Practical ways to help you create financial independence:

‘How to Build a Profitable Property Portfolio’

They say “you can’t go wrong with bricks & mortar” this one will show you why!

Luv Asha x

Inspirational financial education and guidance to help you plan and create the life you want to live!

How to build a significant property portfolio

If you study the rich & wealthy, you will notice a common feature ~ a large proportion have either made their wealth or hold the majority of their wealth in Property!

Since the turn of the millennium, investing in property has become very popular indeed as more and more people have discovered its true potential as an excellent way to achieve long term prosperity and financial freedom. However, this does come with a caveat; you need to have a robust strategy that can negotiate the odd credit crunch along the way as quite a few investors have found out!

Prior to this, there seemed to be a lack of understanding of property investment fundamentals amongst the media and most financial advisors, who generally preferred paper based assets (e.g. stocks, bonds, gilts) over property as it appears far more lucrative. On general performance this is an easy mistake to make.

However, take a look at the following (fictitious) table and decide which is the best performing market for investment?

Investment	Annual Return
UK Housing Market	10%
Gold	11%
FTSE 100 Index	12%

On face value the FTSE 100 Index looks like the best return. This is correct when comparing the returns of each individual market, but when you compare the **actual capital put in**, the UK Housing Market wins by a mile when you use the principle of **leverage** (our good friend from section 6 😊).

Let me explain:

Imagine a scenario where **you have £100,000 pounds to invest** and are considering both the stock market and the property market and looking for the best return.

Let's explore both markets using 3 comparison based 2-part questions and we'll also use the '**money tree**' graphic to add some fun (refer to section 4 if you a recap):

Part 1.

1a. How much stock (shares) could you buy for £100,000?

This is not a trick question by the way, with the stock market if you have £100,000 you can buy exactly **£100,000 worth of stock**. (For any seasoned investors, please ignore buying on margin).

1b. How much property could you buy for £100,000?

£100,000 money tree

You could buy just 1 property worth £100,000 for cash.

However: as the banks will lend money to buy investment property you could take your £100,000 along with some bank lending and buy a lot more.

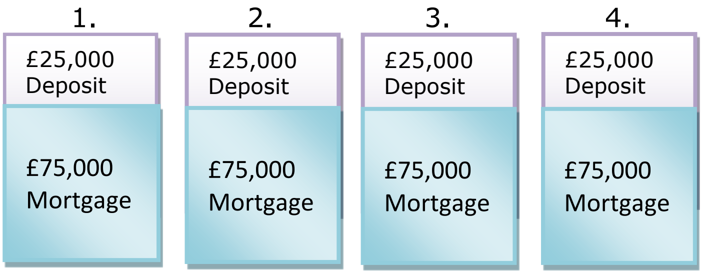
As they'll generally lend up to 75% of the purchase price (sometimes more) for investment property and you have some big investment ambitions, you could choose to split your £100,000 into 4 separate £25,000 deposits and purchase 4 x £100,000 properties using a £75,000 investment mortgage on each (total of £300,000 in mortgages).

*You then use the rental income to pay the mortgage, insurance and taxes and keep what's left. As you know from section 6, this is called **Leverage**.*

***Debt!** This may seem a little daunting, acquiring a £400,000 worth of property with £100,000 cash as it leaves you with a £300,000 mortgage debt!! How the hell are you going to pay the interest on that?*

***The answer** - the rental income generated, pays the mortgage interest. Of course, you would need to do your homework first and make sure the potential rental income and property are both viable for investment (good investment fundamentals) and you have contingency plans in place (more on that later).*

So, you now own £400,000 worth of property using the same £100,000 you started with, (n.b. I'm keeping it very simple for explanation purposes, there are other costs associated with buying property as I'm sure you know).



Result**; You now own £400,000 worth of property**

By using 75% mortgages we've managed to multiply (leverage) our 'money tree' acquisition ability by a factor of 4!

Direct Comparison:

1a. Amount of stock you can purchase for £100,000 = **£100,000**

1b. Amount of property you could purchase for £100,000 = **£400,000**

Part 2.

What would be the value of both your stock portfolio and property portfolio after 10 years if both markets doubled in value?

A. Stock portfolio: Your £100,000 invested in the stock market would now be worth **£200,000** a gain of £100,000 (happy days)**.**

B. Property portfolio: Your original property portfolio of £400,000 would now be worth **£800,000** a gain of £400,000 (very happy days) with the original mortgage liability of £300,000 still in place.

Direct Comparison:

2a. 10-year stock portfolio value = **<u>£200,000</u>** representing a **<u>100% return</u>** on your original £100,000 capital.

