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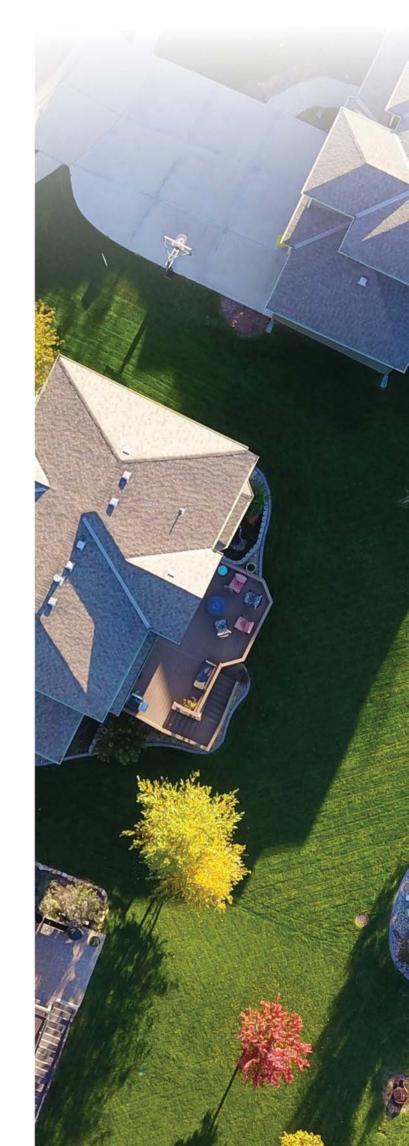
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INTRODUCTION

Owning an investment property is exactly like owning a business. With any business there is a clear structure of managers and employees, each with dedicated roles & responsibilities that add to the smooth and effective running of the business. In the overwhelming majority of cases a team approach brings about the best results.

The same 'team approach' philosophy applies in getting the best results with your investment property. Some of the key players in this scenario are:

You, the owner of the property (or, if you like owner of 'the business')

The property investment advisor who helps find you the right investment property to fit your strategy

The finance broker ensures you get the right investment loan; your accountant takes care of taxes;

The rental manager, who protects your asset (investment property) through a thorough tenant selection process, conducting regular inspections on the property and ensuring that the tenants are paying you rent.

The importance of the last professional in your team, the property manager is sometimes overlooked by landlords. Often, after the rental manager has found tenants and everything is running smoothly landlords can get a false sense of security that they could manage the property themselves. This is a big mistake!

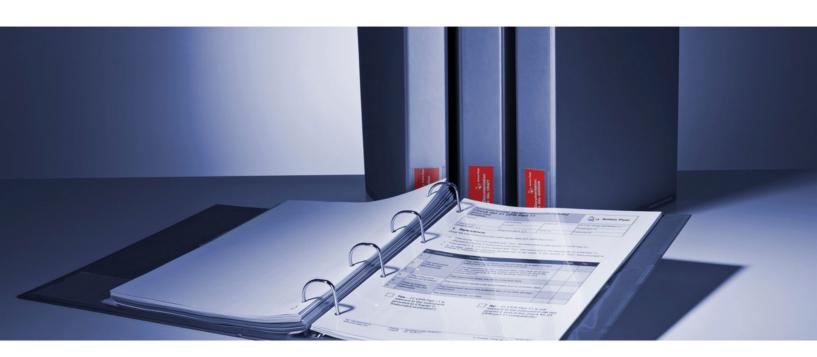
The motive for such a decision is usually to save money on rental management fees, however the result can often be disastrous.

This guide outlines some of the traps with trying to manage a property yourself.

TRAINING AND QUALIFICATIONS

A rental manager is a qualified professional who receives ongoing training, specific to property management. They keep abreast of any changes to legislation relating to property management and know all of the relevant rules and requirements from advertising the property right through to evicting a tenant, should the need arise.

Although property management seems like a fairly straight forward job, being armed with the right knowledge is critical because you could unintentionally breach tenancy regulations. This could result in you being the subject of legal action and ending up thousands of dollars out of pocket.



TIME ON MARKET

One of the parameters in place for recommending a suitable investment property to our clients, is buying in an area with a low vacancy rate. This means that the type of properties my clients buy are in good demand. An experienced property manager will usually have a list of registered and prequalified tenants who are looking to rent in a specific area.

