Building wealth securely through property investment

Odyssey is a specialist planner who assists client’s with their wealth creation goals through direct property investment.

Providing our clients “Complete Financial Security”
The first step is the most important in your journey towards financial independence.
Financial independence is attained by very few people, we all have relatively the same opportunities, it’s what we do with our opportunities that makes the difference. We have put together a wealth creation plan that guides our clients towards financial independence. The plan is based upon a complete understanding of our clients current situation, careful planning, strategic implementation, ongoing management and regular reviews, and most importantly having a team of financial experts supporting them each step of the way.

We are committed to assisting our clients in becoming financially independent by building wealth. We provide clear direction and advice within the areas of financial planning, mortgages, property investment, superannuation, risk insurance and investment.

With our advice, guidance and mentoring many Australians are building their wealth through property investment. After an initial consultation we complete a statement of recommendation and a financial plan which will guide you towards financial independence. Our team is here to help and support you wherever you may be in your financial journey.

The most important thing in preparing and working towards financial independence is to actually do something about it. The vast majority of people just wait for things to happen, and when they realise that they need to act, it will most probably be too late.
Odyssey Financial and Nicholas Don

The principal of Odyssey, Nicholas Don has been a property investor for over 20 years, and commenced in the finance industry in 1989 with Citibank. Nicholas has won many national and state awards within the financial services industry for customer service, volume achievements and sales results.

Nicholas’ qualifications include being a fully licenced real estate agent, a qualified financial planner and holds an ASIC licence for mortgage broking. Nicholas has been the key note speaker at many seminars in Australia and also in Asia covering topics including; Property investment in Australia, Self Managed Super Funds, Improving your cash flow, First time investors, Stay at home and invest, Success is all in the mind and many more.

Odyssey has assisted over 1,600 families commence their journey towards financial independence. Odyssey consultants are trained and accredited to discuss all aspects of property investment and financial planning.

Odyssey has identified and selected professionals in all the necessary areas required to provide a complete service for first time investors through to experienced portfolio builders. Most importantly Odyssey manages and facilitates all professions and people involved in this process for you. You have one point of contact that directs and facilitates the complete process of property investment. This is all supported by ongoing newsletters, communication, information and regular reviews to ensure that you are on track to reach your financial goals.

Investing in property requires you to find, assemble and facilitate a team of professionals including;

- Finance brokers
- Financial planners
- Buyers advocate
- Real estate agent
- Solicitor or conveyancer
- Quantity surveyor
- Property management
- Accountants

Odyssey delivers all these services with one point of contact, however if you are already dealing with a preferred person within one of these professions you can continue working with them and Odyssey will include them in your personalised alliance team of professionals.
Don’t let this happen to you

It’s very easy to defer decisions especially on financial matters, however in order to build wealth effectively you need to plan ahead. The earlier you start the easier it will be later on in life. After 20 years in financial services we see and hear things every day from clients that remind us why we feel so good about what we do. Don’t let any of these thoughts, words or actions become a reality for you.

- Needing to work well into your “retirement years”
- Reducing your standard of living to make ends meet.
- Needing to read the price tag on everything you buy.
- Having to return to work, maybe even part time.
- Having to apply for a pension.

Don’t let these words become a reality

- “I should have done something about it years ago!”
- “If only I had...” “What if”
- “Why didn’t I listen?” “I could have...”
- I had plenty of equity, why didn’t I use it?
- I was on a high salary, where is all the money?

By planning you may be able to

- Earn a passive income from your assets.
- Not have a care in the world financially.
- Travel and enjoy life to the fullest.
- Decide when to retire, maybe years earlier than you thought possible.
- Take your grand children on an overseas trip.
- Receive a tax free income from your superannuation.
- Establish a self managed super fund and have a say with your superannuation.
Things you need to know

80% of the wealthiest Australians achieved wealth due to them investing in property.

The average family pays approximately $30,000 in personal taxes per year, which can be used to assist in owning an investment property through negative gearing.

Over 75% of Australians in retirement live on an average income of less than $260 per week.

Many people have unrealistic expectations for their retirements. Many believe their superannuation will be more than sufficient to live a comfortable retirement, or perhaps that the government will all of a sudden be flush with funds and pensions will be increased substantially from the current levels which are miserably low.

Only 5% of superannuation balances are sufficient for the retiree to live a comfortable life on. Current statistics show the average payout at retirement is less than $140,000 for males and $45,000 for females and 80% of payouts are less than $70,000.

It’s estimated that for you to retire on 40% of your pre retirement income you would have needed to contribute a minimum of 12% of your annual income for 40 years.

As far as the age pension is concerned the age limit is continually increasing, and the actual pension amount is not keeping pace with inflation.

An additional drain on the country is the ageing population whereby in 2010 for every retiree there are 5 taxpayers, by 2040 for every retiree there will be 2.5 taxpayers. In addition to this, our life expectancies are growing annually with advances in medicine. So unless you are self funded and financially independent, retirement may not be something to look forward to or you may even have to work for a number of years beyond when you initially planned to retire.

“Less than 15% of the population retires financially independent.

And of those people, less than 25% retire wealthy”
Why you need to plan

Being able to retire or to have the choice of whether you need to work is generally based on your level of financially independence. Financial independence is achieved by being able to live comfortably from the income derived from your assets.

When you consider what income is needed in your retirement, it’s important to remember that when you are not working, you tend to travel more and spend more due to additional free time. It may also be a time when medical expenses increase and your family needs financial assistance.

Retirement is not a time when you only budget on requiring say 60% of what your pre retirement income was. Usually a retired person / couple will require approximately 85% - 90% of their pre retired income. And remember this increases each year with inflation.

