

# **Consumer Awareness** **Guide for Investment** **Property Finance**

***"When financing investment properties there are many traps. This consumer awareness guide is essential reading before financing any investment property".***



**We All Need To Exercise Personal Responsibility But In  
The Case Of Neglecting This Old Fashioned Concept This  
Is My Disclaimer**

**Please Read Before Continuing**

**Disclaimer**

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## **Consumer Awareness Guide For Investment Property Finance**

Congratulations on getting this extremely valuable resource on buying an investment property.

My name is Colin Rice and I am a Finance Broker who specialises in helping people buy investment properties as a potential way of building their wealth. During my time doing this I have witnessed the stress, worry and costly mistakes people have made when buying investment property.

My purpose in writing this consumer awareness guide for people like yourself is to expose the traps and misconceptions around investment property buying and show you the essential things you need to be aware of to protect yourself.

Buying an investment property can be a very rewarding and exciting experience and in this report I am going to share with you the pro-active steps you can take today to start achieving your dream.

Again congratulations on taking the time to read this guide and if I can be of any assistance to you in the future I am very happy to discuss your personal circumstances and how I can help you.

Kind Regards

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**Consumer Awareness Guide for First Time Investment  
Property Buyers**

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***"Success comes from doing things differently"***

## **1. Introduction – Procrastination**

### **Do you think you can't afford an investment property?**

- Most people are unaware that the taxman and a tenant can pay for most of the holding costs of an investment property. This is also called negative gearing.
- Most people are unaware it is possible to generate an income from some properties from day one of ownership. This is also called positive gearing.
- Most people are unaware of the possibilities of purchasing an investment property via their super fund.

### **Do you fear you will lose money or even your house? Have you ever thought?**

- "This bubble is about to burst."
- "Real estate is too risky for me."
- "There are lots of sharks out there waiting to rip me off and besides brokers and agents are only in it for the commissions!"

### **Do you have good intentions but get plagued with thoughts like,**

- "I'm extremely busy and don't have the time."
- "I'll do it... tomorrow."
- "I'll get rich some other way - like the lottery."

### **What if I can't get a good tenant?**

- "and they wreck the property"
- "or they don't pay the rent"
- "I can't be bothered to deal with tenant issues."

### **I don't know how?**

- "Anyway I don't have enough for a deposit."
- "I'm not sure if the bank will lend me any money for a mortgage?"
- "How will I pay the mortgage off if I do get one?"

**“This guide has been written to answer the above questions and put you in a position of power by knowing the facts”.**

## **Actual Scenario**

A couple who already had one investment property made an appointment with me as they wanted to purchase another investment property. They had found a property for \$400,000 and had \$60,000 in cash that they wanted to use as a 10% deposit as well as to cover costs such as stamp duty and settlement fees.

After assessing their situation I suggested we have their owner occupied property and the existing investment property re valued as it had been 18 months since this was last done. They had purchased in a down market and both properties had since had a turn around. Valuations came back and we had managed to gain \$151,000 in equity without having to pay LMI (lenders mortgage insurance) as the total borrowings, including the extra \$151,000 had remained at an LVR (loan to value ratio) of 80%.

The end result was that they had preserved their cash of \$60,000 which was left in the offset account against their owner occupied property saving them in interest payments allowing them to pay down the "bad debt" or non-tax deductible debt faster. We then used \$90,000 from the new borrowings of \$151,000 as a 20% deposit and to cover costs for the new investment property and borrowed the remaining 80% from another lender to avoid cross collateralisation also known as firewalling. This debt was therefore "good debt" or tax deductible debt as it was borrowed for an investment property and saved them utilising the \$60,000 cash. As a bonus they had \$61,000 left in the kitty that they are now intending to use for the next investment property purchase down the track.

I also renegotiated the existing loans with their current bank adding further value and savings to them as well as negotiated a better rate on the new property purchase with the other bank than what they would have received for going direct via a branch.

Would there bank or another broker have suggested this strategy to put them in the best possible position? Maybe, maybe not! Don't take chances with your finances. Make an appointment with me to see what is possible for your unique situation!

