

#BEST SELLER

# INVESTMENT PROPERTY TOOLKIT



*SOUTH AFRICA*

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## CHAPTER 1. Introduction

Congratulations on your purchase and I hope my experiences, good and bad, will provide you with the guidance and knowledge you need to win in the property game. It is not an easy game by all means! If it was, you will not be parting with your hard earned cash for this toolkit. If it was, everyone will be property moguls and we will have world peace.

I am sure you have already received “advice” to start investing in property. But no one gives you the details on what to do. When to do it. No layman explanations of where to start and what the process entails. Who (agents, lawyers, banks, bond originators etc.) do I deal with and when. What am I signing and what should I not be signing. Now, I will give you financing tips you never heard of before. You get tips on how interest rate movements can have no effect on you (and I am not talking about fixing the interest rate with the bank). This toolkit will become your guide to your next few property purchases. In the final chapter, I show you a strategy that makes it possible for an average person like you and I to reach financial freedom at a young age.

“When I was young I thought that money was the most important thing in life; now that I am old I know that it is.” - Oscar Wilde

I am no property guru and yes I have made mistakes. But I want to share all that I know with you so that you have some tools to defend yourself in a cut-throat world and build a property empire the informed way. You should not aim to replicate my experiences. Each person has his own level of risk tolerance. *“Risk comes from not knowing what you're doing.” – Warren Buffet.* Learn from my wins and losses and take from this enough wisdom to confidently create your own path to success.

Before embarking on this journey of wealth creation you need to accept the following:

People who don't believe in you or don't think "it's possible" will only drag you down - ditch them, gently but firmly. Get focused on what makes you damn happy - not gadgets - but figure out the big picture of the kind of life that makes you want to dance... and then ONLY focus on doing things that will get you to that life. Jewellery, cars, clothes, and purses can be lost or stolen but knowledge gained from just one book or one experience resonates forever. Be willing to learn. Nobody owes you anything at all. Search and destroy any trace of entitlement you feel. Quality of life is the most important thing. Not the corner office, not your yearly paycheck, not your credentials. These are mere distractions. Listen more to yourself than anyone else. Be BRAVE. Barriers to entry are there for everyone else, not you. Seek out good, positive, motivated, freedom-loving people. You become the person you associate with. It is okay to respectfully take a different path from the one which your parents have led you. Champions persevere... "Calm seas never made good sailors"

Right now you may have many reservations about investment property, or me, or this book. You have overcome one barrier to entry (R199), now let me do my part and start changing your life forever...



**"There's still some work left in this one. Get him another pot of coffee."**

## **CHAPTER 2. Why invest in property**

*“Real estate is at the core of almost every business, and it's certainly at the core of most people's wealth. In order to build your wealth and improve your business smarts, you need to know about real estate.”*

### **GET RICH SLOW:**

Go to school, get good grades, graduate, get a degree, get a good job, save 20%, invest in the stock market, max your pension fund, steer clear from debt, get e-tagged for Sanral discounts... Then some day, when you are, oh, 65 years old, you will be rich. Wealth in a wheelchair financial planning.

### **GET RICH FAST:**

Be a producer. Not the consumer. Housing is a fundamental need. Be a solution to that need. Scale determines your wealth factor. Start accumulating properties! Get-rich-fast is possible. It is get-rich-easy schemes you should steer clear from.

What many fail to realize is that by investing in property you are effectively a business owner. You are in the business of creating high income from rentals after settling all costs. Is this a good business to be in? Absolutely. For me, there are many reasons why to invest in property. Here are the Big 4!

2.1. You do not need to have money to buy property

2.2 You are the CEO of your property and make all the decisions

2.3 The returns are high

2.4 Your asset is mortar and stone (tangible) as compared to just a right to an asset

"We are in the real estate business. The only reason we sell hamburgers is because they are the greatest producer of revenue from which our tenants can pay us rent." – McDonalds CFO, Harry J. Sonnebom. The largest commercial real estate landowner in the United States, McDonald's property portfolio was estimated to be valued around eight billion dollars, as of 2001.

**Let's explore the Big 4 in more detail.**

## 2.1 You do not need to have money to buy property

There are MANY ways to finance a property purchase.

