positive cash flow

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CONTENTS

Disclaimer	3
Making money in property	4
What is it you want from your investment	5
Financial independence and passive income	6
Time and money	7
Passive income and property investing	8

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Are all property investments equal? This special insight examines the types of returns you can expect from property investing and whether or not they are consistent with the goal of attaining financial independence.

There are three possible outcomes from property investing:

1. You make money
2. You lose money
3. You break even

And in the world of property investing you can only make money in two ways - either capital appreciation and/or positive income returns.

Capital appreciation is straightforward enough. Over time your property increases in value so that it becomes worth more later than what you initially paid for it (this is also known as an increase in equity).

The only trick with capital appreciation is to remember that the amount you pay for a property is the contract price plus closing costs, and the amount you receive when you sell is the sales price less agents commission, your loan payout and other selling costs,

You can only turn your capital appreciation into positive cash-flow by redeeming your equity through refinancing or by selling your property.

The second way you can make money in property is by securing a positive income return.

(Please note that the word rental is deliberately avoided here because some real estate investing techniques such as wraps generate positive income returns that have nothing to do with tenants.)

Positive income returns occur when your investment income is higher than your investment expenses.

This concept is different from 'negative gearing which focuses on capital appreciation at the expense of a positive income return. In fact, negative gearing is all about creating an income loss so you can claim a tax deduction.

what is it you want from your investment?

Assuming that you're investing in property to make money, does it really matter whether you focus on capital appreciation or positive cash-flow returns?

This question has been the centre of a lot of debate recently and the property gurus seem divided. Some swear that capital appreciation is the way to go whereas others strongly advocate positive cash-flow income returns.

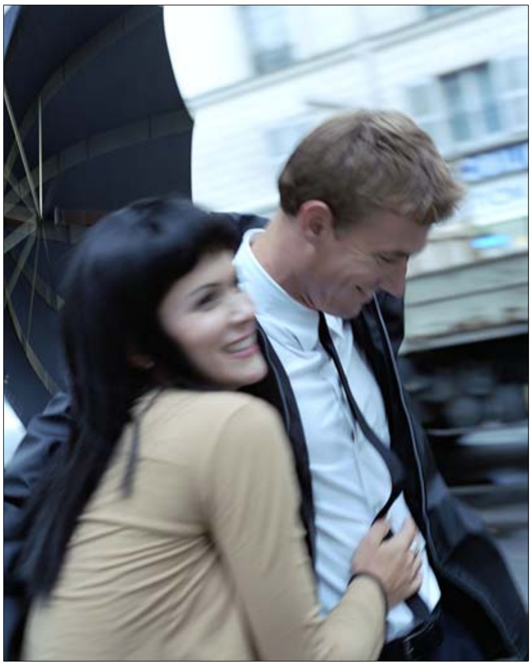
The truth is that there's probably no absolute right answer, in other words, the best anyone can say is "it depends".

Depends on what? Well, the reason why you want to make a profit in the first place.

You need to clarify your investing purpose so that you can decide what type of property you should buy to obtain an outcome that is consistent with your investing objective.

For example, if you want to buy a property that's likely to appreciate in value, then you'd be wise to focus primarily on location. However if you want a positive income return, then a property's location isn't as important as the likely income and expenses.

financial independence and passive income



Financial independence is an investing outcome that is becoming increasingly more popular as disgruntled employees look for a better quality of life.

Financial independence means the freedom or release from the need to have to work.

It can occur in varying degrees from partial independence (when you get to take a few hours off work a week) to complete financial freedom (where you no longer need to work at all).

The way to attain financial independence is through acquiring passive income.

Passive income is something that flows to you and is largely independent of the number of hours worked in a job.

It needs to be pointed out that there is really no such thing as completely passive income because every dollar of passive income must flow from some kind of work or effort in the first place.

For example, while rental income might seem to be passive income, the task of finding and investing in property, together with managing the tenant, filling in tax returns etc. is anything but passive!

A good example of passive income is royalty payments paid to musicians. They write a song once and are potentially paid a royalty each time the song is played. The initial act of writing and recording the song wasn't passive, but the ongoing payments when it is included on music CDs (sometimes many years later) is. Just think of the Beatles!

The word 'passive' really means avoiding being paid by the hour.

