

# ULTIMATE

REAL ESTATE SUCCESS  
COACHING PROGRAM

# VIRTUAL BOOTCAMP

APRIL 2020 | 1. ASSET PROTECTION, 2. FINANCE

---



**SESSION ONE**

**Welcome & How To  
Protect Your Assets And  
Wealth In A Changing  
World Of New Risks,  
Uncertainty And Threats**

---



1

---

---

---

---

---

---

---

---



2

---

---

---

---

---

---

---

---



3

---

---

---

---

---

---

---

---

**What Does It Mean To Be Liable?**

Liability → Lawsuit → Judgment  
 Judgment ↓  
 Enforcement → Bankruptcy

**ULTIMATE**  
 I LOVE REAL ESTATE

4

---

---

---

---

---

---

---

---

**Asset Protection – The Basics**

It can happen to anyone.

- Rugby referee/ rugby league player
- Seller of goods online
- Defamation on Facebook/Twitter
- Injured tenant sues landlord

**ULTIMATE**  
 I LOVE REAL ESTATE

5

---

---

---

---

---

---

---

---

**Sleepover alarm bell**

\$850,000 payout a 'wake-up call' for slumber party parents

**Parents beware!**

**\$850,000 sleep over**

**The Bulletin**  
 Boys will be boys, if only we let them

**ULTIMATE**  
 I LOVE REAL ESTATE

6

---

---

---

---

---

---

---

---

**CGU refuses to pay insurance claim**

Wed, 14 Oct 2015 10:00 AM

CGU refused to honour the insurance claim because the trust Mr Paugler was not living at his home on...

Police Check Road at the time of the robbery on March 27.

He was living with his varyer because of his ill health.



**ENDING UP**

Ending up on the wrong end of insurance

---

---

---

---

---

---

---

---

---

---

7

**Asset Protection – The Tools**

Insurance

- Public risk insurance
- Life Insurance
- Professional indemnity insurance




---

---

---

---

---

---

---

---

---

---

8

**Protection With Legal Structures**

Trusts and companies are separate legal structures




---

---

---

---

---

---

---

---

---

---

9

**Structures – A Company**

A Company has a separate legal existence.

**Company**

**Members (shareholders):**

- Own the company
- Appoint the directors

**Directors:**

- Have control
- Take on risk
  - Director's duties
  - Guarantees

10

---

---

---

---

---

---

---

---

**Structures – A Trust**

A trust is an arrangement where a trustee holds assets for beneficiaries

**Trustee:** day-to-day control

**Trust**

**Beneficiaries:** receive income and capital

11

---

---

---

---

---

---

---

---

**Discretionary Trust**

- Broad range of beneficiaries with limited rights
- Appointor appoints the Trustee
- Flexible distributions

**Appointor**

**Trustee**

**Trust**

**Beneficiaries**

12

---

---

---

---

---

---

---

---

**Unit Trust**

- Units issued like shares in a Company
- Fixed distributions and ownership
- Unit Holders appoint the Trustee

The diagram shows a blue circle labeled 'Trustee' at the top. Below it is a blue rectangular box labeled 'Unit Trust'. Two blue triangles point upwards from a light blue rectangular box labeled 'Unit Holders' to the bottom of the 'Unit Trust' box.

13

---

---

---

---

---

---

---

---

**Hybrid Trust**

- Units issued like shares in a Company
- Also discretionary beneficiaries
- Tax ALERT on gearing
- Difficulty borrowing

The diagram shows a blue circle labeled 'Trustee' at the top. Below it is a blue rectangular box labeled 'Hybrid Trust'. A blue triangle points upwards from a light blue rectangular box labeled 'Unit Holders' to the bottom of the 'Hybrid Trust' box. Four arrows point downwards from the bottom of the 'Hybrid Trust' box to a group of black human icons labeled 'Beneficiaries'.

14

---

---

---

---

---

---

---

---

**Piggybank Trust**

A Piggybank Trust is a protected discretionary trust.  
Safe structure to hold key assets.

The diagram shows a black human icon standing on top of a blue triangle, which is positioned above a light blue rectangular box labeled 'Piggybank Trust'.

15

---

---

---

---

---

---

---

---

**Bucket Company**

A Bucket Company is a company used to receive discretionary distributions and pay tax at company rates.

The diagram shows a blue bucket icon on the left, connected by a line to a box labeled "Shareholder". From the "Shareholder" box, a line goes to a triangle icon representing a trust, labeled "Piggybank Trust".

