how to manage your money better and make it work for you while you sleep

The multi million dollar difference between paying down your mortgage versus buying ONE investment property

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Let’s talk money.

Yes, it might seem like an uncomfortable conversation starter at first, but stick with us. We promise once you finish reading this, you’ll give yourself a pat on the back, let out a breath you never realised you were holding in, and think, “Gee, I wish I cottoned-on to this opportunity sooner!” Or maybe you’ll just close this, turn off the screen and get straight into making your own money work for you. Why? Because chances are, you’re someone who likes to get things done. You know a good thing when you see it, but you prefer to see the proof in the pudding. Most likely, you’ll take the knowledge in these pages and simply get to work.

So, just a heads up: we won’t waste your time by telling you things twice. Instead, we’ll just jump straight in and tell you that, YES, it’s entirely possible to be better with your money AND make it work for you even while you sleep. And not only is it entirely possible… it is entirely possible for YOU.

What you’re about to learn is within your reach. By this, we don’t mean it’s in the “realm” of your reach, which we all know is just another way to say, “It’s really not in your reach at all.”

No. That’s not what we mean here. What we’re saying is, if you want to be better with money and make it work for you while you sleep, quite frankly, this big ‘money secret’ is achievable. All you have to do is reach out and grab it. Quite simply: finish reading this, and it’s yours.

Meet Matt and Sue.

No. You don't know Matt and Sue.

Here's the story… Matt and Sue will be brought to life for demonstration purposes here only. They're what we call our "test couple". Straight off the bat, we want to say that this doesn't mean they're *not* real. On the contrary, their situation actually resembles most Australian couples out there.

And *this* is why you should care: if we were to place a bet on it (and we're conservative, but accurate, investors), we'd say you know lots of Matt and Sues. Or maybe you can relate to them as you (or a solo Matt, or a single Sue, if you'd prefer).

So, let’s get to know Matt and Sue.

Matt is a software engineer who works long hours, but earns a good paycheck. Sue is a data scientist, who actually earns more than Matt, but works the usual 9am – 5pm. Together they lead successful careers, live a comfortable lifestyle, and work hard to pay down their mortgage. For the purposes of this example, they may or may not have kids. (It doesn’t affect the outcome of this particular scenario.) But this is where it gets interesting...

Fast forward several years from now, and the idea of retirement no longer seems “forever away” for Matt and Sue. Instead, it’s become a tangible reality for them, and something that will happen, whether they’re ready for it or not. Sure, they don’t have retirement looming over their heads or anything like that, but they’ve realised that a life without a salary, which is an inevitability for every single one of us, could probably do with a bit more thought. After all, Matt and Sue certainly aren’t kids anymore, and they know there’s no way their Super, will self-fund their dream lifestyle in retirement.

Which brings us to today.

Matt and Sue do some research about what to do in their situation — maybe they listen to a few podcasts (we recommend The Property Couch 🙂), download some stuff online, even attend a seminar or two — and come to the conclusion that investing in property will fix their problem. Not only will it solve the fact that they won’t have enough to retire on, but also, it will give them the peace of mind they’ve been looking for and create a dependable asset they can rely on far into the future. And so, Matt and Sue figure out pretty quickly that investing in property is the best way to move forward.

Here's the specifics...

Matt and Sue only have 8 years remaining on their current home loan. Which sounds pretty good, right?

In only 8 years, they'll completely own their own home. There'll be zero dollars owed to the bank. Debt Free. "You beauty!"

Their current repayments are **$1,183 per month (Principal and Interest loan) on a $90,000 residual loan** balance against their **$450,000 property.**

And now that they're keen to invest in a property, they run some numbers to see what they can afford...

Their current budget shows that each month, they have a surplus. This is their surplus (extra cash), which they're currently using to pay down their mortgage quicker.

And paying down their mortgage makes sense, right?
You get rid of debt, as quick as you can, do what your parents (who may or may not be wealthy) did, and always told you to do for as long as you can remember, and then you'll get your happily ever after.
Sound familiar?

It's at this point that Matt and Sue really take a look into how much an investment property would cost them.

And guess what? They assume, even once they've run the numbers, that they **can't** afford it.

Why's that?

Matt and Sue work out that holding onto an investment property of $450,000 would cost them around **$600 per month in out of pocket costs,** once the rental income was weighed up against the interest on the mortgage, as well as the upkeep and maintenance of the property.

With all that's going on in their lives right now, and the financial commitment they already have, they aren't sure they would cut down on spending enough to feel comfortable to invest right now. Given they only have a **monthly surplus of $150** which they would consider as "buffer" money. So, it's understandable that Matt and Sue believe that buying an investment property is out of the question, right?

Wrong.

Can you recognise their mistake?

