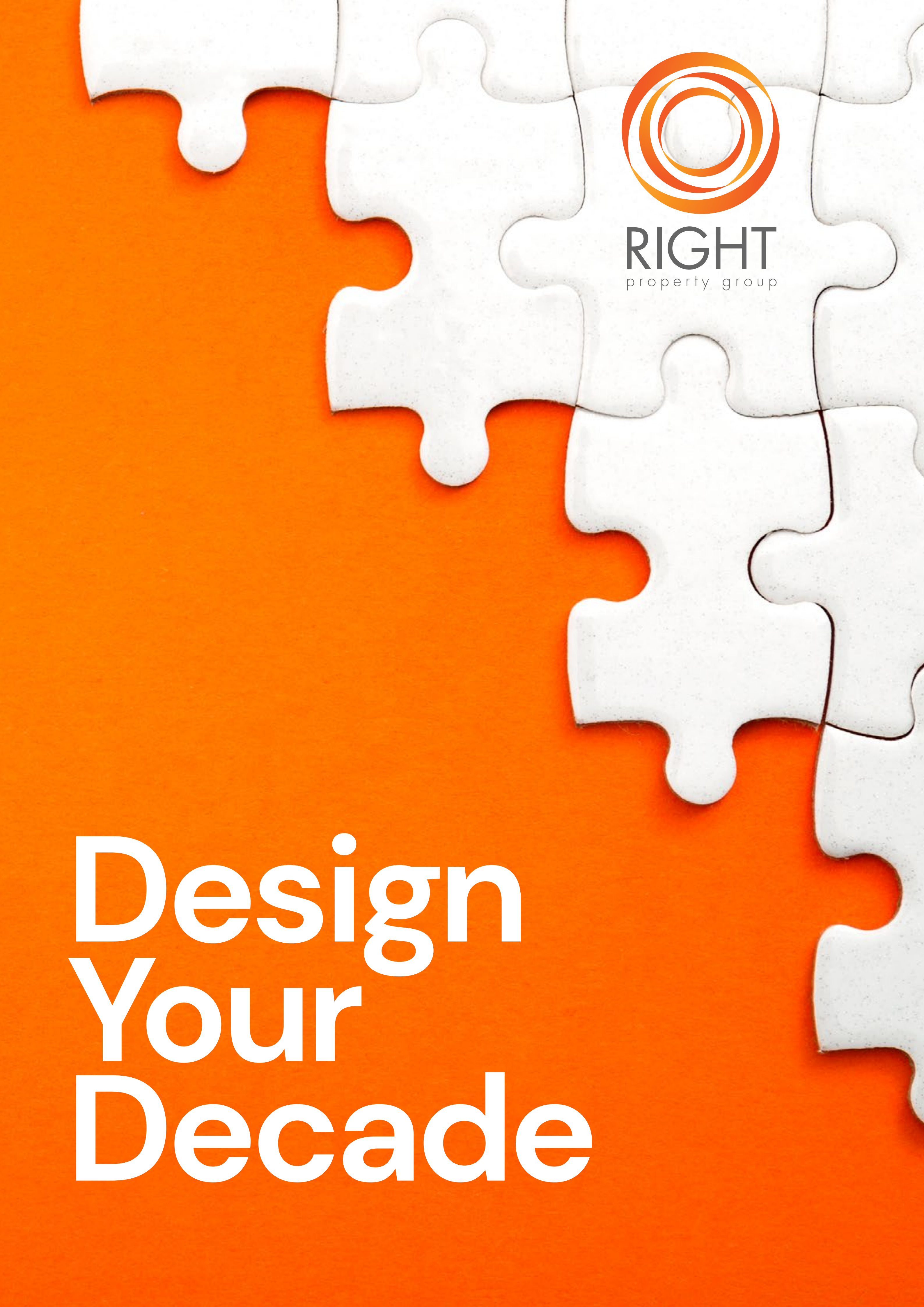


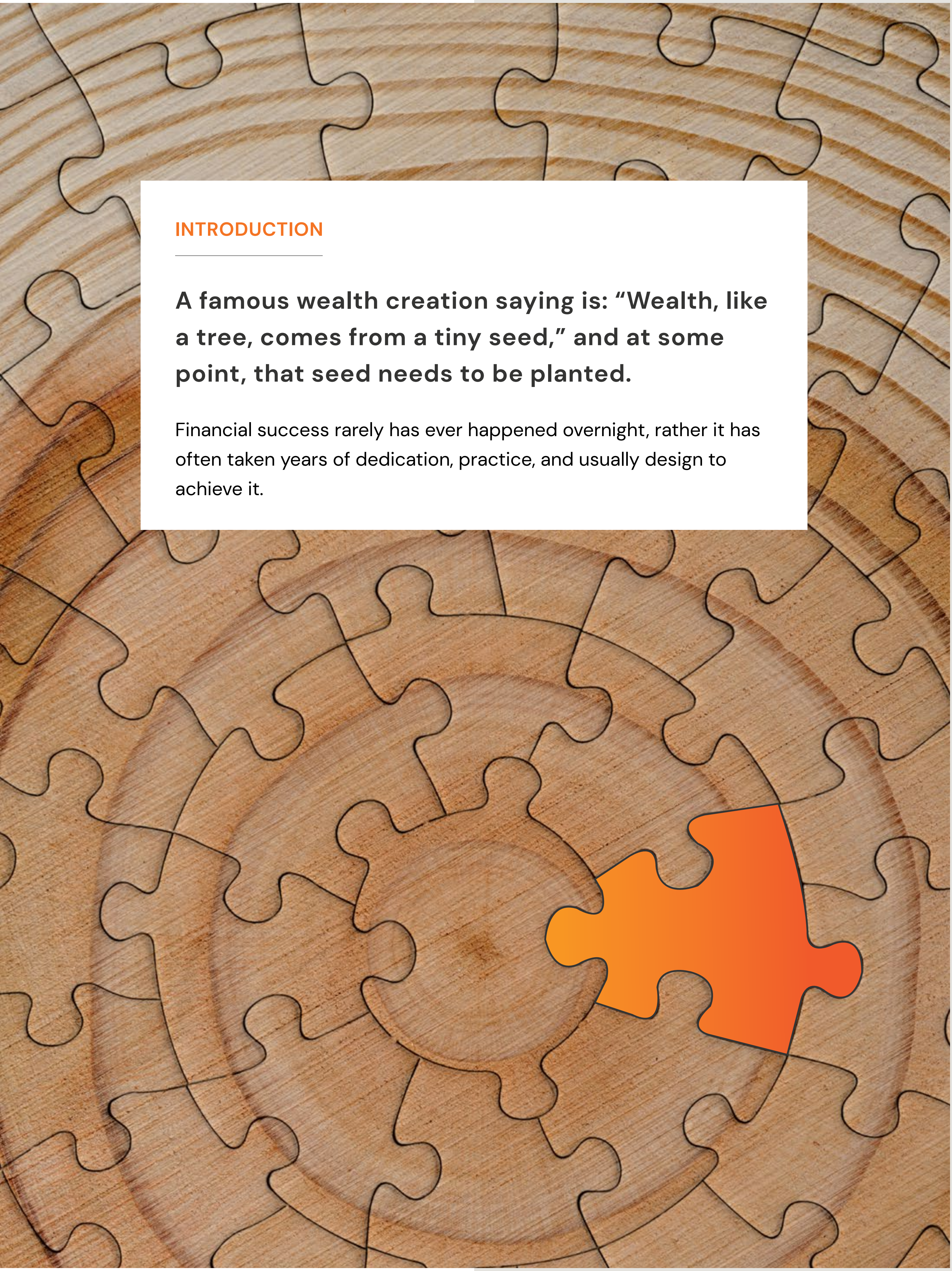
RIGHT
property group

Design Your Decade

INTRODUCTION

A famous wealth creation saying is: "Wealth, like a tree, comes from a tiny seed," and at some point, that seed needs to be planted.

Financial success rarely has ever happened overnight, rather it has often taken years of dedication, practice, and usually design to achieve it.



Design Your Decade has been created to help anyone interested in improving their financial positions over the next 10 years – whether you already own your own home, an investment property, or neither.

You see, it takes a decade for the fruits of your property investment labour to start to bear fruit, with the first years of the journey just as important as the last.

By designing your decade, you will be creating a tangible plan to achieve a specific goal by a set period of time that will help to keep you on track and keep you accountable.

Ideally, within a 10-year period – by following a unique plan that has been designed just for you and your specific goals – some people will have set the foundations to replace their incomes.

