions, throw rugs, plasma screen TV's, wall art and vases.

It will normally cost you between $3000 to $6000 for 6 to 8 weeks hire.

3. Create light in your home

When you walk into a home that is dark, cramped and suffocating you don't exactly get the feeling that you are welcomed. What do you do to avoid that? Create light. You don't have to be Thomas Edison for this, I promise. Open windows where the sun can get through and warm the place up. Wide open spaces coupled with plenty of sunlight are extremely inviting and buyers will feel welcomed and able to envision themselves living there. Sky lights are also an inexpensive, energy efficient option and generally make a room seem bigger. Windows, blinds and shutters can all be used to manipulate the sunlight.

Strong, intense light bulbs often make a room seem larger. If you are trying to create a centerpiece or a focal point of a room, hanging lights are often a good way to illuminate or create attention.

4. Classic is classic for a reason

Having intricate feature walls and specific niche décor can work to your benefit, but most of the time just limits your potential buyers. The cream-theme is king when it comes to selling. Off-white colours are popular, are easily illuminated and make a room seem bigger than it is. Once you select your paint theme or preference, remember it, and use it again in the future.

5. Blending indoor and outdoor

When designing a living room, I like to make the barrier between indoor and outdoor as small as possible. An integrated living room and deck/outdoor area is great for entertaining and can sometimes be the selling trigger. Your aim is for people to walk into a house and easily see themselves entertaining friends.

6. Room order and design

You don't want to enter a house through the front door and see a toilet. Australia is a relatively young nation and has had its design principles taken from well developed and aged nations. Climate is an important factor to consider when designing a house's interior.

Most houses built during the 1900's have living areas in the middle of the house while the current trend is to have the living areas at the rear. The older houses also had formal lounge and dining rooms. Modern designs have open plan living, kitchen and dining areas. Turning a dining room into an extra bedroom will, in most suburbs, get you an extra 10-20% increase in price.

7. Design for the demographic

Creating an expensive, family-sized home next to a university will hurt your wallet and will be hard to sell. Look at your demographic and cater to their needs. If near a university, create a communal-type living accommodation that can easily fit multiple students. If you were to be near a primary school, then creating a home that a family can raise a child in would increase your potential buyers exponentially.

Flooring is something to consider when dealing with your demographic, a family with kids will want softer flooring if there are young children while a couple with no kids will want something easy to clean and practical.

The young couple with no kids are likely to live close to the city and do not want extra bedrooms but do want extra entertaining areas to remove themselves from the high paid stressful jobs that they probably walk to in the city

Often people will go to an architect or building designer to seek help. I find that architects tend to choose their artistic flare over practicality (this is sometimes good when dealing with high-end luxury homes) which is why I normally consult the building designer as I have the design in my head. I just need to get it on paper.

8. Let other people do the work for you

If you see a design or furnishing idea online or at a friend's home, copy it! If you see something that works and that you like, chances are somebody else does too. You can copy color schemes, furniture, texture, blinds, flooring, everything! This will not only save you time but you may be able to purchase things at a cheaper rate (maybe they bought too much or have some materials to spare). At the very least you will know how much it cost them and where they purchased it.

9. Street appeal matters

Street appeal is especially important when you are selling. It is said that real estate agents can tell if a person is a serious buyer in the first 10 seconds of seeing the property, so why wouldn't you make that first 10 seconds blow their mind?

The simple things can easily be overlooked. These can be things like pressure-washing the driveway, re-painting a fence or gutter and even sprucing up the garden. Pot plants are cheap, take very little work and look good when selling.

Go around your home and nitpick every little thing that's wrong with it. Don't try to pretend that it's okay, because buyers won't. Work on accentuating what the strengths of the home are (view, backyard etc.) and minimise its weaknesses.

10. Use what you have to your advantage

Use the quirks and oddities of a house to your advantage. There are many creative ideas that can be used to spruce up and give flare to your house. For example, creating large glass openings from 2-4 individual doors (approx. $130/door from hardware stores) or creating a bench seat off a wall for a quick, easy and affordable dining room that will drive your end price up.

Top 10 Tips
on landscaping...

