

Special Edition

29th August 2013

Dear Owners and Investors,

Before I get into the email, there are many of you on this email list now. I do hope that you enjoy them, however if you would like to be removed at any time, please just send me an email and you will be removed from the list.

One of the reasons I write this email is that I hope that I can motivate just one person to do something to make a difference to their retirement years. I think it is a topic that many people know is there, but just don't really want to think about it or how it is going to affect them. For many it is something that is a long way off in the future, but the reality is that unless you start planning for it - your time will come and you won't be prepared financially for retirement.

There are many different ways you can create wealth.

You can go out and buy a Lotto ticket and win! Ramon has been playing Lotto each week for as long as I can remember, and I don't think we have ever won anything over \$200. This probably isn't going to be a way for most.

You can have a mystery relative in Europe die and leave you millions. All you have to do is send your name, address and bank details and the kind Solicitor that your relative has engaged will deposit the millions into your bank account.

You can put money aside each week into your savings account. Let's assume that you put away \$100 per week, every week for the next 20 years, I am not even going to try and calculate the interest as that is too hard. This is \$5200 per annum or over 20 years is \$104,000 plus interest of course. This is great in theory but this assumes that you don't spend it along the way on cars, furniture, holidays or the kids. If I assume that with interest this will be double that figure it is only \$208,000 - and in 20 years time that isn't going to get you very far in retirement.

You could rely on your Superannuation payout from your work. I read an article recently that said that most Queenslanders have under \$200K in their Superannuation funds. This is a brilliant link and if you want to really understand what you need to budget for this is a great site. <http://www.superannuation.asn.au/resources/retirement-standard> For those of you that have been with me for a while, you know that there is no possible way that Ramon and I could live off the "Comfortable Lifestyle Couple Income". This is \$56,406 - no this figure isn't per person this is combined. Let me tell you there is no allowance for Barbie High Heels or Cruises!!!!

You could take the \$100 per week above, and add this to your Superannuation Fund. The temptation to spend this money has been removed, but it also ties up the money until you actually do retire.

The biggest thing about Superannuation for most people is that they aren't managing it themselves. A great deal of it is lost in fees, and unfortunately over the past ten years there have been significant losses as most of the investments are in Shares.

If you are lucky enough to have a fair amount in Super, then you could look to Self Manage it.

This is a great option as you can choose the investment strategy for your money.

The down side is it is a bit more time consuming and there is a cost to have it audited each year.

The upside is that a few years ago, the laws were changed and it was made easier to buy property within the Super Fund and leverage it with a Deed of Warrant. You still have to have a significant amount of money in the Super Fund, or the ability to pour a lot into it to be able to have a comfortable retirement.

There is investing in the Stock Market directly. I will be totally honest, it is like an alien world that I understand almost none of. I am sure at the right investment phase, it will be a good option to look at for us, but right now personally this isn't the right option for us.

We know property and this is what has put us on the path to financial independence and one day soon a passive income. There will be times in the investment cycle where you sit and wonder if it will ever go up in value, or as we have in Cairns been put through the financial wringer with events that are totally out of our control. The biggest thing I can say to anyone looking to invest - if you aren't prepared to keep the property for a minimum of 10 years then this may not be the right investment for you.

Remember, if you are looking to buy if you go directly to the agent, then I don't get paid!!! We work with the agents on your behalf to negotiate the best possible deal for YOU our client, not the buyer. If you do see something that you are interested in, just send me an email and I will give you more specific information on it.

Today I am going to go highlight some properties that are currently for sale that have potential. Each property is suited to a different type of investor - if you don't live in Cairns or aren't a hands on investor then some of these would be the wrong investment for you. I will try to make comments on each of them.

Units - I know that on the surface that these don't appear to be a good investment, but if you only have enough equity to buy a unit then this is a better option than buying nothing. Many people don't understand the body corporate and how it works and this is one of the next emails I will be writing. If you are an investor that doesn't live in Cairns, I believe they can be a good option.

Essentially you pay the body corporate fees and you don't have to worry about organising or paying for the gutters to be cleaned, the gardens to be done, the building to be pressure cleaned or repainted. All you have to worry about is the maintenance of the inside of the unit - and most of them are better block bomb proof places. I do agree that the insurance has had a huge affect on the levies you have to pay, however we are now starting to see rent increases that will and truly cover these increases.

If the Aquis project goes ahead then we will see our rents soar. Currently there are 292 units for sale under \$150,000. Of this, the first 30 are in strata titled motels, or the true studio apartments and there is no way that we would invest in these properties - no matter how cheap they are.

<http://www.realestate.com.au/property-studio-qld-edge+hill-114432171> this is at 390 Mayers Street, Edge Hill and it is listed at \$90,000. I don't know what the body corporate fees are on this, but if I were to invest in a lower end unit I would prefer to invest in the Bedsit units in Manunda. This unit is essentially a studio as well, however it would have been built in the late 1970's at a guess. This means it doesn't have building depreciation allowance.

