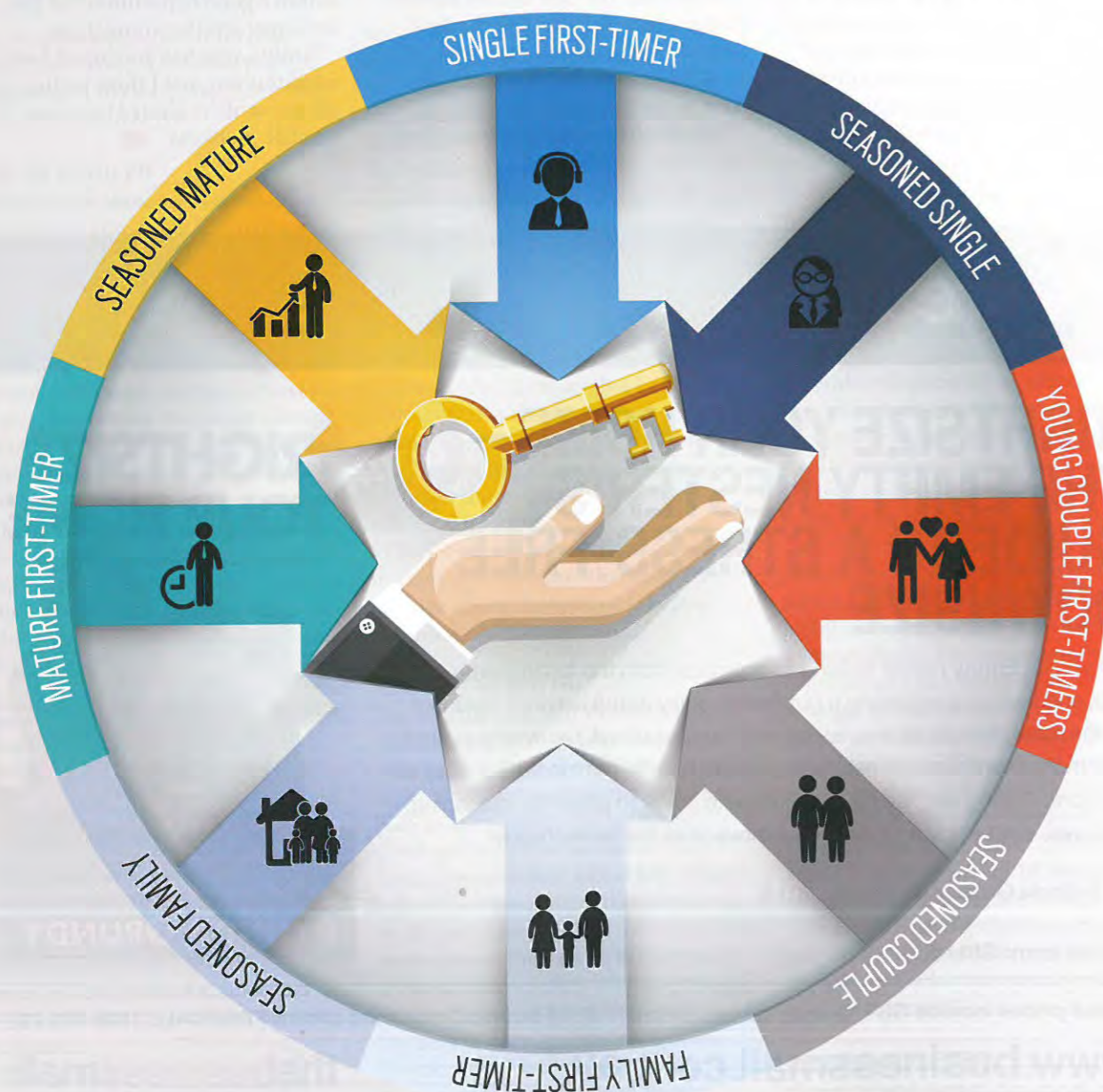


# WEALTH BUILDING FOR YOUR LIFE STAGE

Whatever life stage you've reached – and on whichever rung you've alighted on the property ladder – here's some great advice from those who've seen it all before. **ANGELA YOUNG**



**N**o matter how far you've progressed along your property yellow brick road – whether you're yet to make a purchase or you hold a sizeable portfolio, whether you're a spring chicken or a more mature specimen – it's unlikely you know all there is to know about perfect property investing... because nobody does!

