Securing your future

An introduction to sophisticated residential investing

Real Estate Together

Welcome

As I see things, millennials can't get onto the property ladder and their parents are blindly hoping to retire on luck. No one has taught us financial literacy.

I see a social malaise looming, with millennials resenting the property owning baby boomers, and the boomers approaching the golden years like a freight train with no brakes; not a clue and eyes shut tight.

Add to this a fast restructuring voting culture not so committed to providing benign pension schemes for their elders, and you have a recipe for social unease at best.

Yet most 50 and 60 year olds have strong home equity and often cash from small inheritances or small business sales.

And I know how daunting it is to approach Real Estate Agents, trawl through the markets, attend a few auctions... And then retreat back to thoughts of eventually 'downselling' the family home, buying a modest unit as close as they can afford, having a little cash for a while and hoping... For what?

So I've worked it all out - read on to see what I've planned for you.

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The bottom line is, you MUST be proactive and actively invest. Houses are too dear and if you're honest about maintenance, you'll get a 1% return.

Apartments in Auckland have a legacy, shared only by Vancouver, of remedial heartbreaks and breakups. Don't want that.

But Brick and Tile units have little old ladies in them forking out for the lawnmower man but not much else. No lifts, pool, gym, Building Manager, Body Corporate... And I've studied **thousands** of them for you.

A tried and true strategy

We currently trawl through the 180 units for sale any day down to – and view – 30 units a week (not a month...) From Papakura to Browns Bay to Swanson and back to Papakura. Of these we choose about 8 (that's 5%) that pass 'The Mother Test.' Guess, or ask us.

And we buy them FOR you for a modest, flat fee (which currently equates to just three more months of procrastination by you).

Or now you can even buy **part of a unit** (with your name on the title), from $50,000 upwards and you can probably steal that to get started... Or maybe even ask your parents?!

Would having multiple-stake investments spread across Auckland suburbs be even smarter than having all your eggs in one basket?

If a new mortgage on your home doesn't frighten you (the alternative will, believe me), I see an obvious, continued doubling of what I buy, each eight or nine years. Let's say 10 years and past the new Capital Gains Tax Brightline test.

Each one costs say $750,000; brand new ones less, and the most modest, researched, Compound Annual Growth Rate I will use is 9% pa. PLUS a taxable 3.5% nett estimated income paid monthly. Mathematically that's equivalent to 17% taxable.

I'll write it... **SEVENTEEN PER CENT.**

For the confused, $750,000 doubling in say 10 years gives you $750,000 tax free if you rely on the Brightline 10 year test.

Two of these will offer you $1.5 million and you can retire gainfully engaged in life from 70 years to at least 85 years... On $100,000 per year from that.

And you still own your family home.

So let's get started as the procrastination is costing you.

START NOW

Click through and ask for a seat at my next Auckland seminar (16 Byron Avenue, Takapuna) or request a ZOOM invitation. Please try to attend personally if you can (and we will be visiting other centres ASAP) because there is a lot to absorb and you need to meet me.

You'll hear more about 'New Zealand Inc' than Real Estate... And why I know New Zealand is going to get very, very expensive. Quickly.

How group investment works

Real Estate Together has taken the risk of buying your unit, reasons for the purchase and providing evidence of the original Sales & Purchase Agreement. We do not EVER on-sell to you for profit, we ASSIGN our Agreement to the group, no matter how well we buy.

Contributions from you are from $50,000 then in $50,000 steps. You will note from the Group Investment illustrations provided that BORROWING to invest might prove extremely viable and lucrative for you, even with the tax changes. We suggest this noting the Reserve Bank Governor is consistently exhorting that interest rates will remain VERY low for a VERY long time.

We can refer you to trusted experts on financing.

There are two fees:

BUY FEE	4% +GST on your contribution
TIC FEE	$2,000 +GST for our **Tenants-in-Common Group Investment Agreement** written with Russell McVeagh solicitors.

The **Tenants-in-Common Group Investment Agreement** binds each investor personally to his/her obligations (which are in practice none) and while viewable by your solicitor, cannot be altered. This is because each co-investor must sign precisely the same document.

The document is very clear and simply written, and we believe you will find no fault with it. Critical concerns like an EARLY EXIT from the investment and a VOTE TO SELL TRIGGER are detailed. We will ask to consult with you collectively on the timing to sell as we approach Brightline Test dates. Our personal attitude is that 10 year holds are practical and effective.

