STORY ANNETTE SAMPSON

Warning signs

ɩe buyers should avoid spruikers who make
-top promises and use high-pressure tactics

hinking about investing in property? Looking for expert help? You'll soon find there is no shortage of "advisers" willing to offer their services. But be ɾoperty advice business is poorly ı few of the protections afforded assets such as shares and super. o laws preventing Joe Bloggs or xt door hanging up a shingle and ves a property adviser, regardless ience. Genuinely independent themselves competing with o claim to offer advice but are ed in earning big commissions ers and vendors.

l choose fancy titles to big-note d what they do," says Rich Har- of the Real Estate Buyers Agents f Australia (REBAA). "People ikers as having white shoes, a d a Mercedes but anyone can e using things like their fear of

ey, president of the Property ofessionals of Australia (PIPA), s can offer commissions as high properties – a cost ultimately purchaser. "I've heard horror people have paid $500,000 for bank later values at $450,000 has had to find a way to cover because their contract is with t the spruiker," he says.

estors need to do their homework. ıty of charming people in nice purporting to offer advice, but ie expertise and independence ieve your goals?

SEMINARS

Many groups offer investment seminars that promise to teach you the secrets of success in a day or even a couple of hours. While some can be useful, bear in mind that seminars are the main marketing tool of developers and other promoters wanting to flog properties and educators wanting to sign you up for more expensive courses.

Kingsley says that anyone attending a seminar should make it a rule not to sign anything until they have gone away, cooled down and thought about it. "They offer discounts and create a sense of scarcity but what they are selling is available in bulk and you can always get it later if you decide it's really worth it," he says.

The Australian Securities and Investments Commission (ASIC) says you should get advice from someone who is not linked to the seminar and do some basic checks, such as ensuring the promoter isn't on its "banned or disqualified" list at ASIC Connect online or had action taken against it on ASIC's undertakings register. Also check whether your state or territory consumer affairs agency has taken action against them.

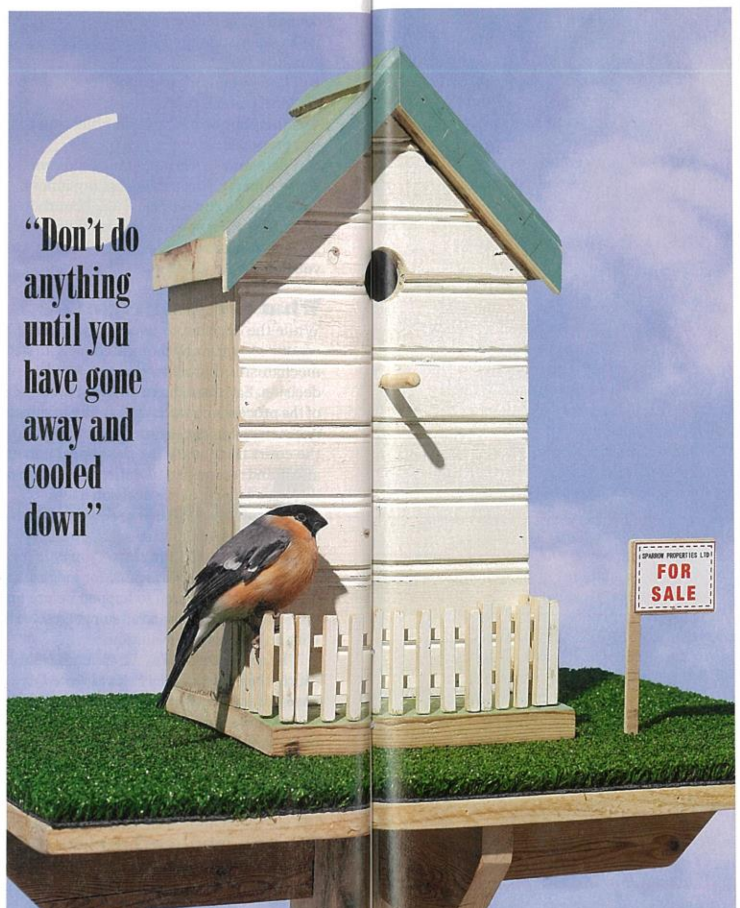
ASIC says promises that sound too good to be true – such as risk-free investments, making you a millionaire in a few years, achieving above-average returns with little or no risk, and investments that are government approved – are signs that the seminar is dodgy.

