



# ULTIMATE WEEKLY WEBINAR SUPPORT PROGRAM



**Michael & Sara Franks**

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# Written Plans – Part 2

**Michael & Sara Franks**

# Assumptions

- Investor has had a Finance & Strategy Review
- Investor has spent some time thinking about long term goals and has arrived at an INCOME figure
- Investor has looked at the bootcamp video Day 3 Session 2 and has assessed their personal investing profile.
- Investor has a clear understanding of how to undertake calculations concerning investment property using the various measurement criteria. Our previous presentation “The Numbers” explains these calculations.

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# Advisory

- The following slides show examples of numbers to illustrate how the planning process works. They do not relate to any specific properties.
- The method shown is purely our way of putting together an investment plan.
- The investor should take time to put together a plan using terms which they understand and can easily follow.
- The plan should contain all of the elements which allow tracking of progress and performance.

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# 2016 Bootcamp Day 3 Session 2

Day 3, Session #2

- **No Silver Bullet** – Well executed systematic repeatable process
- First few deals = **Apprenticeship** (e.g. 2 units vs 20)
- Last part of process = Looking for actual deals
- Laser focus & clarity - maximises outcome

Tamara breaks things down to gain clarity when it comes to finding the deal. What location and what type of deal is your strategy, and this is different to each student.

Risk management is essential to include in your strategy, as well as assessing regional and mining areas for long standing industries. Your level of risk will determine your direction in finding deals.

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# Recap

- Part 1 described the selection of 4 INCOME properties.
- Your task was to understand your investing profile ( Day 3 Session 2 Bootcamp video)
- Based on this profile you were to target 3 areas.
- Research your selection of INCOME properties in these areas.
- Produce a table showing price ranges, gross yields, growth rates, potential for manufactured growth, location, property types, financing parameters

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# Your Research

- At this point you have researched the market and understood how each type of investment performs by gathering figures and data

Volatility?



Prices?

Growth?

What?

Where?



Yield?



Market?

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# Chart of your Goal Vision

| Location         | Type                           | Price Range |           | Typical Growth % | Manufactured Growth Y/N | Equity Needed to Buy' |           | Typical Gross Rental Yield | Typical Net Rental Yield | Net Income Desired |
|------------------|--------------------------------|-------------|-----------|------------------|-------------------------|-----------------------|-----------|----------------------------|--------------------------|--------------------|
|                  |                                | From        | To        |                  |                         | From                  | To        |                            |                          |                    |
| QLD, Regional    | 3 Bedroom Single Storey        | \$150,000   | \$200,000 | 3.00%            | Y - Subdivision         | \$39,000              | \$50,000  | 9.50%                      | 6.50%                    | \$9,750            |
| VIC Metro        | 6 Bedroom Let by the room      | \$450,000   | \$550,000 | 5.50%            | N - Direct Cash Cow     | \$207,000             | \$253,000 | 12.00%                     | 7.00%                    | \$31,500           |
| VIC. Regional    | 2 Shops on single title        | \$200,000   | \$300,000 | 3.50%            | Y- Strata Title         | \$92,000              | \$138,000 | 10.00%                     | 9.50%                    | \$19,000           |
| NSW, Outer Metro | 4 Bedroom Single Storey AirBnB | \$450,000   | \$500,000 | 6.00%            | N - Direct Cash Cow     | \$117,000             | \$130,000 | 15.00%                     | 10.00%                   | \$45,000           |
|                  |                                |             |           |                  |                         |                       | Total     |                            |                          | \$105,250          |

THESE ARE PROPERTIES WHICH YOU ARE KEEPING TO PROVIDE INCOME.  
Your Goal Vision has been broken down into 4 property summary details

You can add columns to reflect all of the parameters you have gathered.

