Apprentice Property Tycoon

Lesson 3

by

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A very warm welcome again to you and I hope you're ready for the 'off' this lesson with some more property information you simply *must* know before you even dip a toe in the water.

It really amazes me that with so much money to be made in property, people either ignore it altogether ("Oh that! Nobody makes money in property these days – that's very 'yesterday'"!) or... they just jump right in without any research whatsoever. They pick a favourite area (e.g. renovations) and plunge in with virtually zero knowledge. Okay, enthusiasm is certainly a useful trait, I'll agree. But spending some time and a little money on education (as you are doing) pays really huge dividends.

Please always remember that you are not involved in some dubious get rich quick scheme here. Property has been the cornerstone of most wealth for centuries. It really has stood the test of time – and nothing has changed.

Do you see any glut of property on the market, or is there a shortage, as ever?

Do you see prices plummeting (a sure sign of supply exceeding demand)? Or are prices creeping ever up and up?

Are they knocking down swathes of property to plant trees and make parks, or is the pressure always increasing to encroach onto green space because they are totally desperate for more building land?

No prizes for any answers.

No matter which way you look at it, no matter what data you take, it all points to one thing – <u>property is at a premium</u>. So no change there.

It's a bit like global warming – another topical subject. Sure one can argue about a figure here and there, a gainsaying report or two, but when the Greenland ice sheet is clearly melting, AND we've had all the hottest 10 years on record in the last fifteen years AND the glaciers are in retreat AND the CO2 level is the highest for 20,000 years, AND the ocean is the warmest it's been for 10,000 years... well you get the idea. It's tough to argue against.

All this is by way of saying – **stick to your instincts and ignore the property doom merchants.** If you hear anyone dismissing property as a way of getting wealthy, just ask yourself (or better still, ask them) how much property they own and what their experience is with property deals. You know the answer. They will have gleaned 'their' opinions from trash tabloid

newspapers and sound bites on the radio and TV - the same place that most people get most of their opinions, by the way.

Don't listen! It's complete bull****. These people do not know what they're talking about. They have NO experience and NO track record of making money in property. They are, in general, a bunch of whining, complaining losers – and you are about to break free from their ranks.
So, are you ready to continue learning the real inside secrets?
Great, let's make a start...

Last lesson I gave you a taster of the following areas you can make money in the property goldmine.

1. **Residential.**
2. **Commercial.**
3. **Developing land.**
4. **Property in other countries.**
5. **Letting property.**

Let's now push ahead with yet another way of getting wealthy through your property dealings. And please remember I am just introducing you to these areas at this point in time.

AREA #5: You can make money by renovating property.

Renovating a property is appealing and the rewards are high. Well they are if the property owner gets their sums right! As I said, many rush into renovation. They think it's easy to just 'do a house up'. Maybe a lick of magnolia paint here and there and a modern blind or two? They hope to spend a few quid and add tens of thousands to the value of their investment.

Dream on!

At the other end of the scale, some people love to make a 'nice little home' for someone. They apply the same rigorous standards to their investment home as they would to their own residence. Very laudable, and their heart is in the right place but they spend a fortune and ignore the fundamentals.

For example, say you purchased a one-bedroom flat in Chelsea which was looking a bit 'tired'. There's a <u>ceiling limit</u> on how much you can charge for either rental or selling – no matter *how* plush the flat is after you've renovated it. Sure a nice flat will rent more quickly than a run-down one (depending on the market conditions) but you'd be surprised (maybe) at two things:

1. Flats in Chelsea are always in big demand and so even your run-down flat will be snapped-up pronto.

2. Your renovation efforts won't make that much difference to the rental you can charge. Why? Demand is so high, people are so desperate to live close to London, they will pay silly money for almost anything that comes up.

I'm guessing, but your top-flight, fully decorated flat might go for £1300.00 a month and your 'tired' fat for £1150.00. Those are just approximate numbers, but you get the idea.

Now I hope you're savvy enough to do a few calculations here...

You're getting £150 a month less than you'd like; so that means if you want to get your money back in a year, you can only spend £150 x 12 = £1,800.00 on renovations. <u>That's not a lot</u>.

What else have we missed?

Come on! I want you to start thinking like a tycoon here, not some doofus property tinkerer!

Yes, we've forgotten that in order to decorate it we have to take it off the market and hence <u>lose rental income</u>. Let's say this takes a month – which is not at all unreasonable.

Here's how the numbers stack up for the first year.

<u>OPTION 1</u>: Rent 'Tired' flat as it is – no renovation.

Income = 12 months rent x £1150.00 = **£13,800.00**

<u>OPTION 2</u>: Spend £2k and take a month to renovate.

Income = 11 months rent at £1300.00 = **£14,300.00**

LESS	**£2,000.00**
TOTAL received	£12,300.00

So I reckon we're £1,500.00 down, and a lot of hassle compared with the first option.

What do you reckon?

Okay, you have the second and maybe third year rental income which will be higher – until the flat starts looking tired again. But it's not exactly cut and dried, is it?

And of course £2k is chicken feed when it comes to renovation. It won't buy a new kitchen, a modern bathroom suite or even carpets. It's enough to pay a cut-price decorator to go through the place and spruce it up a bit.
It's not only the rental price which is a little insensitive to your efforts, it's also the selling price. Even if you decked it out with marble and gold (of course, I know you wouldn't!) the flat would still only sell for the ceiling price for that type of flat, with that many rooms, in that area.

So how do you work out how much to spend on renovating?

Insider Tip

For maximum profit – spend no more than 10-15% of the value.

For example, say you purchased a one-bedroom flat in Chelsea for £250k. Your *maximum* budget for renovations might be £25k - £37.5k.

That might sound a lot of money, but these days, £25k in Chelsea would get you new carpets, a new small kitchen, decoration and maybe a bathroom suite so we're certainly not talking gold taps here!

Let me give you some tips which I learned the hard way through doing a lot of renovations.

Hot Renovating Tips

1. **Renovate not according to taste** (particularly YOUR taste – which is sure to be ghastly in the eyes of most other people) – **but for maximum profit.** That means decorating to the 'modern' taste which, by the way, you are *most* likely to be completely out of touch with – so find out! It means fairly neutral colours and a clean, uncluttered look.

2. **Control costs.** Decide what renovation work to do and stick to it. Do not change your mind. Do not keep adding things that you think would look ‘nice’. This is not a home for you and the kids. It’s an investment. That means it has just one purpose – to make you a profit. If it doesn’t do that, it’s failed in its purpose no matter how nice a home you’ve created – for somebody else.

3. **Control the time it takes to renovate a property** - set out an agreement with a penalty clause for your builders or trades-people. I’m sure you’ve got the idea, but every day this particular property is off the market it’s costing you about fifty quid. Small change? Well, it’s £350 a week or £1400.00 a month. Not so small? I thought so. You want the tradesmen in, blitz the place and out asap.

