THE $500,000 MISTAKE

Poor property investment advice and a very costly mistake were the catalysts for Ben Kingsley to embark on a new career, as API discovered. NICOLA MCDOUGALL

For many people, it's a chance meeting or a dash of good (or bad) luck that sets them on a new career path. This was certainly the case for Ben Kingsley, who's the current chair of the Property Investment Professionals of Australia (PIPA).

Rewind some 22 years and he was a novice investor who made a whopping half-a-million-dollar mistake.

BACKYARD BLUES

All investors have to start somewhere and when you're young the thought of getting a home loan for a sum that's many times your annual salary is pretty scary. If you started investing in your early 20s, like Ben did, that figure also equates to the loss of many nights out with your mates and therefore is one that shouldn't be taken lightly.

Twenty-plus years ago, sound property investment advice was also thin on the ground. The first issue of API was still a few years away and the boom of the early 2000s wasn't on anyone's financial radar.

So it came to pass that Ben decided, at the tender age of 23, to become an investor. He didn't really know what he was doing, he now realises, so he opted for the security of a location that was very familiar to him.

"I bought it across the road from mum and dad, which was my first mistake," he recalls.

"The classic of going to the comfort of an area you know, an area that you grew up in, an area that you're familiar with and not really understanding the true power of great asset selection in the right locations."

The property was located in Bundoora, which is a Melbourne suburb about 25 kilometres from the CBD.

"I bought it at auction for $120,000 and it was a three-bedroom, one-bathroom [plus] large rumpus room with an extension on the back. It was very liveable. What I call a 'reliable and durable property'. For someone of my age, that was all I could afford at the time."

BEN'S TOP INVESTOR MISTAKES

- Trusting unqualified "experts"
- Believing "I know property"
- Poor property selection
- Procrastination
- Fear
- Lack of planning

With his first investment under his belt, his work career in the tourism industry took him to Hamilton Island and then Sydney a few years later, where a fateful turn of events was about to take place – not that he had any inkling of it at the time.

"I thought, 'OK, I've got a career going here' [and] I was in a serious relationship, so I was looking for my next property opportunity in the Sydney market. I thought I'd go and get some advice," he says.

"My biggest mistake was getting property advice from a tax accountant. The classic story of an accountant who really doesn't know much about property, but thinks they do, told me that my property in Melbourne was cash flow positive and I was paying too much tax so I should sell it and buy an off-the-plan apartment in Sydney, which was what he was doing.

"I think I was referred to him by a friend who said 'he knows a bit about property'. When I spoke to him, he was saying, 'we're getting these syndicates and we're buying these apartments, that's the go and you can save on tax'."

HALF AND HALF

By this stage Ben had started to become more adept at property research and thankfully thought the accountant's "advice" seemed a little on the nose. Alas, he didn't trust his intuition wholeheartedly so made a boo-boo that wound up costing him dearly.

"Fortunately, because I was a subscriber to API by that time – which is the truth – I listened to his tax advice, but something about what he said around buying off the plan just didn't make sense to me," he says.

"So I did my own research and searched for six months and missed out on a couple of properties. I ultimately bought a two-bedroom, semi-detached home in Alexandria in Sydney in 2001 for $395,000."

It was the method for financing that deposit that was to become the thorn in his financial side. He sold the Melbourne property for a $45,000 gain after holding it for a few years, but now knows he didn't have to.

"My half-a-million-dollar mistake is really in the sense after buying it for $120,000, I sold it for $165,000 six years later, so it did OK for a Melbourne property during that time. But that property today would be in excess of $620,000. There's my half-a-million-dollar mistake," he says.

"I should never have sold it. I should've just realised the equity, so tidied up the kitchen and the bathroom and had some depreciation attached to that, then re-valued it and released the equity out. Then I would still have been able to get the deposit for the Alexandria property and my portfolio would be worth half a million dollars more than it is today."

PROPER INVESTMENT ADVICE

Buying a property in Alexandria meant Ben was hardly left crying in his cornflakes, but he was still too inexperienced to understand the long-term ramifications of his decision. The experience, however, got him thinking about the property investment sector. He knew he wanted to learn more and he knew that he wanted to help other investors, too.