It’s also worth noting that when you are at retirement age, you have probably been working close to 40 years, is this really a time of your life where you should have to budget and watch how you spend your money? Unfortunately, this is the case for over 90% of retirees. When working out your retirement financial needs remember that inflation eats into your value of money, and MUST be factored in.

Assets needed for a passive income

If in today’s money you require $80,000 to live comfortably, in 15 years time with inflation at 3% you may need $135,000.

To earn this from investments returning say 5%, you would need approximately $2,700,000 of income producing assets. And remember income producing assets do not include your personal residence or other personal effects!
Uncertainty and fear are the major causes of procrastination. Putting an investment decision off to a later date can be extremely costly in the long term. You may have been thinking of investing in property for a while but life gets in the way and suddenly you haven’t done it.

The property market is constantly changing and there is no guarantee that it will rise in the short term, therefore many prospective purchases put it off until later. No matter how much of an expert someone thinks they are, it’s impossible to pick the perfect time to buy but as long as you are investing for the medium or long term the best time to invest is “yesterday”.

Let’s have a look at what procrastination can cost an investor. Assuming 10% capital growth a one year delay can have a $50,000 effect on a $500,000 property. However later on when the property is worth say $1,000,000 that one year is in effect magnified to $100,000.

**On the following table you can see the effect of delaying 7 years. If you delay your decision to invest and you've only got 14 years instead of 21 years you're not missing out on $500k growing to $1m, you're actually missing out on $2m growing to $4m.**

<table>
<thead>
<tr>
<th>Years</th>
<th>0</th>
<th>7</th>
<th>14</th>
<th>21</th>
<th>28</th>
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<tbody>
<tr>
<td>Do it now</td>
<td>$500k</td>
<td>$1m</td>
<td>$2m</td>
<td>$4m</td>
<td>$8m</td>
</tr>
<tr>
<td>Procrastinate</td>
<td>$500k</td>
<td>$1m</td>
<td>$2m</td>
<td>$4m</td>
<td></td>
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</tbody>
</table>
Why property?

Property investment in Australia has proven to be a successful addition to wealth creation when included in an investor’s portfolio. Historically property in Australia has grown at just over 10% per annum for over 120 years which has represented a doubling of values each 7-8 years. This result is not guaranteed to continue however all indications are that property will remain the cornerstone of wealth creation in Australia. There are many indicators that are pointing towards long and steady growth of which we will detail and explain in this handout.

Median House Prices, Australian Capital Cities
(weighted average of prices in five main capital cities)

There will always be someone telling you not to invest in property because property values are going to drop, or will never rise again, or rise so slowly because... Here are some examples of the reasons some people thought property was in trouble:

- The two world wars
- Major conflicts in Vietnam, Afghanistan, Iraq
- Global crises including 9/11
- Depressions and recessions
- 1987 stock market crash
- The GFC
- Rising oil prices
- Natural disasters

...And through all this property over the medium to long term has kept on growing in value.
Why residential property can be a solid and safe investment

Property is often seen as an easy to understand investment as we all live in a home or apartment and therefore have reasonable knowledge in our own minds of what is good real estate and what is not. The key here is differentiating of what may be ideal or good for us to live in compared to what may be a good investment. One is an emotional purchase and one is purely financial.

Let's look at property as an investment class:

**Financial performance**

Property is a secure growth asset that provides income in the form of rent that grows with the property value.

Australian residential property has outperformed all other assets classes including the ASX, listed Shares, International Shares, Cash and Listed Property investments over the past 10 years. Well chosen property is almost guaranteed to increase in the long term due to the fact that land is a finite resource and populations are rising. The effect of this is that areas that are more attractive to live in generally rise in value at a greater rate than other areas.

<table>
<thead>
<tr>
<th></th>
<th>5 Years Return (p.a.)</th>
<th>5 Years Volatility (p.a.)</th>
<th>10 Years Return (p.a.)</th>
<th>10 Years Volatility (p.a.)</th>
<th>20 Years Return (p.a.)</th>
<th>20 Years Volatility (p.a.)</th>
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</thead>
<tbody>
<tr>
<td>Australian shares</td>
<td>12.4</td>
<td>12.4</td>
<td>10.2</td>
<td>11.8</td>
<td>10.1</td>
<td>12.9</td>
</tr>
<tr>
<td>International shares</td>
<td>3.8</td>
<td>11.3</td>
<td>0.6</td>
<td>12.9</td>
<td>6.6</td>
<td>14.3</td>
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<td>Australian listed property</td>
<td>6.2</td>
<td>15.9</td>
<td>7.3</td>
<td>12.6</td>
<td>9.9</td>
<td>11.5</td>
</tr>
<tr>
<td>Australian direct property</td>
<td>13.9</td>
<td>2.7</td>
<td>12.3</td>
<td>2.2</td>
<td>8.9</td>
<td>3.7</td>
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<tr>
<td>Residential property</td>
<td>8.2</td>
<td>4.5</td>
<td>12.8</td>
<td>4.9</td>
<td>11.6</td>
<td>4.8</td>
</tr>
<tr>
<td>Melbourne apartments</td>
<td><strong>8.5</strong></td>
<td><strong>7.0</strong></td>
<td><strong>13.4</strong></td>
<td><strong>7.2</strong></td>
<td><strong>12.3</strong></td>
<td><strong>7.5</strong></td>
</tr>
<tr>
<td>Australian fixed interest</td>
<td>5.5</td>
<td>2.4</td>
<td>5.6</td>
<td>2.8</td>
<td>9.2</td>
<td>4.2</td>
</tr>
<tr>
<td>International fixed interest</td>
<td>6.9</td>
<td>2.6</td>
<td>6.9</td>
<td>2.8</td>
<td>9.7</td>
<td>3.2</td>
</tr>
<tr>
<td>Inflation linked bonds</td>
<td>7.7</td>
<td>3.9</td>
<td>6.7</td>
<td>3.6</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Cash</td>
<td>6.2</td>
<td>0.2</td>
<td>5.7</td>
<td>0.3</td>
<td>7.4</td>
<td>1.0</td>
</tr>
<tr>
<td>Consumer Price Index</td>
<td>3.2</td>
<td>0.9</td>
<td>3.2</td>
<td>1.2</td>
<td>3.1</td>
<td>1.4</td>
</tr>
<tr>
<td>Average Weekly Earnings</td>
<td>4.2</td>
<td>1.0</td>
<td>4.1</td>
<td>1.3</td>
<td>3.9</td>
<td>1.5</td>
</tr>
</tbody>
</table>

