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PropertyInvesting.com 'Insider'

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

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By Steve McKnight

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Hi and welcome to your September 2004 edition of *Insider* - the e-zine outlining ideas about how you can successfully invest in real estate - especially if you have a positive cashflow focus.

If this is the first time you're receiving this newsletter then I'd like to warmly welcome you to the PropertyInvesting.com community!

Remember that in addition to this free newsletter we also run a [forum board](#) where you can share your knowledge and leverage off other people's ideas.

Here's what's on offer in this month's *Insider*:

- [Member's Special... Details of a limited special offer where you'll receive a signed copy of my second book plus receive free shipping direct to your door.](#)
- [Explained: The golden rule of Reno success](#)
- [Forum Post of the Month - Flips, flicks and legal hot water](#)

As usual there's plenty to discuss, so let's get straight into it!

Members Special!

The wait is over! My second book - *\$1,000,000 in Property in One Year* - is now available from PropertyInvesting.com and I'm delighted to provide site members with a limited offer where you can be among the first in the country to snare a **SIGNED COPY**, at the same time as securing free delivery straight to your door!

Book 2 is Here!

Last month I outlined the results of the group of protégés I've been mentoring over the past year or so. Well, my second book tracks their fascinating progress as they sought to acquire \$1m worth of real estate. It also outlines my latest investing ideas about how you can build wealth using real estate. For example, Chapter 16 reveals my straightforward formula for how I continue to find positive cashflow deals regardless of location or market conditions.

In my publisher's opinion, she believes that this book is even better than my best-selling one, both in terms of content and readability, which is fantastic news as there's sure to be plenty of good info on offer for investors of all abilities.

Where to Get It

While you can purchase a copy of the book from bookstores from early October (rrp \$29.95), I'd like to encourage you to buy online from PropertyInvesting.com for the following two reasons:

1. All the profits from book sales from the website are donated to the *Bradley McKnight Foundation*, which is a private organisation Dave and I have

established to raise money for children's charities. Buying from the website means I can give more away than the usual pittance of a royalty I receive.

2. PropertyInvesting.com has a great combo offer available for a limited time where you can make me feel like a movie star (wink) by receiving a **SIGNED COPY** of my book, together with the fantastic FastTrack2 CD audio resource - **all for \$49.90...** plus receive free shipping (within Australia) direct to your door. This way you don't have to go to the hassle of getting to a bookstore, that may or may not have stock, as you can conveniently order online using the secure credit card payment facility.



NOTE: Zero shipping is only available for combo offer purchases. If you buy other product then postage and handling will be levied, but only for those extra items in your shopping cart.

As usual, your purchase is covered by our 14-day satisfaction assured refund policy where you can send back the product and we'll refund 100% of your purchase price.

Well, there's not much else to say except to give you the link to the purchase using the secure encrypted gateway.

To prevent myself from suffering writer's cramp, I've only signed 672 books, and as such I urge you to place your order quickly as this newsletter goes to over 39,000 people which means stock is likely to run out fast!

Oh, one last thing, if you happen to be coming to one of the book launches then you can also purchase the combo offer on the night too.

Explained: The Golden Rule of Reno Success

Renovating remains one of the most popular ways to use real estate to (hopefully) make money. However, despite the ease with which reality TV shows portray the process, it's important to differentiate between the act of renovating and the business of investing.

In the first place, there are only generally three reasons why you would ever renovate:

1. To increase the enjoyment of a home you plan to live in yourself (this is usually a lifestyle rather than an investing decision and as such is outside the money-making square).
2. To increase the likely rent.
3. To add equity with the view of selling or refinancing your profit.

Concentrating on point three, to be a success (i.e. to be profitable) the golden rule to apply is: add more in perceived value than actual cost. The business of renovating requires that you constantly weigh up what will give you the biggest bang for your investing buck, as, at a point in time, you'll start to add less and less perceived value relative to the expense of the upgrade.

For example, painting the interior of a house using neutral colours (off white, beige etc.) can add light and give the appearance of extra room. These are great benefits relative to cost as painting is relatively inexpensive, especially if you use a spray-gun.

On the other hand, needing to rectify sight-unseen or taken for granted issues can quickly gobble up profit. For example, having to replace a hot water service doesn't add a lot of extra value as it's assumed that the property has a working

unit at the time of purchase. In this case then, having to replace the system will eat into your budgeted profit for little (if any) additional equity or likely increased rent. The same is also true for general rewiring and replumbing.

Overall then, the lessons to learn for effective renos are:

1. Try to make better use of the available space, through either the appearance of more room or else actually removing clutter. The reason for this is that more living space equates to a more modern home, which equates to a higher selling price and therefore more potential profit.
2. Apply the mantra 'renovate rather than restore'. This means that quality imitation products or techniques are just as good as the real McCoy! For example, use cheaper paint vs. the expensive boutique paint, or the no-name sealant vs. the top notch stuff. Note: I am certainly NOT suggesting that you do a bodgie job, rather that you retain a cost-effective approach understanding that time and money are your two critical success factors.

