

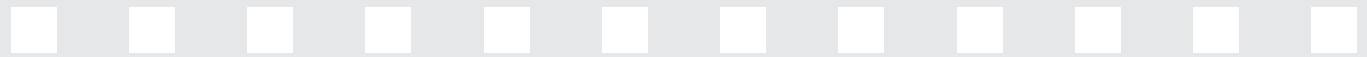


7 COMMON MISTAKES SMSF PROPERTY INVESTORS MAKE

AND HOW TO AVOID THEM



Property
Mavens



Hello!

Self Managed Super Funds have emerged as a popular way to invest in residential property and create financial independence for your retirement.

SMSF Property investing may seem easy, but it's complex and requires a solid understanding of the strict rules and restrictions governing this type of property purchase. Buying property in a SMSF without this understanding is fraught with danger and many investors make critical errors, costing them thousands of dollars!

Having worked in the industry for over 25 years I repeatedly see SMSF investors making these costly mistakes.

When it comes to buying SMSF investment properties, large sums of money are involved, complex legal processes take place and lots of conflicting advice is available. It can be hard to cut through all the noise and know that you are buying the right property, in the right location, with the right attributes for growth at the right price, to deliver ample returns in the future and while meeting your SMSF Trustee obligations.

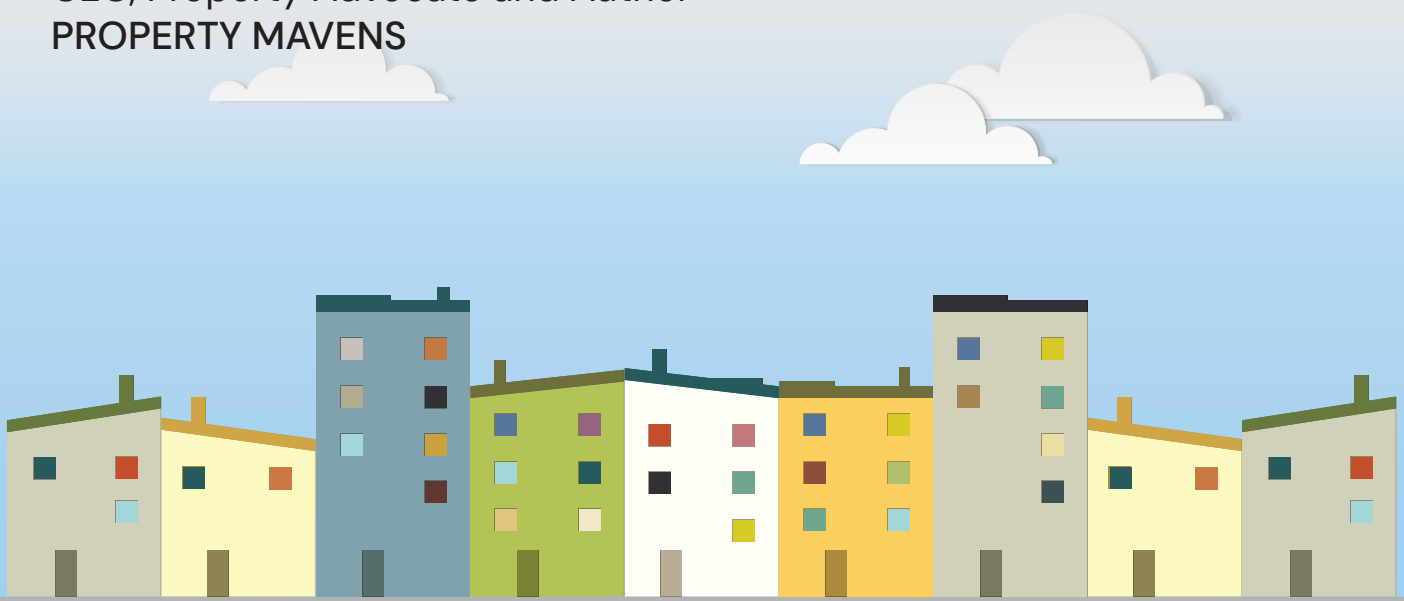
This guide is all about helping you to avoid the costly mistakes other SMSF Trustees make. And by understanding the potential pitfalls, you gain a better understanding of what makes a successful and prosperous SMSF property investor – helping you achieve profitable SMSF property outcomes in the future.