As a result a rental manager can potentially bypass the usual open inspection process and get your property tenanted quicker. This could save you hundreds, if not thousands of dollars as rental income is generated sooner, offsetting the repayments on your investment loan.



EXPERIENCE

You may be a highly experienced property investor but property managers still have the edge, they do this day in day out. Property managers have documented processes in place for everything from selecting the tenant, to lodging your bond with the relevant authority, securely storing keys, right through to evicting the tenant and seeking costs.

This is a very specific skill set that is impossible to replicate on a part time basis, particularly if you are very busy with a day job and a family.



INSURANCE

Quality landlord insurance is obviously a vital element of any successful investment property. You may be surprised to know that in some cases, your investment property must be managed by a fully licenced rental manager in order for the policy to be valid.



You don't want to find out the hard way that you are unable to make an insurance claim (i.e. for tenant related damage or extended vacancies) because the property was not professionally managed.

THE PAPERWORK AND PROCESS

Every State of Australia has different forms that are completed to formally confirm a tenancy. Sure, there is the option to create your own written agreement or even enter into a handshake agreement with a tenant. This might work while things are going smoothly with the tenant but these arrangements are still fraught with danger, especially when the relationship with your tenant goes sour.

A formal rental agreement sets out the specifics of the tenancy, including what the tenant can and cannot do while living in the property - along with protections for the tenant to ensure that the landlord is doing the right thing. Further to that is the requirement to lodge a bond with the relevant agency, which is not always a cash deposit and can involve tenant your receiving government assistance. obviously requires a certain process to be undertaken.

It is imperative that these forms are correctly completed, contain the relevant information and are lodged in accordance with the relevant State requirements. Qualified rental managers deal with this on a daily basis and are sure to get it right. This is particularly important if things go wrong and you need to evict your tenant and/or claim costs from them.



WHAT IS YOUR TIME WORTH?

When running a successful business (remember, we said that as a landlord you are effectively running a business) it is important to play to your strengths and delegate your weaknesses. So, why not leave property management to the professionals?

Dealing with tenants, conducting routine inspections and managing repairs and maintenance on the property are not income generating activities, so why do them? Even though it may only equate to a few hours per week managing your investment property (and that is while things are going smoothly with your tenant), you would be better off undertaking an income generating activity like working a few hours of paid overtime in your job. Better yet, take the entrepreneurial path and spend these few hours researching the market and seeking out your next property deal!

IT'S TAX DEDUCTIBLE?

The Australian Taxation Office allow all relevant expenses relating to an investment property to be claimed as a tax deduction against your income. Property management fees fall into this category so they are 100% deductible.

This means that common rental management expenses such as commissions, property advertising costs, inspection fees, attending tribunal hearings if the tenant is being evicted or has unpaid rent, are all allowable tax deductions.

So, not only are you avoiding the headache of managing a property, you are also creating a handy tax deduction. Win, Win!



RUNNINS A BUSINESS



As previously outlined, owning an investment property needs to be treated exactly as if you are running a business. By not engaging a property manager you are taking an emotional mindset rather than a business one by telling yourself "I can do a better job" or "they are a waste of money."

If this is your mindset then maybe you have not found the right rental manger? Or, maybe you have the wrong expectation of the rental manager's role? This is particularly common when landlords select their rental manger based purely on the lowest commission rate charged. As the saying goes, when you pay peanuts you get monkeys – or when paying the absolute cheapest commission rate, you may not even get a monkey!

Remember, the CEO doesn't work on the production line. He or she manages the business and as CEO of your investment property, you need to be managing your team, not the property.



ABOUT PROSPA PROPERTY ADVISORY

Our core business goal at Prospa Property Advisory is to accelerate the growth of your property portfolio. We work with a range of investors, from those beginning their property investment journey, right through to experienced investors wanting to enhance their existing property portfolio. Through education, portfolio planning, finance structuring, property acquisition, and management, we've helped hundreds of investors in all areas of property investment.

Fully qualified, licensed and accredited by the ASPIRE Advisor Network, we know property inside and out. In order to deliver the best service possible, we are highly selective about those who join the team. The minimum standard required for an accredited advisor include:



Wanting to know more about property investment? Please get in touch today hello@prosaproperty.com.au or phone: 1300 660 335





WHY YOU SHOULD NEVER SELF-MANAGE YOUR INVESTMENT PROPERTY?





