

PLATINUM

June 2022

Cash Cow

Mastermind
Event

Brisbane

**Dr. Tamara Read, Nicolle Beer
& Christine Hamilton**
QLD State Coaches



I LOVE
REAL ESTATE

Event Outline -

- 6:00 – 6:30 Networking
- 6:30 - Start
- 6:30 – 6:45 Housekeeping
- 6:45 – 8:00 Accountability
- 8:00 – 8:30 Networking Break
- 8:30 – 10:30 Cash Cow

Workshop Format

- Use microphone
- Involve everyone in the conversation
- Be supportive
- Order food and drinks downstairs



WELCOME NEW PLATINUMS



- Neil & Yelena **
- Penny Stariha **
- Peter & Leisa Ellemor
- Robin & Tery Young
- Wendy Jiang
- Marlene Kjaer

** PE = Platinum Elite (Revisiting Grads)

Housekeeping



2022 Monthly Dates (Tuesday's):

- ❖ 7th June; 5th July; 2nd Aug; 6th Sept; 4th Oct; 15th Nov (New Venue), 6th Dec
- ❖ 15th Nov Venue: Amora Hotel Brisbane, 200 Creek St

2022 National Conference Dates:

- ❖ 16th & 17th July – Sunshine Coast
(Novotel Twin Waters) KEEP Saturday night free
- ❖ 26th & 27th November – Sunshine Coast
(Dymphna's Farm) KEEP Saturday night free
- ❖ Platinum Elite Leadership Day (Friday) prior to each National Conference Date



July National Conference

5 Year Vision Board Activity

- Bring your Vision Board – A4 printout to be used in activity
- Use Google Images
- Easy to create using Powerpoint Slide



- Welcome to Platinum Masterclass Event :
 - ❖ New students ONLY - Compulsory 😊😊
 - ❖ 15th August, Zoom @ 6pm QLD, Hosted by Dymphna!!
 - ❖ Roadmap to maximize your success in Platinum
 - ❖ Intro to fellow students



- Real Estate Millionaire Within - 2022:
 - 1st – 3rd July – Brisbane
- I Love Realestate Super Conference - 2022:
 - 11 - 13th November – Melbourne



- Ultimate Bootcamp – Live & Virtual - Melbourne:
 - Fri 24th – Sun 26th June
- Ultimate Bootcamp – Live & Virtual - Brisbane:
 - Fri 2nd – Sun 4th September
- Ultimate Bootcamp – Live & Virtual - Perth:
 - Fri 28th – Sun 30th October
- Quantum Events:
 - Check Ultimate Website





Money Mind Mastery

With Nicole Beer



PLATINUM



Money Mind Mastery



PLATINUM ACCELERATOR

Every second **Monday**
evening, 7 for 7.30pm
Sydney time.

Mon Jul 4th, 2022 07:30 PM

Mon Jul 18, 2022 07:30 PM

Mon Aug 1, 2022 07:30 PM

Mon Aug 15, 2022 07:30 PM

Mon Aug 29, 2022 07:30 PM

Mon Sep 12, 2022 07:30 PM

Mon Sep 26, 2022 07:30 PM

Mon Oct 10, 2022 07:30 PM

Mon Oct 24, 2022 07:30 PM

Mon Nov 7, 2022 07:30PM





Money Mind Mastery



ULTIMATE

MEMBERS ONLY

The last **Monday** of every month, 7.30pm.

Jul 25, 2022 07:30 PM

Aug 22, 2022 07:30 PM

Sep 26, 2022 07:30 PM

Oct 24, 2022 07:30 PM

Nov 14, 2022 07:30 PM

Success Principles Event

Saturday 11 June 2022

Live Online on Zoom

If you would like to attend:

Please scan the QR Code and
Fill in your details to register!

<https://renewaldynamics.kartra.com/page/SuccessPrinciplesEventJun2022>



Platinum Student Meetups

- ❖ PA Website / Platinum Schedule
- ❖ Must have your Facebook account / profile open to access the links



PA Student Meetup Groups

These Student Meetup groups are for ALL Platinum students only, both past and present. They are organised by Platinum students to facilitate networking between Platinums and staying connected with the awesome Platinum family. Typically they occur between the PA Monthly Meetings.

NOTE: You MUST have your Facebook Account/Profile open to access these links.

Brisbane Student Meetup



Student Organizer – Megan Humphreys

Click on the link below to access the Platinum Accelerator Facebook Events for each Brisbane Student Meetup. All of the upcoming dates, location, times and RSVP information is in these events.

[Brisbane Student Meetup](#)

Sydney Student Meetup



Student Organizer – Dindy Luk

Click on the link below to access the Platinum Accelerator Facebook Events for each Sydney Student Meetup. All of the upcoming dates, location, times and RSVP information is in these events.

