

Special Edition

21st November 2013

Dear Owners and Investors,

I know there are many of you on this list and most of you have never met us, and know only us through what I write. Part of the reason I write these emails is to motivate you to do something for your financial future. I don't mind what it is - saving money, shares, property or anything that will get you where you need to go. There will be lots of you that think that Ramon and I are in a different league and you can never achieve what we have done. We really started out with nothing and have worked hard at our plan and 14 years later here we are. Today's email is more about us in the hope that you realise that you can do it as well - we really aren't that different to you.

Those of you that have been reading for a while, you all know of the Lemon - yes my Volkswagen EOS. This is a car that I both love and hate, both as passionately.

There are nights that I have been working late at the office and wonder why on earth I do the hours I do. I then get into the Lemon, put the roof down, put the heated seats on, rug up with the scarf and beanie (it does get cold in winter some times as low as 10 degrees at night time), and then put the stereo up really loud. As I drive home with Kylie and me singing a duet, I realise that this is one of the reasons that we do what we do.

Many of you that read this think that Ramon and I are somehow special, or different to other people - but the reality is that we are just very ordinary people. We started out with very little financially behind us. I know this is going to be a bit of a long winding story, but stick with me there is a reason I am telling it.

I finished school at Year 10, went to TAFE to do Accounting which lasted just over a year before I realised that I really didn't like studying at all. Ramon went slightly higher at School, and went to University, well, Steve's University which was the bar just nearby which was way better fun than actually going to Uni.

Neither of us have any real qualifications - sure we may have done a lot of different things in life but we aren't actually qualified to be plumbers or electricians. I can say that if a tenant calls and tells me the toilet is leaking, I can now by asking a couple of very simple questions work out what is wrong, even down to the part that needs to be replaced. Bet the secretary walking down St Georges Terrace 25 years ago never thought she would know about K Valves!

Here is another piece of trivia about us - did you know that Ramon and I were invited not once but twice by the Singapore Government to take part in the Singapore Fringe Festival. We were professional face painters before we came to Mission Beach and bought the properties.

My first car was a brand new Toyota Corolla, and from there it went downhill very quickly. I had a cake delivery business with Husband Number One, and my van was one of those really tiny three door vans - it was a beat up, really rusty old yellow van that struggled to go over 80km an hour.

The first car that Ramon and I bought together was a Lada Niva. At this point yes, I know why they have heated back windows - so when you have to push start it you have warm hands. It drove us around Australia twice, once towing a caravan but it couldn't be deemed a luxury car. Everything fell off - the door handles, the window winder and towards the end the wind screen wipers would leave the window if you drove over 80km per hour.

We then had the Shuttle Van. We were going to buy a trailer to take back our things from Perth to Mission Beach, when we saw this Van for \$500. Mechanically it was sound but when you opened up the side door it was so rusted out it would fall off the hinge. Ramon was a roof plumber at this stage and he bought some tin and pop riveted it on to keep the door in place but you couldn't open it again. This drove us around Australia 1.5 times.

By this time we were well on our way to investing, and we were finally starting to get an income. Remember we had been on our yacht sailing for a few years and travelling around. We bought two brand new cars - the Kia Pregio and the Kia Rio. Oh how I loved our Pregio van - the amount of stuff that I could cram into that van and still be able to drive was incredible. The boys at Amart would know it was me, and loved the fact that I would help them load it up with them. When asked why, I had to confess that unless they were going to come to the delivery point, it was Ramon and I that were going to have to unload it so I may as well help out now.

As the business has grown and we have become more affluent, we traded in the van - it was a sad day when we handed over the keys. It was about the time that I realised that we didn't have to do all the work ourselves, and I had to learn to work in a different way. I am wiser and smarter now - for Amart I send Bart to pick up and deliver. If I have to go pick up something from Good Guys - I use the bribery system. Each time I go there I am armed with biscuits and I am always the first one to be loaded up and I don't even have to help!

There is a point in time when you realise that you have turned a corner financially. For me personally it was being able to walk in and order the EOS from brand new and purposely built just for me the way I wanted it. If you added up all the cars we had owned in the past, the cost of these together was what this new car was going to be.

Now even though it is a Lemon, each year I insure it, I have had four new tyres put on it. I get it serviced with the last one being \$1500 because it was a milestone service. I am a lazy cow when it comes to washing it, so I pay the cleaner extra to clean our cars. It costs money to put diesel (you would have to be an idiot to put petrol in a diesel car wouldn't you? Just ask Ramon one day about this!) in to be able to drive it around. Each year it costs money to have it registered just so that I can drive it. Sure because it is a business car, there are some tax benefits.

The reality is that we bought it in 2008 for \$63,000 and it has cost us money along the way. If I were to sell the Lemon today I am going to guess it will be valued at somewhere between \$25 - 30,000. In a nutshell it is a bad investment. It has lost us money. If I had of put the same amount of money into an investment property, today it may not be worth more given we are at the very bottom of the cycle, but I can say that in ten years time it is going to be worth more where as the Lemon will be worth nothing.

The issue that most investors have is that they just don't maintain their properties. We are in extraordinary times right now, and most properties haven't appreciated - but as time goes on and the world gets back into order they will. We all spend money each and every year on our assets that depreciate in value - cars, motorbikes, caravans, boats etc. Why is it that investors are reluctant to spend money looking after their investments that can make you money?

As the rental market gets better, we as investors are going to have to start to put money into improving our properties. If we don't we aren't going to attract the best possible tenants nor are we going to get the best possible rents. As investors ourselves, we understand that spending money when things are tough isn't the top of the list.