If we asked Matt and Sue if they were good with managing their money, like most Australians out there, they'd probably tell us they're pretty good. And even if we didn't ask, they'd likely think it. They might even think they're better than just *pretty good*… maybe they're *excellent* with money!

Of course, they don't think this in a gloating way, just in a way that means, yeah sure, we're probably better than Average Joe is with his money.

And who could blame them?

After all, they're paying down their mortgage — with only 8 years left, Matt and Sue have clearly put a huge dent in it already — so this is a sign that they must have a budget going on, they're paying their bills on time (or maybe even earlier) and they're relatively careful with their money.

So… where are they going wrong?

Interestingly, the mistake isn't the only one being made...

Even if we put aside today's high debt rates — which in itself is something all Australians need to address (forecasted to hit **$356.4 billion** this year alone) — and we somehow managed to overlook the high levels of financial stress out there (often thanks to an unconscious tap of a plastic card, and a societal expectation that we can pay back what we can't afford to be buying, later)...

... even if we choose to ignore these two ginormous facts...

It's *still* obvious to us that the mistake Matt and Sue are making is a 'biggy', but... it's also a hugely 'common' problem too!

Conclusion....

... you're probably not as good with money management as you think you are.

So... what can you do about it?

Let's answer this, by taking a look at what happened with Matt and Sue...

Warning: Matt and Sue Get More Than a $2 Million Happy Ending. (Yours is coming further down.)

Thankfully, before Matt and Sue completely closed the door on investing in property for good, they talked to a Finance Advisor. And guess what? By reviewing their situation, a professional eye was able to reveal that, yes, they DO have an alternative option to find the cash to invest, aside from dropping the idea of property investing all together. And here's where the crux of the story comes in… they could actually afford *more* than they thought they could.

But maybe not in the way you'd expect.

Here's how they did it…

Without realising it, Matt and Sue were in a position to restructure their home loan to a longer term loan. What their Mortgage Broker did for them was create **a new monthly repayment of $540 (P&I) per month over 30 years.** (Remember: they had been making **$1183 per month repayments over 25 years.**) By doing this, they would have **an extra $643 of their own money** to spend however they wished.

Again, how's that happened? Because now, Matt and Sue would no longer be making the same mortgage repayments!

Even Better: The Double Whammy (Lots of winning)

But that's not all.

Matt and Sue's decision to invest in property rather than pay down their mortgage works two-fold.

Here's where the double surprise (the two extra bonuses) comes in...

1. The decision to invest in property rather than pay down their mortgage **doesn't affect their existing lifestyle or commitments** because they found the extra cash in the mortgage. (It had been paying off their mortgage until now.)

2. **[The 'Multiplier Effect']** The decision to invest in property rather than pay down their mortgage ramps up their wealth base significantly because **the investment property KEEPS growing in value over time, as too does their home!**

The ‘Money Secret’…

By releasing this extra **$643 per month,** Matt and Sue now have enough money to cover the cost of holding this investment property for the long term.

And why’s this a good thing? This is a very good thing, because the longer you hold onto a property, the more it increases in value. But that’s not all. Because guess what happens then?

As the value of the property grows, so does the rental income! Yes, this means Matt and Sue effectively spend less of their own money to keep the property. Which you could definitely say is a very, very good thing indeed. Because ON TOP of the overall growth of the property (which is where you REALLY make your money), with the added growth in rent, this also generates some extra cash for Matt and Sue over time.

And what might be a good idea to do with that extra cash?

Well, if we were to place a bet on it (and we’re conservative, but accurate, property investors who see the opportunity sitting just below the surface)… we’d bet they might repeat the process and buy another investment property down the track to make EVEN MORE money.

But we won’t trouble you with these exciting details now. Because to be honest, their wealth base options have improved significantly and could go in a number of different ways from here.

So instead, let’s get back to where Matt and Sue are, right now, with only ONE investment property to their name…

How on earth did they earn an extra $1,178,000*, without spending any more of their own money?

Let's fast forward 20 years and take a look at the outcomes of these two options, shall we?

OPTION 1 — Pay off the Mortgage.

By **choosing not to invest** in an investment property, Matt and Sue were able to pay off their mortgage within 6 years using that extra surplus cashflow. Which, on the surface, seems like a great thing.

In 20 years, if the house grew in value at 7% per year, the value of the property (which was originally $450,000) is now worth **$1,740,000.**
Sounds impressive, doesn't it – and it is!

But, let's see if we can get them a better result…

OPTION 2 — Buy the new investment property (Value $450,000).

This is what would happen to Matt and Sue if they'd acted on the very real opportunity to invest in property… and remember, it is an investment grade property. (The asset selection topic could take up a whole new report, so make sure to check it out on our podcast instead!)

