

A real life guide to successful property investment



ROAD TO
SUCCESS

Helping you navigate the obstacles
and delays that could prevent you
from reaching your destination



The Road to Success

Property investor, educator and author Jane Slack-Smith (top right) discusses her personal property investment journey and shares how she built a multi million dollar portfolio from a very modest start.



She is interviewed by Melanie MacDonald (bottom right), successful property investor and author of *The Capitalist Hippy: how one woman turned her \$1000 credit card into a million dollar business (twice)*.

This edited extract of the “Road To Success” interview looks at how over 10 or so years Jane, built up a substantial property portfolio. Jane explains how her early career in explosives and risk management in the mining industry taught her several valuable lessons that she has put to use in her investment strategy. She also discusses her influencers and mentors... in person or as authors whose works she voraciously consumed; taking away a wealth of tips, lessons, and vital understandings about finance, research, purchasing, adding value and last but not least, strategy.



Jane has now refined the early advice she received and added to it her own experiences to write a book of her own, “Your Property Success with Renovation” which together with her property investment e-learning resources form a powerful support system for those looking to purchase a property be it an investment or a home and also for those who are looking to grow their existing investments in a low-risk way.

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MEL: Jane, in recent weeks I've been asked by a lot of would be property investors about whether they should take the plunge or not. There is so much confusion out there in the market place and so many mixed messages coming through the media. But first a question I get asked all the time and one I'd really like to hear your opinion on; is it the right time to buy a property now?

JANE: For me it's about time in the market, rather than timing the market... which for people who haven't invested before sounds a bit like 'gobbledy-gook'.

The media is very doom and gloom and although we have interest rate cuts we also have a lot of messages from overseas and obviously there is the UK and the USA markets, which have really had a lot of issues, not to mention Europe, so I understand people have concerns, but you know, I always go back to my leanings' and my studies of successful investors and I guess without doubt Warren Buffet is one of those. He said "Be fearful when others are greedy and be greedy when others are fearful".

A lot of people aren't buying property because of all the fear and the issues we are seeing, and some markets are actually losing value... you know, property prices are going backwards. I read something the other day where the Melbourne market had "gone back 7% in the last 12 months" and yet it was still up 40%.

It's actually up 40% since 2007, so the messages are kind of scary. The reality is that looking at the traits of successful investors and looking at my investing experience over the last 10 years and yours over the last 20 years, what it really comes down to is a) buying when you can afford it, b) buying the right property at the right price and c) understanding how to find it. Those are the real keys to being successful as an investor.

So it really doesn't matter when you buy. However having said that, there is a lot of opportunity when there is an atmosphere of doom and gloom because people aren't buying, therefore there aren't that many people in the market and so it's a buyers' market. People are fearful of what is around the corner; however if you have the right strategy and you actually put in place some real fundamentals then I believe that now is a great time to buy.

"Be fearful when others are greedy and be greedy when others are fearful"



So Jane, I'm really interested to hear the start of your story, because you're very successful now, with a multi-million dollar portfolio but how did you get started?

Starting out

I was actually a risk manager with an explosives company, so my job every day as an engineer was to assess risk, and as a former mining engineer dealing with explosives at mine sites, you probably wouldn't have found a more conservative person... often looking at the negative, or bad side of things.

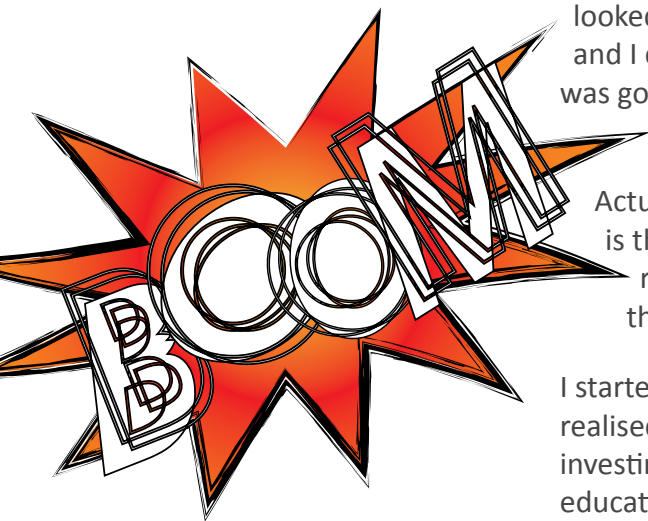
I pretty much realised, around the age of 28 that I wasn't getting ahead, and I was going to have to work to fund the lifestyle I had... and you know I had a very comfortable lifestyle, but I really didn't have any measure on what I was spending, or any goals. Then I looked forward, you know... I looked at my parents for instance, and I could see how hard they were working and it struck me that I was going to be working forever just to get to a point where I wasn't too sure I wanted to end up.

Actually I think there's a great Australian crime going on which is that people are working 40 hours a week for 40 years only to retire on 40% of their income... just when they want to get out there and they have all this time.

I started reading "Rich Dad, Poor Dad" [by Robert Kiyosaki] and I realised that I had to do something. So I started reading property-investing books, and going to investment seminars. I realised that education was the key to understanding what I could do.

So after having read more than 130 books, I collated not just the tips of those who were successful, but it became equally as important to me to understand what people had done wrong, because I sure didn't want to replicate the mistakes others had made. I looked at successful strategies and unsuccessful strategies and I collated these so I could develop my own strategy.

We (my husband and I) basically started our research on what we wanted in an investment property and where we were going to find it. We started back in 2000 looking at how we were going to buy



a property that was going to create equity for us so that we could actually get to our goals. But first we had to work out what it was that we wanted to achieve in 10 years time.

When we started with our first property, I had \$45,000 in savings and I put it all into a property that cost me \$425,000. The government took \$25,000 of my \$45,000 so I didn't end up with much of a deposit. I subsequently borrowed another \$50,000 for a renovation, which we completed in 6 months and the original \$425,000 property was turned into a \$700,000 property. After that, I took the money from that property and bought another property, and the money from that property and bought yet another property and that's how I built my portfolio.