However, there are plenty of people out there, amateurs and experts alike, who've been where you are now and know some of the best ways to avoid the pitfalls.

For the purposes of this article, we've split the world of investors and potential investors up into eight categories (see descriptions, right). For each life stage, we've endeavoured to narrow down what an investor should and shouldn't be doing at that particular point in their journey, and supply tips to help them move forward.

So, let's start at the very beginning...

## S FT (SINGLE FIRST-TIMER)



One thing this group of people have on their side is time – something our experts urge them to make the most of.

"They can afford to take more risks than someone closer to retirement as they have time to recover from a less well performing investment," Destiny's Margaret Lomas says.

"Every buy they make must perform from a growth perspective quickly to create the equity needed to broaden their asset base. They should buy in areas in suburbs of capital cities with little new land available and lots of families, with a lot of planned infrastructure."

This is a group that can afford slightly negative cash flows, she adds.

Saving that very first deposit is often the stumbling block for S FTs. Real Wealth Australia's Helen Collier-Kogtevs points to the importance of changing the mindset, something she believes tends to happen organically from the age of about 30 anyway.

Her tips for youngsters include buying secondhand rather than brand new cars, shopping at sales time only, using public rather than private transport where possible and house sharing with friends. Mobile phones are also a focus.

"I had one girl come up to me and say, 'I've been doing everything I can

to reduce my mobile phone bill, and I can't... It's \$400 a month and my parents keep freaking out!' I looked at her and said: 'I'm on \$129 a month *unlimited* plan!'"

Somersoft's Jan Somers says it's the little things that can make a big difference.

"They have to get rid of all those mental barriers. The biggest barrier is their spending habits. Don't have a Mars bar and a cup of coffee every morning, don't have takeaway lunch every day.

"The most important thing is to get into the market at any cost.

"Forget what mum and dad have got, they're 30 years older. I think it's important for those people to lower their own standards."

OpenCorp's Cam McLellan thinks entering the market's not as straightforward as it used to be.

"It's a lot harder than when I started and it'll continue to get harder.

"While I'll always say find a capital city, [some] need to buy at a lower price point further out, a townhouse perhaps. Forget about owning your blue-chip art deco apartment."

David McMillan, from Performance Property Advisory, points out that these buyers are about to take on the most amount of debt they'll ever have in their lives. "So don't rush, spend time to get the strategy right," he says. "Be patient but don't procrastinate."

According to Momentum Wealth's Damian Collins, a property with good growth prospects and less weighting on rental yield is the best option, perhaps focusing on houses with land content in draft rezoning areas, while Property Power Partners' John Lindeman emphasises the need to recognise the difference between bad debt (credit cards, car loans) and good debt (property). Renting a property and buying an investment is, he believes, a sensible choice.

"If you borrow to buy an investment property, you then can claim the interest as a tax deduction."

Buyers' agent Cate Bakos advises engaging a good broker or banker at this stage, and warns S FTs shouldn't be attracted to minimum-deposit schemes, off-the-plan rebate type offers or brand new dwellings just to avoid having to save.

"These buyers need to be as organised

## THE LIFE STAGES

### S FT = single first-timer

Aged between 18 and 35, the S FT has just one income, potential to have a reasonable deposit saved and ambitions to build a solid portfolio to help with eventual early retirement. The S FT has no dependents and is young and free, if a little naive.



