my money
quality advice you can trust

stop moaning and start investing

BY HOWIE CLARE & STEPHEN ROBERTSON

Stop Moaning and Start Investing

Howie Clare &
Stephen Robertson

my money
quality advice you can trust

Stephen Robertson BMS
Registered Financial Adviser | FSP 332966

p 09 377 4433
m 0275 408 900
e Stephen@mymoney.net.nz
www.mymoney.net.nz

*text **MONEY** to **215** to send my details directly to your mobile device!*

Frontier Services Ltd TA MyMoney

Disclaimer

There are simply too many variables when investing. This book contains general information only, and nothing in it should be construed as investment, financial or legal advice of any kind. The authors are not authorised financial advisers, and they disclaim all responsibility or liability for anyone relying on the information contained in this book. The reader ought to consider seeking legal advice of an appropriate consultant, be it a lawyer, financial adviser, mortgage adviser, insurance adviser, registered valuer, real estate salesperson, property manager, or other professional.

Contents

Foreword

It has been my privilege to know and work with Stephen Robertson for a number of years and I hold him in high regard as a good friend and a very astute and professional property financing specialist.

Stephen started his career as an accountant in the tax division of KPMG before joining the ANZ Bank as a Business Manager and finally setting up his own mortgage broking business, My Money.

Stephen is a member of the PAA & NZFSG. In order to retain membership in these bodies, he must attend monthly, quarterly and annual training to ensure that his knowledge of products is always up-to-date, ensuring his clients get the best results.

So along with a dynamic team of specialists and key business relationships, he brings a wealth of knowledge, experience and professionalism to help his clients choose the best possible funding structure for their property acquisitions.

Furthermore, being a totally independent broker, Stephen is not aligned to any bank or financing institution, and can give unbiased advice to suit his clients’ needs. Additionally, as a keen property investor, Stephen is highly knowledgeable in helping other property investors to structure their borrowings to maximise their returns.

Having personally availed of Stephen's services I can vouch for his excellent financial knowledge, caste iron professionalism and unquestioned integrity. I am confident you will gain invaluable knowledge and insights into the world of property finance and investment from this book.

Tim Symons

Tim Symons
Ex-Associate Director
Macquarie Bank Limited
Director, Symons Financial Services

About Stephen and "My Money"

Stephen Robertson is married to a third-generation Auck-lander and has three boys under the age of seven, keeping him busy as their taxi driver and sideline sports coach.

As part of giving back, Stephen is a trustee for a New Zealand-based charity actively working to alleviate poverty here and abroad. In his spare time you will find him outside cellphone coverage on the Hauraki Gulf chasing fish.

Stephen has been in the mortgage broking industry for over 10 years. Along with a dynamic team, he brings a wealth of knowledge, experience and professionalism to help his clients choose the best possible loan and structure for their mortgage. Stephen is a totally independent broker, not aligned to any bank or institution, and can give unbiased advice to suit his clients' needs.

As a keen property investor, Stephen is highly knowledge-able in helping clients structure their borrowings to maximise returns.

This may lead to clients being able to purchase more investment properties in the future, or pay off their mortgage faster than they had envisaged – and without making any cut-backs in their spending.

Because My Money deals with lenders on a regular basis, it has built up strong relationships with them and can help guide clients through the process to give them the best possible result. This can mean the difference between a loan being approved or declined.

My Money also works with a network of professionals which means it can guide clients through the buying process. Best of all, because these professionals respect My Money clients can be assured of VIP treatment from accountants, lawyers, valuers and real estate agents.

Self-employment also has its unique challenges when obtaining finance, an area that My Money specialises in.

Chapter 1

What is Property Investment?

"The best investment on earth is earth." *Louis Glickman*

Introduction

With all the uncertainty in life, we worry about being financially safe as we get closer to retirement. Many of us have looked into different ways to secure a comfortable lifestyle after we've retired.

Achieving financial security is not easy. There are so many investment options and get-rich schemes that look tempting, but few provide any guarantee of success.

People are becoming more attracted to investing in *tangible* assets rather than term deposits or bank bonds. However, it seems to be easier to invest in *intangible* assets because they tend to have a lower entry cost and they do not demand a huge amount of preparation and technical expertise to get started. It's easy to sign up for a pension plan in just a few hours, but you could never do the same with a real estate investment.

Property investment requires a large amount of preparation and due diligence. The investor needs to accumulate a lot of knowledge in a short time. And because of the size of the investment, they need to be well organised and have a team of proficient professional advisors around them.

If you are interested in investing in residential real estate, we have compiled a great deal of the information you need in this book, covering all the basics you will need. The book will save you a great deal of time, and it will give you an extensive overview of real estate investment.

It is a great starting point for your real estate investment journey, and it will provide a handy resource to refer back to time and again. Each chapter gives you a knowledge base that you can enlarge with your own research and experience. But most of all, this book is a complete starter's guide to real estate investment.

Is Money Really Evil?

Everyone wants to have money. But why? Because it fulfils one of our most basic needs – to feel safe. And money gives us the ability to buy the things we need to survive, which makes us feel safe. Wealth can protect us from certain risks. Wealth lets us live in comfort and takes away our worries. Wealth makes our lives more predictable and gives us choices. Wealth lets us enjoy life a little more, because we are able to afford the things that make us happy. Wealth enables us to shape our lives, afford the little luxuries and care for others too.

Sometimes we just want to give our loved ones everything they wish for. We want our children to get the best education and give them choices. We want to know that we are financially secure when we retire. We want to do all the things we've dreamed of during our working lives, like travelling the world, driving our dream car, playing golf or whatever.

However we look at it, wealth creates safety and plenty of opportunities and options to live our life the way we choose.

Someone once said that money doesn't always bring happiness. It's true that money doesn't solve all our problems. We probably all know wealthy people who are unhappy, but we know more people who are on the poverty line leading very unhappy lives. In fact, few things destroy happiness faster than being poor.

We personally believe we were made to be prosperous, not to struggle. So we owe it to ourselves and our family to strive for wealth and the financial security it brings. Would you like to be a blessing or a burden on your family? It's so much easier to be a blessing if you have money.

12 Ways to Create Wealth

Everyone is in a unique financial and life situation. Some start from a better financial position than others. Some are born into money; others inherit wealth later in life; others have to earn every cent they have. What are the options for creating *your* wealth?

There are many strategies you can implement to earn money and then use it to build wealth. Each method has its advantages and disadvantages. Some create wealth quickly; some take time. Some require small amounts of capital; others require lots. Here are 12 of the most common ways for people to earn money and create wealth:

1. Work hard and save hard
2. Inherit money
3. Marry a wealthy person
4. Learn a valuable skill
5. Create a unique product
6. Gamble your money
7. Invest in a get-rich-quick scheme
8. Invest your savings into interest-bearing accounts, bonds, Bonus Bonds etc.
9. Invest in an appreciating asset, e.g. art, jewellery, currency, vehicles, collectibles, livestock
10. Invest in a business

11. Invest in the share market
12. Invest in real estate

How to Pick the Right Strategy for You

So which of these strategies is the best way to create wealth? To answer this question, we need a set of objective criteria against which to evaluate them. If there was a "perfect way to become wealthy", it would surely score well in the following 13 areas:

1. Leverage – can be purchased using other people's money
2. Low Risk of Capital Loss – carries little risk of losing its capital value
3. Control – the investor is able to improve the value
4. Tax Benefits – provides tax-free benefits
5. Little Expertise Needed – requires little expert knowledge or skills
6. Insurable – risk of losses can be insured against
7. Income ROI (Return on Investment) – generates a high rate of revenue return on the amount invested
8. Capital ROI – generates a high rate of capital return on the amount invested, especially if tax free
9. Cash flow – the income returns are consistent and frequent

10. Passive – involves little ongoing work or maintenance, e.g. time, money, effort
11. Entry Cost – requires little start-up capital
12. Liquidity – can be turned into cash quickly and easily
13. Pleasure – brings personal enjoyment to the investor

If we use these 13 criteria as our guide, we can make objective comparisons and decide which wealth creation strategies to employ, and which to avoid. Let's use these 13 criteria to evaluate each of the 12 wealth creation strategies mentioned above.

Strategy 1 – Work Hard and Save Hard

A proven way to become wealthy is to work hard your entire life, save as much of your earnings as possible, and invest in low-risk opportunities. An accountant once told us that if you left school at 15, worked and saved just $20 a week in a low-bearing account, you would be a millionaire by age 65. You can insure your investment by taking out income protection insurance. However, as an employee, you have to rely on others and trust them to have the experience and drive to make their business successful. Your earnings will always be capped because you can only work a limited number of hours in a day. This option is available to virtually anyone, but you need patience, perseverance and self-discipline to "stick to the plan". If you are familiar with the story of the hare and the tortoise, this strategy will appeal to the tortoise.

Strategy 2 – Inherit Money

You have no control over who your parents are, so this is hardly a strategy that can be implemented, unless you use the next strategy.

Strategy 3 – Marry a Wealthy Person

A man wanted to set up a joint cheque account. When the bank manager asked who the other person would be, the man replied, "Make it anyone you like, as long as they're wealthy." Choosing your future spouse based on their financial position might help you financially, unless they require a prenuptial agreement, but it is surely no guarantee of a happy life.

Strategy 4 – Learn a Valuable Skill

We can all admire talented people like tennis player Novak Djokovic, author J K Rowling and musician Bruce Springsteen. Only a petty person would deny these people their riches. But identifying and developing a unique talent is hard work, and monetising that talent is even harder. There are many gifted people in the world who have not utilised their talents or turned them into cash. Many of the talented people who have gone on to become wealthy have actually used their earnings to get started, but have then used other investment options to become super-wealthy.

