TRILOGY news
"the property investor's mortgage broker"

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9 THINGS YOU SHOULD STOP DOING IF YOU WANT A SUCCESSFUL LIFE

Are you happy with where you are right now, in this very moment? Do you feel satisfied with your lot in life? Are you on track to realising your life's ambitions and goals, or are you blundering through your days with little direction and even less motivation?

Most people desire success, whether it's in their career, financial endeavours or relationships. But not everyone will make the grade. So what separates those who triumph in living their purpose on a daily basis, from those who blunder through, experiencing one apparent failure after the other?

One aspect of success can be attributed to perspective.

Whether we see the things in our world as good, bad or indifferent and believe we assume ultimate control over our own destiny, or have a 'victim' mindset and feel the world is against us, will make a massive difference as to how successful you perceive yourself to be.

The truth is…success takes hard work. But not the kind of hard work you might necessarily think. I know many people who toil diligently day in, day out and still don't feel fulfilled in their lives.

That's because success is borne from mindset and attitude. No amount of action will achieve success if the right thought process isn't guiding your journey in the first instance.

More importantly, success is created just as much by the things you don't do as those things you put all of your effort into.

Here are nine things successful people avoid doing at all costs…

1. Expect perfection.

Unrealistic expectations invariably lead to disappointment. When things don't work out the way you planned or anticipated, it can incite feelings of frustration and inadequacy, as you stress over the little details and beat yourself up for getting something 'wrong'.

When you view experiences that don't necessarily go your way from a negative place, you inhibit the potential for self-development.

Stop expecting perfection and start embracing the opportunity to learn and grow from your 'mistakes', as well as your victories.

2. Say yes when they mean no.

Do you create a seemingly impossible mountain of obligations to climb on a daily basis? Perhaps you continually take on the responsibilities of co-workers as the 'go to' person in your office?

Human nature means we generally strive to please people and be liked, which of course is a great attribute and will probably see you develop a great friendship circle. But it can also lead to a career as everyone's favourite 'doormat'.

Establish personal and professional boundaries based on your own time limitations and priorities, and work within them. Importantly, don't be afraid to say 'no' if an affirmative response makes you feel at all uncomfortable, or uncertain as to whether you can meet your commitments.

3. Engage in negative self-talk.

Acknowledging those aspects of ourselves that we'd like to improve and work on is important if we hope to achieve success in all we do. But beating yourself up over every little digression is a waste of time and energy, and will inevitably see you end up wallowing in a semi-permanent state of self-induced pity.

Likewise, comparing yourself to others and feeling that you don't 'make the grade' is the fastest way to feeling worthless and losing direction and resolve in your own purpose.

Remember, what others think of you is none of your business. But how you think and feel about yourself will ultimately determine the path you walk and what awaits you at its end.

4. Live in the past.

Regrets…I've had a few. Another aspect of human nature that can quickly become an obstacle to success is the 'what if' syndrome. How many times have you thought, 'If only I'd done it differently?' or 'What if I'd bought that investment ten years ago?'

The fact is you cannot change the past, but you can embrace every new moment and make the most of opportunities that present in the here and now.

If you're too busy looking back at shadows though, it's unlikely you'll see the possibility in front of you.

5. Take it day by day.

When you consider the most successful people in our modern world, I can guarantee the one thing they all have in common is a plan…a strategy to take them all the way to the top.

Living in the moment is of course, a very liberating state. But it's impossible to achieve success without direction. For a start, how do you even measure the success in your life if you have no purpose?

6. Fail to set goals.

Some people think that just being present – showing up each day and being 'good' to others around them – is enough to attain success. But any level of achievement requires commitment and hard work. More importantly, it requires some degree of foresight and the establishment of clear, meaningful goals.

Think about where you want to be and then put tangible and measurable steps in place to get you there. Otherwise you'll never even know what success might look like for you and will be striving to achieve a completely undefined and therefore unattainable state.

7. Isolate themselves from others.

Some people think success is gained by putting your 'head down and bum up' and getting stuck in each day. Hard work is admirable, but not at the expense of your personal relationships, because success cannot be achieved without balance in every aspect of your life.

Rather than isolating yourself and consuming every waking hour with work, dedicate time specifically to your loved ones, foster your relationships and incorporate the people who matter most in your personal success.

8. Compare themselves to others.

The only person you're in competition with is the person you were yesterday. Successful people are too focused on realising their own goals and mastering their journey to concern themselves with whether someone might be doing better or worse than them.