Source: PCA/IPD, S&P/ASX, MSCI, REIA, UBS, Citigroup, AFMA, ABS, Atchison Consultants
**Tangible**

One of the most important attributes that property has is that it is tangible; you can see it and feel it. Property will never be worth nothing, its solid brick mortar and land.

**Leverage**

Banks view property as a more secure investment than other investment classes allowing investors to use debt and equity to leverage their investment portfolios up to 100% in some cases depending on available equity. Unlike other growth assets there are no margin calls with property loans. Due to the ability to leverage your deposit or equity an investment in property can substantially outperform other investments.

**Low Volatility**

Property is far less volatile than other growth assets. Owner-occupiers are less likely to sell during times of economic uncertainty dominate the Australian property market and investors have no reason to sell as long as they are structured correctly and have a tenant in their property. This stability supports the value of investment property.

**Liquidity**

Whilst less liquid than cash and shares, the sale and purchase of direct property is nonetheless transacted in a transparent and fluid market. To realise cash from the capital growth of a property isn’t restricted to having to sell the asset. It can be very easy to access equity to use for personal usage or additional investments.
Why residential property can be a solid and safe investment

Taxation

Direct property investment offers investors substantial tax advantages. An investor is able to claim all their costs of owning a property against the income from the property, including loan interest, running costs, repairs and maintenance, management fees and also non cash paid expenses like depreciation. If the claimed expenses exceed the income it is referred to “negative gearing”. Negative gearing can be used to offset the investor’s personal taxable income.

Sound Investment Fundamentals

The underlying fundamentals for residential property investment in Australia remain strong. Our population is forecast to grow significantly with some experts predicting that our population will grow to more than 35,000,000 by 2050. Our net migration exceeds 150,000 per month. The current and forecast imbalance between the supply and demand for residential property provides a strong case for future capital gains and growth in rental income.

Dual investment return

Property is a unique investment due to it providing an income return (rent), but also capital growth. The rental income grows alongside the property value. For example a property worth $400,000 might have rental income of $20,000 per annum which equates to 5% yield. The rent increases as the property value increases. So when the property is worth $800,000 the rental should also be approx 5%, resulting in a rental of $40,000.

Property is stable

One thing that keeps property values stable is that the residential market is made up of millions of individual investors all owning small amounts of property, which creates a patchwork of stability. In addition to this real estate remains strong due to maybe only 2 or 3 properties for sale at a time in any street.
Why invest in new property?

**Affordability**

New housing estates, new townhouse developments and new apartments are typically more affordable during the early phase of the sales and development cycle. As the development matures, values and prices generally increase over time. Early investors within these developments therefore enjoy the greatest benefit in the form of value appreciation.

**Tax advantage**

New properties offer greater tax advantage in the form of depreciation allowances and lower transaction costs in the calculation of state based stamp duty when purchased as house and land, townhouse or apartment purchased off the plan.

**Tenancy**

Tenants are attracted to new housing because many new developments offer contemporary lifestyle facilities, are built to modern design and planning standards and are positioned to take advantage of existing or planned community infrastructure.

**Repairs and maintenance**

New properties typically have lower outgoings in the form of repairs and maintenance. In addition newer properties have a builders guarantee.
But why do only 10% of Australians invest in property?

And then why do 90% of people who invest in property only buy one and stop there?

Many people feel that property investment is out of their reach for a number of reasons; it surprises many people that they may very well be in a good position to start investing NOW.

Many people wait until their home is paid off before considering property investment. There is no need for this, as equity can be sourced to enable you to borrow 100% of a property purchase price.

Likewise many potential investors think that they can’t afford the cost of owning an investment property. What they will learn and understand with our strategists is that after the tenants rent and tax rebates from negative gearing that the cost of owning an investment property can be as low as $100.00 pw. This “out of pocket” cost reduces annually as the rent increases and in many cases, by year 5 the cost of owning the property is break even.
But isn’t property investment complicated?

Not if you’re well prepared and know exactly what you are doing. Many people attempt to buy investment properties just as they did their home – with emotion. Investing in property has many moving parts and as long as each part is working in conjunction, you can be very successful in building wealth through property investment.

We ensure that our clients don’t have to tackle property investment by themselves. We manage the total process and all facets involved in locating, assessing, negotiating, purchasing, financing and managing properties.

Your advisor will work with you in establishing a property portfolio which will provide you strong consistent capital growth with increasing equity and income streams into the future.

One property may certainly put you in a more comfortable position than you would have been but it won’t create a life changing experience. A portfolio of two, three or four properties may change your life significantly and provide wealth and financial independence.