[Sydney Student Meetup](#)

Melbourne Student Meetup



Student Organizer – Aygun Ozkan

Click on the link below to access the Platinum Accelerator Facebook Events for each Melbourne Student Meetup. All of the upcoming dates, location, times and RSVP information is in these events.

[Melbourne Student Meetup](#)

Perth Student Meetup



Student Organizer – Basia Garbowska & Heath Worlton

Click on the link below to access the Platinum Accelerator Facebook Events for each Melbourne Student Meetup. All of the upcoming dates, location, times and RSVP information is in these events.

[Perth Student Meetup](#)

Housekeeping

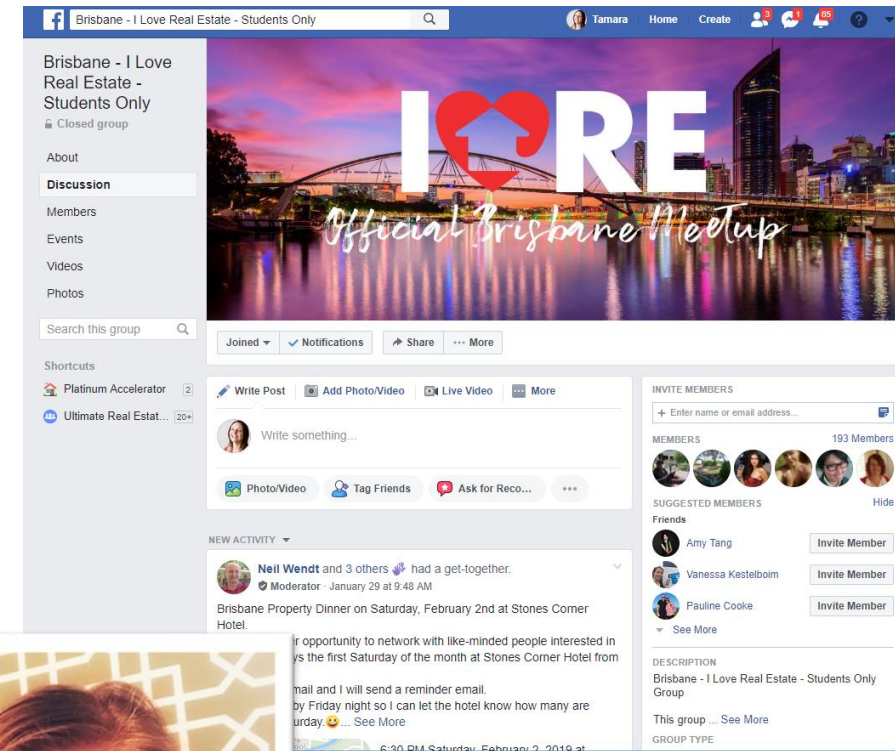
- PA Meetup Groups – LIVE!!
 - ❖ Brisbane Platinum Student Meetups
 - ❖ THANK YOU Amanda Chambers
 - ❖ 3rd Saturday of Each Month @ private space – 3 locations on rotation
 - ❖ RSVP Required