Strategy 5 – Create a Valuable Product or Service

Have you ever wished you could travel back in time and introduce the world to the Internet or Trade Me? Mark Zuckerberg is the co-founder of Facebook. There must have been thousands of other software developers who could have come up with the same idea, and probably hundreds who did. But only he (and his partners) took action and created it. You may or may not be sitting on a great idea; and you may or may not know how to make money out of it. But it certainly takes a special person to put all the pieces together to become wealthy through a new product or service.

Strategy 6 – Gamble Your Money

It's a lot of fun to flutter on the horses every now and then, or to buy a weekly Lotto ticket. And the Internet offers many get-rich-quick schemes which sound too good to be true. But these pie-in-the-sky strategies make very few people wealthy and do not offer a viable option for the serious investor.

This strategy is not for the faint-hearted, and you must be willing to take the big losses that come with the big wins. If the previous strategy is for the tortoise, this one is for the hare – on steroids!

Strategy 7 – Bank Your Savings

Investing your money with your bank might offer a very safe and passive opportunity, but the returns are extremely low and are taxable. Because the ROI is so low, you need large amounts of capital to generate a decent return. These investments are highly liquid (a short waiting period may apply). This is another tortoise strategy and is fine if you have the time and the capital.

Strategy 8 – Buy Appreciating Assets

Some people combine their passions with their investments. A friend of mine bought an old and dilapidated classic car for $30,000 but it will be worth two or three times that after he has spent a few thousand more on parts, and countless hours of time working on it. Another friend of mine loves horse racing and he has bought several horses, hoping to find the next Phar Lap. Yet another friend of mine likes to buy old jewellery (mainly gold and diamonds) and remodel it to create something very special. You can fully insure your asset against most losses, but you might need an independent valuation. While these investments are expensive to start and maintain, with only a small chance of a high return, they are a lot of fun to be involved in. When it comes to liquidating your investment, some of these assets only have a small number of buyers to market to. Banks are not inclined to advance a loan based on the full potential value of the asset; instead, they look at the distressed value based on an urgent sale. This option is viable if you have the start-up capital required, you are not in a hurry, and the work required to realise the full potential of your investment is a labour of love for you.

Strategy 9 – Own a Business

Running a profitable business is incredibly rewarding, especially if your products or services help other people. It can generate a predictable and healthy income, and a profitable turnkey business can be sold for a massive, tax-free capital return. The best feature is that a business gives you, as the investor, many opportunities to increase its value. It is possible to raise finance on the assets of the business. But it can cost a lot of money to start or buy a good business, and there is a lot of pressure on the owner when staff are relying on a pay cheque each week. Compliance costs, personal liability and health and safety requirements can put off would-be investors. Many business researchers claim that 80% of businesses fail in the first five years, so the risks of running a business cannot be ignored. A well-priced, profitable business will sell quickly, especially if it doesn’t require a lot of expertise to run it. It is possible to insure your investment through a range of policies, which makes a lot of sense if the business provides you with a job you enjoy (plus a healthy income or capital return), and you are willing to wait and put in the work to realise its full potential.

Strategy 10 – Invest in Shares

If you've got the knowledge and time, you could invest in shares. You don't need a lot of money to start a portfolio. Shares potentially provide you with a capital return (which is non-taxable, unless you're a trader), as well as income (which is taxable). But shares require a lot of expertise. You need to know what you're doing because you are trying to predict the future. If you don't know what you're doing, you are really just playing the lottery. Shares are one of the few investments that can be worth a lot one minute, then worth nothing at all the next. As a small investor, you have no influence on the market and you have no control over the returns or value of your shares. Another drawback is that it is difficult and imprudent to use shares as security to buy more shares. So you need to use your cash resources to buy more, or sell your existing stock. The process for selling shares can be convoluted, especially if they have to be offered to other shareholders or if they are subject to options or first rights of refusal. The stock market could be a good option for you if you have a thorough understanding of shares and can withstand a loss every now and then.

Strategy 11 – Buy a Rental Property

The main problem with real estate is the high entry price, meaning you are putting all your eggs in one basket. Plus, the ongoing costs are high, e.g. maintaining and repairing the property, dealing with tenants, vacancy periods. Finally, it can take time and money to liquidate your investment if you need to sell quickly in a flat market. But if you have the start-up capital required, and you are happy to wait, we believe real estate provides the best option by far. Let us tell you why.

Why Real Estate?

Many experts argue at length about whether real estate is better than shares, and vice versa. Why do we think real estate is the best way to create wealth, not just better than shares, but better than any other strategy? The easy answer is to say that real estate has made more people wealthy than any other investment option in the world. How many rich people do you know who have earned their wealth through real estate, and how many do you know who have become rich through the stock market?

Let's see how real estate stacks up against the 13 investment criteria mentioned earlier:

1. Leverage – Real estate can be financed through other people's money. Let's assume you have $200,000 to invest in a rental property, and that houses in your area double in value every 10 years. Look at these two scenarios:

1. You can buy a house worth $200,000 without needing to borrow. In 10 years the house will be worth $400,000 giving you a net return of $200,000, i.e. a 100% return on your original investment.
2. You can apply to a lender to help you buy a more expensive house. A bank will usually lend 60% of the purchase price or valuation of a rental property, whichever is the higher. This would allow you to buy a house worth $500,000, i.e. $200,000 from you and $300,000 from the bank. In 10 years the house will be worth $1,000,000. If you paid, say, $150,000 in interest to the bank, you made a net profit of $350,000, which is a 170% return on your original contribution of $200,000. That's 70% more than scenario 1, without investing any more of your own money.

Lenders are happy to allow you to use your investment (the house) to raise finance, which gives you a higher capital gain, as shown above. But lenders are not so willing to loan money for other investments such as shares, artwork, classic cars or even businesses.

2. Low Risk of a Capital Loss – Real estate is the closest thing to a risk-free investment, as long as you're prepared to hold on to it. No other asset appreciates in value, over time, as consistently as land does – not even gold. Be aware that property values can go up and down in the short term. If you buy in a high market and then six months later you sell in a low market, you will lose money. But when we talk about property investment, we are talking about buying and holding property for 10 years or longer. If you invest in shares or a business, its capital value can disappear overnight. But this does not happen with property. If your house burns down, you can rebuild it with the insurance money. Plus, you still have the land value.

3. Control – As the property owner, you have incredible control over your investment property. You can see it, visit it and improve its revenue value and capital value. As well as control, you have certain unique freedoms of choice, such as:

- How much you invest and if the property has enough growth potential
- How much (if any) cash you put into the property investment
- What kind of loan you are going to run with
- What type of property you buy
- The location of your investment property
- Finding a bargain

- Whether you want to increase the value of your property by making repairs or improvements, to increase your rental income
- Whether you want to manage your investment properties yourself, or pay a property manager.

These choices can influence the capital and revenue returns of your investment. As a result, you can improve the Capitalisation Rate which is:

$$\frac{\text{Annual Rent (after expenses)}}{\text{Value of Property}} \times \frac{100}{1}$$

So if your net Annual Rent is $25,000 and your rental property is worth $500,000, the Capitalisation Rate is 5%.

4. Tax Benefits – There are numerous tax advantages owning a rental property. Most of your repair and maintenance costs are tax deductible. You can usually offset mortgage interest against your rental income, which makes interest-only mortgages appealing to landlords.

5. Low Level of Expertise – While there are many traps and pitfalls for the unwary landlord, you don’t need a great deal of expertise. Most of this knowledge can be obtained easily through courses, or you can buy professional advice. Most people know a lot about houses, because we live in them. But few know much about the stock market or fiscal policies.

6. Insurability – It is possible to insure against the major risks associated with owning property, including fire and flood damage, loss of rent and damage caused by tenants. This only leaves a very small exposure to carry, such as the property remaining vacant for the first four weeks (loss of rent insurance usually kicks in after four weeks vacancy). This exposure can be covered by establishing a contingency fund.

7. Income ROI – The Income ROI for rental properties is particularly high when it is calculated against the capital provided by the investor, i.e. excluding the bank's contribution. If you bought a house for $500,000 with $200,000 of your own money, and it produces an annual rent of $25,000, your rate of return on your funds is actually 12.5%.

8. Capital ROI – On top of the Income ROI, your $500,000 property will have increased at the rate of $50,000, a 40% return on your funds. Plus, this capital gain is tax free (because you bought the house to hold it, not sell it). We can't think of any other investment that provides these sorts of returns unless it carries big risks.

9. Cash Flow – Rental income returns are consistent (fixed) and frequent (weekly or fortnightly), which gives certainty with your budgeting. Other investments only pay out when you sell them, so you have no idea what the return will be until then.

10. Passive Involvement– Critics of property investment say it requires too much work, especially with repairs and maintenance, and having to deal with bad tenants. While this can be a valid point, we would argue that:

- all this work can be outsourced to tradespeople and/or a property manager (all costs are tax deductible)
- strategies can be put in place to reduce the amount of work, or the likelihood of having troubles, i.e. by buying the right kind of properties and choosing the right kinds of tenant
- once your rental properties are mortgage free, your portfolio can be 100% turnkey because you can pay for someone to deal with every problem.

11. Low Entry Cost –It takes a lot of capital to invest in real estate, compared to most other investment options. While it may be impossible for many people to buy an investment property, especially in Auckland, there are options, e.g. buying in up-and-coming areas outside Auckland, buying a property as a syndicate with family members, buying a section and entering into a joint venture with a building company or investor. Plus, once you have bought one rental, it is amazing how quickly and easily you can purchase another when the property and rental markets are strong.

12. Liquidity – It can be expensive to liquidate a rental property, especially if it has to be sold quickly. But there are other options:

- if you need cash quickly, you can always consider raising finance against the rental property, rather than selling it, but
- your overall goal should be to retain it for at least 10 years. If you are looking for something more short term, you may want to consider property speculation (as opposed to property investment) or another investment option altogether. But if you have to sell the property quickly …
- most well-presented homes will sell quickly if they are priced well, even in a buyer's market.

