ALLENWARGENT PROPERTY BUYERS

WEALTH IN ABUNDANCE

Design the Life you Want

Pete Wargent

Wealth in abundance: design the life you want

Pete Wargent, Brisbane 2018

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‘Completing AllenWargent’s outstanding mentorship program gave me the clarity and confidence to grow my property portfolio and expand my horizons, using Pete’s property buying service. Thanks so much for sharing your insights, expertise, and guidance on my journey.’

Daniel T, Kellyville, Sydney

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CHAPTER 1

THE 'WHY?' BUYING BACK TIME

1. The 'why?' Buying back time

> *'Time is the most valuable thing a man can spend'*
>
> **– Theophrastus.**

My story is quite a familiar tale, in that I was extremely busy in my twenties throughout my professional career, working some extraordinarily long hours as a Chartered Accountant in professional practice, then later in the mining industry.

Early in my career, I quickly decided that I'd had enough, and wanted to live life on my own terms. Today, all too often people seem to be living in a hectic manner, with not enough time to stop, take a step back, and enjoy living an abundant life.

This is a short book about designing the life you want, and just as importantly, how you can then go about living abundantly.

It's a bit about property investment, but that's only one aspect of the book, and its true scope is much wider than that. It's really about buying your life back.

Many years ago, at a seminar in Sydney, I saw an understated but compelling presentation by Ed Chan, a partner at the accounting firm Chan & Naylor, and as he shared his wisdom, he said:

> *'I'm not really buying property or other investments; I'm buying time.'*

At the event, I thought that this was a pretty neat shtick, and I didn't think much about it for a while. But over the years that followed, I gradually came to understand the true meaning of Ed's talk about time.

From a strictly accounting point of view, Ed was speaking of having a buffer in place to allow him to benefit from time in the market, and the power of compounding capital growth.

Ed was also explaining how time in the market, through several cycles, could see investors capture the strongest results. As Warren Buffett once said, time is the

friend of the wonderful investment, but the enemy of the mediocre.

In other words, if you hold a portfolio of quality assets for the long term, the snowballing effect sees your results multiply; you become wealthier, and wealthier, and wealthier.

Today, however, I understand that Ed was also talking about buying back his own time, or buying his life back.

You see, most young professionals trade their time for money, aiming to earn the highest income they can, but often to the detriment of the quality of their lives.

Robert Kiyosaki once said that achieving financial independence is important because it affords you the time to become wealthy.

Again, when I first read this, it seemed like a glib statement, but over the years I came to understand that this is indeed very true.

Working 60 hours or more per week in a stressful accountancy career in London and Sydney (I went on to be a Director at one of the 'Big 4' accounting firms) didn't leave much time in my life for anything meaningful, let alone living abundantly!

Over all the years since I achieved financial independence and quit full time work at the age of 33, I travelled the world for 18 months to 25 countries, had two children, designed my dream house, set up several successful businesses, and, simply, found the time to become wealthy.

Wealth is partly measured in financial terms, yes, and it's certainly the case that being freed from the shackles of full time work can allow you to build businesses based upon your skills, expertise, and what you are truly passionate about, using the leverage of other people's time and money.

But wealth is about much more than just money. It's also about health, happiness, family and friendships, living passionately, and having the time to enjoy these things.

Perhaps the true definition of wealth is waking up raring to go in the morning, going to sleep soundly at night, and doing exactly as one pleases during the hours in between.

Isn't that what life should really be all about? Remember, time is even more valuable than money, because once it's gone, you can never get it back.

The power of mindset

During my mentorship programs I spend a great deal of time with my clients on setting thrilling and inspiring goals.

What would your ideal day look like? Where would you be? What would you be doing, and with whom? What do you know more about, or do better, than anyone else? Can this become your business?

You need a 'why', or a reason to never, ever give up - to design goals and a lifestyle so compelling to you that the motivation to push ahead takes care of itself, so that you keep on going no matter what obstacles are strewn in your path.

One thing is assured: as you travel through life and your wealth creation journey, you will encounter setbacks. I know this because everyone does, and the journey is never a smooth one.

Therefore, it stands to reason that whether you achieve wealth and abundance will ultimately be determined by how you respond to the inevitable setbacks. If you can resolve to see them as learning opportunities, then you will be well on the way.

CHAPTER 2

START WITH THE END IN MIND

2. Start with the end in mind

Stephen Covey was the author of the classic book, *The 7 Habits of Highly Effective People*[1]. Before his passing he wrote for the same publisher as me, and I read his books avidly.

One of the habits of highly effective people, he suggested, was to 'start with the end in mind'.

Over all the years of delivering my mentorship programs to clients, this is probably the one piece of advice I've delivered more than any other.

It's a great idea to save and invest for the future, but if you don't know where you're going or where you want to be, how will you know when you've got there? You need to plan, even if your plan does evolve over time (and it probably will).

Back when I started out my initial target was a net worth of $3 million, my logic being that if I could invest a balance of about that amount at a 5 per cent return, then I would receive a comfortable passive income of around $150,000 per annum.

As Directors of a large accountancy firm, my wife and I were both relatively high-income earners, and looking back we achieved the result remarkably quickly, which then gave us the freedom to focus on other things, including building businesses and further wealth.

There are many ways you can get from where you are today to where you want to be.

Of course, a financial target that is right for one person may not be right for another, and you need to work with numbers that make sense to you. In other words, there's no one size fits all.

And the cost of living will likely be higher in the future than it is today, so you'll need to make an appropriate adjustment for inflation.

But getting started is what counts, so that whether it takes you 5 years, or 15 years, or 20 years, you can eventually achieve your goals through 'snowballing' your returns, or compound growth.

Property investment has been one popular way of building wealth in Australia.

Take the example of a property bought for $750,000 which grows in value at 5 per cent per annum, on average (in reality the returns tend to be more up and down than this through the cycles).

In the example below a deposit of about 20 per cent has been used, though often investors use a deposit of 10 per cent, or sometimes even less.

As you can see the returns gradually begin to snowball over time, so the capital growth in year one is quite reasonable, but by year 15 the capital growth is much larger compared to the purchase price.

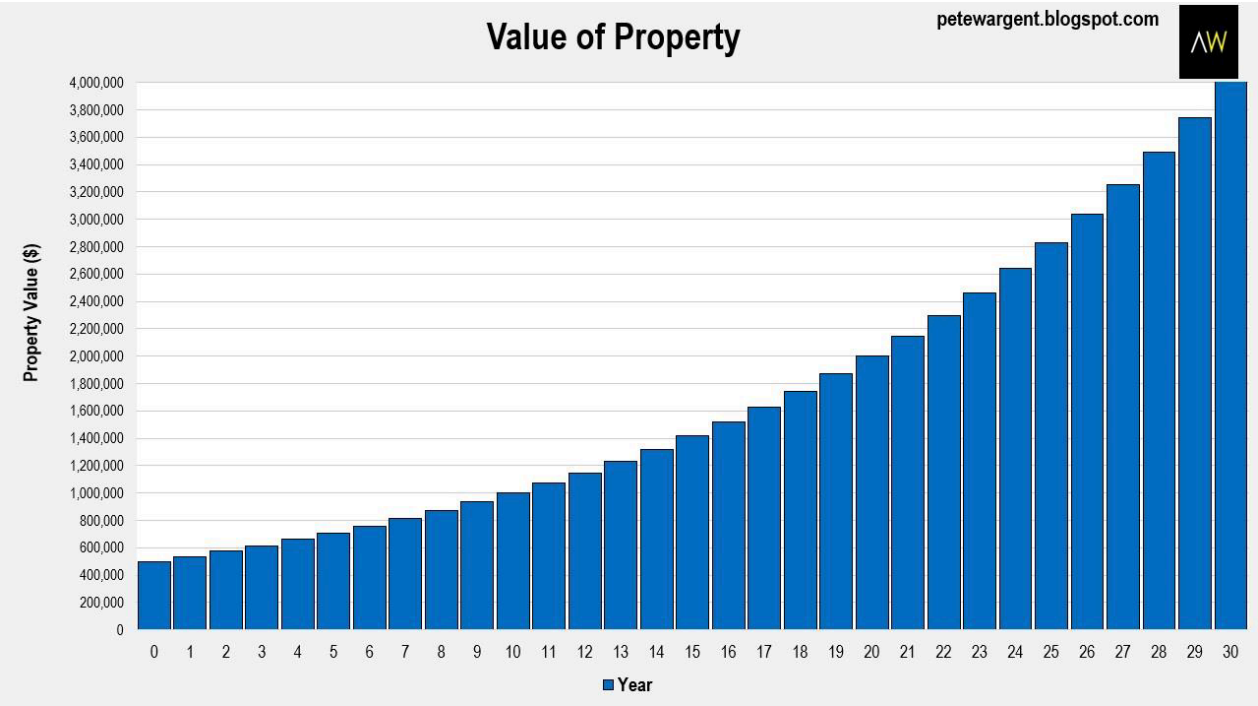
In fact, by year 15 the equity in this purchase has grown to nearly **$1 million**, even at a moderate 5 per cent annual capital growth rate (later in the book, in chapter 7, I'll discuss exactly how you find stronger performing assets than this).

The cost of living has continued to rise, though, so you'll probably need to build a portfolio of properties to achieve financial independence, rather than just owning one or two.

Figures 2.1 & 2.2 – Property investment examples

Year	Mortgage ($)	Property Value ($)	Increase ($)	Equity ($)
-	600,000	750,000	-	150,000
1	600,000	787,500	37,500	187,500
2	600,000	826,875	39,375	226,875
3	600,000	868,219	41,344	268,219
4	600,000	911,630	43,411	311,630
5	600,000	957,211	45,481	357,211
6	600,000	1,005,072	47,861	405,072
7	**600,000**	**1,055,325**	**50,284**	**455,325**
8	600,000	1,108,092	52,766	508,092
9	600,000	1,163,496	55,405	563,496
10	600,000	1,221,671	58,175	621,271
11	600,000	1,282,755	61,084	682,755
12	600,000	1,346,892	64,138	746,892
13	600,000	1,414,237	67,345	814,237
14	600,000	1,484,949	70,712	884,949
15	**600,000**	**1,559,196**	**74,247**	**959,196**

Look at another property below graphically. Even a $500,000 property could be worth much, much more than you might think over the very long term, and if you buy well, the gains do not go up in a straight line. The results gradually begin to snowball; they get better and better over time.



That's how it works in theory; how about in practice? The table below picks out a few of the many properties that I've owned over the years, and it shows how even a portfolio of 5 properties can create a decent pool of equity (note: some of my mortgage debt has been interest-only).

Figure 2.3 – Some real investment property examples

Location	Central	Bondi	Pyrmont	Erskineville	Colchester*	Total
City	**Cambridge**	**Sydney**	**Sydney**	**Sydney**	**Essex, UK**	**-**
Years owned	20+	12	11	10	9	-
Purchase price ($)	130,000	500,000	580,000	380,000	220,000	1,800,000
Market value ($)	750,000	1,100,000	1,300,000	750,000	400,000	4,300,000
Equity today ($)	**700,000**	**700,000**	**900,000**	**450,000**	**250,000**	**3,000,000**

*Assumed constant exchange rate of GBP to AUD of 2:1

The hidden or embedded value in this strategy is that the equity created in these purchases then allowed me to borrow against the equity to buy more assets, including shares at bargain prices after the financial crisis stock market crash, and expanding my portfolio of properties into capital cities such as London, Melbourne, Brisbane, and elsewhere.

In fact, over the very long term what you can achieve through the combination of sensible leverage and compound growth might be almost limitless.

The lending landscape has changed in recent years, as banks and other lenders are wisely keener to assess ability to service mortgage debt. But it can still be done through sensible planning.

A quick note on the capital growth rates achieved by investment property over time. Over the long run, a period spanning many decades, it has been common to see capital city dwelling prices rising by about 7 or 8 per cent per annum on average.

Since the early 1990s we have seen the adoption of inflation targeting in Australia, meaning that inflation should broadly track in a range of 2 to 3 per cent per annum, on average through the cycle, with household incomes hopefully growing a bit faster than that.