If you put a simple program in place to slowly upgrade the property every time the tenant leaves, you will end up with a good property without having to outlay a huge amount of money in one hit.

There is also preventative maintain that needs to be done - this is more so for houses and duplexes. We live in a very harsh environment and we need to do things regularly like clean out the gutters, pressure clean the pathways, cut back the gardens, mulch them and general improvements to the property like repainting. Fortunately these things are budgeted for and done in a body corporate environment - or those that I am involved in.

If you drive around Cairns, you can see the properties that are looked after and those that aren't. As the market improves and people start to put them up for sale, the ones that are maintained aren't been hit as hard with the offers. The buyers right now will take anything that is wrong with the property and slash the offer down to compensate having to do the work.

Worse than this, as the property starts to look bad internally and externally we may be able to get the same rent, but let me tell you the quality of those applying drops dramatically. I don't know about anyone else, but I don't want to get back into the bottom of the barrel ever again.

There is one more factor when trying to sell a rundown property. Most investors or buyers just don't have vision goggles. If they see a rundown property - that is all they see. I can look at a property, see what needs to be done, know the rough cost of it and whilst standing there can see the finished project. Vision goggles are not something most people have.

There you have it - lots of stories about us with a hidden meaning. We aren't special people that were born into fame or fortune, we have had our share of driving crappy cars and good investors need to spend money on their investments for them to be good long term investments.

Whilst we are on the car topic, I have to share what I am going to buy next. Ramon is thinking about the Cayenne but this is going to be my next baby. It is going to be one of the worst financial decisions we could make - but seeing as we have no kids who else are we going to spend the money on? There are only so many Barbie shoes a girl can own. Yes, the car is worth 6 numbers, and there are no decimal points in there.

We could go out and get it today, but it is all about timing. We will wait for the market to turn, start putting our exit strategy in place and then when the financial time is right we will go and get them both. For now, it is me and the Lemon.

I have to finish off with a tenant story. The other night I was at my computer checking the last of my emails and about to go to bed when at 11.45pm the text message tone went off on my phone. It was one of the tenants in panic mode and not sure what to do, but not wanting to call me. She had just come home and her hot water system was leaking. I called her to try and establish first how badly it is leaking.

Over the years I have worked out that the best chance is not to ask them, "how bad is it leaking?" instead, give them multiple choice answers. Is it drip - pause then drip, or is it drip, drip, drip or is it gushing? Yep, you guessed it we have a gusher.

I got her to go the fuse box and turn off the power to the hot water system - no point in her wasting all that electricity heating up the hot water when it is only going to come straight out of the tank. I then start my guide on what she should be seeing on the outside of the tank - we are looking for the little black tap handle on the outside of the tank. This tenant is a small little petite thing and she did her best to turn the tap off.

I then asked her to turn on any hot water tap and tell me what was happening. In theory by turning off the black tap, it should stop any more water coming into the tank and in theory there should be no water coming out of the hot water taps. I just love theory - reality is a totally different thing. She tells me that the water is still coming out, not drip pause drip, not even drip, drip, drip but a gush.

I tell her she hasn't turned the tap off tight enough and to have another go. It is now approaching midnight and it is clear this isn't going to work - then she breaks down and cries - great!!! I tell her not to panic, it will all get sorted out. Ramon is asleep on the sofa - I am not really wanting to wake him up with the good news that we have a tank that is leaking. The cogs in my head are turning but not a lot of traction is happening - then the light bulb goes on!

In theory, if I can't get her to turn off the water going into the hot water tank, I can instead get her to turn the water off to the unit! What a great idea - if I could only remember where the water turn off valve is to this unit. We only manage one in the block - why couldn't it have been a unit at Palm Trees or even City Park? I then go through the list - have a look next to the toilet cistern is there one or two taps you can see? No winner here, let's try under the vanity - nothing here either. Time to give the laundry trough a go - nothing again. I have one option left - the kitchen area - BINGO we have a winner there is a tap.

I am thinking great, I will have the water turned off to the unit, there will be no water coming in overnight and I can go to bed and worry about it in the morning. I told her to turn it off and then tell me what happens - water pours out of the tap - it is the tap for the dishwasher if you were to install one.

I am now stumped. I have tried everything to turn the water off and nothing. It is on the first floor and it is now after midnight so I am not going to get her to go out looking for a possible turn off valve. Ramon by now is rolling his eyes, but he knows that we don't really have an option but to go in and see what we can do to fix it. We can't have the unit flooding over night - sure enough it will go down into the unit below and cause damage there as well.

It takes us thirty minutes to get in from our place - not much traffic on Cairns roads at 12.30am. As we were walking up the stairs as if to taunt us there is the turn off valve sitting in the garden bed! The tank was leaking at least a litre a minute so we had made the right decision to come in. On the outside of the tank there is a cover that comes off and this reveals the thermostat and element seal. I could see the water pouring out of this area, but I wasn't going to hold my breath as it could be a hole further up the tank and this was the exit point. The element seal is one of the places that can have a leak. The seal is held in place by four nuts and when we took the cover off you could see it gushing out from this area.

I couldn't believe it - Ramon tightened up the nuts and the leak stopped! We were still convinced that there had to be a hole in the tank further up, but as the water drained away - there was no more coming. We both looked at each other and said " *&^% we are good!"

Happy tenant as the leak was fixed, happy owner as it will cost him to get a new seal just to be sure but not \$1100 for a new tank, and happy property manager as there was no damage to fix! I hope you are all happy and well in your world.

Linda

PS Only 21 more sleeps to go!! Did I mention that we are going on a cruise soon and that I just loovveee to cruise?