Top 10 Property Investment Tips

Your essential guide to achieving financial security and building wealth through safe and secure property investment strategies.

Congratulations

Congratulations. By reading this eBook you've taken the time to learn more about how you can build a successful property portfolio by implementing the very best in housing investment strategies.

AllianceCorp, one of Australia's leading independent teams of buyer's advocates, has prepared this report.

The methods outlined in this eBook are not based on speculation or theory; all of AllianceCorp's strategies have been tried and tested by our buyer's advocates and are used on a daily basis by our clients to build property portfolios safely and securely.

Contents

1 Double Your Property Investment Return in Just One Move

One of the most important lessons to learn when investing is to leverage what you currently have to generate greater returns.

Understanding leverage is critical to not only increasing your return and fast tracking your results but also protecting your position.

THE POWER OF LEVERAGE

	Investor			
	A	B (Shares)	C (No LMI)	D (LMI)
Capital	$100,000	$100,000	$100,000	$100,000
Leverage	0	50%	80%	95%
Debt	0	$100,000	$400,000	$1,900,000
Total Investment	$100,000	$200,000	$500,000	$2,000,000
Growth 10%	$10,000	$20,000	$50,000	$200,000
Return on Capital	10%	20%	50%	100%

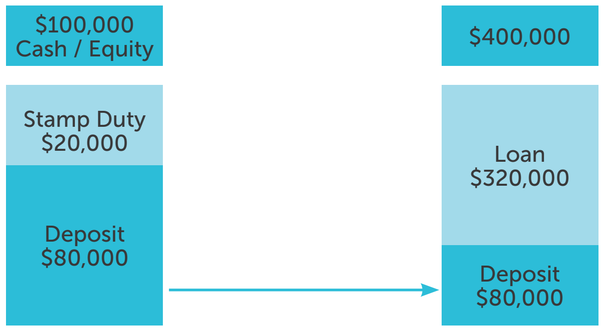
As you can see from the table above, by leveraging your money you can dramatically improve your returns. This is why many investors favour property over shares. The banks will allow you to leverage property up to 95% where shares are generally leveraged up to 50% – 80%.

By simply reducing your deposit to buy the property from 20% to 5% you can double your returns and still have money left over.

Some people may resist paying a smaller deposit due to the cost of Lenders Mortgage Insurance (LMI). LMI is a fee paid to the bank to cover their risk of lending at a higher LVR. The cost is significant as high as 2.5% of the loan amount. However investors realise that they can capitalise the cost to the loan and because the loan is interest only they will only pay the LMI cost once they sell the property which could be 10 years down the track. Also LMI is tax deductable and there are some lenders who will enable you to borrow up to 90% at a much lower LMI rate then top up the loan to 95% after you have purchased. This strategy can same as much as $4,000 - $5,000 on a $500,000 purchase.

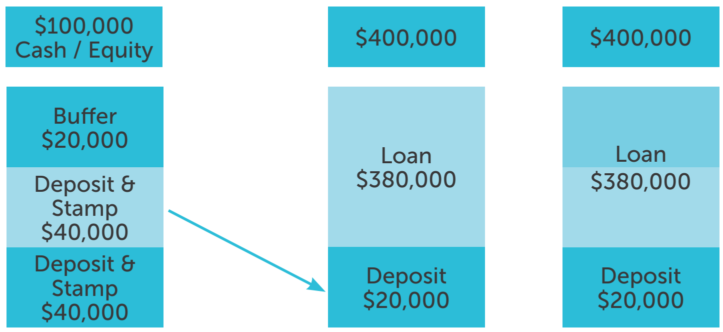
The following investor has $100,000 in cash or equity to invest:

In **Option A** (which is most common for many property investors) the investor requires all of the $100,000 to purchase a $400,000 property. If you assume that the investor purchased the property in a high growth location that experienced average growth figures of 10%, they would have generated a $40,000 gross return on $100,000 (40%).



Option A: 80% Deposit

In **Option B**, the investor decided to fully leverage his funds. By only contributing a 5% deposit, the investor has been able to buy two properties at $400,000 each. This combined value means that his return is $80,000 gross on an $80,000 investment (100%).



Option B: 5% Deposit

By simply reducing your deposit you more than double the return of your investment. Other points to consider:

- By reducing his deposit, the investor has preserved his equity which can be used to invest in other investment classes.
- A smaller deposit enables the investor to create a buffer to help with other associated costs such as holding costs
- When lending above 80% the lender is required to pay Mortgage Insurance to protect the bank's risk. This fee can be capitalised to the loan. It is a small price to pay when you consider the greater returns and your ability to protect your position with a buffer.
- If the investor has substantial cash or equity available that he does not plan to use for investment then the above strategy may not be suitable.

Leveraging works well when you have limited available funds and equity.

2 Buy Property with Positive Equity from Day One

When you purchase an investment property there are two elements to your investment return.

1. Capital growth which is the property increasing in value and, 2. Yield or Rental Income. You also have to consider establishment costs such as stamp duty, which is calculated at approximately 5% of the value of the property.

Due to the significant establishment costs when you purchase the investment property you are starting the portfolio in the red. Your property will start becoming profitable once the property has increased in value to cover the stamp duty.

However **there is a way to begin your portfolio with positive equity**.

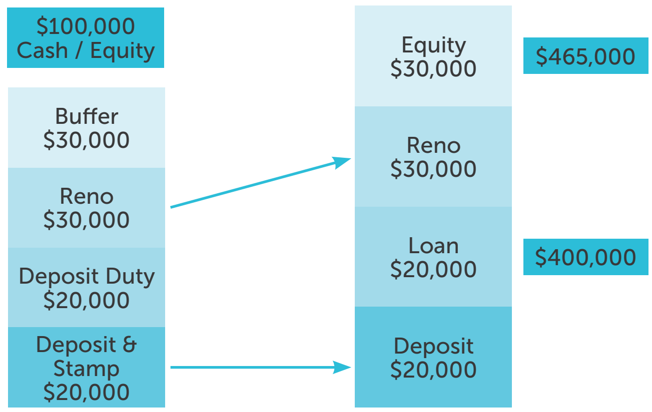
Simply target run down properties and renovate. Melbourne has plenty of affordable run down properties that are within established areas, close to infrastructure and not too far from the city. By targeting run down properties there is less interest in the property. Less interest means you have a greater chance of securing a property for a lower price providing a much better opportunity to purchase under market value.