2b. 10-year Property portfolio value = **<u>£800,000</u>** (£400,000 gain) representing a **<u>400% return</u>** on your original £100,000 capital.

Part 3.

3a. What happens to the stock portfolio if you need to take out your original £100,000?

You have no choice but to '**sell**' £100,000 worth of stock.

3a. What happens to the property portfolio if you need to take out your original £100,000?

You could sell one of the properties now valued at £200,000 to give you the £100,000 required or you could (subject to lenders approval and criteria) refinance the portfolio and raise another £100,000 so the total mortgage across the portfolio now increases from £300,000 to £400,000. However, this preferred strategy allows you to maintain the whole £800,000 asset.

Direct Comparison:

3a. **£100,000 worth of stock sold**, new stock portfolio **value = £100,000**

3b. **£100,000 worth of finance raised increasing debt to £400,000**, property portfolio current **value is still = £800,000**

I think you'll agree property investment, if you know what you're doing (revealed in detail later) is significantly better than the stock market due to the financial principle of **LEVERAGE** and the ability to refinance it to raise further capital!

Leverage through the use of buy to let mortgages allows you to multiply your asset acquisition ability!

Once again, we're only funding a part of the asset acquisition (in this example; 25%) but benefit from 100% of all the future growth☺.

Now imagine if you can get the actual asset to compound at a decent rate. Wait until you see the historical numbers!

Multiplying our ability to acquire assets through the principle of leverage is the key to significant wealth creation if done intelligently and diligently with the proper research and knowhow (all will be revealed).

Understanding the investment strategy
Can you see how financial advisers would lose the argument regarding which market (property or stock) is a better long-term option based on the above questions? The mistake they make as many people do is to look at the market as a whole and not the investment strategy.

Here's how; *they may look at data and see the property market is set to grow at 7% per annum for the next 10 years whilst the stock market is going to grow at 10% per annum for the next 10 years. As a direct comparison the stock market appears to be a better option (and would be if we bought the property outright for cash), however, when we use leverage to buy property, we multiply the return on our actual cash invested!*

Safe & secure
Because property is seen as a very safe and secure form of investment by the lending institutions, you can use mostly their money to buy it and build your wealth much quicker. Conversely, try and borrow money to purchase stocks, bonds, precious metals, antiques etc, and you'll meet a lot of rejection!

Slow process initially
You could of course, do this process slowly and save up your money to buy an investment property outright or you can leverage other people's money and do it much quicker, this is what shrewd property investors do!

Buying your first investment property make take a while but it is however, possible to buy property with none of your own money, more on this later!
For now, I want to explore the growth potential to get you excited and hopefully motivated.

Leverage allows you to accelerate your wealth through property using Other People's (banks) Money ☺!

Use further leveraging (refinancing) to explode the potential future growth of your portfolio.

As your property grows in value you can refinance the growing equity to buy further properties and build up the portfolio.

E.g. if the original £400,000 property portfolio in the example we used, has increased to say £500,000 in the next 3 years, you can borrow against the £100,000 growth.

Let's say you refinanced 75% of the £100,000 growth, you would have another £75,000 to invest (this is subject to surveys and the banks' lending criteria) with the potential to purchase another 2 or 3 properties.

As your portfolio grows in value so does your investment potential as you can keep refinancing the new value to re-invest or spend as you wish. The most important aspect of all this is that you retain your asset(s) which means you retain all of the future growth potential.

This very method is why a lot of rich people became rich, they steadily built up their portfolio by refinancing and buying more when the market allowed them to.

They say, **don't wait to buy property, buy property and wait** and when you understand the average UK annual growth over the last 80 years or so, you'll understand why.

Property is a long-term game but also very predictable.

Property investing is a long-term game and the greatest benefits are obtained in the later years, you can make good profits in the short term in a booming market otherwise it's a risky strategy.

Over the last 80 years property values in the UK have risen by **almost 8% per year** (7.9% to be precise) and that's including the recent credit crunch. Baring a meteor strike or nuclear holocaust most property experts agree that property will continue its very predictable long-term path of yielding around 8% per annum.

This may seem harder to believe following the credit crunch in 2008-09 but the historic figures include several property market slumps.

Let me introduce you to the 'Rule of 72' (you'll like this!)

Here's some useful knowledge to determine how long it will take to double the value of an asset based on a specific **average** rate of return.

Starting with the figure 72, simply divide it by the **average** rate of return you are achieving, and the answer will tell you how many years it will take to double. E.g.