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# Financial Positions

- You need the results of your FSR to continue from here
- Available Working Equity(AWE) - \$?
- Maximum Loan Serviceability(MLS) - \$?
- Is your AWE less than \$200k? – if so do an equity (chunk) deal as your first deal – do not attempt to acquire an INCOME deal.
- Is your AWE greater than \$200k? – if so then which is weaker – AWE or MLS?
- When choosing an Income deal always consider the amount of AWE left over. Can you continue investing using your preferred method of operation if you buy an INCOME deal? If NO then choose an equity deal instead and continue to do this until you can answer YES.

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# When?

- You are now in a position to know **WHAT** properties.
- The next decision is **WHEN** to buy these properties.
- The logic that is to be used is that these **INCOME** properties should be purchased at the soonest possible time to take advantage of natural growth – see previous slide.

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# Can I afford to buy

- From your Financial Positions establish if EQUITY deals need to be performed before buying an INCOME deal. If so map out an EQUITY deal first then add in the generated EQUITY from this deal and then re-evaluate this step. Continue to perform equity deals until your available working EQUITY is greater than \$200k AND you can afford to buy your first INCOME deal AND you have enough remaining available working EQUITY to be able to continue investing.
- From the Chart of your Goal Vision, grade the properties according to the amount of equity needed to purchase – cheapest first. Property 1 would be the cheapest.
- Map out your 1<sup>st</sup> Income deal and then map out equity deals on either side to enable you to enter the income deal and replace the equity that you have used in the deal.

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# Timescale Chart of when to buy your goal Properties and EQUITY properties.

| Now          |                   |                   |                   |            |                   |                   |                   |                   |                   |            |                    |                    |                    |                    |                    |            |                    |                     |                     | Goal   |
|--------------|-------------------|-------------------|-------------------|------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------|--------------------|---------------------|---------------------|--------|
| 2017         |                   |                   |                   | 2018       |                   |                   |                   | 2019              |                   |            |                    | 2020               |                    |                    |                    | 2021       |                    |                     |                     |        |
| Q1           | Q2                | Q3                | Q4                | Q1         | Q2                | Q3                | Q4                | Q1                | Q2                | Q3         | Q4                 | Q1                 | Q2                 | Q3                 | Q4                 | Q1         | Q2                 | Q3                  | Q4                  |        |
| Property 1   | Chunk 1<br>+\$30k | Chunk 2<br>+\$20k | Chunk 3<br>+\$30k | Property 3 | Chunk 4<br>+\$50k | Chunk 5<br>+\$60k | Chunk 6<br>+\$80k | Chunk 7<br>+\$30k | Chunk 8<br>+\$30k | Property 4 | Chunk 9<br>+\$100k | Chunk 10<br>+\$60k | Chunk 11+<br>\$80k | Chunk 12<br>+\$50k | Chunk 13<br>+\$50k | Property 2 | Chunk 13<br>+\$50k | Chunk 13<br>+\$100k | Chunk 13<br>+\$120k |        |
| Equity Start | \$250k            | \$200k            | \$230k            | \$250k     | \$280k            | \$142k            | \$192k            | \$252k            | \$332k            | \$362k     | \$392k             | \$262k             | \$362k             | \$422k             | \$502k             | \$552k     | \$602k             | \$349k              | \$399k              | \$499k |
| Equity End   | \$200k            | \$230k            | \$250k            | \$280k     | \$142k            | \$192k            | \$252k            | \$332k            | \$362k            | \$392k     | \$262k             | \$362k             | \$422k             | \$502k             | \$552k             | \$602k     | \$349k             | \$399k              | \$499k              | \$619k |
| Income Start |                   |                   |                   |            |                   |                   |                   |                   |                   |            |                    |                    |                    |                    |                    |            |                    |                     |                     |        |
| Income End   |                   |                   |                   |            |                   |                   |                   |                   |                   |            |                    |                    |                    |                    |                    |            |                    |                     |                     |        |

The Yellow boxes are your portfolio properties. The others are Chunk deals to manufacture equity which is initially used to acquire properties and then to pay down debt

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END OF Part 2

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