thrive

THROUGH PROPERTY

WHY PROPERTY INVESTING
IS NOT JUST ABOUT THE 'PROPERTY'

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CHAPTER 1:
This is where it all began

Go to school, study hard, get great grades and get stuck into the workforce.

Then, whatever career you decide to pursue, start working really, really hard.

Do this for a *really* long time until you reach retirement age and then you'll eventually have financial security and eventually be able to retire and live the good life.

Sound like a familiar story? It should – it's the "default life" we have all been taught about, directly or indirectly, growing up in modern Australia.

I was living this default life before and I'm willing to bet there's a good chance you have lived this lie at some point as well. I shouldn't call it a lie; it's not like the generation before us taught us to live like this because they were trying to deceive us.

They did it because they had learnt, from their own experiences, that it was the best way to be 'successful' in life. Times have changed a lot since then, but still this life model of ‘work hard, play little, and finally enjoy yourself in retirement’ persists.

So that’s how I started off. When I was going through school, it seemed really important to my parents, to society, to the school and to everyone else around me that I get a university degree. It was almost as if that one piece of paper was going to be my ‘golden ticket’ to a successful life – and I suppose another way that my parents would feel successful in having raised me ‘right’.

The only problem? I was never an academic; I graduated with an entirely average OP 14 in Queensland, where a score of 1 is best and 25 the lowest ranking you can get. But what school taught me, and the experiences I had there, very much shaped where I ended up going.

Here’s what I learned early on: as long as you’re good at picking up mathematics and science in the way that the education system teaches it, you’re going to be a ‘good’ student and you’ll be labelled accordingly. I certainly wasn’t one of those and was way more into health and wellbeing.

My father was an athlete and got me involved in Judo at the age of five. That was a major influence for me, helping to shape my life – I ultimately went on to represent Australia internationally so it dramatically influenced my upbringing and my philosophy on life.

When I graduated from high school, I did what I thought at the time was the right thing to do and I followed the pathway I was expected to follow, by enrolling in university. I chose to study exercise science at the Sunshine Coast University.

This was the first of three different university degrees I began, but subsequently never completed. I didn't know it at the time, but my life path was heading somewhere different; I was itching for my life to *start*, but going to uni was the expected next step, and so I went.

Never one to sit still for too long, at 17 years of age I also joined the Army Reserves. I attended basic training at Kapooka and then began parading at the Enoggera Barracks in Brisbane and at a moment's notice, I was going away on exercises and employment training.

I loved the physicality and the tradition of being in the Army Reserves, but aside from that: seriously, what young guy wouldn't enjoy being out bush rolling in mud and shooting various weapons?

Around this time, I also started personal training and coaching clients to optimise their own health and wellbeing. I was still heavily into Judo, playing and competing on both the national and international stage.

I completed my first year of university on the Sunshine Coast and then picked up and moved to Brisbane, where I transferred my degree to a new university. I dropped to a part-time study workload so I could begin to expand my personal training business, which I did by taking on more clients and running bootcamps throughout Brisbane.

To say I was busy was an understatement.

Here's a typical rundown of how my day would go – it's honestly exhausting just writing this down, let alone living this way.

My day would start at about 4am before the sun was up. I would run bootcamps nice and early, then meet with personal training clients all morning, until around 10 or 11am, then I'd have a break in the middle of the day to study and attend uni classes. I'd start back up with personal training again at about 2pm and keep going until 7pm with clients.

But anyone who has ever run a small business will know that the day never finishes when you simply have no more clients to see, I then had to go to work on working on my business – there was always marketing to do, clients to take care of, bookkeeping to catch up on and the pain of doing administration work (not my strong point I must say).

It was a busy, hectic, productive schedule and at the time, I thought I was successful. I always do the opposite of what everyone else does so the fact that I was working at night while everyone else was clocking off for the day was a good sign to me. I also thought it was a sign of my success that my life was so chaotic and full.

I had a thriving personal training business that was going gangbusters; I was made the QLD state manager for Fitness First's Bootcamps, I had plenty of clients; a university degree that was ticking along; and as if all of that wasn't enough, when I was 19, I bought my first investment property.

Life was good. At 19, I was kicking goals left right and centre and it seemed like the world was my oyster. Life was *great*.

Except… it wasn't.

The reality comes crashing down

I had this rule that the harder I worked, the more successful I'd become. So I was doing just that – working six days a week, 50 odd weeks a year, sleeping for four hours a night and working my ass off.

Sounds like great fun, huh?

Now hard work is a great thing, no doubt; but when it is the only philosophy you have in life to get ahead and achieve 'success' I have to tell you, you're going to have a *lot* of pain in the process.

I've always been extremely driven, but this 'rule' that I was taught or that I absorbed from society – that you've got to always be head down, bum up, and working hard – was never going to be a recipe for success, it was a recipe for burnout! Welcome to my life.

There I was, a personal trainer who worked with clients every day to help them optimise their health… and I was getting sick all the time, because I wasn't sleeping enough or taking care of myself. Makes total sense, right? What a great role model!

Because I was training so hard in my Judo and in my weights training and I wasn't allowing myself the space to recover properly, my body started to break down. I wound up having leg surgery on both my legs, another great win – a personal trainer who can't walk isn't exactly a glowing advertisement for your business!

What's more, because I was working so much, my relationship was breaking down. I wasn't investing enough time into my personal life but I couldn't see that being an issue at the time, because I was so focused on my goal of building my business and making money.

And do you want to know the biggest kicker? My bank balance wasn't even increasing! I was treading water financially, year after year, despite the fact that I was investing crazy hours into my business.

I can remember sitting on the cliff top at Kangaroo Point in Brisbane one early evening, reflecting on my life and the year which was flying by, and that's when it hit me.

I'm doing this all wrong.

If you've ever reached a point in your life where you've felt like everything you're trying to do and achieve and accomplish is turning out *wrong*, despite your best intentions to do everything *right*, then you can probably relate to what I was going through.

In my early 20s, I was completely burnt out and completely lost.

And I realised this so-called ''rule" of how we should live out life, really didn't make any sense. It was just setting me up for failure in a million different ways and frankly I was pissed off.

I felt I had been lied to in life about what I was ‘supposed’ to do to get ahead. This was the tipping point for me where I finally got to the point of enough is enough.

Changing direction

I had had my big epiphany, and as it often does some different things started appearing in my life which began to shift my outlook.

A few weeks later, I went along to a fitness expo. I went to a presentation run by a guy called Andrew, who was talking about things I hadn’t considered before.

He taught me that personal training isn’t actually about training people, but is actually about running a business. I’d never considered that before.

That was a major psychological shift for me at the time, as I viewed personal training as a simple exchange of my time and expertise for my clients’ money and just training people.

With that kind of model for success, I was never going to get ahead financially, simply because my success was based on my time and as you know; time is a limited thing for all of us.

I decided to engage Andrew as a mentor. It wasn't cheap; I was paying him $750 an hour, which was an exorbitant amount of money to me at the time, but I knew I had to do it and it was worth it.

The ripple effect of some of the learnings and distinctions I had from one of my first mentors was incredible and still serve me to this day.

My outlook was shifting, I was shifting, I started doing some things I wouldn't normally do. Andrew taught me all sorts of strategies to do with productivity and the power of leverage, which allowed me to better structure and spend my time, money and resources.

These have become such transformative, key skills for me that they have really changed my life and have had a profound ripple effect in many other areas.

That was the first major shift in direction for me; realising that I'd been going about "becoming successful" all wrong, that the typical rules most follow in life were broken and even more importantly ***that there was another way.***

The next major turning point was being introduced to property investing.

I moved to the Gold Coast and I was really getting into self-education; I was attending personal growth and wealth creation seminars, absorbing information online and reading books like *Rich Dad Poor Dad* and *Think and Grow Rich* and many more. I was hungry.

The gym I was still personal training at was right next to a coffee shop that I spent a lot of time in and one of the co-owners, Adrian was a member of the gym. He was really into business and finance and was really kicking goals in terms of money and wealth creation.

But, he was one of those people who became a member of the gym and then never went. What an opportunity I thought, so I brokered a deal with him: I would start giving him personal training sessions every week, if he would lend me his ear and expertise for some business mentoring.

I should mention at this point that property investing wasn't a brand new concept to me – my parents had been property investors, so I was exposed to it early on. But their version of becoming a landlord was to buy a property, pay it off completely, and then buy another property after that. A very long term strategy towards success.

Now, I was impatient so that strategy was never going to work for me! I wanted financial freedom in my 30's – not in 30 years!

I had set a goal to purchase my very first property and with some guidance from Adrian, after scraping together every last dollar I had (not much by the way) and applying for the first home owners grant I bought my first property in 2003.

A two-bedroom unit in the northern Gold Coast suburb of Labrador, it was on the market at $320,000 and it'd been sitting at that price point for a number of weeks.

You don't know much when you're 20-odd years old buying property, so I must admit, I didn't do a heck of a lot of research. I didn't do 10% of the due diligence I do these days!

But I was looking at the market and learning about rental yields. And what I did do well was, I asked some really good questions of the selling agent. I found out the vendors needed to get out of the property, quick smart, and learning their motivation allowed me to put in a cheeky offer of $280,000.

We negotiated back and forth and eventually settled on a sale price of $291,000. I moved in and then over the next 6 months I poured every single cent into renovating.

Banking a year's salary from one property deal

Six months later, I had the property revalued – and to my surprise, I'd made a small fortune. My renovation had added $69,000 to its market value!

This sparked a major realisation – it hit me like a ton of bricks that there were smarter, easier and more efficient ways to make money in this lifetime than toiling away in a business, working 60-plus hours a week.

Effectively, that one property deal generated more profit for me than my *entire 'working' income for the year*.

The icing on the cake was that I was able to pull my equity out and invest again – which catapulted me into two more deals over the next 12 months.

I just learned this beautiful word called *leverage* and I've been obsessed with it ever since. Not just about money, but also leveraging other people's knowledge, their unique skill sets, their time and their experience. This is one of your keys to building wealth.

I went on to buy my next deal, a house, which I subdivided and constructed a house on the back. I then leap-frogged into a number other properties in different cities and states around Australia.

Each investment involved something new: strata titling, renovation to add value, buying in a group to access massive discounts. Some deals were blue chip, buy and hold investments, and others were sold for strategic reasons along the way.

I've made the odd mistake along the way, but I've also had some epic wins – and not by chance. By having a clear, focused strategy and doing extreme due diligence, I've been able to boost my balance sheet and grow my wealth.

All of these experiences kicked me off on a journey that landed me right where I am today, having built a multi-million-dollar portfolio, while successfully coaching everyday people around Australia about investing in property and replicating these same results.

Obviously, you'd like to be one these people as well – otherwise you wouldn't be reading these words right now. Ideally by the end of this book, you'll have all the advice, expertise and resources you need in your toolbox to make this happen.

Ditching the 'default life'

The success of my first property deal sparked a passion in me for investing and not long after buying my very first property, I quit personal training and started doing property sales as a real estate agent to get some experience.

And, of course, all the while I was attending every property seminar I could.

Then one night I went to a seminar and met another particular mentor who would become another very strong influence in my life for years.

I quite literally pestered my way into a job with him, calling and emailing each and every week relentlessly until six months later they finally gave in and gave me a job - the opportunity I was looking for to get started.

I became incredibly passionate about helping investors get ahead, so I quickly moved from a property advocacy role into coaching roles.

I began speaking to audiences all around Australia, working with thousands of everyday people. I helped them become proactive property investors through clear strategy planning and grew a team of other property coaches, mortgage brokers and property consultants.

In February 2015, I launched on my own business because I realised my passion for property had taken me on a different path.

You see, I never focus just on ‘the property’. The actual bits of real estate you buy – they’re only one part of the equation.

What I’m really passionate about is full circle *life design*. Property and wealth is just one part of designing and creation your ideal life.

It’s also about relationships, passion, getting your time back and living an active and vital daily life. The great thing about property investing is it gives you the wealth so you have freedom and time to focus on these areas.

I love the idea of helping people break apart from the ‘ordinary’ in order to ditch the default life and create something extraordinary for themselves.

You see, I’m all about helping ordinary, everyday Australians to become financially free.

Let’s take an average Australian couple; we’ll call them Steve and Cathy. Steve and Cathy are living the typical life that we’ve all been told to live. They studied hard, got good grades and went on to get good secure jobs. They met, fell in love and decided to buy a home.

With two incomes, it was easy. And once they had kids, they worked harder to pay off their mortgage and set aside their superannuation so that, when they retire, they could “live the good life”.

The only problem with this? There is no “good life” when you’re living off a meagre pension topped up with an insufficient superannuation balance. **Instead, your “good life” means eating basic rice and two-minute noodle dishes; it means your idea of travelling isn’t a cruise around Europe, it’s a weekend in a caravan park.**

If I were to work with a couple like Steve and Cathy, I would come up with a plan to help them create a stronger financial future. But as is, their example is the future that the majority faces upon retirement: retiring on a measly pension.

Research shows, that for many people their superannuation balance is enough to last them 5 or so years at best.

Look around you at the people you know in their 50s and 60s… Are they on their way to a healthy retirement?

I have a friend whose Aunt did “the default life”, and now while at 71 years of age, her siblings are travelling the world on cruises etc. while she’s scrubbing toilets and cleaning houses, so she can join them on trips in her ‘retirement’.

Wealth and money expands your options and gives you choices you’ve only ever dreamed about before.

Throughout this book, I’m going to teach you how to successfully invest in property so you can build a profitable portfolio and open up your options exponentially.

But I also want to be able to teach you a lot more than that. It’s never just about real estate – and by the time you finish this book, it’s my goal for you that you will have a vision for your future that excites and motivates you on a level you've never experienced before.

So what are we waiting for? Let's get started!

Join the free Wealth Dojo Facebook community

To be part of a community of other investors looking to grow their wealth faster head to http://www.facebook.com/groups/wealthdojo/ - answer a few quick questions and I'll see you on the inside

CHAPTER 2: STRATEGY:

How to strategically build your dream life

It amazes me how many people begin property investing with a giant blindfold on.

They have no clear ideas of where they are going or what they are trying to achieve, but instead approach investing with a mentality of, “this seems like a good idea, let’s see what happens”.

Then when it all turns to crap, they wonder why they never get past first base in their portfolio, why they never made any decent profits and why they feel worse off now than they did before they began investing and often wind up become jaded, saying things like “property investing doesn’t work”.

Nine times out of 10, it’s because they didn’t have a clear vision around what they were trying to create – let alone have a strategy on how to achieve it.

Actually, they did have a strategy, but it wasn’t a very well thought out one. It was ‘buy and hope’ – often disguised as ‘buy and hold’. In other words, without doing enough research or due diligence, they invest in a property and pray like hell that it increases in value as time goes by.

Obviously, that's a really risky strategy, but it seems to be the most popular one in Australia!

It is crazy in my eyes that investors looking to secure their financial future would willingly go into the market and invest their hard-earned money, spending hundreds of thousands of dollars to buy assets, without a plan.
That's not even mentioning the lack of the research skills required to ensure they choose the right property that has the potential to deliver the results they want.

Strategy is the number one most critical, most important, most essential aspect of property investing that you ***must*** prioritise, if you want to be even be remotely successful in real estate.

And having a clear strategy comes way before even thinking about buying a property.

So what does it mean when I talk about strategy? It's not just about building a framework around your property decisions; that is actually only a small piece of the puzzle.