In our business, our buyers advocates have regularly been able to secure run down properties for up to 10% below market value.

Once you have secured the property, the next stage is to renovate the property cosmetically ensuring you don't over-capitalise. If you don't have the time to project manage the renovation there are companies like AllianceCorp who can project manage it for you.

The finance for the property could come from your left over cash or equity as per the diagrams in tip number 1.

Study the following table a moment to see how this strategy works.



Build positive equity into your property

The example shown in the table demonstrates the following strategy

- Investor targets properties that require cosmetic refurbishment (not structural).
- Filters the targeted properties based on which ones have less interested buyers.
- Purchases the property using a small deposit to ensure he preserves equity to allow for the renovation
- Secures the property at $400,000 even though the comparable sales data indicated the property was worth $420,000 and therefore has equity retained in the property
- Renovates the property focusing only on value adding improvements. The renovation cost $30,000 but added $45,000 worth of value to the property.
- Result: The investor is left in a positive equity position. The investor saved $20,000 of market value and added $15,000 worth of value through the renovation, giving him a total equity increase of $35,000. This can be used to cover the cost of stamp duty, still leaving a balance of $15,000 at the investor's disposal.
- The property is valued at $465,000 yet the loan is only $380,000. The investor can draw down some of the equity as well as the buffer and purchase a second property. The balance of $15,000 left over in step 5, can be used to pay most of the deposit of the second property.

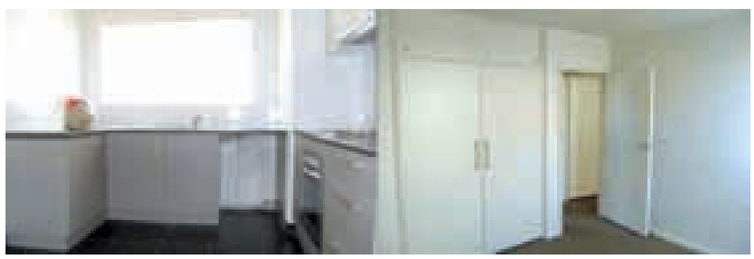
Lets look at the following case study:

Our team of buyers advocates sourced the property below as a second investment property for one of our clients. Following the 'Buy Property with Positive Equity From Day One' strategy, the client has since purchased their third investment property and is ready to embark on their fourth.

CUMMING ST, BRUNSWICK WEST

DESCRIPTION	FIGURES
Saved $20,000 on the purchase price	Purchased $300,000 (Dec 09)
Renovation complete within 7 weeks	Renovation $33,000
Added $45,000 to the value of the property.	Market value $365,000 (after renovation)
	Value increase $70,000
	Rent pwk $335 (5%)
	Holding cost $95 pwk
	Value $395,000 (05/10)

Before



After

3 Be Aware of Risky Strategies That Can Cost You Thousands

There are a number of ways to invest in property but which is the best strategy for you?

It is amazing how many people fumble through investing in property with no clear strategy aside from making sure they kept their hand up longer at the auction than everyone else.

We understand that any investment has its risks. We're not trying to advise you against taking a calculated risk, we're simply letting you know that there are some strategies that are riskier than others, and that it's always best to consult with a professional before making an investment decision.

With any investment that you make there are different strategies that you can use to mitigate risk. Investments such as buying off the plan or buying cash flow positive properties can work very well, provided that you're aware of the pros and cons, and purchase using a strategy to balance these across your portfolio.

It is important to understand that there is no 'one size fits all' when it comes to property investing. There are many different strategies to consider. You will be able to identify the best strategy for you once you understand your investment profile. We discuss this in more detail on our 'Property for Building Wealth' DVD but you can start by asking yourself some of the following questions:

- How much time can you contribute to your property portfolio?
- What level of risk are you prepared to take?
- Do you have a strong financial position?
- Are you looking to build equity or cash flow?
- How much experience do you have in the property market?

Depending on how you answer the above questions will determine which strategy is best for you. Let's look at some of the most common property investment strategies and identify the risks of each.

Investment Strategy: Property Development

What a romantic notion. All you do is simply purchase some land build a few properties and make squillions. If only it was that easy. While developing property can be very profitable, it is also incredibly time consuming and risky.

Risks in Property Development

Lack of Knowledge and Experience

Developing property requires skill and experience when conducting feasibility studies, purchasing the site, putting together your team of professionals, organising building permits, approvals and managing the finances. It's not for the faint hearted particularly when you consider the number of professional developers who go bust.

Lack of Time

We will often have a client step into our office asking for our help in acquiring a potential development site only to learn that the client has just attended a 2 hour seminar on 'How to Develop'. When asked how much time they have to invest in the project the answer is usually not much at all. You can expect that a development from start to finish may take up to three years so unless you have substantial spare time and patience, you may want to consider another strategy.

Paying Too Much for the Development Site

All too often novice and sometimes even experienced investors pay too much for the site. Usually this is due to not completing a thorough feasibility study. What is the point of spending 2-3 years on a project that does not make any money?

Purchasing a 'Lemon' Development Site

When conducting your due diligence it is very easy to overlook certain issues the site may have such as:

- Environmental and heritage issues
- Flood issues
- Service issues

This could have a very damaging effect on your development or lead to cancelling the development altogether.

Construction Cost Blow Outs

Even with a fixed price contract, increases in construction costs or variations can erode forecasted profits right before your eyes.

Poor Quality Construction Work

Poor quality in construction can lead to all types of ongoing issues in the future so it is better to use a reputable builder, and even then, how can you be sure?

Recommendations

If you're considering property development as an investment strategy, we would strongly suggest consulting with an industry professional or expert, as there is a huge amount of information to take in regarding various elements of this industry. If you are looking to do a small value add refurbishment on your property then our coaches can guide you in this process.

Investment Strategy: 'Flipping' Property

'Flipping' property is where you purchase the property for a good price then sell the property within a short period for a higher price, usually within 3 -18 months. In many instances you may have added value to the property. Again this is a very speculative strategy that is not recommend to novice property investors.

