



Wendy Priestly

PMC President

10 Hurdles To Overcome For Wealth

Through my experience with property development, and now being President of the Property Millionaires Club, I have come across ten hurdles to overcome for wealth.

In 1997 I discovered The Investors Club. The concept of the Club appealed to me, and offered the support my husband and I needed to achieve and overcome these ten hurdles.

Thirteen years later and we now own 25 TIC properties, worth \$13 million. The TIC system showed us how to buy appropriate property, how to manage property, and how to work with tenants to grow our portfolio. The way you approach your property purchase is important. Get it right and you can set up an effective system that can be repeated to buy multiple properties and achieve wealth.

01. Mindset and debt attitude

Having the right attitude to manage a million dollar portfolio is a key element of achieving success. People who win the lottery, for example, may not have the right mindset to manage their newfound wealth and as a result can often find themselves in a worse position.

When I bought my first property in 1994 it was a postcode purchase worth \$182,000. At the time I felt incredibly uncomfortable going into debt and certainly did not have the right mindset for wealth creation. The attitude I needed was one of debt management. Through TIC we received ongoing support and education, which put us on the right path. We now know the difference between good and bad debt, how to manage debt and how to create wealth, which gave us the confidence to purchase a property worth \$1.03 million in 2007.

02. Financial structures - short and long term

For our first investment we had little knowledge of what was a good or better finance structure. We cross collateralised the two investment properties with our own home, which posed problems down the track

and required a restructure. But it was a short term focus and got us started.

Through time we have changed our outlook to focus on the long term goal. This has meant using a variety of finance structures as well as restructuring to extract equity. In 2001 we purchased a completed house and land property in Rouse Hill, NSW. Funding was hard to come by at the time so we took on a fixed

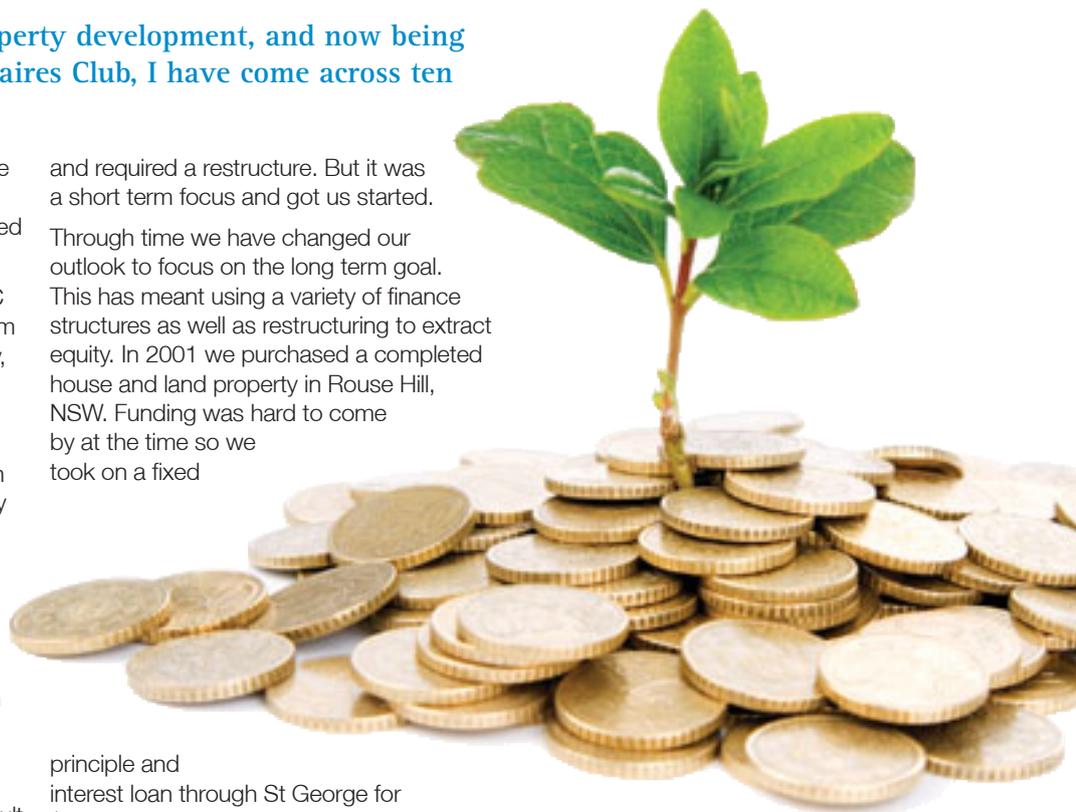
principle and interest loan through St George for \$370,000. The property is now worth just under \$500,000 and we have since refinanced and used the equity to assist in purchasing other properties or for living expenses. We financed another property in Cairns by selling shares for the deposit. The \$695,000 villa was our first purchase over \$500,000, so we were nervous, but far from the mindset of our first \$182,000 purchase.

The structure or strategy you start with may not remain in the future and it is important to review your financial position to achieve long term success.