### SS = seasoned single

Aged between 18 and 35, the SS has just one income and already owns at least one investment property. He or she also harbours ambitions to build a solid portfolio to help with eventual early retirement.



### YC FT = young couple first-timers

Aged 18-35, YC FTs have two incomes, potential to have a reasonable deposit saved and ambitions to build a solid portfolio to help with eventual early retirement. They have no dependents, but starting a family could be on the cards.



### SC = seasoned couple

Aged between 18 and 49, the SC have two incomes and already own at least one investment property. They have no dependents, though starting a family could be on the cards in the future.



### F FT = family first-timer

Aged 25-49, the F FTs have either one or two incomes and young, dependent offspring. They are slightly naive when it comes to investing.



### SF = seasoned family

Aged 25-49, the SF have either one or two incomes and young, dependent offspring. They already have at least one investment property in their portfolio.



### M FT = mature first-timer

Aged between 50 and 65, M FTs have no dependents at this stage of their lives, but also don't own any investment properties. They're nearing the end of their working life and would like to finish as soon as is financially possible.



### SM = seasoned mature

Aged between 50 and 65, SMs also don't have any dependents at this stage of their life and they already have at least one investment property in their portfolio. They're nearing the end of their working life and would like to finish as soon as is financially possible.



as possible and remember that agents will generally only provide help when they can see that a sale's likely," she adds. "Relying on agents to answer a clipboard-full of really broad questions is naïve."

Ben Kingsley, of Empower Wealth, implores S FTs to look beyond their own state borders.

"It's a mistake most would make, that from a safety point of view they need to look in their own back yard, but that's probably the biggest mistake most do make.

"Look at other markets that are in better cycles."

#### S FT MUST-HAVES

- ▶ A budget/savings plan.
- ▶ No bad debt.
- ▶ A focus on capital growth (though yield just to get a foot in the door is okay).

#### SS (SEASONED SINGLES)



For Kingsley, this stage isn't necessarily plain sailing.

"I think they're the ones that more than likely will struggle with borrowing power, servicing any further purchases," he says. "They may start to look at doing some improvements... a bit more hands on, if they've got one or two under their belt and they're looking to do a bit of equity harvesting.

"They have the challenge of the single income. In some cases they might have to sit on their hands because they can't borrow any more money."

Lindeman says it's important to sort out structures at this stage (i.e. whether properties are in a family trust or SMSF, etc.), adding: "Once you've started property investment, you're looking at leveraging as much as you can... in other words, borrow as much as you can."

Lomas recommends ploughing all of your excess funds into debt repayment at this stage, adding: "As soon as equity's created, they should buy again."

McMillan warns against the scourge of smugness: "You may have got lucky and you may have made money," he says. "Don't blow it by being complacent."

For Collier-Kogtevs, education is now paramount: "They need to keep growing it and they need that panel of experts.

"Those that have already got property, it's about getting the right set of people around you to support you. Having an

accountant, a finance broker, property manager, a mentor."

Also, she says, this age group mightn't know all about depreciation.

"Maximising the portfolio, their one or two investments, is really important, making sure they're increasing their rent every year, using their tax returns as potential deposit money for the next property," she advises.

Many believe now could be a good time to consider active investing.

"This time, like no other time in life, is a great time to choose to renovate if you're keen and capable," Bakos says. "Once children arrive on the scene (from infants to busy school-age teenagers), it can be difficult for investors to find the time to manage a renovation."

Lindeman agrees: "It's something you can only do with properties, of course, you can't do it with any other asset."

A common pitfall at this point, according to McLellan, is trying to think outside the box.

"They start trying to look at different strategies," he says. "Instead of just saying, 'those couple of boring properties did well, I'll go and buy another two or three of those and be set... they go and try and do other things. Usually what happens is it takes them off-track.

"Good, safe investing should be boring. Go and buy another boring investment!"

#### SS MUST-HAVES

- ▶ A good team around you.
- ▶ Structures in place.
- ▶ More education..