Therefore, it seems reasonable to expect that capital growth rates in the future will be lower than in the past, at least in nominal terms.

This doesn't necessarily matter, as the cost of living will rise more slowly too (in fact, many goods are now becoming as cheap as they have ever been in real terms, including new cars, some types of clothing, and electronic goods, for example).

What is vital, however, is that you invest in inflation-busting assets that appreciate faster than the rate of inflation.

While share markets are populated entirely by investors, property markets are comprised mainly of Mum-and-Dad homeowners, for whom profit is not the primary motive. As a result, property markets are imperfect, and it's therefore comparatively easy to pick assets which will outperform the averages over time, and to improve returns through market timing, renovation, and development.

Some of the key things to look for in terms of location include top school zones, landlocked capital city suburbs with a constrained supply of land available for development, new infrastructure or improving transport links to the city centre, and so on.

And then it's vital to pick the type of property that will be in demand in that

location, which is where local knowledge and an understanding of demographic trends becomes so important.

CHAPTER 3

THERE'S ONLY ONE YOU

3. There's only one you

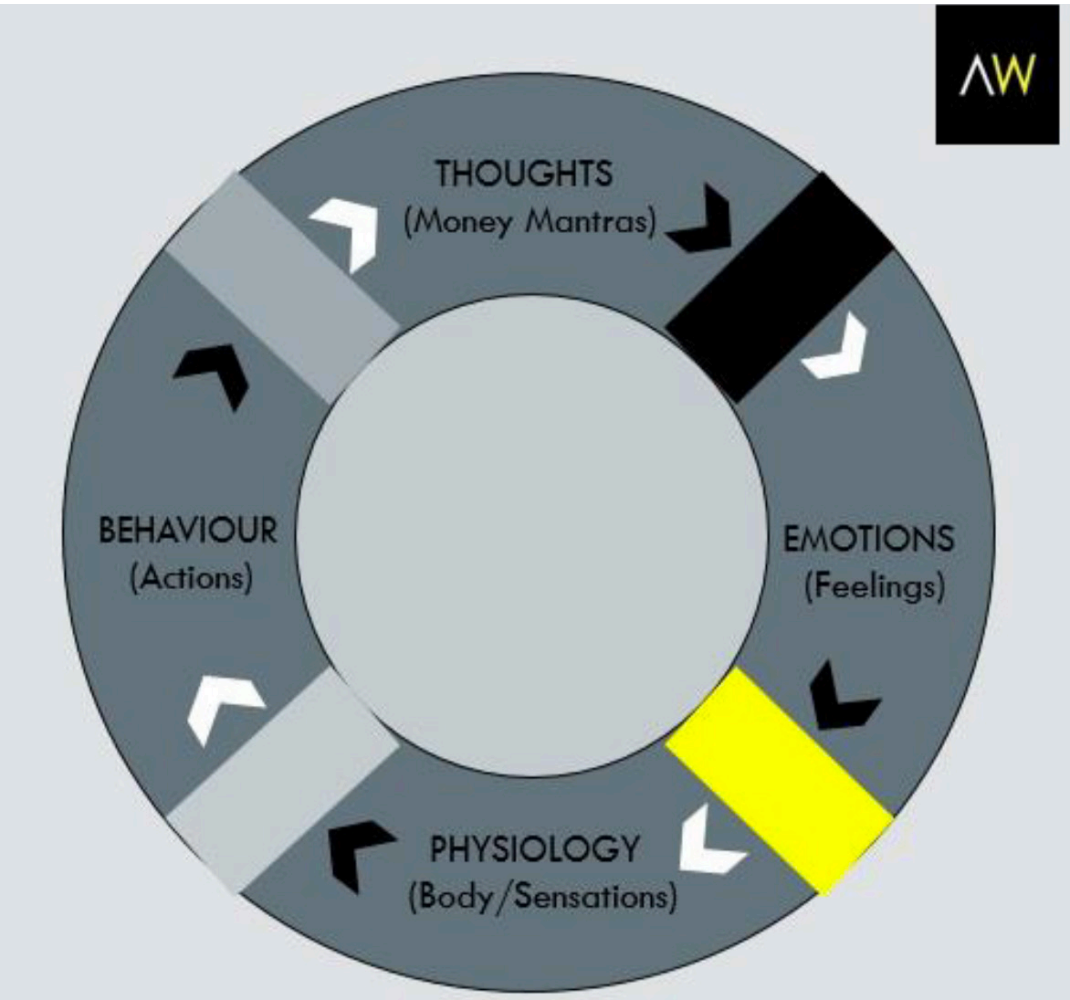
Most professionals get paid once for the work that they do, and their income is linear. Unless your employer has an attractive share option scheme that you can participate in, there's not too much leverage, and if you stop turning up for work, then sooner or later you'll stop getting paid.

The problem with having a job is that the income is linear, and highly taxed at source.

The other problem with career employment is that it takes up so much of your darned time. There seems to be precious little time for anything else, let alone building a life of wealth and abundance.

So, if you want to do things differently, where to start? Firstly, by understanding your relationship with money to date and in the past, and resolving to make conscious financial decisions.

Figure 3.1 – The cycle of financial consciousness



The most basic starting point is to begin by spending less than you earn, and resolving to build a portfolio of quality assets from the ground up, that you can hold forever, if needs be.

Start with low-risk investments. These assets can then continue to grow and compound your wealth over the long term. Once you have built a solid portfolio of assets then you can begin to focus more on other things.

Why do I say that you should focus on building assets rather than income?

Consider this stylised example using some round numbers: if you build over time a portfolio of assets including properties worth, say, $5 million, then just a 5 per cent growth in that portfolio equates to an increase in your net worth of $250,000 per annum.

And if you don't sell, then the gains aren't taxed. Thus, when people say that 'the rich get richer', or 'money goes to money', unfortunately this is almost invariably true, if somewhat unfair.

It's also why buy-and-hold investing in property can be so devastatingly powerful over time.

Because the gains aren't taxed they can snowball and compound quicker.

That's yet another problem with a job: tax. Even if you're a higher income earner that earns an equivalent salary of $250,000, the government takes close to half of that at in tax (both at source, and in the form of other indirect taxes), and the rest is surprisingly easily spent on mortgages or rent, holidays, cars, weddings, meals and nights out, and so on.

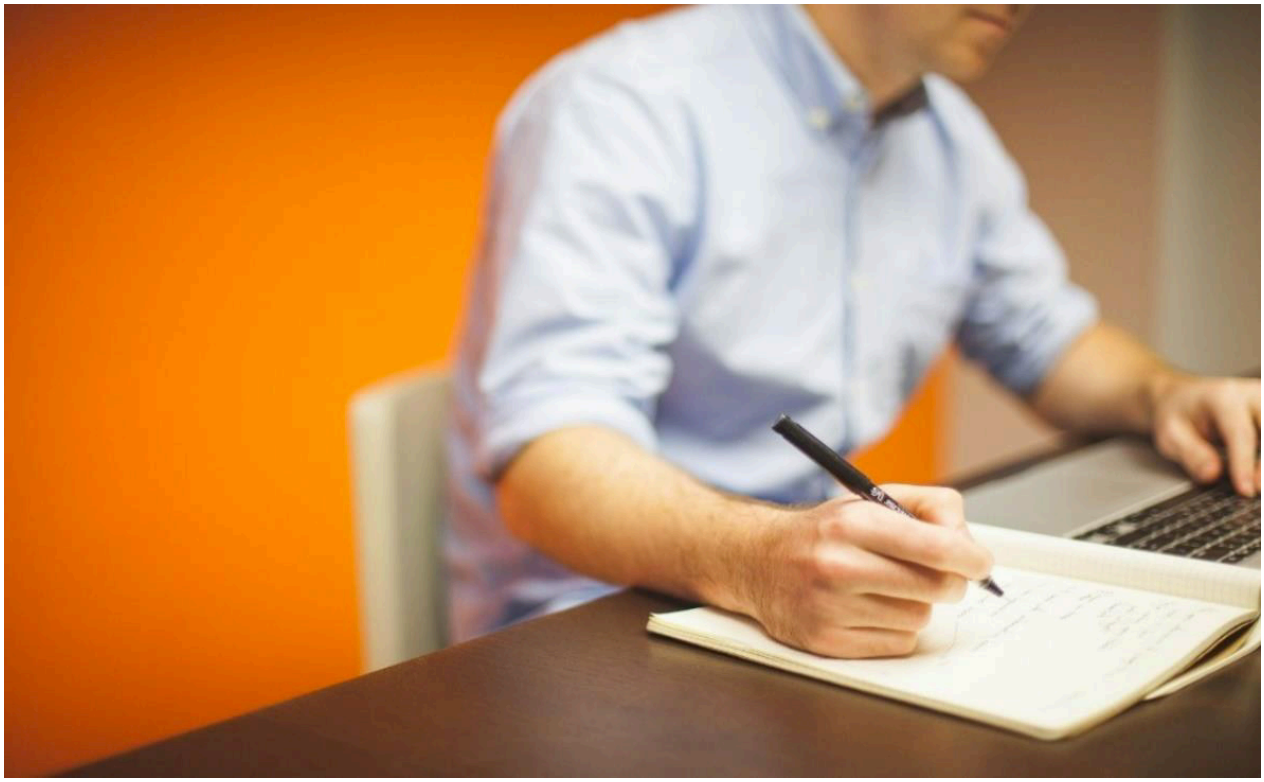
No wonder most professional employees never get ahead! By taking the alternative approach of focusing first on assets and equity (wealth) rather than income, you can begin to power ahead.

And once you have achieved the level of financial independence you desire, then you will be free to pursue other opportunities.

You might then look towards more active forms of investment, and, better still, you can focus on what you're passionate about, and perhaps choose to build a business

around your true interests.

Because it's your life's passion and you know more about it than anyone else, it won't feel like work, and you'll naturally excel above the competition.



CHAPTER 4

YOU CAN GET THERE WITH COMPOUNDING!

4. You CAN get there with compounding!

Most people don't truly believe they can achieve their financial goals, so they don't really try or fully commit to achieving them.

And because they don't really try, of course, they don't succeed - thereby confirming their beliefs that it's impossible for them to achieve the wealth they desire.

Can you see how circular this chain of thoughts, beliefs, and actions can be?

The fact is, you absolutely can achieve your goals of wealth and abundance, through using compound growth: in fact, I wrote a book on the subject called ***The Wealth Way: unlock the power of compounding.***

I'm living proof of that. I'm a fairly ordinary person, intelligent but by no means a genius or with special talents, but I've simply become fanatical about the power of compounding or multiplying my net worth.

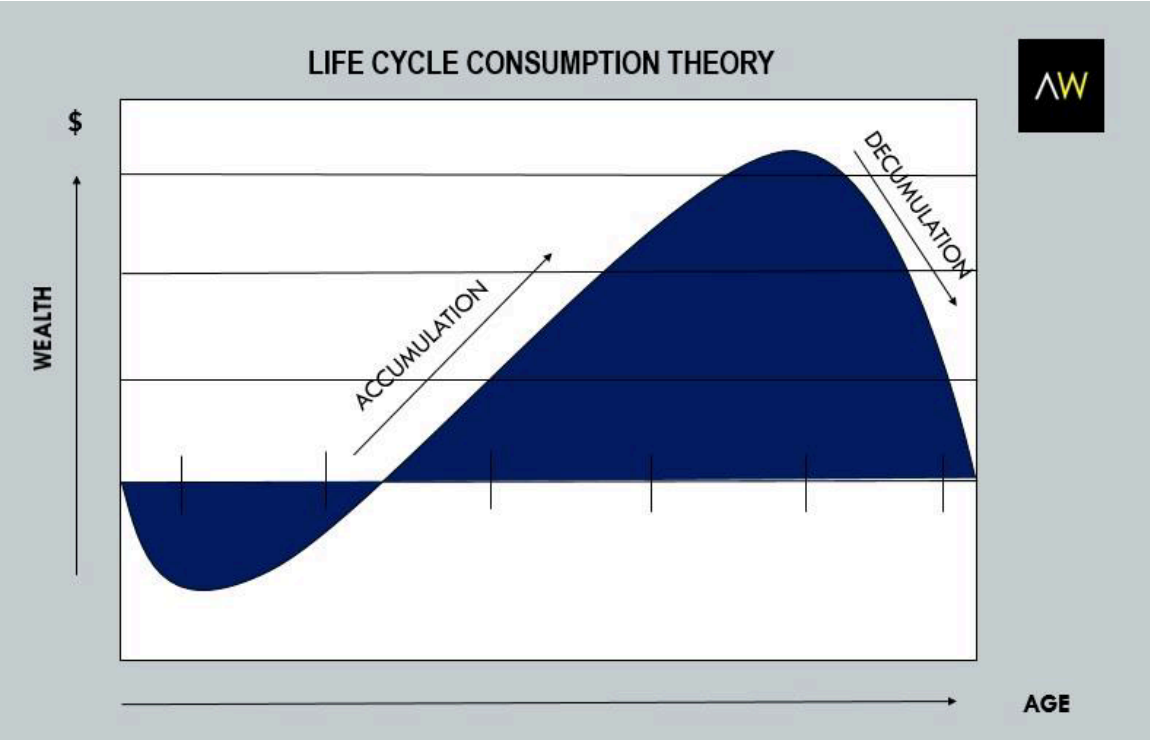
Power of compounding

Once you understand the power of compound growth, you will know that you can achieve your goals. You will get there!

