



## 3 GOLDEN RULES FOR PROPERTY INVESTMENT

**THE THREE GOLDEN RULES** TO BUILDING WEALTH THROUGH PROPERTY INVESTMENT.

“YOU CAN BECOME RICH BY FOLLOWING THESE RULES. BE DIFFERENT TO THOSE WHO FAIL IN THEIR QUEST TO BECOME RICH AS A RESULT OF NOT OBEYING THEM. AT FIRST GLANCE THEY MAY SEEM SIMPLISTIC, BUT THEY'RE NOT.

HOWEVER, ALTHOUGH THEY APPLY TO EVERYONE, AND CAN HELP EVERYONE BE 'FINANCIALLY WELL' AND BECOME 'FINANCIALLY INDEPENDENT', NO MATTER WHAT THEIR WALK OF LIFE, IT'S JUST AS WELL TO RELY ON EXPERT GUIDANCE. “

### **John Hopkins**

#### **Executive Chairman, John Hopkins Group**

John Hopkins is a leading independent specialist in property and investment, and has assisted thousands of Australians on securing their financial future.

**These are the Three Golden Rules to successful property investment:**

- 1. Do your financial planning conservatively and correctly**
- 2. Acquire the right property**
- 3. Give it time**

Like most axioms, it all seems rather obvious. Naturally you plan carefully. Clearly you want to acquire the right property investments. Certainly you allow time for them to grow, both in terms of value and income. It's also true, however, that many would-be investors, acting either from ignorance or haste, either from misplaced enthusiasm or trusting in bad advice, frequently disregard all three rules, or at least violate the first and second.

If the first two rules are not observed, it's impossible to follow the third one, the rules being interdependent. Yet the observance of these rules is vital to your financial success.

Stick to the rules and success will be yours. Not just the obvious financial gain achieved through prudent investing, but the satisfaction of experiencing the true freedom that comes with 'Financial Well Being' and 'Financial Independence'.

### **GOLDEN RULE NO. 1 DO YOUR FINANCIAL PLANNING CONSERVATIVELY AND CORRECTLY**

As an individual creating a *Financial Strategy* for his or her investment future, your hopes and goals are unique, in exactly the same way that your commitments (personal, financial and career) are unique. These have to be noted and acknowledged before our first golden rule can be satisfied.

Effective investment is about having your personal *Financial Strategy*, about setting appropriate, worthwhile and achievable goals. It's about making the most of your resources without taking any unnecessary risks. It's about considering all related issues, such as tax, budgeting, superannuation and cashflow.

And being a successful property investor is no exception to all these issues.

These are three factors you need to carefully consider before planning to become 'Financially Well' and 'Financially Independent' through investment.

**A. Your available capital for investment, or the assets you can use as security to provide capital to invest**

**B. Your surplus cash flow**

**C. Time**

#### **Available capital**

This may be cash in the bank, equity in either, your home or some other asset, shares or collectables ear-marked for disposal.

Estimating the total sum available for investment must make allowances for any withdrawal requests that may be made now or in the foreseeable future. This is why it's prudent to set aside a cash reserve to cover unforeseen personal expenses, or an investment cash reserve (as a property investor to cover the temporary loss of a tenant or an unforeseen expense).

#### **Surplus cash flow**

This is the amount of money that can be invested in a portfolio after you've allowed for all budgeted, ongoing expenses. This surplus can be used to pay any after-tax negative gearing shortfall, reduce debt or to build on your capital base through savings.

It's important to make allowances for such things as the educational needs of you or your children, the security or otherwise of your employment or business, your retirement plans, and so on.

Planning should take into account not only the amount of money that can be realistically borrowed, but also any unforeseen circumstances. It must also make allowances for personal attitudes. For instance, some people can worry more than others about the amount of money they owe.

#### **Time**

As a property investor, it's essential you make a long-term commitment to your investment strategies and do all you possibly can to maintain that commitment. Property investment should be for a minimum of ten years, but could be for 50 years.

The time you have available to become financially independent is a major consideration in planning, so you need to have a general idea of when you'd like to stop working and plan your 'Financial Strategies' accordingly. Whatever time span you're looking at, however, it's essential to give your property investments sufficient time to obtain the benefits of compounding returns.

In addition to building wealth through general investment, specifically property investment, considerations must always be given to protecting your strategies against downside risks.

This means addressing the issue of insurance. You need to carefully consider life, illness, asset, and income protection insurances before deciding which is right for you.