** Text Amanda on 0423 173 458 or contact her on Facebook via the Meet-up Group Link



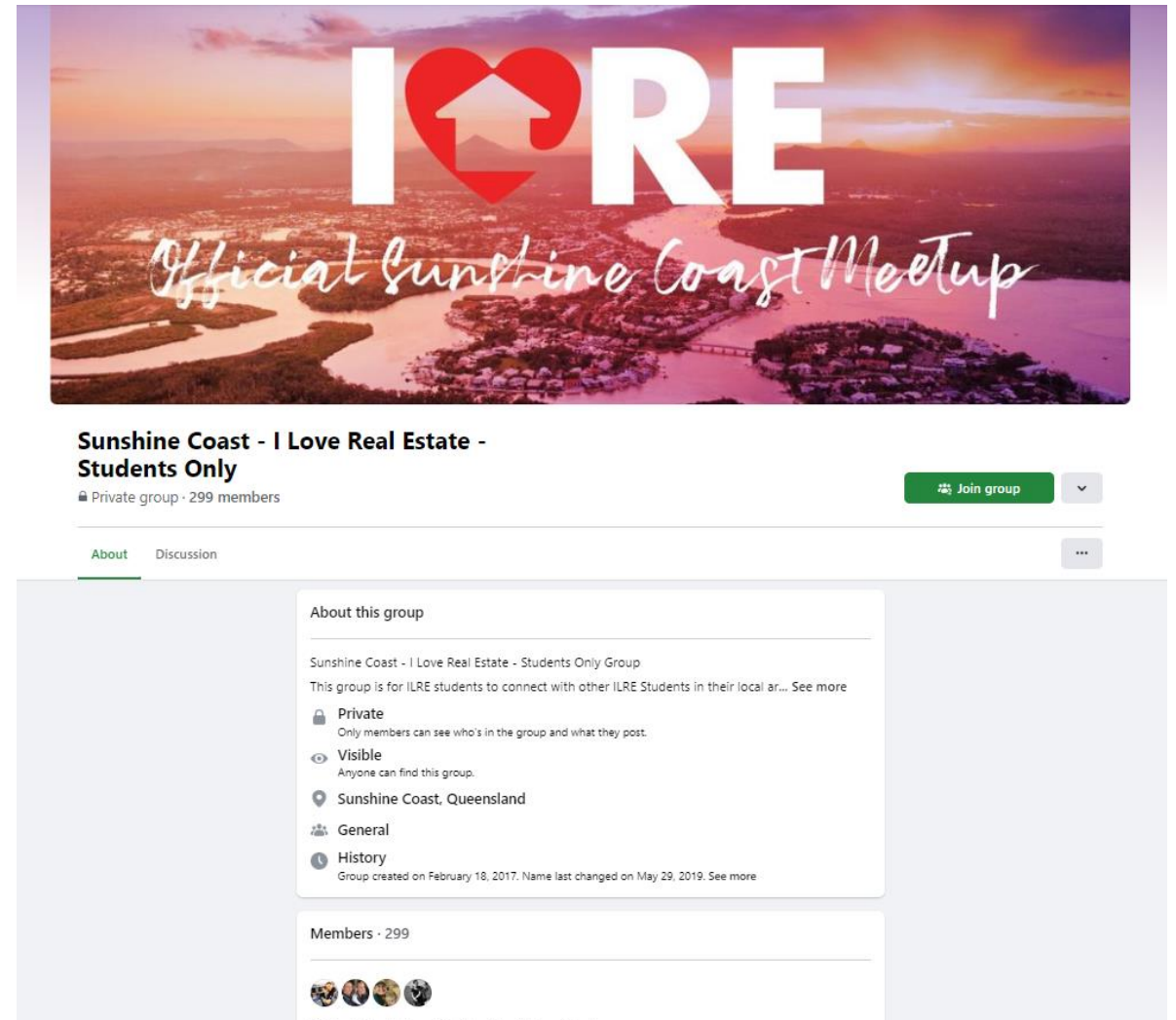
ILRE Brisbane Monthly Meetups

- ❖ Organizers - Neil & Yelena Hensley
- ❖ Info & RSVP: Ultimate Website / ILRE Community / ILRE Brisbane Meetup / Link to FB Page
- ❖ Location – TBC
- ❖ Dates – First Saturday of each month, 6:30pm
- ❖ Organizer Contact – Neil Hensley Mbl 0404401016



ILRE Sunshine Coast Monthly Meetups

- ❖ Search Facebook
“Sunshine Coast – I Love Real Estate Students Only”



GRADUATING PLATINUMS



- Heather Urquhart
- Luke Forman
- Kylie Chivers
- Brett Colley
- Joanne Hein
- Melody Suter
- Robyn Hills
- Amanda Chambers
- Natalie Lydom
- Mei Lu



STUDENTS OF THE MONTH

- **Kylie Edney**
- **Ethan Holmes**

PLATINUM

Focus



I LOVE
REAL ESTATE

**Who has heard of a Pilot called
Mike Flint?**



- Mike Flint was Buffett's personal airplane pilot for 10 years. (Flint has also flown four US Presidents, so I think we can safely say he is good at his job.) According to Flint, he was talking about his career priorities with Buffett when his boss asked the pilot to go through a 3-step exercise.
- Here's how it works...
- **STEP 1:** Buffett started by asking Flint to write down his top 25 career goals. So, Flint took some time and wrote them down.
(Note: you could also complete this exercise with goals for a shorter timeline. For example, write down the top 25 things you want to accomplish this week.)

- **STEP 2:** Then, Buffett asked Flint to review his list and circle his top 5 goals. Again, Flint took some time, made his way through the list, and eventually decided on his 5 most important goals.
- **STEP 3:** At this point, Flint had two lists. The 5 items he had circled were List A and the 20 items he had not circled were List B.

What is your List of 25?

What are your top 5?

- Flint confirmed that he would start working on his top 5 goals right away. And that's when Buffett asked him about the second list, “And what about the ones you didn't circle?”
- Flint replied, “Well, the top 5 are my primary focus, but the other 20 come in a close second. They are still important so I'll work on those intermittently as I see fit. They are not as urgent, but I still plan to give them a dedicated effort.”
- To which Buffett replied, “No. You've got it wrong, Mike. Everything you didn't circle just became your Avoid-At-All-Cost list. No matter what, these things get no attention from you until you've succeeded with your top 5.”