Property Investment pitfalls

Many people attempt to buy and build a property portfolio themselves yet only a very small % succeed. Why a vast majority fail can be as the result of a number of reasons:

- Not understanding how property investment works
- What is negative gearing? What is negative or positive cash flow?
- Equity is used incorrectly; you should have borrowed more or borrowed less
- They should have established a buffer account to cover property expenses
- Wrong location, the wrong type, doesn’t perform as expected
- They pay too much for the property, body corporate fees are too high
- They can’t claim depreciation, claim too little or too much
- Quantity surveyors don’t assess depreciation claims correctly
- There are unexpected costs prior to settlement
- The property manager provides poor service, doesn’t review rents correctly
- The property solicitor doesn’t identify issues in the contract
- Purchase in an incorrect entity
- Should have bought in a trust, as tenants in common, or with a self managed super fund
- The property doesn’t settle on time, incurring penalty interest charges
Many hours of research and analysis is undertaken before any property is recommended to our clients for investment. Property types are a constant source of discussion and debate amongst real estate agents, advisors and consumers. There is no hard and fast rule in relation to what type of property performs best in terms of rental return and capital growth.

Our due diligence covers the best performing type of investment property which is dictated by the demographics of a particular area. Overall however capital growth has been higher in smaller properties.

Town houses and apartments over the last 10 years have grown at a higher capital growth rate than traditional housing, and this trend seems to be increasing. People are wanting to live closer to the city, closer to infrastructure, public transport and they don’t want gardens to maintain.

Average household sizes are reducing which is driving the demand towards smaller properties including town houses and apartments.
Our complete property selection due diligence process includes:

Suburb Analysis includes a review and evaluation of:

- Location
- Surrounding amenities
- Actual or planned infrastructure
- Historic capital growth
- New or planned industry and employment opportunities
- Rental market and vacancy rates
- Construction levels
- Demographics of owners and renters in the area

Property Benchmarking, analysis and review of:

- Project developer and previous history
- Builder performance and quality
- Development approvals from council and or VCAT.
- Project funding approvals
- Project amenity (pool, golf course, gym,)
- Price per square metre
- Outgoings (body corporate, rates and government taxes)
- Past and current project sales activity
- Potential gross rentals (income)
- Depreciation levels via a quantity surveyor
- Cash flow analysis
- Finish quality and inclusions
- Project positioning
- Competitor analysis
Approved Properties

After completing due diligence suitable properties are approved.

Individual investment properties are identified and sourced through research, from industry contacts and through local knowledge. Securing the right investment property is the most crucial aspect of the investment process.

An independent relationship with developers, builders, real estate agencies and trade contacts provides Odyssey with access to a selection of some of the most sought after developments. A number of developments are provided to our clients on an exclusive basis.

Our network and reputation provides us with access to properties and projects long before they become available to the general public and we use our market knowledge, buying power / group rate and strength of relationships to indentify investment opportunities that individual purchasers could not access on their own.

With our comprehensive due diligence if we are able to identify a property or area that grows 1% more than another the rewards will be huge!

1% can make a BIG difference!

![Graph showing the difference in investment growth with and without 1% advantage.](image)
To build wealth in property it's necessary to have the “seven key service offerings” working together as one. Odyssey provides four internally; being mortgages and loans, real estate and property investment, financial planning and investments and personal risk management and insurances. Three service offerings are provided by external alliance partners being accountancy, property management and conveyancing.

Depending on your personal requirements you may want to use some or all of our services. For example your finances may already be in place and you purely want us to recommend and facilitate a property purchase. Alternatively your current superannuation fund may not have been performing and you wish for us to roll over your super to a lower fee or a more appropriate fund. Most of our clients however, prefer Odyssey to provide a complete service so that all areas of their finances are working together.

Our internally provided qualifications and services include;

**Financial planning and insurance**

Our advisors are qualified financial planners providing advice and assistance with;

- Financial planning
- Estate planning
- Superannuation and Self Managed Super Funds
- Investment education
- Budgeting advice and assistance
- Cash flow management
- Personal risk management and insurances
- Life insurance
- Total and permanent disability insurance
- Trauma insurance
- Income protection
- Investment advice including managed investments, direct shares, leveraged investments and international equities
Mortgages and finance broking

Odyssey holds an ASIC licence for mortgage broking and has accreditations with over 20 lenders and is a full member of the industry body; The Mortgage and Finance Association of Australia (MFAA). Odyssey and its advisors have won many state and national awards for quality and professionalism. With this experience Odyssey is well positioned to advise and structure your loans either with your current lender or a new lender with the best discounts and packages being facilitated. Not only are we able to provide the very best loan facilities, but we have the investment and financial planning expertise to guide and advice clients on how best to structure their loans, keeping in mind the twin goals of flexibility and tax effectiveness.

We can assist clients in financing home loans, personal loans and investment property loans, as well as refinancing and consolidating current debts and accessing equity for investment. We manage the loan process from initial lender and loan advice, loan submission, property valuation, documentation signing through to settlement.

Real estate and property investment

The principal of Odyssey holds a full real estate licence in all states of Australia, our advisors hold agents representative licences for real estate and are qualified to provide property investment advice.

We source and recommend properties according to a strict due diligence criteria which ensures that any property we recommend or endorse will provide our investors with exceptional capital growth and income returns whilst minimising risk.

Many of our recommended properties are not available on the open market due to us being able to negotiate preferential and exclusive access with developers and vendors. Odyssey acts on behalf of the property investor as opposed to the vendor and as such negotiates on behalf of the buyer, acting as the necessary counterpoint to the vendor's representative, the buyer's agent. We always act in the best interest of our clients by taking emotion out of the search, negotiation and the due diligence process which creates a transparent investment opportunity.