4. **Keep your builders on their toes.** Make regular unannounced visits to check the quality of their work – and even to check that they are there! You know what builders are like – several jobs on the go at anyone time.

5. **Hold back builders’ payments** until each stage is completed to your satisfaction. Nothing keeps a builder keen like not having been paid yet. Pay them early and... amazingly... they seem to lose interest in your niggles and gripes.

6. **Get the trades-people teed-up to start the very second you get possession of the property.** I admit I made this mistake a few times. I bought a run-down place, took possession, stood inside it feeling smug and making notes on what needed doing and then called some trades-people. Yes, they were happy to start the work – in about twelve weeks time! The time to make your notes is before you’ve even put in an offer. Then you get the builders and decorators ready to move the same day you take possession.

7. **The best properties to renovate are those which are in a very bad state indeed.** This puts off most people. Let’s face it, anyone can give a lick of paint to a slightly tired property and so these ‘investments’ attract all the hack amateur ‘have a go’ merchants. The DIY guy with a bit of redundancy money and pipe clenched firmly between teeth. He’s going to ‘do up’ this place and make a killing (so he thinks). That’s not for us.

A word about very run down places

Since I've touched on the subject in that last point, let me say that almost without exception the worse state a place is in, the better the investment. I'm talking mainly non-structural, but it applies to structural as well.

Look... anything can be renovated. And... you're NOT going to be doing this yourself. You are wanting to be a tycoon, yes? Not a property dabbler who pops around to his/her flat at the weekend, armed with a few pots of paint and some Polyfilla.

As a tycoon, you will do NONE of this work yourself. You'll get in the professionals.

I once took on a house where an old guy had been living like a tramp for twenty years. You want to know how bad it was? Take a look at www.squalorsurvivors.com for some examples.

The place was floor to ceiling with old newspapers, bottles full of urine (the toilet had stopped working 10 years previously) excrement wrapped in newspapers and so on. The place was rat infested and stank so bad you couldn't go near it without retching.

Who would want to take on a place like that?

Very, very few.

Yet here was an opportunity which I seized in my early days as an apprentice tycoon – yes, I was once a beginner too!

I bought the place at £60k under market value at a repossession auction – there were no other bidders. Nobody wanted the hassle of rats, other vermin and maybe a serious health hazard. I did – because I knew I wasn't going near the place.

Once I had possession I called the council environmental health department. They took one look at the place and sent in their 'SWAT' squad! They took away 20 lorry loads of filth. They were (quite literally, I'm not making this up) going in, getting a load of stuff, throwing-up outside the front door and

going back in for more. They do this all day every day – and they are very, very good at it. Surprisingly, many people live like this. As I say, check out the website.

They didn't clean the place of course – just took away two decades of accumulated rubbish and filth.

Next stop – council environmental health rodent control. They were out the same day and a week later it was rat-free. It still was filthy and stunk to high heaven, but sans rats.

Next stop – the same private company the council use to take away the rubbish, also clean such places from top to bottom. They do this for houses where people have died and not been found for six weeks and so on. Yes it's a sordid world out there when you're working at the lower levels of society.

They 'industrially cleaned' my investment over a week.

Then – decorators and other trades-people.

Do you see the sequence? You just call in the professionals. It cost me about £20k and two months. I sold the place for £60k more than I paid for it and pocketed £40k – and I didn't go near the place until it had been cleaned.

My input? A few phone calls and a few hours. Not bad for £40k in my pocket.

Are you getting the idea? I hope so.

Okay, I don't want to get into too much detail at this early stage. I'll talk a lot more about renovations later.

Area #6: You can make money by converting property.

A typical conversion…

Buy a large property and divide it up into flats.

Usually the large property is an 'upstairs/downstairs' type of residence, often Victorian or Edwardian. However, conversions can be carried out on a variety of buildings – an old warehouse, factory, mill, chapel, large redundant church or even a closed down cinema.

If you get it right, the rewards are high for obvious reasons. At least, I hope they are obvious to you. Several flats will rent/sell for a lot more than one huge building.

Private buyers don’t normally get involved in conversions – so there are fewer buyers. Conversions are more complicated than renovating - mainly because each flat or apartment is an independent unit and consideration needs to be given to things like safety.

Each dwelling within the whole building has to have its own front door, living areas, kitchen and bathroom and be wired and plumbed separately.

This is not for the novice. My point here is that most DIY freaks can slap on some magnolia paint, hang some trendy curtains and strew a few pot plants around to ‘renovate’ a flat or house. Not so for conversions. Consortiums of seasoned professional property tycoons often purchase unusual and large buildings ripe for conversion. However, they do not take novices on board – because the financial rewards are very high – but so is the risk of getting it wrong and losing the profits.

Once again, as a tycoon, you will not be doing any of this work yourself. In fact you will stay well away from the place apart from supervising the works. **You will use highly professional builders and tradespeople.**

One way I have made money from this (particularly in my early days) is to cut a 50:50 deal with the builder. We each get 50% of the profit when the place is sold. In return, they supply a fixed, at cost and transparent quote. By these terms I mean:

1. **Fixed.** Whatever they quote, that’s it. No changes.
2. **At cost.** Their material and labour costs only. No profit.
3. **Transparent.** I audit their costs to make sure they are not adding anything on.

This is a great deal if you can get it because they will work flat-out and super efficiently. They want the place finished as soon as possible so that they can get their money. They will also make far more money than they would have made if they’d charged the standard costs plus profit. They will also not add on things which are superfluous to selling the place. You need a builder with a bit of imagination for this though. Once you have such a builder, they will follow you from project to project. It’s all about trust.

I'm sure you realise that you'll need planning permission to convert one dwelling into several. Councils are concerned about things like off-street parking facilities, access and nuisance for the neighbours – who are most likely to object to your proposals by the way. Nobody likes the lovely 5-bed house next door being knocked about and converted into 7 flats. That's 7 neighbours now instead of one; seven cars, seven rubbish bins and so on.

Having said this, all councils everywhere are under severe pressure to create more dwelling units and so they are highly predisposed to grant such permission, unless it's screamingly obvious there shouldn't be flats at that location. So for once, the government is on your side. Make the most of it – it happens rarely!

Hot Conversion Tips

The same tips for renovating apply to conversion. Here's a brief reminder:

1. **Convert not according to taste but according to profit.**
2. **Control costs.**
3. **Control the time it takes to convert a property.**
4. **Keep your builders on their toes or locked-in to the deal.**
5. **Hold back builders' payments until each stage is completed to your satisfaction.**
6. **Try to get the builder into the deal.**

Area #7: You can make money by leasing property.

Let me remind you of the difference between a leasehold and a freehold…

With freehold you own the building <u>and</u> the ground it stands on. Within reason, you can do what the hell you like there.