Buffett's strategy is particularly brilliant.

Items 6 through 25 on your list are things you care about. They are important to you. It is very easy to justify spending your time on them.

But when you compare them to your top 5 goals, **these items are distractions.**

Spending time on secondary priorities is the reason you have 20 half-finished projects instead of 5 completed ones.



**Mike Flint now runs his
own Aviation Flight School**

**A dream he has had
since a young boy**



Warren Buffett's 5/25 Rule

Will Help You **Focus**
On The Things That
Matter



PLATINUM

Accountability
Monthly Goals



I LOVE
REAL ESTATE

Buddy Process Follow-Up



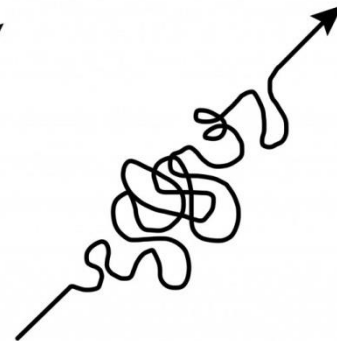
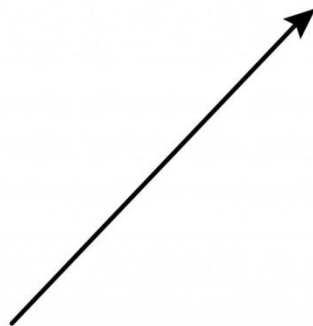
- Partner with someone you don't know
- Active Platinum Partners split up (Non-active partners stay together)
- Exchange Mobile No.
- Schedule to "TALK" weekly
- Finishing students partner together

Last Month In Review

Share Your Successes and Challenges

SUCCESS

SUCCESS



what people think
it looks like

what it really
looks like

This Months Plan

Share Your
Key Goals For Month

Monthly
✓
goals



Tea / Coffee Break

PLATINUM



I LOVE
REAL ESTATE

Cash Cow



Fundamental Characteristic of a Cash Cow?

- Income Greater than Expenses

it's all
ABOUT the
NUMBERS



Activity - Cash Cow Analysis

❖ List calculations important when analysing a cash cow?

1) Cash Flow Analysis –

- a) Feasibility
- b) Value Add
- c) Sensitivity Analysis

2) Deal Analysis -

- a) Value Add Potential
- b) Funds Required

3) Refinance Analysis-

- a) 80% LVR

4) Opportunity Cost Analysis

- a) Metrics
- b) Property Analysis Spreadsheet

See PA Website - Ultimate Wednesday Webinar – April 2019



The Deal – Indirect Cash Cow

- Purchase Price: \$285,000
- Purchase Costs: \$17,000
- Rates: \$2100 / year
- Insurance (House & Contents): \$550 / year
- Landlord Insurance: \$300 / year
- Management fees: 7.7% incl GST
- Letting fee: 1 week rent plus GST
- Maintenance: \$1000 / year
- Rental (unreno): \$290 / week
- Rental (reno'd): \$350 / week
- Rental for Granny Flat: \$310 / week
- Renovated existing end val: \$375k
- Unrenovated with granny flat end value: \$405k
- Renovated with granny flat end val: \$495K
- Renovation budget: \$26K
- Granny Flat Build (turn key) Incl. certification etc: \$120K

The Deal




The Deal



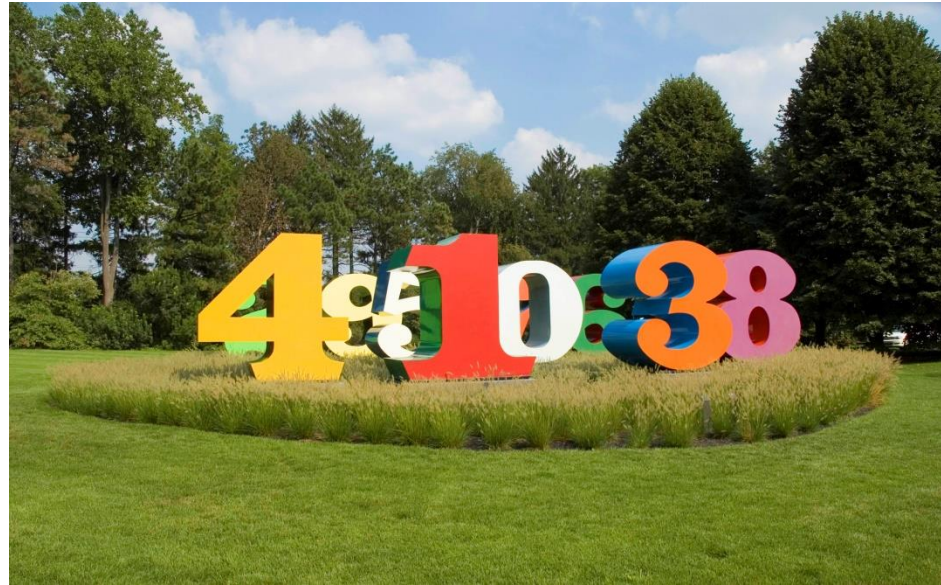
The Deal

- Population of 6,252
- Approx. 689m² block (15.4m frontage)
- Residential zoning