1. Mulch it up

Mulch is gold when touching up your gardens. It can make an enormous amount of difference and is relatively cheap and good for your garden. It is easy to install and will give contrast to your garden. When selling a property, I always re-mulch the garden, it increases the street appeal of the property exorbitantly.

2. Give it a haircut

Much like our heads, plants need a bit of trimming every now and again to avoid looking like the Amazon. To improve the appeal of your property to prospective buyers, ensure that all the over-grown hedges and over-hanging trees are trimmed back nicely and do not draw negative attention.

3. Pick your plants for your climate

There is no point in having a wide range of tropical plants if you are in the Melbourne market. Similarly, there is not much point in having a bunch of maple trees in Cairns. Ensure that whatever plants / trees you select are going to do well in the climate that you are in.

Choosing the correct plants for your climate will save you money when it comes to watering them in their 'off-season'. If your area is prone to droughts, consider using the native plants. They are native because they survive here and will take very little maintenance.

4. Solar powered garden lights

I love implementing these in a garden. They can give a relaxed ambience to your outdoor living areas. They are particularly useful for illuminating pathways (to your front door, pool, garage etc.). One of the benefits of these is that while there may be an upfront cost to purchase, there are no more expenses, and they are effective in the long-term (provided you get sun!). You will find that solar powered lights are a huge advantage when staging your property at twilight which is becoming more and more popular in the Australian property market.

5. If you can't beat them, join them

Look around at the sold properties in your area. What is selling? The house with the flower farm out the front, or the ones with the simple hedges and pot plants. Is the 'do not look in' private fence more popular than the old picket style? Copy what you like and what best suits your area.

6. Pathways

There are lots of things you can do with pathways that are innovative and attractive to buyers. Real Estate Agents are adamant that a buyer knows if they are going to buy it in the first 8 seconds of seeing the house, which is why it is paramount to have an alluring street appeal that people can be proud of.

You need to ask yourself if you want your property to have a simple gravel pathway with stepping tiles? Are Cobblestones the ticket? What about a simple concrete pathway? Find out what is appropriate for the property type you have, and what will complement the area. This is usually what the buyer will be looking for. Low maintenance is best for rental properties and student accommodation.

7. Water features and decorations

If your goal is to sell your property, then you want people to fall in love with it. Focal points are a good way to achieve this. Water features can be relatively cheap or extremely expensive, and tend to be more effective in the medium-to-high end houses. Once again, if you are selling to the rental market, a garden water feature may be overcapitalising.

8. Pools

Typically, if I'm doing a renovation, I will steer clear of putting in a pool. That said, if there is already a pool in there, there are easy ways to make it look better. A combination of plants and water features can complement a pool significantly. Again, I like to search around the area and see what is popular and what sells. Also, remember that people do not like cleaning pools, so having plants and trees over a pool can be problematic.

9. Professional landscapers

If your property is middle and high end, the gardens, and exterior areas of your home will probably need high end ideas and maintenance. A professional landscaper will know what is popular at the time, and have ideas on how your garden can be improved. Once again, you need to look at the pros and cons and costs of hiring professional help, as the last thing you want to do is overcapitalise.

10. Hardscape

Hardscape (concrete, paving etc.) can be effective when selling, especially to the rental market, as it is low maintenance and usually the easier option. Using brick or stone retaining walls is a softer use of hardscaping. Always consider the visual effect (and also the effects of reflected heat in warm climates) that a lot of hardscaping can have. You don't want to create a concrete jungle.

Top 10 Tips
on feng shui...

1. Importance of Feng Shui

A lot of people are sceptical about Feng Shui, but I find that adhering to the principles gives a house a good flow and feeling. I use it when I'm renovating or furnishing a house. In my experiences, it can help properties sell much faster.

2. Create flow through your house

Try to create flow through your house that leads from the front so that you don't find yourself making decisions about which way to go when you walk through it. Having obstacles in your path throughout the house will translate into obstacles in your work, health and relationships.

3. De-clutter

You shouldn't need Feng Shui to tell you this. I like to go around the house and look at every single little item or piece of furniture and ask myself "Do I love having this around me? Do I really need it?". Hopefully, the answer is yes. If it's a 'no', there's no reason why you cannot remove it from your personal space. It is sapping that positive chi that helps you succeed and gives you energy.