Risks in 'Flipping' Property

Fickle Market

We don't have a crystal ball and to guess what the future will bring can be very tricky. If you purchase the property to sell but the market swings against you, it can be very costly.

Transaction and Holding Costs

When you consider high transaction and holding costs such as stamp duty, selling costs and loan repayments (property is vacant while you renovate) you may find that on a $500,000 property, your transactional costs could be as high as $50,000.

Unrealistic Expectations

Many clients tell us of their plan to buy a property for $400,000 spend $30,000 and sell immediately for $500,000 but it just doesn't happen that way. Too many people watch shows on TV that do not represent reality. If you can spend $30,000 on a $400,000 and add $50,000 you're doing very well.

Lack of Time and Experience

As we tell our clients who are looking to flip, give up your day job and study the markets full time if you're planning to forecast short term market performance and even then there are still no guarantees.

Recommendations

Flipping property is very dependent on the market and on the demand at the time – plus, this data is constantly in flux – and as such the market is very hard to predict. Industry experts and people who have been in the real estate industry for a long time still make mistakes and lose money. We recommend consulting a professional, and working out whether the best strategy is to flip or hold. We'll always do a full profile of your current financial situation and work out what is the best strategy to build your wealth.

Investment Strategy: Commercial Property

While commercial property offers many benefits such as higher yields, long term tenancies and outgoings that are paid for by the tenant there are also many risks. We generally recommend our clients 'sharpen their teeth' on residential property before they start investing in commercial properties.

Risks in Commercial Property Investment

Poor Liquidity

It is more difficult to find a buyer particularly in poor market conditions

High Vacancy

Due to the specialised needs of business, your commercial property can sit vacant for many months until you find the right tenant.

Poor Leverage

Due to the risks associated with buying commercial property the banks will require a deposit as high as 40%. This is a large investment that could be diversified and leveraged into other asset classes.

Speculative Growth

Depending on where the commercial property is located in many instances the property may have little land content or be located in a suburb where land is abundant therefore impeding growth.

Recommendations

The deposit required for commercial property is large, and the factors that create demand for commercial real estate fluctuate a lot. We would recommend working to create a plan that is tailored to your financial expectations. Our Property Coaches have a wealth of industry knowledge, and we would recommend booking in for a one on one session to discuss your current situation.

Investment Strategy: Buying Off The Plan

As Melbourne's population continues to increase buying Off The Plan (OTP), is becoming more and more common, yet be warned of the property gurus with smoke and mirrors.

Risks in Buying Off The Plan

Paying Too Much

It can be very difficult at times to identify what a development is worth particularly when you consider that it has not been built yet and that there may not be a lot of comparable sales in the area. We find that this is the most common problem, as many developers will build forecasted growth into the purchase price. Almost 70% of OTP properties we research are overpriced and the most frustrating situation with OTP properties is that there is no flexibility to negotiate a fairer price.

Market Risk

Let's assume you buy an apartment for $600,000 with a 10% deposit but on completion the market has dropped by 15%. At settlement you will need to make up the difference but will you have a spare $90,000 available?

Dodgy Developer

It is not uncommon that a developer goes bust or takes far longer for the project to be completed. In many cases the finished product can also be of a substandard finish.

Financial Uncertainty

While you may find that your current financial position today enables you to finance the purchase of a property how do you know this will be the case in 2 – 3 years time when you are expected to settle? People's individual financial circumstances can change very quickly.

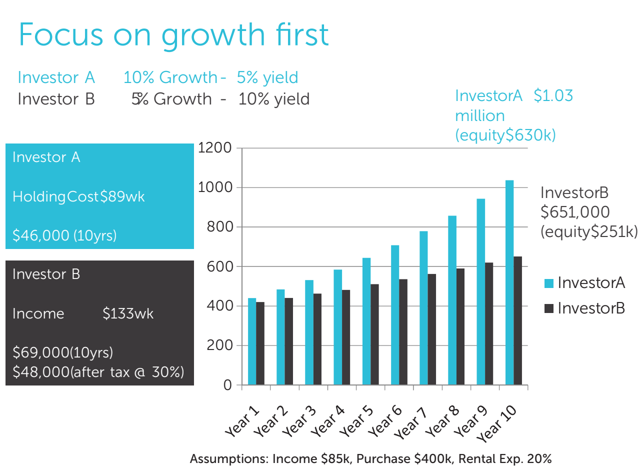
Recommendations

A property expert can help you to create a balanced portfolio. This means that they will draw on their knowledge of current trends and market fluctuations and give advice on where and what to purchase, with the view to creating a balanced and sustainable portfolio. Buying off the plan can be a risk (as we explained above) but it can also be a good balancing strategy. Our Property Coaches can guide you in the best way to build a balance portfolio.

Investment Strategy: Cash Flow Positive Property

Do you know where you can purchase a cash flow positive property that also provides 10% growth? The answer is they don't exist.

If there were properties out there that offered yields in excess of say 7-8% growth of approximately 10%, everyone would want to buy them. Competition for this type of property would push the prices up even quicker therefore eroding the yield downwards and no longer remaining positively geared. Investors forget that capital growth is more important than yield in the early stages of building their portfolio. When focusing on yields, you will generally sacrifice on growth. By focusing on growth first, you can build equity faster and therefor be in a position to balance the debt sooner by selling some of your properties and using the equity to pay out the others. You will own properties with no debt, only income. The table below outlines the importance of focusing on growth first.



Risks in Cash Flow Positive Property

Slower Capital Appreciation

As discussed earlier, cash flow properties may include properties that attract less competition from purchases such as rural properties, properties located in the outer suburbs, serviced apartments and student accommodation. Because there is less competition, the properties grow a lot slower but the rental yields will still increase due to inflation and rental demand in the area.

Higher Vacancy Rates

Properties located in less desirable areas can also effect vacancy figures and mean that your property attracts fewer tenants.

Overall Wealth Increases at a Much Slower Rate

Due to the compounding effects of growth you will build wealth far more quickly by investing in high growth properties. We generally recommend that our clients focus on high growth first to build their foundations and revert to more neutrally or cash flow positive property to support further lending.