Others may have actually achieved that and more, and can decide whether they want to retire, work less, or whether they want to keep growing their portfolios and their wealth!

It must be understand that a vital component of designing your decade is the ability to pivot as circumstances require, which could mean delaying or increasing the acquisitions of real estate assets because of factors such as changing lending conditions.

The creation of a decade-long plan will help every property investor keep on track so you can diligently work towards a tangible goal – preferably while you still have enough time left in your working lives to repeat the process more than once.

That way, you will be following a clear and proven strategy that is bespoke to you as well as a system that, when implemented strategically, can completely change your financial future.

YEAR ZERO – CASH FLOW MANAGEMENT

Consider this: What would you change in your financial life over the past 10 years, if you could?

Of course, no one gets to do this retrospectively, but each and every one of us can design our next decade to make sure it produces superior results to the one before it.

The first step in designing your decade – Year Zero as we call it – is to make the transition from being a passive consumer of information to being an active implementer of it.

This is the moment when you make the active decision to commit to a property investment strategy that can improve your financial future over the next decade.

It's during this period that you will also need to determine what your end goal will ultimately be:

- Do you want to replace your income, so you don't have to work so much, or even work at all in the future?

- Or perhaps you would like to work towards creating real generational wealth for your family?

There is no right or wrong answer to this question, but you must have clarity on what you want to achieve to ever get there.

The next part of this first step is to gain a clear picture of what your capital and cash flow tolerances are – that is, what is your borrowing capacity and what shortfall in cash flow (pre-tax) can you really afford?

Likewise, do you know your risk profile when it comes to money? Are you conservative or are you more comfortable with investing?

Working with an investment savvy mortgage broker will be vital during this stage – for prospective property investors as well as existing ones.

Plus, you should seek advice on the types of insurances required to provide you with the defences need to grow, and hold, an investment portfolio over the long-term.

YEAR ONE – STRATEGY AND CRITERIA

Once you have clarity on your end goal as well as a clear understanding on your financial capability and cash flow shortfall tolerance, the next step involves strategy and criteria.

This first year is where many people become unstuck because they either try to do too much too soon, or they get so weighed down with analysis paralysis that they don't do anything at all.

Working with professional property strategists, who understand your plan and also which property investment strategies will help you get there, will make all the difference here.

It's also imperative to be realistic about any impending changes to your life, such as whether you are getting married, divorced, or you're planning to have children or change jobs in the next few years. All of these factors will influence the strategy and criteria phase of your plan because they can fundamentally impact your finances.

You must go into this step with your eyes wide open about the decade ahead to ensure you can buy – and hold – your investment properties for this length of time at the very minimum.

There is no one-size-fits-all approach to property investment strategy because the type of real estate assets you should acquire will depend on your individual plan and your unique financial circumstances.

However, there are generally only four types of properties out there, which may or may not suit you depending on your unique financial fingerprint, goals, and experience. These are:

1. **Cash flow properties**
2. **Equity harvest properties**
3. **Easy to sell properties**
4. **Easy to pay down properties**

YEARS TWO TO FOUR – ACQUISITION

Very few people have the financial capability to purchase multiple properties in one year, however, over three or four years or longer, you may be able to purchase one or more each year so that by year five you have a built a solid, multiple-property portfolio.

It is during years two to four of designing your decade that you may be continuing to acquire properties that fit with your end goal as well as ones that meet key investment fundamentals.

This time period is also an important milestone because you should also be checking to see how your finances and cash flow shortfall capabilities are travelling.

There is no point blindly following a plan that no longer suits your circumstances because your life has changed significantly and you can no longer afford to buy, or hold, additional properties.

