THE FINANCIAL MINDSET OF THE SUCCESSFUL INVESTOR

A BLUEPRINT FOR INVESTING IN BTL

novafinancial GROUP
Financial Freedom through Property Investment

INTRODUCTION:

Why do I need to read this eBook?

Nowadays there is a huge amount of free information around on the internet, and whether you are thinking about investing for the first time, or are a more experienced investor already managing properties, it can be overwhelming. Paul Mahoney, founder and Managing Director of Nova Financial Group, finds people can often be confused by the conflicting information researched, and lapse into what he terms 'paralysis by analysis'.

This eBook is here to help you understand the facts and financials behind investing in property. Many people invest with their 'heart' as opposed to their 'head', so it is important when considering which area to invest in and property you want to buy, you understand your target market and ensure you deliver a property they want – even if it is not decorated to your taste or one you would live in.

This eBook covers part of the 'Education' and 'Testing the water' element of Paul's RETIRE investment model, which was explained in the first eBook (link required) which details the different stages of the landlord life cycle:

- **R**eady to get started
- **E**ducation
- **T**esting the water
- **I**nvesting further
- **R**etirement Transitioning
- **E**asy retirement

Most people want to generate a certain amount of income but may well have secondary goals as well. Whatever these are, it is essential you can work out financially whether a property will deliver – before you make an offer. Paul's company, Nova Financial Group, has decades of expertise in understanding these requirements and in tailoring a strategy that works towards their clients' specific goals, helping to ensure any investments they make will help them achieve it.

As Paul points out, *"there's not one blueprint for everyone because everyone's situation is different. They need to be personalised."*

AWARDS

Nova Financial Group's clients can make sensible decisions with their investments and have the confidence that they are receiving the best advice with regards to their goals and objectives. This comes from Nova Financial Group often being recognised independently as a well-respected buy-to-let investment and mortgage adviser, including their award, for example, for being 'Best Property Investment Provider' by LIS in December 2019. At whatever stage of their clients' investment journey, Nova help them benefit from their advice and support.

Nova does not offer clients a 'get rich quick' scenario, but instead helps you to understand what amount of wealth is achievable, and how this can be done within a reasonable time span, regardless of how the economy is performing.

ABOUT PAUL MAHONEY

Paul Mahoney is the founder and Managing Director of Nova Financial Group and has recently published a book which is now an International Amazon #1 best-seller. It's called "The Property Pension Plan, Financial Freedom Through Buy to Let Investment".

As a successful landlord himself, Paul's own portfolio reflects the advice Nova gives to clients, which is to invest in central locations in major cities, where there may be a shortage of land supply but strong growth in, for example, the population, the economy, and infrastructure spending. Paul recognises that in a flourishing economy, you can do well as a property investor, but that it's important to help you understand that choosing your investment properties carefully can buffer you against periods when market conditions are not flourishing.

ABOUT NOVA FINANCIAL

Nova Financial Group is a multiple award-winning, privately-owned and independent buy-to-let property and finance advisory company.

The group assists clients in:

Nova's management team have successfully advised thousands of new and experienced UK and overseas property investors during their decades in the industry. They don't sell their own products and can therefore provide you with objective advice rather than sales-oriented guidance. Nova provides one-stop expertise, together with a range of educational services, under one roof from their centrally located offices in London, Birmingham and Manchester.

Nova also have a **YouTube channel** with lots of useful content for property investors. In addition to this, you can read **Nova's independent reviews on TrustPilot.** Paul can be contacted directly on pm@nova.financial or at head office on 0203 8000 600.

THE MINDSET OF THE SUCCESSFUL INVESTOR

A blueprint for success

1. When it comes to investing in property, it's important to think about it unemotionally and be commercially-minded. It is an investment with the ultimate aim of making money.

2. Many think that once they have rented out their property, the major part of their work is done. In fact, it's the beginning of the longest phase of the landlord life cycle, i.e. management and ownership. You are simultaneously dealing with tenants and managing your asset.

3. Even if you are in a full-time job, you need to stay up to date with the latest landlord issues, taxation and over 400 pieces of legislation and regulation.

4. Make full use of the resources available to landlords. Use resources and materials produced by specialist Buy to Let and financial services companies like ourselves, landlord forums such as Property Tribes, speak to experienced landlords and most especially consult professional advisers. Inform yourself as much as possible and keep your knowledge up to date. Think of yourself as a 'professional landlord', not an 'armchair investment'.