13. Pleasure – Many landlords we've spoken to say they get a lot of satisfaction from providing homes to grateful tenants. Sometimes these tenants turn into friends. There is also a lot of pride in being a homeowner – even moreso if you own several homes.

Creating Your Investment Plan

Too many first-time investors think that being a landlord just involves buying a house, finding a tenant and watching the money come rolling in. But the most successful investors treat their property portfolio like a business, and they create a well-thought-out business plan.

Your investment plan needs to answer questions about the following:

Money

- How much money do the rentals need to produce, and when?
- What is this money to be used for, e.g. living expenses, travel, education, retirement?
- Will I need to gear the properties positively or negatively?

Properties

- What type of property do you want to own, e.g. dwelling houses, units, apartments?
- Where will your houses be located?
- How many properties do you want after 5, 10, 20 years?
- Do you want properties that generate high yields (rent) or high capital growth?
- What size houses (number of bedrooms) do you want?
- Will you buy homes that need renovating?

Tenants

- What type of tenant do you want to deal with, e.g. singles, couples, families, what age, what ethnicity? Please note it is unlawful to discriminate on grounds of gender, age, ethnicity etc. but certain locations and properties will be more suited to some groups than others.
- What tenants do you *not* want?
- Do you want tenants with pets?
- How many tenants will live in your houses?

Work

- How much of the work do you want to do yourself?
- Will you do this part time or full time? When?
- Will you use a property manager?
- Who will your lawyer be?
- Who will do repairs?

Ideally you will answer these sorts of questions before you start investing in property. The answers will determine what sort of properties to look for, which suburbs or cities you should be looking in, how aggressive you need to be, etc. Remember, too, that this is only a plan, so parts of it can change if circumstances require.

Not an Overnight Money-Maker

Property speculators can make quick money in real estate. Their profit is generated as a result of the opportunity that the speculator creates. Not every deal is suitable for a speculator. It needs special circumstances to be profitable.

But property investors can generate a profit from most residential properties because they rely on time to do most of the work. Almost any residential property will rise in value over a 10-year period, or longer.

An important part of your investment plan is the time frame. Every goal and milestone needs to be time-framed. The shorter your time frames, the more aggressive your strategy needs to be. But the longer your time frames, the less aggressive and safer your strategy will be.

Chapter 2

Finding the Right Property

"Even a correct decision is wrong when it was taken too late."

Lee Iacocca

The Ideal Rental Property

Rather than offering advice about how to find good properties generally, we want to discuss the specific things you need to look for in a rental property.

Buying an investment property is not the same as buying a home you intend to live in yourself. One of the biggest mistakes a first-time investor makes when viewing potential properties is to ask, "Would I be happy living here?" This question is fine when buying a home for yourself, but it is irrelevant when buying an investment property. *You* might not live in a property next to a railway line, but many tenants would be happy to do so.

The criteria for the perfect rental property will vary, depending on your investment strategy. So we will keep this discussion reasonably general and base the criteria on:

- the features that will attract good-quality tenants and keep them happy

- the features that will meet the financial needs of an investor.

We believe the following nine features are the most important when choosing a good investment property, from a *tenant's perspective*:

1. **Location** – tenants prefer to be close to their workplace, so avoid houses in the country. Instead, opt for houses close to industrial areas, factories, hospitals and other businesses that employ large numbers of workers. If you are renting to families, look for properties close to schools. Because your goal is to hold the property long term, buying on the edge of town can be a smart move due to urban sprawl.

2. **Proximity to public transport** – some tenants cannot afford a car so they rely on buses and trains. Your property will be more appealing if it is an easy stroll to the nearest bus stop or train station.

3. **Durability** – tenants tend to be very hard on a property. While an owner-occupier will usually be very careful to avoid causing damage to surfaces, walls and floors (because that reduces the value of their investment), tenants don't usually feel the same way. So look for properties with hard, durable surfaces that are easy to

clean or repaint, such as painted block walls, wooden floorboards, solid timber walls.

4. **Safety** – landlords are being held liable for the safety of their homes, under New Zealand's health and safety laws (these laws do not apply to homes occupied by the owner). You need to be careful about buying properties with hazards, because you might be required to rectify these issues when you rent the house out to tenants. Here are some things to look out for:
    - Swimming pools without adequate fencing
    - Decks with inadequate or no railings
    - Stairways without railings, or with slippery/rotten steps
    - Faulty fire alarms or none at all (fire alarms are another legal requirement).

5. **Insulation** – new regulations require landlords to ensure their rental properties are adequately insulated by 2019. Older homes are notorious for being poorly insulated so you need to check the walls, floors and ceilings to see what sort of problems you might be buying into.

6. **Off-street Parking** – to maximise yield, your properties need to accommodate a decent number of paying tenants. They may need three or four car parks (compared to the usual ne or two parks for a small family).

7. **Fully-fenced Rear Section** – if you can offer your tenants the benefit of a fenced backyard, they can allow their children or dog to roam freely, away from the dangers of a busy road. Are we suggesting that you cater specifically for dog owners? Yes, we are. Many landlords miss out on good tenants who would pay a premium if they could bring their dog with them. If you don't like the idea of having a dog indoors, you can stipulate in the tenancy agreement that all animals have to remain outdoors.

8. **Small, Easy-care Section** – tenants do not want to spend their weekends mowing lawns and weeding gardens. In fact, the fewer lawns and gardens the better.

9. **Power Outlets** – many houses, especially older ones, often have only one power point per room. With mobile phones and laptops, people need multiple outlets in each room. Overloading can create fire hazards.

The more of the above features your property has, the easier it will be to find tenants, and the more you can charge for it.

Let's now look at the features you need to look for in a rental property, from a *landlord's perspective*, i.e. things that the tenant places little or no value on:

1. **Rental Return** – it is critical the rent covers your mortgage payments, rates and insurance. It's a bonus if it also covers your annual repairs and maintenance costs, your accountant's fees and your property manager's fees. If the rent is greater than all your costs (including mortgage interest but excluding principal payments), it will be positively geared. If it is less than all your costs, it will be negatively geared, and you will have to make up the shortfall from your own cash resources. Expensive houses command a higher rent than low-cost housing. So to make fair comparisons, investors rely on the "Rental Yield" figure, which expresses the gross annual rent for a property as a percentage of the purchase price of the property. So if you buy a property for $500,000 and it generates $25,000 rent per annum, its rental yield is 5% per annum.

2. **Capital Gain** – how much will the property grow in capital value each year? This is known as "Capital Yield". As a general rule of thumb, houses in high-demand cities and suburbs have higher capital yields than in less desirable areas. Even though you might intend to hold the property long term, you still want to know that it will be worth a lot of money when you eventually sell. Plus, you can raise more finance as the value of the property rises. (This is critical if you want to buy more rental properties.)

3. **Low Maintenance** – imagine buying a great rental with a high rental and capital return, but then finding yourself sinking tens of thousands of dollars into it every year on repairs and maintenance. Brick veneer, aluminium windows and a tile roof never need painting. Concrete and brick homes need less work than timber homes. Older houses need more maintenance than newer ones, especially in regard to old wiring and plumbing which can be very expensive to replace. Look out for sinking foundations too. Old toilets, showers and appliances (air conditioning units, heat pumps, stoves) can be expensive to repair or replace.

4. **Methamphetamine** – while buyers of any property need to be careful of homes that have been affected by meth use, the risks are higher for property investors. When you are looking for a good rental property, it is likely it was previously used as a rental. People who use and manufacture meth rarely do so in their own homes, either because they don't own property or they don't want to do anything that would drop its value as drastically as meth use does. It is wise to make any offer conditional upon the property being cleared of meth use. This issue is discussed in more depth later.

5. **Value** – as a real estate investor you need to know if the property offers good value for money. We will explain how to do this below.

A Word of Caution:

As you consider which property to buy for a rental, be wary of taking advice from the wrong people – especially well-meaning family members and friends. Unless they have bought and sold investment properties, their advice should be taken with a grain of salt. It is unlikely they will use the selection criteria we cover in this book. The best advice is usually obtained from experienced professionals.

How to Know Good Value When You See It

If you treat your property portfolio as a business, you will be focused on maximising profit. The less you pay for the property, the greater your profit. It is therefore important to buy as close to the property's current market value as possible, preferably under it. The problem is that the seller wants to sell the property for as much as possible. Let's look at three important questions to determine what a rental property is worth:

1. What is its Rateable Value (RV)?

Your local authority (or council) calculates your property's rates on the value of the property. This is known as its Rateable Value (RV) and is usually done every three years. A property's RV is made up of three components:

1. Capital Value – the council will assign a Capital Value (CV) to your property, based on recent comparable sales in your neighbourhood. For assigning the value, the council also takes other factors into account, such as the property type, location, land size, zoning, floor area, views and renovations.
2. Land Value (LV) – the LV is based on recent sales of vacant sections in the area.
3. Value of Improvements – this is calculated by subtracting the LV from the CV. The council considers anything "that is on or for the benefit of the land" as an improvement. This includes any dwelling on the land, landscaping, driveway, etc.

The council calculates the RV from its written records and an external appraisal. It does not factor in any home improvements, redecoration, chattels, appliances, etc. So an investor should only use the RV as a guide.

2. What is its Current Market Value?

The current market value is the amount a willing buyer would pay to a willing vendor for a property, in the current market. It takes into account many factors that are not considered in the RV and includes demand in the current property market, the value of any improvements, bank interest rates, the existing and potential use of the land, and the economy.

Real estate agents and registered valuers have the most expertise in calculating a property's current market value. They calculate this figure based on recent sales of comparable properties in the area.

3. What is its Rental Value?

Ultimately, you want to rent out your investment property. You need to have an idea how much rent it is likely to achieve. If you ask too much, you might not attract tenants; if you ask too little, you might not be able to service your outgoings or make a profit.