Metrics 	HOUSE	UNIT
Median price	\$398,750	N/A
Quarterly growth	0.69%	N/A
12-month growth	9.25%	N/A
Average Annual Growth	4.70%	N/A
Weekly median advertised rent	\$380	N/A
Number of sales	91	N/A
Gross rental yield	4.96%	N/A
Days on market	48.15	N/A

Source: CoreLogic

Qu: Is This a Positive Cash Flow Deal?



A: Do Cash Flow Analysis - Feasibility

1a) Cash Flow Analysis - **Feasibility**

Item	Formula	\$
Income – Rent @ 48 weeks		
Hold Costs		
Interest - Loan		
Interest – Owners Funds		
Property Management		
Let Fee		
Insurance – Building / Contents		
Insurance - Landlord		
Rates & Water		
Maintenance & Repairs		
Body Corporate Fees / Land Tax		
Total Hold Costs		
Annual Cash Flow		

1a) Cash Flow Analysis - Feasibility

Item	Formula	\$
Income – Rent @ 48 weeks		
Hold Costs		
Interest - Loan		
Interest – Owners Funds		
Property Management		
Let Fee		
Insurance – Building / Contents		
Insurance - Landlord		
Rates & Water		
Maintenance & Repairs		
Body Corporate Fees / Land Tax		
Total Hold Costs		
Annual Cash Flow		

❖ Activity –

Add figures & calculate cash flow

Assume:

- 80% LVR on purchase
- 4.5% Interest (bank & owner funds)

Note:

Calculate cash flow in first year of purchase not after longer term hold. Depreciation is not being accounted for.

1a) Cash Flow Analysis - **Feasibility**

Item	Formula	\$
Income – Rent @ 48 weeks	\$290 x 48	13,920
Hold Costs		
Interest – Loan 80% Purchase	\$285k x 80% = \$228k x 4.5%	10,260
Interest – Owners Funds 20% Purchase + 100% Purchase Costs	(\$285k x 20% = \$57k) + \$17k = \$74k x 4.5%	3,330
Property Management	\$13,920 x 7.7%	1,072
Let Fee	\$290 x 1.1	319
Insurance – Building / Contents	\$550	550
Insurance - Landlord	\$300	300
Rates & Water	\$2,100	2,100
Maintenance & Repairs	\$1,000	1,000
Body Corporate Fees / Land Tax	0	0
Total Hold Costs	Sum	18,931
Annual Cash Flow	\$13,920 - \$18,931	- 5,011

Qu: Can We Do Anything To Make It A Positive Cash Flow Deal?



A: Do Cash Flow Analysis – Value Add Calcs

1b) Cash Flow Analysis - Value Add

Item	A) Do Nothing	B)	C)	D)
Income – Rent @ 48 weeks	13,920			
Hold Costs				
Interest - Loan	10,260			
Interest – Owners Funds	3,330			
Property Management	1,072			
Let Fee	319			
Insurance – Building / Contents	550			
Insurance - Landlord	300			
Rates & Water	2,100			
Maintenance & Repairs	1,000			
Body Corporate Fees / Land Tax	0			
Total Hold Costs	18,931			
Annual Cash Flow	- 5,011			

❖ **Activity – Add Value-Add Strategies**

1b) Cash Flow Analysis - Value Add

Item	A) Do Nothing	B) Cosmetic Reno	C) Granny Flat	D) Cosmetic Reno + Granny Flat
Income – Rent @ 48 weeks	13,920			
Hold Costs				
Interest - Loan	10,260			
Interest – Owners Funds	3,330			
Property Management	1,072			
Let Fee	319			
Insurance – Building / Contents	550			
Insurance - Landlord	300			
Rates & Water	2,100			
Maintenance & Repairs	1,000			
Body Corporate Fees / Land Tax	0			
Total Hold Costs	18,931			
Annual Cash Flow	- 5,011			

❖ **Activity** – Calculate the cash flow for D) reno + granny flat strategy

Assume

- 80% LVR on purchase & granny flat build

- 4.5% Interest (bank & owner funds)

