

Kate's guide to investing a lump sum in property

- Kate Faulkner BSc (Econ) MBA CIM
 - Independent property advisor
- Have free checklists:-
 - How to analyse a buy to let
 - Quick guide to buy to let
 - How to choose a letting agent
 - DIY inventory or professional
 - Dealing with tenancy deposits
 - Buy to let insurance
 - How to rent a room
 - How to buy abroad
 - Interiors
 - Property tax
 - How to pass on your property wealth
- Independent, free advice from fantastic property companies

Agenda

- What are your investment objectives?
- Consider all the options
 - Follow my step by step process
- Understanding the implications of what you buy
 - What does this do to your tax position?
 - Will you be *WORSE OFF* buying a property to let?

This is typically what your 'overall' investment should look like

Pension	Home	Financial investment	Buy to let
<ul style="list-style-type: none">• Something in here	<ul style="list-style-type: none">• Own outright/ with a mortgage	<ul style="list-style-type: none">• Something you can use should you need cash	<ul style="list-style-type: none">• Your portfolio• What yield• How long to hold

- Things to think through and let finance/legal and tax companies know about:-
 - Are you investing alone or as a couple or as business partners
 - Have you got children to consider?
 - What ages? How will they inherit?
 - How much have you to invest?

Consider what you could do with the money you have to invest?

- Could you pay off your mortgage now and retire?
- What else could you invest your money in?
 - Pension scheme?
 - Stocks and shares?
 - How will property investment compare?
- What would happen if you lost job, was sick or died
 - Insurance
 - Having a will

What are *YOUR* *investment objectives?*

- Why are you investing?
 - Is it to achieve a personal objective
 - For example, retire early, if so, by when and how much money do you need?
- Choose which is more important
 - Capital growth or income?
- If you put in £xxx amount, how much are you expecting it to generate?
 - By what date? Immediately, in five or ten years time
- If renting
 - Do you want/need to generate an income or
 - Are happy if it grows in value and is income neutral?

Step one

- Chat to a broker
 - **Eg Coreco**
 - <http://www.corecogroup.co.uk/index.html>
- Make sure you use a true ‘whole of market’ broker
 - ie If they don’t earn commission on a product, they will still recommend it
- Make sure they understand property investment
 - Know which lenders to go to for your personal circumstances

Step two

- Work out what property investment will achieve your investment objectives:-
 - Capital growth examples:-
 - Buy at a discount
 - Buy a plot of land and build
 - Add value eg add a bedroom or another floor
 - Buy a short lease and extend
 - Income generating
 - Buy to let (average 5-10% gross yield)
 - Homes in Multiple Occupation (always use net yield to compare)
 - Low value areas with average rents (expect 8-10% gross yield)

Step three

- Focus on several areas:-
 - Look at where you can afford
 - Identify properties and streets which meet your investment criteria
 - Check area statistics
 - Landregistry.gov.uk
 - Mouseprice.com use 'area guide'
 - Sold property price data (Rightmove.co.uk)
 - Watch what is happening to house prices & rents

Step four

- Track what's happening in each local market
- Property prices:-
 - Research the height of the market/property prices on a road in 2007/8
 - Research the low of the market/property prices on the road in 2009
 - Research the current market/property price averages
 - Note as of October 2013, some areas were still falling

Step five

- Compare how different areas have performed
 - See which as performed better through the recession
 - Check what's happened to property prices and rents
- Make sure you then check what has happened to properties on individual roads
 - Find ones which have performed 'better than the average' for the area

Step six

- Forecast what will happen to property prices/rents:-
 - Assume same rates versus Land Registry in the past
 - Look at Savills forecast and apply it
 - Look at the individual property/road average growth rates
- Forecast an end value – costs
 - Check against my investment criteria
 - Money invested, does it double/triple?
- Work out entry/exit costs
- Check growth against inflation

Step seven

- Find the best LOCAL property experts to help you just sign up, for FREE:-
 - Propertychecklists.co.uk
 - Email enquiries@designsonproperty.co.uk to request the property experts you need
 - We will send back the experts we know or source them for you

Step eight: Finding deals

- One BMV deal will require typically researching 150 deals
- Use sites like www.eigroup.co.uk
- Put notes through doors
 - Politely saying you might be interested in buying
- Build networks with local property people
 - Developers, finance, legal, agents
 - All have access to 'quick sell' deals
- To find plots, visit www.plotsearch.co.uk
 - To find out how to self build visit www.buildstore.co.uk

Step nine, check what you are doing!

- Don't invest in a property unless you have worked out:-
 - What the costs of ownership will be
 - Including maintenance for buy to let (new kitchens/bathrooms/boiler etc)
 - What taxes you will now owe while you own it
 - What taxes you will pay if you sell it
 - What will happen to your property if something happens to you
 - You are sure you have mitigated the tax

Only invest when:-
You are ready
You have the right deal

Summary

- Don't rush – take your time
- You don't need to pay people to buy properties
- You don't need huge 'education' budgets
 - A few good books by experts
 - Watch the 'good TV programmes'
 - BBC2's 'build a property for £100k series'
 - C4's 'Double the house for half the money'.
- You do need:-
 - Patience
 - Due diligence
 - Research
 - A quality team of experts in the local area, finance, legals, surveying and tax who look after you
 - Don't line their pockets with your money at your expense