Drawing comparisons to others will only lead to counterproductive and harmful feelings of doubt and negative self-dialogue. By all means, work on those aspects of your own life that you feel could be improved, but don't base your own standards on what anyone else is doing or not doing.

9. Tolerate dishonesty.

Successful people – truly successful people who don't simply measure success by their bank balance, but their overall life balance – are generally very forthright and generous, with themselves and also with those around them.

They don't demean or belittle others to get 'to the top' and are open to the experience of relationships. But they don't tolerate fools gladly, nor do they trust blindly or invest their time in people who demonstrate dishonesty or negativity.

5 KEYS TO CALCULATING YOUR BUYING BUDGET

Seasoned property purchasers know that the total financial commitment made when acquiring residential real estate is not just the sale price written on the contract you sign.

In fact when you add on all the 'extras', such as stamp duty and legal fees, not to mention any improvement costs and expenses associated with establishing effective management of the property, you can end up paying significantly more than the contract price.

The key is to be prepared, know what to expect and plan and budget accordingly, because you don't want to be dealing with potentially costly surprises on settlement day.

Having a well considered buying budget will also work in your favour when it comes to ticking the new serviceability boxes that most banks have implemented across the board for mortgage lending...an extremely important consideration for ALL property investors.

So here are five key steps to help you calculate and work to a buying budget.

1. How much can you contribute to the deal?

What do you have by way of cash reserves, and things like equity, rental income, any lines of credit or the potential to raise funds through the liquidation of an existing asset?

This will influence how much you can ultimately borrow, based on your serviceability and also the amount of risk you're prepared to accept, as reflected by the proposed loan to value ratio.

When reviewing how much you have at hand, it's a good idea to consult an experienced mortgage broker who knows what constitutes 'your contribution' according to different lenders and their respective criteria.

2. How much can you obtain from a lender?

Your borrowing power is essentially calculated by working back from the preceding question and accounting for additional elements according to the banks' mortgage assessment measures.

How much a particular lender will approve is based on:

- How much you can contribute, including ongoing income from work and other sources, such as government pensions and other assets.
- Your credit history, which is why it's essential to know whether yours is nice and clean or could use a bit of a tidy up.
- Your existing relationship (or lack thereof) with the lender in question and how well they know you.

Importantly, you should seek pre-approval, preferably with the assistance of someone with an insider perspective, who knows how to 'put your best foot forward' in terms of presenting as a client the bank would approve of, particularly in this new look lending landscape.

When you know how much you can borrow, you can shop with confidence in your buying budget, and that will make the world of difference when it comes to securing the best possible property for the best possible price.

3. How much will the property actually cost you, including acquisition, improvement and management expenses?

So now you know how much you can spend. The next logical step is to determine what you can afford when it comes to acquiring a quality property investment.

Remember though, it's not as simple as saying, I have $500,000 total in my own deposit and pre-approved credit limit so I can go out and buy a $500,000 house or apartment (or car park for some Sydneysiders).

You need to factor in extras such as stamp duty, legal fees and any costs that might come with a planned upgrade to the asset, such as minor renovations or refurbishments to make it more rentable.

Working to around 5 to 10 per cent of the purchase price will generally give you a good indication of how much more you'll need to cough up at settlement.

4. Shop within your budget parameters.

Whatever you do, don't be tempted to 'stretch yourself' that little extra when it comes to shopping for the optimum investment property in your defined budget. The goal as an investor should be about saving money at time of purchase, not maxing out every last cent.

Now, more than ever, cash buffers must be maintained at very safe levels if you hope to build a successful long-term property portfolio. If you can save money on a deal and it still represents good buying, then why wouldn't you?

Importantly, resist the urge to win a 'bidding war' in overly competitive markets, just for the sake of a notch on your investment 'belt'.

5. Does the property work to your numbers?

You've found the ideal property so now it's time to do some calculations and determine whether your budget, including all costs, aligns with the proposed deal

List all expenses to determine if you have sufficient cash deposits at hand to commence the transaction and assess whether your borrowing power will ensure you can complete the transaction over time.

Never submit an offer if it doesn't meet your budget parameters. Always be prepared to walk away if the numbers don't stack up.

If you would like inside insights into today's changing lending landscape and how you can secure the necessary finance to successfully grow your property portfolio, why not speak with one of our experienced mortgage brokers?

