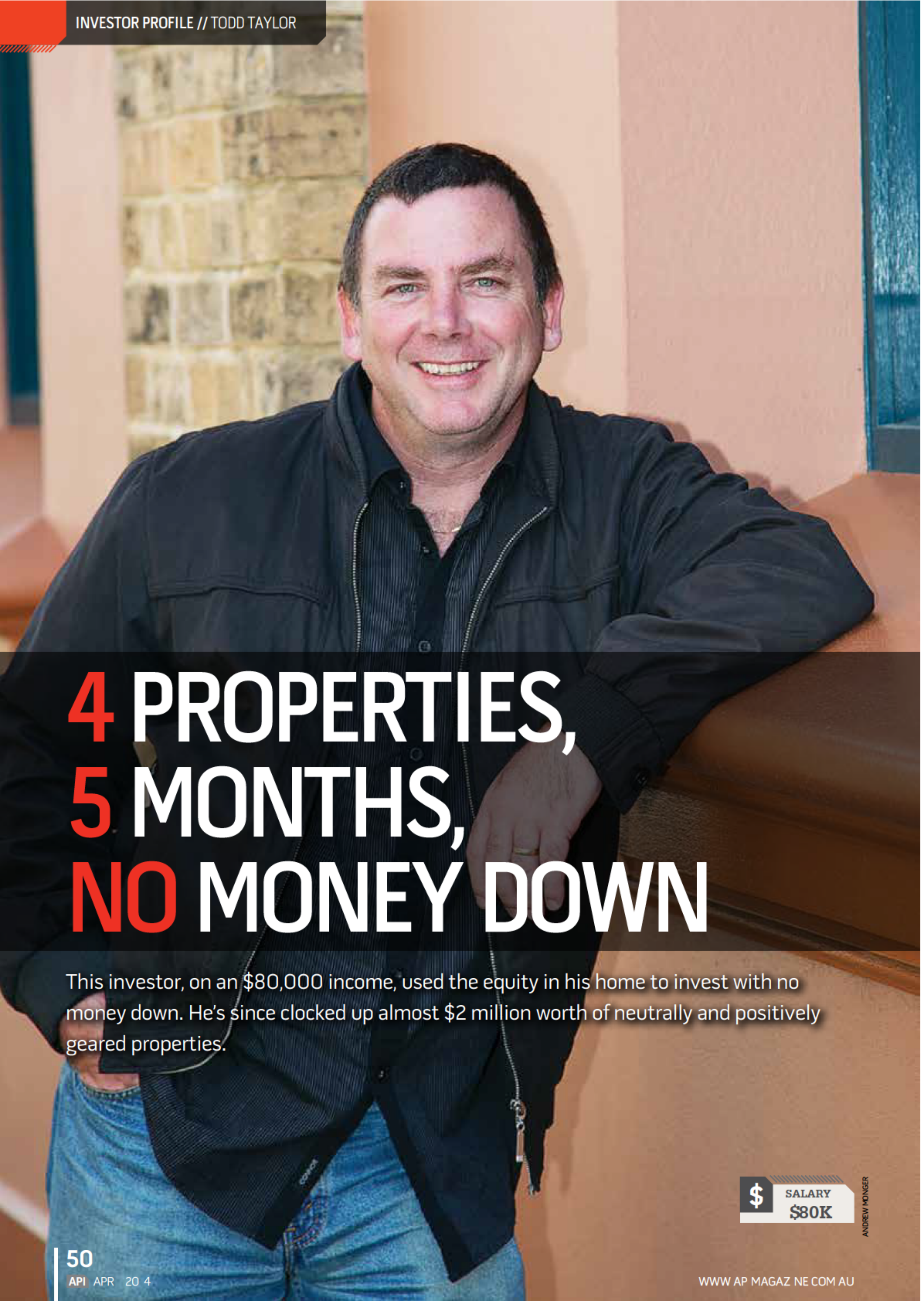


4 PROPERTIES, 5 MONTHS, NO MONEY DOWN

This investor, on an $80,000 income, used the equity in his home to invest with no money down. He's since clocked up almost $2 million worth of neutrally and positively geared properties.