There is good debt and bad debt. Using debt to buy an asset that will generate you an income is good debt. Using debt to purchase consumer goods is bad debt. Buying a car is bad debt. It is bad because the finance used to purchase the car is not increasing your wealth. The car loses 20% of its value the day you drive out of the showroom. A property is growing in value each year (when you buy the right property). Do not pacify yourself by selling yourself the story that you work hard and deserve it. Do you not deserve freedom from the stresses of work?

*“Once again, the 90/10 rule of money applies - 10% of the borrowers in the world use debt to get richer - 90% use debt to get poorer.” – Robert Kiyosaki.*

This is not another *“Rich Dad, Poor Dad”* hopeless book of empty promises. I am merely sharing this one concept I do agree with. OPM. OPM stands for Other People’s Money. Just one trick of building wealth using property is by OPM. Up until today I have used very little money from my own bank account to purchase my 8 investment properties. Easier said than done? Not really. We will deal with tips and tricks of financing later.

Investing in shares requires a capital outlay from your pocket. Also, you are the only party taking all the risk. A friend of mine is against property investing as he believes in the JSE rather than properties. Later I will compare his actual return to mine. This is a real life analysis and not a hypothetical example.

**But wait, financing from a bank or a business partner is not the only option. We deal with some UNIQUE methods to financing later.**

Without using a cent from your pocket you can own an asset worth millions. What other investment gives you this exposure? Stop being a cynic by thinking that “It is not possible” to get rich and retire young by being an ordinary person. Negativity will follow you all your life if you poison yourself with pessimism.

## 2.2 You are the CEO and make all the decisions

When you invest in property you become a business owner. You are the boss. You can list at the price that you want. You can decide the terms of a lease. You can decide to sell up and take profits whenever you please. You decide who can take tenancy and for how long. You may want to make home improvements or perhaps split a 4 bed into two 2 bedroom apartments for higher yield. You are the boss of the strategy.

When investing in a money market account you cannot control the increases in interest rates.

“How many millionaires do you know who have become wealthy by investing in savings accounts? I rest my case.” – Robert G. Allen

When investing in shares or unit trusts etc. you cannot control the performance of the underlying companies. You are a mere shareholder relying on someone else to make the decisions.

The accounting definition of an asset:

*An asset is a resource **controlled** by the entity as a result of past events and from which future economic benefits are expected to flow to the entity*

With shares, because we have no control over the performing asset (the underlying company we buy into) we are basically gambling. We are taking a punt that the company will continue growing and paying a dividend. Yes, it is important to have exposure to equities. But, equities should not be the cornerstone of your portfolio. Especially if you want to retire young and want to be earning a high income during retirement. Look at the table below for proof. Do not fall into the media hype and trap that shares are better investments than property. This is just another way for traders and investment bankers to get into your pockets by charging you state and duties, commissions etc. etc..

If you ever lost money on shares. Forgive and forget. Holding onto anger is like YOU drinking poison and expecting THE OTHER PERSON to die. The next graph is just a teaser of types of concepts we will unpack during the toolkit.

<b>Investment property bought for cash</b>	
Purchase price	600,000
Monthly rental income (1% - average yield) (1% x R600 000)	6,000
Less estimated costs - R1 000 (R6 000 - R1 000)	5,000
Annualised income (R5 000 x 12)	60,000
ROI (return on investment) (R60 000/R600 000)	10.00%
<b>JSE share bought for cash</b>	
Investment	600,000
JSE top dividend paying shares - annual payout ratio (3.57% per SATRIX Divi ) (3.57% x R600 000)	21,420
ROI (return on investment) (R21 420/R600 000)	3.57%
<b>When will the Share catch up?</b>	
At 3.57% payout ratio, what value must the shares reach for the return to equal the rental income of:	60,000
At 3.57% payout ratio, the share must be worth (R60 000/3.75%):	1,680,672
The capital must grow by a whopping:	180%
How many shares do you know that grew by 180% recently?	
Would you rather layout R1.6 million or R600 000 for a return of R60 000 a year?	
Learn how to buy properties with NO cash down at <a href="http://www.passiveincomesouthafrica.co.za">www.passiveincomesouthafrica.co.za</a>	

Later, I will prove to you exactly why property is better than shares on so many levels. Imagine if I told you to give me R100 000 capital. I will decide how it should be spent. I will decide what dividend to pay you (if any). If I make bad decisions and lose the R100 000 you have no recourse against me. Will you do it? If you said No, then why are you investing on the JSE? I am just demonstrating to you the concept between being the CEO and relying on the CEO.