It's also about creating a game plan for:

1. How to elevate your income
2. How to quickly and easily slash debt (especially on your own home)
3. Your strategy to pay less tax
4. Your financial fortress strategy to protect your

income and your assets and strategically lock away your wealth

5. Your strategy to leverage your money effectively and safely
6. Your investment empire strategy to get your money working harder for you and to buy more property

It's essential that you review and fine-tune all of the above areas of your life, because they all work together to help you build wealth and create your ideal life. If you are only focusing on what property you are going to buy, then frankly *you are missing most of the game.*

Some investors get stuck on one track, which may get them results in the short term, but it's not going to create a robust, profitable portfolio that delivers long-term wealth.

For instance, I see many investors just get stuck in this one frame mind of only getting cash flow investments.

They only chase properties which are just positive cash flow.

They think they have made it when a property is giving them a few thousand per year positive cash flow, but are completely missing the real wealth driver of building their asset value through capital growth.

You, see positive cashflow is important in a portfolio. But you need all of the different components to work together in a 360-degree process, allowing you to supercharge your goals.

This way, instead of buying one or two properties, you can buy 9 or 10! That's what a clear, defined strategy allows you to do.

That is the power of **strategy**.

An alternative to 'Buy, Pay and Pray'

Most investors' strategy consists of the above-mentioned 'Buy, Pay and Pray'.

It's when someone buys a property, start paying out of their back pocket every week to fund the shortfall between rent and expenses, and then pray it goes up in value one day to make the whole exercise worthwhile.

Now I don't know about you, but using this type of 'buy and hope' strategy is a whole lot like gambling in my eyes – and investors don't gamble.

I want to give you an example of the difference between 'pay and pray' investing and having a strong investment strategy.

I have a client called Arthur. I met him in 2011; he's an absolutely great guy, but he had gone about his investing the wrong way.

Back then he owned four properties.

Sounds like a great start to a profitable property portfolio, right?

But owning a few properties doesn't equate to actually getting positive results out of them.

And, in fact, the exact opposite was the case here, as Arthur's investments were bringing major pain.

Arthur had bought all four of his properties in the Sydney market. There is nothing wrong with this – except that at the time, the Sydney market was peaking.

He paid peak prices for these properties, which then proceeded to do virtually nothing for the next eight years!

That is a long time to be holding underperforming, lazy assets.

You might ask, well, why did he buy in Sydney then?

He did so because that is where he lived, where he was comfortable, they were close by, he could drive past them every day if he wanted to and he could even make sure his tenants put their bins outside.

This is actually what most would-be investors do: they buy purely because of the comfort factor and not necessarily because it is the best place to invest in the current market cycle.

Arthur was earning a solid income and was paying a solid amount of tax, so the advice that came from Arthur’s accountant at the time was to make sure he purchased negatively geared properties to reduce his tax bill.

This is another very common, but I believe misguided piece of advice handed out to investors all the time. For me, tax is only one consideration of a successful investment.

Unfortunately for Arthur, he followed this advice. As a result his portfolio was costing him a whole stack of money – more than $31,000 a year, in fact. That’s almost $600 every single week that he was funnelling towards his properties! Ouch.

That’s the bare minimum that he had to come up with, without accounting for maintenance and repairs, just to maintain his rental properties, which remember, weren’t growing in value much at all.

Plus, to make matters worse, his investment portfolio was cross securitised with his own home, so he was stuck with a tangled mess of loans that made it difficult for him to sell any of his properties or continue to grow his portfolio.

If you know anything about cross securitisation you will understand that this was putting his home at massive risk, but more about that later.

He had a wife and two kids and was well educated, but he had gone about investing in real estate all wrong.

By the time we met he was feeling desperate, as he was racking up bad debt to cover the negative gearing losses and felt like he would never get ahead.

He had no plan and when you are in these kind of situations in life and have no plan to get out of it, you simply feel helpless.

I have a core philosophy though in my life, which is that there is always a way forward. You always have a next step.

Together, we went around every single area of his life and created a clear strategy to make rapid improvements.

This wasn't just a review of his investing choices and finances – we entirely overhauled his whole life, and created a strategy to move him from where he was to where he wanted to be.

Fast forward five years and his situation completely turned around. By 2015 he had eight properties diversified in three different cities, and his portfolio had gone from costing him $31,000 per annum, to returning around $1,300 per annum in net positive cashflow.

More importantly he had an investing system, a plan for moving towards his own financial freedom and major hope for the future.

This is the power of strategy – and this is why you *must* have a strategy around your investing before you even consider buying a property. Strategy first, deals second.

3 building blocks of a strategic property portfolio

The first step you should take when buying an investment property is actually nothing to do with real estate at all. Instead, you need to work out why you're looking at buying it in the first place.

This means taking a step backwards so you can start designing what you want your life to be about, and then create a picture that helps you understand exactly where you are right now.

Then, you craft a path to bridge the gap.

This is where your investing strategy comes in to play as your road map to success. It helps move you from Point A (where you are right now) to Point B (where you want to be in 5 years) to Point C (where you want to be in 10 years or beyond).

Your strategy is not set in stone – life is full of curve balls you've got to be willing to continually revise and

fine tune your strategy, to ensure it remains relevant to your current situation, the current market and your current personal life.

But in a big picture sense, your strategy is like a great big map.

Imagine you want to drive from Perth to Queensland.

There are dozens of different ways you could go. None are absolutely the 'best' or the 'worst' way to go, but some routes will get you there sooner, and some roads will be safer to travel than others.

You might run into roadblocks along the way – like running out of petrol, blowing a tyre or even having your car pack up completely along the way.

But you're prepared for these setbacks. And you've got a plan to get back on track.

Planning, preparation, persistence – these are the building blocks of a great road trip and enjoying the ride. And they represent the foundation of a great investing strategy, too.

Now, once you've designed your life strategy and worked out what your ideal life looks like, you should have a good idea of the numbers and figures you're working towards.

For instance, you may be 35 right now and you want to retire at age 55 with six fully paid off properties, paying you $100,000 a year.

If that is your goal, then you know you have 20 years to make that happen. Your strategy could involve buying 12 properties, so you can ultimately sell half and use the profits to pay off your remaining properties.

Whatever the finer details look like for you, your property portfolio will need to be populated with the right types of investments to help you reach your property goals.

The following three types of property work together to give you the perfect mix of growth, cash flow and profits. While there's no such thing as a 'one size fits all' investment strategy, I believe that virtually all investors will benefit from a mix of these assets in their portfolio:

1. ***Buy and Gold properties***
   These are real estate assets that you want to hold in your portfolio for forever and a day. They're generally located in blue chip areas, where people always want to live or rent, or second tier locations where there is infrastructure and strong ongoing demand, to ensure the area will outperform the market in terms of capital growth. The primary purpose of these properties is to deliver stronger capital growth to your portfolio, which is where your real wealth in property investing is created.

These form the cornerstone pieces of your ultimate portfolio, as you rely upon them for your financial freedom. Because these properties can tend to be better quality properties in more in demand locations, they are often more expensive. This is why you need to have the second strategy in place to balance out your books.

2. ***Paycheck properties***

   The primary purpose of these investments is to give you healthy cash flow. Your property is a business and these properties provide a surplus of income, to help support your Buy and Gold properties. They achieve this by supporting your serviceability with the banks and by ensuring you do not have to dip into your own pocket to fund your portfolio. They can also provide some sneaky lifestyle improvements along the way, as your portfolio matures.

3. ***Momentum Properties***

   To move forward and acquire more assets, you need chunks of cash. That's what these properties are for: they are homes that you don't necessarily want to hold on to for the long term, but they serve a purpose for the short-term. Remember, it's not about the property, but about the purpose. With a momentum property, you hold onto it for a short period, then after renovations or a boom in the market or using any other strategy you wish to employ, you use it to release a chunk of cash. That cash can be used to reinvest, to pay down the Buy and Gold properties you are accumulating step-by-step, or even to pay off your own home sooner.

The truth about real estate…

Let's get something clear straight out of the gate. Property investing is *not* just about the property. It's a funny thing to say in a book about property investing, I know, but it's a really important point to reinforce upfront.

I have spoken to tens of thousands of investors over the last decade. Apart from a few property nuts, who simply love and adore everything about real estate and spend every waking moment searching for property, structuring deals and renovating, the vast majority see it for what it is: **A tool for creating better lives.**

A tool that ultimately helps to create some more choices in their lives, so they can more fully live the lifestyle they desire, unlimited by income constraints and without being tied to a job so they can make ends meet.

At the start of my seminars, I routinely ask, "What does property investing mean to you?" and no matter where or when I ask this, I hear variations the same answers. They look something like this:

- To create financial freedom
- To have more time to spend as I please

- To make more money
- To follow my passions
- To feel financially safe and secure
- To increase the quality of my lifestyle
- To plan for my retirement

Sometimes, a few disgruntled people throw up one-liners like, “So I can tell my boss to shove it!”

But I have never, ever heard anyone say, “I want to invest in property because I’m passionate about dealing with property managers, disputing with tenants, haggling with real estate agents, and spending hours and hours filing updated documents with my mortgage broker. Oh, and I really love spending my weekends cleaning out gutters and painting facades, or stripping wallpaper until the early hours of the morning.”

No, we don’t invest in property for the ‘love of the game’. **We do it because it allows us to have more choices and create the lifestyle we really want to live, rather than being stuck in the one we’ve got.**

This was the exact motivation that prompted Sanders to begin working with me in 2011. Having moved to Australia from Zimbabwe in 2004, he says he “really had no idea about property”.

“All I knew was that going to work was how you make money!” he laughs now.

He eventually ended up buying an investment property, a house in Sydney's west, off his own bat. But he did very little research, did very little planning and ultimately he didn't have a strategy guiding his decisions – just a gut feeling that investing in property seemed like a good thing to do.

This is obviously a really, really risky way to invest in real estate, but it's how most people start out.

"After that first deal, I realised I was taking a risk by investing on my own and I thought I should look for an education. I looked at a number of different companies that offer real estate mentoring and education and that's how I wound up meeting Todd," Sanders says.

"At our first strategy session, Todd sat down with me, looked at my income and my possibilities, and helped me get myself into a position where I could secure a good loan structure to purchase more property. Just as importantly, we then looked at what investment strategy I should use to help me get where I wanted to go."

Now, since we've been working together, Sanders has gone on to buy several more properties – his portfolio is now worth around $5m, give or take, which he's achieved in a few short years.

Now the world's his oyster – in fact he's gone from working two jobs to working only 4 days a week. This means, he has a 3-day weekend every week!

And it's all been possible because he got an education, got organised and created a vision for his life and his investments – and he hasn't looked back since.

How many everyday income earners do you know, and I'm talking about ordinary, average Australians without a trust fund to get them started, who have achieved this kind of result?

Sanders has a multi-million-dollar property portfolio that has already helped him to hugely improve his lifestyle, and it's all a result of creating a strong investment strategy.

How strategy leads to profits

I've already touched on the 'pay and pray' investment strategy that most people unknowingly follow when becoming a landlord. They often look around their own neighborhood or a nearby suburb that they're familiar with, and that's how their property investing journey begins.

Sometimes it works out, sometimes it doesn't. But one thing I know for sure is that when you have a strategy guiding your investment decisions, and a clear plan for what you want to achieve, your likelihood of creating a profitable property portfolio are massively magnified.

For instance, I remember quite a few years ago when I was only in my early 20s, I invested in a deal that really helped me move forward towards my goals.

It was 2008, right in the middle of the GFC, so there was quite a bit of fear in the market. Because I was clear on my goals and I had faith in the potential for real estate to grow my wealth, I didn't let any of those negative headlines worry me. In fact, I viewed the market as if it was 100% opportunity with low risk.

I had a deposit, finance approval and I was ready to invest, which is essential to this story: when you're primed and ready to buy, it puts you in the ideal situation to pounce when great opportunities come your way.

This particular property was located in Dulwich Hill, a suburb of Sydney, located around 6km from the CBD. Remember, this was in 2008 when the market was low and confidence was shaky, so there were strong buying opportunities available to those who were ready to buy.

My team and I had relationships with creditors, developers, banks and real estate agents, which gave me access to a unique off-market deal; you'll often find that the best deals never go to market, which is why you need to build your network.

I was offered the chance to get into a unique deal. This project was near completion but the developer couldn't sell the apartments fast enough to satisfy his financial obligations and he needed a quick ‘out’.

The valuation on the two-bedroom, two-bathroom apartments was $540,000. Our team negotiated with him to take out 30 or so of these units – I didn’t buy them all myself, of course! But I combined with a group of 30 plus investors, and we got into this deal together.

And the price that I wrote on the contract? Just $418,000.

Collectively, we used our buying power to negotiate a discount of as much as 20% off the property’s value.

I personally made around $110,000 profit on that one deal, an incredible equity boost, which I was able to quickly leverage into new deals.

That is the kind of result you can sometimes achieve with strong negotiating, networking, a great team and a clear strategy.

Creating your ultimate ‘life design’

In case I haven’t made myself 100% clear yet, what I am really getting at is that property is just a vehicle for your financial success.

The crucial first step you need to take before investing in property is designing your ultimate life – then you can design your property portfolio around those goals, rather than randomly buy any old property because you think it is a good idea.

If you want to be one of the small percentage of Australian investors who actually create a profitable portfolio and achieve financial freedom in their lives, then you need to get comfortable with this mantra.

Of all landlords in Australia, it's estimated that fewer than 1% go on to build a portfolio with five or more properties in it[1].

I believe this is because along the way, people get lost and they get stuck. They don't have clear goals and don't leverage their investments properly, so they seldom get themselves into a position where they can progress from owning just one or two properties. They then get disheartened and move on from real estate before it has the chance to really transform their situation.

Those who are clear on their overall 'life design' goals get the bigger picture, so they're more committed to making it work and therefore stay committed to their ultimate goal.

Now, I use the phrase financial freedom very generally, because in truth financial freedom is different for every single person I talk to. I have met investors whose version of financial freedom was buying a caravan and travelling

[1] ATO/RP Data research, 2013, 0.8% of Australian investors own five or more properties

around Australia. For others, it means the freedom to quit their job and spend their days renovating properties for profit.

I have met other investors who want to travel first class six months of the year and have multiple properties and holiday homes in multiple countries; these people are aiming to generate $1 million a year in income, just to cover their lifestyle costs.

Obviously, these various versions of financial freedom are very different and none of them are right or wrong, they're just different – and they are very different in terms of the cost and time required to achieve it.

This is the point where I ask you: what does financial freedom mean to you and how much is your financial freedom going to cost? If you don't know where you are going then how can you plan out your portfolio to actually achieve it?

I tend to ask this question rhetorically, because my experience has been that the vast majority of people actually don't know what they really want out of life… and they haven't taken the time to figure this out.

The truth is that most people will tend to spend more time planning a holiday than they do in planning their own life and future.

But you're not 'most people', are you?

So what I do want to do in this chapter is to get you thinking about your own life.

- What are your goals?
- Where do you want to be in five or 10 years time?
- What type of life do you want to be living?
- Can you break your goals down into something tangible that you can plan a portfolio around?

Your goals for your life should be completely emotional, but the steps we're going to create around achieving it – i.e the basis of your investment strategy – will be completely practical.

This is the philosophy we are going to approach this process with.

What does financial freedom mean to you?

Try answering these questions to get you started:

- Where do you want to live and in what type of home?
- What is the environment you want to surround yourself with?
- What do you want to spend your time doing, and with who?
- What are you passionate about?
- If you could be doing anything with your life, what would it be?

