



# Property Investing.Com 'Insider'

Discover proven tips, strategies and techniques  
to dramatically increase your property investing profits

HOME OF POSITIVE CA\$HFLOW  
PROPERTY INVESTING

Issue 3, Volume 1 - April 2002

*By Steve McKnight*

Your Notes

15 April, 2002

It's a pleasure to bring you this April edition of 'Insider', the official e-bulletin of the home of positive cashflow property investing - [www.PropertyInvesting.Com](http://www.PropertyInvesting.Com).

This month I've selected the following three unique topics:

- The Three Essential Components That Will Guarantee You Make Money In Real Estate
- My Second Law Of Property Investing Success
- An Incredible Success Story About A Couple Who Within 14 Days Of Learning The Truth About Property Investing Found And Bought Their First Positive Cashflow Goldmine!

Once again I've worked hard to bring you an insightful and valuable information resource.

### **Important Reminder!**

A key component of the Wrap Library is the ongoing free support and upgrades that are accessible via [PropertyInvesting.Com](http://PropertyInvesting.Com) website. There you'll find calculators, update articles, quizzes and much more to help you fast track your positive cashflow property investing empire!

In order to get access, click the 'W.S.R. Purchasers Library' button on the left-hand side of homepage or go direct to <http://www.propertyinvesting.com/files/wklogin.asp> Next, input your e-mail address and password then click the login button.

If you have purchased the Wrap Library and do not have access then please e-mail Brent at [brent@propertyinvesting.com](mailto:brent@propertyinvesting.com) outlining your date of purchase and your desired password (between 6 and 8 characters) and he'll set you up as soon as possible!

Your Notes

**The Three Essential Components That Will Guarantee You**

## **Make Money In Real Estate**

From the outside it may appear that property investing is all about buying property, but nothing could be further from the truth!

I'm not so much a property investor as I am in the business of investing in property. And like any good business, one of my biggest critical success factors is the team that works with me to create a profit from my investment.

So when I'm asked 'what makes up a good property investment?' my answer is almost always 'the quality of your team!'

So let's look at the three critical components of your success team when it comes to making money in property. They are:

### **A. The Right Person**

Making money from property is about solving the day-to-day problems of real life people, either from the point of view of helping a motivated seller or providing accommodation for a needy tenant.

This is one of those essential truths of making money that is rarely mentioned in seminars so I'd like to rephrase it by saying:

**Profits come from solving the problems of real life people!**

As such the most important component of your property investment is someone who has a problem that you are able to fix!

Your Notes

Perhaps look at it this way... you can have a poor house and good tenant and still make money in property. But if you have a good house and a poor tenant, then you're in diabolical cashflow trouble.

When you're in the business of finding the right person you soon appreciate that what's really valuable is a system that sorts out the good people from bad. I do this by using standardised templates and questionnaires to ensure that all applicants are treated the same way without any emotion.

The reliability of your ongoing passive income depends on having the right person at the buying, using and selling ends of your property investment business.

### **B. The Right Team**

There is nothing passive about property investing if you are the one collecting the rent and unblocking the toilets. Similarly, if you're the one doing all the legwork finding properties, tenants etc. then you are doing it the (very) hard way.

Your team needs to include real estate agents, property managers, reliable lawyers and accountants and also other property investors who can mentor and assist you through the learning process.

It is just commonsense to rely on people who have specific expertise rather than reinventing the property investing wheel.

Decisions made out of ignorance with no input from "your team" can lead to expensive mistakes. Even with a good support team, if pride prevents you from involving them then you miss out on valuable advice that can identify potential dangers in your strategy.

Your Notes

I believe that the more you rely on the expertise of others, the more time you can free up to find and harvest great deals.

For example, earlier today I took a phone call from a friend and very experienced property investor. As I talked through my latest property deal - a 27-plex that has a gross yield of 20.65% - he said 'Steve, this deal gets better and better! How do you find such an opportunity?'

I mentioned that this deal eventuated by answering a two-line classified ad buried deep in 'The Sunday Age'.

You will never find a good deal if you can't allocate the time to go looking! Forget about trying to be the one who does everything and start relying on experts to deliver solutions to allow you to work smarter, not harder.

Only then will you free up the necessary time to read the newspaper, scan the Web, call agents etc.

### **C. The Right Property**

Ideally you'd also have the right property too.

In my opinion the right property is unlikely to be prime real estate. Rather it's something that is neat and tidy and appeals to the average person in an area that meets the 11 Second Solution.

Your investment property should be functional rather than pretty. It should be clean, basic and easy to maintain, which will in itself flag it as a castle among shanties when you consider the quality

of most other rental properties.

Avoid falling into the trap of buying premium property to attract a premium tenant, because the word 'premium' in both cases means 'above-market price'.

Your Notes

I suggest that the sort of property that you buy should be determined by the kind of tenant or user that you wish to attract (note the focus on the person again).

For example, I've sometimes purchased property with the aim of attracting families. I do this with the aim of finding a stable tenant as I know that once their children are settled in at the local school, the parents will want to avoid moving and disrupting their education.

In this case I look for properties that are attractive from a family's perspective. That is - three-bedroom, two toilets, two living spaces, largish back yard, walking distance close to schools etc.