4. Light up your life

If it's possible to create more light in your home - do it. Light is positive and full of life and energy. Replace those low wattage light bulbs with something that illuminates your domain, and you will be surprised about how much clarity it gives you.

5. Claim authority

Place your office chair or reading chair or any type of chair you like in direct view of all doorways leading into the room. You will rest easier and focus your energies into your goals and investments.

6. Don't forget about your sense of smell

Too many people disregard the need for smell in your household. Light a scented candle or treat yourself to some roses or freshly cut flowers. Transform your perception of flowers from a special occasion luxury item to an everyday necessity to keep you uplifted and energetic.

7. Kitchen Feng Shui

In Fung Shui, your stove represents the heart of your home. Keep the stovetop clean and use them regularly. Try using different burners for a change. Ensure that you can see who is entering the kitchen when you're cooking, if a cook is startled it can have negative effects on your health and wealth.

8. The entry to your house should be inviting

It is important to welcome the positive chi energies into your home. Your front door is the portal to all good energies, so enhance it by making it inviting and welcoming.

9. Artwork

Utilising art, whether it be beautiful photographs or paintings, is important. Try bringing a snapshot of the outside world into your home. Photographs of your family are also a good move to strengthen your connection with them. Avoid negative, or depressing pictures, it can have a direct impact on your psyche.

10. A rainforest starts with one seed

Plants are an extremely positive source of energy and can bring a serene sense of outdoors right inside your home. There are many types of plants out there, so choose one that makes you feel enriched.

Top 10 Tips
on dealing with termites...

1. Landscaping around your house

Make sure there is no mulch or foliage that sits next to the outer wall of your house. Mulch is often just stripped soft wood like pine and holds moisture, which is a great food source for termites. Ensure that mulch never touches the foundations or sides of your house. Also, trees or large plants that touch the outside of your home can work against any barriers by acting as a launch-pad for termite colonies, so be wary when planning your landscaping.

2. Firewood

This one is a big one. If you have firewood set up for the winter and it's sitting up against your home; move it! It's like putting a big OPEN sign on the front of your house for termites. Try moving it to a dry place away from your house and get the area sprayed.

3. Water is a target

Termites are attracted to water and moist conditions. Fix up any leaking pipes, taps, drains, sinks, A/C units around your home. If a house has a recurring problem with termites, then it is often a good idea to improve the sub-floor ventilation to a dryer climate.

4. Get a Termite Inspection Report

Getting your house inspected and sprayed for pests and termites is the number one tip. Typically they are around $400 for the initial inspection report, but may vary depending on location, ease of access and size. The termite treatment / spray can, however, be quite costly .The price will depend on the location, type of building, ease of access, chemicals and any other insurances you may take out.

5. Detection

Most people don't know how to check if they have termites, and well, that's fair, because it can be tricky. But there are a number of methods available to use so you can detect termites before they become a massive problem.

Mud tunnels – Termites love moisture, and will build multiple small tunnels made of mud around affected areas. To see if they are old, break it up and take a picture of it, then return in a few days to see if it has been rebuilt.

Dirty wood – Many people are often confused when they see damaged wood, and it can be hard to tell whether it is water damage or a termite infestation. Look for bits of dirt and outside dust in the suspect wood to see if there are any termites.

Wings – A termite infestation will leave a lot of white, broken wings around the place. Check all the nooks and crannies around the home including window sills, door frames etc.

6. Termite baiting treatment

If you have been alerted to the fact that there might be termites in your home, then a termite baiting program may be the step you need to take before you get a soil treatment. A termite baiting program is where 'termite bait' is placed strategically around your home with poison, or trap systems in it. It is used as a longer-term strategy that can completely wipe out termite colonies.

7. Chemical soil barrier

This can be a last-resort, guns-blazing method. If you have a serious termite problem in your area and want to insure that they won't be an issue, a chemical soil barrier is the best form of defence against 'subterranean termites'. It involves injecting the soil around your home to provide a barrier that will kill any termites that come in contact with the soil.

It is important to remember, though, that any disruption of the barrier (gardening over it, digging etc.) will potentially compromise the barrier's effectiveness.