#### YC FT (YOUNG COUPLE FIRST-TIMERS)



While much of the advice for this category is similar to single first-timers, one crucial difference is, of course, that extra income. However, before celebrating double the funds and diving straight in with your partner, it makes sense to think things through practically.

McLellan's rather unromantic advice is to simply "get a pre-nup!"

"You work so hard to get your first property and then your second property. To bring it together with someone else and potentially put all that hard work at risk for a bit of a puppy love... just get something documented," he says.

Of the several couples he knows who've embarked on that awkward

conversation, all are still together to this day, but, he says, "at least you know, if it all goes pear shaped, and let's face it, lots of relationships go pear shaped, you can easily walk away".

McMillan concurs.

"If you're not married, think about buying property each separately," he advises. "If you're married, get advice on ownership structures."

Lomas suggests keeping loan-to-value ratios below 80 per cent and says YC FTs need to be mindful of future possibilities: "They may suffer stress if they decide to have a family and then struggle with the mortgage on a single wage. The trick here is to not overcommit."

For Bakos, this is a stage at which investors need to make sure it doesn't get personal.

"Often, YC FTs feel the need to secure the future family home in the suburbs... but then find they have an under performing asset a long way from the CBD and not attracting the right tenants.

"They shouldn't overlay personal likes," she says. "It's an investment and they should adhere to the numbers."

An issue Bakos has seen arise is that of clashing ideas: "arguing together over what type of property they like and losing time in a moving market" and "procrastinating because each other's risk profile and appetite to invest isn't equal".

"Rather than finding common ground," she explains, "[they] keep putting off the task."

Collier-Kogtevs suggests YC FTs need to plan ahead.

"It's really important they make sure the portfolio's balanced," she says, "and that they're constantly purchasing property with the thought in the back of their mind 'We're going to lose one income'.

"They've got to plan for that – for mum or dad being home with child."

#### YC FT MUST-HAVES

- ▶ A plan for the future in place.
- ▶ An awareness of the danger of over-committing.
- ▶ A pre-nup.

#### SC (SEASONED COUPLE)



While these guys are also at risk of the smug complacency of SS, it's a life stage at which couples can take larger risks and

they're likely to have a large servicing income, according to Collins.

"This is the stage where the seasoned couple can use some value-add strategies, [including] renovation of existing houses, development of properties and subdivision of land," he explains.

Accumulating growth properties is still the main goal when purchasing, he says, but another is to buy properties that hold development opportunities – those that have recently been rezoned, perhaps.

"The couple shouldn't be sitting idle," he adds. "Now is the time to become active and accumulate properties."

McMillan advises that this is a good time to pay the accountant a visit.

"Up until this point, everything would've been in their own name and that would've been the correct way to structure it," he says. "Once you have multiple properties and properties start to turn cash flow positive, and there's a bit of cash swimming around, it's time to definitely see your accountant about holding entities and structures."

Bakos warns of couples biting off more than they can chew.

"Many higher income earners see their surplus funds and get excited about their borrowing capacity, yet don't give thought to the ongoing expenses and out-of-pocket costs," she says. "A badly devised strategy can make the difference between enjoying parental leave for an extended period [if and when you start a family] and having to return to work earlier than planned."

Strong capital growth assets with out-of-pocket expenses that commit every dollar of surplus income should be avoided, she says.

#### SC MUST-HAVES

- ▶ Buffers in place.
- ▶ Active ideology.
- ▶ An appointment with the accountant.

#### F FT (FAMILY FIRST-TIMERS)



With the arrival of tiny dependents comes a change in investing style advice, as incomes can alter and outgoings can rocket.

Collins recommends a risk-averse strategy at this point, with an emphasis on cash flow monitoring.

Lomas agrees. "These people will have very little personal cash flow as the financial demands of family become important to them," she says. "They need evenly geared or positively geared property."