Item	A) Do Nothing	B) Reno	C) Granny Flat	D) Reno + Granny Flat
Income – Rent @ 48 weeks	13,920			$(\$350 \times 48 = \$16,800) + (\$310 \times 48 = \$14,880) = \$31,680$
Hold Costs				
Interest – Loan (80% Purchase + 80% Granny flat)	10,260			$\$285k + \$120k = \$405k \times 80\% = \$324k \times 4.5\% = \$14,580$
Interest – Owners Funds (20% Purchase + 20% Granny flat) + 100% Purchase Costs + 100% Reno	3,330			$(\$285k + \$120k = \$405k \times 20\% = \$81k) + \$17k + \$26k = \$124k \times 4.5\% = \$5,580$
Property Management	1,072			$\$31,680 \times 7.7\% = \$2,439$
Let Fee	319			$(\$350 + \$310) \times 1.1 = \$726$
Insurance – Building / Contents	550			$\$550 \times 2 = \$1,100$
Insurance - Landlord	300			$\$300 \times 2 = \600
Rates & Water	2,100			$\$2,100\#$
Maintenance & Repairs	1,000			$\$1,000$
Body Corporate Fees / Land Tax	0			0
Total Hold Costs	18,931			$\$28,125$
Annual Cash Flow	- 5,011			$\$3,555$

Qu: How Secure (Reliable) Is the Positive Cash Flow



A: Do Cash Flow Analysis – Sensitivity Analysis

1c) Cash Flow Analysis – Sensitivity Analysis

❖ What is the purpose of Sensitivity Analysis?

- “What if” analysis to determine how sensitive the positive cash flow is to changes in parameters.
- How much do things have to change to reach **break even point**?

❖ What parameters should be tested?

- Interest Rate Increase
- Rental Vacancy Increase
- Rental Rate Decline
- Maintenance Cost Increase



Item	D) Reno + Granny Flat - Formula	\$	Sensitivity
Income – Rent @ 48 weeks	$(\$350 \times 48 = \$16,800) + (\$310 \times 48 = \$14,880)$ $= \$31,680$	\$31,680	
Hold Costs			
Interest – Loan (80% Purchase + 80% Granny flat)	$\$285k + \$120k = \$405k \times 80\% = \$324k \times 4.5\%$ $= \$14,580$	\$14,580	
Interest – Owners Funds (20% Purchase + 20% Granny flat) + 100% Purchase Costs + 100% Reno	$(\$285k + \$120k = \$405k \times 20\% = \$81k) +$ $\$17k + \$26k = \$124k \times 4.5\% = \$5,580$	\$5,580	
Property Management	$\$31,680 \times 7.7\% = \$2,439$	\$2,439	
Let Fee	$(\$350 + \$310) \times 1.1 = \$726$	\$726	
Insurance – Building / Contents	$\$550 \times 2 = \$1,100$	\$1,100	
Insurance - Landlord	$\$300 \times 2 = \600	\$600	
Rates & Water	\$2,100	\$2,100	
Maintenance & Repairs	\$1,000	\$1,000	
Body Corporate Fees / Land Tax	0	0	
Total Hold Costs	\$28,125	\$28,125	
Annual Cash Flow	\$3,555	\$3,555	

❖ **Activity –**
How much
does rent
have to
reduce by
to reach
break
even?

$\$3,555 / 52 =$
 $\$68 / \text{wk}$

Item	D) Reno + Granny Flat - Formula	\$	Sensitivity: 7% interest
Income – Rent @ 48 weeks	$(\$350 \times 48 = \$16,800) + (\$310 \times 48 = \$14,880)$ $= \$31,680$	\$31,680	
Hold Costs			
Interest – Loan (80% Purchase + 80% Granny flat)	$\$285k + \$120k = \$405k \times 80\% = \$324k \times 4.5\%$ $= \$14,580$	\$14,580	
Interest – Owners Funds (20% Purchase + 20% Granny flat) + 100% Purchase Costs + 100% Reno	$(\$285k + \$120k = \$405k \times 20\% = \$81k) +$ $\$17k + \$26k = \$124k \times 4.5\% = \$5,580$	\$5,580	
Property Management	$\$31,680 \times 7.7\% = \$2,439$	\$2,439	
Let Fee	$(\$350 + \$310) \times 1.1 = \$726$	\$726	
Insurance – Building / Contents	$\$550 \times 2 = \$1,100$	\$1,100	
Insurance - Landlord	$\$300 \times 2 = \600	\$600	
Rates & Water	\$2,100	\$2,100	
Maintenance & Repairs	\$1,000	\$1,000	
Body Corporate Fees / Land Tax	0	0	
Total Hold Costs	\$28,125	\$28,125	
Annual Cash Flow	\$3,555	\$3,555	