We can guide you through shifting serviceability criteria and loan products and importantly, optimize your cashflow and finance structures to enhance your investment experience. Click here to connect

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THINKING OUTSIDE THE SQUARE... GET CREATIVE WITH YOUR SERVICEABILITY

As APRA charges to the 'regulatory rescue' in an attempt to rein in what has widely been labelled 'runaway' investor lending by Aussie banks, anyone who relies on credit to acquire residential real estate must acclimatise to a new financial world order.

Honing in on continued growth around investor lending data, aligned with a decline in owner-occupier based property borrowings, APRA is encouraging lenders to rebalance their mortgage books and shore up billions of dollars in additional capital reserves to protect against losses on their loan portfolios.

June figures from the Reserve Bank revealed property investor lending grew by 10.7 per cent, year-on-year across the banking system as a whole, as opposed to just 5.5 per cent for owner-occupiers.

Westpac was the only major that seemingly took APRA's threats seriously enough to apply the brakes swiftly, just managing to comply with the annual growth limit of ten per cent, coming in at 9.9 per cent for the year.

Whether you think this is a wise move or a misguided property investor 'witch-hunt', the fact is real estate buyers are stuck with the ramifications and must now consider the practical implications.

Lenders of all shapes and sizes have acted swiftly, making rapid-fire changes to their interest rate offerings and serviceability criteria across the board.

Some might suggest this keenness to comply hints at a profit to be made amongst all the drama currently playing out in Australia's financial services sector. Of course that would probably make me…err, some…far too cynical.

Whatever the reasoning behind the hasty side step many banks have made in recent weeks, it's essential that you know how to get around the new look lending landscape. Particularly when it comes to presenting yourself as a desirable client who can service their debt portfolio.

The conventional cash cow

Cash is the commodity banks want to see more of in credit applications now, along with stable income streams and 'comfortable' loan to value ratios.

This essentially means that traditional methods of preserving and optimizing cashflow are now more fundamentally important than they've ever been.

Maintaining 'risk averse' cash buffers in a line of credit or offset account attached to your mortgage (as opposed to tax deductible property loans), is a great old fashioned approach to making yourself a more desirable applicant in the banks' eyes.

Generally reducing your debt exposure by paying more off non-tax deductible debt is an easy and obvious cashflow strategy right now.

In this low rate environment, all you really need to do is maintain the repayments on your own home at a higher level – say around the 7 per cent mark – and you'll be reducing your loan term by years and your interest bill by tens of thousands. All while enhancing your serviceability profile.

How do you rate?

Credit scores and the amount of overall debt you're attempting to juggle is another one of the conventional 'go-to' measures for lenders that's receiving a makeover right now.

All banks have changed their serviceability calculators, allowing for across the board increases in things like daily 'cost of living' expenses. Many have reduced rental income thresholds and LVRs and importantly, almost all lenders are paying more attention to 'debt with other institutions'.

This means any credit you have access to, will count against you when it comes to how your serviceability is assessed.

This is a good time to do what your parents were probably advised by their bank managers when they were starting out. Save hard, put those savings in the bank you intend to obtain a mortgage through, keep your credit history clean and reduce any credit limits or personal loans as a matter of urgency.

Think about a makeover

Whether a portfolio review could bring about changes to boost cashflow and reduce overall debt exposure, or you have a few tired rental properties that could do with some TLC, now is the time to start exploring pro-active options to strike the right balance between capital and cashflow.

Of course lenders will appreciate you offering them some form of security that has a demonstrated history of strong value growth, but if you can't prove your capacity to afford it in the first instance, you're really just pushing the proverbial uphill.

Consider eliminating any underperformers from your asset base. The last thing you need, as an investor trying to grow a successful retirement fund with residential housing, is a money pit failing to pull its weight on the cashflow front.

Likewise, if you have some properties that would provide better income with a few low cost renovations – through increased rent, manufactured equity and depreciation benefits – then this is the moment to pick up a sledgehammer and get your hands dirty.

Whacky ways to kick your cashflow up a notch

None of the ideas I've mentioned above are very groundbreaking, admittedly. That's because we're almost seeing a hearkening back to 'days of old', when you needed to suit up for a visit to the bank manager and impress with a proven history of immaculate, personal financial management.