- a 6% average growth rate will take 12 years to double (72/6 = 12 years)
- a 10% average growth rate will take 7.2 years to double (72/10 = 7.2 years)

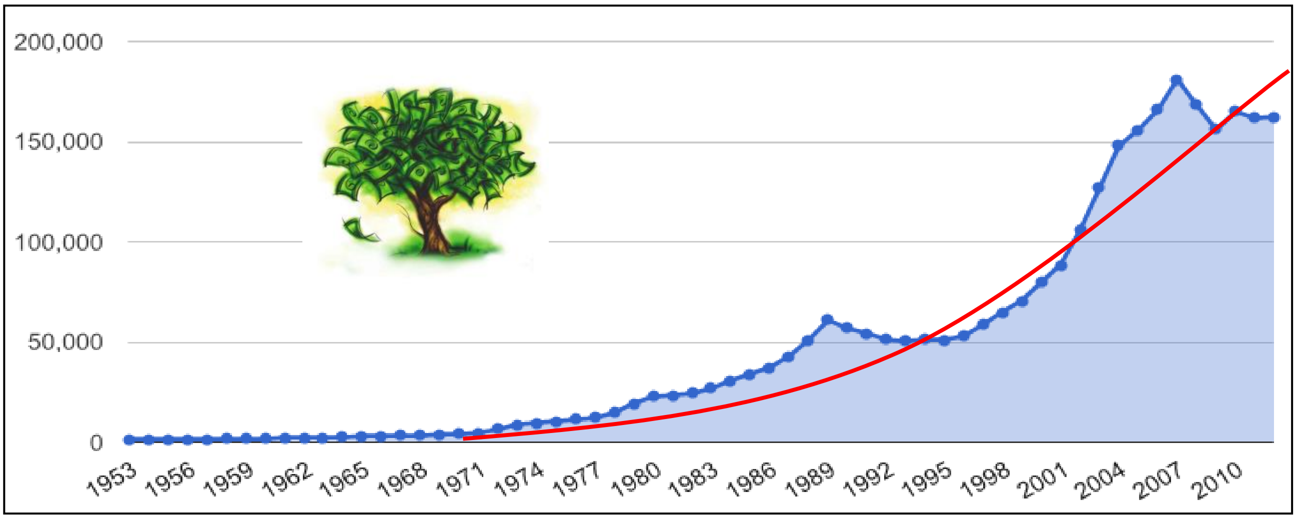
So, using the rule of 72, to get an investment property to double in value say every 10 years (as per the example in the previous section) we would need the property to grow on average at 7.2% each year for the next 10 years.

We already know UK property historically averages almost 8% annual growth so under the rule of 72, this means its **doubles in value, on average, every 9 years!**

You should be getting excited!

For simplicity, let's round it up and assume UK property doubles in value every 10 years.

Let's now double check the data…here's the Nationwide's House Price Index graph again showing average UK property values over the 65 years between 1952 - 2017:



N.b. the red line isn't part of Nationwide's graph; I've added it for illustration purposes to represent the property market average throughout the booms & busts.

A lot of people have a problem accepting (probably includes you too?) that property could grow say 8-fold (800%) in the next 30 years meaning todays £100,000 property will be worth £800,000.

I'm now going to dig down into the data and prove it does and more importantly, why it is expected to continue this growth path.

If it doubles every 10 years, then over the last 60 years that means property would have followed this pattern throughout the market cycle ups and downs:

- After **10** years ~ **2** x (double) it's original value
- After **20** years ~ **4** x (quadruple) it's original value
- After **30** years ~ **8** x its original value
- After **40** years ~ **16** x its original value
- After **50** years ~ **32** x its original value
- After **60** years ~ **64** x its original value

So that's 32 times its original value in 50 years and 64 times its original value after 60 years, impossible, surely? Let's dig down and see:

1. We'll recap on the average value increase and percentage growth **every 10 years** from 1952 - 2012 which is as follows:

   1952 (£1,888) ~ 1962 (£2,617) saw an increase of £729 or **38.61% growth**
   1962 (£2,617) ~ 1972 (£6,960) saw an increase of £4,343 or **165.92% growth**
   1972 (£6,960) ~ 1982 (£24,851) saw an increase of £17,891 or **257.05% growth**
   1982 (£24, 851) ~ 1992 (£51,815) saw an increase of £26,964 or **108.50% growth**
   1992 (£51,815) ~ 2002 (£106,407) saw an increase of £54,592 or **105.36% growth**
   2002 (£106,407) ~ 2012 (£162,722) saw an increase of £56315 or **52.92% growth**

Apart from 1952 – 1962 (38.61%) and 2002 – 2012 (52.92%), every other 10-year period shows an increase in excess of 100% demonstrating that property prices effectively double on average every 7 – 10 years.