Again, real estate agents and registered valuers are skilled at calculating how much rent your rental property is likely to achieve in the current market. They calculate this figure based on rent being charged for comparable properties in the area.

Note: Some landlords charge rent according to how much they need to cover their outgoings on the property. This is flawed logic because a tenant doesn't care what the landlord's outgoings are, and will only pay what a property is worth.

Location, Location, Location

The location of your property partly depends on your real estate investment strategy. Are you looking for a property that provides you with a high rent, or a high capital gain? Very few properties do both. Or you can look for something in the middle, i.e. a property that provides an average rental return and an average capital return. Some investors like to have a mix in their portfolio, e.g. two properties that generate high rent, two that will provide strong capital gain, and two that provide average rent and average capital gain.

Whatever your approach, you need to research and decide on a geographic area and perform a basic rental income return-on-investment analysis.

Buying a Doer-Upper

An effective way to increase your capital gain is to buy a dilapidated property and improve its value by renovating it, either inside or outside, or both.

Here are a few ways to add equity to a run-down property:

- Build a garage or carport
- Add an extra bedroom
- Replace the carpets
- Sand the floorboards
- Improve the fence or build a new one
- Install a security alarm
- Provide a fridge, dishwasher or microwave
- Get the property professionally cleaned
- Paint the exterior
- Improve the garden with landscaping or planting
- Lay down a nice driveway
- Plant shrubs, trees or hedges
- Build a deck

Patience Really is a Virtue

We cannot count the number of first-time investors who were so enthusiastic, they bought the first house they saw – and regretted it later when they realised they could have done better. The best advice we can give is to be patient. Finding the right property to buy will take some time and effort. So don't feel pressured to make a quick purchase.

Often it is better to wait a while to find the perfect property for you. And before you go out and make offers, get a pre-approval from your bank or mortgage broker about how much you can borrow.

Chapter 3

Finding the Money

"Real estate investing, even on a small scale, remains a tried and true means of building an individual's cash flow and wealth." *Robert Kiyosaki*

Get Your Deposit Together

The amount you can purchase your rental property for will depend on how much deposit you can raise. The deposit can either be cash savings or equity you hold in another property (which we will discuss next).

When you apply for finance, the lender will review your overall financial situation, your deposit and your investment strategy. Banks apply a Loan to Value Ratio (LVR) which is calculated by dividing the amount of the loan by the value of the property. For example, if the property is worth $500,000 and you have a deposit of $100,000, your LVR will be 80% ($500,000 - $100,000) ÷ $500,000 = 80%.

There are different restrictions, which depend on the size of your deposit and whether you are a:

- First-home buyer
- Residential property investor
- Customer with an existing home loan

Loan-to-value Ratio

When you are buying a residential property as an investor, the bank will require a Loan-to-value ratio (LVR) of 60%, which means you need a deposit of at least 40%. This has been a recent change in our banking requirements and has led many investors to sell their rental properties and get out of property investment altogether.

Note: Banks have different policies about whether they will recognise gifts from family members as part of your deposit.

Loan-to-value Ratio

$$\frac{\text{Amount to be Borrowed}}{\text{Market Value of Property*}} \times \frac{100}{1}$$

* or the purchase price, whichever is the lesser

Enquire with your bank what LVR they require. For a property you intend to live in, your deposit usually needs to be 20%; for an investment property, it will probably be 40% or more. If the property is being built or has a Code of Compliance Certificate less than six months old, the deposit required drops to 10% for owner-occupiers and 20% for property investors. However, you cannot rely on these numbers without speaking with your bank or your mortgage adviser. These specialists will assess your overall financial situation and adjust the LVR to your financial circumstances.

Use One House to Buy Another

If you already have equity in a property, you can use that equity to help finance your second property.

But what is equity? Imagine you have a house with a market value of $400,000. It is subject to a mortgage securing a loan for $300,000. The equity (which is the balance that you own) is $100,000.

You can use the equity of this property as a deposit for your next property.

Be careful about using the equity in your family home to finance your rental properties. If things go bad, you potentially put your house on the line. Even if you don’t use your home as security, lenders can still get to it by insisting that you personally guarantee your loan. This is why some investors transfer ownership of their home into a separate trust, to protect them from creditors. There are advantages and disadvantages with this strategy, so if you want to know more, get legal advice before you start making offers.

Once you know what your deposit can be, you can calculate the amount you can spend on a rental property. Assuming you can satisfy the bank about your ability to service the loan, you can buy a rental that is 2.5 times your deposit. So if you have a deposit of $200,000 you can buy a rental property worth $500,000. (See how your deposit is 40% of the property's value, thereby satisfying the bank's LVR requirements.)

Bank's Ever-Changing Rules About Loans

Once you know how much you need to borrow, you need to decide what type of loan will be best for you in respect of:

a) whether you want to pay off the principal sum during the term of the loan
b) whether you want to fix the interest rate you pay.

Should You Repay Principal?

There are two options with regard to a) above:

1. Table loans – these loans require you to pay principal and interest. Your total interest bill is lower because you have reduced the principal owing throughout the term of the loan.
2. Interest only – these loans require you to pay no principal, just interest. They are easier to service

because you don’t have the burden of paying off the principal, but you still have the full principal sum to pay at the end of the term of the loan. The good news for investors is that the cost of interest is tax deductible. For this reason, many investors opt for interest-only loans – and because they don’t have to make principal payments, their cash stays in their pocket.

Should You Fix the Interest Rate?

There are four options to consider when deciding how to manage the risk of rising interest rates:

1. Fixed Rate Loan

With a fixed rate loan, you lock in the interest rate for the term of the loan, i.e. the interest rate for the loan remains the same throughout the duration or term of the loan. The term is shorter for fixed rate loans, ranging from six months to five years, or longer.

At the end of a fixed rate loan, you usually move to a floating rate loan, unless you renegotiate another fixed rate loan. A fixed rate loan gives you certainty for your budgeting and makes sense when interest rates are low and it is likely they will go up in the future. With a fixed rate loan, you can lock into the low interest rates and secure an advantage in case interest rates go up. You also know exactly how much the repayment cost will be each month until the end of the term. Another advantage is that interest for fixed rate loans is often lower than for floating loans.

However, if you want to make lump sum payments to reduce your loan faster, a large penalty may apply. Further, floating rates may drop lower than your fixed rate.

2. Floating Rate Loan

With a floating rate loan (also known as a “variable rate loan”), the interest rate moves up or down with the market or according to an index. As a result, your monthly loan payments to the bank will vary. You need to take this into account when you calculate how much you can afford to spend every month on your loan. If the rates spike upwards, you might struggle to meet your payments, but if the rates plummet, your payments will reduce.

You can usually make lump sum repayments without a penalty. This is often not possible with a fixed rate loan. Floating rate loans often have very attractive introductory interest rates (lower than a fixed interest rate), but they tend to rise during the term of the loan.

If you intend to buy and sell the house within a short time frame, a low entry rate is very attractive, but over a longer period of time a floating rate could be a disadvantage.

3. Capped Rate Loan

A capped rate loan is primarily a floating rate loan with an added feature: if market interest rates rise, you will never pay more than the “capped” rate as stipulated in the loan agreement. Plus, you can pay off some of your loan, or the entire amount, whenever you like, without penalty, and you can increase your regular repayments at any time without break costs. The downside is that the floating rate is usually higher than the rate you’d pay under a normal floating rate loan.

4. Combined Loan Types

Another option, to spread your risk of rising interest rates, is to combine the different loan types. You could split your loan as follows: 50% fixed and 50% floating and agree on different durations for the loans.

Repaying the Principal

There are different ways of repaying loans. Depending on your strategy, you need to understand which type will bring the biggest advantage to you.

1. Table Loan

With a table loan, you pay the same amount throughout the term of the loan. This is the most common type of repayment. Table repayments work as follows:

- You borrow a certain sum from the bank. This is called your “principal”. Over the term of your loan you need to repay this sum plus interest.
- The interest you will pay over the term of your loan will be added to the principal.
- Then the total amount of loan and interest is divided into equal portions that you repay each month.
- When you start repaying your loan, you will proportionally pay more interest than repaying your principal. That means that at the beginning, you are not building a lot of equity. Over time, the balance changes so that in the end you are repaying a larger part of your principal and a smaller part of interest. During the latter stages of your loan, your equity builds up faster.

2. Straight Line Repayments

- This is a table (principal and interest) loan where you pay higher repayment rates at the beginning and gradually decrease the amount you pay each month. Here is how it works:

- As a base, your principal is divided into equal portions throughout the period of your loans. With each repayment rate you build increase the equity in your property.
- Interest is apportioned and added to each repayment on your principal.
- Over time, you reduce your principal and the interest that is calculated on the basis of your principal. With the principal steadily decreasing, your interest payments will also get smaller.

An advantage is that you will pay less interest over the whole duration of your loan. However, you have to be able to make larger monthly repayments at the beginning.

3. Interest-only Payments

The third option is to make interest-only payments. As the name suggests, you will only pay interest with each payment. The principal remains untouched throughout the duration of the loan and must be repaid in total at the end of the loan term. Usually you can choose a term of between one to ten years. Obviously it costs more to repay principal and interest. So an interest-only loan might be the right choice for you, if your ability to service the loan is tight.

Alternatively, you might consider investing in a capital building savings plan in parallel to build up the equity for your property.

Pre-Approval Certificate

Before you start looking for an investment property, find out how much you can borrow. Banks and financial institutions will review your information and let you know how much you can borrow. Most lenders will provide you with a written pre-approval certificate which confirms how much money they are willing to lend you, for borrowing up to 80%. For borrowing over 80%, you must have a specific property in mind.

A pre-approval certificate gives you greater leverage when making an offer.