8. Physical barriers

Physical barriers can include metal, stainless steel, mesh, or rock chip (granite) barriers that are used to protect against termites into your homes. These barriers are often in sheet-like form and are placed under foundations or around new constructions.

9. Safety considerations

If you are having any chemical treatment to your home done, it is important to ensure that you undergo the correct safety precautions. The pest inspector/treatment company should advise you on what they recommend, but you should always go the extra step:-

- Try to cover any food or fruit trees that you may forget about later.
- Keep pets and kids away from the treatment areas until dry.
- Ventilate your house extensively after treatment.
- Take any washing off the clothesline during treatment.

10. Buying a new property

Before purchasing a new property, you should *always* get a building and pest inspection done. You should have a 'subject to building and pest inspection buyer's satisfaction' clause in your contract (consult your solicitors for assistance on this one). If you do not take the necessary precautions against this, you can wind up doing your feasibility, purchasing the property, and then finding that you need extra funding for extensive termite treatment.

Top 10 Tips
on dealing with flood damage...

1. Be safe when cleaning up

If your property has had significant flood damage, there can often be damaged electrics that can cause harm if not dealt with correctly. Ensure that, when cleaning up post-flood, to exercise caution around power lines or even sockets. You have to be really careful as sometimes, unfortunately, a building will have to be written off and demolished and it is not safe to be walking around and cleaning while it's like that.

2. Consult the professionals

Before any work/clean-up/repair takes place, you need to talk to a certified electrician to determine whether it is safe or not to reconnect the power to the building. After clearing the site of debris, ensure that an engineer is consulted in order to ensure the building is structurally viable of salvation. You need to have consulted the right professionals and be able to prove it in writing before commencing ANY sort of work on the site.

3. Insurance

It might be a good idea to get out the insurance policy. Read through and check what you are covered for and how to go about it. You may need to take photographs for the insurance company. You are, if insured, going to have to make a claim. Get in early, and start speaking with someone immediately, ask them what your options are. The damaged site may be an investment property, meaning the sooner you get the property ready, the sooner you can continue making money from it.

Be sure to also check up on your Home and Contents Insurance, as there may be a flood damage clause.

4. Rebuild or repair?

After talking to your insurance company and engineers, you are going to need to make a decision on whether to rebuild or repair. Try to use up any opportunities the flood may have given you. If repairing, is there anything you can do better or that works to your advantage? The same goes for rebuilding. Are you going to build a house? If you moved it over a bit, could you potentially fit another one next to it? Be creative and try and make the best out of the situation.

5. Sell

Selling is a pretty hard topic, as your property will have the unfavourable tag of 'flood-damaged' all over it. If you are properly insured, you should not be financially scarred and be forced to sell. However, I have seen many families get frustrated and crave a new start. Speak to your financial strategist before you jump either way, as you want to set yourself up in the most favourable financial situation before you move on.

6. Dealing with water damage

If you choose to repair the damaged building, there are certain things you can do to make your life easier. Flood damage to brick can sometimes bring about rising damp, so be sure to investigate any symptoms. Any chipboard that has sustained water damage will need to be replaced, the same goes for insulation. Leaving moist structural materials can be the start of toxic mould.

7. Reconnecting utilities and services

a. Water – To turn on your water supply, you first need to check all the pipes in your home. There will rarely be damage to your main supply of water outside of your home, if you suspect there is, be sure to contact your local council. Be sure to run the water for a bit after turning it on to check that the water supply has not been contaminated.

b. Electricity – You need to speak with an electrician. Do not try to do it yourself, as there could be significant danger involved. A licensed electrician will need to check everything before reconnecting the power.

c. **Gas** – Before reconnecting gas, make sure that a contractor has given you the go-ahead to proceed as it can be dangerous (even though they may still work fine in your household, it is better to play it safe).

d. **Sewerage** – Your nose is probably going to tell you if your sewerage isn't working correctly. Still, it is better to play it safe and give your local council a call before doing anything. If you do, however, have sewer damage, it is important that you report it to the local authority/council immediately.

8. Protecting against flood damage

Your first step needs to be insurance. If you are in a flood prone zone, you must have the correct type of insurance. Secondly, there are things you can implement into your home to help flush out the water when situations like floods arise. There are numerous pump systems that can pump water out of your property.