BUYER'S AGENTS

Buyer's agents or advocates have become a growing force in the market in recent years. REBAA says their role is to act on your behalf to search, evaluate and negotiate. A full-service buyer's agent will guide you through the entire process from working out what type of property suits your needs to settlement, often helping to organise management of the investment.

Harvey says buyer's agents are licensed by the states. It varies but they should have either a full real estate licence or a buyer's agent licence. Most need a full licence. "A true buyer's agent doesn't take commissions, fees or other kickbacks from vendors," he says.

Kingsley adds: "You can get property marketers moonlighting as buyer's agents. But in reality they are just selling on behalf of a developer or vendor. As a guide, if they say something like, 'Here are six suitable properties you can buy today', they are probably selling in bulk off a stock list rather than trying to find a property for an individual buyer."



"Don't do anything until you have gone away and cooled down"

As a general rule, Harvey says most buyer's agents charge around 2% of the purchase price for a full service. Some will charge an upfront fixed-dollar fee as a retainer.

PROPERTY ADVISERS

While anyone can call themselves a property adviser, groups such as PIPA and the Property Investment Association of Australia (PIAA) have been working to put some genuine substance into the title through education. Kingsley says PIPA has an entry-level course and advisers who complete it can be designated a "qualified property investment adviser".

Rosemary Johnston, a board member of PIAA, says real estate and advice are totally different and it is important that anyone offering advice has some training. She says professional indemnity insurance is also an issue, especially for professionals such as financial planners who are prohibited from recommending specific direct property investments under the *Financial Services Act*. A financial planner could put their entire business at risk by making recommendations on direct property that are not covered by the insurance.

PIAA has professional indemnity insurance available to its members but consumers need to ensure the adviser is covered.

Richard Wakelin, a director of Melbourne-based buyer's agency Wakelin Property Advisory, says a good property adviser encompasses more than just the transaction. "They work with the client and financial advisers to ensure the client gets the best asset for their goals and budget."

Kingsley says advisers will normally charge $2000 to $7000 for a plan, but it can vary widely.

OTHER PROFESSIONALS

Accountants, mortgage brokers and financial planners can all "moonlight" in property advice, according to Kingsley. Some have formal training but others don't. "I'm a mortgage broker but I have qualifications in other areas," he says. "What you don't want to see is people with no qualifications thinking property advice will generate good business for their mortgage book."

WHAT TO LOOK FOR

Metropole director Michael Yardney says good advice involves lots of questions. The adviser needs to understand where you want to go financially, what you're looking for, and your circumstances.

Johnston says advisers should put their advice in writing so they can be held accountable.

Harvey says it is also important to check their credentials. How long have they been in the business? What qualifications do they have? Are they a member of an industry association with a code of ethics? He says a Google search can also give you an idea of whether they have a good professional standing.

Get to know who you'll be dealing with, says Johnston. Property is a long-term investment and the advice should include a clear exit strategy and measurements along the way to ensure the performance is as expected.

Mostly importantly, says Johnston, ask how they are getting paid and whether they – or any company they have an interest in – are getting a benefit from property vendors, developers or others such as mortgage brokers.

Wakelin says good advice is independent and impartial and the adviser shouldn't have financial arrangements with sellers such as builders, developers and real estate agents. If they are genuinely independent, you should also get written disclosure of the fees you will pay.

"If it is purely fee for service, they are working for you, not someone else," says Kingsley. "The fees should be transparent and you should easily see their value." **M**

This is an edited extract from an article in Money's 2017 Real Estate Guide. *You can buy a copy at magshop.com.au.*

SHONKY TACTICS

The Australian Securities and Investments Commission sent journalist Annabel Hennessy "undercover" to find out what goes on at property investment seminars. Here are a few of the things she encountered:

- Group activities to ramp up emotions and develop trust. These included putting your hand through a block of wood, imagining you were at your own funeral, giving massages to other attendees and dancing and chanting.
- The use of testimonials from "successful investors" without disclosing that these people worked for, or were affiliated with, the seminar company.
- Sales contracts were often brought out towards the end of the seminar when Hennessy says participants were starting to feel worn down. They often had a special deal where they would get a big discount if they signed up on the spot. In one case, she says, participants were offered a $10,000 discount off the company's education course – but only if they signed up during the lunch break.
- Seminars where people came expecting to learn when in reality the day was just a sales pitch.