- What legacy do you want to leave to your family or to the world?
- How do you want to contribute – to friends, family, charity or causes? Is it a financial contribution or a time or expertise contribution that you want to be able to offer?
- What material things do you aspire to own? Is it cars, boats, holiday?
- How much income do you want to earn per week? How much 'fun money' do you want to have leftover every week?
- What other choices do you want to have in your life?
- What experiences do you want to have in your life, which will create lasting memories?

To get you thinking about what your 'ultimate life' may look like, I asked Sanders for a sneak peak of his life vision. This is what he has achieved, and what is he is still aiming for, in the pursuit of creating his 'ideal life':

"I started investing in property in 2010. Today, I have nine properties and my portfolio is worth around $5m, perhaps a little more. I have cut down my working hours; I'm a registered nurse and I was working 7 days a week, but now I only work 4 days. I'm currently working on a development project and my goal in the next 5 years, or less, is to be able to exit the workforce and concentrate on property full time." – Sanders Muleya

This is a relatively specific life vision and shows you the kinds of questions you need to be asking yourself as you start to build your life strategy.

But how do you turn your ideal vision into a real, clear target, with tangible steps to move your strategic plans forward?

You do this by using the Wealth Ladder, I tool I have created to help my clients to map out their lives in clear bite-sized steps that allow them to turn their dreams into reality.

The 7 rungs of our Wealth Ladder

Your Wealth Ladder is ultimately about creating a strategy for optimal living in seven key areas of life.

I'm also going to walk through the process so you can follow this guideline as you work through the Wealth Ladder yourself.

1. Ground Zero
Broadly speaking, Australians spend more than they earn. Year after year, more money flows out of our pockets than comes in and we're left in a worse financial position than where we started. Isn't that staggering?

We are in a world where being in personal debt seems to be the norm. Credit cards fly around everywhere, we buy expensive cars we can't afford to look good, and store cards allow us to buy things ‘interest free’ that we really don’t need.

If you are in this boat, then you know you need to start shifting some habits in your life and getting your financial life on track before you significantly move forward with your investing.

I call this phase ‘Ground Zero’ because for many people, it’s about getting back to an even footing and getting in control of their financial habits for the first time.

If this is you, then what you need to do in this phase is to write down your personal debts, which you need to eliminate or significantly reduce before moving forward with your portfolio.

Please write down the exact dollar figure.

You might have a credit card debt of $8,000 and a car loan for $15,000 for example with a total amount of $23,000. Whether you feel the need to clear the full amount of debt or a portion of that amount to feel back in control of your cash flow and finances, is up to you.

Your situation might look something like this:

Debt	Total debt/ limit	Current debt/ balance	Interest rate
Personal loan	$15,000	$7,250	8.5%
Visa 1	$12,000	$10,200	19.99%
Visa 2	$9,000	$6,800	19.99%
Mastercard	$8,000	$1,200	6.99% balance transfer; then 20%
Retail store card	$6,000	$5,800	0% for 12 months, then 22%
TOTAL	**$50,000**	**$31,250**	**--**

In this situation, you might consider paying off the Mastercard immediately (or as soon as you have the finances available) and cancel the card. Yes, the interest rate is pretty low, but psychologically you'll get a major boost from paying off a debt and eliminating the card completely.

Next, I would work out a plan of attack to pay off the remaining debts. It's important that you're not racking up new debts on these cards as you're paying them off.

Remember, there's no right or wrong way to go about this. The whole point of this exercise is to get your head out of the sand and to get you back in control of your finances, rather than your debts and your money running you. Remember, there is a strategy on how to do this, and the results can be achieved far more rapidly than you might think.

2. Security Phase

There is nothing worse than stressing about money. It is one of those things that if you are worried about it, it permeates every other area of your life and causes so much stress. I know – I've been there. As a younger man, living from pay cheque to pay cheque and wondering how I'm going to make my mortgages on a monthly basis. It's not fun.

The security phase is designed to eliminate this pressure from your life. What this phase is really about is your 'sleep at night' factor. The aim is to create a financial buffer, set aside to protect you against 'stuff' happening in life, which it inevitably does from time to time.

The truth is that the majority of the population is only a matter of weeks away from being broke if they lost their primary source of income.

That is a scary place to be and it's not the ideal foundation to start from if you want to invest in property.

As you probably know and have more than likely experienced, every now and again life will throw you a big challenge to deal with. It could be being made redundant or it could be an illness or injury, or a death in the family, or something else unexpected.

Whatever it is, it has the power to send you sideways – in life and in your finances. A key part of your future success with money and financial freedom is being able to ride out the storms of life and to continue moving forward, as a huge setback can set you back years.

There is no magic formula to figuring this amount out; it's a personal decision and is based on you as an individual, your risk profile, your employability, your age and a whole range of factors. Some people are comfortable with only six weeks of living expenses. For others it's more like six months and the risk-averse like to have two years worth of living expenses in a 'rainy day' account.

The key question you need to ask yourself is: "How much does my life cost me each week? And how much 'time' (in weeks) do I want to set aside in living expenses, so I can sleep at night and know that if something happens, I can protect myself, my family and my future wealth?"

Now, if you have settled upon a reasonably high figure, then may need to make a plan to continue building your buffer *while* you potentially invest in property. Again, this is a personal decision.

But this ‘sleep at night’ factor is an essential part of the property investing process and allows you to build your future wealth, without sacrificing your current peace of mind.

3. Acquisitions phase

This is the phase where you begin to take advantage of leverage in the market to build the foundation of your property portfolio. This marks the start of your serious investing business and by far this is the most important phase, after you have handled the basics of financial management.

Your strategy is ultimately a combination of everything you are planning, creating and doing to build a profitable portfolio and so in the acquisitions phase, you’re actively buying assets. The next chapter is solely dedicated to helping you find investment properties that help you achieve your goals.

You will spend the majority of your property investing timeline in this phase while building your portfolio and this is really where you start to see the benefits of having a clear and defined investment strategy.

I’ve mentioned earlier in this book some of the key reasons why property investors fail and don’t achieve what they initially set out to in their portfolio. The number one reason that trumps them all is a *lack of strategy*.

Most investors have a ‘Buy and Hope’ or a ‘Buy, Pay and Pray’ strategy. They buy a property and hope that it goes up in value, and that it will somehow be the right property bought at the right time, delivering the right returns to help them achieve financial freedom.

It’s a great strategy, right? There’s nothing risky, unproven or terrifying about a ‘pay and pray’ method, is there – especially when you’re putting hundreds of thousands of dollars on the table?!

I don’t mean this to come across as condescending because the fact that action has been taken in the first place is something to be commended.

If this person has been you in the past, then you need to be congratulated because you have done more than the average person has – much more.

In fact if you own just one investment property, it means you are already part of a small club. The most recent ABS statistics are now outdated. Their figures from 2011 show that around 8% of the population own at least one investment property, but it’s estimated that its now closer to 10%.

However, data from Digital Financial Analytics in 2015 suggest that there are around 272,000 Australians who own five or more investment properties. If you’re in this group that makes you seriously special!

It makes you someone who is willing to take action and go against the herd and create something more out of your life. But now, it is time to be more strategic about your goals while joining the very top percentage of Australians, who have three or more investment properties to their name.

This is what a clear strategy can do for you.

For most would-be investors, the problem first starts with their focus. They tend to be focused on the property they are going to buy – and of course, doing some kind of due diligence on this is important – but this is actually the *last* piece of the puzzle. It comes later and is the culmination of all the work you do *beforehand*.

4. Cash flow phase

Without a doubt, this is one of the most exciting phases of your portfolio growth journey, because this is when you begin to realise some of the fruits of your labour.

Finally, you'll start to enjoy some of those indulgent choices you always aspired to, when you began your journey.

In this phase, you are still reliant upon your primary source of income to support your overall life, however through strategic property investing, you have created some extra cash flow or profit to afford a few luxuries you didn't have previously.

What are some of the choices that you would like to start realizing, sooner rather than later? Is it hiring a fortnightly cleaner? Is it dropping one day a week of work? Is it buying a new car? Or a certain holiday budget every year?

Is it being able to send kids to private school without killing yourself to make ends meet? What does it mean to you? And again, how much are these indulgences going to cost?

Working backwards is the way to figure out what you want to achieve here.

Let's say you want to drop a day per week at work. What amount of cash flow or profit do you need to create, in order to replace one day's salary per week?

Let's calculate how much you are 'worth' per day.

If you are earning $70,000 per year and you work 48 weeks a year with four weeks paid holiday a year, the numbers will look something like this:

$70,000 divided by 52 weeks of the year = $1346.15 per week income

$1346.15 divided by 5 days of the week = $269.23 per day

$269.23 multiplied by 52 weeks of the year = $14,000 per annum

What you now know is that in order to achieve your outcome of a four-day working week, you need to create cash flow or profit from property of $14,000 per year.

At the same time, you may be striving towards owning your dream home. If you wanted the opportunity to raise the deposit to buy a $1 million home, then you might be working towards a 20% deposit and 5% of costs. 25% of $1 million = $250,000 in cash.

So now we know we need to create cash flow of $14,000 per annum from your portfolio, and a cash or equity balance of $250,000, in order to reach this phase.

This is your clear, tangible outcome, which we can create a strategy to move towards.

5. Financial Freedom

This is a *major* time to celebrate. You have achieved what few investors ever do, as you are now financially free, whatever that means to you.

You no longer need to work to cover your basic living expenses and you effectively have your time back. You are not quite living your ultimate dream life at this point; however you have freed yourself from the necessity to work to support your life.

So, how much does it cost you to live your life? You should well and truly know by now, if you've been working through these steps in order. If not, the word ‘budget’ comes to mind as something important for you to prioritise and create.

If you do know how much your life costs you, then you have a figure to work towards. You will need to speculate as to what your life is going to cost you in 5 years or 10 years’ time, and I would also suggest that you view this as a revolving document, one that is constantly updated as your life evolves. Make a commitment to yourself that you will update this every 6-12 months and you’ll be on the right track.

There will always be some definitive costs – mortgage/rent, power, insurances, etc – and some that will fluctuate, such as the cost of the kids going to private school, now or in the future.

But in a nutshell, reaching this stage means you have reached a point in life that few actually achieve, and many aspire to.

6. Abundance phase

Okay – this is some next level excitement. You have achieved financial freedom and have your time back, but remember when I asked you what your dream life looks like?

Now is the time where you are enjoying some of these benefits. By now you will be truly calling your life a masterpiece, because you should be ticking off some of your bigger goals, such as:

- ✓ Owning your million-dollar home outright
- ✓ Owning a holiday home
- ✓ Driving your dream car
- ✓ Contributing a certain amount of money or time to a cause you truly believe in
- ✓ Following your creative passions
- ✓ Providing a certain quality of life for your family

What does your ultimate life look like and how much will it cost? This is the phase where you will enjoy life in abundance so don't be afraid to dream big and bold.

7. Ultimate wealth

By now, you are already living your dream life and frankly, you don't need anything else. But maybe you want something kinda crazy, just for the sake of it.

Something like an aeroplane. Or a certain amount of net worth. Or standing reservations at an ultra-expensive, five-star restaurant.

Whatever it is to you, the ultimate wealth phase is really about having it *all*.

Many people don't reach this phase; in fact, *most* people don't come close.

But it doesn't hurt to have a few outrageous goals to work towards, right? So why not chuck a figure at it. Remember to dream big; don't put limitations on your potential.

You now have a completed Wealth Ladder, with a breakdown of smaller, more tangible and realistic phases to work through as you move through your investment journey.

I truly suggest you keep this handy and accessible, somewhere prevalent in your home or workspace, where you will see it on a regular basis. This will help to keep you connected to your outcomes and committed to achieving the dream life you have designed.

Now, it might sound like I'm basing success in life on money, but I am absolutely not; far from it. The purpose of this whole process is to really create some tangible outcomes that we can build a portfolio around.

But without your health, without quality relationships with your intimate partner or kids, without fulfillment in how you spend your time, or spiritual fulfillment, then no amount of money is going to make you happy or feel successful in life in general.

This is all about how can we build a portfolio to help you live the life you truly desire – in total abundance, and free from financial worry.

More Learning

Visit www.toddpolke.com/webinar to enrol in our 'Build Wealth Be Free Masterclass'

CHAPTER 3: INVESTING

How to find the right suburbs to invest in for maximum capital growth and rental income

By now, I'm going to assume that you're well aware there's a lot more to property investing than simply parking your cash in a real estate deal and hoping for growth.

That's one way to invest in property – but it's definitely not the smartest.

You need a clear strategy and defined goals, if you want to build a profitable property portfolio that ultimately delivers wealth in abundance. And you also need to invest in property that serves your goals, both short and long term.

There are three primary purposes each property you invest in will need to serve. These are growth, support and acceleration.

1. Growth Purpose: **"Buy and Gold" property**

This strategy is about the consistent accumulation of quality assets, which have the ability to provide you with capital growth over time.

These are the properties that have the long term qualities and growth fundamentals behind them to underpin continued growth.

Over time, you will begin to deleverage these assets (in other words, reduce the debt stacked against them) and therefore increase your net worth. These are your better quality, blue chip properties.

2. Support Purpose: Paycheck property

This strategy is about supporting your overall investment strategy by creating additional and consistent streams of cash flow to support your continued accumulation of assets.

Have you heard the saying that ‘cash flow is the lifeblood of business’? Well, remember that this is your own property business you are creating. Without cash flow, your portfolio will eventually come to a grinding halt.

In property, we use these assets to support our day-to- day portfolio cash flow so we are not running a negatively geared portfolio, and to help us support and increase the serviceability of our portfolio overall, by increasing income or reducing debt.

3. Acceleration purpose: Momentum property

As the name suggests, these are the strategies you can employ to accelerate your overall growth by creating chunks of cash.

You may purchase properties and sell them quickly; you may renovate existing properties and trade them in a strong market for a profit boost. I don't care how it is done I just care about how you create the required result of a chunk of cash. There are dozens of other ways you can derive profits from property quickly, and they are all traded for their 'acceleration' purpose.

These assets will become a key debt reduction and de-leveraging part of your strategy, as it is a much, much faster way of eliminating debt than trying to pay back your mortgages, little by little.

Which property purpose is best?
What strategies do you require in your portfolio, then? One, two or all three?
And can you combine two strategies into one deal?

The answer is yes, to all of the above.Yes, you will need all three in your portfolio. And yes, you will be able to find some properties that will help you achieve one or more outcome, now or in the future.

The secret to your success will be having a clear, focused idea of what you want to achieve, so you can locate the precise types of property that will help move you towards those goals.

Some properties or assets might flow into different categories and could change over time, so review is always needed.

Once you've worked out the purpose of your investment, it's time to get stuck into the actual process of locating your investment property. This can seem like an intimidating process at first, but as with all big tasks, if you break it down into smaller steps it becomes much easier to achieve.

Personally, I follow (and teach) the following 6-step process for finding the right suburb and property to invest in:

1. Ascertain budget and buying rules
2. Identify market type
3. Settle on a location
4. Due diligence on your chosen property
5. Measuring risk
6. Negotiate a discount

1. Ascertain budget and buying rules

Before you hit the classifieds and start pounding the pavement looking at property, you need to ascertain your budget and buying rules. This will be determined by two factors:

Your buying rules are effectively the culmination of your strategy design, which is crafted from understanding not only your dreams and goals, but also your level of expertise, your level of interest and time availability, your financial situation, your timeframe for achieving your outcomes, your risk profile and more.