Recommendations

As with an off the plan property, a positive cash flow property can be a great asset to balance your portfolio and to give you access to greater borrowing power. The key is to ensure that your strategy is solid and that you're aware of the risks. Our Property Coaches have a wealth of experience in crafting purchase strategies and can help you build your portfolio safely.

Investment Strategy: Wealth Creation Seminars Financial Uncertainty

Big win wealth creation seminars seem like a really easy way to make money. The people behind these educational seminars promise big results with a seemingly small investment of time or money, but be wary of the lack of accountability associated with these types of education providers.

Risks in Wealth Creation Seminars

Big Promises

You need to be wary when you're buying into a wealth creation workshop. The people behind these educations ideas are selling exactly that: education – not a tailored strategy. They know that you need to be inspired to part with your money, so they work on exaggerating the benefits of their strategies, but they don't take responsibility if the strategy doesn't work.

No Accountability

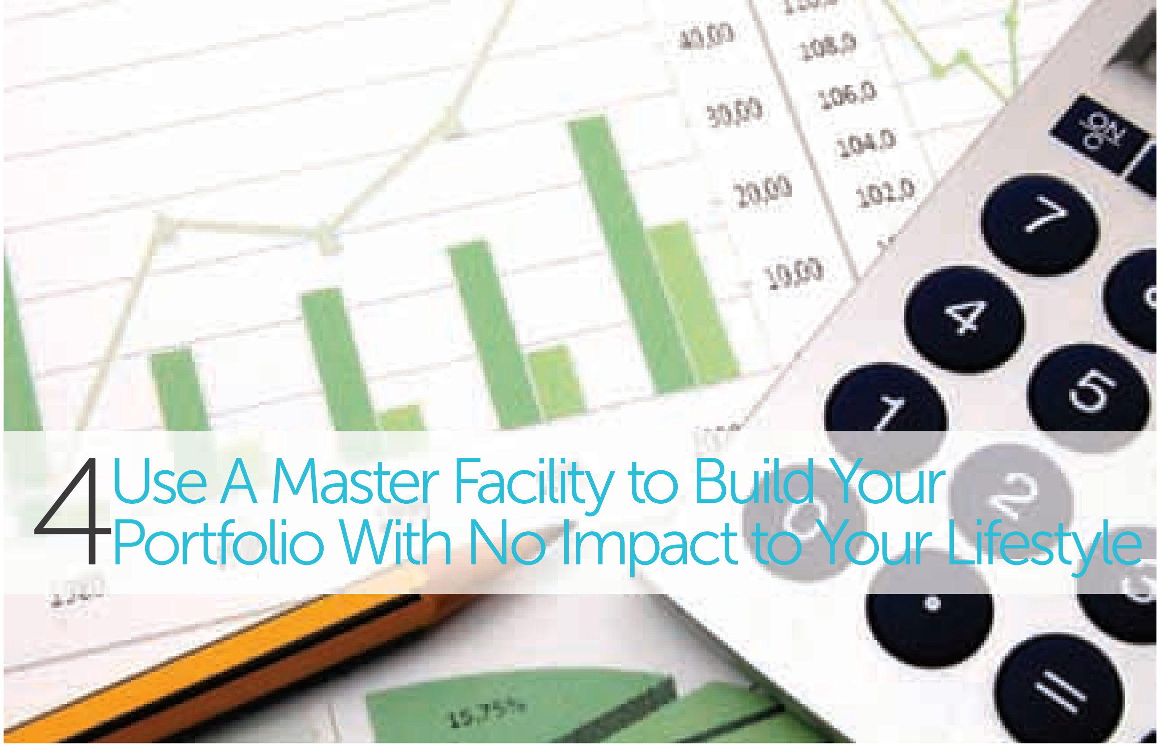
These groups will say that they're selling insider industry secrets, such as how to flip property or trade in property for a quick buck, but there's no accountability in helping you to see these (often difficult to manage) strategies through.

Minimal Support

Just say you pay a large sum for a weekend workshop that promises to let you into the secret of how to make money in property. But then you try to implement the strategy you have a higher risk of failure as you have limited or no guidance. If you back to the company the educator can simply say that you haven't implemented their strategy property and that your failure is on you.

Recommendation

At AllianceCorp we offer guidance and help every step of the way and work to ensure that we're helping you to the best decision based on your current financial situation and your current ability to invest. We offer education AND guidance, and offer ongoing support for the lifetime of your portfolio.



4 Use A Master Facility to Build Your Portfolio With No Impact to Your Lifestyle

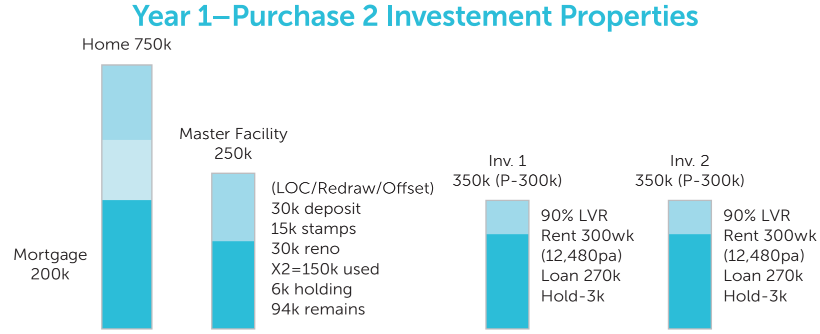
Think of property as a pile of neatly packed bricks, used as a vehicle to generate wealth.

If investors spend more time on understanding how finance in property investing works rather than searching for a property that looks nice, they will be far more successful. Successful property investing has more to do with how you structure the finance than the actual property itself. Property will always go up (providing you hang onto it long enough), however if you don't structure the finance correctly, you can put yourself in a risky position and limit the growth on your portfolio.