## **The Five Common Misconceptions About Financing An Investment Property**

### **1. "You need money to make money and I don't have a deposit"**

The fact is you don't need a lot of extra money to invest in Real Estate. If you have a property that is worth more than you owe and a job or profitable business the bank will allow you to "tap" into equity that can be used as a deposit on another property. It is also possible to purchase residential and commercial real estate with your superannuation fund. When you know how, organising a deposit and a loan for an investment property is a straight forward process.

### **2. "I've got a job, a spouse, kids and little time on my hands"**

You can work for money or have money working for you, or better still, both at the same time. Turn off the television and you will have all the time you need. Load the kids in the car this weekend and start looking at open houses. Start speaking with experienced property investors who also have a job, spouse and children with very little spare time. You might just find a bargain as well as the inspiration you need and a helping hand or two to guide you through the property investment maze.

### **3. "Real Estate is risky"**

History proves real estate is one of if not the safest and most reliable investment vehicles on the planet. Since the 1970s residential real estate in Australia has enjoyed returns of 6% per annum. Some would say that a term deposit pays the same return but if you take a property worth \$400,000 that increases in value by 6% in one year that is the equivalent of saving \$24,000. Assuming the out of pocket cost is \$100 per week (negative gearing) it is still close to a fivefold return on your investment. This simple example demonstrates the potential power of using other people's money to acquire assets in order to create wealth over the long term. Banks also view property as a relatively safe investment considering they are prepared to borrow up to 95% of its value.

### **4. "There's too much competition"**

Success in life comes from doing things differently. If you look at what everyone else is doing and do the opposite you will most probably discover over the medium to long term you are wiser than you gave yourself credit for. Don't follow the herd mentality. Buy when very few people are and if you have to sell, when everyone else is buying.

**5. "I need more information before I start"** We live in the information age. Read some of the many books available on the subject, do research on the internet, talk to other successful property investors. Begin to seek help and build a mastermind team to assist you to reach your goals. It's true there are sharks out there but there are also many people who love to see others succeed. Your dreams and the life you desire is usually discovered just outside of your comfort zone. Are you willing to explore?

## **The Four Mistakes To Avoid When Choosing A Finance Broker**

**1st Mistake** to avoid is choosing a finance broker who doesn't take the time and effort to educate you on the process of arranging finance for your investment property. Beware of a broker who immediately suggests you move your existing loan as well as the new loan to another bank. They could be after a higher commission payment and this tactic may not be in your best interest. There are times when it is a legitimate strategy but if the broker cannot describe to you in layman's terms why he is doing this then ask the broker to explain the decision. If they can't clearly explain why I strongly suggest you don't utilise their service.

**2nd Mistake** to avoid any broker who is not familiar with investment property finance structures, as this is a speciality area. They probably just don't have the experience necessary to be advising on lending for investment properties. Property investing has the potential to set up your future financial security, done wrong it can set you back years and cost you a lot of money. When it comes to buying an investment property only deal with a broker that specialises in finance for investment property purchases. They know the traps to avoid and the best options for you.

**3rd Mistake** to avoid those brokers that only want to talk about the particular loan at hand and nothing else. A good broker experienced in investment property lending will want to review your whole situation taking a holistic approach to your unique circumstances. They should insist on annual structural reviews to keep you on track to achieving your goals.

**4th Mistake** to avoid choosing a broker who is a poor communicator! Make sure the broker you talk to has a clearly defined service guarantee for you. Do they give you updates at a minimum of every 48 hours in regards to the progress or lack thereof when arranging your finance deal? Do they have the necessary skills to meet important deadlines like finance approval and settlement dates? Are they readily available by phone, email, SMS and other forms of communication such as Facebook? Do they offer a service guarantee? Are they available after hours if you have a question or experiencing high stress levels due to an unresolved issue whether real or perceived? Do they relieve you of stress or cause you to be anxious due to not returning your attempts at communication? Ask if they have testimonials that they can show you from previously satisfied clients. Every broker will claim to have the best advice and service but it is much more credible to let others sing your praise. Ask them to show you some testimonials and if they can't ask them why not?