Ultimately it comes down to understanding:

- What are you going to buy and why?
- How much will it cost?
- What is your required rental yields?
- Where will you buy it?

As a property investor, there are two critical numbers that you will need to know and understand for your personal situation in creating your buying rules and these are a constant juggling act throughout your property journey.

Your **serviceability** is the amount that your bank or lender is willing to lend you, based on income and expenses, your family situation, portfolio size, risk profile on you and multiple other factors, which they will never disclose to you. This criteria can and does change constantly.

Your **buying power,** on the other hand, is the amount of physical cash or equity you have left for your property deposit and costs for future purchases, after you take out your buffers and take into consideration the LVR you are intending to invest at.

Now, there are three possible combinations that can occur here.

1. First of all, your servicing may be higher than your buying power. This could mean that the amount of physical cash or equity you have for future deals is going to hold

you back, and you may need to focus on how you can generate more equity in the next purchase or raise more savings to balance this out.

> **Example: You have serviceability** for a $500,000 loan, but you only have access to a $30,000 deposit – well short of the $70k-$80k required for a 10% deposit plus costs.

2. Your buying power may be higher than your servicing. This means you've got more resources available for your deposits than the bank is willing to lend you. If this is the case for you, you may need to focus on cash flow strategies to bring your servicing up, so you can take full advantage of the resources at your disposal.

> **Example: You have serviceability** for a $300,000 loan, but you have access to a $150,000 deposit – well in excess of the $45k or so required for a 10% deposit plus costs.

3. Your buying power and servicing is in a balanced state. This is a quality situation to be in and something you want to continue aiming towards, especially when establishing the foundations of your portfolio. This

means you can move forward with a balanced strategy, where your outcome is to continue building both sides.

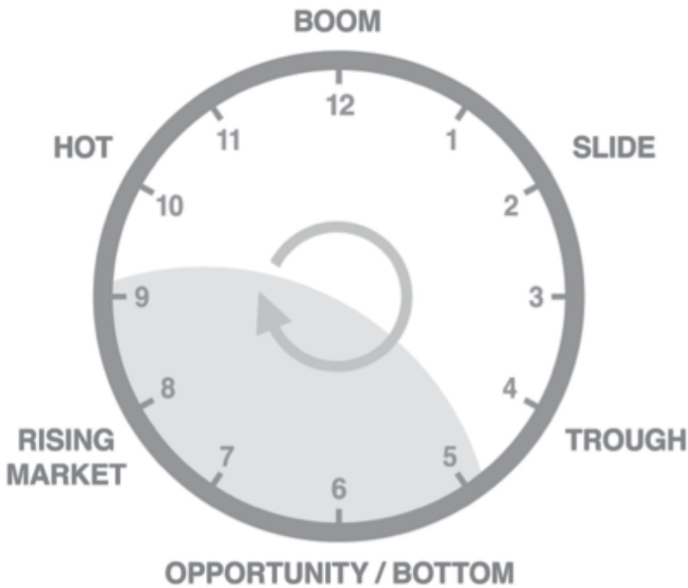
> **Example: You have serviceability** for a $500,000 loan, and you have access to a $75,000 deposit – just the right amount required for a 10% deposit plus costs.

The best way to ascertain your borrowing power and serviceability is to begin working with a qualified and experienced mortgage broker. I suggest that you work with someone who is experienced dealing with investors, as they will be able to help you *coax every available dollar* out of your lender and ensure that there is a strategy behind your finance and lending decisions.

2. Identify market type

Notice: I have not said "identifying market". I always suggest that you identify the *type of market* you would like to invest in, first and foremost, after which you can choose the specific marketplace that best suits your needs.

For this, you need to understand the property clock.



If you want to buy a blue chip property to hold practically forever in your growth strategy, then you want to narrow your search downtoa capital city market, or major diversified regional market such as Newcastle as an example.

Let's say you're looking for an off the plan deal. If that's the case, then you probably don't want to be buying at 10 O'clock, because when the property is due for settlement, you may have already missed the peak and be settling in a declining market phase.

However, if you want to add value via a renovation, then buying in a rising market (from around 7 O'clock to 10 O'clock) could make a lot of sense, as your value-add strategy can also benefit from the capital growth.

Alternatively, is a blue chip marketplace suitable for your budget and goals, or are you comfortable in a major regional centre to deliver a similar yet more affordable outcome?

I could write pages and pages on this – I could actually probably write an entire book on this topic alone! Learning about property cycles and how to leverage them to your best advantage is a skill that will serve you well for decades to come. This is something that our team could potentially help you with.

The ultimate learning, I want you to take away from this however is the fact that the market type, not the specific market, is the most important factor. Once you work out which type of market best suits your current situation and your goals, you can then start sorting through specific location options.

Remember also not every strategy should be employed in every market type. The key is to choose "the right property, in the right market, at the right time of the market".

3. Settle on a location

To source your final investing location, you essentially need to combine everything we've covered in this chapter so far.

- ✓ What is your strategy and purpose for investing?
- ✓ Have you identified the type of market and stage of the property clock you want to invest in?
- ✓ Does your budget allow you to eliminate certain markets, based on them being out of your reach financially?
- ✓ Are you able to create a shortlist based on the above?
- ✓ In the markets you have shortlisted, is the yield available that you require to make the deal work, according to your needs?
- ✓ Is it possible to manufacture the yield you require by adding value, furnishing or similar?

Now is the time to get your research and due diligence “game face” on and begin getting the specific answers you need about what is really going on in property around the country. We give our clients an extensive checklist to go through before they buy a property – it’s a critical part of successful investing.

It’s also important to make sure you’ve got the right team in place and you are market ready. Here are some of the people you may speak to as part of getting ready to buy:

Talking to experts – accountants, strategists, buyers agents, real estate agents, mortgage brokers, banks, financial planners. Who do you need on your team to fulfil your outcome and what do they/you need to do?

Restructuring loans or releasing equity – get this going ASAP, as sometimes it can take weeks if not months – and it is frustrating being ready to buy, but waiting for banks and valuers and admin people to shuffle papers and get on your page. Get the best loan for your situation and get your money available so when the right deal comes up, you are ready to take action. As great deals are not going to hang around waiting for you to get organized.

Learning – to fulfil your strategy, what else do you need to learn? Is it more due diligence, is it what is going on in the markets? Think about what knowledge or skills you need to gain and take action on these items.

Getting your personal house in order – do you need to create a budget? Do you need to shift your flow of money in your accounts? Do you need to research getting a tax variation done? Do you need to consider what other opportunities currently exist in your life right now, which could get your money working harder for you?

While you're searching for the ideal location to invest, it's important to stay focused on the bigger picture. What are you trying to achieve? Why are you investing in property in the first place?

For 24-year-old Kej, it has always been about creating his own lifestyle on his terms. At the age of just 21 he invested in his own property education, which is how we met. Soon afterwards, Kej began looking at opportunities to buy in Sydney.

"At the time, well-researched properties were available at good, affordable price points. I went on to do three deals – one is in Redbank Plains, Queensland and I have another two in Sydney, in Mt Druitt and Campbelltown."

In the three short years since Kej began investing in property, his three investments combined have gone up in value by around $300,000.

Better still, he's enjoying a strong positive cash flow from his portfolio – proving that you don't have to sacrifice capital growth for cash flow, or vice versa.

One the key lessons that Kej has learnt during his mentorship with me has been the importance of having a clear investment strategy.

"It's about having a proper structure. Rather than doing random things to try and get a result, like most investors do, you need to do things with purpose," he explains. "You may make some mistakes along the way, but as long as you learn from it you'll be fine."

Have a pre-determined goal to find positive cash flow investments led Kej to focus on locations where these types of outcomes were possible.

"Todd's coaching has showed me that I wasn't born to go to school, go to uni and retire at 75. I want to find a way to break that cycle and it's by using property as a vehicle that I can achieve the lifestyle I want."

4. Due diligence on your chosen property

Here's the deal: due diligence is what makes the difference between an investor and a gambler. Unfortunately, most Australian investors fall into the latter category.

Some are there purely through ignorance or carelessness; others just don't have the education to conduct effective due diligence, while others still rely on the media or well-meaning friends and family for advice. Because that's not fraught with danger…!

To become a truly successful investor, you must prioritise your education before, during and after property purchases. When you do property due diligence, what you are really doing is trying to piece together a story behind the value of an area. Why does it contain value right now? What has it got going for it? And can we see the possibility of an increase in value for the future?

Our story starts with understanding what is going on in the **economy,** so we can then understand the trends in the overall marketplace and what risks and opportunities are present in the current conditions.

We then understand the story behind a particular property **market**, which we have chosen based on the economy and the people who live there. The next step is trying to understand why this specific area will flourish.

The story behind the individual **property** is next, such as which street we buy in, who is going to live there, is the other side of the street more desirable, and where is the value in the deal?

To put this another way, let’s compare property investing to watching a movie.

The economy is the setting of the movie, including the time period we are in and the back story around what has happened so far.

The market is the conditions of life in this story; is it a tough, working class neighbourhood or a thriving, hipster suburb with a growing café culture?

The properties are the people and characters in the movie; some are successful, others are villains and frankly some just die.

All of the characters within the story have to fit in somewhere, otherwise your script is not going to work. The end results you’re hoping for is, like in any movie, that the characters (your properties) will overcome all challenges and rise to become greater than they originally were, learning some valuable life lessons along the way and living happily ever after.

It seems much less daunting thinking it about like that, doesn’t it? All we need now is some uplifting soundtrack music and we will have a blockbuster on our hands!

Killing your fears when searching for property

The reality is that many people find the due diligence part of the process the most daunting and intimidating. Because they're often not sure where to start or who to listen to (or how to even process the information they come across), this is when the fears creep in…

- What if I make a wrong decision?
- What will others think if I buy in this area?
- I'm not good with numbers – what if I've mucked up my projections?
- There's so much information to process, I'm confused about what to do next – how do I know whether buying this property is the right move?
- I'm not smart, experienced or qualified enough to make this decision on my own…

Have any of these questions popped into your mind before? I am sure they have – because they pop up for all of us. The best way to shut down your fears is to flood them with counter-arguments.

For instance, when you're doing you due diligence on a specific area or suburb, you should start with an understanding of your target market.

Think about asking these questions to start with:

- What is their typical age group?
- Describe their family situation?
- What do they do for work?
- What are their approximate household incomes?
- Do they need public transport to get to/from work?
- What would they value having in their home: consider the fact that outdoor living spaces may be highly desirable in sunny Queensland, whereas heating facilities may attract tenants by the dozen in chilly Melbourne.

Many investors get stuck in this due diligence process and wind up with analysis paralysis, finding themselves frozen and unable to move forward. Fear of the unknown is a powerful blocker and in the search for the perfect deal, people can waste years researching property rather than buying property.

Yes, you should ask yourself: “What is wrong with this property?” It’s a valid question. But it is only valid if it is counter-balanced with: “What is right with this property?”

And of course, the most important question of all is: “How is this property going to help me reach my end outcome?”

5. Measuring risk

No matter what you’re investing in – whether it’s property, shares, art or vintage cars – measuring risk is an important part of your due diligence.

One of your objectives as an investor is to make balanced investment decisions, which means you have to consider both sides of the story, the good and the bad. Investors are often so excited to get into a property deal that they gloss over the risks, which is a very dangerous way to operate.

So what risks do you need to look for, and how can you minimise the likelihood of being impacted by negative risks?

At a suburb level:

- Review current trends in both the rental market and in recent capital growth. Is the market expanding or contracting, and why? Recent growth is a positive sign, but you may also be buying at the bottom of the cycle, so it's not a deal-breaker if it doesn't exist. Declining growth, however, may be an indication that the market has further to fall – potentially taking your investment down with it.
- Is the population growing, contracting or stagnating in the area?
- Are businesses growing or contracting? If you start to see major department stores close down or a high number of commercial vacancies on the main streets, this could be a cause for concern.
- Is there more property supply coming on the market? What type of supply and where? Importantly, will this have a negative impact on your potential property investment, or will it help to drive up prices in the suburb overall?

By way of example, I want to talk about another client of mine also called Arthur (a different one than we spoke about earlier) and his decision to invest in Mount Druitt.

When I met Arthur, he had $15,000 in savings and he borrowed $10,000 from his mum and dad to be able to invest. His income was $46,000.

All of this is to say, he was investing with a tight budget and had to focus on affordable markets for his first property. He did extensive due diligence on the suburb of Mount Druitt.

This was a few years ago and back then, did Mount Druitt necessarily have the best reputation? Not a chance – in fact, it had a fairly shocking reputation.

But what I could see going on in many of Sydney's western suburbs, and what Arthur could see as well, was a story brewing.

Myself and many of my clients bought in western Sydney well before the boom because we were seeing shortening housing supply… We were seeing massive spending in infrastructure… We were seeing rising levels of demand... We were seeing rents that made our investments instantly cash flow positive!

That's why we got in so aggressively pre-boom, which is allowing my clients to leverage their portfolios into more deals now.

But back to Arthur; he paid just $238,000 for his first investment and he received $320 rent. It was positive cash flow, *just*.

With his $46,000 income, that was crucial to his ability to get finance. Face your fears, do your research and invest with purpose, and this is what you can achieve. Incidentally this property also grew in value by close to $150,000 over the next few years.

Ask yourself: how long would it take someone earning an income of $46,000 per year to save that amount of money? Answer? Forever!

For a specific property:

- Is the property aging and if so, is it likely to require substantial works in the future? A renovation strategy may help you to add value to the property, but a 40-year-old house with leaky pipes and dated fixtures and fittings could be a potential money pit.
- Are the ongoing maintenance expenses likely to be low, moderate or high? A brand new, one-bedroom apartment will obviously attract fewer maintenance requests than a decades-old, large, rambling house, so make sure you budget accordingly.
- Is there any risk of pest or structural damage? This is where your building and pest inspections come in – they will guide you towards making smart decisions in this regard. It's my view that ongoing pest control, particularly termite control, is a must to protect your asset, especially in Queensland.

- Are there major private real estate works commencing nearby or major infrastructure changes being completed by council, which could impact the value and future desirability of the property – either positively or negatively?
- Is there something unusual, quirky, exciting or basically odd about the property? An unusual structure or non-traditional layout may work against you, so be sure to consider any reasons a future buyer, tenant or even the banks might not be in favour.

Again, I want to give you an example here. Buying a property for investment purposes is very different to buying your own home – here, you need to focus on the facts and figures and check your emotions at the door.

This was the case with an investor I know, David, who bought a high-end four-bedroom property in a popular suburb on the Gold Coast. This was a premium house, but it was dated – and I mean, *dated*.

It had plush pink carpets, thick curtains with gold overlays, peach-coloured toilets and light fittings straight out of the 80s. Because of its interesting décor, the property sat on the market for months… and months.

However, David could see the potential. Originally listed for $890,000, it was eventually lowered to $800,000, then $750,000, then offers over $700,000. David eventually paid $650,000.

He immediately rented the property for $700, representing a 5.6% yield – not too bad.

But then he had a depreciation schedule prepared. It amounted to a whopping $23,000 deduction for the first year, which put around $8,000 cash back in his pocket at tax time.

David used this money smartly – by renovating. After painting, covering and refurbishing all of the pink out of the property and modernising the home in tones of grey, white and navy blue, he re-listed it on the rental market – for $875 per week. He invested less than $10,000 in renovations (his $8,000 depreciation return, plus around $1,500 in savings) and increased his return by $175 a week. That's an extra $9,100 he's making every single year!