Study the tables to see how structuring your finance using a Master Facility provides benefits such as:

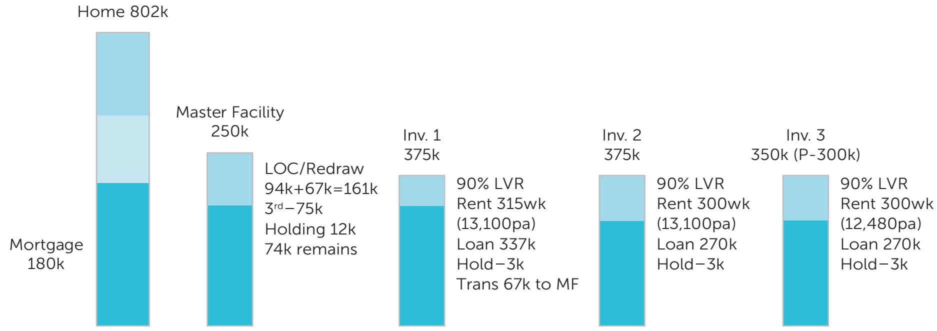
- Not having to link investment loans to your home loan
- Holding Costs can be funded by the Master Facility so your lifestyle is not affected
- The Master Facility provides funds for value adding projects such as renovations

Year 1—Purchase 2 Investement Properties



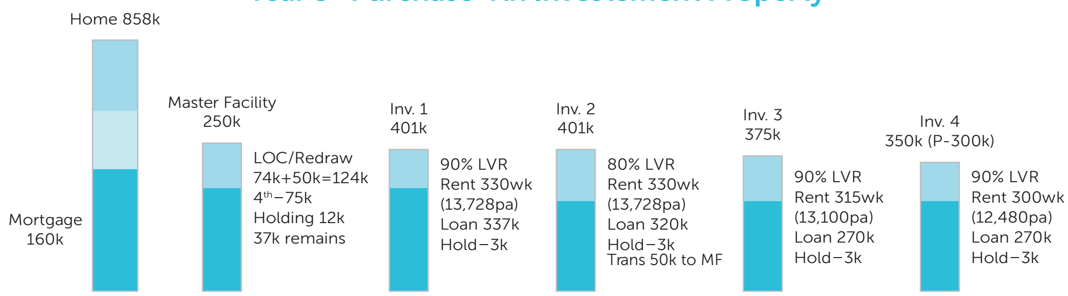
Portfolio Value	$1,450,00	Strategy
Total Loans	$896,000 (all loans)	Free $250 equity from home Purchase two properties and renovate (Foundation Strategy) Loans drawn from MF and income paid into MF
Total Income	$114,960 (all loans + 80% rent)	
Services	YES	
Wealth	$554,000	

Year 2–Purchase 3rd Investement Property



Portfolio Value	$1,902,00	Strategy
Total Loans	$1,230,000 (all loans)	Revalue and increase loan (Inv. 1) to $337k to transfer 67k to MF. Purchase 3rd property and conduct reno. Short term goal of 3 investment properties has now been reached.
Total Income	$120,944 (all loans + 80% rent)	
Services	YES	
Wealth	$672,000	

Year 3–Purchase 4th Investement Property



Portfolio Value	$2,385,00	Strategy
Total Loans	$1,570,000 (all loans)	Revalue and increase inv. loan 2 to $320k to transfer 50k to MF. Purchase 4th property and conduct reno. All loans are drawn from MF and all rents are paid into MF.
Total Income	$132,428 (all loans + 80% rent)	
Services	YES	
Wealth	$815,000	

You may ask why your bank has not shown you the Master Facility structure. By releasing your equity, you can approach any bank you like for the funding of your investment properties. Banks do not like this as they would much rather secure the loans against your home, linking them altogether and keeping them in their portfolio as the sole finance provider. This means they get to keep all your business without competing with other banks.

Diversifying your lending gives you both flexibility and power.

Another real benefit of the Master Facility is that by using this strategy, you won't see an impact on your lifestyle. People often (wrongly) assume that if they invest in property they're going to scraping by on a meagre sum that will be left over after paying off their mortgage and related costs. But that simply isn't true. The Master Facility means that all the costs related to your property are taken care of by this buffer and you won't see an impact on your lifestyle; this is just another benefit of engaging this strategy.

Your success starts with an advanced finance strategy–a bullet proof loan structure

- Create a Master Facility and release your equity
- Organise stand alone finance
- Organise high loan to value ratio on loans
- Ensure you maintain a significant buffer
- To Overcome serviceability concerns:
- Don't rate hunt – lending CAPACITY is more important
- Diversify your lenders
- Reduce Monthly Cash Flow Commitment

Don't forget to:

- invest to your full potential
- establish a fall back position or safety net

To learn more about how to use a Master Facility, watch our DVD 'Property for Wealth, or call us on (03) 8669 0629 for a consultation.

5 Obtain Finance in the Current Economic Climate

Price increases in residential property over the last couple of decades in Australia have allowed many investors to accumulate substantial equity. There are plenty of investors that have sufficient equity to put down large deposits to purchase more property, but servicing the loan poses greater difficulty. Here we outline the best strategies to ensure that you are able to continue to service investment loans if you find yourself in this situation.

Increase Your Cash Flow

Increasing your cash flow obviously increases your capacity to borrow more money. There are a few easy ways to achieve this:

1. Choose interest-only loans

You can always get a loan that allows you to pay off extra principal (or has an offset facility) if you would like to decrease the size of the loan at any time. You will not be obliged to pay anything more than the interest.

2. Refinance any current loans from a higher to a lower interest rate

You can usually find lower interest rates in the marketplace, especially if you look at changing from fixed to interest only loans. You can also take this opportunity to switch lenders and hence diversify your lenders as mentioned earlier.

3. Alter your personal debt obligations

Consolidate any personal debt, such as a motor vehicle loan, into your home loan structure. The interest rates are lower and the timeframe required to repay the money is much longer. Also, consider reducing your credit card limit as lenders consider this to be debt (even if you have never paid a cent in interest on them).

4. Consider renting

Obviously this is not a choice that would be a reasonable proposition for most people. But if you are open to the possibility, then you will be saving yourself approximately 2-3% on the value of the property in repayments. You could rent out your current principal place of residence, and your holding costs become tax deductible.

5. Diversify your portfolio

If you are holding high-value, low rental yield properties, you may consider selling one of them and buying a couple of median-priced properties (units), returning an overall better rental yield. Interestingly, unit growth has largely kept pace with house growth in recent years.