The last 10-year segment between 2002 – 2012 shows only a 52.92% increase but that period also contains the biggest property slump (2008/09) in history! As I write in late 2021, the average UK house price is around £270,000 according to Halifax property services. This represents a 66% increase between 2012 – 2021.

FUTURE POTENTIAL: Let's assume UK property continues its very predictable path moving forward and average 7.2% annually for the next 30 years and you managed to purchase the right investment property now (easy when you know how) for £100,000 using a 25% deposit:

After **10 years** it would be worth **£200,000**…

After **20 years** it would be worth **£400,000**……….

After **30 years** it would be worth **£800,000…………………..**

Wow, just imagine if property averaged 7.2% annual growth and you planted several of these money trees in the next few years!

Remember: average historic rate of growth for UK property = 7.9% per annum

This is based on the land registry data spanning the last 80 years (please research this if you doubt it), if we look at the last 60 years it goes above 8% so let's work on **8%** as an average.

Here's how the value of £100,000 would increase at a consistent 8% annual growth;

End of year 1 value at 8% growth = £108,000
End of year 2 value at 8% growth = £116,640
End of year 3 value at 8% growth = £125,971
End of year 4 value at 8% growth = £137,308
End of year 5 value at 8% growth = £148,292
End of year 6 value at 8% growth = £160,155
End of year 7 value at 8% growth = £172,967
End of year 8 value at 8% growth = £186,804
End of year 9 value at 8% growth = £201,728

The property doubles in value in 9 years based on the historic average UK growth meaning the property sees 100% growth in 9 years.

However, we've only put in £25,000 in the example and gained £100,000 in growth which equates to **400% return in 9 years on the actual cash deployed.**

When we break it down on an **annual** level, the actual return is **32%** on our actual cash invested, here's how:

$$\frac{\textbf{£8,000 growth}}{\textbf{£25,000 cash invested}} = \textbf{32\%}$$

We know property moves in cycles, but we also know it consistently averages 8% annual growth over time and we also know we can easily get 75% leverage on each investment property; therefore, the real return on our actual cash deployed is 32%.

Warning *– there are no guarantees, the numbers are based purely on historical market data which indicates the same growth is expected to continue indefinitely based on the UK market fundamentals. It is vital that you always do your homework, use specialist advice as necessary and preferably play the long game as property becomes more predictable over the longer term.*

You should be getting excited by this, there are no tricks to it, this is the simply the reality of good property investment, that very few fully understand ☺!

Let's get a bit more conservative:

Conservative: let's drop the average annual growth rate to 7% instead: your £100,000 property would be worth just over £196,000 in 10 years and just under £387,000 in 20 years!

How about just 5%: after 10 years it would be worth just over £162,000 after 20 years it would be worth just over £265,000 and for curiosity's sake, after 30 years it would be worth just over £432,000

Do you think an asset valued at £250,000 plus in 20 years from an initial input of £25,000 is a decent return on investment?

What if you did this multiple times?

What if you could buy it now with none of your own money?

Let's just explore 5% growth and put this into perspective:

Assuming you bought a £100,000 property with leverage by using a £75,000 mortgage and a £25,000 deposit of your own money (as mentioned it's possible to do it for nothing – will show you later).

If the property averages only 5% growth over the next 30 years (even though property historically averages around 8% growth), your £100,000 investment property would be worth £432,000 in 30 years' time.

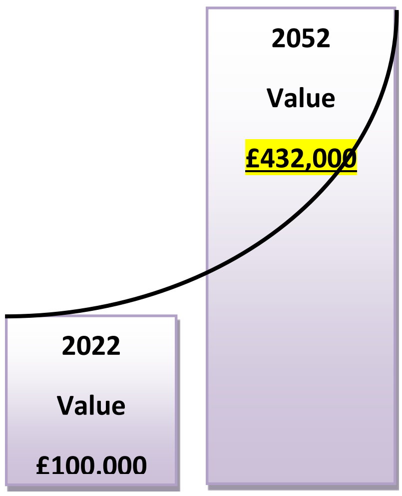
Result:

At 5%, you've gained £332,000 in equity from a £25,000 input.