David achieved these outstanding results because he analysed the property based on its merits and its potential.

He did his research and knew that the rental market would support a higher rent once the home was renovated. Most importantly, he didn't walk away because it seemed too "hard" to look past the property as-is, and see what it could become – which is a cash cow and a top performer in his portfolio.

6. Negotiate a discount

Nabbing a discount is the lazy person's way of making money – and I seriously love it!

In a nutshell, if you're able to buy at a discount it means that you are buying a property for a lower price than similar real estate products on the market.

There are multiple ways that people suggest that they are getting a discount, but I want to take this opportunity to make sure you understand what constitutes a real discount, versus the *perception* of a discount.

- **Discount below median price.**

The median price is the exact middle price in a given set of property sales. For instance if you select a suburb and analyse the last 20 sales in that suburb, then the median price is the value of the 10th property sale.

In other words, half of the properties sold will have a value lower than the median, and half of the properties sold will be higher than the median.

If you are buying a property for above the median price in an area, you are potentially buying at the higher end of the market, whereas if you pay below the median, you are buying at the lower end. Buying below the mean does not necessarily indicate you have secured a discount, but it may suggest you have secured a good value property.

- **Discount below list price.**

A discount below list price is accomplished when you pay less than a property's list price. Yes, this is technically a discount, but we all know that in most instances, in a balanced market, real estate agents and sellers expect to be negotiated with and therefore price the property with a little 'fat' in the numbers.

If you do extensive due diligence and have a good grasp of comparable sales, and you negotiate a sale price well below what the market should support, then you may be able to say, hand on heart, that you have achieved a discount when buying below list price. In my view, the only time this can really be trusted is when a contract has fallen over at a higher price and you were able to swoop in with a lower offer to secure the deal.

- **Discount below bank valuation.**

This is a real discount and is the only discount we need to care about. What a valuer thinks is your ultimate end game, because it has a huge influence over the amount of money the bank is going to lend you.

A bank valuation essentially sets the benchmark as the price you can leverage against and release equity from. This doesn't necessarily mean you have to go and get a valuation done on every property, although it can be a good thing at times and is often a few hundred dollars well worth spending.

In the context of negotiating a discount, it's also important to consider the benchmarks that already exist within the suburb.

You need to understand the pricing landscape for the product you are looking to buy, whether it's a house, a two-bedroom unit or a three-bedroom townhouse. You can do this by understanding the high and low price benchmarks of the product in the area.

If you are looking at two-bedroom properties in a particular area, then you need to find the price benchmarks of two bedroom units.

Older, un-renovated 2 bedroom units of a similar size and style	$250-$320,000
Older, renovated similar 2 bedroom units of a similar size and style	$290-$360,000
Newer two-bedroom units, constructed in the last three years or so	$400,000 plus

Knowing a suburb's price benchmark allows you to confidently make an offer, knowing that you are not about to over-capitalise or sell yourself short on the deal.

This is one of the reasons why we love buying the worst house in the best street, as our benchmarks in this type of situation will often indicate some nice profit opportunities.

The power of a genuine discount

It's amazing the opportunities you can stumble onto when you're open to them – especially if you're successfully able to invest without emotion.

I want to share a story with you about an investor I know in Sydney, who was able to negotiate a brilliant discount in a tough market. It's all about asking for what you want, because you never know what the vendor will say.

This investor, Linda, was shopping for an inner-city terrace property in Sydney in around 2010. Her research had led her to Balmain, which is only a few kilometres from the CBD.

Linda found a great two-bedroom terrace that fit the bill of what she wanted: it was renovated to a high standard, situated in a street with loads of street parking, and it had a decent backyard that would suit tenants with pets (a strategy she wanted to use to increase her rental potential).

The property was listed at $925,000 and was under contract for $895,000. But that contract collapsed, as the buyer couldn't get finance – and the sellers were getting desperate. Linda offered $799,000 and after the vendors failed to get any other interest, they accepted.

Linda secured a genuine discount of $96,000 against what another buyer was willing to pay, and a discount of $126,000 against the asking price.

Today, of course, that property is worth well in excess of $1 million, and it's returning a stellar rent – so Linda is laughing all the way to the bank.

CHAPTER 4:
The Millionaire Mindset

It’s more important than choosing the right property.

It’s more important than investing at the right time of the market cycle.

It’s even more important than having the right strategy in place – and by now you know how crucial I believe strategy is for successful outcomes!

I’m talking about mindset, which is so vitally important to your success that I’ve dedicated a whole chapter to it.

Because without a strong, positive, evolving and creative mindset, you’ll never achieve much of anything – in property or anywhere else in your life. I know it sounds blunt and perhaps even confronting for some, but it’s the truth.

The reason why this is so important is because to invest for success, you need to invest with confidence. You are going to be required to make constant decisions as an investor, from your strategy to finance, to deals, to your team, to property managers, to tenants and on and on.

It’s therefore crucial that you understand how you process decisions and ultimately, how you make them – because frankly, some (common) ways can be destructive to your investing success.

Daily habits of the wealthy

According to Thomas Corley, the author of *'Rich Habits: The Daily Success Habits Of Wealthy Individuals',* there are a number of daily habits that wealthy people share. Corley spent five years studying the lives of both rich people (defined as having an annual income of $US160,000 or more and a liquid net worth of $US3.2 million or more) and poor people (defined as having an annual income of $US35,000 or less and a liquid net worth of $US5,000 or less).

Implementing some of these habits and philosophies into your own life is a good place to start when shifting your mindset towards a millionaire mindset:

Rich people always keep their goals in sight.

"I focus on my goals every day."
Rich people who agree: 62%
Poor people who agree: 6%

Not only do wealthy people set annual and monthly goals, but 67% of them put those goals in writing.

He adds that a goal is only a goal if it is **achievable**, and there's a **physical action you can take to pursue it**.

Rich people know what needs to be done *today*.

"I maintain a daily to-do list."
Rich people who agree: 81%
Poor people who agree: 19%

What's more, 67% of wealthy people actually complete 70% or more of those listed tasks each day!

Rich people don't watch TV.

"I watch TV one hour or less per day."
Rich people who agree: 67%
Poor people who agree: 23%

Similarly, only 6% of the wealthy watch reality shows, compared to 78% of the poor. "The common variable among the wealthy is how they make productive use of their time," Corley explains. "They wealthy are not avoiding watching TV because they have some superior human discipline or willpower. They just don't think about watching much TV because they are engaged in some other habitual daily behaviour – reading."

Rich people read, but not for fun.

"I love reading."
Rich people who agree: 86%
Poor people who agree: 26%

The wealthy favour nonfiction, particularly self-improvement books. “The rich are voracious readers on how to improve themselves,” says Corley. A massive 88% of them read for self-improvement for 30 minutes each day, compared to just 2% of poor people.

Rich people aren’t hoping to win the jackpot.

“I play the lottery regularly.”
Rich people who agree: 6%
Poor people who agree: 77%

They don’t need to, because they’re confident that they’ll be able to make and keep their wealth through their strategic choices. Instead of gambling with their money, “most of these people were business owners who put their own money on the table and took financial risks,” Corley says. “People like this aren’t afraid to take risks.”

Are you are wealthy-minded investor?

Consider some of the following styles, which I have witnessed while working with thousands of investors over the years. Can you recognise yourself amongst this flock?

1. The Procrastinator – Do you tend to procrastinate on, well, everything really? Or do you procrastinate when making decisions about things you aren’t totally sure of, to the point where you wind up doing nothing (or very little of what you set out to do?)

This was the case with an investor client of mine, Jeanette, who waited for years to get into property. She had a good reason for procrastinating; her husband wasn't into it. When he suddenly asked for a divorce, Jeanette was heartbroken, but it actually paved the way for her to make some breakthroughs in her personal life.

As a welfare worker who spends her days looking after people with intellectual and physical disabilities, Jeanette was earning a livable but by no means extravagant salary. She had actually moved to Australia from Peru with her family many years ago. She was in her 50's when she decided there was no reason why she had to sacrifice her own standard of living in order to pursue a career she was passionate about.

So, she made the decision to start investing in property, with a goal of eventually owning her own home in one of Sydney's beachside suburbs in the east.

"I'd always wanted to invest in real estate, but I was married for 17 years and my ex-husband was never interested," she explains.

"When our marriage ended, I didn't know anything about how to buy a property or how to get started investing. When we separated, I was only left with a little bit of money – certainly not enough to afford an apartment for myself. So I decided I had to go to seminars and educate myself."

Jeanette and I ended up meeting and with me as her mentor, she felt like she was on the right path.

“He was really looking at my strategy according to what I needed, and he was really clear and open. I felt like I could trust him,” Jeanette says.

When contemplating her first investment, which was a small property in Blacktown in Sydney’s west, Jeanette admits she was nervous. “I was a little bit scared, but I did it. I went to the suburb every weekend and did a lot of researching and driving around, while also looking at the statistics and data. That was the beginning of the journey and slowly, over the last five years, I have bought five investment properties in total.”

Plans are currently underway for Jeanette to jump into property number six, while her long term goal is to eventually use her property profits to purchase her own waterfront home in Sydney’s eastern suburbs.

“I live in Coogee in an apartment that I rent, and my overall goal is that I want to be able to buy my own place here,” Jeanette says.

“Todd has really helped me; he’s given me a lot ofconfidence and support. For someone so young, I sometimes can’t believe he’s my mentor!”

2. The Impulsive – Do you tend to make decisions ultra quickly on impulse without always examining *all* the facts in front of you? I bet this gets you into trouble sometimes! I can tell you that it's definitely gonna cause you some pain in investing.

Whenever I work with someone, I always have six or seven different strategies going at any time, all strategically leading towards that ultimate lifestyle design.

Here's the thing, though: there's a difference between having a number of different strategies on the go, and making impulsive decisions.

For instance, if you suddenly decide you want to invest in a renovator property because you've seen people boost their profits this way and it seems like a good way to make money, then guess what? There's a good chance you're not going to get a great result!

But if you crunch the numbers and work out that a strategic, cosmetic renovation in a particular growth area could add 10-20% value to the property, that's a different story. This type of renovation project may allow you to refinance and access more equity for further investments.

That's a well thought-out strategy with a clear goal in sight, rather than an impulsive decision that may or may not make you money.

As Tony Robbins says, “The right strategy can save you 10 years”.

Along those lines, the wrong strategy can cost you everything.

3. The Play it Safe – Is it always the safest possible option that draws you in? Do you prefer to go with the least possible risk, even though it may dramatically impact your progress?

Many people will recognise themselves in this type of investor: after all, we do tend to get attached to our money (funny that!)

I remember meeting a woman many years ago who was so attached to the idea of ‘safety in numbers’ that she was living a lifestyle she didn’t like, simply because she couldn’t get her mindset around the idea of selling some properties.

When I met her, she had $12 million worth of property. That’s a pretty big achievement, right? The only downside was, she wasn’t enjoying a great cash flow from her real estate investments because she still had quite a big mortgage burden. This meant she was still tied to her business at the age of 60.

She was working long hours, managing staff, unable to travel as she was chained to the desk to keep her business ticking over. She was pretty miserable. But what's the point of owning all of that property to have an enjoyable retirement, if you're not going to use it?

So, I asked her outright: "How would you feel about selling $6 million worth of property?"

She almost fell of her chair! In her mind, she was caught up in having a 'big portfolio'. What she didn't understand was that her 'big portfolio' was holding her back from having the lifestyle she actually wanted and desired. By selling half of her properties, she could pay out the mortgages on the rest of her real estate portfolio and live off the rental income.

In a way, it was the ultimate incarnation of the 'play is safe' strategy (what could be safer than a fully paid off property portfolio?!) but until this investor's mindset was in the right place, she was never going to enjoy the rewards of her real estate assets.

4. The "It's up to the Universe" Decision-Maker – Do you leave it up to the universe or to fate to decide, reassuring yourself that the answer doesn't matter because what was meant to be was meant to be?

I genuinely believe that the universe can deliver… but only if you're an active participant in the game. Embracing this concept too hard and "waiting for the universe to decide" can only get you so far, particularly if you use it as an excuse to resolve yourself of all responsibility in life.

Here's one small example of how the universe delivered – and how taking active action raised the bar.

I have a client in Sydney who wanted a particular investment property and he really moved mountains to make it happen. It was before we were working together, but he told me the lengths he went to in order to get this investment.

He was self-employed and his properties were cross-collateralised, so it took a lot of paperwork, a lot of phone calls, a lot of time (seven months!) and a lot of belief to get this deal across the line. After it was done and dusted he was over the moon, as the property returned a positive cash flow of around 10 grand a year.

When we met, I asked him long it had been since he'd revisited that loan. Turns out it had been four years, since the property settled – and this is actually a long time in as an investor. I advised him to revisit his loan to make sure it was still the best fit for his needs, and he quickly learnt that fine-tuning your mortgage can save you *a lot* of money.

He made one phone call to his lender and was able to renegotiate his loan interest rate then and there. **That one phone call allowed him to save $4,000 a year.**

So, yes, the universe delivers – but so does a little action on your part.

5. The "What do you think?" – Are you dependent on other people to make the decisions for you? Or do you rely on the opinions of others to directly influence your decision at every turn instead of making your own?

This way of thinking can lead to you doing the worst thing you could do as an investor: absolutely nothing.

When you seek out too many opinions, you're bound to get conflicting answers. You then need to work out who to believe and whose opinions you value most, which can lead to a whole lot of analysis and questioning. This often prompts you to put the whole thing in the 'too hard basket', meaning you take no action at all.

Of course, I'm not suggesting that you should try and do it all on your own! Seeking out the right support or guidance or mentoring is crucial. You just need to make sure you limit your questioning to a select number of people who know what they're talking about.

This was the case for a client of mine, who did a deal in Logan, which is about 25km from the Brisbane CBD. He wanted a cash flow property so he sought out some opinions on granny flats. After local property managers and real estate agents confirmed that there was demand for these types of properties, he jumped into a renovation and development project.

He bought a house and built a granny flat on the back of the property. The total outlay for the home and the renovations will add up to around $470,000 and the projected rent on that property is going to be $870 a week.

If all goes to plan, he'll enjoy a more than healthy cash flow of over $10,000 a year. **When you know the right people to ask and the right questions to pose, these types of super-charged profits are achievable!**

6. The Eternal Optimist – Are you a complete optimist and expect everything is going to go better than expected, while anticipating that nothing will ever go wrong?

I think all property investors are optimists to some degree; it's one of the key qualities that drive us to invest at all, because we have faith in the fact that the properties we buy will eventually grow in value.

But there's a very wide gap between being an *educated optimist* and an *eternal optimist*. The latter may have a happy disposition, but it's the former who will end up in the better financial position.

7. The Raging Pessimist – Do you always expect things to go wrong – because after all, the world is a mean place and investing is risky and people are out to get you? I'm exaggerating here, but you get the point, right?

We've all met this type of investor before, right? The funny thing with investing is that sometimes, they're in this mindset for good reason.

It's like my client, Arthur, who I mentioned in chapter 2. Arthur was the investor who, when I first met, had a pretty bad attitude towards property and I actually don't blame him. He had four properties in his portfolio, but they were costing him an arm and a leg to maintain.

In fact, he was forking out more than $30,000 to cover the shortfall between the rental income he was getting, and the costing of owning his investments.