In 20 years from now, it's important to note that Matt and Sue's debt level would be as much as **$562,000 if they opted to just pay interest only.**
We know. It's a lot of debt.
But here's the silver lining… the combined value of the two properties sits at about **$3,482,000 with an equity position of $2,920,000.**
Which we can all agree, is a lot more money. Like, a lot, a lot, of money.

So again, assuming 7% value growth per year for all properties, in this example you could definitely admit that the decision to buy the investment property has been a good one — "A gold mine" in fact.
The exact dollar amount?
Yes, you guessed it…
The decision to invest in ONLY ONE investment property rather than pay down their mortgage, meant Matt and Sue were as much as **$1,178,000 in property values** better off.

And they spent NOTHING more than they started out with in their family budget!

They might choose to keep holding the property and live off the rental income so that their wealth base can just keep growing and growing, or because they want to leave an inheritance behind. Or, they might choose to sell it and buy that dream boat, or take that long trip around the world, or pay for… well, whatever it is they truly want. The point is this: the property should still grow in value as time moves on.

Oh, and did we mention, ***they did all this with just one property!***
You bet we did. And they're over $1 million richer because of it.
Not bad, huh?

Money you never knew you had... Reveals itself. RIGHT. NOW.

The message here is simple.

Without spending any more of your own money, or changing your lifestyle one bit, you can potentially access the surplus cash that could truly change your lifestyle forever.

Yes. It's amazing.

But wait… we want to let you in on something else that's really, really going to change the game for you…

The Game Changer: Money Management

We know.

A lot of people shy away from the words “Money Management”.

It challenges them in many, often comical, ways — maybe it makes them snore, maybe it makes them avert their eyes, maybe it makes them make up an excuse, run away and never come back.

So, we get it. Money Management is not commonly a fun topic.

But we promise the RESULTS of being an elite Money Manager definitely are fun. And freeing. They are absolutely freeing.

Because if you make up your mind to be an elite money manager today, we guarantee you that you’ll be well on the way to being 100% financially free. Just to show you how powerful this stuff really is, we’ll say this …

The people who are willing to have a conversation about money management almost always have more money.

It’s true. The wealthy aren’t afraid to talk about money. They just aren’t. Because by talking about it, you bring what’s unseen up to the surface.

On the flipside, by being too afraid to talk about it, you bury your wealth potential deeper and deeper, until you stay stuck forever.

So, are you an elite Money Manager?

The Elite Money Manager – 7 Traits of Rich People

Wouldn't it be good to know exactly what wealthy people had in common? Well, **The Elite Money Manager…**

1. Knows exactly what they earn
2. Knows exactly what they spend
3. Plans to reach a dollar figure by a certain time
4. Projects their future income
5. Scrutinises their discretionary spending
6. Traps their surplus
7. Invests their surplus

How to Be Better With Your Money – The Exact Steps

There's a reason most people say similar things about how they built their own wealth. Just like there's a reason most people who haven't built their own wealth do the same wrong things over and over again and never learn from it.

If you take nothing else from these pages, make sure the thing you take away is this…

Success leaves clues.
But remember: so does failure.

STEP 1 – The income story

So, what's the very first step to be better with your money?

Well, you'll be please to know that it's not all that scary at all! In fact, it's surprisingly doable.

It all starts with listing every bit of your income.

To complete this step, you've got to ask yourself, "Where's all my money coming from?"

The usual suspects of income include:

- Wages
- Bonuses
- Company profits
- Savings
- Borrowings
- Investments
- Rental property income
- Government income
- Trusts
- Regular monetary gifts
- And anything else you can think of.

Basically, your income story is anything that GIVES you money.
BUT you need to dig deeper than just listing your salary. Because, more often than you'd think, we have other sources of income that we overlook, or don't consider to be "income", or simply don't realise we're receiving.

STEP 1 – The income story

All of this information is needed for you to be better with your money, and all of it WILL contribute to your overall wealth outcome, and your ability to make money while you sleep.

Here's how it works… by keeping track of each of these, you'll not only see exactly where all of your income is coming from, but also, it will also help you see where you could earn more.

So, Step 1. Know your entire income story. This is effectively what we call "tracking your incoming revenue". And it's the very first step in making your money work for YOU.

STEP 2 – The spending story

The spending story. It's probably the one story we would rather not tell ourselves. But to play where the Money Makers play, you just CAN'T skip this step. Not even a little bit. You'll find out exactly why once you get to Step 3.

To complete this step, you've got to ask yourself, "Seriously, where's all my money going?"

Start out by listing each of your "fixed commitments". By this we mean, everything that you're ALREADY COMMITED TO PAYING, including all of the stuff that's coming out of your bank account on a regular basis.