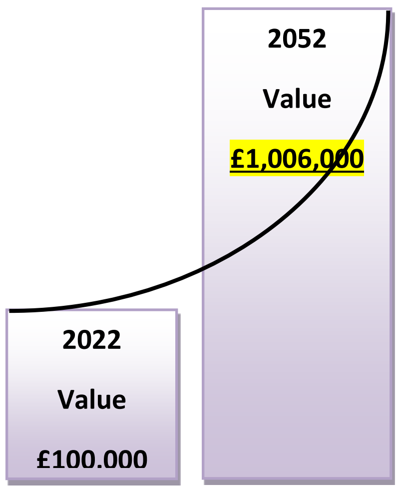
At 8% average return over 30 years, your £100,000 property would be worth a staggering £1,006,000 from a £25,000 investment.

Unfortunately, inflation is going to vastly reduce the spending power over the proceeds over 30 years, however, **if you did this once, why wouldn't you do it 2, 3 or 5 times???**

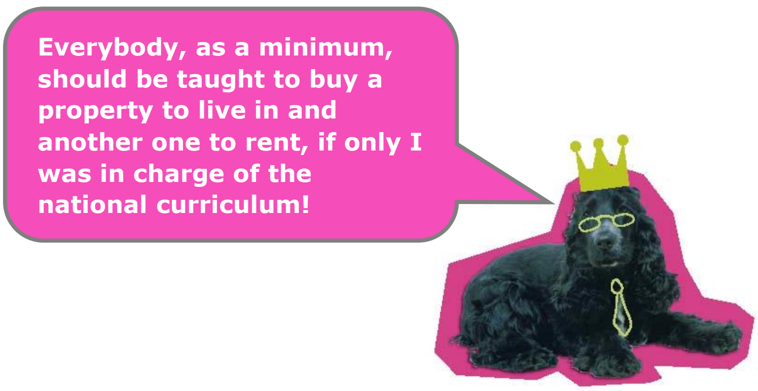
Here's a snapshot of 5% & 8% annual growth respectively.



5% Average Growth (30 years)



8% Average Growth (30 years)



Getting started in property investment

As mentioned earlier, most lenders who lend on UK investment property will actually lend 75% - 80% of the property's value, so you only have to find a 20% - 25% As this is still a fair amount of money to find, many investors start by using releasing some of the equity in their own home (assuming they own it). This is fine as long as the additional cost of borrowing the deposit money is factored into the investment calculations to make sure it's affordable and most importantly, you know what you are doing.

Will the lenders lend to you for investment purposes?

You are probably thinking no lender would even consider lending me the £400,000 on my income, even if I did have the £100,000 deposit!

The good news is, is doesn't work that way; as long as your income is sufficient to cover your existing residential mortgage & any personal credit commitments you have at the time (and your credit rating is reasonable) the answer is generally yes, as the lender will assess the property as a self-funding investment from the potential rental income.

- ✔ Lenders base their lending decision on the potential monthly rental income as specified in the surveyor's report. The lending criteria will be something along the lines of: anticipated rental income must be 125% of monthly mortgage payment,

- ✔ E.g. if the investment mortgage payment is £400.00 per month the minimum anticipated rental income (as assessed by the surveyor) must be £500.00 (i.e. 400 x 1.25).

3 strategies to obtain investment property for FREE

By free I mean, none of your own money left in at the end of the project, (i.e. you put it in and then get it back out within a few months) or you don't have any money at all to use for a deposit or the worst still you have bad credit and no money. We have them all covered ☺.

Strategy 1: buy, refurbish and remortgage (recycling your cash).

The strategy is used by many experienced investors to acquire investment property essentially for free as they have none of their own money left in the deal within a few months of completion.

This is where you look for a property that you can get well below its market value and needs some degree of refurbishment allowing you to also increase its value. It's absolutely crucial that you do your due diligence to make sure you are confident of the figures, and they work on paper, before committing to the project.

Example (n.b. the letters in brackets refer to the table on page 137): Let's say you negotiate well on a property listed at £100,000 and you get it for £85,000 knowing that with a £6,000 (B) refurbishment it will value for £120,000 as you have identified similar properties (in great condition) being valued for that in the same area.

Phase 1: You purchase the property with an 80% mortgage (using an experienced broker) borrowing £68,000 (G) and use £17,000 (A) deposit from your own funds, you choose a mortgage with no or small redemption penalty (F) as you will only have it for a short period. You factor in the associated costs [Legal (C), Survey (D)] and complete on the property.

On completion you immediately start the refurbishment to bring the property up to its refurbished value of £120,000 ready to let.

Phase 2: At the first opportunity to remortgage (generally 6 months after completion), you remortgage the property against its new value of £120,000, borrowing 80% which is £96,000 (I).