***"Every day, you'll have opportunities to take chances and to work outside your safety net. Sure, it's a lot easier to stay in your comfort zone. In my case, business suits and real estate but sometimes you have to take risks. When the risks pay off, that's when you reap the biggest rewards."* - Donald Trump**

**The Five Critical Questions To Ask Any Finance Broker**  
**To choose a credible Finance Broker make sure you ask the following;**

**1. Can you demonstrate to me in easily understandable terms how to lend money to purchase property?** Does the broker take the time to explain the different lending structures and the pros and cons for the strategies they have suggested to you? Can they explain the difference between "cross collateralisation" and "stand alone" strategies also called firewalling? Beware a broker who does not take the time to explain different lending structures available that will need to be tailored to your specific situation taking into account present and future goals. It is more than likely the structure will suit them by locking you in to protect their commissions.

**2. Can you show me who & why to speak to in order to protect my income and assets, both new and existing in order to avoid unnecessary hardship to myself and family?** When taking on debt it is very important to have safeguards in place. Has the broker you are considering engaging exercised a "duty of care" by gently yet strongly suggesting that you seek professional advice from a Financial Planner to have your personal risk insurance requirements reviewed? Do they offer a personal budgeting service?

**3. Can you show me how to structure my finances in order to pay off bad debt ASAP?** It is important to know the difference between good and bad debt and the strategies to implement in order to pay off bad debt ASAP. Has the broker explained in plain English the appropriate strategy in order for you to achieve this?

**4. Can you assist me in building a mastermind team?** Does the broker you are talking to have the networks in place in order to assist you to build a "mastermind" team of trusted and proven professionals to assist you in achieving your financial goals?

**5. Do you cultivate long term professional relationship with me and provide ongoing education free of charge in an unobtrusive manner?** Beware the broker who has a transactional mindset and just wants to get the deal done. Ask the broker if they provide free ongoing education in order to assist you to improve and build upon your financial literacy?

***"Make sure you choose the right finance broker for you so you get what you are entitled to and get the right answers!"***

## **The Six Key Benefits Of Using The Right Finance Broker Rather Than Your Bank When Financing An Investment Property**

- 1.** Finance Brokers get paid for presenting options that can save their customers money on rates and fees. The correct structure for your unique situation can also assist with cash flow and enabling you to do more with less. Remember bank employees get paid whether your loan gets approved or not and are trained to set up the best possible rate and fee structure for the bank. When you find the right broker for you getting the finance you need becomes very easy. The broker does all the work and guides you through the whole process quickly and easily. Brokers do this every day of the week so know exactly what the banks need and which ones will be the best for you in terms of the deal they will offer and the ongoing support they will give.
- 2.** Finance Brokers can source products from a vast range of specialist and mainstream products from multiple brands. Bank employees are only able to sell their "home brand" products. The right broker will have access to multiple lenders with hundreds of products who are all competing for your business.
- 3.** Finance Brokers only get paid if they get the loan to approval and settlement. Brokers only get repeat and referral business from happy clients. Bank employees get paid whether the customer gets the loan or not.
- 4.** The right Finance Broker works for the client placing their needs ahead of his always ensuring that the best structure and loan product is selected for you and not what will get the broker the highest commission. Bank employees are ultimately working for the bank shareholders. Who would you rather trust?
- 5.** Ongoing free education to keep you up to speed on lending options and strategies. The banks on the other hand will continue to educate their staff on how to increase profits that will be derived from you.
- 6.** Discussing your plans with the right broker can be critical in getting the deal approved. A skilled and knowledgeable broker will know how to interpret your desired outcome and present the deal to the bank in the best possible light. Many have made the mistake of sharing more information than necessary with the friendly loan officer at the local bank often to their detriment. The right broker knows how bank employees "think" and will present your deal in the most proficient way possible to get an approval that otherwise may have been declined. It is a regular occurrence for a broker to get a call to say the deal can't be done for a multitude of reasons then skilfully overcome the objection often without the client even being aware of the dreaded decline.

## **When You Are Ready To Investigate Further I Suggest The Following Four Steps**

### **1. Make a commitment to act.**

Talk to a finance broker before you even look at investment properties, their advice and guidance on what you can borrow puts you in a position of power when negotiating your first purchase. A deposit derived from existing equity and a pre-approval in hand puts you in a powerful position to negotiate and most importantly be taken seriously by the friendly local real estate agent or investment property researcher.

### **2. List your objectives.**

Where would you like to buy your first investment property? Would you like an apartment or a house? Local property markets or perhaps in another state? You can discuss your options with your finance broker and it helps to have thought about it prior to the initial discussion.