And knowing this means that you can overcome the inevitable obstacles when you come across them, as you surely will.

Most people manage to build up some savings and a pension balance, and some equity in their home, and then plan to spend down the pension balance in retirement.

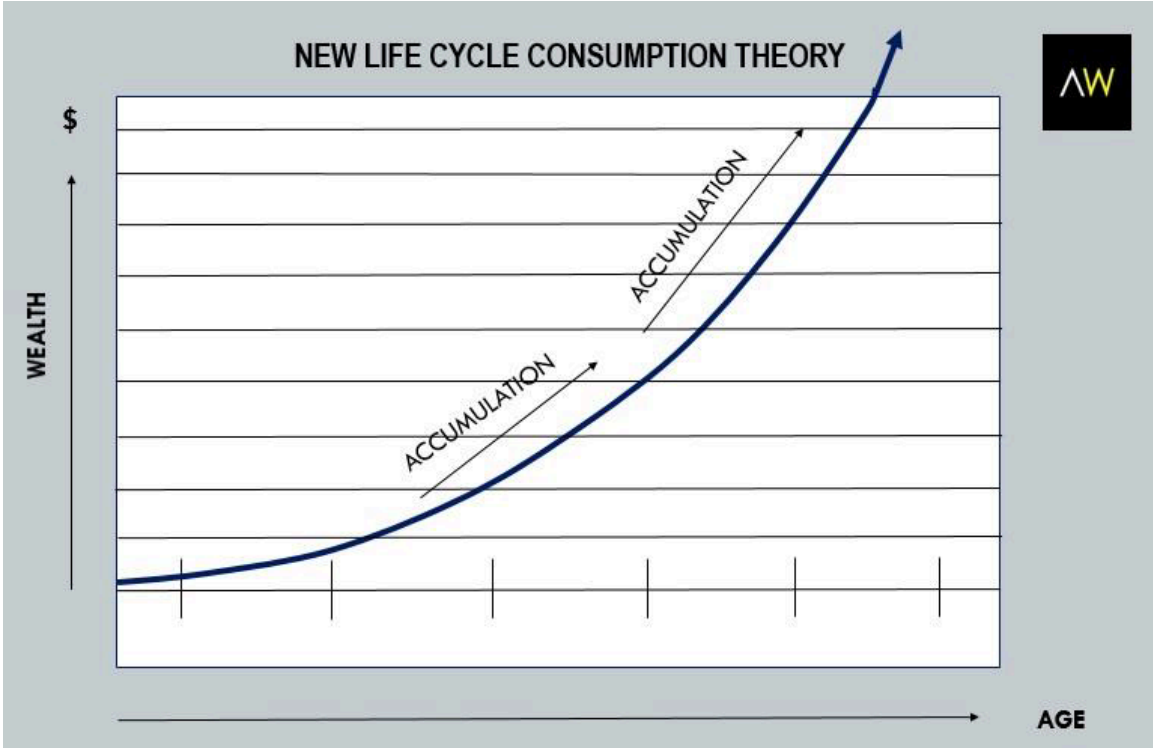
Figure 4.1 - Life cycle consumption theory



In other words, their net worth goes up, and then they run it down again, and hopefully they don't live so long in the process that they outlast their savings.

I aim to inspire my clients to think bigger than that…much bigger!

Figure 4.2 - New life cycle consumption theory



Why not aim to continue building wealth throughout your lifetime, and even beyond it? I have clients that have built more wealth in their retirement than they created throughout their entire working careers.

How is that even possible? The answer, simply, is compound interest.

Aim to leave a legacy; that's the kind of bigger picture we're talking about!

There are three main vehicles that you can use to compound your wealth: property (real estate), shares (stocks or equities), and business.

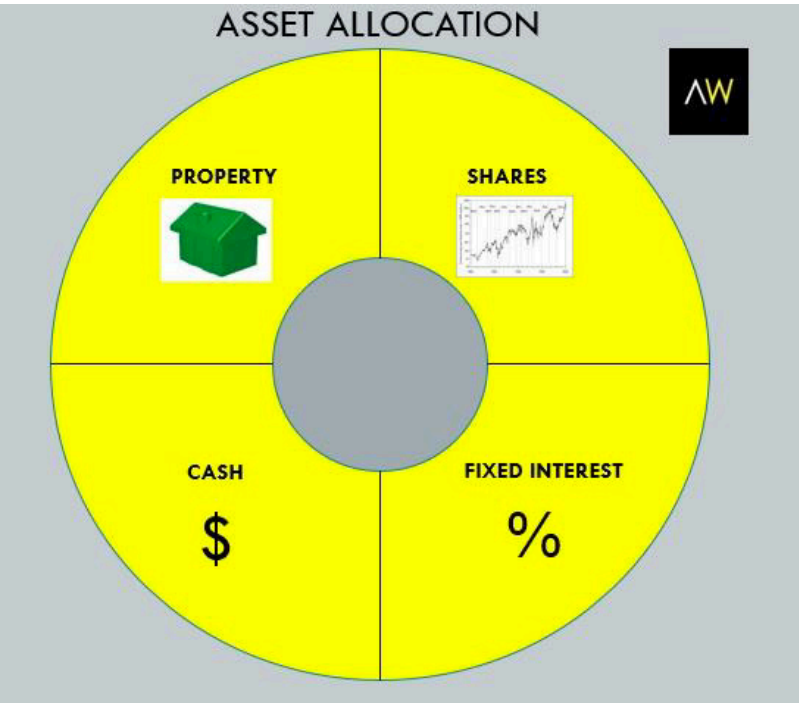
There is also an important place in your portfolio for cash.

After all, cash serves an important role as a buffer, and it allows you to keep some dry powder for when assets become cheap, meaning that you can then pick up wonderful investments at mouthwatering prices.

But cash is not a powerful wealth creation vehicle in its own right, at least, for most average investors.

Interest rates are too low, the income component may be taxed, and it's too difficult to compound your wealth.

Figure 4.3 - Asset allocation



If you are already wealthy, you may well choose to bypass property investment.

After holding costs, yields are typically stronger in the share market, and there are fewer headaches such as stamp duty, unruly tenants, administration, repairs, and maintenance costs.

Simply parking a lump sum of, say, $100,000 in the share market at a strong rate of return can achieve amazing things over the long term, when the gains are left to grow and compound.

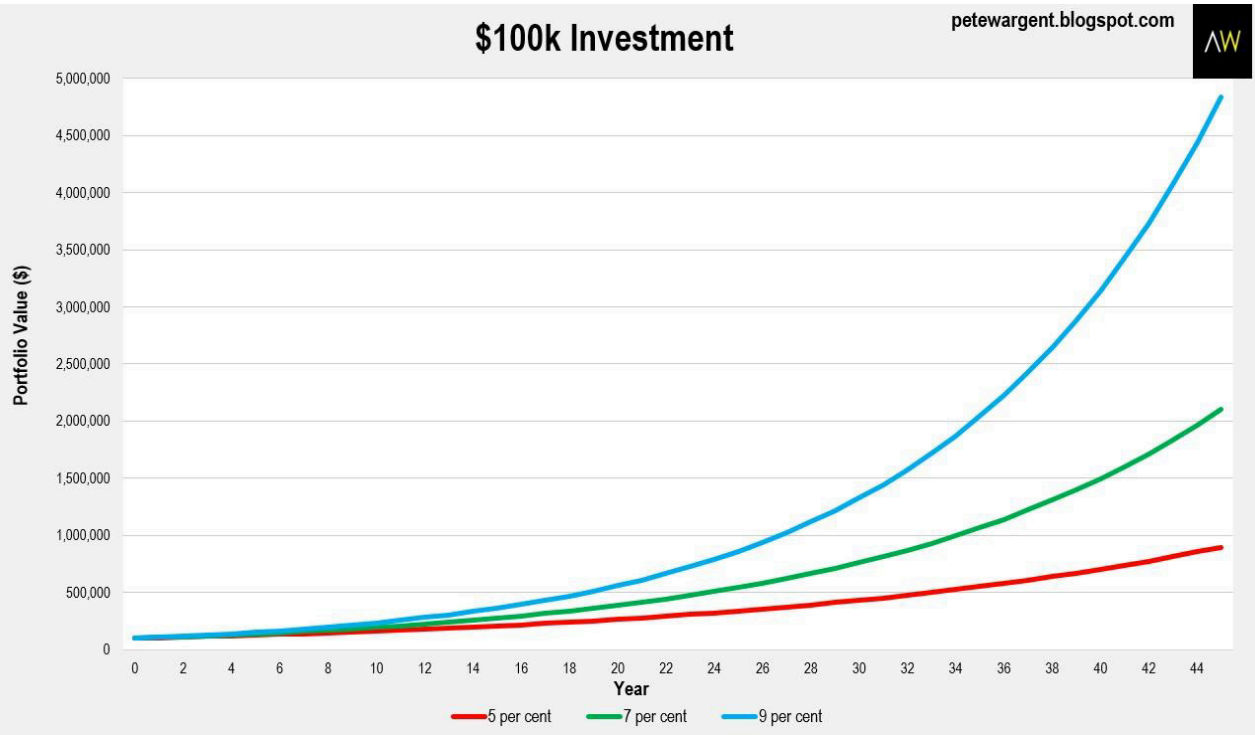
Even without the use of leverage, the power of compound growth rewards assets which grow at a faster rate over time.

Take a look at the chart on the following page which compares the results of $100,000 invested at various annual growth rates.

The difference over the long run is staggering.

The implication of this is that to become wealthy, you need to find assets which grow in value as fast as possible, over the long term, and invest in them efficiently.

Figure 4.4 – Investing for the long run



A portfolio which increases in value at 7 per cent per annum – a capital growth rate that has been achieved my most well-located capital city property over the long run – doubles in value in just over a decade.

While gross yields in the share market might be 4 to 5 per cent, in property, after holding costs the net yields might be nearer to 2 per cent, and sometimes even negative after mortgage interest.

The only compelling reason to invest in residential real estate is for the powerful combination of leverage and capital growth.

The power of leverage means that you can potentially invest with millions of the bank's dollars, instead of just a few of your own.

Of course, the use of borrowed funds magnifies the results, both good and bad, and therefore it is imperative that leverage is only used sensibly, to invest in high quality assets for the long term (at least 15 years or, ideally, much longer).

The key takeaway point is that, regardless of which asset class you choose (ideally all of them), you can achieve your goals, simply by aiming to double your wealth, repeatedly.