Consider Diversifying Lenders

Often investment property owners have continued to use the same lender to provide finance for both their principal place of residence as well as their investment properties. This often poses problems because the more you borrow from one lender, the less you will be able to continue to borrow. This is because one lender considers all of the other loans that you have on their books as their cumulative risk when they are assessing your capacity to service a new loan. They calculate your interest rates on the other loans as though they were higher than they actually are. If you approach a different lender however, they will simply consider the risk as belonging to the other lender and ignore it when assessing your borrowing capacity. The simple and effective solution is to use a competent mortgage broker, who will already be well versed in this strategy.

Increase your Perceived Income

While the obvious place to start is to ensure that you see a competent broker in order to assess which lender is most open to lending in line with your particular employment situation, there are a number of factors you can consider:

1. In general, lenders prefer stability. This means they are more comfortable lending to full-time permanent employees rather than contractors and casual/part-time employees. Depending on your situation, it may be worthwhile to take up full-time employment for long enough to refinance any existing low-doc, high interest loans into lower rate loans, as well as make your next property purchase(s), before returning to your preferred type of employment.
2. If you own your own business that employs others, you should consider paying yourself a high wage. You can offset the majority of the associated tax losses through negatively geared property, while at the same time making yourself much more attractive to lenders.
3. If you currently own investment properties, you could consider discussing a rent increase with your tenant in exchange for a good or service of equivalent value to the increase. This will increase your perceived income as the lender looks at what the tenant is paying monthly.
4. Consider any further income streams that you could claim like superannuation income, shares, family allowance etc. You can even consider adding a family member as a borrower or guarantor.
5. Carefully select your lenders chronologically, based on your circumstances now and your predicted circumstances in the years to come. For instance, while on your first investment property purchase when finance is easy to obtain, you should avoid using a lender that has easy servicing criteria. You really want to 'save' these lenders until the later property purchases when you will have more difficulty obtaining finance.

6 Know Everything a Landlord Needs to Know

Be Sure You Can Afford It

Many investors buy without looking into the full financial impact an investment property can have. You must ask yourself:

- Can I afford the repayments if the property is vacant for a period of time?
- Can I afford the repayments if interest rates rise and/or if rental market falls? (Just because interest rates rise does not mean you can increase rent)
- Can I afford to maintain the property to a liveable standard and carry out urgent repairs such as hot water units, oven, heating replacement within a moment's notice?

Get the Right Training from a Professional Property Manager

The average home owner has no idea of the tenancy laws, and it is no wonder some new investors get into serious trouble. It is important to speak to a professional about your rights and obligations relating to your tenanted property. Property Managers are experienced in their field and should offer stress free management of your property. 'Lease and forget' should be your expectation.

Know What Tenants are Looking For

When looking to purchase an investment, be aware of the common criteria that tenants look for. This is usually a decent kitchen and bathroom, good size lounge area, heating and cooling, car parking and an outdoor area. Don't stress if your property doesn't tick all the boxes, renovating is the most cost effective way to get higher returns on your investment.

Know the Area You are Buying In

Research the area that you are buying in, to get a realistic idea of what the property you are looking at is worth in the current market. Have an understanding of what you can get with a little TLC on the property. (A quick paint can add an extra $20.00 per week). Ask your property manager about the impact of seasonal changes on the market, for example: a property in a popular school zone will rent for more when families are looking to enrol their children. A property by the beach will generate a higher rent in summer or properties near a university will generate a better return in Jan and Feb.

Maximise Your Property Tax Depreciation

There are over 50 deductions a property investor can claim, but the average investor only claims half of these. Have your property manager arrange a depreciation schedule and speak to your accountant about maximising your tax return.

Have Landlord Insurance

It has never been as important to have landlord insurance as it is right now. With an unstable job market and ongoing changes in living circumstances, landlord protection is a must have. For approximately $280 per year, you can save thousands should your tenants default on the rent, abandon the lease or damage the property. There are many insurance companies that specialise in landlord insurance.

Agent location is Not Important When Managing Your Property

One of the biggest misconceptions about finding an agent to manage your property is that they need to be located in the neighbourhood. Over 95% of all enquiries come through the internet meaning that we can quickly rent out properties regardless of the geographical area. We can also asses the rent and give detailed advice on your area and surrounding suburbs to ensure you are receiving the best return for your property. Another key advantage of using an agent who covers all suburbs is that you can keep all of your investment properties with the same property manager. Your property manager can also provide advice on rental yields throughout Melbourne and help to assess your future investment opportunities.

Renew Leases for Long Term Tenants

Despite common assumption that tenants stay in property longer if they are left in peace, the reality is in fact the opposite. Research shows the following about tenants who stay in a property for more than 2 years. They:

- Are in a lease agreement rather than month to month
- Stay because the property is regularly maintained and repairs are carried out efficiently
- Receive a thank you note or a tenant survey every year
- Have absorbed rent increases because they felt they were warranted

You Get What You Pay For

Agent fees vary from agent to agent, however do not forget the old saying "you get what you pay for". Most agents charge 5.5% to 7.7%. For the sake of $5.00 to $10.00 (depending on rental return) do your research and go with the agent that has experience, knowledge and clear understanding of the importance of property growth. Agencies that offer lower fees have generally assigned a lot more properties to each property manager. This often results in high staff turnover due to the stress that comes with managing too many properties and you could find yourself dealing with someone new every couple of months.

7 Supercharge Your Results By Changing Your Mindset

When investing in property, investors tend to make it more complicated than it needs to be. They are often looking for short cuts or the next fad. Well, here is the one rule that would dramatically improve the results of property investors in the market place if applied correctly:

Invest as you can next afford to.

Eighty per cent of property investors only own one investment property. Many investors simply don't invest to their full potential. They become complacent either thinking they have done enough by investing in one or two properties, or don't have their finance structured correctly to allow them to move forward.

When building a property portfolio the purpose is to build equity. The aim is to build wealth by generating multiple streams of income. This can be achieved by selling off some of the properties to pay out the others which will give you properties that are cash flow positive providing you with ongoing income.

Follow these simple steps to supercharge your results in property investing:

1. Structure your finance correctly
2. Purchase the property
3. After you have purchased ask yourself the following questions:
    - Do I have the deposit and stamp duty to invest again?
    - Will the bank lend me the money to buy another investment property?
    - If I buy another investment property will I have sufficient buffer left over to help cover the holding costs should I need it?
4. If the answer is yes to the above questions, simply purchase again without questioning if it is 'the right time to buy'.
5. Regularly re-value your properties and release the equity every 12 – 18 months if possible.