Again, you have to take into account both your personal and investment reserves. The amount of those reserves, how you get your hands on them – especially in times of emergency – and the inevitable market changes, all need to be assessed. You also need to consider balance. In becoming a successful property investor you will need balance of your whole investment portfolio; diversification of investments and therefore a spread of risk.

That means building investments in equities, cash and property in various locations.

## **GOLDEN RULE NO. 2** ACQUIRE THE RIGHT PROPERTY

Your property investments have to produce appropriate levels of returns, security and flexibility:

**Returns** – These will be through capital appreciation, income in the form of rent and future potential growth of rent.

**Security** – This can be achieved by putting your money into quality property investments that keep their value, even during economic downturns.

**Flexibility** – This is assured when, if there's a change in the general economy, your personal circumstances or in property markets, you can re-organise your investment strategies within a reasonable period of time without having to resort to a fire sale.

Just as you would purchase blue chip shares for your share portfolio, you should always invest in prime property.

Property is no different to any other commodity. Its value, security and flexibility are related to the laws of supply and demand. So if you purchase prime property at the outset it will retain its prime status because of high demand. You'll achieve the highest returns, the best security, and you'll have flexibility. Second-rate property is likely to be more unpredictable.

For most individuals it's likely that residential property is the most suitable investment compared to commercial property. And that residential property should be in the best inner urban areas of a major metropolis, the kind of property that other people want to either own or occupy. Melbourne, Sydney and Brisbane, are the only major metropolises in Australia that fulfill these criteria.

The property must be the right one for your investment portfolio and you must be comfortable to hold as a long-term investment. The price must be in line with market values and with your personal budget. The property must also be efficient to manage from a tenancy and maintenance point of view, and provide continuing strong demand for both tenancy and sale.

If you're retired and need the income, or if you're investing into a superannuation fund, then purchasing an established property may be appropriate, as in both cases tax issues are less likely to be as important.

However, acquisition of a new or near new property on which substantial work has been done offers considerable tax benefits in the way of depreciation of fixtures and fittings and 'building allowance' deductions as set out in Section 43 of the *Taxation Act*.

Buying a property 'off-the-plan' could mean you pay a lot less stamp duty and you will benefit from depreciation. The rule of 'Acquire the Right Property' has led to success year after year, decade after decade, both here in Australia as well as overseas.

## **GOLDEN RULE NO. 3** GIVE IT TIME

You can classify property purchasers as either owner occupiers, traders, speculators or investors.

Owner occupiers live or work in the property they own.

Traders buy and sell. They may develop or improve the asset, with the hope of making a profitable resale sometime in the future.

Speculators buy and sell on the basis that something extraordinary will happen to increase the value of their investments quickly. Often this activity is based in the short term, speculating that they'll make a short-term, albeit risky, profit.

True investors, however, buy and hold. Because they're in for the long haul, they don't get caught, like many traders and speculators, by sudden and unexpected downturns. They benefit from a steady appreciation of capital value, from regular income and from increases in income over time.

It's not necessary to sell your property to benefit from its increase in value and income. As the equity and income of the investment property become greater, it can be used as security to raise more capital for further investments.

Your success as an investor hinges upon your adherence to these Three Golden Rules. Obey them and you will reap the rewards.

**100 Percent Investing** is determined to ensure its clients are successful property investors.

To that end, **100 Percent Investing** value their association with the John Hopkins Group and are confident its clients will have the right financial and property investment strategies to achieve appropriate long term returns, security and flexibility.

John Hopkins has forty years of business experience, including a wealth of experience in organisational management, business planning and marketing, and is a leading independent specialist in property and investment. John's informed advice on financial planning, the market place, economic issues, investment and property industry has assisted thousands of Australians to make decisions on securing their financial future.

John Hopkins Group clients have purchased more than \$4 billion worth of property investments in Melbourne, Sydney and Brisbane. It has managed more than 4,000 properties and more than 500 owner corporations at the one time. Its stringent 'Property Selection' and due diligence processes, based on its quantitative 'Weighting and Rating' methodology, have ensured its clients purchase quality investment property.

Through the John Hopkins Group expertise and their commitment to your success, **100 Percent Investing** are determined to make certain you are a successful property investor and that you are 'Financially Well' and become 'Financially Secure'.

The logo for 100PercentInvesting features the company name in a bold, dark red, sans-serif font. The text is contained within a dark red, horizontal oval shape that tapers at both ends. Below the main text, the tagline "It's Your Money" is written in a smaller, grey, sans-serif font. A thin horizontal line is positioned between the main text and the tagline.

**100PercentInvesting**  
It's Your Money