

# THE ARMCHAIR GUIDE TO PROPERTY INVESTING



How to  
retire on  
\$2,000  
a week



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## PART ONE

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# FOUNDATION

The state of our wallet plays with  
the state of our mind

EVERY DAY, we have conversations with people about their ideas on ‘wealth creation’ and ‘financial freedom’. It’s a conversation that’s hard to avoid! In the background to these conversations, is the advertising and so-called ‘experts’ on radio, the internet and in magazines selling the latest property get-rich-quick scheme to a bunch of unsuspecting and, we suspect, way too trusting would-be investors. The worst part about this state of play is that no-one actually knows what they have to do to achieve these ideals. If they did, surely we’d all be doing it right? Wouldn’t it be wonderful for someone to wave a magic wand and reap the benefits of building wealth with zero effort? The fact that life for most of us just doesn’t work that way suggests that it’s possibly a little more complex than handing over some cash and receiving a glossy brochure.

That’s why we are starting from the beginning. In Part One of *The Armchair Guide to Property Investing*, we explain our philosophy that **property investing is a process, not an event**. You’ll hear us tap into this throughout the book, but for now it’s enough to know that in order to begin your process, or journey if you like, you need a foundation upon which to build. Later on in the book, we introduce you to the nitty-gritty of investing and the tried and true strategies that we use every day. Part One is all about you and getting an understanding of where your head’s at.

As our opening quote says, ‘the state of our wallet plays with the state of our mind’. By this we mean that your peace of mind is directly related to the struggle that comes from having “too much month left at the end of the money” or conversely, the calm that comes from having more than enough to make ends meet. Your mindset has a massive bearing on your ability to invest successfully. Get it right and you’ll be on the right track. But if you’re stuck on advice from

those close to you (and their personal beliefs) you should be aware that they may not understand the property market and you'll get left behind.

It's also worth mentioning that if you think you can skip this part and head straight to the strategies, you're doing yourself a disservice and you fall into the category of most Australians who cut corners and wonder why they can't get ahead. Instead, we hope you take the time to read through this section on mindset. You might be pleasantly surprised – or horrified – at what you discover about yourself!

Understanding and nutting out your own personal belief systems around property and the psychology of investing will help you in the long term by allowing you to make sound, measured and qualified decisions. After all, you're not trading marbles here, rather you're making some of the biggest financial decisions you will ever make. You need to start from the beginning because it's the only way to effectively succeed in creating long-lasting and sustainable wealth.

We can't imagine anyone on this earth not attracted to the idea of having their investments generate \$2,000 a week (or more for some!) in their pocket to spend. Imagine not worrying about having to work again or being in a position to have multi overseas or domestic holidays every year, or upgrading to the latest cars or gadgets you've always wanted, or even being cashed-up enough to support your own children financially with some of their hopes and dreams.

We all want the freedom that a passive income affords us but there's a difference between the people who 'do' and those who 'wish' and that's something that we've been saying for decades: the doers know that **a financial goal without a date is just a dream.**


In Part One we also introduce you to our 'Five Essential Steps to

property investing'. Irrespective of whether you're a first-timer or an experienced portfolio builder you need to read this. Like a pilot who goes through the same checklist every time he or she takes off and lands, it gives you a checklist to follow every time you invest and provides the compass to know what your next step should be at any time. It's a system and a process we developed many years ago which we personally use and our clients use every day to provide a practical way to start thinking about their own situation and what they want to achieve.

To make your learnings from this book easier to follow we'll use this pyramid to track progress and refer to along the way.



# BUILDING YOUR OWN KNOWLEDGE BASE

Two vertical bars are positioned to the right of the title. The first is a thin, light gray bar. The second is a thicker, medium gray bar with a rounded top-left corner.

**T**o kick things off, we're going to talk about mindset. By this, we mean opening your mind and realising that any talk of 'money' and 'wealth' is actually a discussion about what's important to you to achieve a fulfilling life. We don't mean presenting a moral debate on how money provides happiness or how the love of money is the root of all evil, nor a hyped up 'secret powers of the mind to get-rich-quick' sermon. Instead, understanding your money and investments mindset will help give you the fuel to get cracking on your wealth creation journey, which will underline the entire process outlined in this book.