It also was built with the old building standards - we now go one better block higher. What this means is the ceiling is pretty low and if you are a tall person you don't want to be putting your hands up in the air when the ceiling fan is on. The body corporate in general in Edge Hill need a lot of money spent on them as they are now approaching 40 years old. Many don't have money in the sinking fund to complete these works so this is something that you really need to check out prior to buying. It is one thing to have cheap body corporate levies, but you also have to have the money in the bank for future works or you could face a big "Special Levy" in the future.

<http://www.realestate.com.au/property-unit-qld-manunda-114270655> This is listed at \$85,000 and is at 71 Alfred Street. This is actually a one bedroom unit, however it isn't a big unit. The complex has gotten much better over the past few years, and as the rents increase we will find that it will start to fill with good tenants. This I would put in my debt reducer pile. It is a great price and the potential to make a good capital gain this cycle is there.

<http://www.realestate.com.au/property-unit-qld-manunda-113472891> This is in the same complex but it has been renovated - and nicely. They have tiled it throughout and a new kitchen has been installed. The list price is \$99,000 which I think is a bit high to be a bargain. Put it this way if you could pick up the one above for \$85,000 - you could upgrade it just as nicely and it wouldn't cost \$14,000.

<http://www.realestate.com.au/property-unit-qld-manunda-113298463> This is located at City Park Apartments, 85 Birch Street, Manunda and has a list price of \$89,000. Of the cheaper units, this is my pick - not because it is one we have listed but because they are a good, simple and affordable investment. It is about as cashflow neutral as you will find in the market at the moment. We are now renting these bedsit units for \$170 per week consistently.

The next one I have coming up I am advertising at \$175 per week and it looks like I may get it. You will need to budget to be repainted and upgrade the furniture. The kitchen and bathroom are fine for the next five years at least. I believe that by the middle of next year these will be renting for at least \$180 per week. The body corporate is well run (yes, I am the Chairperson) and it is a great complex both visually and financially.

<http://www.realestate.com.au/property-unit-qld-cairns+north-114259771> Located at 235 McLeod Street is this one bedroom unit at \$90,000. This is pretty close to the city, and it looks good inside. I would need to investigate the body corporate levies before I made comment on it. The price is good and it would be one worth investigating.

<http://www.realestate.com.au/property-unit-qld-manunda-114082991> Listed at \$112,000 is this one bedroom, loft town house at 108 Mayers Street. This is a lovely unit, good complex and close to the shops. The current tenant is on cheap rent at \$185 per week. It would be possible to rent it out for \$200 at a minimum.

<http://www.realestate.com.au/property-unit-qld-bungalow-114675775> This one has just listed on Kidston Street for \$95,000. In normal circumstances I wouldn't look at this street as it isn't the best, but it certainly isn't the worst. The price for a two bedroom unit is incredible. This again would be one in my debt reducer pile. It is less than 1.5 kilometres from the City and this section will be one of the next areas to undergo transformation.

<http://www.realestate.com.au/property-unit-qld-earlville-114405911> This one is on Balaclava Road and is listed at \$120,000. This isn't a bad spot and close to Stocklands Shopping Centre. The price is great and there is potential for capital gains when the market goes up.

<http://www.realestate.com.au/property-house-qld-manunda-114668855> This one would be on Behan Street, Manunda at a guess. It is a three bedroom, two bathroom town house for \$169,000. The body Corporate are currently high at \$5400 but you would have to see why - it could be possible that there is room to bring these down if you got involved with the body corporate. For the price - it is great value.

Now I know that not everyone likes to invest in units. So I have found the following houses and duplex pairs that are interesting

<http://www.realestate.com.au/property-house-qld-edmonton-114175339> This is a four bedroom, two bathroom home in Edmonton for \$279,000. It is a newish house, but it isn't big and it isn't well finished off but for the price it is good value. The southern corridor is where I believe the next boom will be, because it has been so hard hit.

<http://www.realestate.com.au/property-house-qld-bentley+park-113375787> This one is a three bedroom, one bathroom in Bentley Park, which is slightly closer to the city. It is on a busier street, but there is a bigger yard. It is basic in fit out, but nothing you need to do to rent it out. The price is \$259,000. You will get less rent, not because it has one less bedrooms, but one less bathroom. People do like to have two bathrooms.

<http://www.realestate.com.au/property-house-qld-edmonton-112735467> Interesting 3 bedroom, 1 bathroom house in Edmonton for \$230,000. For the price it would be worth investigating.

<http://www.realestate.com.au/property-house-qld-woree-114651887> I am not normally a big fan of Woree, but there are some parts that are good. This is a three bedroom, one bathroom house on Angela Street for \$249,000. This is close to the city, and now that the road works into town are nearly finished, it will mean smooth traffic flow. It isn't a new house, so the depreciation won't be there, but for the price it looks alright.

<http://www.realestate.com.au/property-house-qld-white+rock-114648759> This is a three bedroom house in White Rock for \$250,000. It has a new kitchen and presents really well inside and out.