SALARY
$80K

ANDREW MONGER

Nicole Navarro

While many property investors ponder what their next move will be this year, Todd Taylor's head is "still spinning" from his recent shopping spree – four properties in five months, all within the same region and instantly positively or neutrally geared.

And he hasn't pulled any money from his back pocket either – not even for the renovations he's undertaken.

Despite the whirlwind buying frenzy, this fitter machinist isn't planning on taking a big, long snooze now. Instead, his resolution for 2014 is to match the same number of properties he bought recently by the year's end.

Some might call him an aggressive investor, but Todd, 46, believes he's just catching up on the 20 years he let the equity in his home lie dormant.

// BUILDING THE EQUITY

Twenty years ago, Todd, then 26, returned home to mum and dad's house in Newcastle, New South Wales, after 14 months backpacking around the globe.

Despite his good relationship with his folks, travel fired up Todd's streak of independence and thirst for space, leading him to save for a 10 per cent deposit and quickly buy his first house for $75,000 the same year he returned. It was a much smarter move than renting, he says.

Todd bought in Newcastle because it was home and he could find everything he needed "within an arm's reach".

In the back of his mind, Todd thought this first property could eventually become his first rental investment down the track, however the four-bedroom house has since become a good home for his wife and three children. Switching it over to a rental is still on the cards though, "to create an asset and not a liability", he explains.

Over the past two decades, Todd has spent $130,000 on a full renovation and extension of his home, transforming it from one level to two, mostly with his own hands.

The renovation started a little before he was married 13 years ago. Todd had lifted the house, which left he and his wife with an empty shell to live in while he worked on the upstairs part.

"I remember the day we moved in to the empty shell underneath the house, the plumber was just putting the taps in. We simply hooked up the stove to the gas, used the laundry tub to wash up and brush our teeth… at least we had working toilets."

Todd is thankful that his wife is easy going and was able to tolerate the live-in renovation experience, as in-home renovations can typically put a lot of stress on any relationship.

It wasn't that he hadn't thought of investing in property, he just hadn't taken the steps required to make it happen – specifically deciding how to use his equity.

Todd had often read about how investors use equity to leapfrog from one property to another, but he didn't quite know how it was done. In theory it sounded simple but he lacked the confidence to take the step on his own. He needed some assistance.

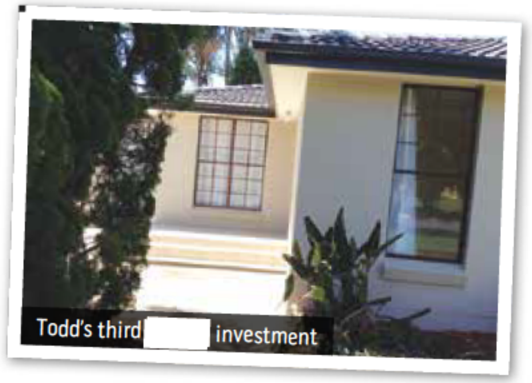
// THE FIRST INVESTMENT

Fast-forward to 2012, the year of his first investment property strike. For years Todd wanted to buy property to create real wealth to eventually "escape the rat race".

But perhaps the trigger that suddenly got him moving was a health setback in the family, combined with the superannuation statement that arrived with the hefty sum of around $175,000. All Todd knew was that the time was right for him to spring into investor action.

For a number of reasons Todd found himself sitting at a property investment seminar one night.

It wasn't his first seminar. He'd been to others over the years. He'd also read the investors' cult classics: *Rich Dad Poor Dad* and *Think and Grow Rich in Property*.



Todd's third investment

What really piqued his interest at the seminar though was the mention of buying a property using a self-managed super fund (SMSF). It seemed like a smart thing to do – use his money that was otherwise not doing a whole lot.

"I'd always thought that to buy property you need money, so this really opened up a new world for me," Todd explains.

"I spoke to my financial adviser about setting up an SMSF, because I had around $175,000 sitting in my super fund.

"He set up the SMSF – it cost around $4000 – but he advised me not to use all the funds on the property. So I used $155,000 from my fund as the deposit and was able to borrow the remaining $180,000 from a bank. It was later I discovered that I really could've used much less as my deposit."