Share/equity investing should form part of your investment portfolio. It must be used to MAINTAIN wealth. It is not successful in providing high income in retirement as we can see above.

Being an investor and being a trader are mutually exclusive. The only way to win with equities is by buying well and holding for long periods. You have the power of compound interest on your side and the power of saving on investment costs. This is the wheelchair approach to retirement. Money market accounts and shares are used by the rich to store and maintain wealth. Not to build it. They build wealth by being a producer, not a consumer. More on that later.

I spent many hours a day researching. Some analysts may have not spent as much time as I did analyzing shares. I invested and traded. CFD's, forex, you name it, I did it. As a trader I lost more than I made. I was a victim of my own research/knowledge empowerment – ie. Diversify, spread risk according to age group, understand the company BETA, research the management team, understand the sector and growth potential. You do not control anything. You are hoping for the best. Right about now you are saying to yourself – I will be luckier than him. He did not invest in the right companies. Oh well, this is what I said once upon a time. "This will not happen to me" ...

“October: This is one of the peculiarly dangerous months to speculate in stocks. The others are July, January, September, April, November, May, March, June, December, August and February.” - Mark Twain

There are risks in property investing like anything else out there, but you have the power to mitigate those risks. In Chapter 6 we will look at the risks you are faced with and how you can mitigate those risks.

### 2.3 The returns are high

So, what strategy exists for an ordinary earner to generate an asset base in the millions and achieve financial freedom even with a small salary? Probably for the first time you have ever seen it all come together! And make note, this is my weakest performing property in my portfolio against the best performing share in my friend’s share portfolio.

#### True life example:

A friend of mine felt that property was a slow method to wealth. He is a successful share investor and invested R50 000 in shares during the same month that I purchased No. 999 Sherwood (an apartment in Midrand).

#### **Here is the difference between my return and his return (profit only):**

	<u>Actual Year 1</u>	<u>Actual Year 2</u>	<u>Actual Year 3</u>	<u>Estimated Year 4</u>	<u>Estimated Year 5</u>
Friend - Successfull Share Investor	1,650	10,825	19,050	32,800	49,360
Myself - Property investor	70,931	144,766	248,609	315,330	387,403
<b>Difference:</b>	<b>69,281</b>	<b>133,941</b>	<b>229,559</b>	<b>282,530</b>	<b>338,043</b>

By being a property investor there are actually 3 levels of income that I have earned. Let’s look at this in detail below... Be prepared to be inspired!

Only you can decide if R199 is a barrier to entry to you for the full book. You can be a cynic or be positive and trust that some things are not scams and there are still good people out there trying to better your life. People will forget what you said, people will forget how you look, but people will never forget how you made them feel. If I inspired a feeling of HOPE in you with this shortened version, that is good enough for me.

## 2 PAYMENT OPTIONS IF YOU TAKE THE RED PILL...

- 1) PAYFAST: This is the quicker, easier and the preferred option.
  - i. Click the BUY button on the website  
[www.passiveincomesouthafrica.co.za](http://www.passiveincomesouthafrica.co.za)
  - ii. Enter email address
  - iii. Make payment
  - iv. Receive 4 books in total (Toolkit + 3 bonus books)
  
- 2) EFT: This is South Africa and I understand if you are not comfortable with online payments. Kindly use the EFT option below and I will email the book to you. Please remember to email me after you pay. Else I will not have your email contact to be able to send the book to you.

<b>FNB Savings Account:</b>	<b>62302058012</b>
<b>Branch Code:</b>	<b>220229</b>
<b>Amount:</b>	<b>R199</b>
<b>Reference:</b>	<b>Your first name</b>
<b>Email proof of payment:</b>	<a href="mailto:kashan.maharaj@me.com">kashan.maharaj@me.com</a>