Positive and Negative Gearing

There are two types of return you can have from your investment property:

1. Capital gains (achieved through value growth)
2. Rental income

You can find rental properties that generate both types of return, and others that produce one return a lot more than the other. This depends on the type of property, but also on the way you finance it.

Positive Gearing - A property is positively geared when the rental income is *higher* than your mortgage repayments and your expenses. If this is the case, you are producing positive cash flow and the investment is self-funding. However, you will have to pay tax on your net income (after depreciation and other tax deductions).

Positive gearing is a conservative approach and an attractive strategy when the investor does not have surplus cash to fund income losses. This is the best approach for you if your goal is to have a regular weekly income from your property.

Negative Gearing - With negative gearing, the rental return is *lower* than the monthly mortgage costs and expenses. The investor has to make up the shortfall from other sources. But negative gearing also has advantages:

- The losses can be offset against other income. Your losses in property investment reduce your taxable income. That is particularly attractive if you are already a high taxpayer. But keep in mind that this is a long-term capital growth strategy and therefore not a good strategy for you if you are already close to retirement. In that case, you are better with a positive gearing strategy.

- Real estate investors choose negatively geared properties because they expect that their accumulated losses will still be lower than the capital growth in their property. In such a case, you need to look for a property with a high value growth potential.

Negative gearing may not be for the faint-hearted (or first-time investor) and should be considered if you can ride out potential financial losses, which may be the result of this investment strategy. If appropriate, a buffer can be borrowed and set aside for rate fluctuations.

Costs of Owning a Rental Property

Investing in real estate involves considerable entry costs, so it makes sense you know what they are before you get started:

Purchase Costs

- Building inspection report
- Land Information Memorandum (LIM)
- Valuation report by a registered property valuer
- Land rates
- Water rates
- Body corporate fees
- Insurance
- Legal fees and disbursements

Ongoing Renting Costs

- Loan repayment (principal)
- Loan interest
- Running costs for the house
- Insurance
- Rates – land and water
- Accountant
- Property manager
- Meth testing
- Repairs and maintenance – materials and labour
- Capital improvements
- Advertising for new tenants
- Pest control
- Lawns and gardens (if applicable)
- Vacancy costs

Use the above lists to create your budget and cash flow forecasts.

Education Costs

- Expert advice (accountants, lawyers, mortgage advisers, etc.)
- Real estate investment seminars
- Books and magazines
- Membership to investor associations

Managing the Methamphetamine Risk

Would-be investors are being put off property investment because of the methamphetamine risk, and some existing investors are selling up because of it. Let's examine whether their fears are justified.

What is Methamphetamine?

Methamphetamine is a synthetic drug – a powerful, highly addictive stimulant that affects the central nervous system. You might have heard of it by some of its other names: meth, P (short for pure), chalk, ice, speed, crystal.

The danger of meth is that it is highly addictive (some people claim- it can turn you into an addict after using it only once). It can be smoked, inhaled, dissolved or injected. Meth gives the user a false sense of happiness and well-being, a strong feeling of confidence, hyperactivity and energy.

Meth abuse often results in serious health conditions like memory loss, aggression, psychotic behaviour, heart and brain damage. A tenant with a meth addiction will soon have trouble paying the rent and looking after the property.

Why is Methamphetamine an Issue for Landlords?

Property investors should be concerned about:

- buying a house that has been contaminated by recreational use of meth or has been used as a meth laboratory. Insist on a meth test prior to settlement and include this requirement in the contract before signing.
- discovering that their tenant, or guests, is using meth in the property.

If the house is being used to manufacture or "cook" meth, the "makers" are not usually qualified chemists, so they lack the skills and equipment to avoid contamination. The same goes for users, meaning that it all stays where it is used – in the house.

The level of contamination depends on how the property was used. If the house was used for cooking meth, then it could be necessary to strip and clean the whole house, including replacing the carpets, drapes and linings. If you suspect the house you're looking to buy has been exposed to any kind of meth use, you should either steer clear of it, or get it tested to determine the extent of the contamination and what needs to be done to make it safe again.

There are new Ministry of Health guidelines about to be released, which specify the level of contamination that is considered acceptable to allow people to move back in, after a house has been cleansed. At the time of writing, the guidelines were at the final discussion stage.

If you fail to provide a safe property, you may be breaching your obligations under the Residential Tenancies Act 1986, the Building and Health Act, and other regulations.

How to Manage the Methamphetamine Risk

Here are six risk management strategies to consider:

1. Select top-quality tenants, after vetting them thoroughly. This is not fool-proof, but many landlords have been caught because they chose the first tenant who applied and/or they didn't even check their references. If you allow a tenant to talk freely, they will often unwittingly give up clues about their lifestyle and choice of friends.
2. Purchase rentals in locations that would appeal to good-quality tenants and which would deter undesirable tenants.
3. Make regular inspections, being careful to look for signs of meth use.
4. Have the property tested at the start and end of the tenancy. At the time of printing this book, it was unclear whether a landlord is entitled to demand a meth test during the tenancy or whether the costs of

the test can be put on the tenant. It would be interesting to at least ask a prospective tenant if they minded tests during the tenancy and whether they would be willing to pay for it (and any remedial costs) if the results were positive. An innocent tenant would probably not object.

5. Put your property in the care of a good property manager. They have expertise and experience in identifying tenants who are most likely to be involved in meth, and looking for the signs of meth use and production during inspections.
6. Take out insurance cover. Speak with a good insurance adviser about which option is best for you. Remember, the premium is tax deductible. But note the following:
    - Some policies specifically exclude damage caused by drug-related use.
    - Some insurers limit the amount they will pay out for meth damage.
    - Some policies require the landlord to prove that certain precautionary measures were undertaken, before they will cover the damage. These measures relate to selection of tenants and property inspections.

There may also be issues concerning *when* the damage occurred. Landlords are starting to test their rentals when new tenants move in.

You Can’t Be Too Careful

An Auckland real estate agent told us a buyer insisted on making his offer conditional upon a clean meth test of the property. The agent thought this was odd, given that the seller was a lovely 80-year-old woman living on her own. To everyone’s astonishment, the test results came back positive. The seller was confused, but then remembered she had let her grandson look after the property for three weeks while she was overseas. The test results caused all sorts of delays and problems on settlement.

Chapter 3

Love-Hate Relationships With Tenants

"Show respect, even to people who don't deserve it, not as a reflection of their character, but as a reflection of yours."

Dave Willis

Avoid Bad Tenants

One of the most common frustrations for landlords, and one of the biggest reasons why people don't get into or stay in property investment, is having to deal with bad tenants. Their biggest concerns are that the tenant:

- won't pay the rent on time, or at all
- won't look after the property
- will upset the neighbours.

The problem of people letting you down is not confined to landlords. It's an issue for parents, teachers, employers, salespeople, customers – actually everybody. But there are many landlords who have enjoyed years and years of faithful service from well-behaved tenants, because:

- they chose good tenants at the outset

- they dealt with bad tenants decisively
- once they got good tenants, they treated them well.

Choosing Good Tenants

Finding good tenants can be a matter of luck, but you can make your own luck by following some simple steps.

Make Your Expectations Clear

Most landlords have their own ideas about what they would like the tenant to do and not to do. For example, if you do not want them drilling holes in the walls to put up pictures, you need to tell them so, but also let them know how they may fix pictures to the walls. Other examples include:

- Emergency contact numbers
- How to operate certain appliances, alarms etc.
- No removal of trees
- No planting of shrubs or vegetable garden
- No storage in ceiling cavity

You need to write these rules down and incorporate them into your Tenancy Agreement, and then explain them before signing. If there is a conflict between your rules and the Residential Tenancies Act, the provisions of the Act will prevail, although the rules are specific dos and don'ts about how to treat the property, and these detailed, prescriptive rules aren't covered in the Act.

Take Pride in Your Property

When you or your agent walk through your property with a prospective tenant, you should make sure the property is in great condition. Your tenant will value a house that is in excellent repair more than a house that has flaws. The quality of your rental property usually determines the quality of your tenant.

The house should be handed over in pristine condition, the grass should be freshly cut, the gardens should be weeded and the garage swept out. Remember, the tenant is required to hand over the property at the end of the tenancy in the same condition it was in at the start. So if everything is tidy, it makes it easy to insist that the property be left in the same tidy condition.

Dealing with Bad Tenants

As stated above, a bad tenant is one who is late paying the rent, one who neglects or abuses the property, or one who upsets the neighbours. So here are some ideas about how to deal with those problems.

Rent Arrears

If your tenant misses a rent payment, contact them immediately. Any delays will send the message that it is acceptable to pay late, or not at all. If your tenant tells you they are having trouble paying the rent, listen carefully to the reasons. Ask them to offer a solution and time frame. If you explode, they will hardly be forthcoming in the future. Most of us have been in a tight spot, and we often only need a little time and understanding to put things right. If this hiccup is a one-off situation, the tenant deserves some grace.

But if they are a new tenant, or the problem is one of many defaults, the situation is entirely different. A landlord has powerful rights and remedies under the law and the tenancy agreement, so it is important that you understand and enforce them swiftly and fairly. We have heard of countless occasions where landlords have been too nice and waited too long to take legal action, and then found themselves chasing several months' worth of rent that will never be recovered because the tenant doesn't have the money and the bond is insufficient to cover all the arrears.

Tenant Damage

Fair wear and tear is normal and is just part of owning a rental property. Minor damage such as holes in the walls and broken windows should be picked up -during inspections. As landlord, you should fix these issues yourself, or through your tradespeople, at the tenant's expense. If the tenant leaves without paying for repairs, the bond will hopefully cover the cost.

To protect yourself against more serious damage, you need to rely on landlord's insurance cover. Talk to your insurance adviser to discuss the right cover for you. This discussion should include cover for loss of rent and damage due to methamphetamine.