Jane, can you tell us in a bit more detail how did you find that first property?

Doing the research

Well as I said before, we did a lot of research so I knew that because I had a relatively small deposit – 5% of the property price I was aiming for – that I really had to be clever about selecting the property.

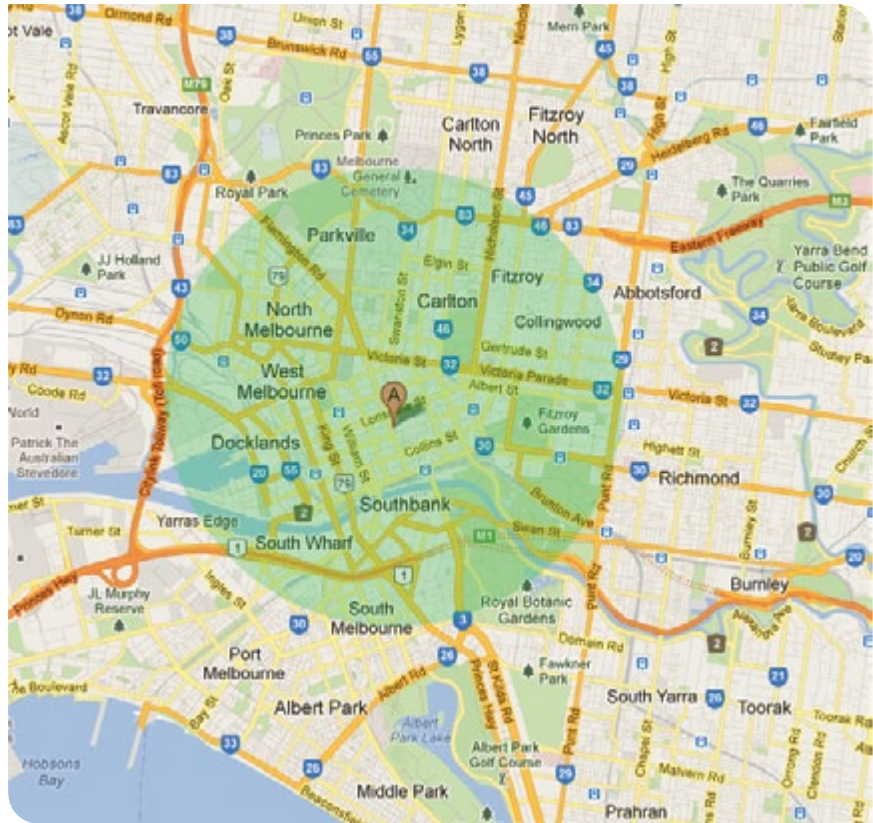
I knew that capital cities hold their value well, they don't have a lot of the population changes we see in regional areas and so I really wanted to concentrate on a capital city. I was living in Melbourne at the time so I started looking at areas in Melbourne.

There are over 12,000 suburbs and towns in Australia..

So basically, I knew people needed to live where they worked and most people worked in the Capital cities near the CBD, so I grabbed a great big map and I drew a 5km circle around the Melbourne CBD and came up with about 14 suburbs... that's when the work really started.



So would you still do that? Would you stick to 5kms from the CBD?



That's an interesting question. I know there are a lot of emerging regional cities that have multi-industries and looking at the Australian Bureau of Statistics (ABS) I can see that these areas have really good population drivers, which are going to influence population growth, which will in turn mean there will be a greater need for accommodation. This means rental yields will go up and prices will go up. I can see those dynamics in larger regional areas and I can also see the flow-on effects of what we've seen in the last few years in the mining boom. There are areas that capitalise on that... not necessarily in the mining towns, but in the surrounding towns that have port facilities or accommodation or work... consultants or contractors are travelling from these each day.

So getting back to capital cities, being a risk minimiser I knew that I had one chance to get this right and I was going to minimise my risks, so capital cities are where generally 70% of the population lives, and that's where the accommodation need is and so that's where I concentrated initially.

However looking at future strategies I wouldn't necessarily be opposed to looking regionally.



So for a relatively low risk approach you thought it was safer to stick to something that was going to have steady growth rather than a ‘boom and bust scenario’. Is that a fair assessment?

Yeah, absolutely! As I said, there were 14 suburbs I looked at and to be honest, out of those there were probably about eight that I couldn’t afford at all. I’d already done my numbers and I knew my borrowing capacity. I knew the dollars I had to contribute and really I was topped out at a purchase price of \$430,000.

So that helped you narrow it down a bit from 14. How did you get from 14 suburbs down to one house?

Exactly... that’s the million-dollar question isn’t it? Literally!

I took the suburbs that were left – there were about six of them – and looked at their median price. I was looking at median price because 80% of people buy just one side or the other side of the median, so once again to minimise my risk I was looking at the median price of each area. It’s a good measure because as you know, the back of the property magazines talk about the median of an area so it’s easy to follow what’s happening there.

Of the six suburbs, in two of them the rental yield and some of the other dynamics were either over exposed to a lot of units, or so close to town that they didn’t have the required infrastructure, or they just didn’t fit what I felt were the needs of the area and of the people.

So it came down to about three suburbs in the end and I narrowed my search to Fitzroy, Collingwood and Carlton. These are three suburbs really close to the city, they had a little bit of quiriness about them so there were a lot of people who wanted to live there. There was a good cafe culture, really great infrastructure, commutable distances to the city...less than 15, 20 minutes on the tram or walking even.

After I had chosen those three suburbs, then I decided to get really intimate about them and know everything about them. So I started getting serious with the research. I knew the median price and that’s when I started looking at demographics. I was looking for mainly renters but I wanted to know what the typical person in that suburb looked like.

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The ABS gives you all this information... in fact a lot of websites, even www.domain.com.au, www.realEstate.com.au, all of those major sites actually take the ABS information and distil it down to demographics, so you can really quickly find out what the area looks like. Rather than calling it demographics you could call it rental appeal when applied to an investment property.