If you need help, we have Mavens located nationally, ready to support you.

Go forth and prosper!

Miriam Sandkuhler

CEO, Property Advocate and Author
PROPERTY MAVENS



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*The content of this guide has been extracted from the book:
Property Prosperity by Miriam Sandkuhler © Miriam Sandkuhler 2013.*

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ISBN: 978-0-9923782-2-6

How can you avoid this mistake?

The best way is to engage an independent property investment advisor who is both a Licenced Buyers Agent and Licenced Real Estate Agent and highly experienced in the market you are buying in.

An expert property investment advisor, like the team at Property Mavens, will work in your best interests to remove the smoke and mirrors, cut through all the clutter and provide you with transparent, unbiased advice and guidance.

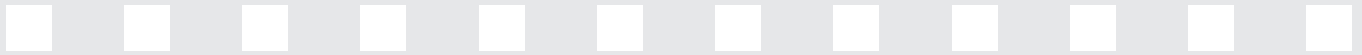


MISTAKE 1

THINKING FREE ADVICE IS GOOD ADVICE

Anyone can sign a contract and 'buy' a property – that's easy! What's not easy is what comes before the purchase – a series of steps and the due diligence you need to take to ensure you buy the right type of property, in the right location at the right price, which matches your SMSF strategy, risk profile, goals and personal circumstances.

- Alarmingly, there is no legal requirement for people to have any qualifications before they provide *'property advice'*.
- Instead, there is bewildering array of property spruikers, salesmen, self-proclaimed 'experts', project marketers, seminar presenters, investor clubs, developers, 'property institutes', SMSF one stop shops, even financial planners, accountants and mortgage brokers in the market place **selling you** property by offering *'free education', 'strategies and advice'*.
- This *'free advice'* inevitably leads you down the path of buying a property they have for sale, which happens to match their *free education, strategies and advice. Very convenient!*
- You can usually tell this is happening to you by keeping an eye out for some tell-tale signs.
- The advice they provide you is free. This means they are not actually working for you, they are being paid by a Vendor (Seller), to sell property.
- They only recommend property in one specific development
- They talk a lot of about the tax effectiveness of buying this particular property
- They won't talk about how they are being paid
- This is not how genuine property investment advisors work. A truly independent property advisor will only provide you with qualified accredited advice on a fee for service basis. That's how you can tell your adviser is working for you and has your best interests – not someone else's – at heart.
- Your ONLY protection is to seek impartial and independent advice.



How can you avoid this mistake?

SMSF investing means you have to ensure you can do a better job managing your retirement savings than the professionals.

By understanding your personal and SMSF risk profile and the risks associated with different types of property and investment strategies, you can position yourself to develop a prosperous and sustainable SMSF property portfolio.

Property Mavens can create a property investment strategy to suit your personal and SMSF risk profile.

We provide you with a clear understanding of the risks associated with different property types and the correct investment strategies to ensure that you won't make an investment mistake that could cost your SMSF tens of thousands of dollars.



MISTAKE 2

NOT UNDERSTANDING RISK

Understanding your SMSF risk profile and the level of risk associated with various property types and investment strategies is CRITICAL to your SMSF investment success.

- *Risk is the extent to which you are willing to expose yourself to loss in order to make a return.* When it comes to money, some of us are more conservative than others which means our risk profiles range from conservative, cautious, and prudent to assertive or aggressive.
- Our appetite for investment often varies according to our circumstances and personality. By understanding your risk profile and selecting an investment strategy which matches it, you are more likely to feel comfortable.
- For example, someone with a low risk profile shouldn't be engaging in a high risk / high return strategy such as buying a site, building new units and marketing it themselves. A person with a high risk profile however, is more likely to be comfortable with this type of strategy, but will still need to do a thorough market analysis and due diligence to mitigate their risk.
- Risk can be managed through careful research, analysis and establishing evidence to support your investment decision to purchase a property of a particular style and type in a particular location.
- In the case of risk, **one size definitely does not fit all**, so it is important to understand your personal risk profile and the risks involved with different types of property.
- Understanding your risk profile will allow you to manage and/or reduce risks during the establishment and growth phase of building your portfolio. At a minimum, it will enable you to make better informed and more appropriate decisions from the outset.
- At best, it will stop you from losing tens of thousands of your hard earned money by investing in an inappropriate property type for your SMSF's risk profile. This way, you can sleep at night!