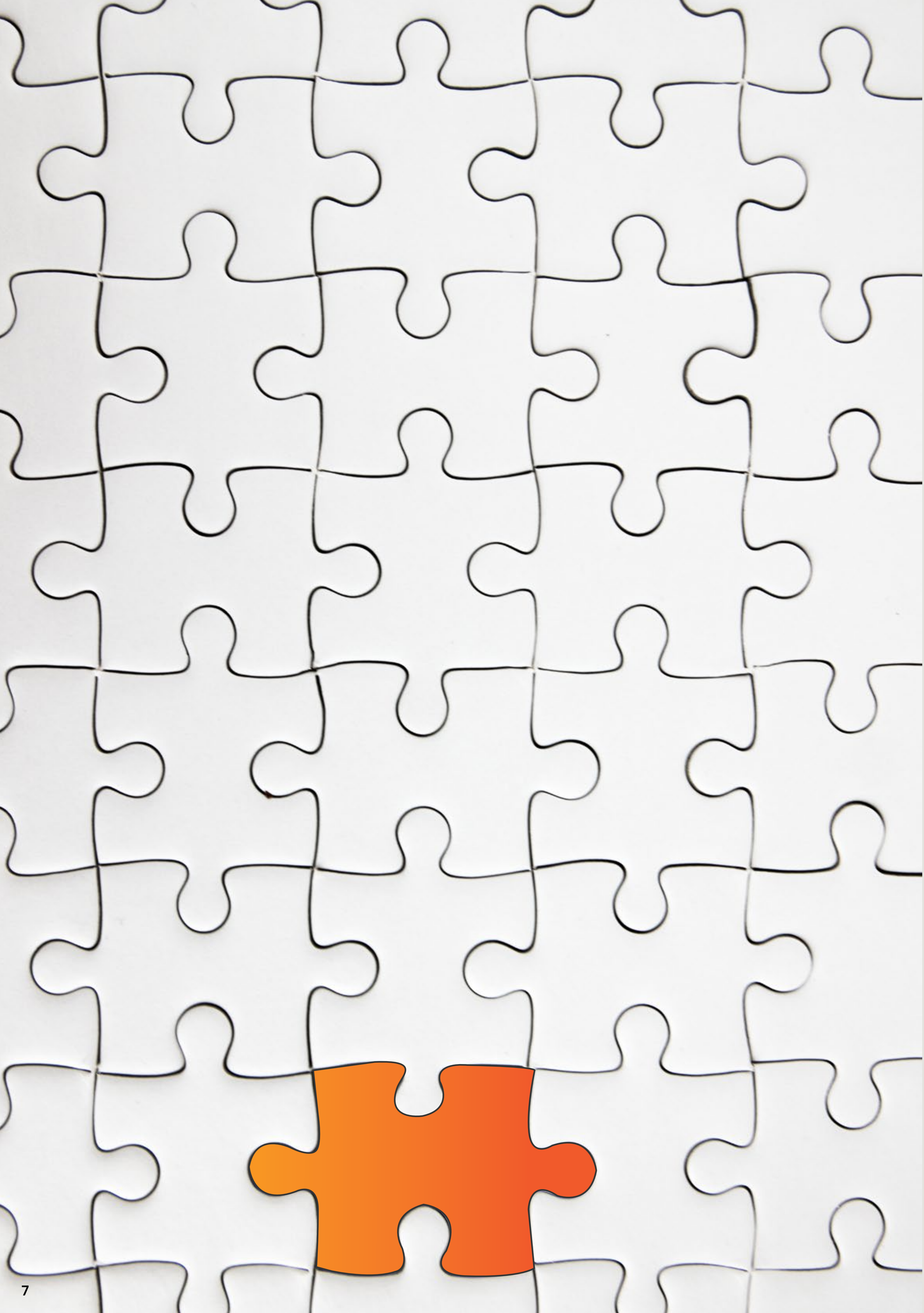
Checking in may also allow you to accelerate the process if circumstances have changed for the better, or you may need to acquire faster due to an imminent change in employment type that may keep you out of the market for a little while because of lending constraints.

Other changes can include the need to upgrade to a larger home for your growing family, or you have changed from a PAYG employee to being self-employed, both of which can impact your finances in a big way.

It is also important to sit down with your strategist before every single property purchase to understand what the numbers are telling you so that you can alter your plan as needed.

For example, perhaps the third property you were going to purchase no longer is the right one – or you need to delay buying it at all – because of your changed circumstances?

Your decade-long plan must always have enough elasticity to pivot whenever needed and you must review any interest-only mortgages so they can be refinanced long before any principal and interest repayments are imminent.



YEAR FIVE – DEFENCE

Did you know that most people sell their investment properties within five years of ownership because they bought the wrong ones to start off with?

Of course, investors working with experts don't need to worry about making such mistakes, but there can be a "five-year itch" at this point because the returns are in sight but are not quite realised just yet. It's sort of like, so close but so far away!

It is during this period that you need to assess the trajectory of your next five years. Will you double down on your plan and keep acquiring properties or will you let the ones you have consolidate and grow in value?