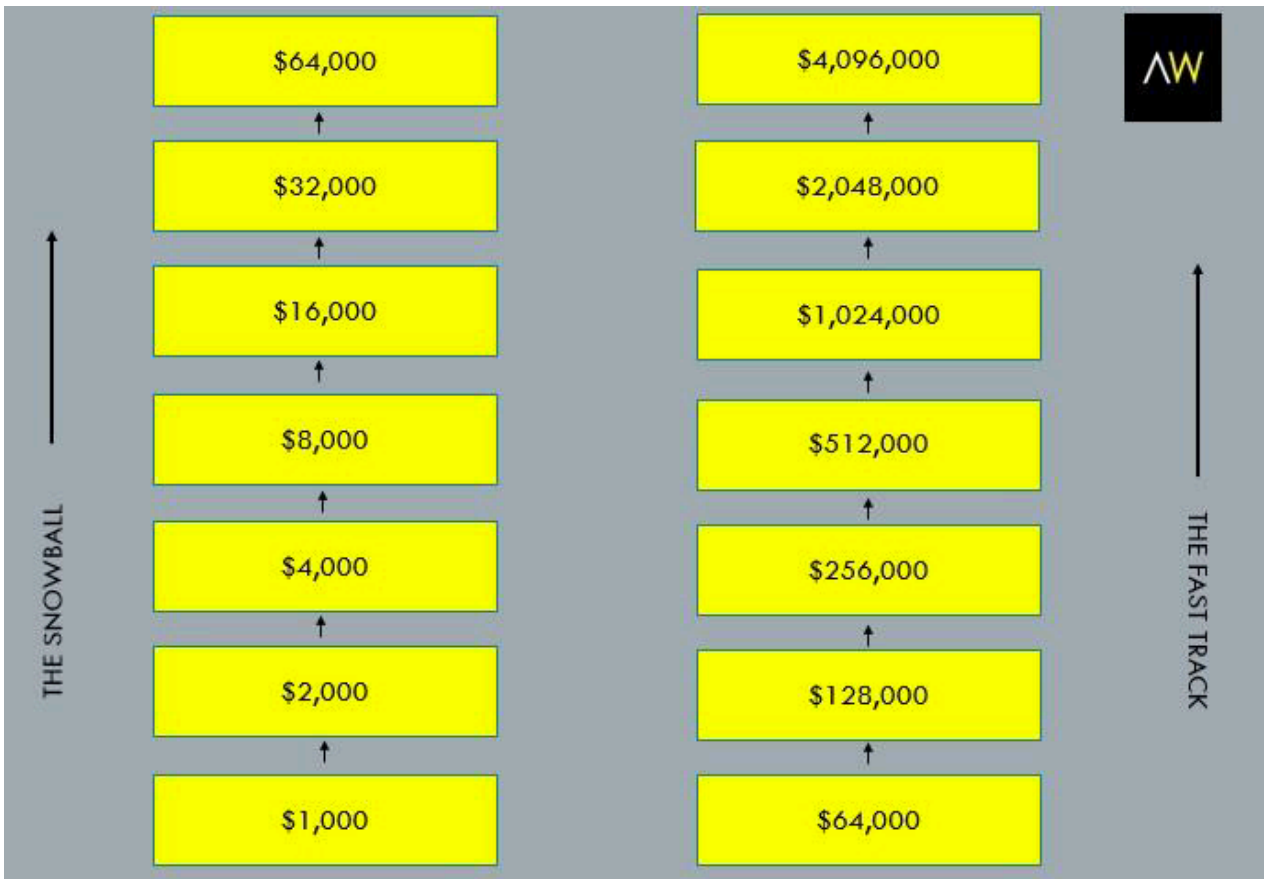
When you first start out the gains will inevitably appear to be relatively small.

But the nature of compounding growth is that the results can begin to multiply and feed upon themselves.

The beautiful thing about compound growth is that once you understand it, and once you have a system in place for doubling your portfolio or wealth over time, you can continue to do this throughout your lifetime.

It's how all the great legacies were built, and the ladder to financial abundance works exactly in this way.

Figure 4.5 – The ladder of wealth



Rule of 72

As an aside, you can easily calculate how quickly an asset doubles in value by dividing the number 72 by the annual percentage growth rate. For example, an asset which increases in value by 10 per cent per annum doubles in value in only 7.2 years (72/10 = 7.2).

Intuitively you might think the asset would take 10 years to double in value, but the accelerating gains due to compounding growth mean that the asset value rises faster over time.

This underscores the importance of finding assets with a **proven track record** of delivering strong rates of capital growth over time.

CHAPTER 5

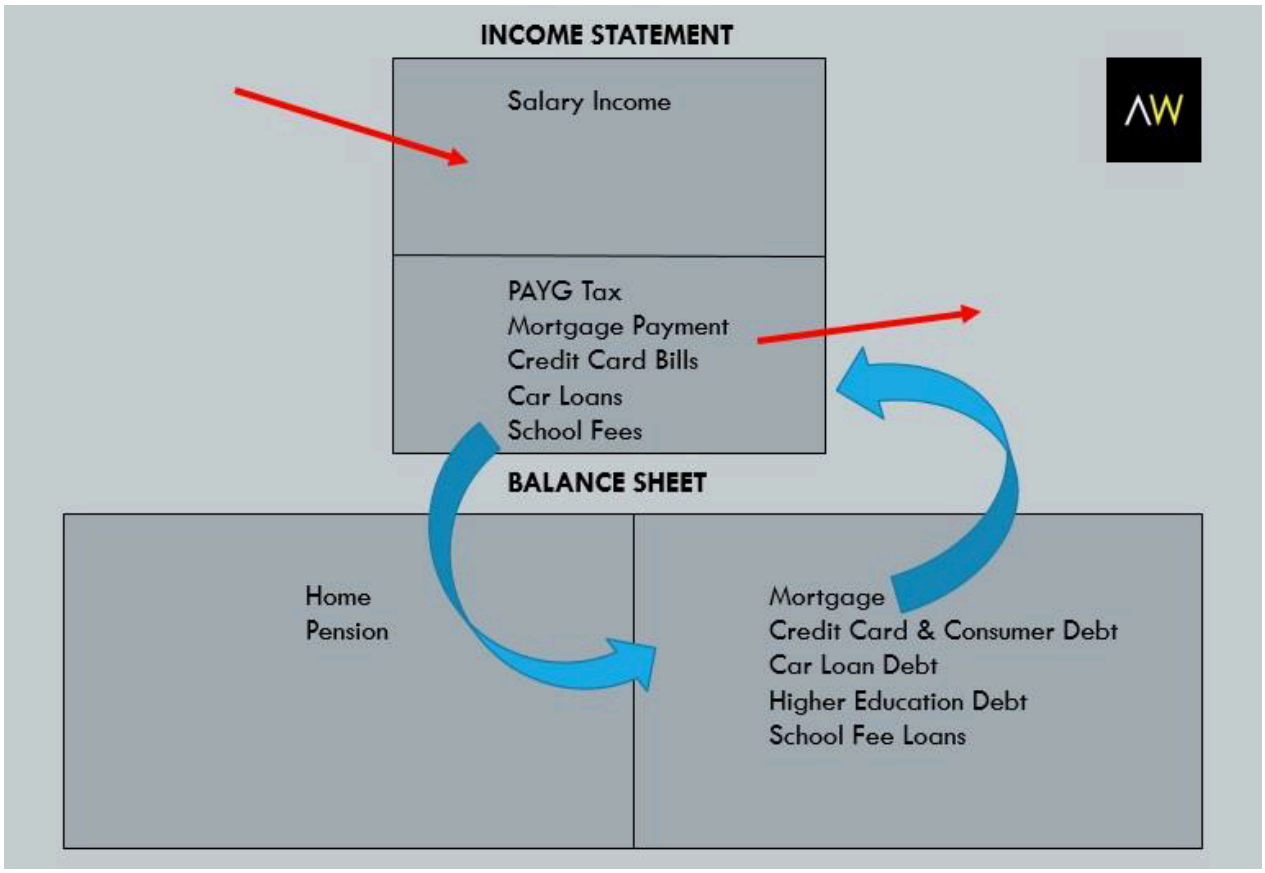
THE PRINCIPLES OF WEALTH IN ABUNDANCE

5. The principles of wealth in abundance

When I worked in the corporate world, many of my peers had financial statements that looked something like the below.

That is, they earned a good salary, paid lots of tax, and the rest was spent on rent or mortgage repayments, student and car loans, credit card debt, and living expenses.

Figure 5.1 – Consumer's financial statements



The higher income earners sometimes had a home, and most Australians usually have a pension balance, although the average balance is only moderate.

Some colleagues had a few hundred thousand dollars in a superannuation scheme, but when you consider that you might live for several decades or more in retirement with rising living costs, the average pension balance at retirement is simply nowhere near enough.

The superannuation system isn't really set up for salary earners to win. Fund managers can generate reasonable returns in the good years, and poor returns in the bad years, but charge their costly fund management fees every year, regardless of the results.

Take out management fees, insurance, taxes, slippage, market impact, and transaction costs, and it's no wonder that superannuation returns can sometimes be underwhelming.

The problem with this financial plan is that it's focused too much on earning more salary income and not enough on building wealth through owning assets.

The trouble with a salary is that the more you earn, the more tax you pay, and the more you spend. The treadmill just keeps getting faster.

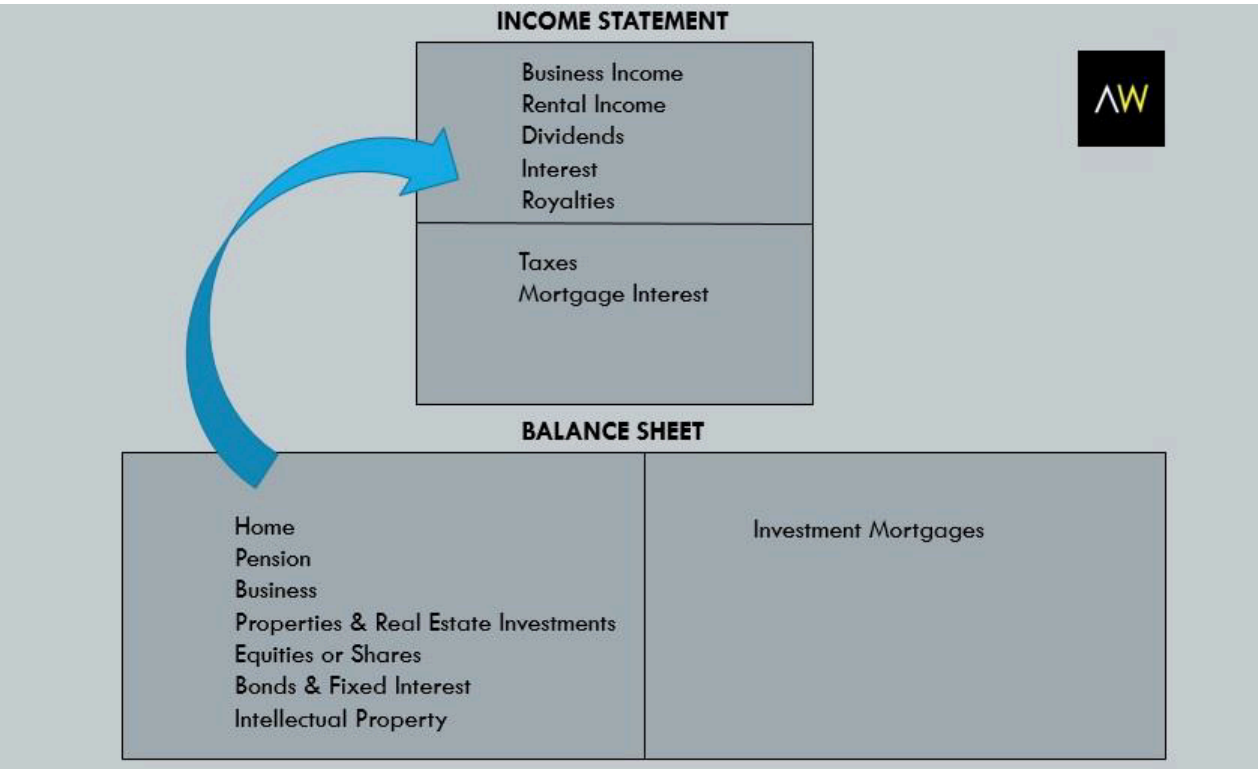
And if for some reason you can't work for a period, you might be sent broke in an alarmingly short space of time, because the monthly expenses don't stop.

It's a financial treadmill that gets faster as you get holder and your expectations rise.