How can you avoid this mistake?

At Property Mavens, we have extensive experience helping investors in the specialist SMSF property area and we can work directly alongside your financial planner or advisor to develop your brief, ensuring we purchase an investment grade property for you, to match your funds investment strategy.

We can help you to calculate how many properties to purchase, at what price, what type, where and the timeframe to acquire them, enabling you to secure your financial independence.

At Property Mavens we help you to build a prosperous property portfolio and ensure that you only buy investment grade property to match your SMSF investment strategy.



MISTAKE 3

NOT HAVING A DOCUMENTED PLAN

'If you fail to plan, you plan to fail'. Buying property without a strategy is like trying to build a house without a set of plans. To create sustainable wealth when building a SMSF property portfolio, you need a tailored, documented strategy that guides the way and spells out the financial requirements, cost implications and timeframes that you will need to meet before you can invest in (your next) property.

- Clarity around your goals will allow you to calculate how much debt-free property you need to own, to provide the lifestyle you seek. You need to know your current cost of living (or the annual dollar amount you would like to retire on in today's dollars) and timeframes, to determine the size of the asset base required to generate this level of passive income.
- Ideally you will review this and your portfolio annually to see if you are on target. You can modify your strategy as and when required.
- If you have a short timeframe which is unrealistic, you could ignore your risk profile and pursue a strategy that is higher risk for higher return to achieve your goal (but you may NOT sleep at night), or readjust your timeframe to achieve your goals sustainably and safely, especially if your income and financial means are limited.
- It's always better to overestimate the income you will need and underestimate the return on the asset pool to allow a margin of safety.
- We all seem to be living much longer nowadays, so your assets will need to generate an income for up to 30 – 40 years, especially if you want to retire younger than the standard 67 years of age.
- Keep in mind your entry, hold and exit strategy as part of your overall plan. These need to be assessed before you invest so that you buy the right property type.

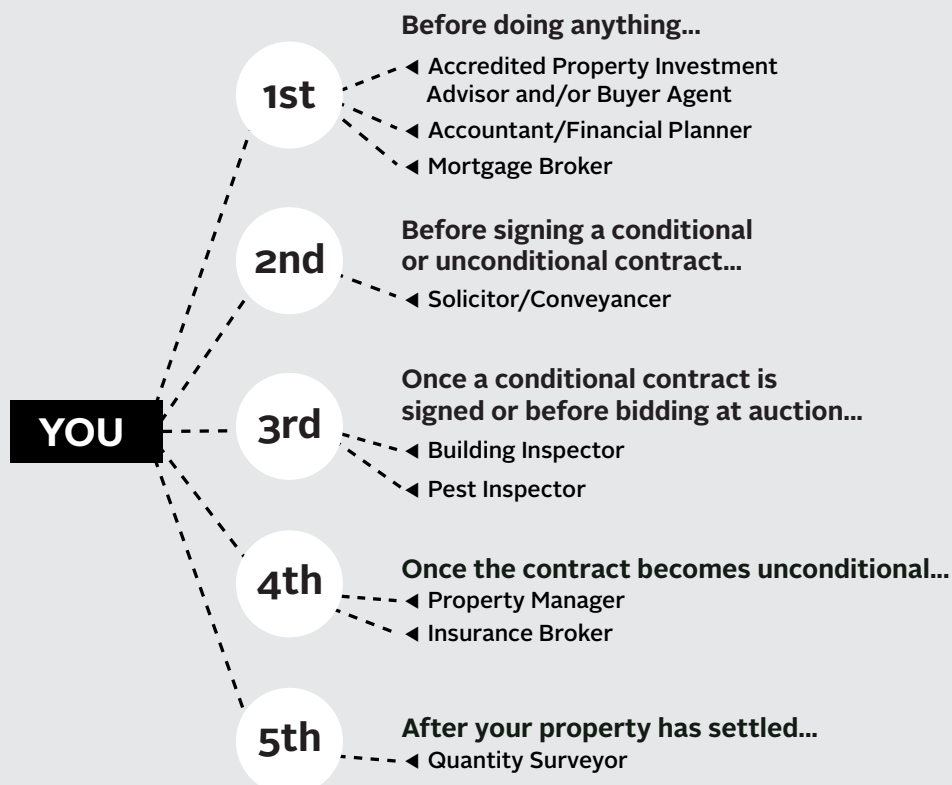
How can you avoid this mistake?

