*Put Yourself Ahead of the Pack!*

# THE TOP 3 MISTAKES NEW INVESTORS MAKE

## AND HOW TO AVOID THEM!

DISCOVER THE 3 BIGGEST MISTAKES I SEE NEW INVESTORS MAKING, AND THE SIMPLE STEPS YOU CAN TAKE TO AVOID THEM!

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*Mistake Number One*

# TRUSTING THE WRONG PEOPLE FOR ADVICE

Unfortunately in the world of Property Investment it's easier than it should be to get completely taken for a ride by people who seem to have your best interests at heart.  Here is one of the main culprits to look out for.  (There's more but I'll be here all day!)

**Property Sales People Disguising Themselves as Buyers Agents or Investment Specialists.**
To the new investors these types can be quite hard to spot because they seem to have the knowledge you need and what they say makes sense.
So how do you tell a genuine buyers agent apart from a sales person?

**Hint 1 - A real buyers agent (BA) is expensive.**
Legit buyers agents will charge you around $10k to get you into a property, depending on the level of service they're providing.  If they're free or cheap, they'll be getting paid by the seller, similar to when you sell your home.  As you likely know, the selling agent works for the vendor, not the buyer. As such, a buyers agent should NOT be earning an income from any vendors, developers or sellers.

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*Mistake Number One*

# TRUSTING THE WRONG PEOPLE FOR ADVICE

**Hint 2 - A real BA will have more than one trick.**
If your 'buyers agent' is hell-bent on selling you a new property, something off the plan, or a house and land package, you can be pretty sure you're dealing with a sales agent. A real BA will listen to what you're hoping to achieve and be able to show you a range of **established** properties that will meet your goals.

For eg, if you're a builder and you're looking for a property locally, and your BA is showing you a great brand new apartment, you'd have to question why he's not talking to you about renovations, subdivisions and projects specific to your skill sets.

**Hint 3 - A Real BA will generally not be a One-Stop-Shop**. (And it's definitely preferable if they aren't.)
While a real BA may have some recommended service providers, they will not have accountants, solicitors and brokers under the one roof. This is important - you don't want to be stitched up because your lawyer was actually *their* lawyer. It's good to use your own team so there are eyes on the deal that are neutral to the transaction.

*Mistake Number Two*

# BUYING OFF-THE-PLAN HOUSING

**OTP housing can seem SO attractive.  The sales spiel can be extremely convincing, and the tax benefits - well, what's not to like about that, right?**

The problem is that Off-The-Plan (OTP) housing is high-risk and (way) more often than not, it's a purchase that will set you back years in your investment journey.  Here's a few reasons why.

**Reason 1 - There are too many costs built into the purchase price.**
When you buy a brand new house/apartment, you're not just paying for the house.  You're also paying for the developer and their share of the profit, the oh-so-attractive rental guarantee (which, let's face it, is *way* less attractive once you realise you're the one paying for it), and the sales agents hefty commissions.  You're the one left holding the bag after everyone else has taken their share of the profit, and it can take years for your new investment to recoup the new-house premium you've paid.

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*Mistake Number Two*

# BUYING OFF-THE-PLAN HOUSING

**Reason 2 - The delay in settlement can cause huge issues.**
It sounds super appealing when they sell it - awesome tax benefits, take advantage of growth while it's getting built, pay just 10% now to secure you're investment - no more to pay until completion!  Awesome, right?

Wrong.  In the last month we've settled 3 OTP apartments that have been very tricky to fund and hugely stressful for our clients.  So what went wrong?

**1.  The property market dropped.**
(Gasp!  What?)
The rumours are true - the property market can and does go down.  Thankfully we'd prepared our clients for this eventuality and got a huge equity release ready 6 months prior so we wouldn't run into issues with financing the purchase.  If we hadn't, our clients would have lost their 10% deposit and potentially been sued for the difference between their contract price and the eventual sale price.

Yes, that's an actual nightmare.  Let's not do that.

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*Mistake Number Two*

# BUYING OFF-THE-PLAN HOUSING

**2 - Changes to..well, anything...during the build period.** When you've got years between signing a contract to buy, and actually buying, you open yourself up to a plethora of risk.

Some of the things that can wreck havoc on the best laid plans are -

* Bank Policy Changes - where you could once borrow, now you can't. Or, they decide that they no longer like the high density postcodes. See nightmare above.
* Family changes - where you could once afford the loan, now you've got 3 kids the bank says you can't. See nightmare above.
* New hobbies/habits - where you once didn't have a penchant for throwing some coin on the pokies, but now you do - well that's a whole different nightmare but the result is the same.

*Mistake Number Three*

# CROSS-SECURING YOUR LOANS

**What the heck is that? Well, I'm glad you asked!**
Cross securing your loans is when the bank or broker takes your existing property and uses it as security for a new loan, along with the new purchase.

It's super common - banks love it because it sures up their position with more security than they need, and lots of brokers love it because they used to work for the bank and don't know any better. ;)

The problem arises when you can least afford it.

Here's a quick list of why NOT to x-coll your loans.

**1. Mortgage Insurance costs will be HUGE.**
Banks calculate LMI based on the total loan amount, not just the new loan so any premium will take into account any existing mortgage PLUS the new one.  This can be a difference of thousands. Ouch.

*Mistake Number Three*

# CROSS-SECURING YOUR LOANS

**2**. **X-coll loans give the bank all the power.**
Just say you have a home you want to sell and upgrade, cross secured with an apartment. You sell your home, thinking you're going to use the proceeds as a deposit on the new place.

Oh no! Your bank has decided that your apartment is no longer on their list of acceptable securities, so when your house sells they take the sale proceeds and use them to pay off the apartment.

You now have a fully paid off investment property, no deductible debt and no deposit for a new home. You get no control of funds when you sell, the bank gets first dibs, and you get the change.

**3. It reduces flexibility.**
Because your portfolio is all with one bank, it's easy to accidentally snooker yourself. For eg, one of your loans is fixed, and you want to refinance a different property. You can't move because that it's used to secure the fixed rate loan and it could cost you $1000's to break.

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# WANT TO KNOW MORE?

## 0466 581 009

e jessica@seedfinancial.com.au

w www.seedfinancial.com.au

f @seedbroking