5. Property has been a changing market in recent years and what worked five years ago may not apply today. Adapt your strategy regularly to take account of changes in the market.

6. Put yourself in the shoes of your potential or actual tenant to really understand what they will find attractive about your property. Accept this may not be quite what you want, whether it's size of property, décor, or amenities, defer to what is desirable to them.

7. Ensure you thoroughly understand property investment figures and calculations, find fool proof ways of working out whether you are getting a return for your investment. Capital growth and rental income are the two types of return on property, but can mean different things depending whether you bought outright or have a mortgage. A specialist adviser will help you understand what a realistic expectation is in terms of return.

UNDERSTANDING INVESTMENT CALCULATIONS

It's really important when setting out, especially if you are a newcomer to the property market, to develop good financial sense and learn about money and what to do with it. When people invest in shares, for example, they generally think about this quite unemotionally and with their 'business head'.

However, when it comes to investing in property, people can be quite emotional about their project. Therefore it's essential to develop the correct mindset from the start, and view the property as an investment, rather than focussing on what you want and what you like.

This means investing in a property that suits your desired target population, rather than buying a property you like. This applies to taste in interior decoration too. Emotional attachment means that some people overspend on creating, for instance, a bespoke apartment with designer features because that is their personal taste. However, for a rented property, this doesn't generally increase the achievable rent. Focussing on creating a fresh, clean home that's easy to maintain is more likely to succeed as a strategy.

As Paul points out, ***"Most people are investing in a property to make money, because that is what investing is about, so it should be viewed that way."***

Crunching the numbers

Anyone can buy a property and let it out. However to do this successfully so you make money from it, you have to understand what returns to expect from a property purchase and rental and be sure this investment will not just give a return now, but in the future too.

Buying with a mortgage

If you've bought with a mortgage, which is what most people should do, the income returns, Nova Financial aim for clients to achieve a 10% net on the funds invested based on a 75% mortgage.

Yield calculations

For example, if you have a deposit of £50,000 and buy a property for £200,000, the property needs to generate a minimum of £5,000 net of expenses, but pre-tax. Not all properties or areas around the country will allow you to deliver this return.

Paul Mahoney: *"This is looking at the finances from a yield perspective, that £50,000 pound deposit can help you buy a property for £200,000 and yield wise you would want to achieve around £5,000 pounds of net cashflow, post expenses pre-tax. I believe this is quite achievable while it is possible to borrow at 2% or 3% and achieve yields of around 6% or 7% gross on the asset value."*

Calculating the return on your investment from the rental income: -

Rent-costs / deposit you paid for the property

I.e. £5,000 / £50,000 = 10%

Calculating the return on your investment from the capital growth: -

If the property grows in value overtime, on average, at 5% each year: -

£200,000 x1.05 = £210,000

So, after the first year, you would have received £5,000 net of rental income and a growth in capital value of £10,000.

This is total annual return of £5,000 + £10,000 = £15,000

A £15,000 return based on a £50,000 cash investment means an annual return of 30%*

*This is a gross return on your investment, for a net return, you will need to consider purchase, refurbish and sale costs as well as tax you may have to pay.

Paul Mahoney comments, initially, *"I think everyone will agree that a 30% return on your cash every year is a really good return. I think far too many people overlook that leveraging a property really helps to boost your return on the cash you have invested. That's why we like property, and the fact that we can achieve relatively average returns on the asset value.*

With returns like this being available – for the right properties in the best areas - this means you don't necessarily need to take too much risk or try to maximize yields or maximize growth. My advice is to invest in the type of properties that are relatively conservative, as it can give you confidence you will receive those returns, overtime."

PITFALLS TO WATCH OUT FOR WHEN CALCULATING PROPERTY RETURNS:

- Rapid, high returns involve high-risk investments which may come to grief, especially if you don't understand complex projects, have a mindset that property ownership is not a fast track to making money.

- Some people leave the 'number-crunching' in the hands of their professional advisers because they don't fully understand the calculations involved in property investment. It is important to understand and query the different types of return, and also to know how these figures are arrived. Knowing the figures gives you a realistic idea of what return you can anticipate and how this can be done without taking risks to maximise yields or growth.

- Check the calculations – whether yours or someone else's - are accurate. Always look at your rental income and capital growth net of your costs and make sure you have included everything, including contingency plans such as the cost of having to evict a tenant who hasn't paid their rent for several months.