Save yourself an enormous amount of time, stress and money by engaging licenced and qualified experts. The returns you gain from their expert advice and access to essential resources will ultimately save you time, stress and thousands of dollars.

Property Mavens Accredited Property Investment Advisors can tailor our services to develop your SMSF investment strategy based on yields, capital growth and a loan to value ratio (LVR), so that your SMSF secures your financial independence.

As Licensed Buyer's Agents we will ensure the property you buy has all the right attributes to help your fund achieve strong capital growth outcomes and solid investment returns. We research, source and negotiate the purchase of investment grade property for you, while protecting you from over paying or being misled during the buying process.

ENGAGING EXPERTS



MISTAKE 4

NOT ENGAGING A TEAM OF EXPERTS

Australians love property! Just as most people wouldn't seek advice from friends about heart surgery if they weren't a surgeon, it is important to realize that the same level of awareness should apply when investing hundreds of thousands of dollars in property.

- Think of SMSF property investing as a property business – your experts all form part of the success of that business. Independently they help you to maximise the investment opportunity, minimise tax and/or minimise risk, *while collectively they combine to increase your success multi-fold.*
- If you were building a house, the expert advice referred to on the left is equal in importance to the concrete, frame, bricks and mortar that keep the property together. These form the structure and the foundations of the building. There could be significant financial consequences if you find out the concrete is too thin and the mortar too weak AFTER the house has been built! The same applies when engaging experts to help you in the property investing process. After you have purchased the property, it's too late for these experts to help.
- As you can see, different experts need to be engaged at different stages, and some of them need to be engaged simultaneously. The chart shows there are nine professions that usually touch a property purchasing transaction, and they *all* provide a very important role.
- Like all industries, you need to be able to source the best and most professional experts that specialise in working with property investors who are building a portfolio over time.
- Why? Because they need to step into the future with you and consider all of the implications – *how big* you want to build your portfolio, *what type* of properties you will buy, *which strategies* you will use and *who* will benefit financially and *when* – so that they can provide the correct advice, planning and structuring *in advance.*
- Why in advance? Because after the purchase is TOO LATE!

How can you avoid this mistake?

For any SMSF Trustee, an understanding of the strict rules and restrictions governing a property purchase is imperative to ensure ultimate success.

Understanding the importance of doing your due diligence before you purchase is paramount. Don't always believe what you hear from the estate agents selling the properties, because it is in their best interest to sell, not necessarily disclose everything. Remember, they don't work for you, they work for their vendor.

Property Mavens has experienced insights into the current market. We do all the research and due diligence for you. Not all property performs at the same rate, so we use sophisticated research and modelling tools that allow us to select, assess and purchase high-performing investment-grade property on your behalf.

Ultimately we leave you feeling financially empowered and in control.

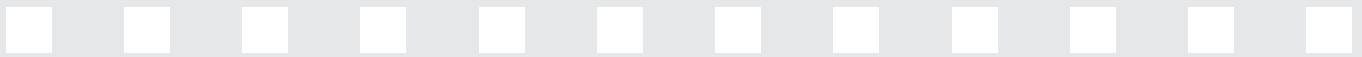


MISTAKE 5

NOT DOING ADEQUATE RESEARCH

After engaging your team of experts, the next step is to decide what to buy, where to buy and to go about researching and assessing opportunities. Start with assessing a number of different types of property types – the what – and then get onto the why. The where is up to you to determine, based on the drivers of growth.

