Building wealth through property

Property is often regarded as something that ties you down. On the contrary – it can be your ticket to freedom, says property expert and investor **Chris Gray**.

While residential property ownership is attractive to many, it's often regarded as something that limits your freedom. But nothing could be further from the truth.

If you buy well in the first place, you'll own an appreciating asset. You can then use the equity you've built to purchase your next property – without paying for it from your wages.

Once you've built a reasonable portfolio, you can work in a job that you love, rather than working just to pay the bills. I have now turned what I love – property, television and education – into my part-time business, Empire (www.yourempire.com.au), which supports me day to day, while my properties look after my long-term wealth.

Property versus other investments

There are generally three ways to achieve real wealth today: business, shares or property. Many people start their own business to escape from a job but often end up working twice as hard – and you generally only benefit when you sell. Share trading brings with it the danger of margin calls – which have brought down many a millionaire.

On the other hand, property is easy to understand, fully supported by the government and banking system, and is stable (property owners don't panic as shareholders might). Property can also be self-funded, or provide a passive income.

Make your property self-funding

It's cash-flowing the difference between the rent and the mortgage that most people struggle with. The key is to use the capital gain to finance that difference. Draw on your capital gain by refinancing your property (rather than selling). By doing this, you forego expensive transaction costs and capital gains tax while keeping an appreciating asset.

Make your portfolio profitable

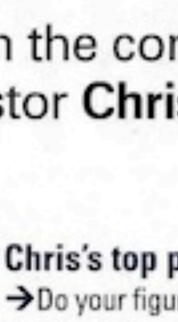
The key here is to buy well. Take into consideration things that will value the property, such as proximity to work, public transport and leisure facilities. You'll need to put in the research – I look at 100-plus properties before buying in a new area.

Investing for the long term by holding onto your properties is a strategy that works for me. I invest for growth rather than rent return. As long as you can cash flow the property in the short term, you can counteract the down times, as most properties bounce back.

The ultimate key is if you have twice the assets you should make twice the money, so building a large portfolio steadily (with cash for emergencies) is the way to go. **L**

Chris's top property-buying tips:

→Do your figures first (with an accountant who understands property).
→Don't fear the gear – debt is good if you buy appreciating assets.
→Choose high capital growth areas.
→Try to pick a bargain, but make sure it's a good grower, too.
→Add value by renovating.
→Use your equity to help cash flow your properties in the short term.
→Look at 100+ properties before you buy – or get someone to do it for you.
→Reduce your risk by investing in yourself and a good team of advisers.



For a FREE copy of Chris's latest property investing book, The Effortless Empire: The time poor professional's guide to building wealth from property, *visit www.yourempire.com.au*