He was racking up credit card bills and other personal debts just to pay his investment mortgages and this caused him to stop investing for almost a decade.

Since working together, he's completely turned his situation around. Now, he's got eight properties in his portfolio and he's earning a positive cash flow return. He's made a number of other changes to his personal life, too, but in terms of property investing, he has a strategy, a system and a plan – and he's gone from being in a very pessimistic view, to having hope for the future.

8. The Emotional Wreck – Are your decisions based on the ebb and tide of your emotions and how you are feeling on that day or about this situation or about this person or this mail box or even the weather?

It goes without saying that pretty much nobody on this green earth makes their best decisions when they're emotional.

When you're stressed or upset, or even if you're feeling envious of other people who have done well out of property and you're anxious to catch up, you're not going to be thinking clearly as your judgment is clouded.

At the end of the day *wealth is a habit*. Wealthy and successful people get that way because they have adopted the right mindset to help them make smart, balanced, educated decisions that lead them towards their goals.

They achieve this place in life by doing a number of seemingly insignificant things on a daily basis, which build up and eventually avalanche into this thing called "success".

The one thing they don't do? Make decisions on a whim, based on their emotions, or without giving every angle serious thought – because they know that's one of the quickest ways to lose money.

9. The Balanced Investor – Do you tend to look at all sides of the story before making your decision based on facts, figures and your personal situation?

If you count yourself as this type of investor then you're in good company: looking at everything from a balanced perspective is how the likes of Warren Buffett invest.

It's also his philosophy that you don't have to be the smartest person in the room to be successful, but you *do* have to leverage the resources and tools at your disposal.

"You don't need to be a rocket scientist. Investing is not a game where the guy with the 160 IQ beats the guy with 130 IQ," he's been quoted as saying.

He believes investing is about laying out money *now* to get more money back in the *future,* which is exactly the point of buying property.

"I don't look to jump over 7-foot bars: I look around for 1-foot bars that I can step over," he adds.

In other words: look for opportunities to minimise the risks and invest in a balanced and safe way, and you're on the right track.

Warren Buffett's '20 and out' rule

Warren Buffett has a really clever way of helping you to make the smartest possible decision when choosing how to invest.

He says: "I could improve your ultimate financial welfare by giving you a ticket with only 20 slots in it so that you had 20 punches, representing all the investments that you are allowed to make in a lifetime.

Once you'd punched through the card, you couldn't make any more investments – at all.

Under those rules, you'd really think carefully about what you did, and you'd be forced to load up on what you'd really thought about. So you'd do so much better."

In other words, you need to focus very carefully and purposefully on *what you want to achieve and why*. Far too often, people invest (particularly in real estate) without a clear strategy or clear goals. They throw money around like they're scattering seeds on a fading field, hoping and praying that at least one seed will find fertile soil.

Instead, Buffett suggests you focus on finding the best and richest soil so you can focus your efforts there. Plant a substantial amount of seed in that one spot, rather than "diversifying" your seeds across an unknown plain, and you'll significantly increase your profits.

What is your investing personality?

Now, you might not be *exactly* like one of the nine types of investors that I've highlighted. You might be a combination of one or two types, or you may find yourself nodding along to more than a few of them.

Just know that how you tend to behave when it comes to making decisions, can and will have an impact on the results you achieve. You need to understand the consequences.

Obviously, the best place to be working from is as the 'balanced' decision maker. This is the mindset of a millionaire (or millionaire in waiting), as it means you can look at all sides of the scenario and make decisions based on facts, figures and situational analysis – rather than being skewed by emotions or past bias or ineffective decision making styles.

But we're not all there yet. It's a learning process.

There's no point in pretending that you make decisions that way, when in reality you're more likely to procrastinate on decisions for months on end! Your investing personality is really about knowing yourself and purposefully not trying to be someone you ***are not***. Be in flow with your property investing. Know yourself, so you know how to build your portfolio and what might help you or hinder you and what needs to change to go to your next level.

Leaning into a Millionaire Mindset

There are two ways to learn in life and one is much easier than the other.

The first is trial and error, which can be riddled with traps and bumps and costly encounters. It can take a huge amount of time and involve a lot of pain in the process.

The second and far preferable option is to learn from other people's mistakes. Borrow the lessons from those who have been there and done that in the past, allowing you to fast track your success by avoiding those same mistakes.

I know which option I chose and it has made all the difference.

So just how do you lean into a millionaire mindset by learning from others? It all starts with this simple truth:

"You will never create wealth on the outside until you become wealthy on the inside first."

This is a fundamental law that you have to nail first and foremost, if you want to become the quality of person who can create incredible results in life.

I remember when I started working with, Arthur. He experienced big transformations in his personal financial situation when he starting shifting his mindset.

You see, Arthur is an every day guy, working an ordinary job and earning an ordinary wage. But he's made huge strides forward in his property goals, and in his personal income situation as well.

Arthur, who works as a claims officer, has fully embraced my philosophy of 'Life Design'.

For instance, when Arthur started working with me, he was earning an annual salary of $46,000. He set a goal to increase his income and decided to look for opportunities to demonstrate his value (and request more money as a result).

He did it – and achieved a 40% income increase in two short years!

“I changed companies and increased my salary that way, then within my new company another opportunity came up, and I applied for that job and got it.

“That came with another salary increase. Twelve months later, I received another pay increase!” he says.

“My income went up to $56,800, then to $60,000 and now it’s $62,000.”

While his income has been going up, so too have his property holdings. He’s purchased two properties and in less than three years, he’s amassed equity of over $180,000.

He’s got big plans and big goals and I have no doubt he’ll become the millionaire he’s aiming to be. **Because it all starts with adopting the millionaire mindset, and Arthur has got that in the bag.**

Setting audacious goals – and believing you can reach them.

Adopting the right mindset to truly believe in the audacious goals you set yourself is essential for success – in anything in life. This is as true for property as it is for shares, as it is for business, and health, relationships, career success, and every other area of your life.

Over the last decade, apart from coaching investors on building property portfolios, I have run a share education company where I taught investors how to create extra cash flow on the share market. I have also helped people build businesses and coached people on a personal level in their life, so I have really witnessed human nature in many forms as they step outside of their comfort zone.

When it comes to really demonstrating the emotional impact of investing, there is no better example than the share market, simply due to the volatile nature of the share market and its regular ups and downs. If your psychology is not solid and your mindset isn't tuned into its optimal setting, you will lose money.

This same process happens in property investing, but it almost moves in slow motion, as property investing is a slower investment class. Seldom in property does something happen overnight that can make your portfolio plummet in value by up to 40%.

But in the share market, this can and does happen quite commonly. It really demonstrates traders and investors psychology in real time and the impact that poor psychology has on results.

When people get emotional, they tend to make decisions based on reaction, which is often fear of losing or elation of winning. Both of these can be fatal to your overall portfolio.

Why? Because all of a sudden, investing fundamentals get thrown out the window, only to be replaced by rash decisions based on fluctuating feelings.

I received many phone calls at times when the market was volatile from traders who were in a panic and wanting to close a position or sell out or whatever the case may have been, purely based on emotion. Every time someone called me in this state of panic, we had to pause, go back and visit our rules of trading, and then make a decision based on a checklist of due diligence. This allowed us make a balanced decision, instead of reacting to emotion.

Now, did it go our way every time? Of course not; that is the nature of investing in everything. But as investors, we have to do all the research we can to make *the most educated decision we can,* and then monitor our decision to see if the fundamentals have changed. Then and only then should we decide whether we need to make a new decision, based on new information.

The right and wrong times to be emotional

Let's be real though: sometimes it is difficult to operate from a purely balanced state when it comes to investing, because you are dealing with your life, with your money, with your future and family.

Emotions can't help but be involved, but here is the key to success: be emotional about your journey, but be balanced in your decisions.

What I mean by this is that you need to stay connected to your emotions when it comes to building the life you truly want, because this gives you a strong reason to keep going and going and going.

But then, be unemotional and balanced when it comes to making investment decisions on a day-to-day basis. If you ever find yourself looking at a potential property and saying something like "I could see myself living here", or on the flip side, "I could never live here", then you need to get your mind back to thinking like an investor and *not* an emotional home buyer.

This is often easier said than done, simply because on a daily basis we're often not making conscious decisions in the current moment, but instead we're operating on autopilot. According to research on habits, up to 40% of our day is governed by unconscious behaviour and thought patterns, which we have set up subconsciously to make life easier and *free up more brain space for other immediate decisions.*

How do you *really* feel about money?

For some reason, as soon as money gets thrown into the mix in almost any area of life, it automatically sets off a stress response for the majority of people.

When the discussion of money enters the equation, it seamlessly triggers a set of thought patterns that, for the most part, we are completely unaware of.

This happens because, from a young age, we have been absorbing information from anywhere and everywhere – and especially from the people closest to us and who we put up as authority figures. Our parents, our teachers, family, friends, society and the environment we were surrounded in and even the media: these are all teaching us how to see, feel, experience and value money from an early age. Monkey see, monkey do right?

To tune in to your own thoughts and feelings around money, I want you to complete the next sentence without giving too much thought to it. Just answer with the first thing that pops into your head:

Money is ______________________________________.

Money means for me______________________________.

People with lots of money are______________________.

Do your answers surprise you?

Or are they pretty well in keeping with how you suspected you felt about money?

I’ve asked this question during hundreds of one-on-one sessions or speaking engagements over the years and I’ve picked up on some common threads.

These are some of the ingrained money beliefs I hear from people over and over again, whether they are verbally said, or they are implied through action or conversation:

- Money is the root of all evil.
- You need to save your money for a rainy day.
- Rich people are greedy.
- You have to work hard to make money.
- Money doesn’t grow on trees.
- You can’t be rich and be spiritual.
- What am I made of... money?
- Money doesn’t buy happiness.
- Money talks.
- Wealthy people are lucky.
- The rich get richer and the poor get poorer.
- Wealth is not for people like us.
- There is not enough to go around.
- If I make money, it means someone else goes without.
- We can’t afford it.
- Money isn’t important.

Do any of these hit a chord with you? Or do you have some other money beliefs that were not on the list?

The lessons and learnings we have in childhood can have a long and lasting impact. Just think about it; if you were told growing up, over and over again, that money doesn't grow on trees, then perhaps it's unsurprising if you have anxiety around money and obsess about financial security, because you feel there is not enough to go around?

Or if you were told that rich people are greedy, then why would you want to willingly become rich if you have this belief that it means you are greedy?

Another roadblock to creating wealth could be manifested if you were told that money is hard to come by. In this case, you are always going to feel it is hard work to make money and to keep it, which means the idea of becoming wealthy becomes a constant battle for you, before you've even begun.

As you can see, it literally pays to think about your beliefs when it comes to money. If you find yourself always stressing and fighting about money, then ask yourself: "What belief would I have to be holding onto, to cause this type of regular reaction?"

The greatest gift you can give to yourself is to begin to become aware of your habits of thought and habits of action, and what triggers them, so you can consciously understand your current mindset and attitude towards investing.

With that knowledge, you then have the opportunity to begin re-designing your ingrained beliefs to become something far more powerful and of greater service to your life and the results you are after.

There are however some fundamental characteristics, which the majority of great investors have, which are important to begin implementing in your own life.

These Millionaire Mindset beliefs are:

Responsibility

This is probably the biggest separator between those who succeed versus everyone else. **It is the habit of taking absolute 100% unequivocal responsibility for your own life, where you are and where you are going.**

Poor and unsuccessful people believe that life just happens to them, that they don't control it and are just like a left floating in the wind with no personal power. No matter what has happened to you in the past or is going to happen to you in the future, in the end it is your life and your responsibility for making it what you want to.

The importance of this cannot be overstated. Get into the habit of saying "I am responsible" and no matter what happens, keep saying, "I am responsible". Try it now, even if you feel like a complete turkey doing it. Get into the habit of saying it and owning it.

Tenacity

Sometimes when you're an investor, stuff goes wrong. If you think it is all going to be smooth sailing all the time, you have got another thing coming! There are always going to be things that come up. The market will go down, interest rates will go up, your tenant might leave, they might cause some damage, the bank may say no, the economy changes and guess what? You can't control these things.

But if you followed the first millionaire mindset rule and committed to taking responsibility in and for your life, then you know that you do control what it means to you and what you do next. Most people run for the hills at the first sign of problems out of fear; they get massively stressed out, panic and react. They often do something stupid, like selling their property for a loss, then they come out with this belief that investing doesn't work, or that you have to be lucky to be successful in real estate.

To be successful in *anything*, you have to be willing and prepared to endure. Stuff is going to go wrong. You might feel like you are failing, but you have to pick back up and move forward. Failure is a part of life so learn from it and be so tenacious, knowing that no matter what test is thrown at you, you just keep going. That is the hallmark of someone who truly makes it.

Patience

Property investing is a 'slow and steady wins the race' type of strategy; nothing much happens quickly in property investing and we must learn to be patient with it (not my own personal strong suit, by the way!).

Often when we are starting out in and building our portfolio without much capital or servicing, it is like watching grass grow. But then it grows and grows and grows and soon enough it builds momentum and takes on a life of its own. We have to be committed to stay the course with it and continue applying what we know and learning more and continue edging forward.

Delayed gratification

We are caught up in such a consumerist society where everyone is trying to impress one another and keep up with the Joneses. This is not your game.

You are all about delayed gratification. This doesn't mean you can't enjoy some of the finer things in life and have some luxury, but not at the expense of your future. Sometimes in life we have to be willing to give up immediate pleasure for something far greater in the future. You must be willing to do now what others won't so eventually you have the freedom to do what most can't.

Don't trade time for money

The wealthy know that time is our most valuable asset and is often our most limiting asset. Once time has passed, it is gone and we will never get that time back again.

The wealthy know that trading time for money is never going to create freedom. Instead, we need to start trading value for money. This is a complete shift from the psychology of just turning up to work for example and having to be there for a set number of hours and receive a set income for those hours.

Even if you are still in a job where you are getting paid per hour, if you begin to change your focus to adding more value while you are there, you all of a sudden become a more valuable commodity and become indispensable and people who are indispensable get paid more and promoted faster. This is the same in work as it is for your investing and business and relationships and anything you can think of. Start adding more valuable by becoming more valuable and your results will soar.

How do you develop a Millionaire's Mindset?

Step 1. Change begins with awareness

Put yourself under a microscope and study yourself.

- What are your thoughts?
- What do you believe and what do you fear?
- What do you do and what do you fail to do?
- What results are you *not* achieving and why do you think this is?

All of this gives you an insight into your internal programming and you can apply the insights that come from this to life as much as you can apply this to wealth. Once you become aware, choices become your own again, instead of outcomes just happening.

Step 2. What's the impact?

Identify the impact your current mindset is having on your life, both good and bad.

- What is serving you and what is not?
- What are the consequences of holding onto the negative beliefs?
- If you continue to hold onto this belief system, what is it going to cost you in your life?

You might come up with some answers that are in opposition to your goals for yourself. For instance, you might realise that you will remain stuck in your job until you are 65 because you have to work to sustain your lifestyle; or you may realise you will never be able to fulfill your true passion in life, or you won't be the role model you want to be for your kids.

Whatever it is for you, this step is about creating leverage within yourself to make a shift, as when we are comfortable, we have no reason or motivation to change. This can be dangerous as it's often when we are comfortable that we remain unconscious of how our beliefs impact our life results.