There are of course other, less conventional approaches property investors would be wise to explore though. Here are a couple of ideas to kick off the creative cashflow/serviceability juices…

1. Invest outside your comfort zone

As rental yields across the likes of inner city Melbourne and Sydney take a battering in the wake of escalating property values, this might be a good time to seek out warmer climes and better immediate returns.

Continued low interest rates and burgeoning rental markets around Brisbane and the Sunshine Coast for instance, are currently allowing investors to snap up assets that are virtually cashflow neutral or positive (with yields of 5 per cent plus), but still capable of generating healthy long term value gains.

Right now, take advantage of the fact that you can uncover opportunities where your rent returns are capable of covering all outgoings on your investment property, while still realising excellent capital growth over time.

2. Consider a granny flat

Recognising the need to provide more affordable rental accommodation in the increasingly pricey inner precincts of Sydney, local governments lifted restrictions on granny flat construction across the Harbour City a few years ago.

Since then, there has been a marked increase in the number of people using a patch of dirt on existing property to whack up a one to three bedroom unit that, in most instances, pays for itself within the first five to ten years on the back of some very impressive double digit rental yields.

Granny flats are relatively inexpensive to erect, with incredibly quick completion when managed by a reputable company. As such, they can provide a significant, almost overnight boost to your cashflow position.

In conclusion…

It's highly advisable for anyone thinking about obtaining finance for the acquisition of property to seek professional guidance at this juncture.

The times, they are a changing…and if you don't remain informed as to what those changes might mean to your personal portfolio position, you may come up against some tricky lender serviceability barriers in the future.

IN PROPERTY INVESTMENT, TIME IS MONEY

Have you heard the one about water lilies multiplying in a pond? Most seasoned investors can probably fill you in.

While the water lily story has been trotted out on more than one occasion to demonstrate the mathematical concept of compounding, far be it for me to reinvent the wheel when there's already a perfectly good one at hand.

So here's my abridged version of the water lily story to demonstrate the powerful concept of 'time' equaling 'money' and the opportunity cost when you fail to best use your time as an investor.

The multiplication effect

A water lily set adrift in a pond multiplies over time. I won't go into a lengthy botanical explanation of the process, but the fact is, one becomes two, two becomes four, four becomes eight, eight becomes sixteen and well, hopefully you've got enough mathematical ability to follow where this is going.

Given that larger and larger volumes of water lilies are doubling over time, although it might take four years (or 48 months) for the lilies to cover 12.5% of the pond's surface, it will only take another month until it covers 25%.

Then before you know it, within the next two months the entire pond surface has succumbed to a full saturation of water lilies.

See how rapidly compounding can suddenly take on a life of its own and magnify that multiplication effect in the blink of an eye?

Half of those lilies staged a four year campaign while there numbers slowly and steadily grew to cover 50% of the lake, until the very last month when the same rate of growth occurred in just four or so weeks, and took over the other half of the pond.

Opportunity cost

Now consider what would have happened if that initial lily was planted just one month later. This is what investment advisers refer to as 'opportunity cost', and the impact is twofold: it's the loss of not just the doubling effect in that first month from one lily to two, but also the final doubling effect in the 51st month, to cover the entire pond.

You can see how significant the opportunity cost could be if you procrastinate and fail to take affirmative action in securing your financial future.

The investment window

Logically, if the effects of compounding work over a number of years to grow your portfolio's value, the more time you hold your assets, the more they'll be worth when it most matters – when you need to draw a retirement income.

But some people, for whatever reason, don't begin their investment career until later in life.

While a few forward thinking souls might start setting goals, and developing and implementing investment strategies in their early twenties, others wait until they hit the mid-40 mark and realise they're not actually immortal.

But the longer you delay investing, the less time you'll have for compounding to do its thing and therefore, the more you'll need to contribute to make your money work harder and faster.

Act as soon as you possibly can

No doubt there'll be a few readers out there who've been giving serious thought to getting into the market. Credit is still ridiculously cheap, even with APRA spoiling all the banks' fun, and property continues to prove its worth as a very stable and strong, high growth asset (when properly selected).

Every day you delay taking the first step or the next step, you shorten your investment window and in turn, your wealth creation journey.

Your overall objective as an investor should be to remain active in the market for as long as possible, because procrastination can and will inhibit the creation of a viable retirement fund and prevent the realization of your future financial goals.

If you've been thinking about building your own property portfolio, or adding to an existing asset base, one of the team here at Trilogy Funding can help get you started. Don't miss your investment window.