Another method of improving your property's resilience against floods is by way of one-way valves. These are fitted to water outlet pipes that prevent water backing up into your home during floods.

9. Mould, mildew and germs

After experiencing a flood, mould is going to be your biggest problem. Even after extensive cleaning, there will be hidden areas with mould growing. You need to really attack the mould in the first 24-36 hours. Investing in a dehumidifier is always a good method of drying up the areas that you think may harvest mould.

10. Really understand what your insurance policy says/means

Your insurance policy is a complicated document – with lots of fine print and can have lots of loopholes for the insurance companies. The definition of what flood is can change from one insurance company to another. For example rising floodwater is different from rain damage and both are different from storm water. Your insurance policy may cover one but not the others. Many policyholders in the 2011 Brisbane floods didn't get paid because of this difference in terminology. So be warned – understand what you are covered for and get everything you are told verbally in writing!

About the author

Born in a small central Queensland town, Dymphna Boholt began her journey growing up on a cattle station in the Australian bush. Her first investment was an old milking cow named Blackie that was the impetus to fund her university degree in Accounting and Economics.

Upon graduation from the Australian National University in Canberra, Dymphna worked for the prestigious Coopers & Lybrand (one of the big eight at that time in accountancy firms worldwide). Her experience has spanned a variety of other roles both as financial controller, certified financial planner and consulting professional in the liquor, mining, manufacturing, stockbroking, banking and finance industries.

In 1994, she found herself 'starting over' after a divorce left her with very little money, pregnant and a toddler to support on her own. To get back on her feet, she moved to the Sunshine Coast, Queensland and focussed her attention on building her private client accounting business that she had been operating in conjunction with her other roles since she first got her tax agent license in 1986.

Keen to move away from the constraints of being a solo mum who was working full time, she decided to try her hand at real estate investment and focussed on properties that brought in more than they cost her. Within just one year she had accumulated a $3.5 million property portfolio, boasting $1.55 million in equity and more importantly, had totally replaced the accountancy income she was earning working a 40 – 60 hour week through passive real estate investments.

Today she has a multi-million dollar international property portfolio and is regarded as one of Australia's leading real estate strategists and educators, specialising in asset protection, taxation and investing, sharing her expansive knowledge through events, mentoring programs, and educational products.

The now happily remarried mother of three, lives on the beautiful Sunshine Coast of Queensland, Australia, on her 54 acre piece of paradise, completely surrounded by rainforest, birds, creeks and wildlife.

To find out more about Dymphna's books and programs visit her websites. They offer a comprehensive and growing range of free information, including articles, audios and other resources that can help you with your real estate investing, personal finance and business planning and management.

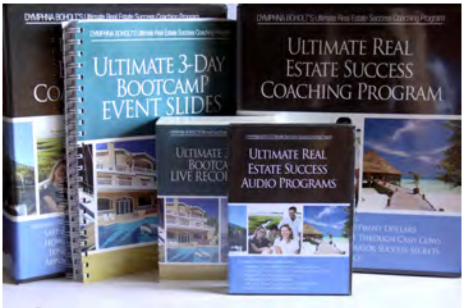
You can also browse Dymphna's growing list of products in the Product shop, and find out about any upcoming events she is hosting or speaking at – Dymphna could be coming to an area near you soon!

For more information visit:

www.DymphnaBoholt.com
www.iloverealestate.tv

The Ultimate Real Estate Success Coaching Program

www.DymphnaBoholt.com



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CD's & Manuals

Here's how you can take your education to the next level and get 12-months of coaching by Dymphna Boholt. This program includes 4 critical parts to real estate investing success. They are Cash Flow, Capital Growth, Tax Minimisation and Asset Protection.

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It's no secret that the greatest wealth killer of our society today is the amount of money that the governments take from you. Learn how to turn the tables on the government… legally.

Safe as a Bomb-Shelter Asset Protection Secrets Home Self-Study Course

2 CD's, Audio & Workbook

It's often been said that making money is easy. It's keeping it that is the problem. Many wealthy people have experienced this first-hand and have had to build their fortunes many times over. Learn how the rich legally protect themselves their assets.

