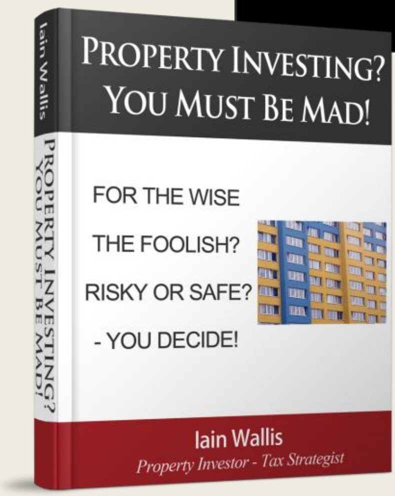

Everyone has a view on property and it sparks much heated debate and wildly contrasting views.

Depending on which paper you read, which websites you browse, one day we are going to hell in a hand cart the next day property is the next best thing since sliced bread. Certainly in the last few years the UK property investment industry generated much negative press, with the housing dip, which nobody foresaw leaving many landlords financially exposed.

Those hit the hardest fell into two groups:

1. Those who believed the glossy brochures and fell for the property marketing hype. They bought off plan in areas that they didn't understand in the expectation of capital growth and predicted rental income that never arrived.

2. Those who took advantage of all the cheap money (some of you may remember NINJA mortgages: No Income No Job) and borrowed to buy houses and borrowed again to fund a lifestyle. Their borrowings compared to their debt (gearing) got out of hand but they didn't care as house prices were booming. Their failure to allow for property market corrections has left them with large debts which they are unable to fund from rental income.

In addition to this, the impact of the economy on household income has put in some cases unbearable pressure on family budgets and despite interest rates being at their lowest since records began, we have seen repossessions rise and a very static housing market. Faced with such doom and gloom your family, your friends down the pub, indeed anyone without property knowledge would advise against investing in property.

It's not all doom and gloom. As with any investment, property investing can be extremely rewarding and financially beneficial if simple rules are followed and you keep on the path. You set out to follow.

So Why Invest in Property?

Property, just like investing in shares, investing in your own business, or just leaving money in a savings account will be a strategic decision.

Any investment strategy (short, medium or long term) that you follow will be based very much on the goals that you have set yourself. Do you need:

- Income today
- Income in the future
- Capital growth
- Control of the investment
    - Where you invest
    - The price you will pay
    - The rent you charge
    - The price you sell at
    - The type of mortgage you have
- To be able to pass the investment down to your family

Why Not Shares, Bank Savings or a Pension?

Traditional investments such as stocks and shares have one clear advantage. They are relatively liquid assets. So if you make an investment in ABC Ltd and then decide you don't like that, there is a ready market for those shares and you can sell. However few of us have the time or indeed knowledge to play the stock market so we, after a risk assessment profile from an IFA abdicate responsibility to a Fund Manager. You wouldn't abdicate from the responsibility of looking after your children so why abdicate from looking after your finances

"But I like my money in the bank. I get a statement each month and I know it's there" Yes that's very true but here's the thing. The best rate paid by a bank to tie up your cash in a two year bond is 4.05%. A simple deposit account will pay 3.15%. Inflation is running at a conservative 5.7% so in actual fact you are losing at best 1.7% or at worst 2.6% per cent on your savings. Is that a good investment?

The vast majority of the individuals don't have their own share portfolios but rely on their pensions to provide for them in the latter years of life.

We are constantly told that the State Pension is a thing of the past. The government intends to reform the State Pension for future pensioners. The published proposals include an option for a flat rate State Pension of around £140 a week for a single person. So our futures are down to the pension contributions we make, whether personal or through our companies.

In the good old days a Company pension would pay out on what's called a Final Salary which was geared around your last few years of employment which typically would be the best. Collect your gold watch and ride off into the sunset with a handsome salary in retirement. For Companies that is an uncontrollable cost, so over the last few years companies have consciously moved employees to Defined Contribution Schemes, reducing their liability based on an aging population and longer life expectancy. Defined Contribution Pension Schemes are great for the company but not as good for the individual, where the amount you out in defines the annuity that will be bought and thus your annual income when you retire.