Keeping Good Tenants Happy

When people are in a position of authority (parents, teachers, employers, police) it is easy for them to lord it over those beneath them. Likewise, landlords can bully and take their tenants for granted. But good landlords obey the "Golden Rule" of treating their tenants the way they'd like to be treated themselves, by doing the following:

Fix Problems Quickly

It will make your tenants unhappy if their concerns are not addressed quickly. If you delay in getting problems fixed promptly, especially urgent repairs, they will resent paying the rent on time. By taking immediate action on repairs and other problems, you show your tenants that you care. If you don't have the time, skills, tools or other resources to do the work required, hire a professional to do it. With every house inspection, you should ask your tenant if there are any repairs that need to be made.

Remember Your Tenants

If your tenants don't pay the rent on time, every time, you would probably experience all sorts of problems. It's a nice gesture to show that you value their diligence, and reward it with little gestures of appreciation, like birthday cards, a hamper box for Christmas or a small grocery gift card. If this sounds too generous, remember that your tenants are paying $20,000 a year, or more depending on your location, in rent. A $200 gift card is only 1% of their rent, which is a small price to pay for your tenant's loyalty and goodwill.

Respect Your Tenant's Privacy

Although you own the property, you effectively assign all rights to quiet enjoyment when you sign the tenancy agreement. The property is now their home, their refuge, their sanctuary. As long as they pay their rent and look after the property, you must let them live in peace (subject only to making inspections). Always give your tenant plenty of notice before you enter the property at inspection time, and schedule your visits during business hours or a time convenient for them. Your tenant should agree to these visits. Why not leave a packet of chocolate biscuits with a nice card that says, “Thanks for keeping the house and grounds so tidy. We really appreciate it.” These gestures create incredible amounts of goodwill and loyalty.

Listen to Your Tenant’s Concerns

There might be case when your tenant contacts you for advice or because they want to voice concerns about something happening in the neighbourhood. It could be a noisy or difficult neighbour, or a flooded footpath next to the house. Always have an open ear for your tenant’s concerns, because they can also help you to protect your property.

Be Compassionate – to a Point

As mentioned above, you should listen to your tenant’s concerns and treat them the way you’d like to be treated. A good landlord will show understanding and compassion to a good tenant who deserves to be treated kindly. But you need to be wary of becoming a pushover and allowing a manipulative tenant to take advantage of you – especially if/when they fall into arrears with the rent.

Chapter 5

Do I Need a Property Manager?

"The most important quality for an investor is temperament, not intellect." *Warren Buffett*

Owning and managing a rental property, and dealing with tenants, has its challenges, and not everyone is cut out for it. In deciding whether to appoint a property manager, you need to determine whether you are capable of doing the job yourself.

Would You Make a Good Landlord?

Not everyone has what it takes to be a landlord. Even fewer have what it takes to own a portfolio of rentals. We guess anyone can be a landlord if they contract out all their responsibilities to others (a property manager, lawyer etc.). To assess whether you have what it takes to be a good landlord, see how accurately the following characteristics describe you:

- You need to be well organised. Owning a rental property involves a lot of paperwork, compliance and meeting a range of time frames.
- You need to manage your time effectively, especially if you have a full-time day job. It takes time to find

and interview tenants, inspect the property, carry out repairs etc.

- If you work directly with your tenants, you need good people skills. You will have fewer problems if you know how to build rapport and trust. You also need to motivate people to do the things you need them to do, including some things they may not want to do. This is not so much of a problem if you use a property manager.
- Because your tenants rely on you to meet one of their most basic needs (shelter), you must have integrity. This means honouring your word and following through on your promises and legal obligations. It also means honest communication, including telling tenants about problems that might affect their enjoyment of the property.
- A good landlord shows respect for their tenants and property manager. This means being willing to meet people halfway (ability to compromise) and seeing things from the other person’s point of view. If you always insist on getting your own way, regardless of how it affects other people, owning a rental property will probably cause grief for you and your tenant and property manager.
- You need to be willing to learn about your legal obligations. The rights of tenants and the duties of

landlords are growing. It’s no defence to claim you didn’t know what you were supposed to do.

- You need to be able to respond quickly and effectively if the tenant has a problem. An absent or neglectful landlord causes a lot of stress for tenants and property managers.
- If you are a tradesperson or skilled handyman, you will be more willing and able to fix problems quickly for the tenant.
- If you are financially secure, you will be more flexible and reasonable if the tenant falls into arrears or if expensive repairs are required. Landlords who are struggling financially tend to take their frustrations out on their tenants and property managers when problems arise.

According to new health and safety regulations, landlords are “running a business” which makes them potentially liable if they fail to provide a safe environment for tenants and others in the property. Along similar lines, landlords are required to ensure their rental properties have proper fire alarms, and that all ceilings and underfloor areas are insulated (as from 1 July 2019).

If you’re going to be a landlord, you need to know what your responsibilities are. We will cover those responsibilities next.

Landlord’s Responsibilities

Your key responsibilities as landlord include the following:

Know Your Rights and Responsibilities

As a landlord, you have rights and responsibilities under the law, particularly under the Residential Tenancies Act 1986. You also have contractual rights and responsibilities under the terms of the tenancy agreement. Most landlords use the standard tenancy agreement produced by the Auckland District Law Society.

So you need to know what to do when:

- choosing a tenant
- collecting the bond
- inspecting the property
- receiving notice to fix problems
- chasing rent arrears
- increasing the rent
- removing a tenant.

If you are unsure about what to do in these situations, visit **www.tenancy.govt.nz.**

Check the Rent

You should insist on the rent being paid by automatic payment and have a system to ensure it is paid on time. If it is late, you should take action immediately by contacting the tenant for an explanation.

Be Organised

You need to:

- know when to pay the outgoings for the property
- maintain good accounting records (keep your receipts)
- file your tax returns, and pay your tax on time
- act quickly when repairs are required
- be proactive with maintenance.

So make sure you have good time management habits and robust filing systems in place.

Be Accessible

It is important your tenant knows how and when to contact you, or your tradespeople, especially in an emergency situation. If you go away on holiday, let the tenant know who to contact in your absence.

Even if you feel you could perform these duties as a land-lord, you need to ask yourself whether that is what you want to do, and whether it the best use of your time. What if things go wrong and you need to take your tenant to the Tenancy Tribunal?

If all these responsibilities seem overwhelming, a property manager may be a good option.

Why You Should Use a Property Manager

A good property manager can take away all the stress and worry involved with managing a rental property, particularly in regard to handling bad tenants and looking after the property itself. You should consider using a property manager if:

- you have limited time
- you lack the skills, knowledge or confidence needed to carry out the landlord's responsibilities referred to above
- you struggle in stressful situations
- you live too far from the property to monitor it easily.

Smart business people know when to engage the services of experts when it comes to their legal and accounting responsibilities. Similarly, smart investors know the benefits of using property managers to help them with their day-to-day responsibilities as a landlord.

Choosing a Good Property Manager

If you decide you would like a property manager to look after your property, select a competent and trustworthy property manager with a good track record. The best way to find a good property manager is to talk with other real estate investors and ask them for recommendations.

Once you have received a few recommendations, you should make a few enquiries.

Find out how many properties the property manager is currently looking after. An experienced and competent property manager could manage 40–70 properties, more if they belong to a company. If they manage too few properties, that may be a flag about their ability. If they have too many, it raises questions about the time they have to handle your affairs.

Ask if the property manager owns and manages their own rental properties? If they do, ask how many and for how long they have owned them. If they have long-term tenants in place, it suggests they know how choose good tenants.
A good landlord and property manager will respect the tenant's right to privacy. However, they also need to inspect

the property regularly (every 3–4 months) to ensure the tenant is looking after the property and otherwise complying with the terms of the tenancy agreement – including the clauses relating to pets, smoking and the number of people permitted to live in the property. So ask your prospective property manager how often they inspect their properties and whether there is an additional cost for this service.

You want to work with a professional who has your interests at heart. Try to ascertain what it would be like working with this person. Are they a good listener? Do they answer your questions? Will they make time to address your concerns? Or do they talk over you and talk about themselves and their business most of the time? A good property manager should listen and try to keep you happy.

Find out what sort of property management software your property manager uses. A computer-based program is superior and more reliable than using manual calendar entries and spreadsheets. Your property manager should also be willing to provide you with a written monthly report.

Enquire about their fees, and ask about the inclusions and exclusions. Property managers usually charge between 7 and 12% of the rent collected, plus GST. Find out the costs (if any) of property inspections, serving notices, organising tradespeople, appearances at the Tenancy Tribunal. Also ask whether the commission is still payable if the tenant doesn't pay the rent or if the property is unoccupied for a period of time.

During inspections, your property manager may identify the need for repairs and maintenance to be carried out. Some of these matters might need to be addressed quickly. You should discuss how you want to handle these matters. For example, you could give your property manager permission to authorise repairs of up to (say) $250 without needing to bother you. Anything above that will need your approval.

Ask to see recent testimonials and speak to a few of their current landlord clients.

Interview a few property managers then meet them in person, in their office. You will see if their office is tidy and their paperwork is organised.

Once you have chosen a property manager, check on them from time to time, to see if they are following your instructions. Ensure they are carrying out the inspections as frequently as agreed, and that you receive a comprehensive report each time.

As a quick checklist, a good property manager will provide you with the following:

- A single point of contact
- Easy-to-understand accounting records
- Effective marketing of your property when you need to find a tenant
- Expert advice regarding legal and building matters
- Good access (communication)
- Honest feedback, even if it isn’t what you want to hear
- Ongoing support and market information
- The best possible return (rent)
- Top-quality tenants
- Well-written tenancy agreements.