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You'll get a massive 300 page manual with 10 DVD's from my recent Ultimate Real Estate Seminar, where I reveal my secret formula that enabled me to replace my
income with cashflow from real estate.

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Series Teleseminar Coaching Calls over a 12 month period.
Once a month, we get together and build a platform for you to create amazing success fast. You'll have the opportunity to interact with me, ask questions on the call and clear up any doubt that you can do this.

Other publications by Dymphna Boholt...

Confessions of a Real Estate Millionaire
by Dymphna Boholt

This is an amazing journey and a rollercoaster ride of real emotions. Real estate millionaires are not all created equal. If making money in real estate was all about strategy and tactics, surely there would be a lot more of them around? Dymphna Boholt not only delivers you the appropriate skills required to achieve real estate wealth and success, she goes deep into the mind, the heart and emotion that all millionaires go through.

You don't become a real estate millionaire overnight, however, the decision to do so can be made in a heartbeat. Dymphna Boholt shows you the path that she took and how her path has motivated others to follow a similar journey to the ultimate dream and freedom of living off passive income created through real estate.

Packed with useful tips, techniques and advice, Confessions of a Real Estate Millionaire is a must read for anyone who wants to claim back their birthright and live a life on their own terms. Not only will you discover a system for wealth, you will also discover how to break through your current barriers and obstacles.

Tax Secrets of a Real Estate Millionaire
by Dymphna Boholt

Dymphna specifically goes through how to use real estate to leverage your wealth faster than you ever thought possible. Dymphna reveals specific strategies designed to maximise your income. Not only via cash flow and growth, but the often-overlooked area of efficient tax management.

It's no secret that the greatest wealth killer of our society today is the amount of money that the governments take from you... and the sad fact is that most people allow this to happen with very little knowledge or skill of how to turn the tables on the government... legally.

If you want to be a successful real estate investor, then you must understand how to take advantage of the Tax Act and make it work for you rather than you working for it.

Asset Protection Secrets of a Real Estate Millionaire
by Dymphna Boholt

In this book, Dymphna Boholt reveals strategies, secrets, tactics and tips on how to bulletproof your real estate empire.

Australia is following the alarming trend of the United States where wealthy individuals become a target for litigation. You need to understand how to protect your wealth and remove yourself as a potential target. Otherwise, everything you have built can all of a sudden be gone. It's often been said that making money is easy - it's keeping it that is the problem.

Many wealthy people have experienced this first-hand and have had to build their fortunes many times over. But you don't have to go through painful experiences to get the lessons when you learn how the rich legally protect themselves from predators waiting for them to slip up.

SPECIAL GIFT

Free Offer and Resources from Dymphna Boholt

Congratulations! You've come a long way already. If you've read this far then you have distinguished yourself from the rest of the pack and elevated your potential to join the top 5% of the wealth builders on this planet.

I'd like to reward you with ongoing education and free resources so you can continue the momentum that this book has created for you. The value of these resources is well over $985.

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http://realestatesuccess.com.au/985bonus

101 of Dymphna's Top Ten Tips that will help you in your journey to real estate investing success!

Here is a small snapshot of what you will discover in this great resource and guide for real estate investors...

Top Ten Tips for protecting your assets

Top Ten Tips for diversifying your portfolio

Top Ten Tips on creating passive income

Top Ten Tips on creating growth and equity

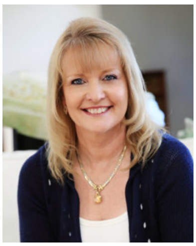
Top Ten Tips for getting joint ventures

Top Ten Tips for selling your property fast

Top Ten Tips for vendor finance deals

Top Ten Tips for a successful renovation

Plus much, much more...



Dymphna Boholt built her multi-million dollar property portfolio starting virtually from scratch. Newly divorced and pregnant with her second child, she had little other than a burning desire to be financially free. Dymphna now controls a multi-million dollar international property portfolio and enjoys a lifestyle that most other people just dream about.

A qualified accountant and economist, Dymphna is dedicated to helping people grow both financially and emotionally so that they can enjoy financial freedom. In this book Dymphna shares the insights she has gained from doing it herself so you can do it too.

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