So for example, if I was looking for renters and one of those suburbs came up with '60-70% owner occupied' then I would be concerned there may not be a rental market for me, and if I was looking at buying a house for instance and I could see that 50-60% of the population of that area wanted to live in a 1 bedroom unit, then that potentially wouldn't fit what I was after.

I did that type of demographic research and I was looking at the type of industries people were in, and their income because I wanted to ensure I wasn't exposed to an area... obviously in the city that wasn't so much of an issue, but if I was looking in outer suburbs then I would have been looking at whether the population in that area was heavily dependent on the local manufacturing company because if that manufacturing company went bust then potentially 40% of the population... you know, fitters and turners... trades, were potentially going to lose their jobs and therefore couldn't afford to rent in the area. So I was looking at that kind of exposure as well.

Then I looked at rental yields to ensure there wouldn't be a large gap to make up between the mortgage interest bill and the rent that was coming in. Then I started looking at... just at the area, so I started walking all the streets of those three suburbs. Because those three suburbs were close to each other it made it very easy and also the demographics didn't change considerably, which means I didn't have to keep so much in my head when inspecting.



EXAMPLE:

So keep in mind that neighbouring suburbs usually have the same demographic profile so the property you need to buy will look the same or similar... as an aside, years later I wanted to purchase in Sydney. I was looking at Mosman, Manly, Balmain, Newtown and Maroubra. In Maroubra and Manly I was looking at 2 bedroom units, while in Balmain and Newtown I was looking at terraces and houses. In Manly there was no requirement for a car park but in Maroubra there was. I had to keep in my mind who my customer was and who my ideal renter was as well. One was someone who wanted to live in a unit with or without a car park while the other was a 'double income/no kids' couple who wanted a house. So it's very hard when the suburbs are so diverse and the demographics change so greatly to keep in your mind when you are seeing ten properties a day which type of property you are looking at in which area. It's handy to have areas together.

So if someone wanted to do what you were doing today, would they just go and buy in the suburbs you were mentioning or would they have to go through the research themselves?

No, they'd definitely have to go through the research themselves. And once again, it comes back to your own situation and specific circumstances.

So in my case it came down to affordability. They were the median prices of what I could afford and the median prices in these areas today are so much higher that if I turned up with a \$450,000 buying capacity, I wouldn't be buying a terrace house in the area, I would be looking more at units. It would be completely different.

I find that I have conversations with investors a lot and they say, "Look I'd rather save a 20% deposit so that I have a little bit more 'skin in the game'... I feel more comfortable and I don't want to pay mortgage insurance. However saving 20% is going to take me 5 years." I know that if I had spent an extra 5 years waiting to save the additional deposit (remember my deposit was 5%) then that \$425,000 property that I ended up buying would have been worth \$600,000 and hence, by the time I'd saved my 20% deposit



of \$425,000 I would be looking at a lesser property. So I knew that paying mortgage insurance and putting in a 5% deposit was an opportunity cost.

Regardless the fact is you either do the research yourself, pay a buyers agent to do it for you or risk not ending up with a property that will suit your needs and get you to your goals. In my case, essentially I walked the streets... I went to every open home, in my chosen 3 suburbs. I knew that renovation was the strategy I was going to use, so I went and looked at properties that were above the median price... so I could see what the standard was that I should be renovating up to. I knew that I had to buy below the median price because I wanted to renovate just up to or above the median price so that if I had to sell. Remember I am a low risk investor so I had a further backup plan to just having a property that fit the norm or what a median property should look like and attract 80% of the renters and future buyers. Hence as a further low risk strategy I knew I needed the renovated property to be just a bit better than everything else in the market at that price range, hence making it easier and quicker rent. This meant I had to buy below the market and renovate up to or above the standard of the market to once again, so another step to minimise my risk.



Here's my super secret... for every 10 properties I looked at to purchase, I also went and visited a rental property so that I could hear what the renters wanted. I'd hang around doing my Pink Panther imitation and listen to what they were saying. And they'd say things like "Does this have Foxtel?" "Gee it's a pity they don't have security bars on the windows" "Pity it doesn't have a car park"... you know, just simple things, but I started listening to what my customers wanted..

Also I knew that I would have to appoint a rental manager at some stage, so by actually attending these open homes I could also see the agent who was sitting there on their Blackberry using Facebook, (well, actually it wasn't Facebook back then), but they were sending emails to their friends or calling their friends on the phone and everyone coming in was ignored... or told " put your name down... yeah, take a brochure, have a look" and they weren't really interested, they'd give out a few rental applications. It was the agents who were really proactive, pointing out the benefits of the property and the features of the property that I wanted to have managing my property in the future.





So you went around and eventually you found a property, then what happened?

My first property

We were always looking for twists. My husband and I were looking for a property in a certain price range, and there was a property that had come on the market that was on two titles but was on one bill of sale. This meant that when the auctioneer was saying, “going once, going twice, \$900,000”, he was actually selling two properties worth \$450,000 each. So we pretty much got rid of our competition up front because the people we were bidding against in other auctions were bidding up to their capacity at the \$450,000 mark, but we had pooled our resources he (my husband) put his name on one title and I put my name on the other. Also, because there were two properties being sold at once, we were actually getting the benefit of buying what would be considered below the market.

It was an interesting situation not many people would sell the properties together usually they could get more individually. However we did our research, , they’d been built in 1860, they were in a pretty tired state.

We went back and did the research; I went to www.residex.com.au and bought a report on the house and it gave me some past sales information on the house and it told me the owner had tried to auction it the year before and it had passed in at \$1.05 million,



the reports essentially said we'd have to spend \$100,000 to make these properties liveable

and two years before that she had put it up for auction and it had passed in at \$1.1 million, so this woman was interested in selling. She had been there for 20 years... I could see through Residex when she'd bought it and what she paid for it. I knew that she owned both properties. And having seen her personally, she was someone who was getting ready to relax in life - if that's the way you put it - and she'd had three attempts... this was the 3rd attempt to sell, so I was pretty sure that she was motivated.

People had been putting bids in beforehand, and on the day of the auction we were the highest bidder but it was passed in at \$875,000 and we were asked to go in and talk to her.