- Three main residential investment options are to buy established property, buy land and build or buy property off the plan.
- It is more important to understand the risks associated with these types of property than the benefits, because, while most selling agents are more than ready to share the positives, they generally won't voluntarily disclose the risks.
- Understanding the drivers of growth and whether they are temporary and unsustainable or permanent and sustainable will enable you to be more selective as to the areas in which you buy.
- Macro and micro economic drivers influence growth. **Macroeconomics** is the study of the current Australian economic market conditions and where they sit in relation to the rest of the world, including population growth, land availability, housing starts, mineral explorations, tourism and infrastructure investment. **Microeconomics** relate to events in regional areas and are often used when 'hot spotting' areas for sustainable future capital growth or rental increases. Broadly these encompass population growth and amenities such as the provisions of schools and hospitals. Decreases in the property market can be as a result of oversupply and primary industry closing down.
- Consider the factors driving rental return. If you purchase property in areas where there is high demand but limited supply, especially for a particular demographic such as students sharing, professionals or families, or if it is in a location that is in high demand but limited supply, then your opportunity for regular rental increases and long terms tenancies improve.



How can you avoid this mistake?

Employ Property Mavens because we are expert negotiators and SMSF strategists when representing our clients at auction and private sale, with the knowledge and skillset to keep the agents honest.

As Licensed Buyer's Agents, the Property Mavens team has access to the same industry databases that selling agent's use, which means we can do in-depth research to figure out what a property's real market value is, as opposed to relying on the price range a selling agent is advertising it for.

Our clients have an advantage, as we have access to off market properties (silent listings), meaning they don't need to compete at auction for investment grade property.



MISTAKE 6

NOT UNDERSTANDING THE RULES

*Real estate is a game, so **learn the rules** or engage a Licensed Buyer's Agent who does it as their daily profession and completely understands them. Note – due to different legislation, the rules of the game differ from state to state so don't make the mistake of thinking that each state operates the same way.*

So, what are these rules?

1. Property advertising must not be misleading or deceptive. It is illegal for a vendor or agent to misrepresent a property in any way when advertising or marketing that property, whether verbally or in writing or photographs.
2. It is illegal for an agent to advertise or advise you of a price that is less than the seller's reserve price or asking price, or the agent's current estimate of the likely selling price.

This is known as underquoting.

- Knowledge is power, so inform yourself of the rules! When agents know they are dealing with savvy and informed buyers, they are less likely to try and get away with poor and ILLEGAL practices.
- The success or failure of establishing your portfolio can often come down to your ability or inability to successfully negotiate a price AND conditions in your favour. Remember, you are up against *professional negotiators*, so don't take this lightly or underestimate the selling agent.
- Always make sure you have had the contract reviewed BEFORE you place an offer on the property and always include a clause for building and pest inspections or attend to these BEFORE the auction.



How can you avoid this mistake?

Like your health, your SMSF investment property portfolio needs to be checked annually just to ensure everything is on track. Without an annual review there is no way of knowing if your investment is performing to expectations.

It's really easy to engage our team of experts to complete an annual Property Portfolio Review for you. At Property Mavens this is one of our most popular services, because our reports typically offer our investors insights that they never expected.



MISTAKE 7

NOT REVIEWING THEIR PORTFOLIO

Like any investment, you need to keep check on how your property is performing over time. Many investors have no awareness as to how and at what rate their property has performed, or what the potential is for future capital and/or rental income growth.

- The benefit of reviewing your portfolio is to ensure that your property is still performing to expectation. It's also to ensure that you don't get caught out if the market turns for reasons that may be as a result of changing or irreversible local market conditions.
- Ideally you should revisit the reasons why you bought the property every 12 months, to monitor the local situation. If the area is in the media or news a lot or there is unusually activity or talk about the property market there, then do it earlier, but stay on top of it or it could cost you dearly!
- It's important when buying investment property to never fall in love with your property. Remember, this is a property **business** you are running, so you need to keep your emotions out of it.
- Falling in love with property can make it harder for you to cut your losses and sell in the event that the property is no longer performing or unlikely to continue to perform over the longer term i.e. it won't enable you to achieve your goals.
- Staying frozen in fear and distrust also doesn't help. Understandably if you have been burnt by investing poorly you are likely to want to stick your head in the sand, but you are far more likely to get a kick up the backside doing that, so often **informed** and **evidence based** action is required to be able to move past the error (consider it a valuable lesson) and take steps to turn the situation into a positive.
- The costs of exiting and re-entering the property market are substantial, so these need to be taken into consideration before taking action to sell.