Step 3. Install a new pattern

Now is time to replace the old belief with something far more empowering, which is going to take you to your next level. Ask yourself this one over-riding question: "In order to be living the quality of life that I desire, what beliefs do I have to hold for myself and who would I have to become?”

Step 4. Reinforce it and anchor it

Just writing down that you are going to install a new belief cannot be the end of your journey. It is a start, but there is one more critical step that is integral to this process and if you don’t do it, nothing will change – and that is, you have to anchor it into your life.

Think of it like a muscle: it is never going to get stronger unless you train it. You’ve been running that old set of patterns subconsciously for many, many years now (and potentially your entire life), so it is etched in there pretty deeply and is an unconscious process. We are now making it conscious and choosing to change it for a new one, but whenever you are not being conscious about it you are going to default to the old belief.

Here are a few strategies that I have used in my own life and with many clients, with great success:

Anchor #1 - Wealth cards
Make some cards you can easily carry around with you. On one side of each card write one of your new, empowering beliefs and on the other side, stick an empowering picture or photo to visualize what this belief will mean for you.

Example:

- On one side of a card you write: “Being wealthy and prosperous is the natural state of my life.”
- On the other side you create a bank balance receipt with your name as the account holder and the desired level of cash you want as your bank balance (make it as real as possible).

For the next 14 days, review these cards and use them to visualise on a daily basis. Then, review at least once a week to continually reinforce these beliefs and mindset.

Anchor #2 - ‘Act as if’

The second strategy I want you to implement is called ‘Act as if’. If you continually think, act and behave like a wealthy person, eventually your mind will begin to change your identity to be consistent with your actions. Your mind is always working to stay consistent, so if you continually act, think and behave in a different way, your subconscious will begin to realise that this is the new identity and will change to become consistent with your actions.

Anchor #3 – Set your rules

This is kind of like setting up a code of conduct in your investment life, with a set of rules to hold yourself accountable to and to filter all of your investment decisions through. Before you go out to make a decision around your money, you review these rules and reinforce the thought and behaviour pattern you are going to use to make the decision. Once you have made the decision, you can then go back and audit yourself.

Some rules could be:

- I will make each decision while in a balanced state of mind.
- If there is anything I am unsure of, I will seek help before finalising my decision. I will never be too proud to seek help.
- I will take action and make decisions with intelligence and not emotions.
- I will consider: is this decision taking me closer to or further away from my ultimate outcome?

Know yourself and then set your rules to reinforce the quality of person you are becoming – the person who is the CEO of their own financial fortress they are building.

My wish for you is to discover the beliefs you have around money, wealth and abundance and make the conscious shift today, so money and wealth becomes a tool to begin living your life even more fully.

A day in the life of Todd

Sometimes the best way to begin visualising the mindset and lifestyle you want for yourself, is to see how other successful people do it. For me personally, no two days are the same – I could be travelling interstate one day to present, in the field reviewing properties the next, or meeting with clients and researching properties. My days change from hour to hour.

Having said that, there are certain things I do (and things I don't do) every single day. These are little habits and routines that reinforce my positive mindset and help me stay on track in terms of maintaining gratitude, working towards my goals and celebrating my success. I'd like to share these with you so you can start imagining the different things you can do to make some positive shifts in your own life.

I start each day by…

Rising early: I love being up early each morning and being a part of the 5.30am club. There is something peaceful and even spiritual about this time of day, which I adore.

Working out: My day will always start with a work out at the gym. When I train in the morning I have more energy throughout the day, and I also have a huge sense of accomplishment first thing in the morning as a launching platform for the rest of my day.

Meditating: I am a big believer in meditation. It's important to me to stay balanced and stay connected to my purpose and the higher and deeper parts of me.

Setting intentions: After having my morning smoothie, I take time out to review the vision I have for my life and reviewing my current 90-day plan. I set my intentions for the day and then create a moment-to-moment plan for my day, structured around my highest value activities and core priorities. I find this 20-minute session to be one of the most important productivity tools for my entire day.

Now when I have my little girl with me, then this looks like a completely different schedule as anyone with young kids will understand! But I still ensure I wake up before her to begin my day the right way for my life. I still do my planning sessions and workout each day, as this means I'm able to spend quality time with her while getting her ready for school. We need to be flexible in life, while not using the general busyness and at times chaos of modern living as an excuse to not do the things that make the biggest impact on our future direction in life.

I make sure I have abundant personal energy by…
Prioritising my own health. In this day and age of shit food and a failing health consciousness in society, a common complaint I hear all too often is 'not having enough energy'. The more energy you have and the more vibrant you feel every day, the better you will operate, the more efficient and effective you will be. You will present better, interact better, process better and think better. It is the foundation of all foundations to any success in life, along with the mindset you develop.

The personal trainer in me dies hard, so I pay careful attention to how I treat myself and to what I put in my body.

Mornings are my time to mix up my epic smoothies – a great kickstarter to the day, especially after training. Throughout the day I ensure I eat regularly, usually six meals a day, and will drink 3-5 litres of water. I am a vegetarian, which I have found to be a huge energy boost also.

Many people think that having more energy is just about health and exercise and these are obviously two key parts, but I know that to create more energy in your life there are six components you can work on to build and fine tune your personal vitality.

The 6 vitality pillars

Part body – Not only is this about what you do with your body and exercising, but also about taking care of yourself structurally. It encompasses what you put into your body and the fuel you give it.

Part mind – A positive and a growth-focused psychology will keep you bouncing along in life, despite the ups and downs. Direct your focus in a positive way, towards gratitude and hope for the future.

Part habits – The average person's day is muddled with a huge amount of unconscious habits, which our minds have created from our day-to-day actions. What if we strategically designed these habits directed towards our outcomes in life and towards better health?

Part decision - Being energetic is a decision you need to make first and foremost. Your mind is the most powerful thing on this planet and when you make a firm decision to become an energetic person and constantly reinforce it until it becomes part of your identity, you will then begin to think, behave, process and act in line with this new identity.

Part environment – The environment you surround yourself with cannot be underestimated. This includes your home, your office, the people you surround yourself with, the life anchors you have around you, even down to your desktop. Think of this as the ecosystem you surround yourself with and just like your habits, these can be strategically designed.

Part purpose – When you are doing something you don't necessarily enjoy or connect with, you can feel unmotivated, bored and basically crappy. When you are doing something you love or that feels on purpose, you feel awesome! Energy is everywhere, time seems to fly and you operate in a state of positive flow; when you are living your purpose, this is what life becomes.

I take care of my physical self by…

Training consistently, 5-6 days a week with a combination of weight training, Judo, HIIT (High Intensity Interval Training). I also make a concerted effort to incorporate yoga into my routine each week.

I always make sure I…
Meditate daily. It is that time for me to just sit, be still and journey within. Some meditations will be for a purpose of discovery or distinction, whereas others will be for peace and mindfulness. In our busy lives and busy world, this is a core gift I give to myself, which allows me to operate most effectively in all other areas of my life.

I support my life goals by…
Seeking out mentors consistently for every part of my life. By far, this has been the strategic driver behind every success I have had in every area of my life.

Isaac Newton once said, "If I have seen further than others, it is by standing on the shoulders of giants." I believe this is a very true reflection of my life.

I am always focussed on productivity and focusing on my strengths instead of trying to fix weaknesses. I am always asking myself: "Is this the highest and best use of my time?" If the answer is no, then can I get someone else to do this for me at a lower dollar per hour cost than my own time? If the answer is yes, then I don't want to do it anymore and I find a way to outsource it.

I know in my business life that if I am not doing one of the following activities, then I am wasting my time:

1. **Teaching and training.** Either through running my live events, conducting webinars, or recording education videos or podcasts for the real life education we were never taught in school.
2. **Creating**. Some of my most valuable time is sitting in creation mode, whether it be creating new content and new trainings, or writing books like this, or creating new distinctions and ideas to fulfil my personal mission.
3. **Learning and growing**. I know that the greatest transformation that I can give to others is through my own growth and transformation in myself.

I end each day by…
Switching off. Night time for me is varied; when I have my little girl with me then I am focused on just being with her until she goes to bed, then I will often read or take some time to continue working on some of my personal projects. I have a no technology rule for after 9pm, although I don't always stick to it! I like to switch off and disconnect as much as possible and take some time to read something inspiring or to journal, before I head to sleep at around 10.30pm.

More Learning

Visit www.toddpolke.com/webinar to enrol in our 'Build Wealth Be Free Masterclass'

CHAPTER 5:
Winning at Finance

Go to the bank, get a loan, buy a property. Getting finance for your investment property is as simple as that, right?

Wrong – and once again, I'm going to discuss how important it is to have a strategy around your finances when you're building wealth through property.

If you're playing a small game and you only want to buy one or two properties, then maybe you could muddle through it without a huge amount of strategy or analysis.

But I wouldn't recommend it. It's a bit like adopting a 'Buy, Pay and Pray' method when finding your actual investments: yes, there's a chance it might all work out in your favour, but their decent odds of a negative outcome as well!

Ultimately, being strategic and thoughtful about finance is all about being able to buy property after property, working with different lenders to gain an optimal finance structure for your personal situation.

For a lot of people, finance and numbers is one of those areas that makes your eyes glaze over, as it just seems like too much work. People make comments like, "I'm not good at maths" or "My partner handles our money".

Let me tell you now, you don't have to be good at math or numbers to successfully master your own finances. You can employ the expertise of skilled professionals to take care of the details; your job is to understand the principles.

My client Jeanette, who I introduced you to earlier, is a great example of this.

Jeanette has done very well for herself, amassing a portfolio of properties over the last few years. She did get some money from a divorce settlement, but she didn't have a massive income to support her loan application.

In fact, Jeanette is an ordinary Australian working an ordinary job for an ordinary income.

Jeanette has been able to build a profitable and growing portfolio of properties for one reason and one reason only: a clear and well-planned finance strategy.

As a single purchaser with a relatively low income, Jeanette had to buy positive cash flow - and work with different lenders in order to keep buying property.

If she had tried to invest in growth properties that were negatively geared, she may not have been approved for finance.

Along those lines, if she had kept working with one bank or lender over and over again, they may have seen her portfolio size as being too risky, and limited her borrowing power that way.

Luckily, Jeanette and I were strategic and analytical when building her portfolio. Without this approach, she wouldn't be sitting on a multi-million-dollar property portfolio today.

Maximising your money situation

As a property investor, as much as we might not like to admit it, more often than not you're going to need the banks to help to get ahead.

It's crucial to remember that when any lender provides us with money, they are in actual fact making an investment into us – an investment that they want to derive a return from.

So as much as we can dislike banks for multiple reasons, the reality is that these are the folks who we want to invest in us, so we can then head out into the market and invest ourselves.

Serviceability is what the banks live and die by; they use formulas and data to create a maximum loan amount that they believe we can afford to comfortably pay back. Every bank is different, each with their own special criteria and calculations to work this out; some are more lenient, some are far stricter.

For example, I know that one of the Big 4 banks presently uses a unique ‘screening criteria’ to minimise their borrower risk. They assess every mortgage loan as if the applicant is applying for a 25-year loan, even if they’re applying for a 30-year or 35-year loan. They do this to ‘stress test’ the applicant and make sure they can afford the loan if interest rates go up.

Other banks and lenders load their interest rates by up to 2%, 3% or even more as a buffer against handing out unaffordable mortgages and they seldom take into consideration 100% of the rent you receive on a property, instead only acknowledging 60-80% as maximum. Others treat self-employed borrowers with far stricter servicing criteria.

These kinds of ‘quirks’ are why you always need to work with a mortgage broker who specialises in property investment, to help you work out the best path forward for you, as in my experience:

➢ **Most brokers will not factor in another rental yield when calculating your borrowing power, and hence your servicing will look a lot lower than it actually is.** If you’re looking to buy an investment with a rental return of $400 per week, that’s $20,000 income per year that should be added to your application! When dealing with your broker, insist on getting your maximum servicing based on your current situation and income and expenses, with a 5% yield factored in for future purchases. This is roughly equivalent to the future rental income you will receive.

- **For most banks and brokers, it will not be common practise to provide a *maximum* serviceability.** They ask what type of property you want to buy and how much the property is listed for, then they go and check if you can afford it or not. This is truly reactive financing and is not taking into consideration your full situation, but simply what is in front of your face right now. It is definitely not coming from the frame of thinking, “How will this property and this finance structure allow me to invest in the next property and multiple more after that?” I’m all for being conservative, but when you’re in your acquisitions phase, a strong borrowing power is key to your success.

- **The type of property you are buying will impact your loan, as lenders place various risk ratings on different properties based on the perceived risk.** Tiny studio apartments, for instance, are considered far riskier than blue-chip freestanding homes. It’s all based on what they assess their ability would be to get their cash back out of the asset, if you stuff up and default and they have to re-possess the property and sell it off. As a guide:

- Residential properties in most major metro areas are considered lower risk, as the banks are relatively confident of the long-standing popularity of these types of properties.
- 000 postcodes dead in the middle of cities usually attract higher risk ratings, as it is considered tougher for lenders again to get their cash back out if necessary.
- Units in high density, massive high rise buildings, or in areas that are ‘apartment cities’, will tend to attract higher risk ratings.
- Studio apartments under 45 square metres and student accommodation complexes are considered riskier, as there is often less demand for them. They may require a deposit as high as 30% (or even greater).
- Commercial and industrial property can generally be funded for an LVR below 70% (although at the time of writing 80% LVR’s are possible in some instances).

Now, to be honest, there are so many variable factors at play and the opportunities for finance change dramatically between different lenders, so make sure you explore your options. This is why, in general, I am not a fan of you simply going to your bank for finance.

They are only going to offer their own products based on their own policies, and there could be other loans out there that are far more suitable to your situation, but of course they are never going to tell you that. Can you imagine of the Big 4 majors like CBA, telling you after you have come in looking for a loan to head down the road to ANZ to get a better deal? Laughable!

I had a client just recently who had two investment properties within her portfolio re-valued. They were valued by her existing bank, NAB, as being $10,000 lower in value than the values estimated by RAMS, who she was planning to refinance too.

From this we can conclude that NAB were being more conservative than RAMS. It may not sound like a big difference in value, but when you’re accessing equity and building your portfolio, access to another $10,000 or $20,000 can make all the difference.

Again: make sure you use a property investment specialist mortgage broker so you can review all your options. One of the keys to success as a property investor is to be flexible and to have the psychology that there is always a way.

Sometimes it just doesn’t look the way you may have expected or look like how others approach it.

And sometimes we have to take out and turn the pieces of the puzzle and plug them in another way to make them fit. But there is always a way.

Making yourself attractive to banks and lenders

To maximise your borrowing power, you need to maximise your appeal to the banks – which means understanding what risk rating the banks will put on your in your current situation.

You can control what type of property you buy and when you buy it, but in a lot of cases, you can't control how the bank views you in your current situation – and this factor could be limiting you.

There are strategies you can use to increase your borrower appeal:

1. Pay off bad debt – Credit card debt is a killer. You're paying 20% interest every year on an unsecured debt, which is literally throwing away money. This is a key area where you can move poor performing money to something more effective.

I have suggested to multiple clients in the past to consider using some of their equity from their property, secured at between 5-7% (depending on what stage of the interest rate cycle we were in) to pay off their credit cards. They are instantly saving 13-15% per annum. This only works if you then continue to pay the same amount you were originally paying, to rapidly eliminate this debt.

Otherwise if you reduce your payments and simply pay off the debts over the term of the mortgage, in time you will pay a helluva lot more.