From the £96,000 advanced, you pay back the original mortgage of £68,000 (G), get your original £17,000 (A) deposit back, the £6,000 (B) refurb costs back plus other related costs [legal (C), survey (D), mortgage payments during refurb (E)]. Here's a list of all the project costs assuming the refurb project takes 6 months:

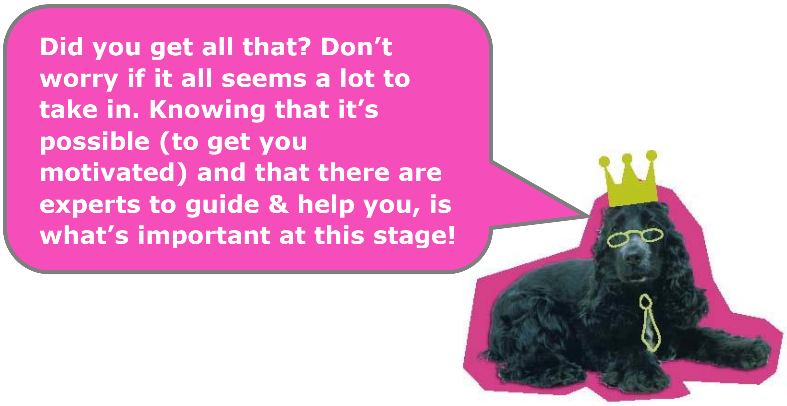
Phase		Total Money Outlaid	
1	A	A Deposit (20%)	£17,000
1	B	B Refurbishment	£6,000
1	C	C Est Legal fees (2 mortgages)	£1,400
1	D	D Est Survey fees (2 surveys)	£700
1	E	Est Mortgage payments (6 months)	£1,600
1	F	Est (first) Mortgage exit fee	£1,250
		Total	**£27,950**

Phase		Getting Your Money Back Out	
2	G	Initial Mortgage to be repaid	£68,000
2	H	Total Outlay to be repaid	£27,950
		Total to pay	**£95,950**
2	I	Second Mortgage Advance	£96,000
2		Surplus after £95,950 repaid	**£50**

In this example you would need to have £27,950 available to fund the deposit, refurbishment costs and associated purchasing and mortgage costs. On completion you get all of your outlaid money returned to you plus an additional £50 meaning none of your original money is in the project…**it's now FREE and a nice asset for your future.**

Of course, it would be very wise to set aside a contingency pot to cover any void periods or maintenance problems.

You have effectively recycled your cash ready to do it again on the next deal! If you could do this (with some expert guidance & mentoring if you wish) once, **how many times would you do it?**



Warning! You do need to be careful that you don't go over budget or the project doesn't overrun as this will eat into your costs, it's always advisable to have a contingency for unexpected costs. It is paramount when taking on a project like this that you do your due diligence on the figures and seek professional advice where necessary before commencing, otherwise you could end having to leave a lot of your money in the project.

Best bit…if you can make a project like this example work and get all your money back out (and perhaps more), there is nothing stopping you repeating this and building a portfolio with the same initial funds**…food for thought!**

You're not alone… I just want you to remember there are plenty of experts and professionals who can help, advise and mentor you, it's a team game!

Strategy 2. No funds and deposit available

Another strategy used occasionally by experiences investors to purchase without even needing a deposit is what is known as a bridging purchase.

Assume a £100,000 valued property, a typical deal works like this:

Property negotiated for £65,000 (65% of its true market value), in case you are wondering, 35% discount is achievable with the right knowledge (strategy), research and persistence. There are 3 steps as follows:

✔ **Step 1:** Bridging finance arranged for £65,000 (65% of the true market value).

✔ **Step 2:** Remortgage arranged for £75,000 (75% of the true market value) after property owned for 6 months (lending rules).

✔ **Step 3:** After 6 months, the £75,000 remortgage advance is used to pay back the bridging loan and interest due along with any legal fees.

Result: Property now owned without using a deposit, the £10,000 (10%) difference between the £65,000 bridging amount and the £75,000 remortgage amount covers the bridging finance interest and associated costs (arrangement fee, legal fees, survey fees).

This is a very specialist method and only works on a few deals as the percentage of bridging funding available is generally limited to around 65% - 70% hence the big discount required.

However, with the right knowledgeable professionals (solicitor, buy to let specialist, mortgage adviser, experienced mentor) around you, there is no reason you can't use this method when the right deals come along, to **build a portfolio starting with no money.**

Strategy 3. No funds/deposit available and existing bad credit.

