

#BEST SELLER

# INVESTMENT PROPERTY TOOLKIT



*SOUTH AFRICA*

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## **CONTENTS**

### **1. Introduction**

No frills. What you will learn that no one else is telling you.

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

The Big 4 reasons why! Detailed calculations using my real-life case studies.

### **3. The first hurdle - How to finance a property**

Details of methods to finance a property purchase. Financing options you did not even know about. Turning bond declinations to 100% bonds. What I got wrong in my early days. The 6 next-best passive income strategies, after rental income, you can start today.

### **4. The entire purchase process in detail**

All costs involved. What happens and when. Who is involved. What not to fall prey to, like 90% of new home owners.

### **5. How to pick the best investment property for you**

My personal experience on what works and what to avoid checklist. Tips that even seasoned investors took years to learn. Actual links to the developers I bought properties from. My big mistakes which you should learn from.

### **6. Running your business**

You are the CEO. The lease agreement. The tenant. How and where to advertise. Top tips to never miss a rental. How to blacklist a tenant. Tips, tricks and tactics on being an effective landlord that no one else will be brave enough to publish in a book.

## **7. Tax**

How to fill in a tax return. Individual Tax or Provisional Tax? Tax deductions even experts forget to claim. Why a Trust may not be a good idea. What I propose you should do.

## **8. Advanced investor**

## **9. My Wealth Strategy**

Steps to an early retirement full of abundance, wealth and freedom

## CHAPTER 1. Introduction

Congratulations on your purchase. 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.

The internet is filled with get-rich-quick offers. When you search for ideas on google you are bombarded with a thousand “next big things”. The lists look endless and “guru’s” give the schemes different names. In the end, there are a handful of ways to make passive income. I am always looking for new ways to make money and I share the best ideas in this book, in chapter 3. What will separate the successful from the unsuccessful will be your speed to action and your will power to persevere. *“Whether you think you can or think you can’t – You’re right!”* – Henry Ford

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, partners, banks, debt collectors, 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 have never heard of before. You get tips on how interest rate movements can have nil impact 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. Ambition is healthy. Striving

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for wealth is not an evil. Money allows you choice, comfort, flexibility, relaxation, dignity, pride and thereby ultimately the opportunity for peace and happiness.

*"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



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

Wealth is not only about money. Although money forms a very large part of wealth, it is not all about money. Wealth is a balance between

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- having enough money
- being healthy
- being happy
- helping others
- spending your time the way you want to

It is not worth working hard to earn millions if you never have time to spend with your family or to have time to spend the money you earned. Or you work so hard that you end up in hospital because of stress and die of cancer a year later. What is the use then? They say money is not everything, but I can tell you that in present times life is not easy without it. Money is very important. But so is your wellbeing and your relationships with the people around you.

Be your own boss – sounds glamorous right? In actual fact, this is just another form of premium slavery. If you are the owner of your own business and the income of the business depends on your presence, then I have bad news for you: **you do not own your own business, your business owns you!** Doctors, dentists, lawyers and other professionals created their own business and “became a boss”. The moment these people go on leave, however, they stop earning an income. They sell their time for money. In order to obtain real financial freedom and wealth you need to create a system that can generate a passive income for you. This is a system that works for you and not you it. In the beginning you will be working very hard creating this system until you have everything in place. To me, wealth should be measured as follows: If you stop working today, how long will you be able to sustain your current lifestyle without working again? Is it one month, three months, or the rest of your life? If you can build a system that earns you an ongoing PASSIVE income, for the rest of your life, where you do not have to work for money all of the time, then you are truly wealthy.

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You cannot jump on the money-making wagon if you do not have a game plan. If you travel in an unknown area in your country, can you just jump in the car and drive to where you want to go or do you need a map to see where you are going?

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 exact experiences. Each person has his or her own risk tolerance level. *"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.

As we embark on this journey of wealth creation you will come across many of my life stories – some property related and some not. The hustle is real. The life of an entrepreneur is usually met with all kinds of challenges, which is why I must start with this:

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. Be willing to learn. Jewellery, cars, clothes, and purses can be lost or stolen but knowledge gained from just one book or one experience resonates forever. 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, because even though the tallest tree catches the wind, it will also get all the sunlight when the storm is over. Barriers to entry are there for everyone else, not you. Seek out good, positive, motivated, freedom-loving people. Because like it or not, you

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become the person you associate with. It is okay to respectfully take a different path from the one which your parents have led you. They are victims of social conditioning. You are not. “Calm seas never made good sailors”, so decide “what is your WHY” right now and get ready to fight for it.

You may have had many reservations about investment property, or me, or this book. You have overcome one barrier to entry (R299), now let me do my part and start changing your life forever...

## 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 someday, 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 profiting from rental properties. Is this a good business to be in? Absolutely. For me, there are many reasons why to invest in property, which we will explore. Let's start with 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

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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.

*"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.

Please don't get me wrong. 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 in building wealth is OPM. Up until today I have used very little money from my own bank account to purchase my 10 investment properties. Easier said than done? Not really. We will deal with tips and tricks of financing later.

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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, most likely, growing in value each year. Do not betray yourself with the self-fed story that you work hard and deserve luxuries. Yes, you do deserve them if you can retire with abundance. But, don't you deserve freedom from the slavery of employment first and foremost?

I digress... back to the topic. Property could be bought with no money down. The converse is true for investing in shares. It 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.