16

---

---

---

---

---

---

---

---

**A Typical Structure**

The diagram illustrates a complex structure. At the top, "Directors" are shown. Below them are three "Trustee Company" entities. To the left is a "Trading Company" which is part of a "Trading Trust". The "Trustee Companies" are connected to "Investment Trust 1", "Investment Trust 2", and "Investment Trust 3". These investment trusts provide "income" to "Beneficiaries". One "Trustee Company" is also connected to a "Personal Trustees" entity. The "Personal Trustees" are connected to a "Piggybank Trust", which in turn provides "shares" to a "Bucket Company". The "Bucket Company" provides a "loan" to "Investment Trust 3" and also provides "income" to "Beneficiaries".

17

---

---

---

---

---

---

---

---

**Technicalities Of Trusts**

- Must be established correctly (Settlor, settled sum)
- Deed must have adequate powers
- The right people must be beneficiaries and appointors
- Legal changes:
  - Bamford
  - Foreign stamp duty and land tax

18

---

---

---

---

---

---

---

---

19

## Land Tax & Discretionary Trusts

- Discretionary trusts may pay more land tax.

State	Individual Threshold	Trust Threshold
NSW	\$734,000	Nil
Vic	\$250,000	\$25,000
Qld	\$600,000	\$350,000
S.A.	\$369,000	\$369,000
W.A.	\$300,000	\$300,000

I LOVE REAL ESTATE

19

---

---

---

---

---

---

---

---

20

## Land Tax in NSW

- In NSW, discretionary trusts do not have a land tax threshold
- For an individual the threshold is \$734,000
- Is the asset protection and income tax minimisation worth the land tax costs?
- A Land Tax Unit Trust passes the land tax to the unit holder who can use their individual threshold.

I LOVE REAL ESTATE

20

---

---

---

---

---

---

---

---

21

## One Company / Multiple Trusts

Use a separate company for each trust.

- Easy administration
- Land tax in Queensland
- Cross collateralisation

I LOVE REAL ESTATE

21

---

---

---

---

---

---

---

---

**ULTIMATE**

### One Trust / Multiple Properties

Separate trust for each investment

Risk

Multiple investments in one structure

**I LOVE REAL ESTATE**

22

---

---

---

---

---

---

---

---

**ULTIMATE**

### The Limits Of Structures

- Assets within the trust still affected by its risks
- Land tax and administration costs
- Director's guarantees
- Poor administration

**I LOVE REAL ESTATE**

23

---

---

---

---

---

---

---

---

**ULTIMATE**

### Checklist: Recycling A Structure

- Is it the right structure for your new project?
- What has the trust done before?
- Can you find the complete Deed?
- Is it properly established (signed)?
- Does it have adequate powers?
- Do the right people have control (trustee, appointor)
- Are the right people able to benefit?

**I LOVE REAL ESTATE**

24

---

---

---

---

---

---

---

---

25

## Protecting Existing Investments

- Is it worth protecting?
- Transfer to a Trust or lower risk spouse?
  - Duty and CGT
  - Transfer costs
- Clawback



I LOVE REAL ESTATE

25

---

---

---

---

---

---


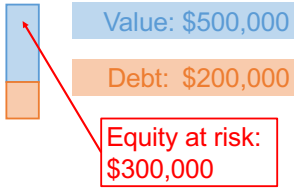

---

---

26

## Protection For Personal Assets

The pseudo-protection of debt.

Slides 27 – 31

I LOVE REAL ESTATE

26

---

---

---

---

---

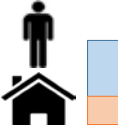
---

---


---

27

## Gift vs Loan



Borrowing → **LOAN** →



Investment Trust

ASSET HELD HERE

- Equity is retained by the lender
- Interest is tax deductible

I LOVE REAL ESTATE

27

---

---

---

---

---

---

---

---

**Gift vs Loan**

• Equity moves to recipient  
 • Interest is not tax deductible

**ASSET HELD HERE**

28

---

---

---

---

---

---

---

---

**Contributing Funds To A Trust**

Is it a gift or a loan?

- Tax deductibility of the interest
- Where is the equity owned?

29

---

---

---

---

---

---

---

---

**Gift And Loan Back Arrangement**

Creates a friendly debt which can be secured.