Odyssey advisors and strategists can assist you with everything that you need as a novice or an experienced investor from education, budgeting, finance and loans, property advise and recommendation, buying assistance, financial planning, to property management and regular reviews.
Your financial future is very clearly up to you

Even though your future is up to you, we don’t expect you to put together your own financial plan and implement it. We will assist you in taking the chance out of wealth creation and will work with you every step of the way towards financial independence.

The most important thing is the earlier you start a wealth creation strategy the more chance you will gain true financial independence.
We know property...

We offer a complete solution for clients seeking a professional and independent advisory service for when they enter the real estate market to purchase, sell or lease a residential property.

We have a variety of clients, from first time investors to experienced portfolio builders all having one thing in common. They’re looking for a trusted solution which can assist their wealth creation plans.

Odyssey removes the emotion and provides clarity to help you make the right purchasing decisions.

By becoming your buying agent we will:

- Conduct property, location and industry research
- Source property from around Australia direct from developers and vendors
- Conduct due diligence on a recommended purchase
- Complete a full financial analysis of the recommended property
- Eliminate common purchasing mistakes
- Negotiate favourable terms
- Manage or sell existing properties through alliances
- Save you time, stress and money
- Always act in your best interest

Odyssey can assist you with identifying emerging suburbs, confirming established blue chip locations and even presenting properties not yet advertised to the wider market.

Additionally Odyssey offers other professional services which include:

- Auction bidding
- Private property negotiation
- Property renovation
- Furnishing and decoration for your property
1. Investors:

Those looking to start or add to their investment portfolio with properties that will not be their primary residence. These clients look for strong capital growth, high occupancy and strong and consistent financial returns. There are a number of benefits that Odyssey can provide property investors.

Time

Odyssey saves time by showing you properties that are only of interest to you. Our thorough investigation unearths properties that may not be currently advertised to the general public. This allows you the opportunity to enjoy your spare time while we search for the right property based upon your specific requirements.

Maximise property investment opportunities

We identify properties available that represent value and advise our clients accordingly. We have access to many developers, both small and large and are advised about developments well before any marketing is commenced. In many cases a complete development is sold out before any member of the public has an idea a new development is proposed.

Analysis

We provide an extensive and accurate financial report prior to recommending a property to a client. The report contains information on price, capital growth, expected rent and yield, potential depreciation on building and fixtures and fittings, body corporate costings, local amenities and suburb demographics and features.

Negotiation

We negotiate real estate transactions regularly. Our experience allows us to be objective with agents and know what questions to ask to determine the absolute lowest price possible. We also insert special conditions in the contract that provides real value for our clients.

Management

We have an alliance with excellent property management firms who specialise only in management. It is imperative that the property management and tenant selection process is outsourced to professionals. Cost cutting here can cost you many times the initial cost required using a professional.
2. **Owner Occupiers:**

Those who are looking to buy their primary residence and feel as though they will benefit from a third party representative or buyers agent who can take the emotion out of their purchase. Such representation would also be used to negotiate the best deal possible once the right property is identified. Odyssey will hold your hand through the buying process including negotiation, bidding, contract signing and settlement.

3. **Landlords:**

You may have engaged our services to purchase an investment property or you might already own an existing portfolio of properties. In both cases, our experienced and dedicated Property Management alliance partner can manage your property to provide you with the best financial outcomes. Services include tenant search and selection, communication between tenant and landlord, property maintenance and regular inspections & rental reviews.

4. **Sellers:**

The process of selling your home or investment property can be fraught with stress and emotion and despite the best intentions of the appointed agent; they may not always have the time or desire to stay committed to your case.

In the role of objective representative, Odyssey can select and interview a possible real estate agent and act as an advisor and intermediary throughout the campaign of sale.

Odyssey has experienced personnel who can advise on property presentation and the manner and extent of possible improvements if deemed necessary. Other crucial marketing and campaign strategies can also be created with the agreed approached managed with the real estate agent throughout the process.
We understand that everyone has their own individual requirements and that our clients are at different stages of their lives, have different levels of knowledge and different investment risk profiles. Some just want to see the numbers, others prefer the theory of investment and some want education and then go off on their own. No matter which type of investor you are, we will tailor a service package specifically for you.

There are a number of stages involved from initial meeting to implementation of your personalised strategy. The stages can differ depending on your personal situation and requirements.

**Fast track property recommendation**

Some of our clients have their funds already in place for deposit and are current investors who are ready to buy. In this case we can go straight to the property recommendation meeting as long as we are advised of a price range, your budget and details of any currently owned properties so we can ensure a balanced portfolio.
The Odyssey process...

Financial Review

The initial meeting is a general discussion and personal financial review which covers the following areas and will summarise how we can assist you to build wealth and become financially independent.

The review covers:

• Your financial situation including loans, insurances, superannuation and retirement goals
• Current properties and debt structures
• Financial independence timeline discussion
• Debt reduction strategies
• Self Managed Super Funds compared with traditional superannuation funds
• Insurances including income protection, life, disability and trauma
• All aspects involved in buying and owning property
• Negative gearing and how it can assist with owning an investment property
• Cash flows, budgeting and savings needed to put towards a property investment
• Property investment strategies including how to build a portfolio that pays you an income and builds wealth
• How we identify appropriate properties, including our due diligence process
• Explanation of a PIA (property investment analysis)

Depending on your situation and comfort level after this meeting we may move directly to the property presentation meeting, or we may need to obtain finance approvals before any further discussions.
Recommendation and implementation

This meeting will review your initial meeting queries and will then detail our recommendations which will centre on improvement of borrowings, reducing cash flow, ability to invest for the first time or assistance to add to a current portfolio.