2. Restructure loans –There is often a better deal out there. Many investors just stick with their current loan because it's easy or they are simply not paying attention to what else is out there. Sometimes it makes sense to refinance your loans from a higher interest rate environment to a lower interest rate, or to another product that has an offset account. These types of changes can be used extremely effectively to save you truckloads of cash over time. Enlist the help of a property investment broker who knows how to structure you towards building a multi million-dollar property portfolio.

3. Renovate or add value – Is there anywhere in your current portfolio or your own home to add value intelligently to create a solid return? The general rule of thumb is this: if you are going to be spending $1 on a renovation you want to be getting $3 minimum in return. Don't just renovate for the sake of renovating; not all upgrades will add value. Consider also: can you subdivide, or is there an opportunity to knock down and re-build? Could you construct a granny flat? These are advanced strategies, so don't hesitate to get guidance and support to put these into action if you're not experienced. In fact, in anything to do with property investing where you don't know what you are doing in, get help. Trial and error sucks as a learning strategy so use the experts to your advantage!

Finance first: Starting with your outcome in mind

The primary factor that holds investors back from achieving their ultimate goals is a lack of knowledge and strategy around their financial situation. More often than not, they think that finance in property investing is just about getting a loan with the lowest interest rate possible.

I'm here to tell you that the interest rate on the loan is dead set *the last thing* to be looking at. As with your property strategy, where finding the actual piece of property was the last step of a whole lot of prior foundation work, looking at interest rates is the final step when arranging finance.

It all starts with the big picture first: what is your ultimate outcome? Now unlike in your property strategy, where the outcome is so completely different for every single person, I would say that your outcome in regards to the finance side of things is exactly the same as most other property investors.

We're all working towards fulfilling 3 major outcomes:

1. To continue to source loans to support purchasing more properties and building your portfolio;
2. To keep you and your family financially safe and protected while building your portfolio, without your investing adversely impacting your lifestyle;
3. To have structures and flexibility in place so you can adjust your finance strategy along with your property strategy, the market and the changing landscape of your personal life.

Finance is there to support you building your portfolio to achieve your outcomes, period. So although you still have to adapt some factors based on your personal situation, a lot of the philosophies, structures and strategies will relate to every person almost equally.

Hot tip: Why you should *only* have interest only loans
When you're arranging finance for a property purchase, I believe it makes sense to get an interest only loan – and this applies whether you're buying an investment or your own home. Here's why...

Flexibility is crucial as you build your property portfolio. Your ability to remain flexible in your loan structure is so vital, as it allows you to quickly adapt to changing personal circumstances and market conditions – and just as importantly, have access to your cash when you need it.

Of course you need to pay down the principal of your loans eventually, but during the acquisitions stage of your journey, keeping your obligations to a minimal interest only arrangement is the ideal way to do.

Consider it this way: Under a principal and interest arrangement, you are obliged to pay down a principal portion every month (along with interest) to the bank. That is set in stone – there is no flexibility.

Here's where this can be painful. Let's say that one month, you have to replace the hot water system in your investment property at a cost of $2,000. Because of this, you're only going to pay the interest component and no principal amount of your mortgage repayment.

Now if you did that, all hell will break loose and you will have your bank chasing you on the phone every day for your missed repayment (not to mention the damage it could do to your credit rating).

However under an interest only loan, you only **need** to pay your interest – any principal payments you make are at your own discretion. With many loan products, you will be able to make principal repayments as and when you choose, with those funds able to be accessed as a "redraw".

I want you to really understand the benefits of this, so I'm going to give you an example.

Let's say we have an investor, Daniel, who has three investment properties as follows:

Property	**Loan**
4 bedroom home	$600,000
2 bedroom unit	$370,000
3 bedroom townhouse	$450,000

Here are his minimum debt obligations with his loans on an interest only structure versus a principal and interest structure:

Property	**Loan – interest only @5%**	**Loan – P & I @5%**
4 bedroom home	$577/wk	$780/wk
2 bedroom unit	$356/wk	$481/wk
3 bedroom townhouse	$433/wk	$585/wk
TOTAL	**$1366/week**	**$1846/wk**

With interest only borrowings, Daniel has a minimum monthly loan commitment of $1,366.

With principal and interest borrowings, his minimum monthly commitment is a full $480 greater, at $1,846.

That's another $25,000 that he has to pay – and another $25,000 that is going to reduce his borrowing power to buy additional investments.

So I automatically ask: Why would you structure your loans as P&I, when an interest only structure allows you to minimise your monthly commitments, increase your borrowing power, *and* give you the flexibility to make principal and interest payments at your own discretion?

In Daniel's example above, let's assume that his three-bedroom townhouse is actually his own home. In this case, that debt would be non-tax deductible. So if he wanted to, Daniel could take the $25,000 a year he is saving by not locking into P&I loans, and pay off his non-deductible home loan debt as quickly as possible.

He would be getting the tax advantage of keeping his investment loans high, while potentially paying his own home off at a rate of $100,000 every four years.

Can you imagine being able to pay your own home loan down by $25k per year, simply because you structured your finances smartly? This is the power of a strong finance strategy, and this is why I can't put enough emphasis on the power of a qualified mortgage broker.

For Hands on Help to Grow Your Wealth Faster

Head to www.toddpolke.com/wealthq complete a quick survey and then let's schedule a quick 10 minute call to see if we are a fit

One Final Word…

If you're anything like me, you're probably feeling a little overwhelmed right now.

I know that's how I feel after I've been through the process of learning and absorbing new information. I have to admit, I'm not a natural 'learner'. I never got great grades at school and I've always preferred learning in practice to theory.

But when I learn new things that help me create a better life for myself, and the cogs of the wheel start to tick over so that everything 'fits', it's like a light bulb going off. Suddenly, things that didn't make sense before begin to reveal a new way forward.

Which creates the next problem… I want to do everything *now*, by taking everything I've learnt, and put it into practice, immediately if not sooner!

You may be feeling the same?

Here's the thing about property: it's not going anywhere in a hurry. People have been making money out of real estate for decades and they will continue to do so for decades into the future. The key to success is not rushing into things, or trying to do everything at once.

No, to be successful, you need to have a plan. And that means you need…

A strategy. If you only take one thing away from this book, I hope that it's the importance of having a clear, focused strategy to move your investing forward.

To master finance. Without the right finance structures in place, you won't be able to grow your portfolio as profitably or as successfully.

To master suburb selection. Remember, it's about finding the right market that suits your investment goals.

To master your mindset. Start living with the mindset of a millionaire, and before long the wealth will follow!

These are the critical areas to nail in order to create the lifestyle of your dreams.

I want to be upfront and say that it's not always going to be smooth sailing along the way. You will make mistakes – that much is guaranteed. No investor is immune from making the odd wrong turn. You might over-pay for a property, or even invest in a property that doesn't grow your wealth.

Remember that nothing is impossible to come back from.

And that sometimes, making the wrong decision can be absolutely the right way forward.

I want to end on a story that demonstrates this point because it completely reinforces my real estate philosophy… Which is that investing in property isn't really about investing at all. It's about creating the ideal lifestyle, whatever that looks like for you.

Now, if you ask just about any property investor, they'll be able to share a tale about 'the one that got away'. It's the property they sold that went on to double in value… The profitable deal they walked away from due to unfounded fears… The joint venture they backed out of after a change in circumstances…

We've all had the hindsight of 20/20 vision and wondered about the 'what ifs'.

The story I'd like to share with you now is from my client Janet, whose 'what if' that got away is the loss of a six-figure profit.

"In around 2012, we were trying to buy in western Sydney. We researched the market for six months and finally found a unit that fit the bill.

We put an offer in and it was accepted! That was on the Saturday – then on Monday morning I got to work, and got made redundant," Janet says.

Financially, she still had the means to proceed with the purchase. But she got cold feet now that she didn't have an income, so her, and her then partner, pulled the pin.

You know what happened next… Sydney's property market boomed. Big-time.

"If we'd gone ahead with the deal, we would have made a six-figure profit," Janet laments.

Yes, she missed out on a potential profit. But she went on to achieve so much more.

You see, had Janet proceeded with that property deal, then she would have felt compelled to rush out and get another job, as she would have felt burdened by the financial commitment of a new mortgage.

Instead, she pursued a number of different options. For a while, she worked as a nanny. She trained as a life coach. As a textile designer by trade, she freelanced in the fashion industry part-time. She even contemplated starting her own real estate business and renovating property full time.

"I was really disappointed about the lapsed property deal as I'd spent so long researching," she shares.

"But Todd was so supportive. He'd give me audio books, share links to podcasts, and recommend books and workshops from Anthony Robbins. He was really encouraging me in terms of deciding to experience different things."

A money-can't-buy breakthrough

Crucially, having all of that space and freedom gave Janet something money can't buy: the chance to figure out her true passions.

"One thing led to another and eventually, I went and studied nutritional medicine; I'm now in my third year," Janet says.

She's launched a website, ecolove.net.au, to share her passion for health and wellbeing.

And as for property, she's kicking goals there as well.

"Todd explained the key stages of investing: the acquiring stage, then you have to get more cash flow, then you reach the sell down stage," Janet explains.

Since that first missed opportunity in western Sydney, Janet went onto add five property investments (one in Newcastle, two in Brisbane and a duplex pair in a large regional city in Queensland) to her portfolio.

"I don't know if any of that – the properties, my blog, studying nutrition – would have happened if we'd bought that property after I got made redundant, as I would have had to go and get a job straight away," Janet says.

She may have missed out on Sydney's recent price boom, but Janet's diversified portfolio puts her in a great position to profit from property in the future.

Better yet, she's already living her ideal lifestyle and following her life's passion, something that many Australians don't get to experience until retirement, if ever.

Where will your decisions lead you – and are you ready to take action towards making your ideal lifestyle happen?

MEET TODD

Todd Polke specialises in helping Investors and business owners build strategic and profitable investment portfolios to grow their wealth faster and create more freedom in their lives.

As an educator at heart, his speaking and trainings have helped empower tens of thousands of people across Australia and internationally over the last 15 years to take control of their financial lives. His passion for what he does, alongside his experience and results with his clients have seen him become a sought after authority in national media for his expertise and commentary.

Todd’s work with investors on a personal level have resulted in them securing over $1bilon in investment opportunities to date. All of this means more people being able to live life with more freedom and more choices to do what they love.

With a background in property investing, shares, business, metals, cryptocurrencies and more; Todd has been the go-to mentor for investors who want to level-up the money game they are playing and see measurable and accelerated progress on their journeys to freedom in life.

As seen in

yourMONEY Australian PropertyInvestor SmartProperty Investment your investment property sky NEWS Men'sHealth finder.com.au

STAY IN TOUCH

If you have any thoughts or comments you'd like to share with me about the book, just email me on todd@toddpolke.com

You can also connect with me on:

Facebook: facebook.com/toddpolke

LinkedIn: linkedin.com/in/investment-strategist

Facebook community: www.facebook.com/groups/wealthdojo/

IN THEIR WORDS

For anyone who is Umm-img and Arrh-ing about getting on this, DO!.... I worked with Todd Polke last year and he is on it!

I am happier than I have ever been in all areas of my life and set to net over $10 – 15 million in the next 5 years on my current plan, which is still growing.

Highly recommend him, he is also a nice guy, not your usual “over inflated ego” #@nker mentor!!*

Emily Reid

I first met Todd a little more than a year ago now and I must say our lives are a lot different now.

We have now purchased 3 properties in 12 months.

There is no more of the self-doubt and uncertainties which plagued my life. He made use see that we can control our loves and that we can achieve better results by strategic planning and actually following the plans that we have set.

To me, he is not just my coach but also a friend who I can count on.

Wai and Jen

I wanted to prepare for our retirement, but I was fed up with experts and their ultimately self-serving agendas.

My wife showed me some info on Todd’s property master class, and I ventured along to one of his free seminars. The short of it is I related to Tod immediately. With our coach Emma’s guidance, we quickly purchased 3 properties, one a duplex build that earned over $100,000 capital growth before we even broke ground.

Our portfolio is worth well in excel of $1 mission, and now we’re moving in the right direction.

Vince Schroen

Working with Todd and his team has been one of the best experiences of my life. The sheer amount of investing, wealth and business knowledge I've gained has set me up to be truly empowered with my future wealth building.

Before I met Todd and his team, honestly I was run off my feet – early morning, late nights, minimal free time. I knew there was so much more to life than just being stuck in a business.

I wanted to travel, to help others, and explore spiritual practice more, I had tried to do some investing before, but without a plan, a team or a system, it was hit and miss at best and I was just spinning my wheels.

After joining his mentoring program, the whole experience of the coaching the team, the workshops and the opportunities have been fundamental for me to take steps forward in my wealth creation plan. From the mindset to the strategies and the life hacks, to the immense knowledge value, and on top, the way I run my business has changed forever. I will never again just rely on my business to fund my lifestyle, my business cashflow now grows my portfolio.

I now have a strong diversified portfolio and have been able to access investment deals and opportunities which are rare to come by – in property, crypto, shares, business, gold and more.

I have the wealth systems in place to build wealth for years to come.

Thank you, Todd Polke.

Fabio Fondacearo

I have loved being in the current Build Wealth Be Free Program, it has helped me learn a holistic approach to wealth creation, I have learnt more about creating wealth and money flow through my natural strengths and am more focused on strategies that light me up and align with my values. It taught me a personalized strategy rather than following a model that Is generic (cookie cutter approach). With simple weekly learning and Todd's expertise, I have learnt about how to effectively leverage our time and make our money work for us. I highly recommend this program to anyone looking for more time and financial freedom. Thank you, Todd.

Theresa Ann Fitzgerald

Since I have had Todd as a coach, my partner and I have purchased our 3rd investment property, which made $82k in equity within 12 months. We are now on our 4th and 5th deal moving onto building a duplex.

Todd is an amazing coach who now part of my team helping me achieve my best and create a life I want. He isn't just a coach who teaches me how to make money through property. He is a wealth coach who helps me step things up so that I am creating a life that is wealthy and abundant in all aspects.

…Todd is also a big advocate on mindset and I have learnt about how important this is which has really helped not only to grow my property portfolio but to expand and thrive in my whole life.

Janet Testaz

Advice Warning: All opinions contained in this book are of Todd Polke. In the event of a student sharing their story in the book, no remuneration was offered or paid to the student for sharing their story. The timeline and details of all student transactions have not been verified by Todd Polke or anyone else. The opinions contained in the letter may be short-term in nature and are subject to change. Past performance is not indicative of future results. All investments involve substantial monetary risk, including the risk of losing one's entire investment.

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The "Thrive Way" to Financial Freedom Through Property

HOW TO BUILD SIGNIFICANT WEALTH - WITHOUT COMPROMISING YOUR LIFESTYLE

Now you can discover how to end your money worries for good... and retire with more financial choices through a step-by-step property investing system.

In this book, successful property investor Todd Polke will show you:

- How to climb the property wealth ladder – without taking big risks
- The 3 types of properties you need in any portfolio
- The strategic way to wealth
- The vital elements you must consider if you want to own multiple properties
- How to find the best places to invest right now
- How to make money in property – from the moment you sign the contract
- The millionaire mindset – the daily habits of property millionaires

Todd Polke has purchased 9 properties before his 32nd birthday. He's also sold some for strategic reasons. Todd's proud to have helped over 823 everyday Australians buy investment properties. His success is due to his simple property system that makes it easier than ever before to build wealth through property.

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