If you are a leaseholder, you have a 'licence' (if you like) to occupy the building for a set number of years (the number of years left on the lease). **You do not own the land on which the building stands and you normally pay a nominal 'ground rent' to rent this land.**

If you buy a large freehold property and convert it into several flats or apartments, there is the option of selling these on a leasehold basis instead of freehold.

It means you lease (sell) the ownership for a set number of years, e.g. 99 years. The more years the lease has left to run, the more the leasehold sells for. Each year in ownership by the leaseholder means the lease has one less year to run. For example, you sell a flat with a 99 year lease; two years later

it’s a 97 year lease – so in 97 years time, that property and the land it stands on reverts back to your family.

So, why would anyone purchase a leasehold property?

Pure and simple, it’s the price – which is usually less than the market price for a freehold property because you are not buying the land and you are effectively ‘renting’ the building. Yes for a long time (say 99 years) but still, **you never actually own it outright**. Also, the lease will usually contain restrictive clauses about what you can and cannot do in that building. Also you must keep it repaired and decorated to a certain standard (with yearly inspections to ensure compliance), you cannot have a satellite dish of more than a certain diameter, run a car-spraying workshop in the back garden, keep goats – and so on. You get the idea. All this makes it far less attractive to a buyer and so the price is usually lower – making it attractive again.

Why would you want to lease out a property instead of going for an outright freehold sale?

One reason is you might want some quick cash. Leasing a property on a ten year lease would give you liquidity now with the property returning to your possession in ten years time – you haven’t ‘lost’ the property.
This is not an option if it is your only property, but remember, a successful property tycoon has multiple deals going at the same time.

Another reason is that having a portfolio of leased properties and the ground on which they stand is actually a valuable asset and one which you can borrow against – raising further capital for further deals.

If you lease, you set up a managing account to take care of repairs and maintenance. This account acts as the treasury pot. Each leaseholder pays a monthly, six monthly or yearly management fee into this account. When the roof needs repairing or the outside of the building wants painting, the money from this account is used. By the way, this is another advantage for the buyer – often things like roof repairs and structural issues are handled by the landlord, so no hassle for them. (Note: landlords of leasehold properties do not normally handle anything inside the building such as leaky taps, decoration and so on.)

Some freehold flats, apartments or private complexes also have a managing account for maintenance. The money is also used for maintenance of communal gardens or grounds and a swimming pool. On a private complex it often includes security.

Top Leasing Tip

Don't underestimate the cost of maintenance! Even with flats, the managing fund usually includes paying the maintenance costs of hallways and staircases. That's painting and decorating the stairways and carpeting, security lights and fire alarms and equipment. All of these costs have to be built into the managing charges.

In case you were wondering (I'm sounding like a broken record...) YOU won't be doing any maintenance. You will be retaining a company who handle all of this for you. It is they who will decide a schedule of works and the annual fee they require. All you will do is to divide that up amongst the tenants. By the way, it isn't usual practice to add anything on to this – the maintenance fee should not be a profit-making exercise for you. Neither should you lose out of course.

Area #8: You can make money by building property.

'New build' projects are best handled by seasoned property tycoons. It is definitely something you should aim for – it's exciting and profits can be phenomenal. I have made many tens of millions from new builds, mainly overseas but also here in the UK.

New builds are usually on land purchased or an existing property with a large plot which is then subdivided into two or more new plots. This is one of the really neat ways of getting started in the property game – you literally walk or cycle around your local area and look for plots of 'waste' land on which a house can be built – or you check for houses with huge back gardens or large areas to the side – could a house be built in that space? This in-filling is going on everywhere and local councils are encouraging it – it's an easy way for them to meet their new home targets.

No money? Go 50:50 with a local developer/builder. You locate the plots, they build on them and split the profit with you. I did this many times when I was first getting started. I know quite a few people who only locate plots and get a tasty fee for doing so, then that's the end of their involvement.

New-Build Tips

After planning permission has been granted, the main points for a new build programme are the same as for renovating and conversions.

1. **Don't build to personal taste** – build what sells for maximum profit and is right for that area. (Obvious, but don't build a 5-bed executive home in the middle of a run-down council estate.)

2. **Control costs.** Decide on a building programme and keep to it.

3. **Control the time it takes for a building programme** - set out an agreement with a penalty clause for your builders.

4. **Keep your builders on their toes.** Make regular unannounced visits to check the quality of their work.

5. **Hold back builders' payments** until each stage is completed to your satisfaction.

Area #9: You can make money by selling property and to raise capital for further investment.

Because property is expensive you may believe you need a lot of money to get started as a property tycoon. The good news is – you don't.

The reason…

Buying property can be self-financing. The property you buy is security for the amount you borrow to purchase it. Yes you may need a deposit (say 10%) but there are some nifty ways around that which I will be sharing with you. For example, you can sometimes get a highly-motivated seller to take 10% in 'paper' – effectively giving you a mortgage for 10% (or more) of the property price.

Why on earth would they do that?

You missed it! They are *highly motivated*. They want 'out' of that property for whatever personal reasons – parents died and they want the cash; moving to Timbuctoo on a contract – there are a hundred reasons why a seller wants rid of a property asap.

As part of your tycoon training, here's how this would work:

Open market house price:	£300,000.00
Discount offer price for urgent sell:	£290,000.00
Owner takes 10% (on the full price) paper loan:	£260,000.00

You get 90% mortgage on open market price = £270,000.00

So, if you've been following closely, you get control of a £300k property, with immediate £10k equity. You put NONE of your own money into the deal, and... you get a £10,000.00 cash back!

How nice is that!!!

Please do not go any further until you've understood this example as it is fairly basic. If this is beyond your understanding, this course is too hard for you – sorry about that. Please also sit up and pay attention. **I've just revealed a way you can become super wealthy without putting a penny piece of your own money into the deal AND getting tasty cash-backs each time you do a deal.**

You can sometimes often borrow *more* than the property is worth – if you plan to improve or develop it.

Funds to purchase property are not only readily available – they are often at the lowest interest rates. And there are special mortgages when you buy-to-let.

Don't worry where to go – if you become one of my team, you will have access to the best deals on the market at the time. Property is a fast-moving market and the best money deal today is unlikely to be the best tomorrow.

Lenders will be falling over themselves to lend you money – as soon as they see you know what you're doing; that you understand what makes a great property investment; that you know how to get great returns on the money they lend you.

If you don't walk the talk, they will treat you with disdain. But if you convince them, you can build yourself a lucrative property portfolio - using *their* money.

The power of multiplying in the property game

This is one of the reasons lenders are so keen to hand over wads of cash for your property purchases.

Let's say you borrow £100,000 to buy a property. You make improvements and sell. Next, you re-invest the profits.

Example:

You buy a run-down bungalow for £200,000. Borrow a further £20,000. Make the improvements and ten weeks later put it back on the market for £250,000.