No one would deny that we have seen an adjustment in the housing market since it overheated in 2007. Property investors hold an asset (bricks and mortar) that historical data from Halifax PLC has shown double every 7 – 10 years.

Give three identical sets of figures to an economist and you will get three different opinions, purely because their opinions are based on assumptions. So depending on which economist you went to they would have a differing view of the house market. But, and here's the thing even if the economic pressures that we are currently under in the UK move this cycle out to a longer timeframe, if you have invested wisely you still benefit from passive income which will of course boost your pension/ household income.

What is an Asset?

Like me, many property investors have read and continue to reread a fantastic book by Robert Kiyosaki. In Rich Dad, Poor Dad he talks about the difference between an asset and a liability.

Quite simply an asset puts money into your pocket every month, while a liability takes money out of your pocket.

On this basis it is clear that our own homes are liabilities (unless mortgage free) as we need to pay the mortgage, keep them repaired etc A properly sourced buy to let property which produces positive cash-flow is an asset as you receive money (rent) every month.

Look around your family and ask yourself have I been buying assets or liabilities?

Does the 42" super surround cinema system with super sub woofers that deafens the neighbours put money in your pocket?

So do you want to continue buying assets or liabilities?

Let's start with an Objective?

Before you commence any investing, particularly property, you need to have a clear objective of what you want to achieve. Your own reasons why will depend on your personal circumstances and crucially what is important to you. People invest in property for a variety of reasons. Ask yourself is it for:

- Cash-flow now to improve your current lifestyle
- Cash-flow now for further investments
- Greater returns on your cash savings (see above) are you losing 2% in your bank account
- The creation of a sustainable property portfolio which to pass to your children or grandchildren

So Why Invest in Buy to Let Property?

Why on earth would you want to invest in property? It's far too risky?

The UK has a tradition of home ownership. The "2002 General Household Survey: a summary of changes over time between 1971 and 2002" shows that home ownership increased from 49% to 69%. However, there has been and will always be the need for rental property: economic factors, lifestyle, the moveable jobs market..

The Office for National Statistics show that the current UK population of 61.4million will rise to 71.6 million by 2033. Mark twain said "Buy land, they're not making it anymore" and guess what the UK is an island so this population increase will put massive pressure on housing stock. Shortage of supply with increased demand will impact on rental values.

The average UK rental for a typical 3 bed family house has seen an increase of over 60% in the five years to October 2011.

There is no guarantee that such fantastic growth will continue but with a shortage in housing stock predicted to be at 750,000 homes by 2025 the demand for those houses available will be high.

Factor in that the average age for a first time buyer, who is not given financial help is now
37 there will always be the demand for rental accommodation

Maybe by now you recognise that currently your future financial security is exposed and it's time to address this by investing in buy-to-let property. Can I suggest that you follow my simple three rules to ensure that you buy an asset that puts money in your pocket, and not a liability. Remember anybody can buy a house that takes money out of your pocket.

Three Simple Rules for Investing

1. FOCUS
    - On one area
    - So that you know what is a good investment
    - So that you know what to avoid
    - So that your due diligence is sound

2. MAKE money (in this case equity) when you buy:
    - Do not buy and hope that the market will rise
    - Yes the market may improve but it must work NOW
    - Source property below market value
        - For instant equity
        - You have a cushion for further market crashes

3. GENERATE positive cashflow:
    - Fundamental to any business
    - Rental income minus
        - Mortgage interest
        - Letting fees
        - Maintenance
        - Contingency
    - Must generate Profit

Summary

So having read this

- Is property a mad investment?
- Is property for the wise or the foolish?
- Is property risky or safe?

With everything in life, it’s easy to do and easy not to do.

It’s easy to sit and watch Eastenders and it’s easy not to. It’s easy to go down the gym and it’s easy not to. Equally it’s just as easy to take action about your finances and financial future.

Are you:

- the person who has made plans to take control of their financial future and is willing to invest in the right property
-
- the person who will watch and observe, procrastinate and then wonder why their neighbours did so well and curse the Sate Pension?

Hopefully this report will focus your energies on making the right decision for you and your family.

It's a truism but for something to change, something has to change.

Make that change

CALL NOW 0771 259 0953

Or email

iain@iainwallis.com

www.iainwallis.com