If you are comfortable, then implementation of these recommendations may commence. Areas of discussion and activity may include the following:

Finances

If loans need to be restructured or refinanced, these are commenced. This may be with your current lender or a new lender. The new loans may provide improvements in relation to lenders, loan structures, cash flows or the establishment of a buffer account for property expense payment to cover cash flow shortfall. These recommendations and changes are based on the findings from your initial review meeting.

Based upon discussions and if you are in a position to invest a loan pre approval application will be completed to provide a smooth reservation and purchase process including access to funds for a property deposit in preparation for your meeting when selecting a property.

Property investment

Based upon your cash flow, savings, equity or deposit we may recommend a property investment or an expansion of your current portfolio. A full overview of this strategy will be covered including:

- Property portfolio time line and recommendation
- Estimated property investment analysis
- Cash flow estimates needed to acquire and own an investment property
- Buying property with a self managed super fund
- A specific property will be profiled at the property recommendation meeting
The Odyssey process...

**Property presentation and recommendation**

Once your finances are approved and you have decided to invest in a property we will present suitable properties based upon your profile, borrowing parameters, cash flow and personal preference.

We manage the total process from recommendation of a specific property, reservation of the property, contract completion, inspection of the completed property, settlement and property management.

**There are 5 steps between deciding on a property and actually owning it**

**Reservation of the property**

Based upon your approval and decision on a particular property you will be asked to “reserve the property” This takes it off the market and at the same time allows your finance application to proceed to full approval if not already approved. A $2,000 part deposit is payable which will form part of the 10%.

**Contract completion and execution**

Within a week we will complete a contract of sale. Once signed, it will then be forwarded to the vendor for execution and your solicitor will receive a copy. If required, we can recommend a solicitor to act on your behalf with conveyancing if you don't have a preferred one of your own.

**Deposit is paid for your purchase**

Within 14 days the vendor’s solicitor will require the balance of a 10% deposit for the new purchase. The deposit can be by deposit bond, cash deposit from loan proceeds, from savings or a bank guarantee. We will advise you on the most appropriate method. The deposit is held in the vendors solicitors trust account.
Pre-settlement activities

Before settlement a number of other activities are carried out and managed by Odyssey and our alliances partners including:

- Mortgage and loan documentation including transfer of land is signed and executed for your purchase. This can be done with our settlement manager
- Quantity surveyors are instructed to prepare a depreciation schedule
- Pre-settlement inspection can be arranged for the purchaser by yourselves or with an authorised building inspector
- A property manager will be appointed to locate a suitable tenant
- Property insurances will be implemented
- Your accountant will need to prepare a 15:15 tax variation for your negative gearing and tax rebate

Settlement

Settlement is triggered by the issuance of a certificate of occupancy and the registration of the plan of subdivision for an apartment or town house, or purely the registration of a title for a standalone dwelling.

Odyssey will ensure all aspects and timing of the settlement is completed. This includes liaising with all parties on your behalf involved in the transaction including your lender/s, the lender’s solicitor, the vendor’s solicitor and your solicitor.

Periodic reviews

It is imperative that you make time for regular reviews with your advisor so that you remain on track to reach your financial goals.
Property investment analysis

Within a property presentation a full financial analysis of the investment will be provided through a Property Investment Analysis, or “PIA”. The software will compute cash flow projections for up to 40 years and has facilities for changing more than 100 variables including property price, rent, capital growth, inflation, deposit, loan type and more. The Internal Rate of Return (IRR) and the cost-per-week are recalculated automatically whenever a change is made.

The PIA report is to be used as a guide only and although Odyssey Financial has taken all necessary care in compiling the analysis, the purchaser will not hold either party or any other alliance partners responsible for any misunderstanding, misrepresentation or the accuracy of the figures contained therein. A purchase should not be based upon the projected results within a PIA report.

Over the next few pages are a few of the reports available.
This is the overall summary page where we enter in many different variables and assumptions. You will notice that at 7% capital growth the equity achieved with this investment is estimated to be $499,754 after 10 years.

## Summary

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>Projected results over 20 yrs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property value</td>
<td>Property value</td>
</tr>
<tr>
<td>$525,000</td>
<td>$2,032m</td>
</tr>
<tr>
<td>Initial investment</td>
<td>Equity</td>
</tr>
<tr>
<td>$0</td>
<td>$1,499m</td>
</tr>
<tr>
<td>Gross rental yield</td>
<td>After-tax return /yr</td>
</tr>
<tr>
<td>4.66%</td>
<td>27.46%</td>
</tr>
<tr>
<td>Net rental yield</td>
<td>Net present value</td>
</tr>
<tr>
<td>3.46%</td>
<td>$1,101m</td>
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<tr>
<td>Cap. growth rate</td>
<td>IF SOLD</td>
</tr>
<tr>
<td>7.00%</td>
<td></td>
</tr>
<tr>
<td>Inflation rate</td>
<td>Selling costs &amp; CGT</td>
</tr>
<tr>
<td>2.00%</td>
<td>$426,883</td>
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<tr>
<td>Interest rate</td>
<td>Equity</td>
</tr>
<tr>
<td>7.00%</td>
<td>$1,072m</td>
</tr>
<tr>
<td>Taxable income</td>
<td>After-tax return /yr</td>
</tr>
<tr>
<td>$175,000</td>
<td>25.58%</td>
</tr>
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</table>