Fee examples

Example Contribution: $200k
You pay $211,500 for your proportionate share

Contribution	$200,000
+ 4% Buy Fee	$8,000 (+GST $1200)
+ TIC Fee	$2,000 (+GST $300)
Total	$211,500

$50,000 Contribution
You pay $54,600

$100,000 Contribution
You pay: $106,900

$200,000 Contribution
You pay: $211,500

$250,000 Contribution
You pay: $263,800

Once the property has been offered to all Real Estate Together clients the date order of subscriptions will apply.

On being advised of acceptance you will deposit your contribution to the Real Estate Together Trust Account, fees will be taken and the balance of the funds will be remitted to our solicitors for settlement.

We will tenant and manage the property for Industry standard management fees (currently 8.5% + GST of rent received + outgoings paid).

As an insured member of the Real Estate Institute of New Zealand our Trust Accounts are audited and the Sole Director, Martin Dunn, Fellow of the REINZ is solely responsible for transactions.

Simple 10 year group effect Illustrations

Calculation assumptions

- Based on borrowing rates 3% long term
- No rent increase for 10 years
- Compound Annual Growth Rate (CAGR) 9%
- Rent $590/week
- 'Nett Rent' means after rates, maintenance and property management costs
- You consult your tax advisers re CGT

1 Spare cash in bank

$200,000 x 1%
= $2,000 (less 33% tax)
x 10 years, compounding

= **$213,811** ...oh dear

$50,000 contribution = $53,449
$100,000 contribution = $106,902

2 Spare cash into new or existing unit

$200,000 cash contributed
to $750,000 unencumbered Unit
(includes float & legals)
= 25% share

3.5% initial nett rent
$26,250 x 25%
= $6,562pa (less 33% tax = $2,165) x 10 years
= $43,970

CAGR 9% x 10 years on $750,000 x 25%
= $443,881 + rent $43,970

= **$487,850**

$50,000 contribution = $122,700
$100,000 contribution = $243,920

If 'new' the Unit can be sold CGT free after five years, if 'existing' after 10 years.

3 No cash new unit

$200,000 borrowed @ 3% contributed to
$750,000 unencumbered Unit
= 25% share

3.5% initial nett rent $26,250 x 25%
= $6,562pa (less cost to borrow - $6,000)
= profit $562pa (less 33% tax - $376)
x 10 years
= $3,760

CAGR 9% x 10 years
= $443,881 + rent $3,760
= $447,641

Deduct $200,000 borrowed
and you should have made

$247,641

$50,000 contribution = $61,910
$100,000 contribution = $123,820

after tax for nothing except risk.

You should be able to sell from five years CGT free but we strongly advise against this. 10 years is suggested.

See our illustrations on the effect of selling before 10 years on page 7

Illustrations continued

4 No cash existing unit

$200,000 borrowed @ 3% contributed to
$750,000 unencumbered Unit
= 25% share

3.5% initial nett rent $26,250 x 25%
= $6,562 pa (less tax 33%)
= $4,396 (less $6,000 cost to borrow not deductible)
= -$1,604 loss x 10 years
= -$16,040

CAGR 9% x 10 years on $750,000 x 25%
= $433,881 (less rent loss - $16,040)
= $428,000

Deduct $200,000 borrowed
and you should have made

$228,000

$50,000 contribution = $56,960
$100,000 contribution = $134,920

after tax for nothing except risk.

You should be able to sell from 10 years CGT free.

CAGR explained

$100,000 at 9% Compound Annual Growth Rate:

Year 1	**$109,000**
Year 2	**$118,810**
Year 3	**$129,503**
Year 4	**$141,158**
Year 5	**$153,862**
Year 6	**$167,710**
Year 7	**$182,804**
Year 8 – SELL?	**$199,256**
CGT	**$33,000**
RT client benefit	**$66,256**
OR WAIT	
Year 9	**$217,189**
Year 10	**$236,736**
CGT	**0(?)**
Two more years of growth, RT client benefit	**$136,736**

The difference between selling at eight years and paying CGT and enjoying two more years of growth and hopefully no CGT is **double the benefit.**

So, we wait and borrow a little more if wanting to celebrate. **We need to talk. Martin Dunn.**

Ready to talk?

Make an appointment with us today

16 Byron Avenue, Takapuna

Text LADDER to 268

Call Martin Dunn on 0274 984 097

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