In Western society, money is seen as the number one benchmark of success. You only need to turn to the popular 'keeping up with the Jones's' saying, or watch any number of television advertisements that promote mass consumerism and aspiration to sell products. Whether right or wrong, the funny thing is that when you boil it all

down, money is neither inherently *good* nor *bad*, it's just a form of barter. (We discuss this further in Part Two.)

All the same, money is somewhat of a taboo topic. We're taught not to brag about how much money we earn. This is seen as crass or vulgar. On the other hand, nobody likes to share their struggle with money socially because it's seen as a sense of failure if we can't manage it or control it. There is also the fear factor. People allow money to control them and they lack the confidence or ability to manage their money. Furthermore, people get too caught up living day to day, month to month and year to year. We reckon there are many, many Australians who live like this, too paralysed to seek out a better way to manage their finances and instead they live pay-cheque to pay-cheque.

Do you feel as if any of the following barriers to wealth ring true for you? Or are they motivators?:

- Ill health
- Running out of time
- Failure to provide for your family now
- Greed
- Loss of a loved one
- Acceptance
- Envy.

As we quoted earlier, 'The state of our wallet plays with the state of our mind' and unfortunately, if you live with these fears it's more than likely your wallet will stay pretty empty.

## How are our attitudes to money formed?

Our attitude to money is moulded by a number of sources, but in our experience, it's our immediate circle of influence. It's mainly through our parents, our parents' friends, our grandparents, our childhood friends and their parents, as well as our exposure to media and advertising. So it just goes to show that the apple doesn't fall too far from the tree, and it's likely the people closest to you have conditioned your attitudes.

That's all well and good if your friends and family are beautifully attuned to the ways of building wealth. But from what we've discovered it's the ill-informed opinions of others that have the biggest impact on our views, use of money and our investment results.

Unfortunately, nine out of ten Australian households think they manage their money well. They're living in a fool's paradise if they believe that because only around 5 per cent of our country's population retire financially independent. Scary, isn't it? It's our experience that the vast majority of us are unsophisticated managers of our money. We either fear money or lack the motivation to take action to build wealth.

So why don't the vast majority of people get there?

- Lack of overall knowledge about money, investing and finance
- Wrong mindset
- Poor planning
- 'Need it now' mentality – living beyond (real) means
- Lack of understanding about value (things that grow in value and things that lose value)



- Fear of losing money
- Too-hard basket
- Procrastination
- Too time-consuming – lazy
- Listening to the ‘noise’ – believing what they read and an inability to separate facts from opinion
- Before now they didn’t realise they would not have enough money for later in life
- No discipline
- Didn’t realise how achievable it really is
- Took advice from an unqualified source
- No set system, strategy or structure to adopt.

Dr Kathleen Gurney, psychologist and specialist in people’s money personalities, sums up our attitude to money well in her book *Your Money Personality*: ‘*Our feelings toward it are not static, but fluid, dynamic and sometimes intense. We love it, hate it, we fear it, we worship it, we enjoy it, but never can we ignore it.*’

Here’s an interesting table that Gurney refers to on people’s contrasting money attitudes. Do they speak to the way your parents or friends view money?

**Figure 1: Contrasting money attitudes and conditioning**

The Have-Nots and Won't-Haves	The Will-Haves
Work harder to earn more	Work less to earn more
Struggle financially	Live comfortably
Make ends meet	Feel enriched
Have a scarcity attitude	Have an abundance attitude
Find money fearful and threatening	Find money challenging and an opportunity
Believe it's their place in life	Believe anything is possible
Place too much value on how hard it is to get money; emotional attachment controls them.	Value what money can do, seek knowledge and advice to take action and they control <i>it</i> .

## Clean slate

The focus should be on what money provides us. We're all born with unlimited potential and self-esteem, so it makes sense to harness that to create a new mindset for ourselves that focuses on our end goal rather than someone else's; one that allows you to meet your personal needs and desires specifically, which is where the value is.

This is the key: attitude to money is completely individual. It's personal. It relates to what you want and your life ambitions. The greater amount of wealth you have, the better the chance of having an enriched and fulfilled life, because you have time to pursue your passions, goals and personal values.