We took the Residex report and the building and pest inspection reports. I've never seen a happy story with those... I think sometimes the inspectors have to come up with something to make it look bad. But the reports essentially said we'd have to spend \$100,000 to make these properties liveable. We put forth some comparable sales we'd got through Residex, and said "we don't think it's worth any more" and she said, "well based on what you've given me I guess that's the case". So that's how we got both properties.

We ended up paying \$900,000 for two 3 storey properties. One didn't have a car park and it was in worse condition, it also topped me out at my borrowing capacity, so I took that for \$425,000 and Todd, my husband took the one next door for \$450,000.

Creating equity

We did a lot of renovation. We got a builder involved but we knew we didn't want any structural work done because that meant going to council... we had a heritage overlay that we were kind of aware of but didn't realise the full implications of until we weren't able to choose our colour scheme. We ended up spending six months with council choosing the appropriate colours, which in itself was a bit of an issue and which was why the renovation took so long.

We thought we were being kind of clever because we had two kitchens, two bathrooms and eight bedrooms between the two houses, so we thought we'd just renovate one house and move into the other... not a big deal. But the very first week it rained (Melbourne weather) *and* the builders had pulled out both kitchens.



So you couldn't live there?

So we learned that we should have communicated our plans with our tradespeople, which we've subsequently done in later renovations. So yeah they pulled out both kitchens and we lived with only a microwave, a toaster and a fridge... really close to over 50 restaurants but we had no money to spend on them. We lived on microwave food for 6 months... at least.

Accessing the equity

So you renovated and then what did you do?

After we renovated, I was relocated with work up to New South Wales (NSW), so we had to go and we basically grabbed the available money from the properties and moved to Sydney and started looking for properties again.

How did you grab the money? Did you sell them?

No... that's another one of my secret strategies. I think it's a myth – which I bought into originally as well – that you have to sell a property to get access to the money. I turned a \$425,000 property in six months into a \$700,000 property so there was a lot of equity there and basically I increased my 5% deposit up to a 20% deposit.

Can I just pull you up there. Would you go through all those numbers again?

OK, the property I bought was \$425,000 and I did a \$50,000 renovation.

Right, so it cost you \$475,000 in total.

Well in actual fact it cost me the interest repayment as well...on the \$50,000 I borrowed for the renovation, plus interest repayments on the loan to actually purchase the property. So when I added up all of my costs, although I increased the value of a \$425,000 property up to \$700,000 after all the costs, I made \$175,000 in that 6 months.



And that was your first ever renovation?

Yes, first ever renovation. Most people don't give you the dirt on is how you actually find the property... which is what I've shared here.

We went through a lot of research, and obviously people can get real estate agents or someone else to assist them so they don't need to do it all themselves, but I realised that I had \$45,000 and the government was going to take more than half of that so what was remaining was going to be a deposit on my future and my future net worth so I had to make it worthwhile, and it was worth my while to put all that time and effort into finding the right property.

Although I was buying my first home I thought strategically thought like a professional investor. I obviously had a day job, so I wasn't the professional investor who gives up work to become a property investor, but I was thinking like a professional and I had been studying the professionals and the successful investors. I went back through all the books and seminars that I'd attended so I could get ahead and get the strategy right, and I knew I had to put the time and effort into doing that.

Subsequently we (my husband and I) went on to buy quite a few properties and, I 'pulled money out' to buy subsequent properties. When I say I 'pull money out' that's about creating equity. I created about \$175,000 in equity the first time and then I accessed that equity for subsequent purchases.

I could spend another hour telling you how I did that strategically with my valuations and working with the lender in making them realise how much value I had added but that's another story.



Many of these strategies are discussed in Jane's new book "Your Property Success with Renovation" [click here](#) for online preview; and in Jane's online and downloadable courses, which can be reviewed at www.yourpropertysuccess.com.au



I know you haven't got time for that now, but I would suggest that anyone listening get hold of that information because you've got some great tips on how to get value out of it and because some of the stuff you do is very clever.

On the valuation side of things, I knew the numbers I needed to make and I'd been working toward that so I basically had the bank and the valuer agree on that number – which I could substantiate with comparable sales – and once they had agreed on that number and I could prove that I could service more debt, I took out more money so I didn't have to sell the property to access the equity I had created.

I went to Sydney and bought another property that I also renovated, and then I did the same thing again, and again, and again... and you know, seven renovations later I have a large property portfolio. So accessing equity is the absolute key that a lot of people miss. They think they need to sell in order to realise the value that they've added, but they don't.



I think that's a really good point actually because I think a lot of people make that mistake and then you sell and by that time you've lost money on capital gains tax and stamp duty and things, when you would have been just as well off to draw it back out as equity for the next purchase.

I remember reading a book by a very well known property investor who had bought and sold, something like 200 properties and completed renovations on most of them. At one of his seminars someone put their hand up and said, "So what if you'd kept them, where would you be today?" And the guy went home and did the numbers and stated that he would never sell again.

I personally have never sold a property. If you want to learn from someone about how to sell a property I'm not that person, because I haven't done it.



So you've never sold one. You said you've done seven renovations, so was that one after another, drawing out the equity and going onto the next one?

Exactly. I did that all from the first \$45,000 which was my saved deposit. Some people might have that as equity in their own home even, but that first lump sum of \$45,000 that I contributed to that first property was the foundation. All my subsequent purchases have been made from the equity I created in the previous property.

Which is why getting those first couple right and creating a good amount of equity makes such a difference, doesn't it?

And you may only need 2 properties to achieve what you need to achieve.

Wow, really?

Yes, I've done the numbers; I know that you don't need many properties if you choose the right properties at the right price.



Renovation lessons

So you're the queen of renovation then. Can you give me some tips on how to paint?

Been there and done that. I was watching one of those shows where for a weekend 70 people turn up in the background and renovate a property and it looks easy. A lady came in to where one of the painters was and picked up a brush and started painting and said "well that was fun" and he turned to the camera and said, "painting's always fun for the first 5 minutes", and I think that sums it up.



Do you do all your own renovations?