### **3. Have your five critical questions ready for the broker?**

**#1** Can you demonstrate to me in easily understandable terms how to lend money to purchase property?

**#2** Can you show me why & who to speak to in order to protect my income and assets, both new and existing in order to avoid unnecessary hardship to myself and family?

**#3** Can you show me how to structure my finances in order to pay off bad debt ASAP?

**#4** Can you assist me in building a mastermind team to create wealth for not only myself and family but for the generations to follow?

**#5** Do you cultivate long term professional relationship with me including annual financial health reviews and ongoing education free of charge in an unobtrusive manner?

### **4. When you find the right broker act.**

Make an appointment for you to visit them or them visit you and have that all important first discussion. You will likely be surprised how easy it is to get on the property investment ladder.

I trust you have found this guide informative and helpful, and I look forward to one day being able to assist you further in growing your property portfolio.

**FOR A FREE CONSULTATION IN  
PERSON OR BY TELEPHONE  
ON HOW TO FINANCE AN  
INVESTMENT PROPERTY**

**EMAIL:**

**[crice@financialmomentum.com.au](mailto:crice@financialmomentum.com.au)**

**Or**

**CALL/SMS: 0410 614 306**

**Guarantee**

***"I guarantee proper advice that delivers  
flexible finance options to you. I will go the  
extra mile to ensure you are totally  
satisfied"***

**To See What Other People Have Experienced By  
Following The Principles Given In This Guide Please  
Continue Reading**

## **Read What Other People Have Experienced By Following The Principles Given In This Guide**

***"Colin has been a great help with our financial situation and helping us achieve our newest property. Colin's service has been outstanding and he went out of his way to ensure every little detail was followed through even working late into the night. There was never any problem as Colin would always have the solution. He is reliable, efficient and very pro-active with his work methods which gives you the peace of mind that your being well looked after. I would recommend Colin to anyone looking for constructive advice/help with their financial situation"***

*Roz Dawson, Bullsbrook*

***"I will always use Colin for all my finance needs as he put what was good for me ahead of financial gains for himself. He was informative and knew his job well. He did what he said he was going to do in a timely professional manner. And best of all his services are FREE!!!"***

*Dean Letard, Banksia Grove*

***"Colin was recommended to us by a work colleague who had previous dealings with him. We found Colin went the extra mile to ensure that we were totally satisfied with the outcome of our business. I have since then recommended him to some of our friends and would not hesitate to work with him again in the future"***

*Brian Cassidy, Clarkson*

***"Some feedback for you: the real estate agent (Iris) is really impressed with your services and she'll keep you on her database as a referral for a good Finance Broker. I told her you're just the best! I also recommended you to a friend and a work mate just this week, hopefully they'll contact you soon"***

*Luciana Carneiro, Nollamara*

***"Thanks for all the attention I'm getting. I feel like your only client and will definitely be recommending you to all our friends"***

*Kim Dent, Connolly*

***"Colin is very trustworthy and hard working. He provided a friendly service that gave us a significant saving. I'd strongly and without hesitation recommend Colin as your finance broker."***

*Simeon Kendall, Joondalup*

***"Colin has assisted several of my clients with refinancing their existing mortgages, consolidating their debt or financing their first investment property. Colin is professional, personable and keeps me and the client informed every step of the finance process. Very happy to recommend Colin and look forward to developing our ongoing business relationship for many years to come."***

Matthew Prouse, Accountant, Prouse Family Accountants, Joondalup

***"I have had the pleasure of Colin providing lending advice to a number of clients. Colin will go out of his way to provide the best advice and most suitable option. Colin is honest in his dealings and builds a strong relationship with clients based on trust. I have had glowing feedback on the services Colin provides which further strengthens my relationship with the client. I have no hesitation in recommending Colin to anyone looking for a Mortgage Broker."***

Rebecca Newton, Financial Planner, Prestige Wealth Partners, Joondalup

***"Can I just say Colin the way you conducted the arranging of finance and the manner in which you kept me informed at all times was second to none and much appreciated from the vendor as well. I will definitely refer you services"***.

Rod McDougall, Sales Associate, Peard & Associates, Hillarys

***"Thank you for taking the time to read this educational guide. Please don't hesitate to contact me for further information or if you need any questions answered"***.

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