❖ **Activity –**
Calculate
what
impact 7%
interest
rate would
have on
cash flow

Item	D) Reno + Granny Flat - Formula	\$	Sensitivity: 7% interest
Income – Rent @ 48 weeks	$(\$350 \times 48 = \$16,800) + (\$310 \times 48 = \$14,880) = \$31,680$	\$31,680	\$31,680
Hold Costs			
Interest – Loan (80% Purchase + 80% Granny flat)	$\$285k + \$120k = \$405k \times 80\% = \$324k \times 4.5\% = \$14,580$	\$14,580	\$22,680 (\$324k x 7%)
Interest – Owners Funds (20% Purchase + 20% Granny flat) + 100% Purchase Costs + 100% Reno	$(\$285k + \$120k = \$405k \times 20\% = \$81k) + \$17k + \$26k = \$124k \times 4.5\% = \$5,580$	\$5,580	\$8,680 (\$124k x 7%)
Property Management	$\$31,680 \times 7.7\% = \$2,439$	\$2,439	\$2,439
Let Fee	$(\$350 + \$310) \times 1.1 = \$726$	\$726	\$726
Insurance – Building / Contents	$\$550 \times 2 = \$1,100$	\$1,100	\$1,100
Insurance - Landlord	$\$300 \times 2 = \600	\$600	\$600
Rates & Water	\$2,100	\$2,100	\$2,100
Maintenance & Repairs	\$1,000	\$1,000	\$1,000
Body Corporate Fees / Land Tax	0	0	0
Total Hold Costs	\$28,125	\$28,125	\$39,325
Annual Cash Flow	\$3,555	\$3,555	-\$7,645

❖ **Activity -**
What impact would 7% interest rate have?

\$7,645 neg. cash flow

Qu: What Is The Profit Potential Of The Value Add Strategies?



A: Do Deal Analysis – Value Add Potential Calcs

2a) Deal Analysis – Value Add Potential (Roughy)

** Module 6 = Detailed Feaso; Below = Roughy Feaso

A) Do nothing, B) Cosmetic reno vs C) Granny flat vs D) Reno + Granny flat

Item	Option A Do Nothing	Option B Cosmetic Reno (8wks*)	Option C Add Granny Flat (12wks*)	Option D Reno + Granny Flat (12wks*)
Purchase Price				
Purchase Costs				
Hold Costs*	\$0	\$2,300	\$4,400	\$4,700
Strategy Costs				
Total Costs (A)				
End Value (B)				
Profit Potential (B-A)				

❖ **Activity –**
Calculate the profit potential of each value-add strategy

2a) Deal Analysis – Value Add Potential (Roughly)

** Module 6 = Detailed Feaso; Below = Roughly Feaso (= Headings Only)

A) Do nothing, B) Cosmetic reno vs C) Granny flat vs D) Reno + Granny flat

Item	Option A Do Nothing	Option B Cosmetic Reno (8wks*)	Option C Add Granny Flat (12wks*)	Option D Reno + Granny Flat (12wks*)
Purchase Price	\$285,000	\$285,000	\$285,000	\$285,000
Purchase Costs	\$17,000	\$17,000	\$17,000	\$17,000
Hold Costs*	\$0	\$2,300	\$4,400	\$4,700
Strategy Costs	\$0	\$26,000	\$120,000	\$146,000
Total Costs (A)	\$302,000	\$330,300	\$426,400	\$452,700
End Value (B)	\$285,000	\$375,000	\$405,000	\$495,000
Profit Potential (B-A)	-\$17,000	\$44,700	-\$21,400	\$42,300

**Qu: How Much Do I Need To a) Borrow
& b) Contribute From My Own Funds?**



A: Do Deal Analysis – Funds Required Calcs

2b) Deal Analysis – Funds Required

	OPTION B - COSMETIC RENO		
Item	Total Costs \$	Loan Funds 80% LVR	Owner Funds
Purchase Price	\$285,000		
Purchase Costs	\$17,000		
Hold Costs	\$2,300		
Strategy Costs	\$26,000		
Total Costs (A)	\$330,300		
End Value (B)			
Profit Potential (B-A)			

- Simply add 2 extra columns
- Remember – Owner Funds = Cash \$, LOC \$, Offset Acct \$, JV Partner \$ etc.
- ❖ **Activity** – Identify who pays for what in this example?