Sounds impossible, not if you have the desire and right knowledge!

To obtain a buy to let mortgage you need good credit so if you have poor credit that is currently preventing you from getting the required mortgages, the standard and free strategies previously mentioned will be unavailable to you for now (until credit repaired).

However, there is still a way (until credit repaired), known as **bridging buy to sell**.

Let's use the same example as the first strategy in that you have negotiated a £100,000 property for £65,000 (65% of its true market value).

As soon as you own it you put it on the market and sell it, you price it at £95,000 and sell for £92,000 for a quick sale and after all costs [£72,000 ~ (£68,000 bridging capital & interest, £2,000 agents fees, £1,000 legal, £1,000 broker fee)] you are left with £20,000 cash.

You don't get to keep the property, but you just made £20,000 (which is subject to capital gains tax by the way). If you did it once you could do it multiple times until your credit is repaired and then you can start keeping a few.

That's no cash, poor credit and you've just bought & sold a property ☺!

Are you getting excited yet?

It's all about knowledge and doing your homework

This is a very important aspect and means considering all of the factors involved with the transaction before you can make a decision to put in an offer; i.e. potential rental income, rental demand, location, amenities, property type, price etc.

If the figures stack up then make an offer, the most crucial piece of advice I can give you about the whole subject of investment property is:

Always look for the right fundamentals

If you are buying an investment property to let for the long term it is very important that you buy property with the right fundamentals (characteristics) so that it has broad appeal to most potential tenants and also has the potential to grow significantly over time and become a big asset for you.

The **5 key property fundamentals** to attract good tenants and good rental incomes and also maximise the potential capital growth are as follows:

1. Schools, 2. Shops, 3. Transport, 4. Employment, 5. Investment.

The property needs to be near **schools** and **shops** as tenants want nearby amenities. In addition to this we want good **transport** links to the area and good **employment** in the local vicinity as both attract more people to the area.

In addition to this, we're looking for **investment** in the area from industry or local/national government (which maybe in the form of regeneration) as we are looking for areas on the rise that will attract people and affluence to create solid growth in the near future.

After finding a potentially suitable property, let your calculator make the final decision to purchase and <u>not</u> your heart (those emotions do funny things to you!). Remember, you are not buying the property to live in but as an investment.

You make the profit on the buy, not the sell

If you can purchase a property below its true market value, you have made a profit the day the property is legally yours, this profit is pretty much guaranteed if you're investing for the long term, the only exception is if you are forced to sell it in a property downturn.

Have you missed the boat?

With the huge growth seen in the UK property market since the turn of the millennium followed by the subsequent economic downturn, it may seem like the 'boat has already set sail' for new property investors as the best time was 10 – 20 years ago.

You often hear phrases along the lines of *"If only I had bought that second property 5 years ago when it was worth £…."*

The point is, the property market, like all markets, is cyclical, it **always** goes in cycles, but as discussed earlier, if you look at it on a graph over a long period of time (say, the last 40 years) you will see it actually rises on average at a very smooth and consistent rate.

Today's prices will seem high (compared to the past), but they will also seem like a bargain a few years down the road – <u>don't forget this</u>!

Consider this: property historically doubles in value approximately every 7 – 10 years, after every price boom everyone says it won't happen again, yet it always has to date!

If you're serious, jump on the boat sooner rather than later!
There will be a continual stream of 'investment property' boats passing by, the last one will always seem better than the current one, if you want to get to the other side where the money is, you are going to have to jump on one of them. With every boat that passes, the money potential waiting for you slightly reduces, when you do jump on one, you'll soon find yourself at some point, waving back towards the shore at all the other people who wish they had jumped on with you.

Other reasons to invest in property:

- They aren't making any more land so the price of land and property always has increased over time and (if history is anything to go by) is expected to continue.
- We keep making babies and increasing the population and as everyone needs somewhere to live, the demand for more property will result in increased property values over time.
- The UK government has announced on several occasions that there is a growing national housing shortage as there aren't enough being built each year to meet the growing demand (i.e. a growing population, increased immigration and more people than ever living on their own). This will also fuel the long-term increase in land and property values based on the law of supply and demand.
- The rental income is basically index linked (the market sets the general price), you can increase it as you see fit, tenants will expect rent to increase periodically, just don't get too greedy.

Tax issues

Unfortunately, the tax man wants his slice of your property wealth (no shock there!), the tax issues relating to investment property to consider are as follows:

Income tax: you are taxed on your rental income profit from the property, this is derived from totalling up your rental income and deducting any legitimate expenses (mortgage payments, maintenance, insurance etc). Any profit is then added to your other income (salary etc) and taxed at the prevailing rate.