This book focuses on creating a passive income of \$2,000 per week. However in real life, we believe that true wealth is about having enough money to live completely independently in retirement and to choose to do what you want, for as long as you want, when you want. Sounds fair in love and war, doesn't it?

## Personal values and money alignment

For a lot of people it's hard for them to work out what are the important things in their lives – i.e. 'the big rocks in the jar' – given all the mixed messages they get pushed on them through advertising and society in general around what success and happiness should look like. So to help you to explore what's important to you here are list of values and aspirations to think about:

- Growth
- Comfort
- Security
- Success
- Optimism
- Stability
- Adventure
- Influence
- Work less
- Generosity
- Relaxation
- Study again
- Quiet times
- Better home
- Holiday home
- Actualisation
- Peace of mind
- Future choices
- Purposeful life
- Inspiring others
- Time for hobbies
- Pride
- Travel
- Control
- Results
- Power
- Freedom
- Better car
- Fulfillment
- Happiness
- Abundance
- Self worth
- Help society
- Recognition
- Compassion
- More jewellery
- Better health
- Personal time
- Accomplishment
- Self confidence
- Realising dreams
- Lifestyle choices

- Work/life balance
- Providing for the family
- Choose what I want to do
- Enjoy finer things in life
- Time with family/loved ones
- Improved lifestyle/better standard of living
- More big kids toys
- Start my own business
- Not wanting for anything
- Volunteer work/provide for others
- Take care of myself

How many of these sound good to you? We're willing to bet a lot of them resonate with you, right? So what we want you to do is clear the slate in your head and get your mindset right by prioritising your values and aspirations and then working out how much money you will need to assist you. After all, how can you invest in property or the stock market or your superannuation if you don't know what it's all for? The greatest thing about going through this process is that it gives you a renewed sense of energy and vigour to actually implement a strategy to achieve true wealth.

The focus is to identify the values and aspirations that are important to you, remembering that they are yours and yours only – not what you think society will judge you on. These are your drivers behind your pursuit of happiness, your goal of living a fulfilling life. They are all about what you strive to attain, what you desire and they are the real motivators in your life. As we mentioned earlier, you need to understand your personal agenda in order to start your journey of money management and begin to tackle the rest of the stages in this book.



### ***BEN's Action Plan***

- Sit down and document your personal values and goals. If you need an even bigger list to help you think about this, just Google 'personal values and goals' and you will find a multitude of lists and definitions to help you come up with some for yourself.
- Then try to put a timeframe and monetary value on your personal values and goals if you can. It doesn't matter if you record this on a scrap of paper or a spreadsheet. The key is just to get started.
- If achieving your goals is going to require a fair bit of cash, then have an honest conversation with yourself. If you think someone is better qualified to manage your money and invest it for you to achieve them then outsource this task. If the person you trust to do this is any good, and you don't think you are up to it, then you'll be financially far better off. (Outsourcing it now doesn't mean you'll always have to – you might gain the skills yourself one day.)
- You're now ready to begin learning about the Five Essential Steps to start.



### ***BRYCE's Mindset Messages***

- The desire to really live a 'full' life should get you past the fear of money and investing for wealth. Most people's greatest fear is the fear of doing or being nothing. I saw two great pneumonics on Twitter recently for FEAR: 'Forget Everything And Run or Face Everything And Rise'.
- It's undeniable; we need money and wealth to pursue some (if not all) of our personal values and goals.
- The sooner you can build up sufficient wealth, you'll have more time to pursue your dreams and enjoy your financial independence.

- Positive money attitudes and habits can be learnt.
- Don't let in any further 'interference' from 'well-wishers'.
- Understanding who you are, what is important to you and keeping true to this will be your motivation.
- Your financial actions today should be driven by your willpower and desire to achieve your personal values and goals. These actions, if taken now, will provide your tomorrows with all that you desire, or the reasons and excuses why you don't.
- Remember, the vast majority of Australians fail to manage and invest their money successfully to achieve total financial independence.
- However, don't forget it's important to enjoy the journey as well as the destination!