By this stage, as long as you have bought investment-grade properties, there should be tangible equity starting to grow in your portfolio, but your weak point might be cash flow management if you didn't begin your decade with the finance checks and balances in place.

Fundamentally, year five can also be a mini-reset where you can pre-plan for how the second half of your decade is going to pan out.

Investors who haven't been following a plan can often find themselves in financial turmoil during this midway point, especially when the interest-only mortgage repayments on their "set and forget" properties suddenly skyrocket because of principal and interest loan terms.

This stage is also fundamentally about having the defences that we mentioned in year zero to see you through any unexpected ups and downs, such as income protection, life, and landlord insurance policies. These insurance policies can make or break your chances of achieving real wealth from property investment.

YEARS SIX TO TEN – REVIEW AND REFINE

It's vital to understand that the final five years of the decade will look different for each person. This is because some investors may still be in the acquisition phase, while others are taking a pause to allow equity in grow in their portfolios.

Remember at the start of this journey you needed to have a clear picture of where you were headed? Well, the second five years of the decade provides the opportunity to review and refine your strategy to ensure that you remain on track to achieving your goals.
For some investors, this period can be the moment when they decide to deploy their capital elsewhere, by using equity in one of their top performing holdings to upgrade their own home.

Again, there is no right or wrong answer in this situation, however, you must be across all of the ramifications of any decisions that you make that deviate from your original plan.

Every investor should undertake a stringent annual review of each of the properties in their portfolio to assess its loan terms, rental return, and capital growth performance as well as your cash flow management system and shortfall tolerance levels.

A yearly review means that you will always be assessing how you are tracking to achieve your goal by the set 10-year mark.

It also creates the opportunity to understand the reason why each property is in your property – and whether it is performing at the level it needs to be to retain its position in your wealth creation efforts.

This is vital because while you will have an over-arching goal that you are working towards, each property should have its own micro-strategy attached to it such as construction of a secondary dwelling, a subdivision, or a simple buy and hold for the long-term.

As we've mentioned, many investors sell within the first five years because they don't understand that capital growth is never linear. Rather, there will be periods of growth and periods of stagnation over the long-term.

But it is generally not until after the first decade of ownership of strategic real estate assets that real value growth occurs – which is why we have created this system around that exact period of time.

We believe everyone can design a decade that is unique to them and is one that will help them achieve their financial hopes and dreams

THE NEXT DECADE AND BEYOND

Ideally, everyone should be able to replicate their designer decades a number of times, so they can supercharge their wealth creation efforts.

The final phase will always need to involve adopting a pay down strategy or consolidation period, keeping in mind that your plan must always be agile enough to enable you to ramp up, or slow down, your acquisitions depending on your personal circumstances at the time.

It will never be a linear decade, or multiple decades, however, you do need that 10-year focus to gain momentum and traction towards achieving your ultimate goals.

Investors who have completed their planning and acquisition phases – which could be at the five-year mark, but it could be after completing two or three decade-long plans – are the ones who have secured the requisite number of properties to achieve their ultimate gross income goal.

Depending on your timeframe, though, your portfolio could still be cash flow negative because enough time hasn't passed for the rent to cover all of your property-related expenses.

Fundamentally, at some point for everyone, you will need to start paying down those mortgages and there really are only three ways to do that.

1. Use your surplus PAYG or business income, which means you are tipping in funds from your endeavours, bonuses, or windfalls to pay down the property loans.
2. Use your surplus portfolio income, including from secondary dwellings you may have constructed on properties that were purchased for that purpose.
3. Use funds from the sale of property, which can be after a year or two if you have achieved a strong value uplift or it could be after a few market cycles where your capital growth is in the hundreds of thousands of dollars.

Whichever way you choose to pay down your mortgages – ideally, it should be a three-pronged combination of all of them to consolidate the time to create an unencumbered portfolio down to 10 or 15 years– you will always need to factor in expenses, such as Capital Gains Tax or CGT, when you do eventually sell.

One of the reasons why many people don't invest is because they don't want to shell out extra tax for their own endeavours.

The truth of the matter is that you will be making a profit and will be far better off financially than you would have been by getting a second job or a small annual pay increase from your boss, if you're lucky. If you're paying CGT that means that you have made a profit – and that will always be a very good thing.

Designing your decade can change your financial future... and your first step could be taken today!

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