"Meeting their personal commitments is critical so they may also consider fixing an interest rate and, rather than repaying debt, keeping savings in offset so that they're available for family emergencies."

For Kingsley, this category represents the biggest challenge in his advisory work: "Making sure you can afford it today as well as in the next five to 10 years. If you're going to chase a really strong growth asset and there's a large shortfall between what the tenants are paying and what you have to kick in because of the gearing, there's disaster around the corner if you haven't done your cash flow modelling right.

"Obviously, buffers are important. [Kids] cost. Try and tighten up the family budget during that period," he adds.

McLellan says the same: "Allow yourself another \$10,000 buffer just to top up the property, so you're not sacrificing too much lifestyle."

This isn't a good time to be considering renovations, according to Lindeman.

"It's very difficult to do that sort of work when you've got a young family," he says. "Unless you've got the expertise and the time... you see half-finished renovation properties everywhere,

people who've run out of money or time, or it's broken up the relationship."

Another pitfall he warns against is the heart ruling the head.

"There's a great temptation to buy an investment property for the wrong reasons. Perhaps when they go on holidays, they might say 'this is a great location, we could buy an investment property', so they're buying it because they think they might retire there or spend holidays there – not a good reason to buy property.

"The conflicting interests of a family really make it important to maintain your focus and say 'look, if we buy an investment property, what we're after here is a return on our investment.'"

Collier-Kogtevs again urges education at this stage, considering the newbie nature of the category.

"It's really vital that if you're going to invest, you learn about investing," she says. "What horrifies me on a regular basis is how people of all age groups spend more time shopping for a fridge than they do an investment property." Also, avoiding highly negatively geared properties is important.

"A common mistake is getting into property, being heavily negatively geared and then having a family... and then they really struggle, because most of that disposable income goes to supporting the properties and overall they're not enjoying life.

"As they get a bit older, mum can go back to work part-time, or full-time, depending, and that kind of opens them up again.

"You can still buy something that's neutral. Okay, it's not going to experience the same sort of capital growth, possibly, but some growth's better than no growth.

"They can leverage that in two or three years' time... all of a sudden there's some deposit money in that investment,



“It's a mistake most would make, that from a safety point of view they need to look in their own backyard but that's probably the biggest mistake most do make.”

BEN KINGSLEY

which didn't cost them a whole lot while building their family."

Bakos, too, recommends considering assets that don't represent hard work, high risk and troublesome tenants.

"Sticking to quality areas with tight vacancy rates is essential," she says, adding that F FTs shouldn't be targeting big, make-fast-profits projects such as subdivisions or renovations.

"Aside from representing higher risk, they also represent hours away from family, which can really strain things and tarnish the investor's perception of property investing." A tip with that in mind is to talk to local property managers, she adds.

"Get a good idea about what tenants like, and where the quality tenants like to live."

#### F FT MUST-HAVES

- ▶ Low maintenance portfolio.
- ▶ Good, reliable tenants.
- ▶ Neutral or positive gearing.

#### SF (SEASONED FAMILIES)



Again, many of the pointers for F FTs apply here, including acknowledging that time with family is important, so concentration on the portfolio may wane a little for a couple of years, and both sleep and money will be in shorter supply!

Nevertheless, the SF knows a little more about investing and, for Somers, this could be the best time to get your hands dirty, despite others' views.

"The best possible scenario for people who want to renovate are those who have time to spare and, this might sound silly, but it's usually people with the one income and one person at home minding the kids.

"You don't need to mind kids 24 hours a day. People with two incomes spend

all day working their butt off... they don't have the time and they don't have the inclination to get home from work at six o'clock and start renovating, so probably renovating suits couples with a single income."

It's certainly an interesting idea that seems to add up. Indeed, Bakos agrees that this is the stage at which investors should be diversifying their portfolios.

However, Lindeman urges caution. "I think the perception that renovation will always generate a return is probably the most common mistake," he says.