Instead you seek to do some work today and leverage off it tomorrow. This leverage is in the form of receiving multiple payments without the need to work again.

For example, if you invest in a positive cash-flow property then you hope that the work involved in finding and acquiring the property will create a positive income stream that will last until you sell the property. One days work now for a lifetime of return later.

It's like an extended form of delayed gratification.

time and money

A myth about financial independence is that it's all about money. It's not. It's all about time.

As we age we begin to realise that we're getting older, we begin to see that time is quickly running out. Sooner or later we even realise that time is actually more valuable than money. For example, if you knew the exact moment that you were going to pass away, what price would you put on your last hour alive?

Time is finite, money isn't.

Yet money in the form of regular and constant passive income can buy us freedom to spend time (that we would otherwise allocate to working in a job) doing the things that we really love. That is, money can buy us control of our time that we would normally otherwise sell to an employer in exchange for money to fund our lifestyle.

Now for some people the freedom from having to work means little because they love their job to begin with. That's fine, but it would be even better if you were the one calling the shots and not your boss!

But the reality is that most of us have other things that we'd rather be doing, such as giving time to the kids, exploring spiritual matters, making the world a better place or maybe even playing more golf.

And all this would be possible, if only we didn't have to work in the first place! After all, electricity isn't free and neither are the groceries.

If you want to work less but don't want to take a cut in your lifestyle then you're going to need to focus on finding some sort of passive income to replace the salary you'll forgo when you cut back your hours.

Look at it this way, if you were paid $50,000 per annum in a standard 9 to 5 job, how much passive income would you need per week in order to take every Friday off without suffering a drop in lifestyle? [Go grab a calculator!]

Your answer $

The outcome to this discussion is that unless you plan to work until compulsory retirement age, you're going to need to start building some passive income that will substitute your wages as you gradually work less and less in your normal day job.

Calculate below to determine how much you are paid per day and week based on your annual salary and assuming you take four weeks annual leave per year.

Your annual salary $

Net $

Tax $

passive income and property investing

Let's just do a quick review of the discussion so far.

There are two ways to make money in property investing; your property can increase in value andIor you can earn positive cash-flow if your investment income is higher than your property and finance expenses.

Both are valuable and can occur independently to the other. That is, you can have capital appreciation and no positive income returns (this is negative gearing), or you can have a positive income return and no or negative capital appreciation, or you can have no capital appreciation and no positive income too (or both).

Is capital appreciation better than a positive income return? Perhaps, perhaps not.

But if you're looking to retire from you job without necessarily taking a lifestyle or pay cut, then you're going to need to source some kind of passive income to replace the wages you lose from cutting back at work.

Now you can do this by converting your capital appreciation into a series of payments. But once you've spent the gain then it's gone forever, your financial independence becomes dependent on further capital appreciation which is by no means certain.

Positive income returns on the other hand regenerate, which means they may continue on indefinitely. Sure, tenants will come and go and there may be times when your property will be vacant, but generally speaking your passive income stream is not limited or capped.

Conclusion

If the reason why you want to make money in real estate is to try and attain some degree of financial independence to gain the freedom from having to work, then it makes sense that you should focus on positive income returns rather than capital appreciation.

This is because you can't use your 'capital appreciation debit card' to fund your weekly grocery bill, but you can pay for it out of a property income surplus.

The ideal situation would be to have both capital appreciation and positive income, but opportunities offering this can be quite rare.

It's fair to say that different property investments offer the potential for different types of returns. Some are specifically designed for capital appreciation and focus on location irrespective of cash-flow returns (such as inner city apartments).

At the other end of the spectrum are investments that offer high cash-flow returns but no/low prospect for capital gains (such as regional or country properties).

You can only determine what property you should buy after you've clarified what outcome you're working towards.

If that's working less then you wouldn't buy a negatively geared property that was designed to lose money which meant you had to work harder to pay for the loss.

Instead you'd focus on properties that delivered ongoing positive cash-flow returns, since that's what you'd need to replace your salary and fund the lifestyle you deserve.

some **work** others **network**

learn how to
drastically advance **your financial future**

through property and personal investment

Australian Property Investors Network (APIN)

www.apin.com.au

What does **APIN** offer ?