Profit - £50,000

Now you have £50,000 working capital. If used as a 10% deposit you would have the purchasing power of £500,000. Or looked at another way, you use £25k as a deposit on another £250k place, and have £25k for renovations.

If you repeat this process a few times you could build a property portfolio worth a million or more.

Hard to do? Not at all. I know several friends who started with nothing and through a process of renovating their main residence, each got themselves a million pound house to live in! Yes they had to move about six times in two years and live with all the building works, but that's worth it, don't you think? And their gains were tax-free as it was their primary residence.

In case you're thinking that a high street lender would not lend you much money (and certainly not 2, 3 or 10 lots of money) – you'd be right. But who's talking about high street lenders?

I've already said that for the right deals there is unlimited money available – I'm talking *billions* here. The shortage is of deals and people who know what they're talking about. There is absolutely no shortage of cash, trust me on this one.

Hot Selling Tips

1. Split your property deals into two separate portfolios. One portfolio is for the properties you buy to sell – income for you NOW. The second portfolio for properties you buy to let – income for your FUTURE.

2. Simpson (no, not Homer of Simpson family fame) was a wealthy property developer in the 1930's. He used the ratio of 60:40 known as the Simpson Principle. Many property developers still use this ratio. Split your property purchases into 60% 'buy to sell' and 40% 'buy to let' – it's a tried and tested method!

Have you noticed a mistake in the above? I'm testing you here!
In lesson 1, didn't I say that property tycoons don't often sell, instead they use each property as leverage to borrow more and purchase more?

If you spotted that – well done!

So, let me explain…

There are three types of property investors:

1. Those who dabble.
2. Those who deal in just two types of property deals.
3. Those who are major players – the property tycoons.

The differences are…

Dabblers are usually private home owners with the determination to climb the property ladder and end up with the house of their dreams. Remember my two friends who now own a million pound house each? They were dabblers. They buy their first home which is usually in a poor state of repair and decoration, make improvements and sell. From the proceeds of the sale they buy another run-down property and repeat the process – as many times as it takes until they have their dream home.

And by the way, in a rising market you can start with a £300k house and end up with a million pound mansion in just a few short years.

The 'two-type' property dealers buy, 'tart up', and sell residential homes and they also buy-to-let. Many of these investors deal with high street estate agents to obtain their property and household name banks or building societies for their finance. Some will avidly search out the unusual deal, i.e. a probate sales. For these people the Simpson Principle is a good guide.

Finally we have the major players – the property tycoons. They are open to buying just about anything in property or land that will make a profit – even if it takes lateral thinking and a good deal of planning and finance. They will have a finger in all of the areas we have discussed so far.

These property tycoons are not afraid to team-up with other players who have a solid knowledge of the property markets - they join and form consortiums. They know that pooling resources of know-how and finances will usually result in far greater financial returns.

For these property tycoons the Simpson Principle is wrong.

Why? It's for the smaller player. As you already know, the property market is always growing and changing and the tycoon needs to be in and out of deals fairly quickly.

If you want to be a major player property tycoon, then you must learn the principles that you can use as guidelines. The time is not now. There is more for you to know before I reveal these principles.

Ground upwards!

Speaking of the ground upwards, let me remind you why we are interested in property.

Why property it is one of the TOP 4 businesses to be in…

Most people want televisions, cars, holidays, fancy clothes, restaurant meals and designer watches – but not one of these is an essential need.
There are only four things every person on this planet *must* have in order to survive. They are the cornerstones of survival – water, food, clothing and shelter. The absence of just one of the cornerstones would soon be fatal.

Of course, we need many other psychological things to thrive as humans such as companionship, meaning and so on, but these four are the basics.

So no prizes for knowing which businesses are always profitable. They are of course, water suppliers, food stores, clothing manufacturers and property dealers! In hard times, your local piano store and swimming pool retailer will go bust very quickly – but Tesco will keep on rolling. And people always need a place to live. Yes, house prices do dip from time to time, but if you've ever seriously studied the graph of UK house prices for the past fifty years you will notice an inexorable trend upwards, with the downturns hardly registering as insignificant blips.

Although suppliers of electricity and gas in healthy economies make equally enormous profits, neither gas nor electricity are strictly essential to our survival – a fire will keep us warm, cook our food and heat water.

But they and other companies make huge profits because we really are creatures of comfort. And comfort should also play a big part in property dealing, when it comes to decision making for renovations, conversions and new building programmes.

If you can cater to people's desire for comfort – property profits can go sky-high!

There are other elements besides comfort, I will tell you what they are at a later date.

But for now…

Because shelter is a survival cornerstone, property dealing will always be in demand – worldwide. And because land is in short supply (as the old adage says, they're not making any more of it) then prices will continue to rise. This is why so many of the super-rich are property tycoons.

If learning all about the property market so you can be a property tycoon gets tedious or tough, remember…

A successful property tycoon is a very special person – they supply places for people to live and to work.

They supply 1 of the 4 cornerstones of survival!
Because of this never-ending demand for property – it's *always* a good time to start in the property business. A bad time just doesn't exist. Demand never wanes – so supply is always high.

No matter when you become a property tycoon you will have a lifetime income and a shot at becoming seriously wealthy.

We live in times of throw-away commodities. Our computers, mobile phones, televisions, fridges, cars, airplanes – all have a limited life-span. They rust, the electrical elements fail, batteries corrode, time renders them useless – unlike bricks and mortar (within reason, naturally).

Buildings erected as far back as Henry VIII's reign are still standing. Whilst property needs repair work over the years, it is not a throw-away commodity – it is a solid, tangible REAL asset (*real* estate).

To start-up most businesses you need to buy or rent premises and hire staff. You get involved in a nightmare of bureaucracy and health and safety issues – and most businesses (95%+) make very little money for their owners.

Property entrepreneurs work from home or from wherever they are – even from a holiday location. As well as sightseeing, a holiday abroad can take in some property deals.

With a laptop you can take your office to anywhere in the world. If you enjoy choosing your 'earning money' hours, being a property tycoon allows you to create your own timetable.

Look at how it performs against equity investments…

You know that property dealing is so lucrative. But does it perform better than the stock market?

Stock markets have increased in value faster than the growth in property values. However, few people achieve those stock market growth figures for their portfolios because…

1. Stock markets are increasingly volatile – a fall of 30% for a typical share is no longer unusual.

2. The vehicles most people use to access the stock market – Unit Trusts, ISAs and PEPs – deliver *far* worse performance than the stock market indexes.

Unlike property – there <u>is</u> a wrong time to enter the stock market. Because the stock market is a 'winner takes all environment'.

Get it right – enter it at the right time – you could make a fortune.

Get it wrong – enter it at the wrong time – you could lose a huge amount of your capital and wait many years to get back to square one.