"[It] was part of my driving passion to stop others from making the same type of mistakes and to become a property investment adviser," he says.

"Again, I say, you should only be getting your advice from people who are qualified and experienced in

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BEN KINGSLEY

property investment advice and not mortgage brokers or accountants or financial planners who dabble but don't really know the full scope of property investment advice."

With a limited career opportunity in a large-scale tourism resort in Australia, and now engaged to be married, Ben was keen to return to his home town of Melbourne. So, in 2004 he shifted back to Melbourne and set about making a start in property. Ben says the book *Good to Great* by Jim Collins inspired him at the time to follow his passions.

"I had thought of starting a coffee kiosk business in China but I don't drink coffee," he says.

"Jim's book talks about what you're passionate about and at that time I'd really started to develop my research on property investment and personal wealth creation and that led me into this whole idea of… I'd been to all the seminars, listened to all the spruikers, I'd seen all the people frenzied and thought 'what are you guys doing? Don't you understand they're artificially creating scarcity? There's no real substance to what they're doing'.

"From that point of view I started to build this vision of providing… almost like a 'one-stop shop' for people investing in property."

Ben spent a few years in the mortgage brokerage business while also growing his property investment knowledge. In 2007, he founded what was to become Empower Wealth Advisory and then went on to be elected chair of PIPA in 2012.

He and wife Jane now own a portfolio worth more than $4 million (although it should've been $4.5 million!) and aim to take some serious time off from their day-jobs by the time they turn 50, in about five years' time. Ben's love of property investment, however, makes you wonder whether he'll ever really "retire" from the game.

More than two decades on from his investment folly, and with the multitude of research options now easily available to investors, Ben says he still sees many of the same mistakes being made by passionate but uninformed investors.

Number one in his eyes is the prevalence of spruikers in the sector who continue to target unsophisticated investors to make an easy buck as well as new investors who think they know it all but in reality, don't.

"It's a high value transaction. That's why it attracts the spruikers because they can earn big commissions off it. If they're got a smooth tongue and a nice suit, ultimately that's why they think, 'I don't need to be that educated and I can come in and pretend I know what I'm talking about and people are going to pay me commissions'," he says.

"I see too many 'coaches' and 'mentors' and people who have one set formula and it's supposed to work with everyone. I just think it's lazy but it also speaks of an agenda that's not necessarily client-focused."

Ben believes that his early experience was actually a good thing for him because he learned the hard way that he didn't have all the answers. Unfortunately, in rising markets, some first-timers may think they have the Midas touch when, really, the capital growth has nothing to do with them and everything to do with market forces.

"They're dangerous. The knowledge they've got is dangerous. It's actually not good for them but they think they know what they're doing. If they got professional advice the results could be 10 times better," he says.

Next on the list of top mistakes is property selection. This is when investors think any old property will do, which is rarely a winning strategy.

"That ultimately still leads to people, more often than not, buying in their home state or buying in the suburb they're familiar with, and that's not the way to truly invest in property. You need to really have a borderless investment philosophy and go where the market gives you the best opportunity."

The eternal issue of procrastination is next on his list, with many investors becoming so transfixed by research they get analysis paralysis and never end up buying anything, or they miss out on the rising tide completely while they continue vainly to search for the "perfect" investment.

Last but certainly not least are courage and planning. Ben says many investors don't make the most of their circumstances and then realise too late that they've run out of time. Others, he continues, fail to plan and wind up in a spaghetti-like financial mess.

"Once you have good money management and you understand cash flow, and you project those well, you can really, really maximise the exposure in your investments better than some," he says.

"Also, run it like a business. Big businesses don't just make ad hoc decisions. They do calculated projections, they understand what they're doing and they understand the returns they need to move forward, whereas most investors just have this philosophy of wanting the best return but they don't really know how to do it or what it means to them.

"A well-designed plan will help you articulate the price point, the growth target and the yield target you need to sustain that property for the long-term."

And even though Ben's portfolio is $500,000 poorer because he took the advice of someone he shouldn't have, the silver lining to this story is that his Alexandria property remains in his possession today and was recently valued at $1.2 million – a gain of some $800,000, which helps ease the pain. API