Seminars & Workshops

Why is that most people aren't taught how to be rich or happy? We are trained to do most things in our lives, in order to do them well enough to get by. We are taught how to read and write, how to cook, how to drive. We are taught how to do incredibly complex and challenging tasks like designing and building bridges over wide spaces, how to cure diseases, to fly airplanes, yet when it comes to creating personal wealth and happiness, we're left to find out for ourselves.

There's another, more subtle reason why most people don't achieve wealth and happiness. Deep down they don't believe that there is a choice to be made between being rich and being happy. They believe that somehow you can't have both, which is why in the end they don't get either.

The money that slips through your fingers could make you wealthy if spent more wisely.

Our free seminars and information evenings will provide you with leading edge valuable and up to date information. As a bonus you will be able to meet other like minded people who are either starting out on the road to success or are avid investors sharpening their investment knowledge. As a further advantage we encourage you to meet and freely talk with our alliance partners. These hand picked people both male and female are leaders in their own right, they are also licensed, qualified and independent.

These evenings are fun and informative plus you will have access to lots of support material in the form of e-books, books and cd's on a wide range of topics. Come and learn the many strategies used by successful investors NO SECRETS just sensible plain English techniques that really work in any market at any time.

Education

It's true what they say "*the difference between the rich and poor is what they know and what they do*". Property is more than houses and unit investing. Do you know how to buy a property using an option, how about knowing all the ins and outs of being your own "DIY Developer"?

There are many ways to make money in real estate and with the correct tools and strategies you too can play with the best.

TIME x INTENSITY = SUCCESS.

You can't expect to get results in life if you have all the information but fail to apply the principles needed to succeed.

Our programs, e-book, books and home study kits will give you the ability to learn and gather what you need at your own pace in your own time. We encourage you to learn from our expert alliance partners all that you can, so when you are ready to act you will have the education to get into your first investment or do your own JV building renovation makeover.

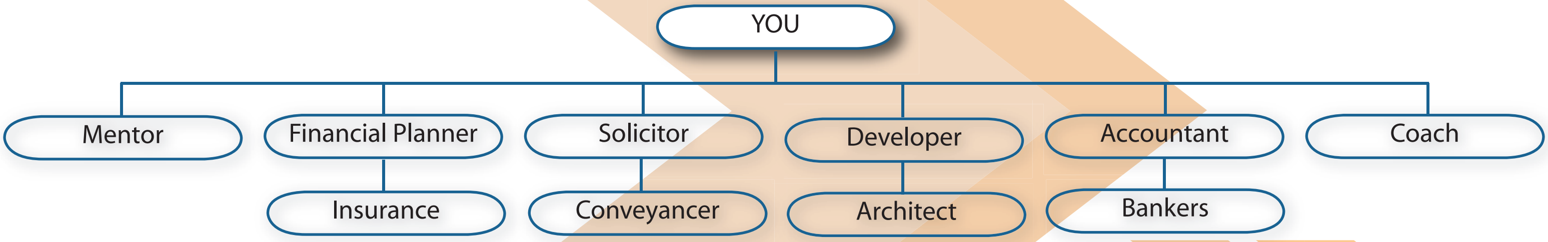
On going Support

Through APIN's Alliance Partners and Discussion Forums you can fortify your ideas and gain strength by exchanging information. Creating alliances generates business opportunities increasing your network and of course - your cashflow.

We have a mentoring service for those that are not quite ready to take those steps without guidance, extra information and some affirmation. Helping you to create a "*safe*" environment for your first steps.

Who is on your team?

When looking at people who are successful, you will notice they have a hand selected group of people to support and advise throughtout the journey to success.



Property Opportunities

Through our Australia wide network we select opportunities that "stack up". We use an independent Research company (Guardian) who are licensed financial planners and real estate agents to use our pre selection due diligence program. From investment properties, development sites, future land subdivisions, building makeovers to even golf course resort projects.

APIN also align ourselves with a select group of builders and developers where we negotiate wholesale purchasing, saving you 10% off the retail price. These opportunities are not available to the public but only members of the APIN site. We can introduce you to the key people who are experts in their fields, saving you thousands of hours of frustration and heartache. Very shortly APIN will also be offering FREE property advertising on our site through resisearch.com who are one of our alliance companies. APIN is fast becoming the most exciting site in Australia.