With the property market…

1. 95%+ of properties show an increased value over any 5-year period.

2. Property doesn't go bust or collapse in value in the way that so many stock market shares can do. Even accounting for the 80's depression in property prices – the overall performance of property over a 5-year period still outranks shares performance (other than for the few really in the know!).

And this brings me neatly on to something that's so important to your success. If you don't understand this, it would be like building your business on sand.

It's...

The Hidden Agenda of Misinformation…

During World War II, a gentleman who had died from natural causes was clothed in a British officer's uniform and planted with a set of 'plans' for the invasion of Europe, intended to mislead Hitler about Allied strategy. The body was then set into the sea to wash ashore where the Germans could find it.

Hitler also believed he had a network of spies in England, able to fill him in on the coming landings. But these spies had almost all been discovered and 'turned' so they were feeding false information to the German high command.

Thus the information being received was *worse* than no information at all. It not only lacked quality, it lacked integrity.

To tell a more recent and relevant tale, in October 1987 there was a crash if you remember. During this, several large banks were saying publicly that these were "buying opportunities" whilst secretly *selling* everything they could. Putting it bluntly, they lied for their own greedy self interest. I hope you're shocked. Not!

There is no shortage of information in today's world. The trouble is, the vast majority of it is ambiguous at best, and at worst, completely and deliberately fabricated. This applies particularly to the Internet where information is rarely sourced back reliably to its origin. It is the ultimate rumour mill.

If that wasn't bad enough, all this misinformation is inter-woven with **opinion.** Opinion of the media who want a story, opinion of the government who want to deceive for votes and opinion of the wealthy who want to protect their own interests and make yet more money.

Listening to the opinion of others is dangerous because it is often information-less – i.e. it contains zero information of value to you – just like those fake invasion plans.

The masses and their opinions are usually wrong. But a minority (say 5% of the population) - make vast profits *because* the 'herd' and their opinions are invariably wrong.

It is easy to be undiscerning when it comes to comparing truth and fiction. (One good example of this is the way the masses suck-up TV programmes such as 'did they really land on the moon?' – and actually believe them! It is very sad really.)

Without knowledge of what 'truth' really means and which methods of gaining it are valid and which are invalid, the masses are prepared to accept almost anything which comes their way.

And this works to your great advantage.

95% of the population crave a spoon-fed diet of pre-packaged fodder and values from the media, who are only too willing to oblige with a stream of 'safe and simple' slogan-based opinions.

Talk to any 'bloke down the pub' and you will hear him simply regurgitating the sound bites he's heard that day on the TV or read in his copy of (gawd help us) The Mail, Sun or Mirror.

In contrast, all you require are <u>true facts.</u> You then make up our own mind based on <u>superior knowledge and training</u>. Learn how to 'cut through the clutter', spot hoaxes and read between the lines and your trained eye sees things a layman doesn't.

Opportunity is disguised as hard work to those with an untrained eye and a lazy disposition.

These are the very folk that leave the seas of profit un-fished for you to take for yourself.

You need **live knowledge** of what is happening out there in the world on a daily basis to feed from. To the wealthy, this is a vital element in obtaining maximum profit for minimum risk.

Traps for the unwary…

The first thing you need is an appreciation for the fact that human beings are not naturally objective. By 'objective' I mean basing your decisions and actions upon hard evidence and facts.

We are predominately driven by **emotions, fears and desires - particularly when our money is at stake,** and this makes us susceptible to misinterpreting the facts or even acting contrary to the facts.

Contrarianism is not acting *opposite* to the facts, it is acting *in accordance* with the facts and opposite to the whim-driven masses.

Here are some examples of the errors you might make which fly in the face of facts…

Using the media's 'financial forecasts for this year's property market' as your sole measuring stick for deciding whether or not to buy property.

Blindly following a ‘tip’ of where the next property ‘hot spot’ might be. I don't care who gave you this tip and how much they rave about it, this is a major ‘no-no’ – do your research.

Reacting to short-term and sensationalistic headlines of the moment. (“Is This the End For the UK Housing Market Bubble?”).

Wanting to believe a newspaper story because it suits your investment (“Feeding Frenzy as Brits Buy Half of Spain.”).

To help you avoid the lies and half-truths which are out there, I want to tell you the history of misinformation.

Your Guided Tour of Fantasy Land

Time warp folks! I’m inviting you into my Tardis to show you a few things from years gone by. I’m going to show you how we humans have never once strayed from those trusty emotions of fear, greed and plain stupidity. You’re going to see just how little attention politicians pay to the mistakes of their predecessors.

Ready? Excellent. Please keep your hands and legs inside the vehicle at all times. Oh, and no flash photography!

1900. Were you around then? No, so let me try to capture the mood a bit for you. It’s the turn of the century (which was celebrated in 1901 as it should be) and a new hope and optimism is born. **Inflation is very low**. A wave of technological advances brought about grossly inflated stock prices, but shortly after, the market fell bringing the economy down with it, not recovering fully until 1920.

The 1920’s. The ‘Roaring Twenties’. **Inflation is incredibly low**. Prosperity flourishes. An amazing new invention called ‘Radio’ revolutionises entertainment and communications giving rise to a sense of a ‘new era’ of economic prosperity. Folk want a part of the technology revolution and begin to invest in the stock market more than ever.

John Moody, an investment analyst had this to say in 1929, “A new age is taking form…We are only now beginning to realise that this modern mechanised civilisation in which we live is in the process of perfecting itself.”

Here’s Professor Irving Fisher of Harvard in 1929: “Stock prices have reached what looks like a permanently high plateau.”

Does any of this sound familiar? In October 1929 the stock market dropped by 20% (as the market here did in March 2001). By 1932 it had lost 80% of its value marking the worst crash in history and causing the Great Depression. Thus laying the path for Hitler indirectly, and hence World War Two. Millions of people died in the conflict.

Welcome to the late 'fifties' folks! US News and World proclaims: *"The feel of a new era is in the air. Confidence is high, optimism almost universal, worry is largely absent."* **Inflation is very low indeed.** An amazing new invention called 'Television' has revolutionised communications and entertainment.

