



Empower WEALTH Advisory

THE ADVISORY—PROPERTY INVESTING

Investing

A Million Dollar Plus Call

You've talked about it, but you are just unsure about what's the right decision? For some it's do we:

1. Buy another investment Property
2. Hold the existing home and turn it into an investment property and buy the new home
3. Sell existing property to buy an upside property or reduce debt
4. Sell our current home and investment property to upsize the family home
5. Stay where you are and buy an investment property

Can you see where I am going with this.....basically with any of these options above they will have a financial impact in terms of your wealth outcomes for later in life, so it becomes a huge decision, both from a lifestyle and also a wealth perspective.

Landlord Insurance-A Smart Idea

Investment properties offer great returns over the long term and having good tenants and keeping them makes for a very low maintenance investment.

However, history has shown that just because you have had an experienced and committed property manager working for you, there will be occasions when not everything goes to plan. That's where landlord protection insurances are a good option. We

Here's how: Let say the 'net' result in any of these choice is a difference in asset wealth of say \$400,000.

Let me explain, in point 1—let's say you bought an investment property worth \$400k, in point 2—Again let's assume the net different from the decision to hold is a \$400k increase in your net asset position.

In point 3, I want you to assume that by selling existing property you actually reduce your wealth base by \$400k.

Get the gist of what I am proposing here, keep an extra asset worth \$400k or don't.

Now let's look at the compounding value of that asset in say 10 years from now, assuming an annual growth rate of 8.5%

In 10 years that extra \$400k will be worth \$904,000—that's a difference of \$504,000 in your asset base

need to remember that this asset is worth a lot of money and in many cases as investors we also count on the rental income we receive from this investment every month, so when on the rare occasion you get a non-paying tenant or a tenant that damages your property, etc, etc, its reassuring to know that you have protected your investment as best you could by taking out a Landlords policy.

Now lets see what happens if we could hold that asset for 20 years. It would be worth \$2,044,000

That's a \$1.644 million difference in value or as the title suggests— a Million dollar plus call.....

So the next time you are presented with this situation, make sure you get serious Money Planning Advice, as value is benefit less cost, and there plenty of benefit and value here, that smashes any professional fees to make an informed decision.

Ben Kingsley
Property Investment Advisor

Our 17th February Private Circle Wealth Forum has an educational session that highlights this scenario.

We only have a limited number of remaining seats available for this event—so you need to be quick. Booking details are on the bottom of the next page

Final Note: Not all policies are the same, so we encourage you to shop around or better still use an experienced insurance broker to do the shopping for you. As you don't want to get a policy that has loopholes in it, that your untrained knowledge in this area might miss.

Cameron Morgan
Investor Finance Planner
Director—Empower Wealth

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Market Measures:

Top Suburb
12 Mth Median Value
Growth % (Oct'10)

NSW

H-Kilcare: 98%
U-Bangor 76%

VIC

H-Red Hill Sth 114%
U-Niddrie 66.4%

Queensland

H-Fortitude Valley 82%
U-Mount Lofty 213%

ACT

H- Franklin 51%
U-Reid 31%

WA

H - Swanbourne 89%
U- Sth Headland 68%

South Aust.

H-Virginia 83%
U-Woodville 804%

Tasmania

H-Lewisham 51%
U-East Devonport 142%

N.T

H - Lyons 133%
U- Bayview 90%

H=Houses

U =Units

Australian Property
Monitors (APM)

Predictability Investing—My Essential Ingredient

So you have some surplus income coming into your household and you don't know what the best use of this money is?

You've got choices:

- Spend it
- Save it
- Put it on the Mortgage
- Payoff debts
- Use it to borrow more to Acquire another appreciating Asset (Gear or Leverage it)

The article is going to focus on the last point, but what to invest it in—Shares, Commercial Property, Industrial Property, Alternative investments, like Art, Coins, Stamps, and of course Residential Property.

Lets start from the top—Whenever you are investing, your money is at risk, this is even more so when you are putting someone else's money at risk too (I.e. the Bank's money that you have borrowed in this example)

So if you are bringing \$50,000 to the table and the bank is offering you

\$450,000 in borrowings, in very basic terms you can acquire assets to the value of \$500,000 (not taking into account any entry costs or fees—for illustration purposes only).

So you can secure an asset worth \$500,000, that's really putting your \$50,000 to hard work. This risk here is in the performance of that asset you choice and the time it takes to mature in value.

The investment principles here you need to understand are volatility, control, historical performance (Returns), especially when you are going to have to pay interest on the money you borrowed.

Volatility is the big risk here—Let's say you bought shares worth \$500,000 and the market had a very big correction, which on the stock market can occur in a little as a week. So you bought shares worth \$500,000 and the market drops 25% in a week—Your share are now only worth \$375,000—By gearing into share you might have done your savings and far more in a very short period of time, because it is historically a volatile market and you don't get to control the market, so taking a leveraged position can

be extremely dangerous and certainly not for the faint hearted.

Residential Property on the other hand has been historical predictable, meaning when you extrapolate the performance of the asset class over an extended period of time, you get a reasonably predictable and steady performance and outcome, so it is far less volatile as an asset class

Furthermore, in terms of control, Residential property is a tangible offering, unlike shareholding in a company. The control is important, as during slower performing times your control offers you the opportunity to impact on the property, such as a renovation or extension to add value when the market is flat.

I call the combination of low volatility, the control element and the historical performance 'Predictability Investing' and I would never leverage into any investment if I don't have this combination on my side, as there is too much risk to one's wealth base, well that's my principle anyway!

Ben Kingsley

Property Investment Advisor



Money & Wealth Planning

Mortgage Broking

Property Investment Advisory

Financial Planning

www.empowerwealth.com.au

"Why invest today, when you can put it off to tomorrow? - How about having to work into your 70's, when the rest of us may retire in our early 50's! - Every day counts"

*Ben Kingsley
Empower Wealth*

PRIVATE CIRCLE WEALTH FORUM

FEB 17th: 6—8.30pm

**Serious Wealth Topics & Lessons
Professional & Experienced Advisors
Presenting
Priceless Knowledge to be gained**

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