2b) Deal Analysis – Funds Required

	OPTION B - COSMETIC RENO		
Item	Total Costs \$	Loan Funds 80% LVR	Owner Funds
Purchase Price	\$285,000		
Purchase Costs	\$17,000		
Hold Costs	\$2,300		
Strategy Costs	\$26,000		
Total Costs	\$330,300		

❖ **Activity –**
Calculate
the Loan
required &
Owner
Funds
required

2b) Deal Analysis – Funds Required

Item	OPTION B - COSMETIC RENO		
	Total Costs \$	Loan Funds 80% LVR	Owner Funds
Purchase Price	\$285,000	\$228,000	\$57,000
Purchase Costs	\$17,000		\$17,000
Hold Costs	\$2,300		\$2,300
Strategy Costs	\$26,000		\$26,000
Total Costs	\$330,300	\$228,000	\$102,300

❖ **Activity –**
 Calculate
 the Loan
 required =
\$228,000 &
 Owner
 Funds
 required =
\$102,300

2b) Deal Analysis – Funds Required

	OPTION B - COSMETIC RENO			OPTION D – RENO + GRANNY FLAT		
Item	Total Costs \$	Loan Funds 80% LVR	Owner Funds	Total Costs \$	Loan Funds 80% LVR	Owner Funds
Purchase Price	\$285,000	\$228,000	\$57,000	\$285,000		
Purchase Costs	\$17,000		\$17,000	\$17,000		
Hold Costs	\$2,300		\$2,300	\$4,700		
Strategy Costs	\$26,000		\$26,000	\$146,000		
Total Costs	\$330,300	\$228,000	\$102,300	\$452,700		

❖ **Activity** – Option D - Calculate the Loan required & Owner Funds required

2b) Deal Analysis – Funds Required

	OPTION B - COSMETIC RENO			OPTION D – RENO + GRANNY FLAT		
Item	Total Costs \$	Loan Funds 80% LVR	Owner Funds	Total Costs \$	Loan Funds 80% LVR	Owner Funds
Purchase Price	\$285,000	\$228,000	\$57,000	\$285,000	\$228,000	\$57,000
Purchase Costs	\$17,000		\$17,000	\$17,000		\$17,000
Hold Costs	\$2,300		\$2,300	\$4,700		\$4,700
Strategy Costs Reno + Granny flat	\$26,000		\$26,000	\$146,000	\$96,000 (\$120kx80%)	\$24,000 + \$26,000
Total Costs	\$330,300	\$228,000	\$102,300	\$452,700	\$324,000	\$128,700

Qu: If I Hold & Refinance Will I Release All My Initial Funds Contributed,Plus Some?



A: Do Deal Analysis – Hold & Refinance Calcs

3a) Refinance Analysis – Hold & Refinance @ 80% LVR

- ❖ Calculations at bottom of Module 6 Feaso
- ❖ From Previous Slide: End Value(B)=\$375,000; Original 80% Loan(C)=\$228,000; Owner Funds(D)= \$102,300

Item	Formula	Option B – Cosmetic Reno
New Loan on Refinance @ 80%	$A = B * 80\%$	
Loan to be Paid Out on Refinance	C	
Equity Released on Refinance	$E = A - C$	
Owner Funds to Repay	D	
Owner Funds Quarantined in Deal* *(Only relevant if F = negative (-) number)	$F = E - D$	
EXTRA Funds Released for Next Deal# #(Only relevant If G = positive (+) number)	$G = E - D$	
Total Owner Funds Available for Next Deal	$H = E$	

- ❖ **Activity –**
Calculate if refinancing releases all of the owner funds and any extra

3a) Refinance Analysis – Hold & Refinance @ 80% LVR

- ❖ Calculations at bottom of Module 6 Feaso
- ❖ From Previous Slide: End Value(B)=\$375,000; Original 80% Loan(C)=\$228,000; Owner Funds(D)= \$102,300

Item	Formula	Option B – Cosmetic Reno
New Loan on Refinance @ 80%	$A = B * 80\%$	\$300,000
Loan to be Paid Out on Refinance	C	\$228,000
Equity Released on Refinance	$E = A - C$	\$72,000
Owner Funds to Repay	D	\$102,300
Owner Funds Quarantined in Deal* *(Only relevant if F = negative (-) number)	$F = E - D$	-\$30,300
EXTRA Funds Released for Next Deal# #(Only relevant If G = positive (+) number)	$G = E - D$	\$0
Total Owner Funds Available for Next Deal	$H = E$	\$72,000

❖ **Activity –**
Calculate if refinancing releases all of the owner funds and any extra

❖ **Activity**
Who pays interest on F & H?

❖ **Activity -** Owner Started with \$ 102,300 & Ended with \$72,000

Rule of Thumb

- Hold & Refinance if property is **neutral or positive cash flow** PLUS if can **release most if not all owner funds** put into deal.
- If deal quarantines too much of your \$ after refinance – have less funds available to use in next deal and can **quickly run out of \$** to move forward.
- Each deal should put you in a **better position** moving forward (cash flow / available funds) – or at least not in a worse position



QUESTIONS?