Not now. In the beginning we were really tight on our budget and we knew we had to contribute a lot, but now I know that my time and energy is better spent finding the properties and finding the items for the renovation. I never pay full price for these; I'm always looking for ways to create value with a product that's going to have lasting features but also look fabulous and not cost much. It's all about perceived value and not actual value.

So when it came to painting the first property, we were up at 6am each day, painting 'til 7am, going to a job, coming home at 6pm, painting 'til 11pm and painting for 20 hours every weekend... and we did that for 6 months!

Then I was moved for work away from Melbourne and we had to finish the 2nd property quickly. We got a painter in and he got the entire amount that we had achieved in 5 months done in 5 days.

Oh, that would make you cry. So would you recommend that people do their own renovating?

Look, I think there's nothing worse than going to a property inspection and walking through the property and seeing that someone's been practicing their tiling. It just tells you straight out that they're having a go, or they just picked up some tips at Bunnings on the weekend.

When you consider that basically your renovating strategy is to create wealth, then you need to get it right. And in the beginning when you don't have the money to have people do everything for you I know that you have to do it yourself and you have to become an expert.

The reality is we still do some painting ourselves every now and then... if we have a property that is coming up for rent and it needs a couple of quick coats of paint, then a couple of hours and a couple of quick coats of paint is fine, but getting a professional in to do a kitchen or bathroom, re-carpet or whatever is worth it. You realise that your *time* is actually the commodity you trade in, not money, and when you see your time as a commodity then you start realising that actually getting other people in to do that work for you is a better use of your time.

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I think you made an important point before you said you spend your time sourcing the materials. I know I'd rather spend a few days hunting around the auction houses and websites and find a brand new but second hand kitchen for \$3,000 and then pay someone to install it rather than spend \$25,000 to buy a new kitchen. It's kind of a balancing act isn't it really?

Do you know www.graysonline.com.au? I pick up things from there all the time and just recently I picked up a brand new \$1200 oven for \$300, so you can – if you put the time and effort in – really find the products that you're after and you don't have to compromise. And when you show the valuer through the property you can point out the Miele oven, for instance. It's a matter of finding those items and finding the properties and project managing the renovation, which is where my skill set is, rather than getting in and 'doing hammers and nails'.

So apart from the hammering and nails, if you were going to give a suggestion to somebody just starting out, what would it be? What's the most important thing you've learned from the experience, do you think?

I think it's planning. Knowing exactly what you want to achieve. I knew when I started that the property I was renovating had to look like a \$700,000 property. I knew I had a very small budget to do that, so buying well and buying below the market and creating equity in the short term was imperative.

Buying in an area that had growth potential and population demand for the type of property I wanted meant having the drivers that were going to make the property go up in value. And then not just renovating it, but renovating it so that I was adding a good amount of equity so that I could increase the rental yield and the value of the property, and so that I could pull more out and get going and buy another property sooner.



The Trident Strategy

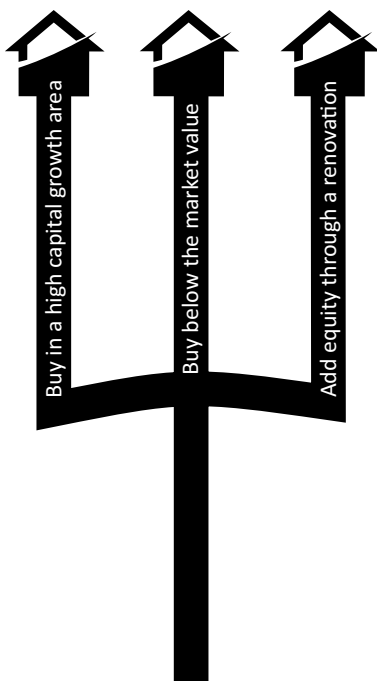
I love the way you worked out all the pros and cons and the details and how the strategy worked. So would you say you've got a specific strategy that you've used on those subsequent purchases?

I have and it's one that I developed initially but perfected over the subsequent seven properties we've purchased. It's what I call "the Trident Strategy" because I realised that I had three prongs of success.... you know I was an explosives engineer and always had my risk goggles on... I wanted to make sure I didn't have just a plan A, I wanted a plan B and a plan C when it came to making money.

One of the things that I looked at with some of the mistakes investors were making, or rather *unsuccessful investors* were making, was they really only had one strategy and I think that was 'the hope strategy'...they bought a property and kind of hoped it worked. I knew that was not what I wanted to do. The Trident Strategy really allowed me to make money in the short term, the medium term *and* the long term, and the beauty of it was that if I got one of those wrong I still had two fallback positions for making money.

The trident strategy is essentially about buying below the market... so you need to understand where you're buying and why you're buying and making sure it fits in with your goals and your long term plans.

Buying below the market (short term) and then renovating to add value to the property which increases the rental yield and also increases the value (medium term) which allows you to access equity and purchase gain, if growing a portfolio is what you want to do. So the long term money making strategy is buying in a high-growth area. Understanding the fundamentals that drive growth and applying that to the area that you buy in is important.



Can home owners do this too?

So are these strategies something that only investors can use?

It's interesting you should ask that because *Money Magazine* recently asked me to speak for them at the HIA Home Show in Melbourne and Sydney and they really kind of stumped me. They threw a challenge out and said "You've been teaching property investors for over 10 years how to invest in property using low risk strategies so they can grow their net worth, but surely there's got to be some of those strategies that home owners can use as well".

This made me sit back and think and the reality is I started with my first property being my first home by using investor strategies and of those, I came up with six strategies that I thought that home owners could also use. But if you think about it, buying below the market and being intimately aware of what's going on in the area that you're looking at is a great fundamental that home buyers can apply so the Trident Strategy can work for anyone buying a property, in actual fact any asset but that discussion we can leave for a future date.