"Probably about 50 per cent of the renovations I've seen people engage in end up losing money when they haven't got the expertise or the time or there are issues with the weather and the neighbours and all the rest of it. Don't engage in active investment unless you're really competent and have the backup you need to succeed."

McLellan goes a step further. "If you're asking me 'what's the best way to do it well?' buying three, four, five properties and just sitting there and going and enjoying life is a hell of a lot easier, and less risk, than wasting your weekends and after-hours and putting stress on your family lifestyle for a higher risk with a lower possible return."

Kingsley suggests people shouldn't underestimate the time it takes to look after an infant, seasoned investor or no.

"It's probably not a great idea to put that extra stress on to be doing that type of work at that time," he says. "Come out the other side, after they're five years old and in primary school, and then you'll start seeing time free up a bit."

Coming to a complete halt, however, is not what he advocates.

"Some of the family investors in between, say, 35 and 45, often think they can't invest because they've got the combination of two young children and all of the additional costs in their household.

"Procrastination is still the biggest killer of wealth in this space. With sensible money management and a commitment for changing, potentially, some of the lifestyle and discretionary spending they're doing, that could get them on the journey. It's not the loss that you make in the first couple of years, it's the compounding return at the end of the journey."

For MacMillan, it's about protection. "Make sure that once the family's in play, you protect what you've built and manage your cash flows with the new expenses that are coming through."

#### SF MUST-HAVES

- ▶ Time for your family!
- ▶ Protections in place.
- ▶ Less focus on repaying debt.

#### M FT (MATURE FIRST-TIMERS)



This is an interesting life stage. But if you've reached the latter end of your working life and your property portfolio contains no more than the family home (if that), do not despair, for all is not lost.

Collier-Kogtevs says she has lots of clients in this category, having what could almost be described as a mid-life property crisis.

"It actually starts at age 49, from our database of clients. They're getting close to that number and they have their 'holy crap' moment of 'I've got nothing' or 'I had lots, then I got divorced'.

"Those sorts of people, if they're round the 50-mark, they've still got a good 10 years ahead of them, 10 to 15 years, so having negatively geared property at that point can be good for them if they can sustain it. If they can't, it's got to be more neutral to positive."

At this age, many will have made a decent foray into their mortgages, even if they don't have a portfolio, which can only help.

"They might have their own homes paid off, so they've got lots of deposit money," Collier-Kogtevs says. "They're at the peak of their earning potential, once they hit 50+, so their borrowing is often quite massive, which allows them to accumulate quite a number of properties quickly."

Bakos points out that, just because you've left investing until later in life, it doesn't mean you should bet the farm.

#### INVESTOR SNAPSHOT

### Two's company

Life coach Kathy Harvey doesn't like to think too much about retirement. She's youthful and motivated and, while she might have come to investing a little late, now she's raring to go!

Kathy originally bought a dud investment in her 20s, which put her off somewhat, inspiring her to ditch the whole thing and travel the world with her then-husband for several years. Fast forward and, as the big five-oh loomed, she and a friend decided to attend some seminars, having realised they really needed to "do something".

The original plan for renovating was knocked on the head after one particularly successful seminar, and the pair's joint investing journey began.

"My friend and I are very smart cookies and we know a good thing when we see it," she says. "Two years later – five properties."

The two have gone into the process as a business, after hearing the line, "Half of something is better than half of nothing".

"The reality is we have five [properties] now, and on our own that wouldn't have been viable," Kathy says. "The great thing about being older is, we stepped out of our comfort zone, acknowledged we probably couldn't do it on our own, so what were we waiting for?"

"We both know what our borrowing power is and every time we buy property, we review our borrowing power. It's just like a married couple! There's no difference, except we're in a business."

With an ironclad contract in place, the duo plan to keep on aggressively investing, with hopes of buying at least two properties a year, and plans to have 20 in total.