The pool of lenders willing to lend on a SMSF property is much smaller than on regular property purchases, Todd discovered.

"And the interest rate charged is often a little higher, but it's certainly possible to find a willing lender."

In September 2012, Todd bought his first investment property . The price was $335,000; it's now worth $379,000.

Because of the strict rules and regulations that govern the purchase of a property investment through a SMSF, Todd knew he had to buy a maintenance-free property, because adding value, apart from natural appreciation, was restricted. At least it was back then.

THE NUMBERS TODD TAYLOR

LOCAT ON	DESCR PT ON	PURCHASE DATE	PURCHASE PR CE	PURCHASE COSTS	RENOVAT ON COSTS	CURRENT VALUE	WEEKLY RENT	EQU TY
	4 bed house	Decembe 1994	$75,000		$130,000	$525,000	PPOR*	$180,000
	3 bed house	Sep embe 2012	$335,000	$15,000		$379,000	$360	$129,000
	3 bed house	Augus 2013	$325,000	$13,200		$370,000	$330	$45,000
	3 bed house	Sep embe 2013	$311,000	$12,000	$35,000	$400,000	$380	$54,000
	3 bed house	Janua y 2014	$311,000	$11,500		$330,000	$350	$19,000
	3 bed house	Janua y 2014	$345,000	$13,000	$35,000	$420,000	$400	$40,000
TOTAL			$1,702,000	$64,700	$200,000	$2,424,000	$1820	$467,000

PPOR – principal place of residence.

> “I'd always thought that to buy property you need money, so this really opened up a new world for me.” Todd Taylor

While some might think buying a 'no renovation required' property is an odd choice for a very hands-on and skilled renovator like Todd, it was actually quite the opposite and just what he needed. This was because after the years of hard work spent on renovating his home, which still continues, he was relieved to have a hassle-free investment. This meant he wouldn't have to take much time out from his current lifestyle. In other words, it would be a set-and-forget investment.

The seminar helped Todd realise that if he didn't use his superannuation for investment purposes, he wouldn't be using it to its full potential. It was the stepping-stone to understanding that the same applied with the equity in his home, only with an equity purchase he would have significant leveraging power and could enjoy the fruits of his investment choices before he retires, unlike with the SMSF property.

If he was to sell his SMSF property, all profits would need to go back into the SMSF. He simply couldn't borrow against the equity growing in the SMSF property to buy other properties.

This was the downside of buying through the SMSF. But the upside was that he was using his SMSF to benefit his future retirement, as he could immediately benefit from the rental income and profits if he sold.

Not long after his first property investment, Todd was hungry for more. He wanted to build momentum and this involved understanding how to use his equity.

// UNLOCKING THE EQUITY MYSTERY

His next step happened through social media. One of Todd's Facebook friends had liked a Sydney buyers' agent's page, and for Todd it was a case of perfect timing.

He looked over the buyers' agent's details, liked what he saw of his professional and personal achievements – going from being in debt to 15 properties in three years – and gave the guy a call.

One of the first things Todd said to the agent was: "You bought 15 properties in three years, that's what I want to do".

The agent explained that when he started, he was $80,000 in debt, so Todd could probably buy faster.

Todd decided at that moment that this would be his man. He decided that everything *was* possible.

His new motto would be: "If he can do it, I can do it faster". Not that Todd's at all competitive – just ambitious.

So in May last year, Todd drove down to Sydney to meet his buyers' agent for the first time. He told him that he'd heard of the concept of using equity but didn't know exactly how.

The buyers' agent told Todd that the first step was to get a bank valuation on his home to see exactly how much equity he had in it.

One week later the bank valuer turned up to the property, all arranged by his buyers' agent.

It turns out his home, which was purchased for $75,000 in December 1994, had around $450,000 of equity just lazing about. It was time to dust it off and give the equity a good workout, western Sydney style.

Todd, along with his buyers' agent, decided together they would target four properties in

Why ? As Todd explains, it's the fastest growth capital in Australia.

Narrowing down the search further, the buyers' agent identifiec as their target.

"Properties can be purchased there for between $300,000 and $400,000, so they're affordable and rental returns are good," Todd notes.