**Banks and business partners are not the only options. 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 and harboring negative thoughts like "It is not possible to get rich and retire young as an ordinary person". Negativity will follow you all your life if you poison yourself with pessimism. You attract the things you think of the most. So fake it until you make it – Be a millionaire in your mind until you actually are one. Your subconscious mind is much more powerful than your conscious mind and your subconscious mind does not really know the difference between a lie and the truth. Your subconscious mind will believe everything you tell it.

## 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.

**Let's talk more about the power of Controlling your asset that generates income:**

When investing in a money market account you cannot control the increases in interest rates. Government decides a hike or drop. *"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 Bitcoin or Gold you cannot forecast a boom or bust. Volatility and market sentiment could wipe out total yield within hours.

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*

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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 and there is a place for it in the portfolio. However, 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 strate and duties, commissions etc. etc..

If you ever lost money on shares, trading, cryptocurrency, failed businesses, etc., 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 in 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 of your savings for which I, as CEO of a JSE company, will decide how it should

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be invested. 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. Trading is a form of income generation. Not wealth creation. The only way to win with equities is by buying well and holding for the long term. You need your own capital to invest. The capital growth could be great in time and allow for worthy dividends. This is the wheelchair approach to retirement.

Money market accounts and shares are used by the rich to store and maintain wealth. An average person needs to build a huge capital reserve to partake in these investment schemes.

I spent many hours a day on various trading platforms. Some analysts may have not spent as much time as I did analyzing shares trying to time the longs and shorts. I invested. I traded. CFD's, equities, ETF's, ETN'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. Read the graphs, time the day-trade, diversify, spread risk according to age group, understand the company BETA, research the management team, understand the sector and growth potential. In the end, you do not control anything. You are hoping for the best.

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Right about now you are saying to yourself – I will be luckier than him with my trading and equities. He did not invest in the right companies. He did not get out before the bust, I will. 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**

Today I live the lifestyle many others envy. I work from home when I feel like it and have control over my time. It has been a long road to achieve this, but anybody can do it if they really want to. I am not a genius. What I know about the making money and about building passive income I learned by trial and error, reading eBooks, books and mentors. I say this not to brag, but to show you what is possible if only you are willing to take a leap of faith in learning something new and acting on it.

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

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### True life case study:

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. xx Sherwood (an apartment in Midrand).

Here is a summary of his return on investment. It was the best performing blue chip share on the JSE:

|  | Actual End Year 1 | Actual End Year 2 | Actual End Year 3 | End Year 4<br>(assume 20%<br>growth) | End Year 5<br>(assume 20%<br>growth) |
|--|-------------------|-------------------|-------------------|--------------------------------------|--------------------------------------|
| Investment value (including PY dividend re-invested)                             | 50,500            | 60,000            | 68,000            | 81,600                               | 97,920                               |
| Dividends  | 1,150             | 825               | 1,050             | 1,200                                | 1,440                                |
| Total at end of the year   | 51,650            | 60,825            | 69,050            | 82,800                               | 99,360                               |
| Growth on investment   | 3%                | 22%               | 38%               | 66%                                  | 99%                                  |
| Profit/net cash in his pocket if he sold today (Total at year end less R50 000): | 1,650             | 10,825            | 19,050            | 32,800                               | 49,360                               |

In summary, he invested R50 000 and it was worth R99 360 in 5 years. A profit of R49 360. As impressive as it looks, it does not come close to my property profits in 5 years. Furthermore, he used his own money and took all the risk. I used no money. The company he invested in is well run, however, the management team in this listed company are almost at retirement age and who knows what will happen if the wrong CEO is appointed. He is exposed to the daily fear and greed of the JSE (volatility). The entire JSE almost tanked in 2007/2008. But property is mortar and stone, you can feel it with your hands.

### **Here is the difference between my return and his return (Total Profits):**

|                                    | Actual Year 1 | Actual Year 2  | Actual Year 3  | Estimated Year 4 | Estimated Year 5 |
|------------------------------------|---------------|----------------|----------------|------------------|------------------|
| Friend - Successful 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>   |

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I have ignored capital gains tax because both my friend and I will be subject to CGT. When it comes to taxes always remember these words – A 90% tax on R100 is better than a 0% tax on R0. Do not let the tax deter your drive to earn an income (refer chapter 7 for Tax efficiency strategies). Sorry for the tables and numbers, but this had to be articulated with the supporting calculations. Now, I just laugh when people want to debate with me on whether one should invest in property or not.

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!

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Only you can decide if R299 is a barrier to entry for you. You could be a cynic or be positive and trust that some things are not scams and there are still good people out there trying to make a difference. 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.



If you are ready to fight for your spot on the ark. Also good. Your purchase will entitle you to the following 7 books:

1. The Investment Property Toolkit for South Africans
2. House Flipping – Buying, Renovating & Selling Strategy
3. Free Make Money Online in South Africa
4. Think & Grow Rich by Napoleon Hill
5. The Richest Man in Babylon
6. The Science of Getting Rich
7. Napoleon's Secret

### 2 PAYMENT OPTIONS:

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If not comfortable with online payments, kindly pay via EFT or bank deposit and I will email the book to you once payment is made. Please do remember to email the proof of payment or screenshot to [kashan.maharaj@me.com](mailto:kashan.maharaj@me.com)

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