The diagram below shows what my financial statements look like.

Over the last couple of decades my wife and I have focused on building our asset base, including several businesses, index funds and other share market investments, and a large portfolio of capital city investment properties in London, Sydney, and elsewhere.

Figure 5.2 – Investor's financial statements



Notice how the assets pay me income, while most consumers have liabilities which cost them in interest payments. I only have mortgage debt against investment properties, and it's a moderate amount (the loan-to-value ratio or LVR on my property portfolio is under 30 per cent).

There is a proven path to becoming wealthy, and living an abundant life. Listed below are the 8 steps you need to take.

The 8 steps to wealth & abundance

1. Increase your self-esteem

Why is self-esteem relevant to wealth creation? The simple reason is because if your self-esteem is low and you then achieve a level of success that exceeds what you believe you are worth, you will unconsciously sabotage your success.

Australia's leading wealth creation expert Michael Yardney often uses the analogy of a thermostat, with each of us having a financial thermostat that is programmed to a certain level[2].

The temperature may fluctuate a little from time to time, but eventually we return to the level at which our thermostat is set.

A top consultant or specialist is comfortable with charging handsomely for his or her time because, in the words of the jarring *L'Oréal* advert, they believe 'they're worth it'. This wouldn't be possible without a commensurate level of self-esteem.

Share trading author and doyen Dr. Alexander Elder has always said that 'failure is a curable disease'[3].

He believes that if we can understand and recognise our own potential to self-sabotage then we can re-train our brains to think more positively. We can be cured of our propensity to make suboptimal decisions, he argues.

Further, Elder states, we will never be successful until we can remove this subconscious need to sabotage any outperformance of our expectations[4].

2. Spend less than you earn

Financial freedom is about having passive income, which flows to you regardless of whether your work, that is greater than your outgoings.

There are two variables in that equation that can be adjusted to achieve the goal. One is to increase the passive income figure (through investment). The other is reducing the outgoings (through thrift).

Where are the holes in your financial foundations? Where do you tend to spend big? Holidaying in Honolulu? Wasting at the Westfield? Squandering at Star City? How can you plug the gaps?

3. Pay yourself first

What do most career professionals do? Pay the mortgage, pay the bills, pay the credit cards, and pay for other essentials.

Then they look to see what is left over at the end of the month, and it's usually not much.

You need to see things another way. Invest a decent sum safely away first and then worry about the other payments thereafter. It sounds arrogant. It also works.

4. It pays to invest for the long term

Too many folks devise a plan to make themselves a little better off in the short term, but have no cogent plan for building wealth over the long term.

True wealth and fortunes are built slowly but surely.

One oft-quoted example is that of the American Indians having sold the island of Manhattan to the Dutch leader Peter Minuit in 1626 for beads and trinkets worth just $24. Historians naturally noted that the American Indians were dealt a raw deal.

Yet controversially, revisionists argued that had the $24 from the beads and trinkets been invested safely at a rate of return of 8 per cent per annum, the unhindered compound growth would have ensured that the trinkets could today buy back Manhattan in its entirety, with all its prime-location real estate, leaving a few

hundred million dollars over as walking around money[5].

Food for thought! Following the principle and power of compound growth is the key to building wealth. If you can add some leverage – the use of other people's time and other people's money – you can even join the ranks of the super-wealthy over time.

5. Reinvest the gains

Investing in quality assets is a great place to start, but what creates great wealth is reinvesting the gains, as this allows you to multiply or compound your results.

In property, the most effective way to build wealth is to redraw equity from properties that have achieved strong capital growth, and to use this as a deposit for another purchase.

That way, you never have to pay any capital gains tax, and you can continue to growth your wealth through the market cycles.

6. Protect your wealth

One of the simplest ways to protect your wealth is to buy quality assets that you never have to sell.

It's amazing how often you speak to people that owned great properties in London or Sydney and then sold them years ago because of what they read or heard from friends about the market.

Other important ways to protect your wealth included holding suitable forms of insurance, and owning assets in the appropriate structure for you.

Insurance and ownership structures fall outside the scope of this book. Whenever in doubt, I recommend that my clients speak to a trusted, licensed, and independent financial advisor.

7. Study and counsel with wise men

If you want to be successful, learn from successful people. Find someone who has achieved what you want to achieve. Study and follow their methods.

You may even be able to learn from some of their mistakes and reach your goals even more quickly and completely than they did themselves.

This is a powerful tool known as 'modelling'. I consciously use it every day.

8. Take action: the life you want to lead

'YOLO' as the internet acronym goes…you only live once!

It's all very well studying these first steps listed above, but what really counts is taking massive and consistent action.

That, and simply never, ever giving up.

What is holding you back from starting today?

A fear of failure?

A fear of losing money?

You're 'doing OK' without investing?

When will you start to act?

Next month, next year, next decade?

You need to dare to be different to achieve wealth, and procrastination is the killer of opportunity.

Take action today!

Remember, when you have achieved financial independence, you will be able to focus on your passion, perhaps then choosing to build a business around your knowledge and expertise in that area.

CHAPTER 6

PROPERTY PROSPERITY

6. Property prosperity

We've touched on some of the points relating to how property investment might be able to work for you.

But how do you go about planning for success? There are three steps to property prosperity, which are covered briefly below.

The 3 steps to property prosperity

1. Plan your strategy

If you fail to plan, you have a plan to fail, as the adage goes.

There are many different strategies that can work in property investment, and what is right for one person might not be right for another.

That said, for most average investors, the strategy which affords the best chance of success is to set a target of how much equity you want to create (adjusted for inflation), and to adopt a buy-and-hold approach to prime location capital city property investments.

During the strategy programs I run with clients, once we have set an equity target, which may seem daunting, we break down the target into smaller and more achievable goals.

It's vitally important to run some scenario analysis, to consider what might happen to cashflows if interest rates rise, if there are unforeseen maintenance costs, or to model outcomes if certain assets perform less well than expected.

We then summarise the strategy into a formal written document, to be reviewed annually.

2. Acquire quality assets for the long term

When you can comfortably afford to do so, it's time to add property investments to your portfolio.

While the media talks endlessly about property bubbles and price corrections, the

reality in Australia is that the capital city markets tend to be at different stages of their market cycles at any given point in time.

For that reason, it's nearly always a good time to buy property somewhere in Australia, even if that is in a location far away from where you live, and perhaps interstate.

The next two pages explain how we operate as buyer's agents when acquiring properties for our clients.

There's more to the process besides the points listed below, but they serve as a useful checklist for the purposes of this book.

Investment Property Purchase Process

Part (i) – Planning & Strategy

1. Initial meeting or discussion

Discuss current situation, goals, and possible appropriate strategies.

2. Mortgage pre-approval

Obtain pre-approval through mortgage broker.

3. Property investment strategy

Decide upon a specific strategy to meet your investment goals.

4. Agent liaison

Liaise with agents to search for tailored off-market and on-market opportunities.

Part (ii) – Property Search

5. Property shortlist, and cashflow and equity projection template

Delivery of a property shortlist for your consideration, with cashflow projections.

6. Detailed property profile report

Detailed report on our recommended selection, including photos, and all pertinent information.

7. Contract review

Engage a recommended property lawyer to review the draft contract and oversee conveyancing.

8. Building, pest, and inspection reports

Commission building and pest reports, and strata inspection report where required.

Part (iii) – Negotiation & Acquisition

9. Negotiation and offer

Negotiation of the best available price, contract, and settlement terms.

10. Bank valuation

Financier values the property, either via desktop review or site visit.

11. Final finance approval

Bank to confirm final approval of finance for the deal.

12. Engage property manager

Recommendation and engagement of a proactive local property manager.

Part (iv) – Settlement & Ownership

13. Settlement

Settle on the acquisition and take ownership of the property.

14. Find tenant

Secure the right tenant and rental price for your investment property.

15. Depreciation schedule

Recommended Quantity Surveyor prepares depreciation schedule to maximise tax benefits.

16. Post-settlement review

Review of the process and the performance of your investment property and portfolio.

3. Review your portfolio & progress

There's an adage that says you make more money in property while you sleep.

Why is this so? It's because when investors are awake they spend far too much time reading media articles or talking to friends and family about what might or might not happen to the economy and markets over the next couple of months or years.

The truth is most property market media is written by journalists with little or no direct experience in property investment, and in any case the long-term trend in capital city house prices has been up for decade after decade…after decade!

Of course, there will be cyclical downturns, as there are always have been and always will be, but much of the incessant market commentary is just background noise for long-term investors.

It pays to see the bigger picture.

If you are going to own a portfolio comprising multiple investment properties, it pays to have a trustworthy property manager that can take care of issues for you as they arise.

You should also review your portfolio regularly, perhaps annually being appropriate for most investors. In particular, ensure that you are managing your debt cautiously.

Although I don't like to sell property if I can avoid it (owning properties in inner Sydney, for example, I feel that I'd undoubtedly regret selling one day in the future), you should nevertheless consider the concept of opportunity cost.

Are all your assets working as hard for you as they should be, or could your money be put to better use for you elsewhere? Sometimes it makes sense to sell, to redeploy capital into markets with superior prospects, especially with today's tighter lending standards.

When it comes to tax returns time, make sure you have a great tax accountant, and one with property tax experience.

Finally, you should always be looking to find ways to keep moving forward!

CHAPTER 7

HOW TO FIND CAPITAL GROWTH

7. How to find capital growth

With the rise and rise and internet commentary, there really is an extraordinary amount of nonsense written about property prices, and how to predict them. I mean, truly extraordinary!

Much of the misinformation reflects how median dwelling prices are measured at the suburb level, a postcode average being an extremely arbitrary means of measuring prices at the best of times.

Other predictions are often made at the city or suburb level with a 1-year time horizon, which may be mildly interesting, but is of limited practical use to budding investors.

What drives the price of anything over the long term? The answer, obviously, is the immutable laws of SUPPLY and DEMAND.

If you want to invest in an asset that is going to outperform over the long term and through multiple cycles, then you need to get back to basics, and consider these fundamental laws.

Demand for housing in Australia over the long term will be strongest close to the city centres of Sydney, Melbourne, and Brisbane.

Immigration and population growth is fastest in the capital cities - a trend that is accelerating - and so too is the growth in household incomes, wealth and equity, and outperforming businesses.

Furthermore, the simple rules of geometry dictate that land is most scarce in the suburbs close to the respective Central Business Districts (CBDs) of each city.

Of course, there are relative few constraints on building tall tower blocks in some city locations, so high-rise apartments are likely to be long-term underperformers, unless you have an asset with a point of scarcity (such as a harbourside apartment with a view of Sydney Opera House, for example).

Generally, it makes sense to take a top down approach, to work out which is the right city to buy in next, being the capital city nearest to the trough of its cycle.

To take your results up to the next level, it then comes down to superior asset selection, in terms of location and property type.

For example, homes in sought-after school zones tend to outperform. And as the cities become more congested, international experience has shown us that in populous cities (of a 5 million plus population) properties located close to key transport links will also begin to command a premium, especially close to key train links for the employment hubs in the city centres.

Of course, properties in regional areas can outperform over discrete periods of time, and I even own some regional properties myself.

However, I believe that investors would be well served to focus on the long term, and the best long results over the long run will come from strong demand exceeding a constrained supply.

Demographics are destiny

If you really want to outperform in property investment, you need to keep a track of demographic trends. That means not just looking at how people are living today, but how they will want to live in the future.

Australia has entered an Asian century with an ageing population, but also with millions of new young migrants, now mostly hailing from Asia, including countries such as China and India. In the future, property buyers will be looking for different things than they were in the past.

See my daily blog page **petewargent.blogspot.com** for analysis of all the latest demographic and construction trends. The information is all free, and I promise you won't find analysis like it anywhere else.

Risky markets

Housing market modelling shows that supply-responsive markets are often the riskiest, meaning suburbs on the distant city fringe (horizontal supply) and high-rise apartments (vertical supply).

In other words, when prices rise, construction in these locations responds and the market becomes flooded with new dwellings, since there are so few restrictions on supply.