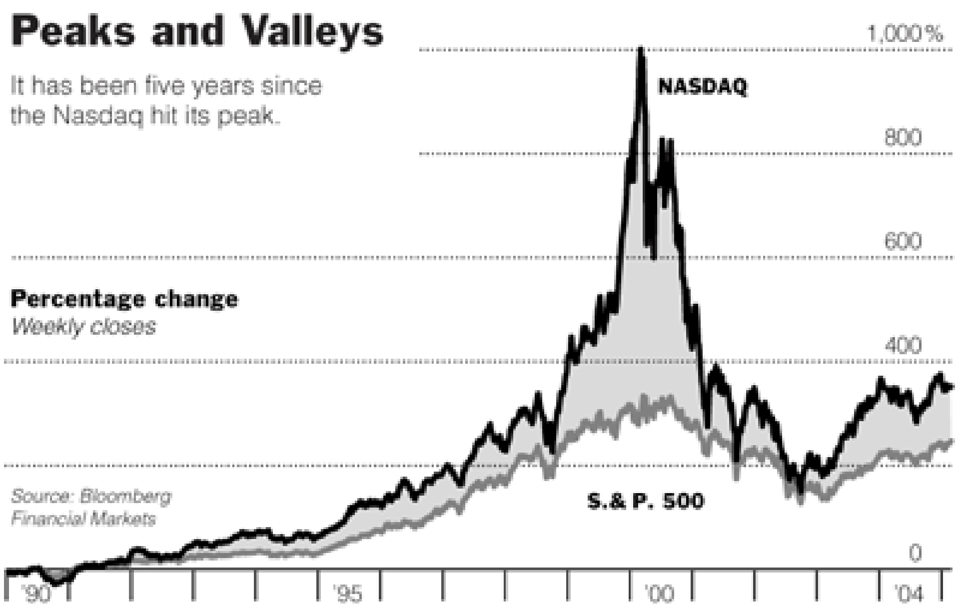
As we approach the 'sixties' it seems we are capable of anything - we are going to send a man to the moon by the end of the decade. The so-called 'Kennedy Market' stock market is booming to unprecedented levels - the Dow Jones is actually breaking through the 1,000 mark in this year of 1966.

By 1972 it had crashed drastically not to return to that level again until 1982. Do you remember the 'eighties'? What did you notice? How about the **'technological miracle economy'** of Japan? Heady stock prices were justified, they said, by this 'new economy'. **Inflation was low.** Heard this anywhere before? Is this starting to sound like a broken record? As the 'nineties' approached, Japan entered a severe recession followed by a depression that it seems unable to pull out of today. In the UK, October 1987 'Black Monday' came. Another crash due to over-optimistic investors.

Not such a test for your memory now, remember the 'nineties'? Somewhere on the news, in between hearing how Liam Gallagher had assaulted someone, you will have noticed the 'technological miracle economy' of America being heralded to the sound of computer modems logging on to the Internet. This **amazing new invention** revolutionised communications and entertainment. As Japan languished in the depths of depression, America stood to dominate the globe with Bill Gates leading the way.

Pensioners and toddlers alike jostled each other in the queue to buy a piece of the new economy, pushing share prices up to ludicrous levels, **but they said that the 'new economy' justified it.** In March 2001 stock markets plunged losing 20% of their value like they did in 1929. The rot continued steadily into 2002 with shares losing 35%-50% of their values. People lost fortunes in the dot-com fiasco with companies which had no products, no staff and no buildings being valued in the *billions* of dollars!

True insanity.



Since then the stock market has limped along sideways.

And that concludes our tour ladies and gents - mind your step. We are up to date. It's like that 'Question of Sport' game show now - what happens next in this clip….? Do you see the pattern? **Low inflation, feelings of a new era, new technology**… Sound anything like the present day? Aren't we now talking about bio technology and genetics being the new era?

Don't get me wrong here. The achievements of man this last century have made me feel proud to be human. They are truly monuments to the human spirit and bravery in making anything possible. I simply want to demonstrate the <u>predictably</u> of our habits and hence our economies.

Listen, there have been depressions since the Babylonians started trading with the Medes. It is a natural process that keeps a balance, cruel though it may be at the time.

A real 'Player' – whether in stocks and shares or the property market - always profits regardless, so don't be scared off by all this. As ever, it is only the gullible punters who lose their shirts.

The point I'm making here is that most of the information out there is *usually wrong* so you need to learn how to pick out the good stuff.

Too Much Information

We all have a quaint notion that these things should be predictable before they happen. Have a look back at that little tour of history I gave you. Did any of

those people think for one minute what could be around the corner? We get our information from the media and the government and put the fate of our lives in their ‘capable’ hands.

What about property Internet sites, estate agents, banks and newspapers? Surely these people will let you know what’s happening?

No, wrong again.

Why? Here’s one good reason:

These people’s incomes are often directly derived from those with one vested interest or another. They’re hardly going to tell folk to pull out of the property market are they? Newspapers will occasionally run a ‘property crash’ scare story just to sell papers, then make a note in their diaries to run the story again in six months – just like they will do the same with ‘AIDS epidemic’, ‘BSE scare’, ‘Bird Flu’, ‘Yobs out of control’, ‘Crime wave Britain’, ‘Booze Britain’, ‘Drug-crazed teenagers’, ‘Racist Britain’ and so on. You may not know it but they have a sequence of about 100 such stories which they just sequentially regurgitate for the sheep to graze upon – they bear scant resemblance to reality.

Here are two more reasons why banks and estate agents might bend the truth.

1. The higher they can push house prices – the more money they make in commissions.

2. The more money they can lend you to buy your house – the more money they make in interest

Top Tip

Never, but NEVER rely on the ‘forecasts’ trotted out for the masses.

Instead, make all of your property dealing decisions armed with truthful information and after research – I will show you exactly what you need to do.

Media manipulation is not a deliberate lie just for the sake of it. There is often no malicious intent. It’s simply that journalists are lazy, have scant regard for the truth and have just one remit – to sell more newspapers. This they will do by any means whatsoever, including lying. The vast majority of the ‘news’ you read in a tabloid is, in fact, made up (by that I mean a fantasy is hung on a few sparse facts.). If you doubt this, I challenge you to ask anyone who has ever had anything written about them in the press, the following question:

“Was the account even approximately true, or was it 90%+ fiction?” I have asked a great many people this question and have yet to find a single person who said the account was about right.

Sensationalism sells! It’s that simple.

Staying with the subject of ‘information’…

How did thousands of people end up broke and homeless in the 80’s recession?

This is how: Interest rates were low. Employment was high. Optimism was high. That meant banks were eager to lend money and people borrowed and borrowed. As borrowing increased so did spending and therefore inflation kicked-in.

What did the five big banks do to remedy this? **The interest rates started climbing.**

At the same time…

As computers developed, their presence in the workplace increased. One computer did the same job as ten workers sometimes.

Companies invested in computers and downsized. It made sense - lower wages, less costly office space and faster, increased productivity.

The media responded by wallowing in dramatics of doom and gloom for the economy. (Fear is the biggest ‘newspaper seller’ going.)

The masses suffered a total loss of confidence as a result of the trash they read, watch and listen to. They accepted lower wages, they had less income and were feeling wary. They stopped buying property.

Interest rates were high. Employment was low. Optimism was low. Result – a financial CRASH!

But, and here’s the rub – it’s always the little people that suffer – the big players ride the ups and downs. They can do so because they don’t have all their eggs in one basket. Also they’ve seen all this before and they don’t read trash tabloids – those are for the silly masses to consume.