Now the reason I have highlight these houses is the fact they are HOUSES. If you do a search on two bedroom duplexes - you will find that they range in price from \$200 - 250K currently. You still have to have shared insurance with the neighbour. The rent you can achieve for a three bedroom house, is far more than a three bedroom duplex - but at the moment it looks like you can buy a house if you hunt hard enough.

If we were going to invest, we would be looking at duplex pairs. You need to have a bigger equity to be able to get the lending, but you get two income streams. More importantly you have the ability to value add and even strata title and sell them off individually.

<http://www.realestate.com.au/property-duplex+semi+detached-qld-mooroobool-114065347> This is a bargain at \$295,000 for the pair. It is close to the city, but it does need to be upgraded internally. This is a great, but very affordable duplex pair.

<http://www.realestate.com.au/property-duplex+semi+detached-qld-gordonvale-110833063> this one is at Gordonvale, so it is the furthest suburb south of Cairns and for this reason the choice of quality tenants is lower. You also have a lower rental return - but for a property that is good like this is you should be able to secure a good tenant, paying a good rent.

The bonus of this it is a new build so the level of depreciation is high. It has a lock up garage for each side. With an asking price of \$349,000 it is worth considering even though it is out of town.

<http://www.realestate.com.au/property-duplex+semi+detached-qld-white+rock-114590011> This is one that I haven't seen but I would be investigating. It is listed at \$350,000 and looks neatly presented internally and externally. It is close to the city and now that the roads are easier to get into town this makes it attractive to tenants. The Mount Sheridan Shopping Centre is also very close by. Definitely one that we would look at.

<http://www.realestate.com.au/property-duplex+semi+detached-qld-bentley+park-114557699> Although the same price as the one above, it wouldn't be my pick from the pictures. It isn't the building, it is the location of it on the block and the ability to value add easily.

<http://www.realestate.com.au/property-unitblock-qld-mooroobool-113260167> this is a triplex - and although not as much room on the block to value add there is potential as there are three incomes. It is in a good street close to Raintrees Shopping Centre. The asking price is \$530,000. When you compare it to a standard two bedroom unit - it is a bit high at \$176K each. Still worth investigating.

To finish off it won't be a tenant story, but one about me.

For the first ten years, I would work alongside Ramon on the renovations and upgrading the properties. There would be no hair, no make-up - I drew the line at giving up the fake finger nails even if they did get covered in paint constantly. Of course there were no nice clothes and the thought of wearing my super Barbie high heels whilst climbing the ladder would be suicide.

For the past four years, I have slowly transitioned and now am pretty much full time doing the phone, the office and the never ending paperwork that is involved in what we do.

Seeing as Bart the Wonder Handyman has gone and done his knee, and a unit was going to be tiled on Saturday I dragged Ramon with me for the afternoon. I had a list of things that needed to be done. We had to pick up two sofas from one unit, take them to another unit and change the others over and put the spare ones in the storeroom. We then went to the Tile Shop to pick up 40 square metres of tiles. Luckily I wasn't wearing the Barbie High Heels that day - carrying a box of tiles is really heavy - I had forgotten how heavy they really are.

But you won't hear of a property manager from a Franchise store do that - maybe they are smarter than I am?

We are just finishing off Ron's unit at Sheridan Street. We decided if we were going to do it, then we should upgrade it fully so we don't have to touch it again for many years to come. The unit has been painted, tiled, a new kitchen and a brand new bathroom. Ramon along with the Frenchman have done a great job and it is nearly finished. My role in the renovations would be to do the painting, and the cleaning up. I decided that I would go in on Saturday to help the boys get the unit in order. We are doing the one next door so it was a matter of clearing out the rubbish and putting it all in its place next door.

So there I am in my work clothes and sneakers - no hair or make up this day. The first few hours were a bit like deer in headlights - I had absolutely no idea where to begin and just moved things around in circles. I cleared out the rubbish and the unit started to look good. I had the book case put in the new unit and neatly put all the tools and parts so the boys can find everything.

By about hour three, I am really enjoying this and missing it - the simplicity of seeing what needs to be done, getting in and doing it, and seeing a result. There were no tenants to deal with just a task to do. By about hour four, I am making plans to get someone else on in the office so I can spend more time with Ramon working on the renovations - I really am enjoying this.

By about hour seven, it is starting to get dark and I have moved more tiles (another 15 boxes to the other unit), the tools are all lined up and neatly organised. The unit has been swept out, the outside area is orderly and I feel pretty good about what I have achieved in a day. It is hard to explain what is like to see a transformation, knowing you have had something to do with it.

Now, the story changes the next morning. I wake up and didn't realise just how unfit I am. I have muscles that ache in places that just shouldn't ache! I am not so sure about leaving my soft cushy office chair and my Barbie High Heels to get grubby! I think I will take on the Supervisors role instead!!!

I hope you are happy and well in your world.

Linda Tuck

PS Guess who booked a cruise and only has 104 more sleeps to go? Did I mention that I love to go on cruises?