When this happens, by definition more buyers pile in close to the peak of the cycle, thus amplifying the downturn (the risks are especially high in new apartment projects due to the lag effect, as projects can take years to be delivered). Unfortunately, those living on the city fringe are often the households that can least afford a downturn, and the fallout can be painful.

Some of the very worst and most destructive investments in Australia this century were to be found in the mining towns and cities. As demand increased temporarily due to resources construction projects, speculators piled in and developers flooded the market with new supply just as demand was winding down, sending prices in cities such as Gladstone down by 60 per cent.

In some smaller mining towns, prices were down by up to 80 per cent. Sadly, the property advisors recommending speculation in these extraordinarily risky markets were not the people that had to deal with the fallout.

I looked at the different markets and economies around Australia in my book ***Four Green Houses and a Red Hotel: new strategies for creating wealth through property.***

CHAPTER 8

PROPERTY INVESTMENT IN PRACTICE

8. Property investment in practice

As property buyers we are in the market every day, and as such we excel at market research, racking up thousands of hours of experience in researching and sourcing the best deals.

Using a buyer's agent offers peace of mind, too, since we perform extensive due diligence on any property before recommending it to a client (we have long and detailed checklists to cover off!).

With access to comprehensive sales databases, our comparative market analysis and detailed property profile reports ensure that we never overpay for a property purchase.

If you're interested in how the buyer's agency process works, please send me an email me at **pete@allenwargent.com** and I'll send you a short brochure which explains the thorough process in 16 easy steps.

We are skilled negotiators, aiming to unpick what will motivate vendors, thus allowing us to meet their needs to secure the best deal possible.

Where properties are sold at auction, we bid on behalf of our clients. Having bid at countless auctions over the years, we know all the tips and tricks that are used by industry insiders.

Just as importantly, we don't get emotionally involved in bidding. It's remarkable how often inexperienced buyers betray their emotions during a heated auction. As market professionals, we remove the emotion from the process.

Silent sales

As buyer's agents we prefer not to buy at auction where possible. We'll often look at finding premarket and off-market opportunities for our clients, which helps us to steal an edge by getting first look at investments.

Often, we buy properties that are never even seen by other prospective buyers, because we secure them before they ever get as far as being listed.

These are known as 'silent sales', as the average investor or homebuyer never gets to hear about them.

What to buy

It's impossible to cover in this book everything you should look for in a property purchase, not least because what is right for one investor may not be right for another.

Families remain the largest buying demographic in Australia, and consequently there will always be strong demand for capital city houses on good blocks of land, in desired school zones, and close to transport links for the city centre employment hubs.

There are certain suburbs and locations that we favour, having a proven track record of delivering capital growth over the long term due to demand consistently outstripping constrained supply.

Depending on your budget, you might also consider a unit, townhouse, or apartment, especially in Sydney where affordability constraints mean that it is not realistic for everyone to buy a house. If you are going to buy an apartment, you need to make sure it is an asset with scarcity value.

As a rule, units have a lower land value content than a prime location house, and therefore you should look to buy in locations with zoning which promotes height restrictions, quelling new supply, and look for units with a point of scarcity (water views are one powerful example).

Key aspects investors look for when buying Sydney apartments

Investors in apartments should aim to locate properties with a high land value content, and an inherent scarcity value.

There are many key aspects we look for when buying an apartment in Sydney, including, but not limited to, the following:

- 2-bedroom apartments
- Covered, lock-up parking space
- Ideally at least 80 square metres of internal space
- Walking distance to entertainment and amenities
- Boutique block < 12 units (larger blocks inherently lack scarcity value)
- Reasonably low strata fees (no pool, gymnasium, lifts, or 24-hour concierge)
- Quiet street with no through traffic
- A balcony or some outdoor space
- Consider potential to renovate or add value
- Good natural light, and an outlook or view if possible

When buying a strata-titled property such as a unit or apartment it is vital for buyers to assess the health of the sinking and administration funds.

Certainly, we steer clear of apartment blocks with high strata fees or the likelihood of special levies being raised.

The higher quarterly charges, although tax deductible for investors, will become an annoyance to you, and will constrain capital growth as future prospective buyers steer clear of the block.

In particular, larger apartment complexes with swimming pools, a gymnasium, a concierge, and myriad other facilities which barely anyone uses, tend to have exorbitant strata fees.

Similarly, be wary of old apartment blocks which are falling into a state of disrepair, as the sinking funds can become sinkholes for cash, destroying the perceived value of your investment.

Investors need to ensure a pre-purchase strata inspection report is commissioned from an independent and qualified company before making any offer to buy.

As a rule, boutique apartment blocks have a higher land value

A problem with buying in a large tower block is that there are dozens of other apartments just like yours (normally towers are built in locations where more towers can follow too), while the land value of your investment might only be a few per cent of the total value.

Remember, it's land that appreciates, and an investment grade property should have a land value equating to ~50 per cent or more of the value of the property purchase.

Example boutique apartment block, Sydney eastern suburbs.

CHAPTER 9

SHARES: DIVIDENDS IN ABUNDANCE

9. Shares: dividends in abundance

Because I own a business which helps clients to invest in property, people sometimes think that this means I must be against investing in shares. Yet nothing could be further from the truth!

The share markets continually present wonderful opportunities to build wealth in a powerful and tax-efficient manner, while earning you a healthy income stream.

For one thing, the yields from investing in profitable businesses can be very appealing, while the dividend streams can often be received with franking credits attached, making for a tax-efficient investment.

That said, there's so much noise out there that most investors don't seem to achieve as much as they should. Too many people focus far too much on trading, and not enough on building wealth over the long term, by investing for a growing dividend stream.

Finding value

During my professional career I was a Chartered Accountant, and was the Group Financial Controller and head of tax compliance at a couple of ASX-listed companies.

Part of my roles included preparing Annual Reports and financial statements for businesses. Trust me when I say that nobody knows the pain of understanding accounting standards more than me!

I'm very well qualified to understand financials and therefore I do enjoy the challenge of value investing, finding undervalued companies and buying shares in them for the long term.

But it's much harder to do than people seem to believe, partly because financial statements are backward-looking, and partly because the economy and therefore the world of business is far less predictable than people realise. We tend to suffer from constructing stories, the 'narrative fallacy'.

Think back to only a couple of decades ago to when there was no Google, no Facebook, no Twitter, and no i-Phones.

If you think you can predict the future with any level of certainty, take a read of The *Black Swan* by Nassim Nicholas Taleb. Then read it again. The conclusions may just blow your mind[6]!

Moreover, just like you and me, most businesses have a life cycle. They are born, they grow, and one day they die, or get taken over. Even some of the greatest companies will die eventually, as many corporate failures have amply demonstrated.

Thus, it's not simply about buying thriving companies and storing your investments in the bottom draw, you need to continually weigh up whether your capital is well allocated as new opportunities present themselves.

And it's certainly not like a house on Bondi Beach or a terrace in Surry Hills which can never be replaced and will continue delivering returns in perpetuity...forever. Businesses may see their brand moats eroded, their products may become obsolete, or management may underperform.

In fact, I often think of some of the fund managers holding themselves out to be experts in finding value investments, nominating so-termed 'A1 businesses' that went bust within a few short years of their 'strong buy' recommendations.

And those are the A1 businesses. I'd hate to think what level of confidence you should have in their lower conviction plays!

As we have already seen, the difference in portfolio returns of only 2 per cent per annum can make an enormous difference to your portfolio results over the long term – it could literally halve your wealth over the long run!

A workable approach for many average investors is to eschew fund managers and their expensive fees, and regularly buy low-cost index funds or well established, low-cost Listed Investment Companies (LICs) for the long term, focusing on the growing dividend streams over time.

Always consult a licensed and independent financial advisor before making investments or financial decisions.

As LICs are companies they have control over their dividend distributions, and some offer a Dividend Reinvestment Plan (DRP) which can be an efficient way to compound your investment.

In Australia, over the long term many of the industrials and financials have outperformed the resources sector, with the once-in-150-year mining investment boom temporarily reversing that dynamic.

You might look towards LICs which are weighted towards the more sustainable sectors, such as healthcare (a growing sector as the population ages that has delivered excellent returns, as I anticipated in my book ***Get a Financial Grip: simple plan for financial freedom*** back in 2012).

Dividends have tended to be more self-sustaining in many industrials and financials. Resources companies fund capital-intensive projects with depleting reserves, and dividends may not be so easily sustained through the downturn phase of the commodities cycle.

Moreover, the senior mining players produce…commodities! Unable to differentiate on product, they are forced to compete on price, which can put pressure on margins at the stage of the cycle when commodity prices fall.

Because an attractive LIC can be well diversified, if one of the holdings fails, goes bust, or falls into administration, it needn't be too damaging to the overall financial health of your portfolio.

I like well-established LICs that have a proven track record over many decades of focusing on profitable companies while avoiding speculative smaller investments, allowing them to pay a consistently growing stream of fully franked dividends.

The share price will take care of itself over time.

Passive investing is very simple, but can also be efficient and tax-effective. My wife and I have been investing monthly in a FTSE tracker for more than two decades, and we also have tax-free stocks & shares UK ISAs for our kids that we max out every year. So simple, and yet very effective.

Once you have achieved financial independence then you can look at more active investments, outside the core holdings of your portfolio.

And once you have built a significant net worth through property and shares, the share market is the perfect place to invest for both income and growth.

CHAPTER 10

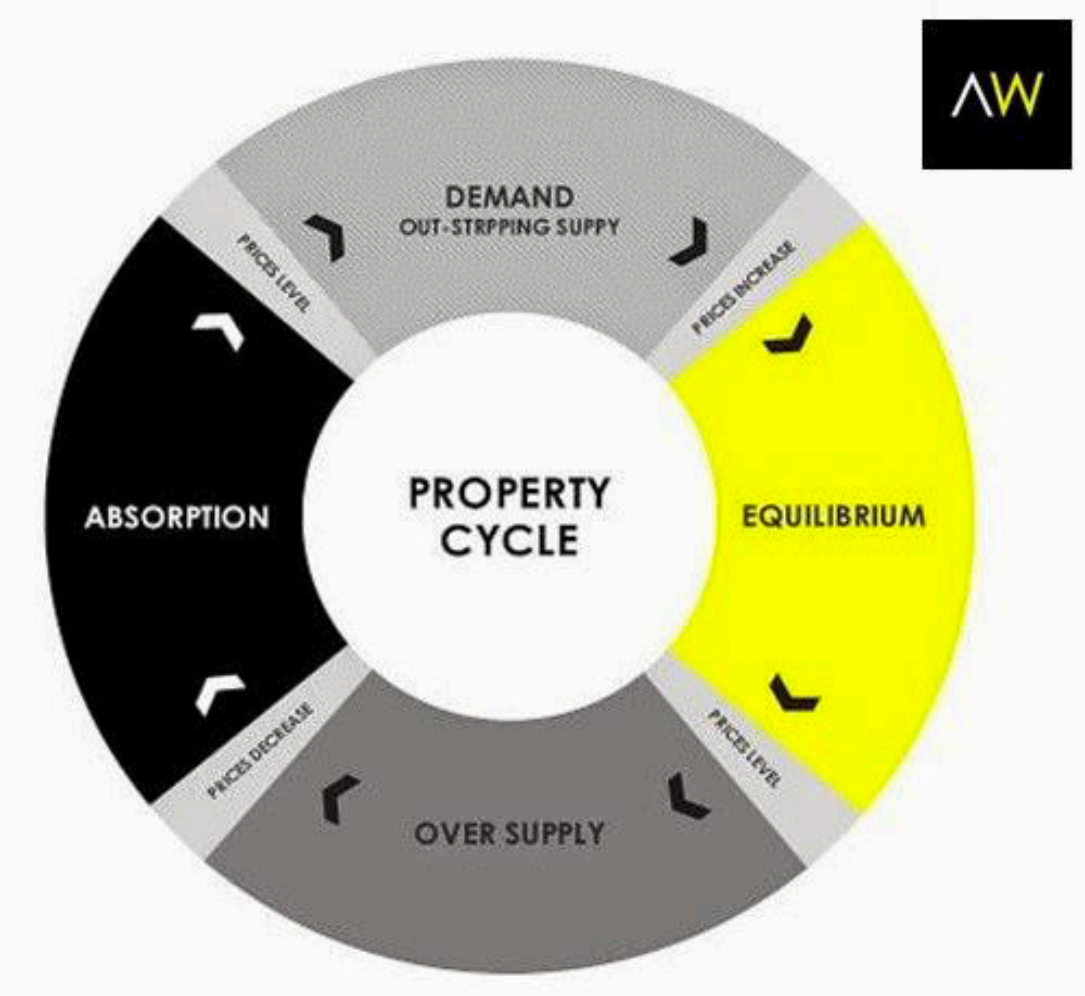
CYCLES AND MARKET-TIMING TIPS

10. Cycles and market-timing tips

Financial and property markets move in cycles. Commentators often don't seem to like it, but it's simply a fact of life, and indeed for real estate it cannot be any other way!