30

---

---

---

---

---

---

---

---

**ULTIMATE**

## Security For Loans

Loans are only as secure as their security

- Mortgage
- Irrevocable Mortgage
- Caveat
- Registered vs registrable



**I LOVE REAL ESTATE**

31

---

---

---

---

---

---

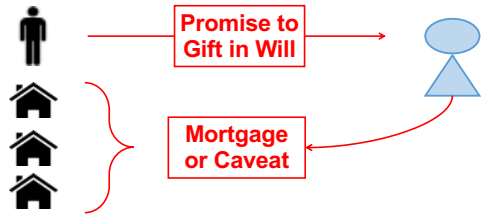
---

---

**ULTIMATE**

## Contract Of Will

Securing a promise to make a gift under your Will.



**I LOVE REAL ESTATE**

32

---

---

---

---

---

---


---

---

**ULTIMATE**

## Joint Venture Structures

- Structure will be driven by the deal.
- What is each party contributing?
  - Capital
  - Borrowing capacity
  - Time / Skills
  - Finding the deal
- Equal contribution or unequal?



**I LOVE REAL ESTATE**

33

---

---

---

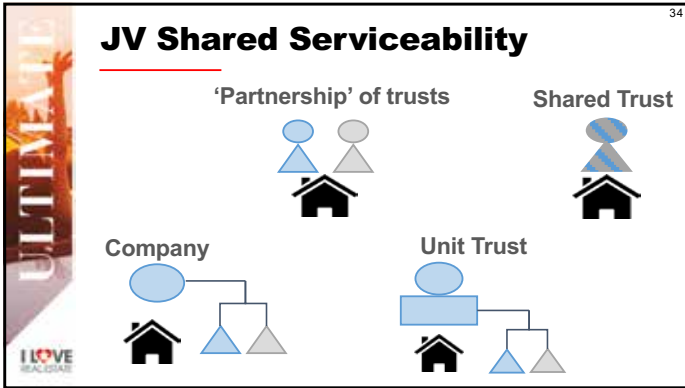
---

---

---

---

---



34

---

---

---

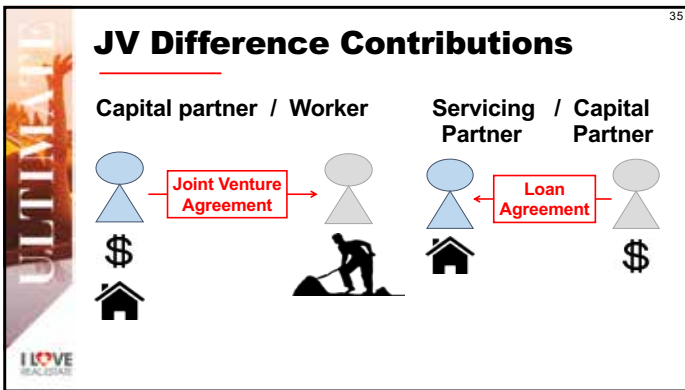
---

---

---

---

---



35

---

---

---

---

---

---

---

---

- Running Your Structures**
- Structures must be administered as a separate legal entity
    - Recording decisions in formal minutes
    - Separate bank account
  - Documentation of transactions
    - Loan Agreements, Deeds of Gift, minutes

36

---

---

---

---

---

---

---

---

37

**Structures And Divorce**

- The power of the Family Court
  - Who has the actual control?
- What can be done?
  - Third party appointors
  - Bloodline trusts
  - Binding Financial Agreements

I LOVE REAL ESTATE

37

---

---

---

---

---

---

---

---


38

**Structures And Death**

On death or incapacity, you cease to be a director, appointor or trustee.

Who takes over?

Do you still have a role in a JV structure?



I LOVE REAL ESTATE

38

---

---

---

---

---

---


---

---

39

**Intestacy**

- What happens if you do not have a Will ?
- What happens if you do not have an EPA ?



I LOVE REAL ESTATE

39

---

---

---

---

---

---

---

---

**ULTIMATE**

## Death And Wills

40

Wills cover personal assets, they may not cover:

- Trust assets
- Superannuation
- Joint tenanted property
- Life insurance



I LOVE REAL ESTATE

40

---

---

---

---

---

---

---

---

**ULTIMATE**

## Testamentary Trust Wills

41

- Tax advantages
- Asset protection advantages
- Bloodline restrictions



I LOVE REAL ESTATE

41

---

---

---

---

---

---

---

---

**ULTIMATE**

## Incapacity

42

- Enduring Powers of Attorney
  - Financial decisions
  - Healthcare decisions
- More than 420,000 Australians with dementia



I LOVE REAL ESTATE

42

---

---

---

---

---

---

---

---

43

## Succession Planning Claims

- Family Provision claims against Estate
- NSW – the notional estate



The word cloud features terms such as: Estate, Planning, Administration, Goals, Plan, Value, Will, Insurance, Anticipating, Death, Assets, Life, Retain, and others.