"For us it's houses, and we hone in on what renters want. There's no use buying a four-bedroom house, one toilet and a pool, if renters are needing a two-bedroom house with a little courtyard."

With the portfolio currently standing at around \$1.2 million, there's no stopping this motivated duo – as long as there's fun to be had.

"We've both agreed that it's got to be fun. There's hard work, don't get me wrong – you've got to paint, you've got to fix up the garden, whatever it is, but we've agreed to have fun. And if we're not having fun, we're not doing it any more."



**Name:** Kathy Harvey  
**Age:** 50  
**Lives:** Reservoir, Melbourne  
**Invests:** Victoria  
**Properties:** 5 (jointly owned)  
**Strategy:** Buy and hold.

Buying high negative cash flow assets in a desperate attempt to make up for lost time is a definite no-no.

"You should be targeting cash flow properties which will allow you to retire in comfort without being chained to the corporate treadmill paying down debt," she says. "Now isn't the time to get creative and take high risks, or enter into lucrative but risky projects."

M FTs must get growth under their belt quickly, Lomas says. "They need to be buying in traditionally high growth areas where the rental yield may not be as good but they know they'll get growth."

"They shouldn't expect the portfolio to support them when they retire but it could well take over from diminishing



“Renovating suits couples with a single income.”

JAN SOMERS

superannuation income 10 to 15 years after they retire," she says.

McLellan suggests some alternatives for people at this stage.

"Getting close to retirement, your borrowing capacity becomes really difficult," he explains. "There are a couple of other types of investments. You can do things like commercial property trusts, which give a reasonable return and still have some growth but you've got the safety of investing with numbers, with multiple people.

"If you're moving into retirement, sometimes, unfortunately, it's too late, you need to look at something that will just get you enough and succumb to the fact that 'I'm not going to be mega rich, I just need to get enough money so that I live above the poverty line.'"

"Now more than ever, getting it right's important, cause they can't afford to mess it up," Mcmillan says. "I always encourage people to get advice no matter what level they're at, but if you're in your 60s and you haven't bought, you just need to get advice.

"You can't have a crack at it at 60 – you can't afford to fail."

Kingsley points out that there are lending options out there for the M FT.

"I think the banks are realising... the 65 of yesteryear is the 50 of these days, so there will be people working into their mid-70s. They might put some limitations on, say, 30-year borrowings down to say 25-year borrowings, but if you shop around you can still get your interest-only loans with no time limits.

"It's either going to go one of two ways: a reality check that it's not going to happen for them, or they're going to have to be aggressive and if they're aggressive they've got to understand risk reward. If they want to go off and do a townhouse or some type of aggressive development that can certainly accelerate a potential return but it can also destroy them.

"If there's a group that needs the most amount of advice, it's this group," he adds. "And that's taking advice from someone who's qualified or licensed to give that advice, not some good-talking guy in a cheap suit."

Lindeman explains that what M FTs will basically have to act like a young first-timer just starting out.

"Buy for growth, which is high-risk but you've got no real option.

"It's [still] much better than buying shares or gold and putting it under the

## INVESTOR SNAPSHOT

### Blending in

Rachel Rankin and her husband Martin have a thoroughly modern, blended family. With three children at home, two (from previous marriages) having flown the nest, the pair came to property quite late in life. The story of their romance is highly topical, too – they first met when Martin sold Rachel a house after her first marriage broke up!

Having been a fairly prolific property flipper in her first life, Rachel worked out that actually buying and retaining property would be more valuable, and so the couple embarked on their investing journey.

"We're getting on now, getting older, and we really needed to not just keep buying and selling but start holding on to property."

As Rachel still loves renovating, the idea was for her to have something to do rather than going back to work after the birth of their daughter (now six), so she took on the management of their projects.

"I'm not getting a wage but I'm creating some equity for us," she explains.