On the other hand, another valid strategy I've used is to seek older clientele making their last move, and seeking accommodation that is secure, quiet and compact.

It's no accident that the order of the three components places the right property last. In order to make money you'll need a good tenant. In order to avoid expensive mistakes and to later accelerate your investment business, you'll need to rely on a team of experts and finally to keep the cashflow rolling in you'll need good properties.

### **Law #2 What Has To Happen In Order For My Investment To Make Money?**

When you invest in property you want to do so in a manner that is going to maximise your opportunity of making money from day one.

A question that I recommend you always consider is 'what has to happen in order for me to make money from this deal?'

Your Notes

For example, when it comes to negatively geared property investments, the only way to profit is if the real estate appreciates in value. While this might seem like a certainty, property moves in cycles and ongoing appreciation is never definite.

Furthermore, while you wait for possible capital gains you have to continue to work hard to afford the ongoing loss that gives rise to

a tax deduction.

Choosing to invest in positive cashflow property won't guarantee gold coins landing in your lap either. You'll need a good tenant, a savvy property manager and a reliable house too.

The point I'm trying to make is - the more things that need to occur for your investment to make money, then the less chance there is that you'll actually make a profit.

Here's a list of some of the things that may prevent you from making money in real estate:

- Low or negative capital growth
- Over borrowing
- Ongoing negative cashflow
- High maintenance houses because of age or quality of workmanship
- Long rental vacancies
- Unreliable tenants
- Poor rental manager
- Actual capital expenditure exceeding depreciation expense
- Body corporate problems
- Change in economic factors such as interest rates, first home owners grant etc.
- Closing costs not being factored into the true cost
- Sales costs and commission wiping out profits
- Desperate need to sell

A few years ago I came across an opportunity to purchase a group of 13 units on the basis that I could borrow 80% and the vendor was willing to carry back 20% plus the closing costs. In other words, **this was a true nothing down deal!**

Your Notes

The deal seemed great because I could add an extra 13 properties to my portfolio, but the problem was I'd have to wait several years for the debt to reduce to a level where the properties were profitable and future capital gains were uncertain at best. In the meantime I'd have to fund the negative cashflow which really meant working harder.

Because this deal didn't make money from day one and didn't meet with my investing strategy I declined to purchase.

In the March 2002 edition of *'Insider'* I outlined my first law of property investing, which revealed that you should only invest when and where you're certain the outcome will meet your investment plan.

The second law of property investing success relies on the

assumption that it would be a crazy investment plan if the aim was to make a loss.

Accordingly you should protect yourself by asking, "How long will I have to wait before my investment is profitable?"

After you have asked this question then the next step is to consider what needs to happen in order to make money from your investment.

Remember, if all you did were things that made money then you'd have to make money!

### **Success Story!**

One of the key bonus items that I include when you purchase my flagship property investing product - [Wrap Secrets Revealed Library](#) - is a dedicated personal mentor service.

In the course of helping many other investors accelerate their own financial independence I receive many e-mails advising of outstanding success.

This month I'd like to share Sandra and Henri's story. They attended my 'Property Secrets Revealed' intro night on the 27th March on the Sunshine Coast.

Your Notes

Prior to attending, Sandra and Henri were primarily interested in 'the tenant and the taxman' strategy of building wealth, which is also known as negative gearing.

However my presentation outlined many of my unique investment strategies and viewpoints on property and they walked away uncertain but eager to test my unconventional approach.

Understandably, they wanted confirmation that the deals that I talk about actually do exist and immediately scanned the local papers.

I was pleasantly surprised to receive an e-mail on the 9th April - less than two weeks later - that read:

*"Today I put an offer in for a house, 3 bedroom unit upstairs, 2 bedroom unit downstairs for \$93500 and it got accepted. This house will rent for \$250 a week and will return \$ 1965 nett per year. Calculated per your work sheet. What do you think?"*

Well, I think this sounds like a great deal and certainly one that will make money irrespective of movements in property prices, if

Your Notes

properly managed.

Sandra and Henri have successfully applied the first law, which was to set an investing yardstick (positive cashflow) and then to find deals that met this requirement.

Now the second law will require that they look to rent to a quality tenant and build a team of professionals around them, including a good rental manager.

What impressed me most about Sandra and Henri was their ability to make a decision, trust in me enough to purchase my product, and then use it to uncover and invest in a way that makes money from day one.

This is an awesome effort you came, you saw, and you took action - and I commend you for it!

Success comes from considering other successful people's ideas and then profiting by taking action.

**Final Word**

I hope you've enjoyed this newsletter. I plan to e-mail you very soon and outline the latest feature to the Property Investing.Com community - something that's top secret but incredibly valuable that will be available in the next few weeks.

In the meantime, remember to circulate this e-mail to your friends and colleagues and let them in on the great information available at <http://www.PropertyInvesting.Com>

Have a great month and remember to only invest in things that make money.

May God bless you with good health and happiness,

Steve McKnight

P.S. To access back-issues of this newsletters then please click [here](#)

P.P.S. Don't forget to e-mail this newsletter to anyone whom you feel might be interested to discover more about successful property investing.