The reality is that 60% of people live no more than 9km from their previous address... usually 3 or 4 suburbs, so if I could teach people how to do an analysis on those 3 or 4 suburbs and they knew which ones were going to go up in value faster than others, then they could actually be so much further ahead. So I did this during the HIA Home Show doing analysis on 2 suburbs next door to each other, each with the same median price, but with a 1% capital growth difference. In 8 years that was equivalent to \$100,000 in net worth at one property with a higher value over the other. And you know that \$100,000 would get someone into their next home sooner or pay for the kids' wedding or the new car, the holiday, the renovation or even an investment property.

So when I look at the strategies I apply to my investment portfolio, most of them are equally suitable for homeowners to apply as well.

60% of people live no more than 9km from their previous address...



Listening to the way you do things Jane, you must be one of the most strategic and structured investors I know. I suspect it might be the mining engineering background again. Yes?

It's funny you should say that, because you don't have to be an engineer to get it right and one of the things that I've really concentrated on over the last few years is distilling that engineering thinking down to a few success categories so that others don't have to go through the pain and the research that I did.

I know that if people went and spend the time I did reading 130 books and doing all the education I did, it could take them five or six years to take action, when actually isn't it better to be able to fast forward and learn from others who have done it successfully?

And that's actually what I think is really exciting about the program you've developed because most people I know... there's no way they would have the persistence to sit down and do all the study that you've done, but if they could just suck your brains dry and get all that information then why wouldn't they really? In fact you have bomb proofed your investing strategy and now you share it.

If you would like access to further training through 3 free videos on property investing strategies and information sign up here to learn more:
www.yourpropertysuccessnow.com.au



However that brings us to one of the more frequently asked questions what happens if the Australian property bubble just bursts?

Will the bubble burst?

I'm asked to speak about this in the media all the time and not a week goes by when a newspaper or magazine doesn't ask me to comment on this. When you look at it, the questions are usually coming from the fact that people are comparing us to the situation we're seeing overseas. The reality is, Australia's property market is somewhat different and the first time I found the words 'property bubble' in the media was back in 2002. Now, if there was someone out there who read about that back in 2002... and thought "it's not the right time to buy; it's all pretty scary at the moment; I'm going to stay out", they would have missed out on more than 40% in capital growth... in actual fact a lot of people would have doubled the value of their properties had they bought in 2002.

It's about being aware of the fear and putting in a strategy and having the structure and taking the time to be educated like I did to plan your path. If you just pick up a copy of the RPData Home Equity report, you will see over 45% of homeowners now have a property worth double what they bought it for... that's a lot of equity! A lot more than the \$45,000 I had when I bought my first investment property. So when people tell me they don't have money to purchase an investment property I tell them to look at their home – their biggest asset that could start working for them.

So from the capital growth that we've had and the large amount of equity most Australians have in their properties although we can't say what's going to happen in the future but together with the strong due diligence of the banking structure and regulations that we have in Australia (which isn't evident in some countries overseas), we're in pretty good shape.

When it comes to lending there is a number of hurdles, a certain level of deposit is required before the banks will give you money to buy a property, and they do stringent testing on if you can afford the loan. Most banks add 2% on to the current interest rate to assess that you can borrow the money just in case rates go up, so they're kind of bomb proofing you as well.



We have 30% of the Australian population who own their home without a mortgage, which is huge! Another 30% who rent and the remaining 30% who are paying off a mortgage, so basically we have a huge percentage of home ownership, we have a huge percentage of people who have a huge amount of equity in property and 30% haven't even got a loan against it. So in regards to the 'bubble bursting theory'; I think that we're in a really good position.

However as I said, I'm always after plan B and plan C and that's why I've come up with the low risk strategy that I put in place along with a methodology of understanding what the issues and risks could be and always asking myself how can I minimise that risk. For example its as simple as "What happens if my tenant doesn't pay their rent or leaves or damages the property"? Well I can get insurance for that, and that insurance is tax deductible. So just a simple risk I can minimise and if I can't minimise the risk then it's something I wouldn't do.

Then what you're saying about the difference between you and a lot of unsuccessful investors that I know is that rather than being paralysed by the risks, you've actually gone through them all and considered the smart things that successful investors do to manage these risks and then taken action instead of just sitting there and wailing about it. I think that's kind of cool.

However, for those people who are still a bit concerned about investing, what are some of the biggest mistakes you've seen people making and what can they avoid?



The biggest mistakes

I think one of the biggest mistakes people make is they don't set a specific goal to start with. You know I speak to a lot of investors, and when I ask them "What is it you're wanting to achieve"? Some of them say "Four, five or six properties". Now four properties in Double Bay vs four properties in Timbuktu is going to give you a whole different outcome.

The next mistake, I often find is that people just don't know the numbers... something as simple as "how much is the property going to cost me"? Some people get to settlement without realising the additional thousands they owe in disbursements. Some people purchase a property without understanding that they have to actually pay 'on-costs' which might be up to 25% of the rent each week... you know, insurance and strata fees, council rates etc. So they haven't actually done the numbers to ensure they can afford it. After all you don't want to be eating baked beans for the next 20 years while you get rich. It's about being able to afford to invest *and* have a lifestyle.

A lot of people follow the latest craze. They don't know how to evaluate where to buy, so they don't know where to start looking, so they get caught up in the 'get rich quick' methods that a lot of investors are following at the moment.

'Buying in a mining town', 'Adding granny flats' ...there are so many strategies out there. But when you don't actually know where you're going to buy, when you do buy it may not have all the fundamentals you actually need to afford to keep the property; such as good rental yield, which helps you pay the difference between your costs each week and the interest bill; or good capital growth, which is really how you get out of your property portfolio in the long term.



You know, I reckon there are a couple of questions that people ask you fairly regularly and when you hear them you know straight away that they haven't really grasped the point of investing yet. One of them is "How many properties do you have"? And the other one is "What's the next suburb that I should buy in"?

What do you think? Do you agree?

Absolutely. I chat to Terry Rider from Hot Spotting and John Edwards from Residex frequently and you know, even I'm tempted to say to them, "Where should I go next"? These guys have so much information at their fingertips and they're monitoring the market to see what's moving and identify potential growth opportunities.

However the reality is they could never answer that question, and nor could I for anyone, because it comes down to what suits you, what your goal is, what can you afford, and what's going to be the best opportunity for you to buy to satisfy that goal.

