5 Common Myths Keeping Australians Poor

"What Keeps Everyday Australians Out of the Property Market?"

Property Investing is one of the most reliable ways to build wealth and secure your financial future. When you buy a property in well researched locations, the value will rarely go down. And there is a great reason for that, which is ***No one, is making any more land!***

Sure there may be some land being made in places like Dubai and Abu Dhabi... but we are in Australia. And due to the harsh environment, there is only so much liveable land available. Look at population centres like Sydney and Melbourne. There are new suburbs being created, but they are no longer in easy travelling distance of the city. They might as well be given a new city name because they are so far away. The good news is, as the land in and around the city is used up, the property prices soar.

As we know Australia's steady population growth, stable government and financial system, augmented by strong international and Asian investment, has seen consistent returns achieved through residential property investment and development spanning for more than a century.

But despite the great benefits investing in property has, there are many rumours and myths that keep everyday Australians out of the property market.

These myths cause a tonne of confusion and are stopping people from accessing the true wealth property can give them.

So to expose the rumours for the lies they are, we have compiled a list of 5 of the most common myths which stop people from investing in property. The right information is the key to unlock real wealth.

Here are the Rumours & Myths:

1. Negative Gearing Can Be Abolished By the Government

The government has already made the mistake of abolishing the right to claim interest losses from rental property against other income in the past.

The turmoil it caused in the rental market when investors took flight was so great; it was reintroduced within two years.

We believe no government is likely to make the same mistake twice. Besides too many politicians own property & According to the Australian Tax Office, each politician owns an average of 2.5 investment properties.

But in the unlikely event that it does, we wouldn't expect the change to be retrospective.
The solution would be to adjust the debt to balance the rental income.

The industry also claims that if negative gearing is restricted, landlords will try to pass on some fraction of their higher tax costs by pushing up rents. But will they succeed?

The balance between demand and supply for rental housing ultimately determines rents. In property markets, as in other markets, returns determine asset prices, not the other way around. Rents don't increase just to ensure that buyers of assets get their money back.

Many other landlords with investment properties that are profitable won't be paying higher taxes. Tenants will try to beat rent rises by threatening to move. So competition in rental markets will limit material rent rises.

This common myth turns its head every time there's a new Government. A myth grown out of a lack of understanding of how property works, by people who have a preference for the share market.

2. Interests rates will go up at any time without warning

Usually there is good warning that interest rates are going to rise. The real problem people have with interest rate increases happens because they have stretched themselves too far. Because of this, they are forced to sell and become renters again.

Often times, when interest rates go up, so do rents because of the demand. But if the interest rates go down then rents aren't reduced. So no matter what the interest rates do, you still get a good rental for your property.

This rumour was created by people who have been burnt in the past investing in the property market when they didn't have the funds to do so, causing them to stretch.

3. Every Debt is Bad

All our lives, we have been taught to stay away from debt. But sadly, no one taught us that without good debt you cannot be wealthy. We have been told by our parents, grandparents and society to stay away from debt.

Despite this, 90% of population is trapped in a cycle of bad debt (for example: consumer loans, car loan, white goods loans, electronics etc).

There are always two sides to an argument. Most people talk more about the negative side of debt more often than they talk about the positive side.

The truth is... we should be encouraging good debt.

Here is a quick exercise to show you why.

Let's see. If we offered you one of the following amounts of money as a debt, which one would you pick?

$50,000 or $450,000

If you picked $50,000? That's ok, because most people do. You see they judge the debt on the amount, not on the purpose.

Let's just say that the $50,000 was for a new car, but the $450,000 was for an investment property?

Would this change for you?

Let's have a quick look at the break down.

$50,000 Debt For a new Car
Weekly repayments: $147
Value in 10 years' time: $15,000 (assumption))
Total Loss: $56,000
Return on Investment (ROI) - 77%

Depreciating asset

$450,000 Debt (Investment Property)
After taking into consideration Tenant and Taxman
Weekly repayments: $40
Value in 10 years' time: $800,000 (assumption)
Equity Gained: $329,000
Return on Investment (ROI) + 73%

Appreciating Asset

This is basing both options on a 6% interest rate
When you use debt for appreciating assets (an asset which rises in value) it is classified as good debt.

4. If I lose my Job, It will cost me my assets

In this day and age, this is a real concern. However, when you have the right plan & strategy, you can build a buffer to guard you against the life changing circumstances.

So we have to work out?

• How long would it take you to get another job?

Also

• How much the investment property will cost you after the tenant pays the rent

Now that you have this information and understanding, you can build a buffer accordingly. Having income protection insurance is also very vital and we highly recommend this to you and your partner. You need to have a strategic plan for whatever life throws at you. So when having to Investment in Property it is no different.

It is naive to think that life is going to be perfect forever. You **need** to plan for wealth.

This common myth grew out of situations where people were using the wrong strategy and had no fall back plan for anything to go wrong. Even a small setback could result on major financial difficulty and lead to then having to sell their property.

5. Bad Tenants Will Destroy My Investment Property

This is one myth that stops more people from entering the investment property market than any other myth. You can always screen your tenants, have a property manager that will take care of the property for you and you can always get Landlord Insurance which we highly recommend you to do as its tax deducted.

For the most part, tenants are respectful of the house they live in. Some even treat it like it is their own and they are the type of tenants you want. Usually, the tenants are easy to get along with because they are grateful for having a nice house to live in.

Why would you buy a valuable asset and not insure it??

This common myth was started by people who got it all wrong. The bought in the wrong area, allowed the wrong tenants to move in and the worst part ... they didn't think they needed Landlord insurance.

There's no doubt that with any investment strategy, you need to do your due diligence. And you need the best advice you can get. It is always best to get advice from people who is well qualified and is very experienced in what you want to achieve and do.

At Ample Property Solutions we have our own personal property investment experience, so we know what it is like to invest our own money in an investment property.

So there you have "The 5 common Myths Keeping Everyday Australians Poor and Out of the Property Market" When you find out and know more about these myths, you can make a more informed decision about investing in property the right way and the most educated way.

Very too often, people allow the opinions and half-truths of others about property investing stop them from really achieving the financial freedom they deserve.

If you are serious about purchasing an investment property and want help to build a multi-property portfolio within 5 years or less... then book in for your FREE One on One "Investment Strategy Session" valued at $999.00.