Capital Gains tax: you are only taxed for capital gains purposes when you sell an investment property for a profit where the profit is above your personal allowance. Only the gain in profit is taxable, e.g. if you purchase a property for £80,000 and sell it for £100,000 you are liable for tax on the £20,000 gain after deduction of selling costs.

However, there is no capital gains tax to pay if you never sell meaning you can continue to receive the rental income and potentially withdraw lumps sums (subject to criteria) of equity for personal use.

Tip: if applicable, consider buying investment property jointly with partner as this allows you to use both your capital gains and income allowances to reduce any tax liability. With a little knowledge of the tax laws (from accountants, research) you can reduce any tax liabilities to an absolute minimum or nil. Before you get involved, seek professional advice first.

You can find all the latest rates and calculators online, search for HMRC property tax.

Wealth creation is a team sport, grab all the help & advice you need!

There are plenty of property experts out there who have been in the industry years. My advice, consider those with a provable track record of success as their knowledge, expertise & advice is worth its weight in gold!

Specialist help and professional advice

With the huge potential in property, you don't have to figure it all out as there are reputable services that can help you.

You can learn how to do it from professionals and be mentored along the way or you can engage professional services who will do it all for you for a fee.

Here's a guide to the types of service available:

Property investment specialist services (i.e. you learn how to do it):

1. Building a portfolio with limited funds: This is based on strategy 1 from page 136 where you'll learn how to recycle your pot of cash and slowly build a portfolio.

2. Buying property with no money: This is based on strategies 2 & 3 from page 138 where you'll learn how to identify the right sort of property, how to negotiate the right price and how to purchase it with other people's money.

3. Building a passive income without actual ownership: I haven't touched on this one during the section, however with this one you'll learn how to create a passive income from the rental income without actually needing to own any property.

Cost: There of course is an initial outlay for these type of services as they all involve spending time with you to educate you and teach you how to do it yourself by replicating what they do. They all provide ongoing mentoring for as long as you require it.

Property investment passive specialist (i.e. you have it <u>all</u> done for you):

4. Building a portfolio for long term capital growth: If you have the funds but don't have the time or inclination to do it yourself, this type of service will build it all for you, for a fee.

5. Building a portfolio for immediate passive income: If building short term passive income from ownership is more important (than capital growth), this service will do it all for you by maximising the rental potential of each property using what is known as a multi-let strategy.

To look further into these types of specialist property services, search online for 'buy to let courses' or 'buy to let education.'

Professional help and advice

The nature of property investment means you will need to engage and use certain professionals such as specialist mortgage advisers and solicitors. Depending on what strategy you are looking at, you may need to assemble other professionals such as letting agents and bridging specialists. Take your time and seek out experienced professionals with track records in property investment related transactions.

The following professionals can all help you with the different aspects:

- Buy to let mortgage advisers (mortgage and insurance needs).
- Bridging specialists (bridging needs)
- Accountants (taxation needs).
- Estate agents (sourcing deals and local knowledge needs).
- Letting agents (rental and local knowledge needs).
- Solicitors (conveyancing needs).

Section 13 Summary

The benefit of leverage
Because banks are generally happy to lend against investment property, you only need to fund a part of the acquisition price but benefit from 100% of all the future growth ☺.

Average UK annual growth
The UK property market is very predictable over time and has averaged an annual growth rate of 7.9% over the last 80 years which means the average property doubles in value approximately every 9 years.

Combine the 2 magic money multipliers
Property allows you to <u>leverage</u> the purchase as you only need a deposit to acquire it and then benefit from the full increase in value as it <u>compounds</u> in value over time.

Strategies to buy property for FREE
Through specialist strategies: you can recycle your funds through each property and own multiple properties with one pot of money. You can buy and own property(s) with no money available. You can even buy and make a profit with no money and with poor credit.

Warning!!!

The potential with investment property is huge over the long term as history shows it is very predictable. However, it is not necessarily easy to do and very easy to make mistakes until you become proficient.

This section is there to motivate you. Always proceed with caution, take your time (it's a long-term game), know your numbers and use professionals as required.

Final Thought:

Knowing what you now know: if you could go back 20 years to 2001 and had the means to buy an investment property or two (which rental income pays for) even though it would have been hard to believe property prices are expected to go crazy between 2001 - 2021, would you do it? **The balls in your court!**

Wishing you all the best,

Asha x

Final Word:

"There will always be booms & busts, the trick in a bust, is to buy instead of sell, don't panic"