Chapter 6

Investor Traps to Avoid

"A wise person learns from their mistakes. A genius learns from the mistakes of others." *Howard Clare*

Over the years we have witnessed intelligent landlords do some strange and foolish things that ended up costing them time, money and effort. Here are just a few of the more common mistakes we have seen:

1. They get in over their head, trying to do everything themselves – especially when a tenant falls into arrears. They fail to recognise when they are out of their depth, and fail to engage a professional property manager early enough.
2. They sign up the first tenant they meet, fearing that no one else will apply.
3. They fail to make regular inspections. We recommend making inspections every 3 to 4 months, and writing this into the tenancy agreement. The only tenants who complain will be the bad ones.
4. They buy houses with the same mind-set as if they were going to live in it. When you're buying an investment property, you are asking different questions to the usual, "Would I be happy living here?"

5. They fail to ask for a four-week bond, preferring to acquiesce to the tenant’s wishes for a lesser bond.
6. They are just too nice. We are not suggesting that a landlord has to be horrible, but there are times when they have to be strong and uncompromising – especially when the tenant falls behind with their rent. Too often we hear of landlords who give their tenants “just a couple more days” to pay, and then find themselves trying to recover six weeks or more of arrears. It is much better to serve a 10-day notice immediately, and talk later.
7. They take their tenants for granted, usually by failing to fix the little things that tenants legitimately complain about.
8. They listen to their friends and family too much. That in itself is not a bad thing, but it causes a lot of grief for everyone when the advice given is uninformed (often these friends and family have never owned an investment property) and contrary to the advice given by professionals.
9. They are financially over-committed. So when interest rates rise, these cash-strapped landlords are unable to pay for essential repairs and maintenance.
10. They refuse to pay for methamphetamine tests with a changeover of tenant. This makes it very difficult to prove that the new tenant has used meth on the

premises because they can simply claim it was due to the previous tenant.

11. They fail to vet their prospective tenants properly. It's easy to get a tenant in but difficult to get a bad tenant out. For the sake of a little bit of research, they could avoid a world of trouble for themselves.
12. They refuse to take out adequate landlord insurance. There are some excellent insurance products on the market, to protect landlords against tenants who don't pay or who damage the property.
13. They either ask for too much rent (and take months to get a tenant) or too little rent. This is when professional advice can really help.
14. They are ignorant of their legal rights and responsibilities. This can result in them asking unlawful questions when interviewing tenants, refusing tenants on unlawful grounds, and failing to pay the bond to Tenancy Services.
15. They do not understand the terms of the tenancy agreement. It is important to read it carefully and seek advice from your lawyer or property manager before you sign if you are unsure about anything.
16. They are either too strict or too lenient about pets. If a landlord can set aside a tidy fenced area for a small dog, and stipulate that it remains outside, they can attract good-quality, grateful tenants. On the other

hand, we've heard of landlords who have turned a blind eye to tenants who bring several large dogs onto the property (in breach of the no-pet clause) for fear they will leave.

17. They agree to the tenant paying in cash each week. This allows the tenant to be a day or two late. But if the tenant pays the rent by automatic payments, the tenant has to ensure the funds go through every time, otherwise they will incur penalty bank fees.

If you can avoid these mistakes, you will save yourself a great deal of stress and worry.

Chapter 7

Other Tips and Ideas

"Many receive advice; only the wise profit from it."
Publilius Syrus

When you're starting out, don't rush in and buy the first property you see. It's important to undertake due diligence. We know a full-time investor who (as a guide) inspects 100 properties, makes offers on around 10 of them, and only buys one or two. This process is strategic, and reduces the chances of buying for random or emotional reasons.

Even though investing in property over the long-term can be a lucrative and profitable business, it is possible to lose money if you take shortcuts and ignore good advice.

And take your time viewing and selecting properties. It will pay off.

Once you get into real estate investing, it's important to stay in it for the long haul. That's how you will create wealth. Regardless of whether the market is up or down, you must be willing to weather any storms that come along. There will be times when there are down markets, but you can't give up and throw in the towel. Disregard those stories you hear of people who make lots of money "overnight" with real estate investing. These are speculators and they can lose money just as easily as they make it. Property investment, on the other hand, is a patience game. We have never met any investor who bought well-chosen properties for a good price, held the property long-term, and lost money.

Remember, you will be able to increase rent as time goes on. This may allow you to produce a surplus while you are still paying the same amount on your mortgage – if you have a structured loan payment that doesn't fluctuate.

You don't have to do all the repairs yourself. There may be some minor maintenance issues you can attend to, but everything else can be outsourced to professional tradespeople. These costs will generally be tax deductible, and the experts will usually do a better job than a layperson. As Red Adair said, "If you think hiring a professional is expensive, try using an amateur."

When you decide to purchase a rental property, seek experienced advice. It's important you have adequate information before you start a property portfolio. Get good legal advice, especially if you can find a lawyer who invests in real estate. Speak to successful investors. Attend a meeting of your local property investors' association. Experienced investors are usually keen to offer guidance.

They will share their experiences and give advice about what to look out for.

Establish a contingency fund to cover unexpected repairs, or the sudden loss of a tenant.

Set realistic goals and remember that real estate investing is a process.

Keep calm if things go wrong, and don't take things personally. When dealing with people over a long time, whether tenants or property managers, there will be problems.

Getting the right tenant for your properties can sometimes be a hassle, and frustrating if you need rent coming in. However, it's better to take your time and get the right person so you can avoid problems later.

Choose a tenant with a stable job and a history of long-term tenancies behind them.

Once you've purchased your first rental property, don't rush into buying a second. Find out whether you are well suited to property investment. The most successful investors tend to be those who start out slowly then work their way up – the tortoises rather than the hares.

If you want quality tenants, be willing to offer more value than other landlords or properties offer. This could include better off-street parking, a closed-in garage, more storage, more power outlets, free lawnmowing, a one-week rent holiday on each anniversary (provided no default in rent payments).

Chapter 8

Kiwi Investor Success Stories

"Winners focus on winning. Losers focus on winners."
Anon

Many would-be investors are put off property investment because of the horror stories they hear. We have also heard such stories, but unfortunately many of those investors could have avoided their horror experience if they had just followed the guidelines outlined in this book.

To provide some balance, we would like to share the testimonies of investors who have done well, and to identify the reasons for their success (and they are just a few of many, many happy and successful investors).

Glenn from West Auckland:

> Over the past 25 years, Glenn has owned 10 rental properties, and sold three of them. As a real estate agent and property manager, it was easy for him to appreciate the value of investing in real estate. He started with two small commercial properties, but soon realised how quickly developers could build new commercial properties to meet demand, so he switched to residential properties, figuring that people would always need somewhere to

live. In 1990, he saw a rental property advertised for sale at $140,000 but he negotiated hard and got it for $119,000. Glenn’s wife was just happy to see them buy a house at last! It was a split-level home with three bedrooms upstairs, which they rented out, and they lived in the two bedrooms downstairs. The upstairs rent paid the mortgage, and they used the money they would have paid for rent to renovate the property.

In 1995, Glenn bought a second property for $168,000, without his wife knowing (she was overseas on business). He was convinced the property was a winner, even though it was a bit ugly. The land had a house that was converted into two three-bedroom units on a subdividable section that could fit a third house on it. He raised the $7,000 deposit on credit cards and borrowed the rest from the bank. A year later, they borrowed $150,000 and built a four-bedroom home on the property, and spent another $30,000 to subdivide it and create three new titles. So they spent $338,000 on an investment that is worth around $1.7 m today and returns $1,390 per week in rent.

This is Glenn’s advice to anyone getting into real estate investment:

- Some people think that owning their family home makes them a property investor. It doesn’t.

- The housing market works in cycles. If you buy in a high market, it can set your investment strategy back years. But if you win on the first property, it makes it so much easier (and quicker) to buy your next one. Negotiate hard to win a bargain, and be prepared to walk away. The best advice for a new investor is to be willing to look at 100 houses before you make an offer. You might only find six decent properties amongst these houses.
- Avoid damp, south-facing properties, especially if they are on low-lying sections with poor drainage. These are issues that are difficult or impossible to fix.
- If you find yourself in a tough financial situation, sell your home and go renting. But don't sell your rentals.
- There are two golden rules to being successful in real estate:
    1. Get yourself a bargain, i.e. buy at the lowest price possible.
    2. Buy a property that suits being rented, i.e. it will command a good rent and tenants will enjoy living in it for a long time.

Glenn's main regret is selling three of the rentals. He wished he had held his nerve and kept them. It's easy to say now, but when you're in the moment, you feel the financial pressure and you think the situation will go on forever. I now know that these worries usually only last a short time.

Glenn admits he is blessed to have an understanding wife. He said, “I’ve seen so many couples struggle with their investment portfolios because they could not agree on the big decisions. One person wants to play it safe, and the other wants to step things up.

Harry from Auckland:

Harry has bought 10 investment properties over the past 20 years. He sold of one them and now has nine. He said that without doubt, the hardest step was making the decision to get started – where fear and doubt was the greatest. He and his wife were working hard, but they weren’t saving. His wife said, “We should be putting at least $50-80 a week into savings, but why earn a pitiful interest rate through the bank?” So she suggested they buy a home instead, which was ironic since Harry was the accountant in the family, and he had seen many of his clients become wealthy through real estate. They caught a break with Beazley Homes and Fletchers who were offering very favourable terms on a land-and-building deal in a subdivision in Titirangi. Harry worked in a petrol station during the day, and he and his wife took on a cleaning contract at night. They eventually saved up their deposit and secured their first home. This decision got them out of the renting trap, and gave them the ability to but their first rental property a few years later. They still own the Titirangi property today.

Harry said that his rental portfolio allows him to work part-time, he can take his family on overseas trips without borrowing, and they now live on their own lifestyle block – fulfilling a lifetime dream.

Even though he is an accountant, Harry warns against trying to squeeze top-dollar out of tenants. He charges slightly below market rent (around 10% less), but provides his tenants with evidence to let them know what he is doing for them. They return the favour by looking after the property, paying the rent on time, staying longer, and allowing access for repairs and maintenance.