A successful property tycoon has many different deals going on at the same time. 'Crashes' and suchlike are tremendous buying opportunities for them. Whilst the masses are scrambling for cover, they are quietly picking up properties for pennies in the pound. They know with 100% certainly (not even 99%) that the turn-around will come soon and they can clean up – again.

Plus, as you know, they don't use high-street banks or estate agents – so they are not totally at the mercy of the big decision makers. The five main banks are controlled by the government's decisions – which are always made according to what they need for the treasury.

And before I leave this topic, I know from experience that many people are uncomfortable with what I've just said about picking up properties for pennies in the pound. Surely this is exploitation of the weak and vulnerable? I mean, think about repossessions for the moment. Some poor family being thrown out of their home because they can't meet the mortgage payments and I come along and buy it from them at rock-bottom price. It hardly seems fair, does it?

But, you know, over the years I have debt-counselled literally dozens of such people – it may even be a hundred or more. Do you know, they were all pretty similar? Very few genuine 'hard luck' story, no 'sudden cancer' no 'unexpected redundancy'. Their story was always the same which was some small variant of this:

1. Smoke 20 a day.
2. Drink 5 units of alcohol a day.

Why do I care? It's not moral, I assure you. It's just that if you didn't smoke and drink, but saved the money instead, you would have £400,000.00 at age 55 in your account! So <u>they are making choices here</u> – indulgence and ruining health over their long term financial security.

And that's just the start. They also are:

1. Maxed-out on every credit card available, owing tens of thousands.
2. Maxed-out on overdraft, another few thousand.
3. Borrowed heavily against the house so they have no equity left.

Again, why do I care? Answer... they didn't use this money for survival, to feed the family or to pay essential bills. If they'd done that, maybe I could rustle-up a little sympathy. No, the money was spent (squandered) on cars, holidays, new sofas, new kitchens, clothes, flat-screen TV, the latest Hi Fi, the

latest cell phone and so on. These people always had the latest of everything. Even as they are packing the removal van and whinging about it ‘not being fair’, they’re telling the guys to be careful with the new 48” TFT flat screen and state of the art computer.

Do you see what I’m saying? I bet you know of someone who fits this description.

So they made choices – fully conscious choices. **And the choice was always, always, always ‘goodies today – hang tomorrow’.**

And if you had suggested to them that the good times might not always be here, that maybe they should save a little in case a downturn comes, or maybe they should invest instead of spending the lot on more consumer garbage, they will look at you totally blankly – they honestly haven’t a clue what you’re on about. You could almost snap your fingers in front of their glazed-over eyes and there would be no response.

So, I have very little sympathy. In fact, I hope it’s a wake-up call to them if their house is repossessed. I wouldn’t wish it on anyone of course, it’s just that you can’t save people from their own rank stupidity.

Okay, I’m getting off my soap-box...

Now you can understand the bigger picture of why successful property tycoons don’t follow the same route of property dealing that most people do.

So, where *do* you go for reliable information?

Here’s one good source. The ‘Estates Gazette’. This is a weekly journal for professionals involved in purchasing, selling and developing property. It has up-to-the-minute news and editorial by experts in the industry, covering all aspects of land and property – residential, commercial, industrial and agricultural in both the UK and overseas.

There are 50 issues a year of the ‘Estates Gazette’. Cost - £172 a year.

The ‘Estates Gazette’ is not usually stocked by newsagents. Here are the details for further information and to order the journal.

The Estates Gazette Group - 020 7911 1700.
Web addresses – www.egi.co.uk and www.estatesgazette.com

Starting Your Property Business

You need a trading name so you can present a professional image for your dealings as a property tycoon. To do that, you have to get started as a property business.

Let's look at what you're aiming for...

1. An organised business. This makes it quick and easy to build your property portfolios. For instance, you won't have to hunt for important telephone numbers or email addresses, you won't forget important appointments, you'll know exactly how much available finance you have at all times. Imagine if a 'great deal' arose but you had no idea whether you had enough finance. By the time you found out, it could be too late, you could have missed the deal.

(Aside: I hate to do this to you at this stage but I have to ask if you're an organized person in general? By that I mean, your shoes are shined, your car doesn't resemble a rabbit hutch, your bills are filed properly someplace and you pay them on time, you balance your bank accounts – and so on. There are 100 indicators of a disciplined, tidy mind at work and it's time now for you to take another mini flake-test. The bottom line truth is that if your personal and financial life is a shambles, you ain't gonna make the grade as a property tycoon. Sorry, but I did say at the outset this wasn't for everyone. No hiding now. No saying you're going to "clear up one day real soon now." If your place has been a pig-sty for more than a year, it's most unlikely you're ever going to clean it up. You're a slob and you're likely to stay that way. Fact. Nothing wrong with that if it makes you happy, but you can't be a slob and a successful business person.)

2. Credibility. People will only feel confident doing business with you, if you are a 'proper' business man/woman with a trading name. For instance, you will find it a lot easier to raise finances for your property dealings.

First item on the list – **setting up your office**…

Property dealing is a business you can run from home – so long as you have a space you can turn into your office. And you don't need a lot more than a desk, a phone, a computer, a printer and a filing cabinet. It's important that your office is undisturbed by other members of the family. Even something as simple as your pens disappearing from your desk can cause you difficulties.

So, at the outset, insist your office space is your business area and keep the family away from your desk, files and (above all) your computer. I shudder with horror every time I see a small home business in which the office computer is also the 'family' computer where the kids play 'shoot 'em up' games and the teenagers aimlessly chat to their pals on MSN. Lol.

Password protect your computer and get a separate one for the kids/spouse. This is a VITAL secret, please trust me on this one.

Success attracts success. It's important to sound successful as soon as you get started in business. Here are some pointers towards presenting yourself as an established expert property tycoon…
Don't use the family telephone line. Instead, have a separate telephone number for your business with an answering machine attached. On the message to callers, give out your mobile number, so they can still contact you if it's urgent.

If you're starting up in business while still employed, with nobody to answer your business calls in the daytime, there are 2 options:

Use the answering machine as above.

Employ the services of a call-centre – they offer an option of several answering-services to suit your circumstances.

You can also make a home-based business look more professional by using an accommodation address bureau. There is also the option of a Post Office box number, but to show you're not a 'fly-by-night cowboy' you still need your office address printed at the base of your letterheads.

Inside Tip

If your address doesn't sound impressive ('Dunroamin', 3b Acacia Close) you can change that. If you only have a house number, think of a suitable house name.

Here's an example: The first line of your address is 3b Acacia Close. Let's suppose the trading name is Akopia Property Developers. For business dealings, change 3b Acacia Close to Akopia House, Acacia Close.

So all business correspondence would use the address: Akopia Property Developers, Akopia House, Acacia Close, Town, County, Post Code. And all personal correspondence would still use the address, 3 Acacia Close.