Next, I'd like to highlight the difference between the 'job of renovating' and the 'business of investing'.

For reasons that seem strange to me, many sensible people embark on the pursuit of renovating for profit with the perspective of doing as much work as possible themselves to save money and hopefully increase profits. While this can certainly work (and work well), such activity is not so much what I'll call investing as it is exchanging time for money, which in turn is a different play on the old philosophy of working for a living (i.e a different form of after-hours job).

On the other hand, the business of investing harnesses time leverage, which means that you need to do as little as possible characterised by managing rather than completing the physical hack work. A saying I seem to be using more and more these days is:

- ***The more you do, the less you 'can' do;*** and
- ***The less you do, the more you 'can' do!***

The idea is to harness momentum behind your investing by undertaking multiple projects at the same time, as doing this spreads your risk. Furthermore, there is more money to be made in identifying the profit on many deals than there is the hard work in uncovering it on the basis that you'll hoard all the bounty on a single deal.

Ultimately though, it's once again all a matter of mindset. If you can treat your investing from a business perspective then you unlock the paradigm which allows you to own multiple properties using a system. If you apply the employee approach then, because you trade time for dollars, you are restricting the amount of potential growth you can benefit from.

Perhaps a good way to look the whole investing business topic is this - a business owner can have multiple employees and can therefore leverage off their combined labour resource. If s/he needs more labour hours then the boss just hires another worker. However a full-time employee (usually) has a maximum capacity of one job at a time.

In this context then, Dave and I are able to own so many properties because we adopt a business approach to investing rather than trying to do everything ourselves.

Has this discussion given you a valuable insight? Do you want to ask a question about what I have written? If so then please [add your reply to this thread](#).

Forum Post of the Month - Flips, flicks and legal hot water

This month's forum post comes from Luke:

Hi,

I've been reading the info regarding the various investing strategies on this website, particularly the info on "flips."

I'm curious to know where you got your information from, particularly the part about needing to be licensed?

Cheers,

Luke.

Flipping is a technique where you buy a property and then onsell at a higher price on the last day of your settlement period so that the property legally transfers in to and out of your name on the same day.

Flicking property is where you receive a commission for finding deals and selling those details for a commission.

The central legal issue is whether or not you need to be a licensed real estate agent to flip and/or flick property because state based laws include catch all clauses when it comes to activities that fall under the definition of an estate agent.

Specifically, the legal authority comes from (in Vic) section 12 of the Estate Agents Act 1980 which says that someone cannot carry on the business of an estate agent unless licensed. Estate agent is then defined as:

"estate agent" or "agent" means any person (whether or not he carries on any other business) who exercises or carries on or advertises or notifies or states that he exercises or carries on or that he is willing to exercise or carry on or in any way holds himself out to the public as ready to undertake the business of-

(a) selling buying exchanging letting or taking on lease of or otherwise dealing with or disposing of;

(b) negotiating for the sale purchase exchange letting or taking on lease of or any other dealing with or disposition of;

(c) collecting rents for-

* * * * * any real estate or business on behalf of any other person;

As you can see, this is quite generally worded, but for our analysis it's the words 'on behalf of any other person' that need further discussion.

Under a flip it seems okay as you own the property (albeit for a second) and as such are doing it for yourself. However under a flick, where you receive a commission for the deal without ownership, it seems a different story.

Ultimately though, I'm not a lawyer and as such simply want to point out the importance of identifying the legal issue and then encouraging you to seek advice rather than invest in blissful but dangerous ignorance. If you have a question or comment about this topic then please [add your reply to that thread](#).

Summary

Once again there has been a lot to discuss this month!

ordering the fantastic combo offer providing free shipping to your door!

Next we looked at the golden rule of renovating, which was to always add more in perceived value than actual cost. I also briefly highlighted the difference between investing with an individual vs. business mindset. Time really is your most important asset and it's critical that you use it as wisely as possible.

Finally, if you're interested in flipping or flicking then be sure to do a thorough due diligence to protect yourself against doing anything inadvertently illegal.

Well - that's it for the September 2004 edition of *Insider*. Until next month remember... *success comes from doing things differently!*

Sincerely,

Steve McKnight

P.S. If you enjoyed this month's discussion about renovating then I can highly recommend an upcoming seminar hosted by the Reno Kings - **Paul Eslick and Geoff Doidge**. These guys are the industry leaders in renovating and have assembled a great line up of speakers for what's sure to be an awesome three-day event. You can find out more by visiting www.renos.com.au.

Note: If you do book your seat then please send me an email, as I'll be speaking on Saturday morning and plan to run a private *breakfast supersession* for the first 30 PropertyInvesting.com members who book.

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