ABOUT US

Property Mavens is a property advisory firm specialising in helping SMSF property investors buy investment grade property which delivers strong capital growth, solid rental returns and matches the asset to your fund's investment strategy.

Our area of expertise is creating tailored investment plans and providing SMSF property solutions by researching, sourcing, selecting and negotiating to buy investment grade property for our clients.

We work in partnership with our clients during the property buying process by eliminating all the risk, stress and confusion that comes with SMSF property investing, which ultimately leaves our clients feeling empowered and financially in control.

Our services include:

- Buyer Advocacy
- Vendor Advocacy
- Property Advice
- Portfolio Reviews

Call now for an obligation free consultation at **1300 Mavens** (1300 628 367) or click the link below.

[FREE CONSULTATION](#)



We know that property investors often:

- Feel overwhelmed by information and often don't know where to start or what to buy
- Don't know who to trust or where to find impartial and unbiased help
- Don't have a clear financial goal/outcome in mind or property investment strategy in placeAre concerned about paying too much for a property
- Are concerned about buying the wrong property type at the wrong time and in the wrong location
- Have bought a 'lemon' or poorly performing property and don't know what to do about it or how to get out of the mess and start again safely, sustainably and successfully

To support investors we offer:

- Impartial and unbiased fee for service solutions for SMSF property investors
- Strategy Advice via our Accredited Property Investment Advice service
- Property research, sourcing, analysis and negotiation solutions via our Buyer Advocacy service
- Individual property review, analysis and recommendation via our Property Portfolio review

To learn more about creating your own prosperous property portfolio, visit www.propertymavens.com.au to rate your property expertise and access a suite of free property investment resources, as well as Miriam Sandkuhler's book *Property Prosperity*.

DID YOU KNOW?

As at December 2014

- The Australian property market was valued at \$5.7 trillion dollars
- The Stock market was valued at only \$1.6 trillion
- This makes the property market the most valuable market in Australia, forming the foundation of our personal wealth, and our banking sector's security against its funds. However, unlike the financial planning, insurance and mortgage broking sectors, property as an investment asset is **unregulated**. This means that:
- There is **no national regulatory body** (like the Australian Securities and Investments Commission) that requires 'factual' claims be based in evidence
- There is lots of **marketing 'puffery'** posing as genuine advice, where a real estate agent seeks to enhance the appeal of a property to promote its sale,
- A lot of 'advice' in the property sector is designed to evoke the emotions of the buyer instead of being based on evidence

Property for investment should be considered very differently. Property investment is a business, and needs to be considered on the basis of the potential performance against market averages, not on a buyer's emotional whims. To support this we need:

- Standardised formats for claims of historical performance,
- Benchmarks so we can rate if it was above or below average performance, and
- Realistic foundations for future claims (rather than the 'BS' claimed by some developers for local projects)

We are currently lacking, both in these business standards and in having enough professionals who understand the nature of this information and can present it in layman's terms.

To support transparent decision making, investors need suitably qualified and trusted professionals to give property investment advice that supports their wealth creation.