Harry has some other tips for landlords:

- Being a landlord creates extra financial pressures and this puts extra stress on your relationships, so you must have a solid relationship with your partner.
- Create and maintain a good relationship with your bank. Make your payments on time. If you hit hard times, tell your bank manager immediately. If you

look after the bank, it will be more likely to look after you.

- Invest in land if you can afford it, not apartments.
- Increase your financial intelligence e.g. read books and attend property investment seminars
- Establish good relationships with the neighbours. They will usually appreciate your concern for their welfare and will be quick to highlight any problems they notice with your tenants e.g. late night parties, noisy dogs, suspicious or worrying behaviour, extra people living in the property, etc.
- Check the property (from the roadside) during the first two weeks of a new tenancy. It's amazing how much valuable information you can discover this way, and it's best to find out early if you have troublesome tenants.

Helen from Massey, Auckland:

Helen got started in owning investment properties 14 years ago. As a property manager, she saw how her clients enjoyed a great lifestyle with a stable, passive income. She wanted to be financially secure when she retired, and was confident real estate could get her there. While Helen also saw the problems that bad tenants could inflict, she understood how a good property manager could take care of those sorts of headaches. Helen and her husband bought their first rental for $273,000 in Royal Heights, West Auckland. It was a three-bedroom home with a large basement area which could be renovated into two more bedrooms. So they borrowed 110% of its value, using the equity in their house, and used the extra money to upgrade the property, which allowed them to get better tenants at a higher rental. The property is worth around $850,000 today. Over our 14 years, Helen and her husband have owned seven rentals, and sold three of them.

The advice Helen would like to pass on is to buy in good areas, so you attract good-quality tenants. If you're working full time, you should use a property manager because you will have trouble finding the time, energy and focus to address tenancy problems if they arise. Helen believes investors should "stretch themselves" when choosing a property. If they buy a house that is a little beyond their budget, they'll be amazed how easily they will change their spending habits to find the extra money they need. She believes, "The less you have, the less you need".

Helen's biggest regret is selling their three rentals. "We sold one of them because my husband wanted a boat. If we'd kept that house, he would be able to buy 10 boats now! But I am so glad we invested in real estate. We are so much more secure financially than we would have been otherwise. We would have just frittered that money away on other things. Now I know we'll have a comfortable future, and we'll be able to give our children a hand up (not a handout) when they want to get started in real estate. That makes us feel so good as their parents.

Ashley from North Shore, Auckland:

Ash spent most of his life as an accountant but he didn't think that was much of an advantage in running his property portfolio. In fact, he felt it probably held him back because he was too conservative and overcautious. Ash and his wife bought a total of eight properties over the years and now have two rentals (plus their family home). They got started in 1984, a couple of years after they bought their first home. They joined with a few family members to buy a three-bedroom home in Takapuna for $35,000. They sold this in 2003 to buy a better four-bedroom home in Takapuna for $495,000. They were looking for capital gain. It was negatively geared to the tune of $300 per week, and it took seven years to break even. They completed a full renovation to keep their tenants happy, and to justify a high rent. The property is now worth $1.3 m.

In 2009, they bought a four-bedroom unit near their family home, for $695,000. They financed it using the equity in their family home and the other rental. It only cost $100 per week net to service the mortgage. It is probably worth over $1 m now.

Ash admitted he never used a property manager because he was too miserly, thinking he could do it all himself. With the benefit of hindsight, he concedes the cost of a property manager is actually a small investment to make because it is such hard work (physically, mentally and emotionally) when you have problems with a tenant. His biggest regret is selling six of his rentals. He said, “If I had used a property manager, they would have offered me other properties (from landlords who were cashing-up), and I probably would own another two or three rental properties”.

Ash’s tips for new investors include the following:

- Use a property manager to look after your rental. If you decide not to, at least use them to find tenants. (He said he never had a bad tenant that was found through a property management company.)
- If the tenant leaves but asks that the tenancy be taken over by their flatmates, say no. Instead, find a new tenant through a property management company.

- If the tenant gets behind in their rent, do not be over-empathetic. Serve notice immediately.
- Aim to use your portfolio to pay off the mortgage on your family home first. This is a major milestone that will bring great joy, financial benefits and confidence.
- On your journey to becoming asset rich, you can expect to be cash flow poor – in the early stages at least. Instead of complaining about it or resenting it, expect it and prepare mentally for it.
- Be willing to make sacrifices in the early stages. You won’t have any spare cash during the first five or 10 years, no flash car, no overseas trips and no private schools for the kids. But push through this. It will be worth it in the long run.
- The quality of tenants has declined over the past few decades, meaning it is more important than ever to find and use a good property manager – to deal with bad tenants so you don’t have to.
- Maintain your properties well so you can charge a decent rent without feeling guilty.

Ash was made redundant when he was 59, and only works part time now. But his rental portfolio has taken the pressure off him to work full time for the rest of his life. Instead, he and his wife can still afford the luxuries of life without struggling or feeling guilty. They travel overseas to visit their children and grandchildren – because they can. Ash said he could never have been able to get in this position by just “working hard”. When done properly, real estate is the best and most proven way to achieve financial security.

Chapter 9

Conclusion

"Now, one thing I tell everyone is learn about real estate. Repeat after me: real estate provides the highest returns, the greatest values and the least risk." *Armstrong Williams*

This book was not written to educate you on how to set up or run your portfolio. That will need to be for another book. Instead, it is written to inspire you and encourage you to take the next step towards starting your own rental portfolio. This could literally be a defining point in your life.

Like anything worthwhile, the decision to get started in property investment could appear daunting and scary. But if you follow good advice, including the information offered in here, you can mitigate many of the problems and risks that might otherwise stand in the way of your success.

If you're worried about the risk of getting started in real estate and the cost involved, remember there is also a cost involved in *not* getting started. And if you're not going to invest in real estate, what *will* you invest in? What other opportunity will provide you with the same or better returns, with less risk?

Whether you decide to invest in real estate or not, I want to thank and congratulate you for reading this book. It clearly shows your desire to learn more and to improve your life.

If you’re still undecided and want more information, contact Stephen Robertson today. He is ready, willing and able to help you in any way he can.

Chapter 10

Stephen's Happy Clients

"I own my home in Auckland and sought Stephen Robertson's help to secure funding for a rental property in Hawkes Bay. Stephen was able to quickly secure bank approval for my first rental property that quickly turned into four properties and has set me up to continue to build my portfolio. Stephen not only helped with the finance but finding a good solicitor. He guided me through each stage of what can be a daunting process and made it easy. I would recommend Stephen if you want an honest, reliable and knowledgeable financial broker who delivers results."

Kathryn

"Late last year I was seeking finance for a property purchase to lead to a development. My regular broker was not able to secure finance due to the scale and nature of the proposal. The deadline passed twice. Stephen Robertson was recommended to me by others. He was thoroughly professional, prepared all the information required, led us through the process and secured a good deal. He as able to operate at the level of complexity needed to meet the banks requirements for the scale we were doing. I was grateful for his prompt and professional help. A good bloke as well. I will be back." ***Richard Thomas***

"Stephen was recommended to us by a highly-experienced real estate agent, after my wife and I were declined a mortgage by our bank. The banks showed no interest in understanding our particular situation and no interest in helping us find a solution. Stephen made a great effort to understand us, our background and our needs, and was able to arrange an excellent mortgage for us. He used his experience, knowledge and relationships in the mortgage industry to get us the best deal possible. We would not have had the same results without his help. We feel very grateful to Stephen for his support, professionalism and his extremely personal service. We would have no hesitation in recommending him to our friends and family." ***Dr Gareth Rivalland***

"I approached Stephen because I was having trouble getting a mortgage with my bank. I was a self-employed, first time buyer with a small deposit so was only getting very uncompetitive offers. After sitting down with Stephen, he explained the best course of action and simply set out the information that he required from myself and my accountant. I work in a physical industry and sometimes find financial matters intimidating so it was invaluable to have Stephen's expertise guide me through the process and I always felt that he was only ever a phone call away if there was anything I wasn't sure about. As advised on our initial meeting, Stephen was able to arrange a mortgage for me that more than suited my needs. I found the whole process very quick, easy and stress free which of course made my wife and myself very happy indeed. We plan on moving house again within the next year or two and I will definitely be using Stephen's services again." ***Martin Horwood***

Scottish American industrialist Andrew Carnegie famously said, "90% of millionaires became so through owing real estate." According to Statistics New Zealand, 60% of our country's wealth is owned by 10% of the population. This 10% of New Zealanders represent our rich elite, so it figures that they too earned their wealth through real estate. Would you like to be part of the top 10% or the other 90%? This book is for anyone who wants to know more about investing in residential real estate, the advantage and disadvantages of property investment, and how to get started. It explains the fundamentals of property investment in a practical and easy-to-read way. It should answer most of your basic questions. It should also provide you with some useful tips and handy reminders if you've already started your property investment portfolio.

Howard Clare was a conveyancing property lawyer for 15 years and has acted for many real estate investors. He has also bought, renovated and sold houses himself. This is the third book in his real estate series, and his seventh book overall. If you want to be inspired to get started in real estate investment, read this book today.

"Landlords grow rich in their sleep without working, risking or economising." John Stuart Mill

STEPHEN ROBERTSON - MORTGAGE BROKER

Stephen Robertson has been in the mortgage broking industry for over 10 years. Stephen is a totally independent broker, not aligned to any bank or institution and can give unbiased advice to suit any need. Stephen is also member of the PAA & NZFSG which requires he attend monthly, quarterly & annual training to ensure that his knowledge of products is always up to date. Being a keen property investor, Stephen is highly knowledgeable in helping clients structure their borrowings to maximise returns.

RRP $19.95

my money

quality advice you can trust