### Computer Projections

<table>
<thead>
<tr>
<th>End of year</th>
<th>2011</th>
<th>1yr</th>
<th>3yr</th>
<th>10yr</th>
<th>15yr</th>
<th>20yr</th>
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<tbody>
<tr>
<td>Property value</td>
<td>$525,000</td>
<td>561,750</td>
<td>643,148</td>
<td>1,033,1m</td>
<td>1,448,1m</td>
<td>2,032,1m</td>
</tr>
<tr>
<td>Purchase costs</td>
<td>$8,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>$0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan amount</td>
<td>$533,000</td>
<td>533,000</td>
<td>533,000</td>
<td>533,000</td>
<td>533,000</td>
<td>533,000</td>
</tr>
<tr>
<td>Equity</td>
<td>-$8,000</td>
<td>28,750</td>
<td>110,148</td>
<td>499,754</td>
<td>915,492</td>
<td>1,499m</td>
</tr>
<tr>
<td>Capital growth rate</td>
<td>7.00%</td>
<td>7.00%</td>
<td>7.00%</td>
<td>7.00%</td>
<td>7.00%</td>
<td>7.00%</td>
</tr>
<tr>
<td>Inflation rate</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
</tr>
<tr>
<td>Gross rent /week</td>
<td>$480</td>
<td>24,461</td>
<td>28,005</td>
<td>44,970</td>
<td>63,073</td>
<td>88,463</td>
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<tr>
<td>Cash deductions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest (I/O)</td>
<td>7.00%</td>
<td>37,310</td>
<td>37,310</td>
<td>37,310</td>
<td>37,310</td>
<td>37,310</td>
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<tr>
<td>Rental expenses</td>
<td>25.13%</td>
<td>6,272</td>
<td>6,526</td>
<td>7,496</td>
<td>8,276</td>
<td>9,137</td>
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<tr>
<td>Pre-tax cash flow</td>
<td>$0</td>
<td>-19,121</td>
<td>-15,830</td>
<td>164</td>
<td>17,487</td>
<td>42,016</td>
</tr>
<tr>
<td>Non-cash deductions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deprec.of building</td>
<td>2.50%</td>
<td>6,250</td>
<td>6,250</td>
<td>6,250</td>
<td>6,250</td>
<td>6,250</td>
</tr>
<tr>
<td>Deprec.of fittings</td>
<td>$34,170</td>
<td>5,369</td>
<td>4,776</td>
<td>811</td>
<td>2,596</td>
<td>1</td>
</tr>
<tr>
<td>Loan costs</td>
<td>$0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total deductions</td>
<td>$175,000</td>
<td>12,726</td>
<td>11,118</td>
<td>2,856</td>
<td>-3,582</td>
<td>-16,576</td>
</tr>
<tr>
<td>Tax credit (joint)</td>
<td>$0</td>
<td>-6,395</td>
<td>-4,712</td>
<td>3,020</td>
<td>13,905</td>
<td>25,440</td>
</tr>
<tr>
<td>After-tax cash flow</td>
<td>$0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rate of return (IRR)</td>
<td>27.46%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-tax equivalent</td>
<td>46.94%</td>
<td>123</td>
<td>91</td>
<td>(58)</td>
<td>(267)</td>
<td>(489)</td>
</tr>
</tbody>
</table>

Disclaimer: Note that the computer projections listed above simply illustrate the outcome calculated from the input values and the assumptions contained in the model. Hence the figures can be varied as required and are in no way intended to be a guarantee of future performance. Although the information is provided in good faith, it is also given on the basis that no person using the information, in whole or in part, shall have any claim against Odyssey Financial· Melbourne, Xclusive property, any other alliance partners, its servants, employees or consultants.
This report demonstrates when the property investment moves from a negative to a positive cash flow position. You will notice with this example that in year 8 the investment is cash flow positive, however still providing negative gearing.
This report shows us who is actually paying for the property. The tenant, the ATO or you. For example in the first year your contribution is only 15% of the total costs of owning the property and this reduces each year as per the far right hand column.
Buying “Off the Plan”

Buying off the plan is when you sign a contract to purchase a property when it has not been built yet or is under construction. There are many benefits with this buying strategy:

Benefits

- You receive full depreciation benefits with new investment. As a new property you can depreciate the building over 40 days and the fixtures and fittings over 10 – 15 years
- There can be substantial stamp duty savings in some states. These can amount to close to $20,000 in savings
- You are buying in “today’s” $ and settling in tomorrow’s $
- You have locked in a purchase price and are not paying for it until it is complete
- Possible input with colours and inclusions
- Long settlement which allows potential for capital growth
- More choice when you are buying in a development

Purchasing entity

Investing in property can either be completed in your personal name, a family trust, as tenants in common or with a self managed superannuation fund. In a number of cases our investors have purchased both privately and also through their superannuation. All strategies will be discussed during our assessment and review meetings to identify the most appropriate structure.
Property Investment through your Superannuation

During 2007 superannuation legislation changed to allow self managed superannuation funds (SMSF) to borrow for the purchase of residential and commercial properties. We have a complete stand alone document that covers this strategy.

This strategy can be looked at if you already have a self managed superannuation fund or if you have superannuation in traditional funds. As a guide you and your partner would need approximately $150,000.

There are a number of reasons why you may consider borrowing to invest in property through your SMSF.

- You may want to take more control over your superannuation.
- You may wish to diversify the investments that your superannuation is investing in.
- Buying a property in your superfund will not affect your day to day cash flow.
- You may have wanted to purchase property in your own name but for some reason you weren’t able to borrow.
- A business person may wish to purchase their commercial/industrial premises that their business is operating from.
- There are many tax benefits with buying a property in an SMSF.