In real estate markets, rents rise as the population and demand grows, then prices follow higher (as investors buy more, and homebuyers feel compelled to jump in), then building approvals, construction, and supply respond, thus cooling the market. And then the cycle repeats.

Figure 10.1 – The property construction cycle



If you want to understand more about the property cycle, and where each city and state sits in the cycle, follow my daily blog page at **petewargent.blogspot.com**

Nobody else follows the cycles as closely as me, and, though I say so myself, I do provide an awful lot of commentary for free on my blog page! And I've got a large

readership as a result.

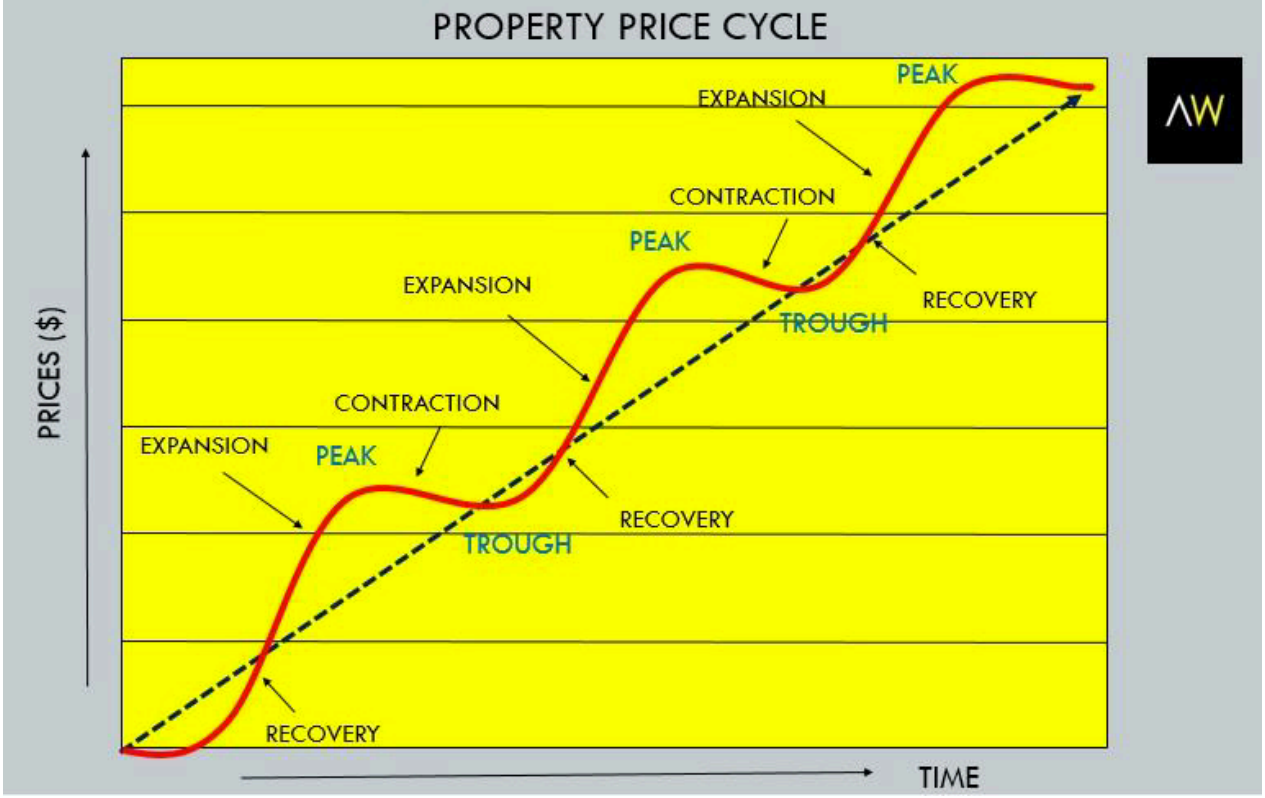
This wasn't my original intention, but so much drivel is written about property markets that it became a mission of mine to provide more transparency.

The thing to remember for long term investors in capital city property is that while prices will boom and then cool again through the cycles, the long-term trend will always be up, as incomes rise, and the price of capital city land rises.

And the cost of building new dwellings increases over time too, since they must always be built at today's wages and today's prices for materials, thus underpinning the value of existing stock.

Looked at graphically, the cycles may tend to look something like the below.

Figure 10.2 – The property price cycle



Of course, no two cycles are precisely the same, and sometimes there will be mid-cycle lulls in prices, and so on.

But having analysed markets for almost my entire adult life, I've come to recognise how cycles tend to unfold, the warning signals and the 'buy' signals.

The aim for property investors should be to buy close to the trough of the cycle and hold for the long term, thereby maximizing returns.

Ed Chan, partner of accountancy firm Chan & Naylor, once said[7]:

> *'Good property investors buy investment grade properties in capital cities that fit their strategy, when the time is right.'*
>
> **– Ed Chan**

I can't put it better than that, so I'll just quote Ed.

What you need to do is learn how to understand the cycles, and my free daily blog commentary can help you to do that.

CHAPTER 11

FINANCING, REFINANCING, & SERVICEABILITY

11. Financing, refinancing, & serviceability

When I started out in property investment, I could afford to focus purely on capital growth.

Since I went on to earn a good salary as a Chartered Accountant in the mining industry, rental returns were not the primary focus for me.

And then once I had built equity in my London and Sydney property portfolio it was very easy to redraw equity to invest in other properties.

To achieve the same results today, you will need to think a bit more smartly.

Today, banks will take a much keener interest in your total level of mortgage debt, and your ability service it.

Therefore, any investment you buy needs to stack up sensibly from a rental return and a serviceability perspective.

Furthermore, if the amount of money that banks will lend you is finite, then you need to consider opportunity cost.

If there is only room in your portfolio for, say, half a dozen properties, then it's imperative that they are all top performers.

It's no use holding mortgage debt against average or poor performing assets, as this is wasting your serviceability!

In general, I believe that property investment should involve a long term buy-and-hold strategy because of the painful transactions costs involved in selling (stamp duty, agent fees, capital gains tax, and so on).

Indeed, neither my wife nor I have ever sold a property in more than 20 years of investing since the mid-1990s.

That said, if you have a genuine dud in your portfolio you should seriously consider selling it, if it means you can get better returns on your capital elsewhere.

More than anything else, you need to have a plan.

With my **strategy program** clients, I spend a lot of time on setting financial goals, and then working out exactly how clients can get from where they are today to where they want to be.

Plans need to be somewhat flexible, as circumstances and markets can change, but nevertheless if you fail to plan then you have a plan to fail.

Most investors in property are either accidental investors, or just buy properties blindly with a hope of achieving something over time.

The statistics show that more than 80 per cent of property investors never own more than 1 or 2 properties…and that's no coincidence!

CHAPTER 12

THERE'S NO 'I' IN TEAM

12. There's no 'I' in team

> *"If I have seen further than others, it has been by standing on the shoulders of giants"*
>
> **– Isaac Newton.**

There's an old saying that there is no 'I' in team.

While I am fascinated by finance and I am passionate about learning more every day, it's a tremendous relief to understand that I don't need to know everything.

For example, the mortgage market today is highly sophisticated and changes almost on a daily basis.

While I like to keep abreast of changes in lending products, my time is more productively spent elsewhere.

That's fine with me, though, because I have a great mortgage broker. We catch up for coffee every now and then and, among other things, we discuss what has changed in terms of lending criteria since we last caught up.

In fact, it's important to have a comprehensive financial dream team that can help you to achieve wealth and abundance.

If property investment is about buying back your time, then you don't want to be spending every waking hour fixing plumbing or chasing up late rental payments, you want a proactive property manager to take care of everything for you.

Here are some of the professionals you want in your financial dream team:

- Financial planner
- Mortgage broker
- Buyer's agent/property advisor
- Solicitor or conveyancer
- Quantity Surveyor (to prepare a depreciation schedule)

- Building & pest inspector
- Property manager
- Tax accountant

CHAPTER 13

EXIT, STAGE LEFT

13. Exit, stage left

I mentioned earlier in the book that my goal when I started out was to achieve equity of $3 million.

Interestingly, though, once I achieved that, I only felt compelled to continue investing, growing businesses, and to keep learning and growing more.

For that reason, I feel it's often most important for investors to get started rather than fretting unduly about the exit strategy, which can be hard to predict as circumstances change.

In short, plans can adapt, but you do need to have the basic plan and structures in place.

The exit strategy in property investment doesn't necessarily matter, the most important thing is build yourself a big enough pool of equity so that you have choices.

There are any number of ways in which you can translate equity into income.

For example, you can sell a few properties and extinguish all debt, aiming to live on the rents. Or you could simply work very hard on repaying the mortgage debt yourself.

One thing we have found from owning properties for more than 20 years is that over the very long run, as rents increase, and mortgages are inflated away, the asset can begin to throw off cash.

So, you could simply wait until rents increase. This may not seem feasible if you are buying at today's expensive prices, but such is the nature of compound growth.

Let me assure you that property prices felt eye-wateringly expensive when I was 21 too (in fact, many people believed that there was an unsustainable asset bubble at the time).

Alternatively, you can liquidate all of your property portfolio to invest in the share market for yield.

Those are just a few strategies, but there are plenty of varieties on these themes.

Like me, you might simply decide to continue growing your portfolio in perpetuity, to build a legacy to pass on to your kids. The most important thing is to get started, and to build enough equity that you have these choices.

The exit strategy is still a potential problem to solve, but as problems go, it's a nice one to have.

CHAPTER 14

GETTING DOWN TO BUSINESS

14. Getting down to business

You've achieved financial independence? Then now comes the fun part: designing the life you want to lead!

Like many younger people, I had visions of spending days, weeks, possibly months at the beach, freed from the shackles of a demanding boss and long hours working at someone else's behest.

But after an 18-month break to travel the world, I came to realise that work gives you more than just money. It gives you a purpose, routine, a great challenge, human interaction, and more.

During my professional career I dreaded Monday mornings, overwhelmed with the prospect of another epic and stressful week in the office.

Today I jump out of bed at 5am raring to go, and I can't wait for the day to start. I own a number of companies, including a property buyer's agency in Brisbane and Sydney, a financial education company, and a consultancy firm delivering reports to hedge funds.

I suppose that for part of the year I am almost as busy today as I was during my accountancy career, but it doesn't feel that way, as I'm living life on my terms.

Building a successful business offers you the ultimate leverage of using other's people time (OPT) and other people's money (OPM) to multiply your results and build your wealth.

That doesn't mean you must start with a mid-tier business though, with huge overheads. You can start small and build from the ground up.

People often ask me what type of business they should set up. Should you buy an existing business, such as a franchise? Or start a company from scratch? Or simply operate as a sole trader?

There's no right or wrong answer, but my advice is usually to be guided by your passion. What would you be doing if money was no issue? What do you know more about than anyone else? There may be some clues there.

At the highest level, you'll need to decide whether you want to sell physical products or services. In developed countries an ever-greater share of employment is generated in the services industries, often at the expense of manufacturing businesses.

If you plan to sell physical products then you'll need a supply chain, inventory or stock, and somewhere to store it.

An advantage of a services business is that you can start trading with low overheads, perhaps with no start-up cost except the administrative expense of setting up a company, and the relevant training, licensing, and insurance. Many businesses have no formal office premises today.