- Understand the 'real' costs of letting. For example: -
    * With rental income, on average you should account for 3 weeks of voids per annum. So if the rent is £750 per month, your rental income should be calculated at 11.3 months NOT 12 e.g. £750 x 11.3 = £8,475
    * When calculating capital growth, check what you can deduct to reduce to your tax bill, for example replacing and upgrading windows.

- Self-managing may save you some money in the short term but if you don't keep up with the 400+ rules and regulations you need to abide buy to let a property safely and legally and the regular changes to these rules, you're property's Local Authority can fine you up to £30,000 for each individual breach of renting rules and regulations. Remember lettings fees are tax deductible, so not using a qualified one may be a false economy.

- Be wary of spending huge amounts on décor of your property and of decking out the property to reflect your own taste. While this might make it slightly more desirable, it may just as well not, and the money you spend is not likely to be realised in your returns. Freshness and cleanliness, and a calm, inoffensive colour scheme, rate highly with most tenants. As Paul says, ***"We always recommend that our clients keep their properties relatively neutral in colour, because having, for example, a red carpet would probably turn quite a few people off."***

IMPORTANT POINTS TO REMEMBER IN PROPERTY INVESTMENT

- No strategy is ever 'one size fits all'. The way you approach your investment is unique to you and should reflect your starting point, your financial position, your attitude to risk, and how much time you want to spend on managing your investment.
- 'Look before you leap': do your research, inform yourself and consult a professional adviser before leaping into the investment market, or ahead to the next stage of your property investment plan.
- Make sure you have a detailed strategy and have identified your own personal goals before investing in your first property. If you already own buy-to-let property, evaluate your strategy and goals as you proceed. These need to suit your own approach and your own personal circumstances.
- Don't expect to make huge returns over a short period for a modest investment, unless you are prepared to take a lot of risk. For gross returns on a property (UK average) 5% growth and 5% yield per annum is quite achievable. With regards to a net yield on equity, 5% per annum is a realistic expectation.
- It's a mistake to invest in complex schemes when starting out. Begin with simple, low-risk projects that are easy to understand while you grow in experience and understanding. Once you're more experienced, this is a good time to think about more complicated plans.
- When investing further, think carefully about how 'hands-on' or 'hands-off' you prefer to be. This will determine the type of investment that will work best for you.
- At each stage of your property investment journey, consider whether your investment is still working towards the end-goals that you established when embarking as a landlord. Consider which changes in your strategy might help you better achieve those goals.

Watch, listen, read Paul's advice: or meet Nova Financial advice in person!

Watch Paul's advice on video.

The Buy-To-Let Blueprint is powered by Nova Financial and is co-presented by Paul Mahoney MD and also founder of Nova. Paul shares his thoughts on property investment in general and his approach as a landlord and investor to building a portfolio.

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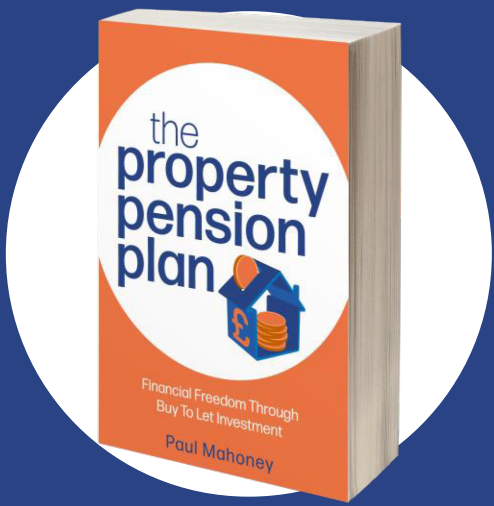
You can obtain a free copy of Paul's book, paying postage only, by clicking here and completing the form; or from Amazon by clicking here.



Listen to Paul's the property pension plan book on Audible.

You can also listen to Paul's audiobook by clicking on the Audible link here.

Meet Paul and his team in person

Nova Financial Group are financial advisors specialising in buy-to-let property investment. Nova helps clients to have full control and flexibility of property and investments. They approach property investment by assessing risk versus return, and focusing on fulfilling their clients' investment criteria. They use stringent selection criteria and select only those opportunities most suitable for in-depth analysis and potential recommendation.

You can check out Nova's independent reviews on TrustPilot. Paul can be contacted directly on paul@nova.finanical, or call Nova Financial Group's office on 0203 8000 600.