So on that note then, knowing what we shouldn't do, with the successful investors that you've been studying, what are the things that they do successfully?





Secrets of successful investors

Mel, you know as well as I do that successful investors start with a goal, and you know there are 1.6 million property investors in Australia, which is incredible.

There are more than 400,000 investors who have 2 or more properties, like you and I, and more than 14,000 who have more than six properties. So you know, there are a lot of people investing successfully in Australia, which is really good news.

Those I have looked at and modelled have the key characteristic of successful investors in that they've set goals... and for investors it's about having a defined goal, which is not about four properties or 10 properties, it's about having an idea of what amount of passive income they want and when they want it. For example, "I would like \$100,000 passive income in 10 years' time". Once you have that type of goal set you can then start working out a strategy to get there.

Now for a homeowner, it could be that you want to be in your dream home within seven years and the dream home looks like this. Or you would like to be able to access equity in a period of time to pay for your daughter's wedding or go on that holiday or even buy an investment property, so it's about having a goal.

The next thing that successful investors do is they actually determine their property investing strategy. Now most of us are familiar with 'buy and hold' as a strategy because 70% of us in Australia are homeowners, so we understand the concept of buying the property and holding it for a period of time and then selling it... and that's what most people do.

However, there are many other strategies out there; there are people who buy, renovate and sell quite quickly, there are people who develop, there are the people who did the granny flats... there are so many different strategies and it's defining which ones will get you to your goals. So it's actually the path to your goal.





They distill those 12,000 suburbs in Australia down to maybe 40, and then do the analysis to find out which ones fit the criteria

Once you have those two things defined, the other thing that successful investors do is to have a buying criteria: they know their numbers, they know they can afford to buy a \$400,000 property and their criteria are they need to buy in an area with a 7% capital growth prediction over the next 5 years and one that has strong fundamentals of population requirements for properties in that area.

They also understand the demographics and they understand that if they're developing for example that they might need a corner block of more than 800 square meters. If they're renovating they might want an older style property that only needs cosmetic or basic renovation, rather than large structural renovations, so they have specific buying criteria and they know what rental yield or capital growth requirements they are looking for.

They can distill those 12,000 suburbs in Australia down to maybe 40, and of the 40 they can then do the analysis to find out which ones fit the criteria and have the fundamentals that they want, and then they can get that 40 down to 5. So instead of looking at thousands of properties on the internet, they've got 5 suburbs, they get to know those suburbs and there's a large list of characteristics that they need to study to understand those suburbs, but they can refine it down to the property they want so 90% of the work they need to do can be done on the internet and they're not out every Saturday looking at 100 properties.

So here's a question for you. A lot of people when I tell them something to the effect of what you just said, they say "Okay, so which strategy should I pick?"



Which strategy?

When we're talking about which strategy you should consider, it really comes back to your risk profile.

One of the exercises I have people do in my online courses is actually defining their risk profile. So for instance, if someone said to me "I've got this much money and I cannot afford to lose it", and my getting them to walk through how they have handled their money in the past they can determine whether they're a low risk or a high risk investor.

Now a low risk type of investor is going to want to understand a) what the risks are and then b) navigate them. So for them, it's not about buying in the single industry town where if that industry closes down no one wants to rent or buy the property. For them its about understanding the fundamentals of good population growth.

You know that information is free and easily available on the web. I noticed recently that the population growth and household characteristics as forecast up to 2030 for Victoria, was recently released. That's means council is going to be planning infrastructure and requirements around that, as investors where councils and others like Government and large retail outlets will be spending money on infrastructure due to population demands should really be of interest. It also tells us that the population growth we saw in the 80s and 90s in the south-east and east in Melbourne is going to be almost doubled out to the west in coming years.

Wow, and that's all available, that information?

Absolutely! It's free; you just have to know where to look.

So coming back to risk, people who have a higher risk tolerance or maybe have more money they're willing to risk – which if they lose due to a bad investment means life will go on and they won't be eating baked beans on the street. So they may look at a higher risk strategy, which could deliver returns sooner; like property developing for instance.



That's really interesting. So are there any other things that successful investors are doing?

Successful investors educate themselves. They step back and do what I did, they look at what other successful investors are doing and see what mistakes unsuccessful investors are making. Now you and I both know we've made a lot of mistakes along the way, but unlike a lot of people we know, we're quite happy to share them so others can learn from them and not have to read hundreds of books or spend thousands of dollars attending seminars.

One of the other things successful investors do is take action!

So I think successful investors basically:

- 1) have a goal; and
- 2) model themselves on success so they understand what do to correctly.

I've spoken to many people who've said, "Our friends are out buying properties and so we decided it was time to buy an investment property. We know these areas are blue chip but nothing really happened, and now it has cost us money and we don't understand why".

Well it's because they didn't really start with a *strategy* or even know what their goal was.

One of the other things I think successful investors do is they take action. By taking advantage of opportunities when they present themselves I have bought properties well below the market value. I bought a unit that was on the market for \$420,000 but I offered \$310,000 and because the vendor was worried about interest rates and didn't need the property any more he said yes. I know it's about taking action and having the gumption to get out there and do something, but do it with a plan and know where you're going.



Learning from an expert

Jane, I know you've put a lot of effort into the last couple of years, into working out how you can share all this information with other people so they can do some of the stuff you've done. Can you share some of that with us?



As I mentioned I've been to a lot of seminars and I've learnt a lot of information for which I'm eternally grateful, because I've put it into play, however sitting in a conference for a day or two was kind of limiting for what I needed. I needed to have exercises, I needed to put the information I was learning to work straight away, to understand it better rather than just get caught up in the seminar hype and enthusiasm.

I started thinking about all the information I've collected over 10 years and more on investing and how I could share that and so I looked at putting all my information online through online and downloadable courses, so people anywhere, anytime; in the comfort of their own home could take their time going through the information. But not just going through the information, also having relevant exercises, having a workbook they could work through and actually develop their own goals, strategies, buying criteria, letters of offer, contract terms, all that kind of information... websites they wanted to remember which they could use to find the demographic information etc. I've spent the last couple of years taking everything in my brain and putting it online and just making it accessible.