If you do use this technique, make sure you put a sign with the new house name on the house or gateway so the postman can deliver your business letters without any problems.

Business Stationery

This is a high priority if you want to look professional. Have business cards printed with your trading name, telephone number, your mobile number and email address.

Have letterheads, invoices and compliment slips printed with your trading name and details. Alternatively, to do this yourself and save costs, buy a colour inkjet printer and print them off as you need them. Tip: It's worth paying a designer to design it for you in the first place. Most members of the public are hopeless at this and turn out something which looks very amateurish.

Give out business cards to every business person you meet – landlords, surveyors, bankers. It will help to get your name known.

Forming your property business

There are 3 types of business format to consider.

Your choices are…

Sole Trader
Partnership
Limited Company

Sole Trader

This is the simplest route to starting your property business. (This is a business and not a company - a sole trader cannot call themselves a company.)

If you are a sole trader (or sole proprietor) you are not required to register the business. All you have to do is type up the details of sole trader's name and address and display it in the office.

The only other legal requirement is that the full address of your business premises (your office) must be printed somewhere on your letterheads.

A sole trader (you) IS the business. The upside is that as a sole trader you have total control over the finances. The downside is if money is lost, the sole trader is responsible for paying back any debts – and that can mean the bailiffs!

A Partnership

This is more than one individual and up to twenty individuals who all work together for the property business. Their responsibilities and entitlements are more or less the same as for the sole trader.

Each of the partners is entitled an equal say in decisions and in the running of the business and to sharing the profits.

However – and this is a big issue to bear in mind – each partner carries the responsibility for any debts incurred. For instance, if there are four partners and one of these partners runs off after incurring huge debts, the other three have to honour those debts! I've seen this happen many times by the way.

This possible scenario can be avoided by setting up a **limited partnership**.

If you have several friends or colleagues keen to go into property dealing with you, this can be a good option. You can pool time, money and skills. However, to avoid future disputes it is important to 'thrash out' who will be responsible for what, right from the start. Draw up a document which you all agree to and sign to that effect before you start trading. If you really want to feel safe, then use the services of a solicitor to help you draw up and establish a Deed of Partnership. I would strongly recommend this.

Every partner does not necessarily have to be actively involved in the running of the business. Some partners may want to invest money but let others do the work. They are called sleeping partners. There can be tax advantages by involving your spouse in the business if they have no other income. If they do not own another property you can pool your Capital Gains Tax (GCT) allowances.

A Limited Company

If you form a limited company, this is when you are not running a business, but running a company. **The company is a legal entity in its own right.** You are an employee. You are paid wages on PAYE from the company's income and you may also draw money as a bonus.

The minimum number of people needed to form a company is two – Managing Director and the Secretary.
A limited company has shares. In the simplest form, one hundred shares are divided between the MD and the Secretary, say 50 each. However, if the MD wants to maintain the right to override any decisions, they have to maintain at least 51% and the Secretary 49% of the shares - to give the MD the majority casting vote. (This is only a simplistic explanation.)

The main advantage of forming a limited company is that the liability of the owners or shareholders, for any losses the company might make, are limited, normally to just the assets of the business.

If you wish to bring outside investors into your property business, or set up a property consortium – a limited company can be a good way of operating.

As your property business grows, it is possible to set up a series of limited companies – known as a ‘beehive’ system – each owning part of your portfolio. This gives greater financial protection. If one company should founder (e.g. one property deal go sour) the others remain unaffected.

It also allows different outside investors to be brought in on different property projects. E.g. an investor may be attracted by your latest proposal but not want to get involved with any other skeletons you may have in your closet.

There can also be corporation tax advantages. Companies pay less in corporation tax than a similarly sized sole trader business would pay in income tax.

The main disadvantage is the accountability of a limited company. Accounts must be prepared by a chartered accountant (whereas a sole trader can prepare their own accounts) every year and filed with Companies House. Also, you may need to guarantee any mortgages or credit from suppliers personally, because the company benefits from limited liability and so traders are wary. This, to some extent, negates the benefit of limited liability.

To start a company you need a registration form from the Registrar of Companies at Companies House on 029 2038 8588 for England, Wales and Scotland (for Scotland they transfer you to Edinburgh). For Ireland, you need to log onto the Irish government website for the details.

It’s very easy to buy an ‘off the shelf’ company with everything done for you. The cost is less than £100. Just type in ‘company formations’ into Google and be prepared to be inundated!

Important note – If you’re not sure which business format to start your property dealing, seek further information from a solicitor or an accountant.

Business Insurance

It’s a good idea to sort this out before you start your property portfolio.

General insurance requirements to consider are…

Public Liability Insurance (PLI) – to protect your employees, if any.

Property Insurance – specific to this type of business. It is important to be properly covered. You need to know:

- Property insurance is divided into two parts - buildings insurance and contents, just like with your home.
- Legally, you do not have to have either buildings or contents insurance – but it would be extremely unwise not to have any though. A mortgage lender would always want insurance on the building – for obvious reasons!
- Even if you rent out your property, buildings insurance is normally the responsibility of the owner, not the tenants.
- If you rent out a furnished or even partly furnished accommodation, you should arrange contents insurance on those items.
- The normal domestic buildings and contents insurance such as you have for your own home will not cover you for property that you are renovating, converting or renting out.
- The buildings and contents insurance you need is purpose designed for property developers.
- The best person to consult is an insurance broker (I will give you contacts a little later in the course).
- Make certain the insurance company knows exactly what you are doing/using a property for so every risk is covered.
- The British Insurance Brokers Association (BIBA) 020 7623 9043 can give you details of insurance brokers in your area.

Top Tip

Make sure that any property you buy is insured <u>from the day you pay any money out for it</u>. For example, if you buy property at an auction, insure it <u>the day you buy it</u>. This is not a job for a few days later when you can get around to it.

This is very important with investment property. It's not safe to assume the seller has any insurance cover.

Banking

Once your property dealing gets under way, you will be handling large amounts of money. You need a business account. Don't mix up money from your business dealings with your personal money.

A business account for your property business shows the world you are a professional property investor. It will also make your accounting easier – keeping personal finances separate from your business money.

You will have access to an overdraft for short term finance. And having a business bank account also makes it easier to raise finances – even when it's not your bank you want to borrow from.
Choose your bank. Don't automatically approach the one you use for personal banking. Banks do incentive deals to attract new business customers. You may find one offering free banking for the first year of trading.

Top Tip

To open a business account, make an appointment with a manager at your chosen bank. Take a business plan with you. Explain your ideas for your property portfolio(s). The more they understand your business needs the better service you should get from them.

Okay that's it for this month, we've covered a lot of ground. I hope you are enjoying the learning process. It may surprise you to know that you are already *way* ahead of most people's understanding about how to make money from property - and that's after just three lessons.

See you next lesson.