Instead of taking on debt to fund expensive premises costs, company cars, and employees, you can easily set up a business today with rented serviced office space, perhaps using consultants or part-time employees to minimise overheads.

Transitioning from paid employment to self-employment or setting up a business can be supremely challenging. Sometimes it can help to do some part time or consulting work in the early days to keep the dollars flowing in. Having a spouse that works can also bring great peace of mind!

In any business, cashflow is king.

While your accountant will worry about the profit of your company and how much tax you will need to pay on it, what you really need to focus on in the early years is your cashflows.

There's very little point in performing work that you aren't getting paid for, so you need to invoice on a timely basis, and chase up late payments (if you can't do it, pay someone else to do so).

I was fortunate in that, being a Chartered Accountant, I've always been comfortable working with numbers. Not every new business owner has the luxury of understanding financial statements, but it can certainly pay dividends to learn some basic book-keeping skills, business and financial terminology, and how to prepare and read financial statements.

Too many people today waste countless, fruitless hours on the internet, which is sad. Like it or not, the internet is here to stay, so my advice is to make the internet work

for you, rather than against you.

Businesses of only one generation ago could only have dreamed of the connectivity that we have today, and there is potentially great leverage building your networks. Use a coordinated social media approach to spread the word about your growing business.

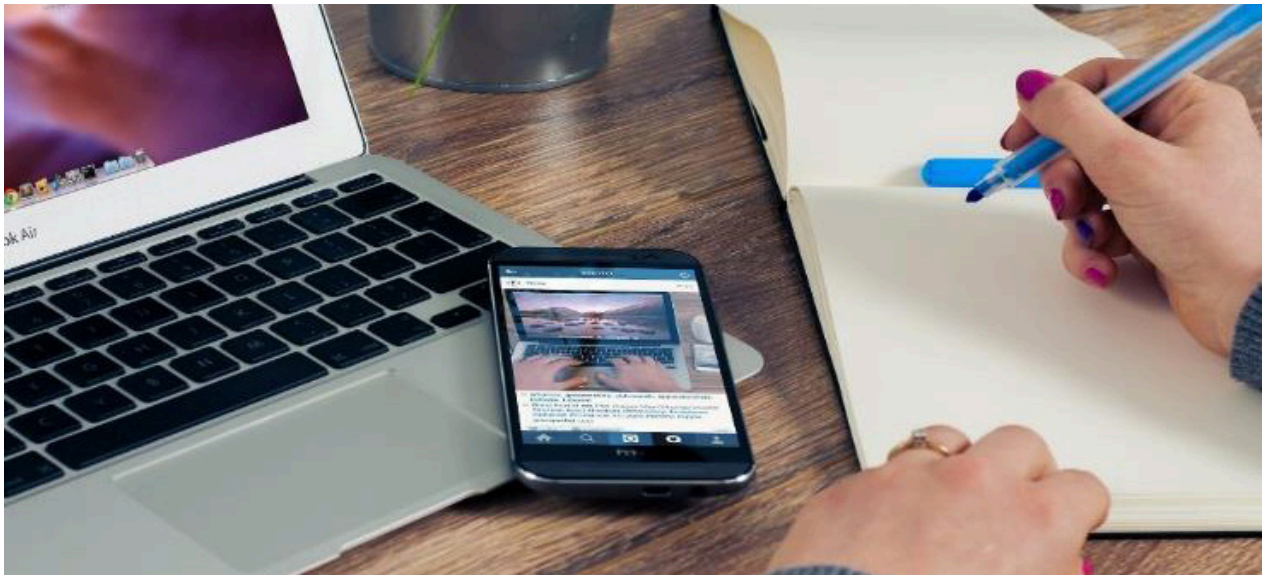
Whatever industry or line of work you decide to pursue with your business, it's a certainty that you'll have ups and downs, good days and bad days, and you will regularly ride on an emotional roller-coaster. It goes with the territory of being in business!

How best to cope with the down days? Don't suffer alone, find a mentor or support buddy to talk to, go for a walk or a run and get some fresh air, or play some music. In short, do anything to change your state from a negative state to a positive one!

I have a piece of paper above my desk which simply says: 'Focus on goals, not obstacles!'. It helps. On other frustrating days I have other mantras that I stick up on the wall!

If you want to find out more about how you might go about setting up your own business, I recommend reading my book ***Take a Financial Leap: the 3 golden rules for financial and life success***, which has far more detail than I can include here.

Finally, remember that running your own business can be such huge fun…**enjoy the journey!**



CHAPTER 15

GO FOR YOUR LIFE!

15. Go for your life!

Thanks for reading this short e-book. I hope you've enjoyed it and that you've found a few interesting and thought-provoking ideas.

More than anything else, I hope it's inspired you to seize control of your financial future, and to follow your passion.

Wouldn't it be great to get up in the morning and focus on whatever it is in life that you are truly passionate about?

I do that, and I can tell you beyond the shadow of any doubt, it's a thrill, and it's a dream well worth pursuing.

Get started today, and never, ever give up!

Want more? What should you do next?

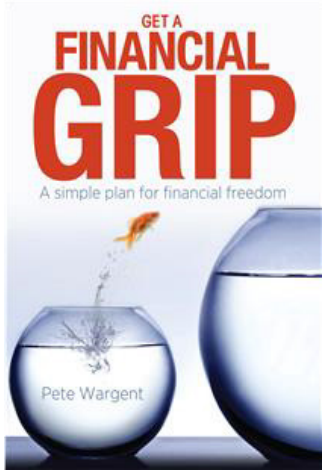
Want more? Here are a few ideas for you:

- Check out my daily blog at **petewargent.blogspot.com** where I post thoughts about the economy, markets, demographic and construction trends, and much more
- Get yourself copies and then read the books in the recommended reading section below
- If you're interested in undertaking one of my programs or investing in property, email me at **pete@allenwargent.com** and I will send you a brochure
- You can find out more about me, my story, and my services at my website petewargent.com
- Set yourself some genuinely exciting and inspiring goals
- Resolve to get started today. And never, ever give up!

I wish you all the best on your journey to wealth and abundance. Now it's over to you. **Go for your life!**

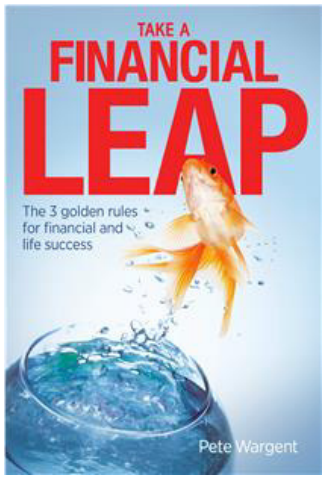
RECOMMENDED READING

Recommended reading



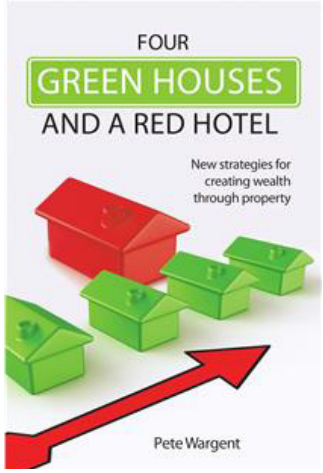
Get a Financial Grip: a simple plan for financial freedom

Big Sky, Sydney, 2012



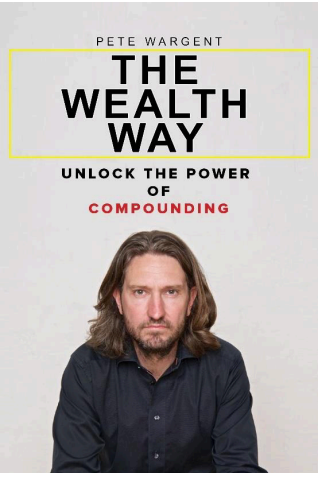
Take a Financial Leap: the 3 golden rules for financial and life success

Big Sky, Sydney, 2015



Four Green Houses and a Red Hotel: new strategies for creating wealth through property

Big Sky, Sydney, 2014



The Wealth Way: unlock the power of compounding

Wilkinson, Melbourne, 2017

'Let the power of compounding work'

– Alan Kohler, ABC News Business.

GLOSSARY OF TERMS

Glossary of terms

Active investing – typically seeking short-term profits through trading, or buying and selling investments.

Asset – an item, investment, or resource with economic value.

Capital gains tax – tax levied on investors that sell an asset for more than they paid for it.

Capital growth – the increase in the value of an asset over time.

Compound growth – also known as compound interest, the snowballing effect of growth upon growth, over a period of time.

Dividend – a distribution of a portion of a company's earnings to shareholders.

Dividend Reinvestment Plan (DRP) - offered by a corporation that allows investors to reinvest their cash dividends by purchasing additional shares on the dividend payment date (also see: dividends).

Equity – in this context, the value of assets less the value of liabilities, such as mortgage debt.

Franking credits – where a company has already paid tax on its profits it may be able to pass on a tax credit to shareholders, to reduce the tax payable on their dividends.

Gross yield – the yield on an investment before the deduction of expenses.

Index funds – a type of fund constructed to match or track the returns of a market index.

Inflation – the rate at which the cost of a basket of goods and services is rising.

Investment – an asset purchased with the hope that it will generate income and capital gains in the future.

Listed Investment Companies (LICs) - A corporation or trust engaged in the business of investing the pooled capital of investors in financial securities.

Narrative fallacy – the limited ability to look at sequences of facts without weaving an explanation into them.

Net yield - the yield on an investment after the deduction of expenses, sometimes calculated after interest payments too.

Nominal terms – refers to the dollar value of an item unadjusted for inflation.

Opportunity cost – the benefit a person could have received but didn't, due to taking another course of action.

Real terms – the real value of an item is the nominal value adjusted for inflation.

Refinancing – the reorganisation of debt, in this context mortgage debt, often by withdrawing equity for use on another investment.

Passive income – income that flows to an investor without them having to work for it.

Serviceability – the ability to meet interest repayments on debt.

Speculation – the trading of an asset, with the significant chance of loss.

Stamp duty – tax levied upon the purchase of an investment.

Yield – In property, the yield is the annual rent divided by the purchase price or property's value.

REFERENCES

References

1. The 7 Habits of Highly Effective People: Powerful Lessons in Personal Change, Stephen R. Covey (Simon Schuster, UK, 1989)

2. michaelyardney.com.au

3. Trading for a Living: Psychology, Trading Tactics, Money Management, Dr. Alexander Elder (John Wiley & Sons, 1993)

4. ibid.

5. It's a common myth that Peter Minuit paid $24 for the island of Manhattan. In fact, correspondence with the Dutch East India Company shows that the amount paid was 60 guilders, well over US$1000 in today's dollar. The point nevertheless remains an interesting one.

6. The Black Swan: The Impact of the Highly Improbable, Nassim Nicholas Taleb (Random House, New York, 2007)

7. Property, cycle, and the time you stay in the market are key, www.chan-naylor.com.au, June 2017.

ABOUT THE AUTHOR

About the author

Pete Wargent is one of Australia's most highly respected financial and housing market analysts.

In his professional career, Pete qualified as a Chartered Accountant in London, and was previously a Director at the 'Big 4' accounting firm Deloitte.

Pete walks the talk when it comes to investing, and he gratefully parked his career in accountancy, having achieved financial independence at the age of 33, as detailed in his best-selling first book, ***Get a Financial Grip: a simple plan for financial freedom***.

Pete is uniquely positioned to comment on housing markets as the co-founder of an active property buyer's agency with offices in Sydney, Brisbane, and London, combined with his unparalleled ability to deliver powerful, data-driven market analysis.

Property Investment Self-Evaluation

1 – Strongly disagree
2 – Disagree
3 – Neutral
4 – Agree
5 – Strongly agree

	1	2	3	4	5
I am happy with my current investment portfolio	○	○	○	○	○
I have a robust, long term plan for my investment portfolio	○	○	○	○	○
I believe that I am maximizing the returns on my income	○	○	○	○	○
My investment plan is tax effective	○	○	○	○	○
I am leveraging my time and income effectively	○	○	○	○	○

If you scored **20 or under**, please get in touch with us, and we may be able to help.

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