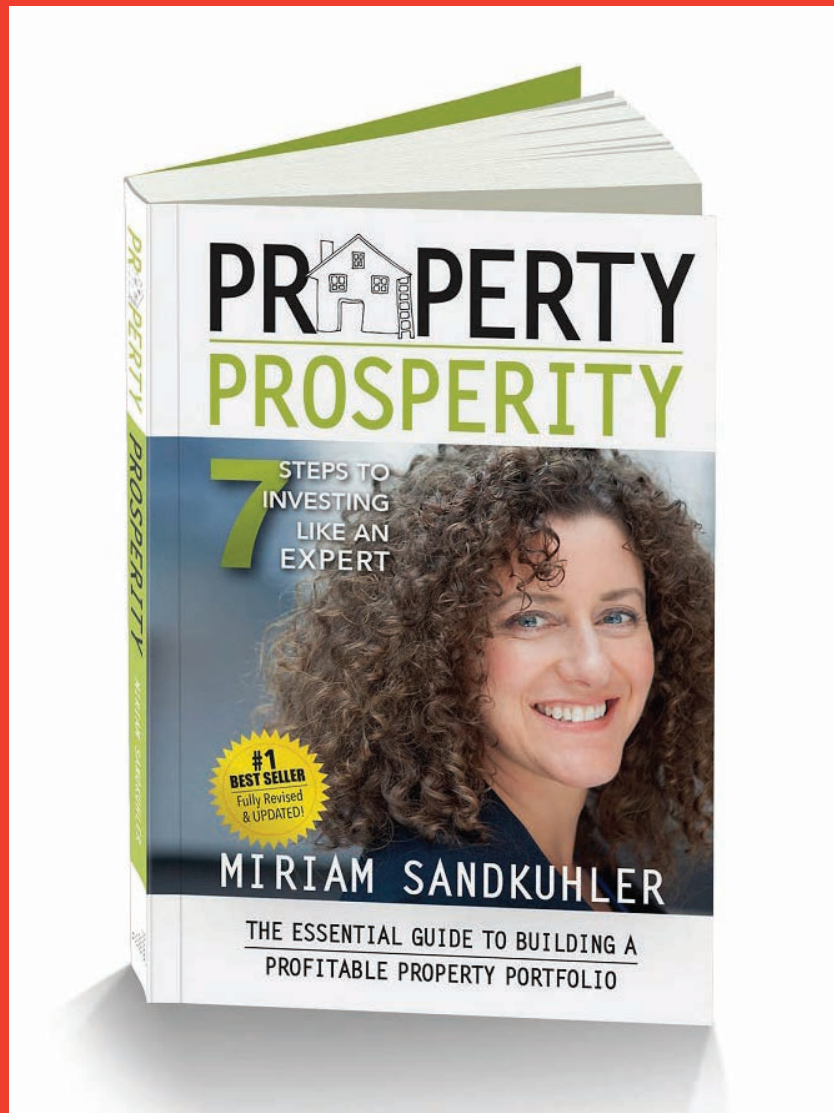
To achieve this, investors need:

1. **Modelling tools** that represent the real estimates for projected cash flow when buying, holding and selling the property
2. **A custodian of their personalised property investment strategy**, with sustainable investment entry, holding and exit outcomes
3. **Risk mitigation support** so they can hold a property over their lifetime and realise the benefits as 'retirement' income. This will support successful wealth creation and enable them to become independently funded retirees.

However, most investors don't have access to such professionals. In all states and territories, when a real estate agent acts for the Vendor/Seller, they are prohibited by law from acting for the Purchaser/Buyer in the same transaction. Currently most 'so called' property investment advisers are offered by Vendor/Selling agents without disclosure of their vested interests – i.e. they aren't telling investors they are working for the Vendor and making a commission.

What's wrong with that you may ask? Well, in all states it's against the law not to disclose a vested interest. I question why would they go to all that effort to not be transparent to the buyer, if what they were selling was so fantastic?

If you take just one piece of wisdom from this booklet, let it be that you need to know the right questions to ask to understand what is being presented to you, and to understand who the presenter represents in the transaction. From here, you will be better prepared to make informed decisions.



Available at Amazon.com and
PropertyMavens.com.au

THANK YOU

Thank you for taking the time to read this guide – I appreciate that your time is valuable.

Our Mavens are passionate about helping SMSF property investors to achieve their goal of safely creating financial security and independence for themselves and their family.

This guide has been designed to provide you with information and tips that you can implement for your benefit immediately.

It should result in making a positive difference to your property-investing journey, so you can enjoy property prosperity in your lifetime.

Wishing you a prosperous property investing outcome.

Miriam Sandkuhler

CEO, Property Advocate and Author
PROPERTY MAVENS





Property Mavens

IN YOUR CORNER

To rate your property expertise and download
property buying related consumer guides,
investor and landlord resources visit our website.

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