What this affordability and rental return would also mean for Todd was that his properties would be neutrally or positively geared.

In just five months, Todd's buyers' agent found him four properties across the region.

Each was purchased under value, due to the buyers' agent's negotiation skills and ability to get early access to deceased estates.

He borrowed against his equity, setting up four separate mortgages across three banks, and allowing him enough funds to renovate two of the properties. None of the loans are cross-collateralised as Todd finds that holding separate loans means he can manage each property more efficiently.

His first property was purchased in August 2013 using $17,000 worth of equity from his home. The price of the three-bedroom home was $325,000. Today it's valued at $370,000 and rents for $330 per week.

One of the perks of buying this particular house was the good size of the block it sits on, with allowable space for a granny flat construction, which will eventually provide Todd a dual rental income.

The following month, in September 2013, his buyers' agent bought him a three-bedroom deceased estate using $15,000 worth of equity from his home.

The price of the three-bedroom home was $311,000.

Following a $35,000 renovation, it's now valued at $400,000 and rents for $380 per week.

The renovation involved rendering the brick exterior to modernise it. It also included a new kitchen and bathroom, paint on the walls, new carpet and a floating floor.

These first couple of purchases became his happiest investment moments. This was because Todd finally found out how possible it was to buy multiple properties using his equity. The equity mystery was finally unravelled.

His third property was purchased in January this year using $28,000 worth of equity from his home. It's a three-bedroom house on a larger block with a price tag of $311,000, the same as the previous property. It has since been valued at $330,000.

As with the first property, because the block is a good size, Todd would eventually like to construct a granny flat at the back.

Finally, the fourth property Todd purchased in five months was again in January – two in the same month!

This time he drew $34,000 worth of equity from his home.

The purchase price was $345,000 – well below market value due to it being a deceased estate sale. Following a $35,000 renovation, he has boosted the value to $420,000.

// HIS NEXT MOVE?

Seeing the success of buying affordable properties in high rental yield areas, Todd has decided to cement this as his strategy moving forward. Naturally, an added renovation and granny flat on some properties won't go astray.

Some might believe Todd has put too many eggs in one basket by investing in the same region, but in this case he doesn't think so.

"They're all so reasonably priced that they'll continue to grow, particularly with the rental demand in the area," he notes.

While Todd will take a "breather" for a few months, he still intends to double his recent portfolio addition by the end of the year.

"It's just a matter of having revaluations done on the properties I've purchased," he says confidently.

"Naturally I still have to prove I can service the loans, so I need to prove that my income of $80,000 can cover repayments, but with my properties practically all neutrally geared I don't see that it'll be a problem if I continue along the path of buying affordable properties with good rents."

With neutrally geared, low-risk properties Todd can feel stress-free and focus on the other big thing in life – his family.

At least he knows his desired lifestyle of hanging out with the kids at the beach, skating and riding scooters, and the friendly games of cricket at the park won't be sacrificed in order to secure their financial future.

So far on his investment journey, there have been minimal bumps or obstacles.

The only thing Todd has found a little frustrating is that he can't always borrow 95 per cent of the loan amount; the loan-to-value ratio can vary, which makes life a little more challenging than anticipated.

But he's never had any regrets, just lessons learned.

"I could say I wished I'd done this 10, 20 or even 30 years ago but the point is it's never too late to start," Todd reflects.

"Ten years from now I'll be glad I started when I did."

And he certainly has a very busy four years ahead. His goal by age 50? To have a passive income and be financially free. He'd also love to not work a day job and have a $200,000 per year income.

Whoever said starting in your 40s was too late? AP

TODD'S TOP TIPS

DO:

1 Dec de what nvestments you want to buy
2 F nd someone who has actua y done what you want to do
3 Ask ots of quest ons
4 Learn a the t me
5 Be eve n yourse f

DON'T:

1 Try to do everyth ng yourse f
2 Not do anyth ng
3 S t and wonder
4 Leave t another 10 years to start
5 Stop be ev ng

BONUS CONTENT

Use your smartphone or tablet and a QR scanner app to watch an nterv ew w th Todd's mentor, Zak Ameer of Dream Des gn Property