43

---

---

---

---

---

---

---

---

44

## Establishing Companies and Trusts



INVESTOR PACIFIC STRUCTURES  
 1300 411 653  
[info@investorpacificstructures.com.au](mailto:info@investorpacificstructures.com.au)

WIZDOM Accountants | Finance Strategists | Actuaries ... Powered by... PACIFIC LAW

44

---

---

---

---

---

---

---

---

45

## Succession Planning and Asset Protection Advice



PACIFIC LAW  
 1300 151 651  
[info@pacificlaw.com.au](mailto:info@pacificlaw.com.au)

45

---

---

---

---

---

---

---

---





**SESSION TWO**

**Secrets To Getting  
Finance Ready And How  
To Leverage Smart Debt  
For The Boom Ahead!**

---

**ULTIMATE**  
REAL ESTATE SUCCESS  
COACHING PROGRAM

**VIRTUAL BOOTCAMP**  
14TH – 23RD APRIL 2020

**I LOVE REAL ESTATE** Knowledge Source

1

---

---

---

---

---

---

---

---

**FINANCE**

**Clint Ducat** Dip FS (MB), Adv Dip FS (FP)  
Director – **WIZDOM Loans Pty Ltd**

Clint Ducat is an Authorised Credit Representative (CRN 394987) of WIZDOM Loans Pty Ltd (Australian Credit Licence No: 501060)

We can help with:

- Finance Strategy and Support • Home Loans/Refinances
- Investment/SMSF Lending • Development/Commercial Finance
- Complex Loan Structuring and Advice

**I LOVE REAL ESTATE** **WIZDOM**

2

---

---

---

---

---

---

---

---

**Understand the financiers assessment process**

*Three C's*  
of  
**Credit**

- 1) Character
- 2) Collateral
- 3) Capacity

**I LOVE REAL ESTATE** **WIZDOM**

3

---

---

---

---

---

---

---


---

4

## Understand the financiers assessment process

**Character**

- Credit reference checks
- Credit card statements
- Existing loan statements
- Rates notices
- Does your asset position match your life story (age, career/income, family etc)
- Not every financier is the same



**WIZDOM**

4

---

---

---

---

---

---

---

---

5

## Comprehensive Credit Reporting

Client example – Late Credit Card Payments

Open Date	Status	Limit/Bal
06 Jan 2004	Open	\$7,000

2018												2019	
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
R	R	R	0	1	0	1	2	3	0	0	0	P	P

R = Not Reported      1 = 0-29 days overdue      P = Pending  
 2 = 30-50 days overdue  
 3 = 80-89 days overdue

**Impact of Comprehensive Credit Reporting**

**WIZDOM**

5

---

---

---

---

---

---

---

---

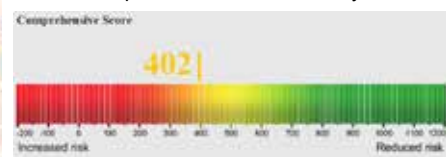
6

## Comprehensive Credit Reporting

Client example – Late Credit Card Payments

**Comprehensive Score**

402



Increased risk      Reduced risk

20% chance of adverse recorded at Equifax in the next 12 months

Score (Negative data only): 100      VedaScore 1.1: 179

**NEW CREDIT REPORTING SYSTEM**

**WIZDOM**

6

---

---

---

---

---

---

---

---

7

**Managing your Credit File**

- Alerts
- Check your file at [www.mycreditfile.com.au](http://www.mycreditfile.com.au) or get your Finance Strategist to run your report for you
- Understand what the lenders can see and work on strengthening your weaknesses



**WIZDOM**

I LOVE REAL ESTATE

7

---

---

---

---

---

---

---


---

8

**Understanding the financiers assessment process**

**Collateral**

- How much Equity / Cash do you have to start with?
- What is your asset/liability position
- Do you need higher LVR's if equity is low?