In addition to purchasing one property after another, you may also want to consider the Dual Purchase Strategy.

The opportunity cost of not using your financial leverage is the amount of money you stand to lose by not doing so. The difference between a single purchase strategy and a dual purchase strategy can be hundreds of thousands of dollars—if not millions—over time.

That's a huge price to pay for not using your leveraging opportunities to the maximum advantage.

Remember, that equity is yours—you earned it! The banks won't tell you about the different ways you can use it to build wealth through property, so you must stay on the inside of the investment property game, keep educating yourself, and consult professionals to help you on the road to greater wealth.

Most property investors get complacent with only one or two properties. They think it's enough, but this is poor thinking. And, if investors do purchase more properties, the purchases are usually made over a number of years, and that means a lot of time has passed that could have been used to build more wealth.

The rule with property investing for wealth is to purchase as soon as you can next afford to, and not when:

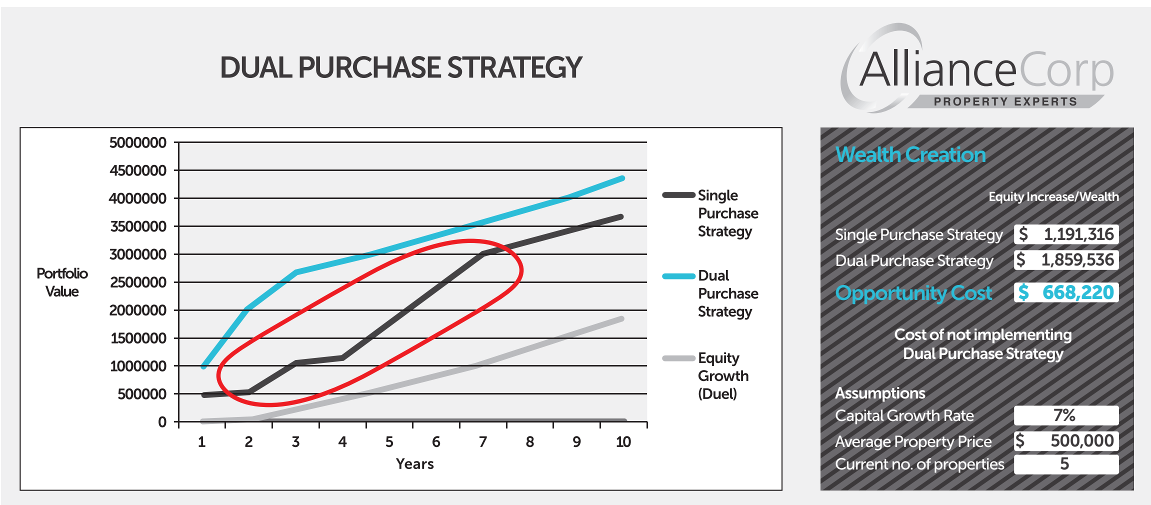
- You think it's a good time to buy
- You get your next pay rise
- Interest rates come down

You really must consider your next purchase as soon as you can say that:

- You have enough funds to cover the establishment costs (deposit stamp duty etc.)
- The bank will lend you the money for the purchase
- You have a buffer in place as a contingency to help manage cash flows

The problem is that most investors will meet these criteria immediately after they purchase a property but they'll still wait 1-2 years (or more) before they purchase their next one. What has changed over this period? Nothing, except that they've just cost themselves tens of thousands of dollars in potential growth or positive cash flow.

So with this understanding of the how the numbers work why wouldn't you simply purchase two properties at the same time instead of one?



8 Avoid Capital Gains Tax

Capital Gains Tax is incurred when you make a capital gain after selling an asset such as an investment property. It is calculated by identifying your net gain, (after capital expenses) and then dividing the gain by 50%. That figure is then applied to your marginal tax bracket. On average it may equal approximately 25%.

To avoid this process you could set up a Self Managed Super Fund (SMSF).

Due to recent changes in the industry, you can now purchase property through your SMSF. The main benefit in doing so is that you can leverage your fund to generate greater returns.

For example, If you had $100,000 sitting in a normal fund you may generate approximately 10% return (industry norm). This equates to $10,000 return. With a SMSF you can invest that money into a $300,000 investment property in a high growth area that is growing by 10% per annum and generating $30,000 worth of equity annually.

If you decide to sell the property when in retirement phase, you pay no capital gains tax. The savings generated can be used to help reduce loans on other investment properties held in your personal name, which would ultimately result in cash flow positive properties.

Benefits of Having a Self Managed Super Fund for Investing:

- Your SMSF can acquire property worth more than its available funds through the benefits of gearing
- Your SMSF assets are secured as the lender does not have recourse to your SMSF's other assets in the event of default.
- Your SMSF receives all income and capital growth even if the property has not been paid off.
- Your SMSF can use income from the property to help pay off the loan.
- Interest expense may be claimed as tax deductions by the SMSF and potentially reduce your SMSF's tax liability.

9 Develop A Property Wealth Plan

Investing in property is a long-term wealth creation strategy and the road to wealth is far more achievable when you have the right experts to show you where to step.

By developing a Property Wealth Plan you will fast track your results and ensure you maximise your investment results. You will be unstoppable in your approach to building wealth.

Your Property Wealth Plan follows a step by step process to ensure that you're prepared for every step of the journey.

Your team of qualified professionals will handle every aspect of establishing and managing your property portfolio. Our tried and proven process delivers exceptional results – here's how it works:

Step 1. Complimentary Rental Appraisal

Our Senior Property Manager will provide a detailed rental appraisal demonstrating:

- Comparable rental properties in the area
- Strategies for increasing rental return
- Recommendations regarding your overall property accumulation strategy
- Your expected rental return

Step 2. Engage AllianceCorp

You complete a simple management authority to allow us to act on your behalf.

Step 3. Maximise investment return prior to leasing

AllianceCorp will inspect the property and advise on cost-effective improvements to increase the rent and add value to the property, if you choose to implement them. We can select the trades, design schemes and project manage the improvements, or you can engage any or all of these services as you require. We can also advise on funding strategies that use your equity rather than cash for funding.