03. Price vs quality

We purchased a four bedroom house and land property at Merriwa, north of Perth, for \$278,000. It was in a developing area with excellent infrastructure, railway access and freeway extension planned.

However, so was another property being sold for \$550,000 - but we thought it was just too expensive for Perth.



Another member bought this property, which has since doubled to well over \$1 million, with lower running costs than our two properties totalling \$500k. We realised that instead of owning a large number of properties, we were better off having less property of higher value and in better locations. Properties located close to the CBD are highly desirable and will have greater pressure for capital and rental growth.

04. Lenders Mortgage Insurance

LMI allows you to borrow more from a lender in return for a small premium payment. For example, if you borrow over 80% of the property value, a property lender will charge a small premium, and you can borrow up to 90- 95%. Instead of paying 20% of your own money into the purchase price and 5% costs, you may only need to contribute 10 – 15%. You then have more funds for other property management or could select

a higher priced property in a better location. LMI's have been our Leads to More Investments. We have successfully used this strategy for a number of our property purchases, enabling us to work funds and our lending position more effectively.

05. Buying around Australia

Why would you want to purchase a property in another state? When TIC suggested purchasing a property in Brisbane, and we lived in NSW, we were less than interested. What we have since realised is that purchasing properties in various states actually increases your scope for wealth development, as you are able to pick up on the growth cycles in different locations.

06. Varied stock types

Varied stock types provide different benefits. For example, our purchase of a one bedroom unit in South Perth in 2003 provided us with a large amount of depreciation due to construction costs. We could then use this as a tax deduction to access more of our tax dollars.

On the other hand our purchase of a house and land in Perth, which had more land and less property, meant we had a lower depreciation. However, the benefit of this property was that it appealed to a wider range of people and gave us access to markets in the outer areas.

A particularly good stock choice, especially in QLD, is onsite managed complexes. The property manager lives onsite, has bought into the property and is responsible for caretaking and maintenance. They want to grow the capital value and rental return as much as you do, and vacancies are generally low with few tenant problems.

07. Problems are insignificant long term

Problems can occur with your properties that, at the time, seem insurmountable. However, in the long term, these issues become insignificant when looking at long term growth.

We owned a unit in Alderley, which unexpectedly became vacant when the

student returned to their home country. This left us in an awful position of having to change locks, gain authorisation to access our property from the Rental Tenancy Authority and re-letting the property. We lost rental income and were faced with cleaning costs, but were fortunately able to claim and recoup our losses through a good landlords' insurance. These problems now seem insignificant given the property value has increased by over \$200,000 and it rents very well because of the location.

08. Body Corporates' add value

I have found that Strata properties are able to maintain their value well. A main reason for this is that a number of costs are covered in the body corporate levies. This includes property insurance, garden maintenance, pool maintenance, external paint, termite control and tenant monitoring. The security of the complex also ensures the property is protected and looked after.

09. Valuation process

When banks value new properties, which may have just been completed or are in the process of being completed, they are not able to compare properties like for like. Instead banks will compare your property to a second hand property, sometimes up to two years older. In order to overcome this annoying, but non-negotiable shortfall in value, we often reserve funds through equity in other properties. Bear in mind that this is simply a short term irritancy which is overcome by remaining focused on your long term goals.

10. Long term focus

Maintaining a long term focus will help you overcome any debt concerns or property issues. See your TIC Researcher who will keep you updated on the area growth and potential for your property.

What are your hurdles? Look at your mindset and assess what is challenging you and potentially holding you back from obtaining wealth. The Investors Club can help you to overcome these hurdles with comprehensive market information and valuable support to guide you through your property investment career and portfolio. ■

Wendy Priestly, PMC President

Feature Diary Dates



16 to 26 September 2010

Broome to Darwin Cruise

Jump on board the Kimberley Expedition cruise and tour through Australia's rich north-west. Experience the rugged gorges, beautiful inlets and plunging waterfalls of ancient Aboriginal culture.

2 to 9 October 2010

International Workshop

Join in the Annual PMC International workshop, just off the mainland of Port Vila in Vanuatu, where you can learn from like-minded colleagues and be updated on the latest PMC issues and initiatives.

30 October 2010

PMC Leaders' Forum

Held in Shepparton, North Victoria, the forums are a round table think tank of PMC Leaders presenting and discussing advanced topics. The discussions are captured and audio subscriptions are available for PMC members with over \$3 million in Club property. To subscribe to audio summaries please email the PMC Leaders' Forum Convenor, Greg North at greg.north@tic.com.au.

2 November 2010

2010 Melbourne Cup

The Investors Club will be hosting a marquee at the Melbourne Flemington race track. Celebrate the race that stops the nation in style and have a flutter with your fellow PMC members.

11 - 21 February 2011

Antarctic Expedition

Experience one of the world's most remote destinations on board the luxurious Prince Albert II. PMC members are being offered this once in a lifetime opportunity to explore the Antarctic at a special members' rate.

Registration

For further tour information please visit www.tic.com.au/pmcevents

Bookings can be made through the PMC Club Travel Consultant, Sharyn Bojczenko.

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