So when you say you've got it online, you've got things like sample letters? How are you going to teach people to write them, what sort of stuff have you got online?

Well, for instance, there are so many conditions you could include in a letter of offer but the more conditions you include the less attractive the letter of offer is to the vendor because it just becomes a little more difficult. It's around being aware of the many, many terms you could use, but also being aware of the things that are just vital.





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3. Your Property Investing Strategy:

Discover the MANY types of strategies used by property investors, and find out which one works best for YOU!



4. Minimise the Risk for your Strategy:

Learn the risks of your personal strategy and discover how to minimise those risks to make your purchase as low-risk as possible.



5. Establish Your Buying Criteria:

Create the specific criteria that will allow you to quickly find an investment property and immediately decide if it fits within your personal strategy.



6. Taking the Next Step:

A recap of what you've learned so far, and preparation for the next step in your journey to the property portfolio of your dreams.

For example, you need to have time to do pest and building inspections; you need to have a finance clause in there which says you have time to seek finance; and you need to have acceptable finance available to you, which means you have to send an application to a bank, who have to send a valuer out there, and allow time for them to evaluate the asset and decide whether they're going to lend... that's not a 24 hour activity, even if you have pre-approval.

So you know, it's taking people through the information where you might say "Yes, you need to make a letter of offer, and then helping them develop specifically what then need to put in their letter of offer.

You need to do demographic studies on an area, so I take people through that exercise... For instance "Here is a postcode... this is the demographic information. This is what I would read from this, now go and get the demographic information from this website for the areas you're looking at and have a look at what you think that you can pick up from it. "Do people want to live in houses or units? Do they want to have carports, or is it more important to be close to public transport"?

You can pick all that up so quickly and it helps to decide whether you're buying criteria has been met, so that 90% of your work is done before you hit the streets.

I've tried to make the information so accessible. It's available for Kindle, iPad, as PDF and online for reading... so there's no excuse in my mind. It's about having affordable high quality education that's available to everyone because I believe education is a right and not a privilege and I sincerely believe that if people do this properly they can increase their net wealth.



Where to from here?

So, a final message to take away. For somebody who's inspired by your story, what can they go away and do right now?

I think an absolute must for everyone – be they an experienced investor, a home buyer, or a first time property investor – is they just need to go and set their goals. I can't stress this enough. Understand where you're going and why you're doing what you're going to do, because you're going to put some really hard work into this. This is not get rich quick. This is a process to create wealth so that it's sustainable for you and your family, for future generations.

I'm really committed to helping people set a realistic goal, a goal with a time frame that's achievable, so I'd really encourage people to walk away today and understand how to set some goals for yourself so you know what you're working towards.

Looking ahead to what you want to achieve for you and your family, starting with the fundamentals, and understanding how you're going to get there... that is something that you can do right now.

That is great advice. Thank you very much Jane, this has been a really interesting and I appreciate you taking the time to share your journey with us.

As you and I know, Mel, we've had a lot of success with property and 'Your Property Success' is about sharing my successes with others so that they can have their own success in property investing.

I'd really encourage people to look through the veil of doom and gloom and look at the Warren Buffets and the other successful investors. There is opportunity out there now.

Make sure you can afford it, understand your costs, understand your goals and understand your property investment strategy and you'll be well on the way to your own property success.



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WHAT NEXT?

If you enjoyed this interview and want to know more about how you too can become a successful investor while avoiding the “get rich quick” scams then check out the range of affordable and easy to understand resources developed by Your Property Success.

Jane Slack-Smith is the founder of Your Property Success and also a property investor, educator and market commentator.

Jane launched Your Property Success to give her a way to provide low-cost high-content property investment education to ordinary Australians and to help people just like you to take the steps towards financial freedom.

This is no “get-rich quick” scheme, nor is it about expensive but ultimately useless gimmicks and tricks. Your Property Success delivers self-paced learning and practical exercises, through affordable 6-week e-courses, designed so you can quickly establish the action steps and move forward.

Jane’s intention with Your Property Success has always been to pass on all the knowledge of someone who has been there, done it and made the mistakes... so that you don’t have to!

As an in-demand speaker at property seminars and workshops around Australia, Jane became increasingly concerned that the cost of these is creeping up. Jane believes you should not have to be wealthy to become wealthy. She also believes that education should be affordable and that everyone should have the opportunity to create a better life for him or herself.

Yes, you can go to the local library and get all the books you need to learn about property investment but if you want a short cut, then get your education from someone who has done it successfully in a low-risk way.

You may have spent several years getting a formal education for your profession so that you could earn decent money and give yourself and your family a comfortable existence – so why not invest a little time into the vehicle that will get you there sooner?





Your Property Success

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These sequential courses are designed to be taken in a specific order, as each builds on learnings from the previous. If however you feel that you already have a good grasp of the concepts in some courses you are free to choose only those courses that suit your needs.

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2. Knowing Your Numbers: working out what you can borrowing, getting your finance together, differing loan types and who pays for the costs of the property
3. Locating a Property: what to look for and where, websites and resources to find the property, what to look for during inspections and how to negotiate
4. Signing to Settlement: what to include in your letter of offer what is the process involved, requirement for landlords insurance, what is a depreciation schedule?, How to complete a quick reno and how to appoint a property manager
5. After You Buy: Dealing with buyer’s remorse, protecting yourself through insurance, managing your property and unlocking opportunities for the future growth of your portfolio.



Do you sometimes feel like you're on the road to nowhere with your property investment dreams?

No doubt you've experienced the frustration of sitting in traffic or being caught out by unforeseen delays that prevent you from getting to your destination. The property investment journey can be a lot like this when you don't know where you're going and you don't have a guide to help you navigate the challenges and obstacles.

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And access the MP3 audio of the 'Road to Success' interview along with some special bonuses to help you avoid the mistakes and wrong turns that can lead you off course and ultimately dead-end your investing success.



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