Step 4. Implement Marketing Campaign

Components of the campaign may include:

- The internet (realestate.com.au, domain.com.au and realestateview.com.au)
- Listings in our colour brochure (including photographs and a detailed description)
- Press advertising in daily or local newspapers
- Lease board to attract passing traffic

Step 5. Tenant Selection

We maintain exceptionally high standards when it comes to selecting tenants to recommend to you. Stringent checks are conducted through nationwide databases, all previous rental, business and personal references are verified, and employment details confirmed.

Step 6. Ongoing Management

Our Team team of professionals will deliver on going services that include:

- Regular inspections
- Regular rent reviews
- Portfolio reviews
- Ensure rent is paid on time
- Keep property in good repair

10 Fast Track Your Results

Get professional advice before you buy

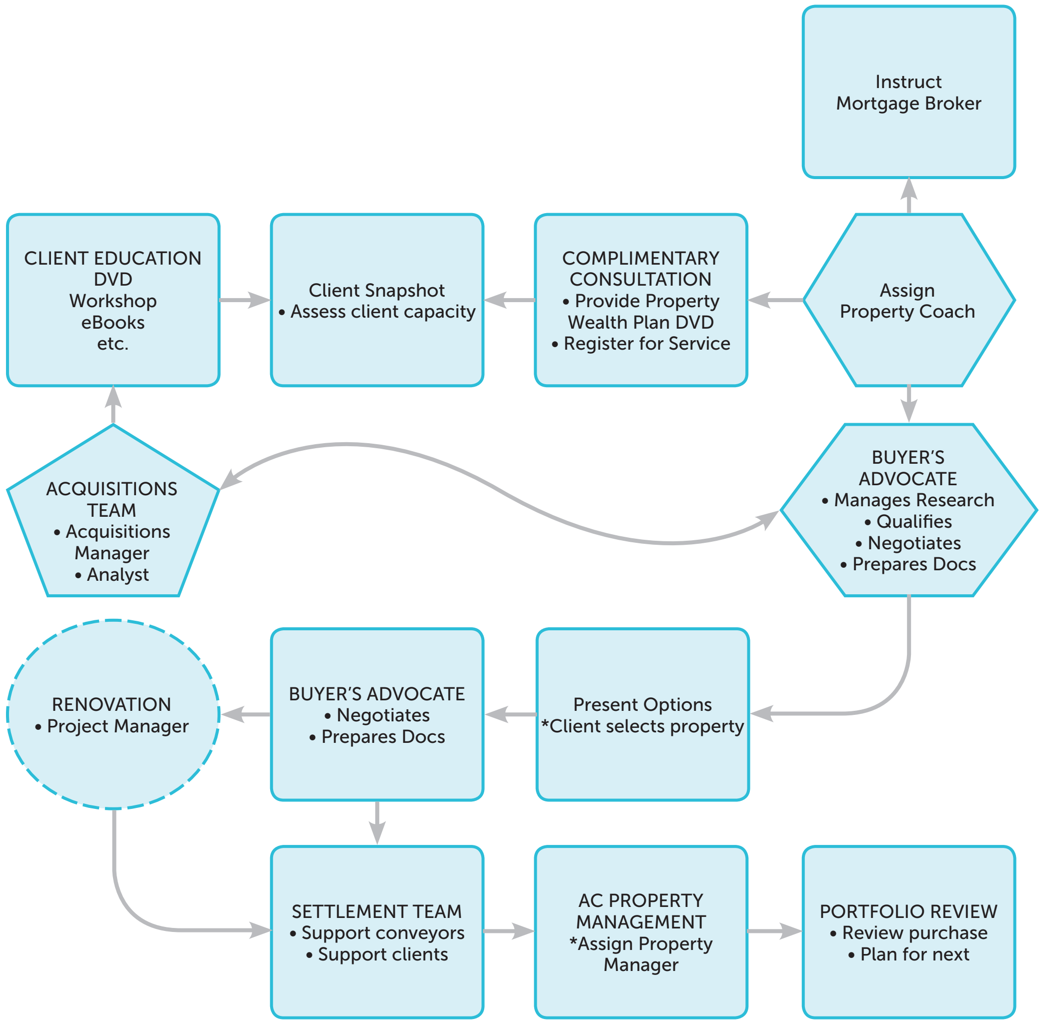
Most people spend more time researching a new car than they do buying an investment property. Property purchases are the biggest purchases you will ever make yet most buyers buy without consulting a professional. They consult their accountant regarding tax returns and speak to their broker before investing $10,000 in shares. But when it comes to spending half a million dollars on a property, they proceed without really knowing whether they have made the right decision or not.

In recent times, more and more buyers are realising the benefits of engaging a team of independentprofessionals to help build their property portfolios. They do this for convenience, time saving, expertise and to save thousands when negotiating. Let's be realistic. A potential buyer, given work, family and social commitments, might be able to look at half a dozen properties during the week. A dedicated team of Buyers Advocates working around the clock to find excellent buys, will see hundreds.

At AllianceCorp, we help people realise their potential to achieve a long-term affluent lifestyle through successful property investing. Each day we share our knowledge with our clients to be as successful as they aspire to be. We do not have any vested interest in schemes with other businesses such as Estate Agents, builders or developers. We work solely for the interest of the investor or homebuyer.

With a team of over 20 people actively looking for and securing the best property deals in the market, how can investors compete? We have research teams, networks and many other resources to identify the best properties in the best areas at the lowest price. Wouldn't you like us to share these secrets with you?

AllianceCorp's Sophisticated Purchasing Process



Why Use AllianceCorp

Let us assist with finding the best strategy for you to ensure you fast track your results.

- Know the highest growth locations
- Have access to feedback and shortlist of hundreds of properties viewed and researched
- Have access to the best properties on the market
- Pay less for your property purchases
- Feel safe with a 100% money back guarantee on our services

If you would like to fast track your results through safe and secure property investing and wish to learn more, call us on 8669 0629 for a complimentary consultation.

DISCLAIMER

The information presented, including any accompanying dvd ("the information"), is educational and general and it should not be construed as specific investment recommendations or advice. You, the reader or viewer, should seek personal advice from a licensed financial services provider as to the suitability or otherwise of the information to your individual situation before you make any financial decision.

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