After having worked with the same builder on their principal place of residence as well as a previous townhouse development, the Rankins decided to go in with him, purchasing a 1950s bungalow on 460 square metres between them.

"I can project manage it, he can build it, my husband's a real estate agent – we just realised that we've got all the skill sets between us. Hopefully we're going to just rent it out for 12 months, and get plans and permits and put two [dwellings] on it."

Rachel's hoping that, having been freed up a little financially by sharing the risk, she

and Martin can buy something else on their own at the same time.

"My husband would love to have 10," she says. [We've got] three investments plus one in super.

"We're on a mission. My husband wants to collect titles, he doesn't want to buy and sell, so it's got to be an opportunity that even if, say, you do put two townhouses on the site, you're going to at least keep one, never selling them all.

"We're a bit of obsessive with it all but, financially, we had to sort of set ourselves up again after coming from divorces.

"I'm sure if we'd have met in our 20s we would've had a lot more properties by now.

"We don't want to retire late, we want to be able to enjoy our retirement. Build up a portfolio that we can make work for us and perhaps sell down some later on."

With a current portfolio worth well over \$3.5 million, a great team in place (they're surrounded by plenty "of brains to pick") as well as lots of ambition, these late investors are proof indeed that it's never too late to start on the investment journey.

"I think once you get over the taking the risk, it just doesn't seem scary any more," Rachel says.



**Name:** Rachel Rankin  
**Age:** 49  
**Lives:** Yarraville, Vic  
**Invests:** Victoria  
**Properties:** 4  
**Strategy:** Buy, reno or develop, and hold.

working, there was no other option. He was a musician... 75 he finally stopped."

## M FT MUST-HAVES

- Large deposits.
- Plenty of advice.

## SM (SEASONED MATURES)



This group contains people with possibly the most knowledge of the lot – but they're not infallible! Risk is a no-no at this late stage, and the possibility of selling down begins to raise its head.

"Income production is paramount," Collins says, adding that consulting a property investment specialist is a good idea. "Under-performing properties should be sold at this life stage."

Lomas agrees: "They should definitely offload anything that's not performing, unless it has performed well in the past and has high capital gains tax (CGT) to pay – in that case it should be offloaded in retirement."

Lindeman lays out the plan as it should have gone until this point.

"The ideal is to borrow as much as you can when you're young and invest in areas with high growth potential, and then convert those properties into areas where you've got high cash flow as you approach retirement and not have any debt whatsoever," he explains.

"Now, you're not interested in capital growth at all because the kids will inherit that anyway – it's not your main consideration. So, you buy in areas like regional towns and outer suburban areas where the cash flow or yield is seven or eight per cent, and that's going to generate your income in retirement."

Areas such as Bridgwater in Tasmania, the outer western suburbs of Sydney and



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many regional towns, including Mudgee, can potentially give the sort of returns you're looking for at this stage, he says. "You can get nearly 10 per cent yield, and that means if you take off the holding costs and property maintenance costs, you're left with about seven per cent net yield, and that's enough to live off. If you've got a million dollars worth of property, you're getting \$70,000 a year."

Kingsley describes the "nirvana of investing" as paying down the debt and living off the rent roll: "That's what every property strategy in the early years should be trying to achieve. A lot of people do sell down too early," he warns.

For McLellan, offloading has its downsides: "You've got to work out the numbers and ask 'how much money am I actually going to free up from offloading something?' If you're going to pay a huge amount of capital gains... If you're selling a \$500,000 property... if there's \$100,000 left and you pay half that or a quarter of that in CG tax, how much are you really gaining? But there will come a time when that is a possible option."

Mcmillan recommends bringing all of the properties up to their highest and best use in order to improve cash flow.

"Sell down properties that are likely to underperform in the next three to five years," he adds.

Bakos also advises making sure all assets are performing well and that rents are maximised. **API**

## SM MUST-HAVES

- Think about off-loading certain properties.
- Improve all properties.
- Pay down the debt.