Landlord insurance

Landlords’ Insurance is essential cover needed by investors. This provides protection to investment property owners against a number of events not covered by Building Insurance. Landlord’s Protection Insurance will cover you for:

- Malicious acts and theft by your tenants and loss of rent
- Accidental damages inside the property
- Denial of access to tenant by government authority

Specific policy information will be provided by your Odyssey advisor. The approximate tax deductible cost of insurance is $280.00 and is highly recommended. The cost of this is always factored in the Property Investment Analysis report.
General information

Appointment of a Property Manager

Property management is conducted through a leading property management firm. Your property manager looks after all ongoing investment property matters including:

- Tenant selection involving credit checks, personal references, and previous rental history checks.
- Periodic property inspections, rent reviews and lease renewals.
- Repairs, tenant queries and anything else in relation to your investment.
- Fees associated with property management generally are the initial leasing fees and ongoing management of approximately 7% of your rental.

Settlement solicitor

A property purchaser needs a conveyancer or solicitor to act on their behalf with a new purchase. We can recommend an excellent solicitor. Their fees are tax deductible depending on your circumstances.

Should a purchaser wish to utilise their own solicitor or conveyancer they agree not to hold Odyssey liable for any costs for delays in settlement of their property and any expenses such as penalty interest which may be due to the Vendor should any settlement delays occur. Allow approximately $880.00 plus government disbursements for the legal service.

Inclusions / exclusions – Fixtures & Fittings

All established properties are purchased in their current state and on an “as presented” basis. Please be aware that some items such as blinds and awnings, light bulbs, screen doors, and in some instances dishwashers and air conditioners may not be included.

Purchasers acknowledge that any items not included on the contract / list of fixtures and fittings are additional and would, if required by the purchasers, be at their expense.

Any property purchased off plan or prior to completion will have a list of inclusions in the contract of sale.
Contracts

A standard REIA contract of sale will be used to formalise the purchase. You may have the contracts vetted by your own solicitor if needed. The contracts will be executed and drawn up under a real estate licence.

Finance and loans

Your finance and mortgage professional will assist you with everything to do with your loans and deposit. They will assess your current loan facilities to ensure that you have the most advantageous loans and structures for your specific situation and most importantly will facilitate the finance and loans for your new property purchase. Our administration office works closely with all parties to ensure accurate and timely settlement.

Depreciation Schedules

Depreciation of an investment property's building and fixtures and fittings can form a very important part of an investor's financial situation. These “non-cash expenses” can depending on each investor's personal circumstance be deducted from any rental income, thus assisting with a tax refund. Specific depreciation on a particular property is obtained from a Depreciation Schedule which has been completed by a Quantity Surveyor.

A depreciation claim is only available on certain properties. Older properties may be totally exempt from a depreciation claim and what looks like a good investment may change to an average investment.

The cost of a schedule is approximately $500, which is tax deductible depending on the investor's personal circumstances.
General information

**Tax Variation**

Your tax refund through negative gearing can either be claimed annually which means you may receive one lump sum back from the ATO, or alternately to assist with ongoing cash flow you have the option to claim a section 15:15 tax variation. A variation allows your personal income tax that is taken from your gross salary to be reduced proportional to what would have been the annual return.

The variation assists investors to manage the Cash flow of owning negatively geared investment properties. We recommend that purchasers consult their accountant or a recommended accountant to complete the application for a variation to their personal tax.

**Body Corporate**

If you are purchasing strata titled apartment or townhouse there may be a body corporate appointed to manage the affairs of the complex on behalf of the owners. Please refer to the section 32 vendor’s statement attached to your contract of sale for further details. Before a property is recommended body corporate fees are reviewed to ensure that the fees are reasonable.

**Final Inspection**

Before settlement purchasers are encouraged to undertake an inspection. The inspection can be in the company of your property manager and/or registered building inspector. It is important that the purchasers take particular note of the inclusions and fit out to the property and make sure it is in keeping with the list of fixtures and fittings that was detailed in the contract. It’s also important to take note of any damage or incomplete work, which allows us to take the appropriate action to rectify any problems.
Documents needed for review meeting

Your advisor will need to have a complete understanding of your finances and cash flows before any recommendations can take place. If you can provide copies of the following at your review meeting.

- Home rates notice within last 12 months
- Other property rates notice within last 12 months
- Rental statement for any owned investment properties
- Recent mortgage statement for any/all mortgage loans
- Recent statement for any/all credit cards and personal loans
- Recent statement for savings account
- Recent superannuation statement and documents for all/any funds
- Documents on personal insurances; term life, TPD, trauma and income protection
- Any other relevant financial document

Income information

PAYG
- Most recent group certificate/s, or full personal tax return if completed
- 2 recent pay slip/s

Self employed
- Last 2 years personal tax returns
- Last 2 years company/partnership tax returns
- Last 2 years financials (profit and loss and balance sheets)
- Corresponding tax assessment notices
General Advice
This and any other document that Odyssey or any of its related entities gives you has been prepared for general information purposes only and not as specific advice to any particular person. Any advice contained in these documents is general advice and does not take into account any person’s particular investment objectives, financial situation and particular needs. During our discussions property estimates, growth figures and expected returns are all based on generally available information that can be obtained through daily publications or various property websites. Other quotes statistics have been sourced through census information and ABS findings. If a PIA report is provided the figures used are purely estimates and must not be used for making a decision. Before making an investment decision based on this general advice you should consider, with or without the assistance of a securities adviser, whether it is appropriate to your particular investment needs, objectives and financial circumstances. Any property purchase or investment decision is wholly the undersigned personal decision. Odyssey Financial, its employees, its affiliates, contractors are not tax accountants, financial advisors, investment advisors or any other specific advisor. All discussions are based on historic figures and information. This information was provided to the undersigned verbally and in writing prior to any discussions in relation to finance, investment or property. If our actions result in loss or hardship we cannot make a claim on Odyssey or anyone connected to Odyssey.