**WIZDOM**

I LOVE REAL ESTATE

8

---

---

---

---

---

---

---


---

9

**Lenders Mortgage Insurance (LMI) can be the solution for low collateral!**

- What does it cover?
- When do you pay LMI?
- How much does it cost?
- Can it be transferrable if you refinance?

\* When in LMI Territory – P & I will be expected



**WIZDOM**

I LOVE REAL ESTATE

9

---

---

---

---

---

---


---

---

10

## If you have Little or No Equity

- Ways to strengthen a weakness (chunk deals, joint venture's, savings plans, vendor finance, etc.)
- List JV potential partners
- Search for seller finance or seller JV deals
- Family gifts/loans or family security guarantee (Bank of Mum and Dad)



**WIZDOM**

10

---

---

---

---

---

---

---

---


11

## First Home Buyers

- Stamp duty concessions available
- Differ from state to state

First Home Loan Deposit Scheme

- Will commence 1<sup>st</sup> January 2020
- Available to first home buyers with
  - Single income of < \$125,000
  - Combined income of < \$200,000
- Government will guarantee the part of the loan over 80% LVR and will save paying LMI



**WIZDOM**

11

---

---

---

---

---

---

---

---

12

## Understand the financiers assessment process

### Capacity

- How much borrowing does your income buy you?
- How do we increase our capacity?  
(JV's, positive cash flow properties, increase your PAYG income – even if short term)
- Reduce other commitments  
(existing mortgages, personal loans, credit cards etc)

**WIZDOM**

12

---

---

---

---

---

---

---

---

13

### Borrowing Capacity

Sample Scenario: **Income of a couple \$80,000 and \$40,000**  
 Borrowing range from \$700,000 to \$750,000

Add a:

- \$20k credit card                    - borrow \$570,000 – \$680,000
- \$50k credit card                    - borrow \$370,000 – \$540,000
- 1 kid (no credit cards)           - borrow \$700,000 – \$720,000
- 2 kids                                    - borrow \$630,000 – \$660,000
- 3 kids                                    - borrow \$560,000 – \$595,000

**Summary:**

- Each \$10k of credit card costs you approx \$40k in max borrowings
- Each child costs you approx. \$60k in max borrowings

\* Calculated on P&I borrowing over 30yr term and other terms will vary the outcomes.

---

---

---

---

---

---

---

---

13

### Bank Rental Shadowing

- 80% on residential rental income
- 50% on high density rent income (more than 3 stories)
- 66% on commercial rental income
- 50% on serviced apartments rental income

**The above is just one bank's policy!**

\*Most lenders don't like a reliance on Rental Income

---

---

---

---

---

---

---

---

14

### Living Expenses

- Changes to Household Expenditure Measure (HEM)
- Core/Mandatory verses Discretionary expenses
- Discretionary and once off expenses can be discounted
- Lenders will use the higher of the applicants stated living expense, or their HEM policy
- Consider having a dedicated Living Expense Bank Account

---

---

---

---

---

---

---

---

15

16

**Get Market & Finance Ready**

- Finance Strategy Review
- Release available equity
- Diversify your lending
- Extend your Loan Terms
- Do tax returns and set-up structures
- Get personal insurances in place
- Know what your next move is – do a 2 year plan



I LOVE REAL ESTATE WIZDOM

---

---

---

---

---

---

---


---

16

17

**Finance Strategies**

- Don't Cross-Securitise
- Split Facilities and Loan Structure
- Transactional Banking Structure
- Create Buffers (Personal/Investment)
- Efficient Money Management
- Tax Deductibility
- Creating your own Merchant Bank



I LOVE REAL ESTATE WIZDOM

---

---

---

---

---

---

---

---


17

18

**Uncross-Securitise**

*If you have Equity*

- Access available equity
- Get Split Facilities in place
- Diversify your lending exposure
- Separate your PPR
- Untangle cross-securitised Properties



I LOVE REAL ESTATE WIZDOM

---

---

---

---

---

---

---


---

18

19

## Types of Loans and when they should be used!

- Principle and Interest
- Interest only
- Line of Credit
- Redraw Facility
- Offset Account
- Variable or Fixed



**WIZDOM**

19

---

---

---

---

---

---


---

---

20

## The right structure

- Get advice on what the best structure is for you, depending on what you are looking to achieve
- Understand how the banks look at the people involved in the structure
- Be mindful of the structures name



**WIZDOM**

20

---

---

---

---

---

---


---

---

21

## If doing JV's

- Formalise Joint Venture agreement
- Create JV structure
- Consider the financing process of JV's



**WIZDOM**

21

---

---

---

---

---

---

---

---


22

**Let's Talk Self Employed**

- How long do you need to be Self Employed?
- What evidence of income is needed?

**What about Low Doc?**

- What is Low Doc Lending?
- What is Lease Doc?



**WIZDOM**

22

---

---

---

---

---

---

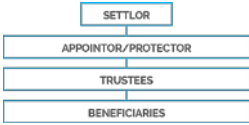
---

---

23

**Is it more difficult to borrow in a trust?**

- Not if you are dealing with a WiZDOM Finance Strategist (can even potentially be easier)
- Be selective with company/trust names
  - don't big note yourself
- Timing may be a little longer
- Timing longer for Superannuation Funds



**WIZDOM**

23

---

---

---

---

---

---

---

---

24

**Pre-Approvals**

- How good is a Pre-Approval?
- Is a Pre-Approval more important in some states than others?
- Worthwhile if considering Auction or purchasing in SMSF



**WIZDOM**

24

---

---

---

---

---

---

---

---

25

## Going Pro – Full Time in the Business of property

- What does the transition look like?
- What does being full-time in the business of property mean for you?
- Start planning **NOW** how you are going to execute this.




I LOVE REAL ESTATE

25

---

---

---

---

---

---



---

---

26

## How to Handle Valuers

- Prepare for the Valuers
- Keep your property in good shape, deals are going down due to bad valuations, make it like it's for sale...
- How should you handle/assist a Valuer?

I LOVE REAL ESTATE

26

---

---

---

---

---

---




---

---

27

## How do you finance:

- A small subdivision
- A large subdivision

I LOVE REAL ESTATE

27

---

---

---

---

---

---


---

---

**How do you finance:**

Strata a block of units or warehouses

A renovation

**WIZDOM**

28

---

---

---

---

---

---

---

---

**How do you finance:**

A Commercial Building

A Rooming House

A Boarding House





**WIZDOM**

29

---

---

---

---

---

---

---

---

**How do you finance:**

A House Build

A Duplex Build

A Triplex Build

A large block of Units/Townhouses Build






**WIZDOM**

30

---

---

---

---

---

---

---

---

31

**Banking Trends**

Where are we at and where are we heading?



**WIZDOM**

31

---

---

---

---

---

---

---

---

32

**COVID19 – Changing Bank Policy**

- Not lending to employees of certain industries
- Current confirmation of self-employed income required
- Changes to how most valuations are being completed
- Employment checks and asking for pay slips 24 hours prior to settlement
- Interest-only extension for 12 months for customers that their only-period is expiry in the next 6 months
- Caution on reliance of Commercial Property rents

**WIZDOM**

32

---

---

---

---

---

---

---

---

33

**Repayment Holidays**

- Most mainstream lenders are providing relief to customers affected by the coronavirus pandemic
- Focus mainly towards Home Loans and Business Lending
- Must apply and prove you have been directly impacted via loss of job or significant drop in business income
- No repayment periods range from 3-6 months for most lenders with one lender allowing 12 months
- Lenders have different policy for how the additional repayment will be dealt with

**WIZDOM**

33

---

---

---

---

---

---

---

---

34

**ULTIMATE**

## Finance and Strategy Review

1. Are the properties you currently own helping you achieve your goals?
2. Do you need to restructure current finance facilities?
3. What property strategy do you need next?
4. Do you know your finance capacity?
5. Are you "market ready"?



**WIZDOM**

I LOVE REAL ESTATE

34

---

---

---

---

---

---

---

---

35

**ULTIMATE**

## WiZDOM Loans

Email – [loans@wizdom.com.au](mailto:loans@wizdom.com.au)

**1300 WIZDOM**

Our team are specialists in strategic investment lending.

We can help with:

- Finance Strategy and Support • Home Loans/Refinances
- Investment/SMSF Lending • Development/Commercial Finance
- Complex Loan Structuring and Advice

**WIZDOM**

I LOVE REAL ESTATE

35

---

---

---

---

---

---

---

---

36

**Your House As Seen By: You...**



36

---

---

---

---

---

---

---

---

**Your House As Seen By: Your Buyer...**



37

---

---

---

---

---

---

---

---

**Your House As Seen By: Your Lender...**



38

---

---

---

---

---

---

---

---

**Your House As Seen By: Your Valuer...**



39

---

---

---

---

---

---

---

---