These things include utility bills, home loan repayments, insurances, payments on your properties, and other things that come out at the same time every month without fail. When you start sifting through your bank statement, you might notice that there are a few (maybe even more than a few) payments coming out of your bank account regularly that are bills, sure, but are things you could potentially live without. That's cool, jot them down for now. We'll come back to them in Step 3.

Once you've got this solid list of all of your bills, work out where the rest of your cash is going, and how much of it is going where.

In working out all this stuff, chance are, you'll start to see that **there are 2 ways you're spending your money…**

1. You're spending your hard earned money on **stuff you really need.**
2. You're spending your hard earned money on **stuff you don't.**

STEP 3 – Discretionary matters!

If the spending story is the one we'd rather not tell ourselves, let's just say that the discretionary spending is the Alice in Wonderland of this story.

It's absolutely your fantasy land stuff.

What we mean by this, is that **it's the stuff that YOU DON'T REALLY NEED, BUT WANT.**

And this, quite often, requires a hard conversation with yourself.
Maybe a long, hard conversation with yourself, depending on who you are and how you're currently spending your money.

In saying this, no matter who you are, how much you earn for a living, or what you value in life, you almost-definitely have discretionary spending habits that could do with a bit of tidying up.

Because, truth be told, most of us do.

Discretionary problems you never knew you had

The problem with discretionary spending isn't *just* that we'd rather not admit to ourselves that we don't actually *need* that thing we insist on having…

It's because, some of us accidently (on purpose or otherwise) confuse what our discretionary spending is for a number of reasons.

We might assume that if a payment's coming straight out of our bank account, particularly if it's coming out on a regular basis, it's something we *need*, simply because we *need to pay for it.*

But here's the thing (which seems obvious, but might not be)… they're two very different things.

STEP 3 – Discretionary matters!

Just think about your Netflix account. Sure, it's fairly cheap. It comes out once a month. What about that subscription you don't even know you're paying for? Same thing, although it comes out once a year. Or your gym membership, that old gem, it comes out once a week.

Of course you have to pay for these things when they come out automatically. But do you *need to be buying them?*

Sure, you might be someone who needs to go to the gym to function (probably all of us on some level) but that's not the question we ask to work out what you're discretionary spending is…

To complete this step, you've got to ask yourself, "What am I spending my money on that I don't need to be buying?"

Oh, and another problem that simmers under the surface and trips us up: splitting the needs from the wants.

Think about your grocery list. Okay so you spend, say $250 per week on groceries (this figure could be more or less, depending on your own circumstance), and this amount stays the same every week.

Is this money considered discretionary spending or not?

We mean, clearly you need food to survive. But is that 2L tub of the really nice ice-cream, the most expensive coffee pods, and that bunch of kale, which has only had one leaf removed before it goes off in the fridge… are they things you really need to be buying?

Look, we're not saying you have to go gung-ho into this level of detail right away. But know that honing in on your discretionary spending actually matters. So even with groceries, you can break this down into essential items and discretionary items. You'll really see why once we get to Step 4.

Step 4 – Trapping your Surplus

Yes. This is where you REALLY start to see what you can achieve, and how much more money you have access to.

As we highlighted in Step 3, this is where you start to see why your discretionary spending matters.

Guess why?

Your surplus is all of the money you have left over once you factor in all of your expenses!

And once you're aware of all of your expenses, you effectively become aware of how much extra cash you have at you're disposable to "make money for YOU". But it's not just enough to "be aware" of it. You have to trap that surplus regularly.

But you still want a life, right?

That's why it's important to hold a magnifying glass to your spending habits. Just so you know though: **this doesn't mean** that discretionary spending is innately "bad", or something you need to give up entirely. It simply means you need to weigh up your decision to pay for something at the expense of something else. To put it another way: basically, whatever you're choosing to spend your money on now, you're choosing to give priority to.

Which is totally fine. Great, even. As long as you're aware that this often comes at the expense of something that can actually EARN you money instead. So, make sure what you're currently spending your money on is really, really important to you.

Step 4 – Trapping your Surplus

To complete this step, you've got to ask yourself, "How much money do I have left over? Could this figure be increased? If so, how?"

A good way to increase your surplus is to work out what you'll need for your discretionary spending (the petrol, the groceries, the entertainment, and all that) for the month. This way you know in advance the amount of surplus you can trap. And remember, you *can* have some discretionary mixed in with essential, so make sure to find that as well.

Quick Tip: A good way to manage your surplus is to monitor your essential and discretionary spending for three months. From there, you can work out an average from this, and extrapolate it out over 12 months.

Step 5 – Put your money to work for YOU

Yep. This is the step where you can literally make your money work for you while you sleep.

Why?

This is the stage where you invest in an asset that PAYS YOU money in two ways, value growth and income!

Again, this is also why money management is absolutely crucial to your success. Because once you throw property investing into the mix, it becomes a vital lifeline to you.

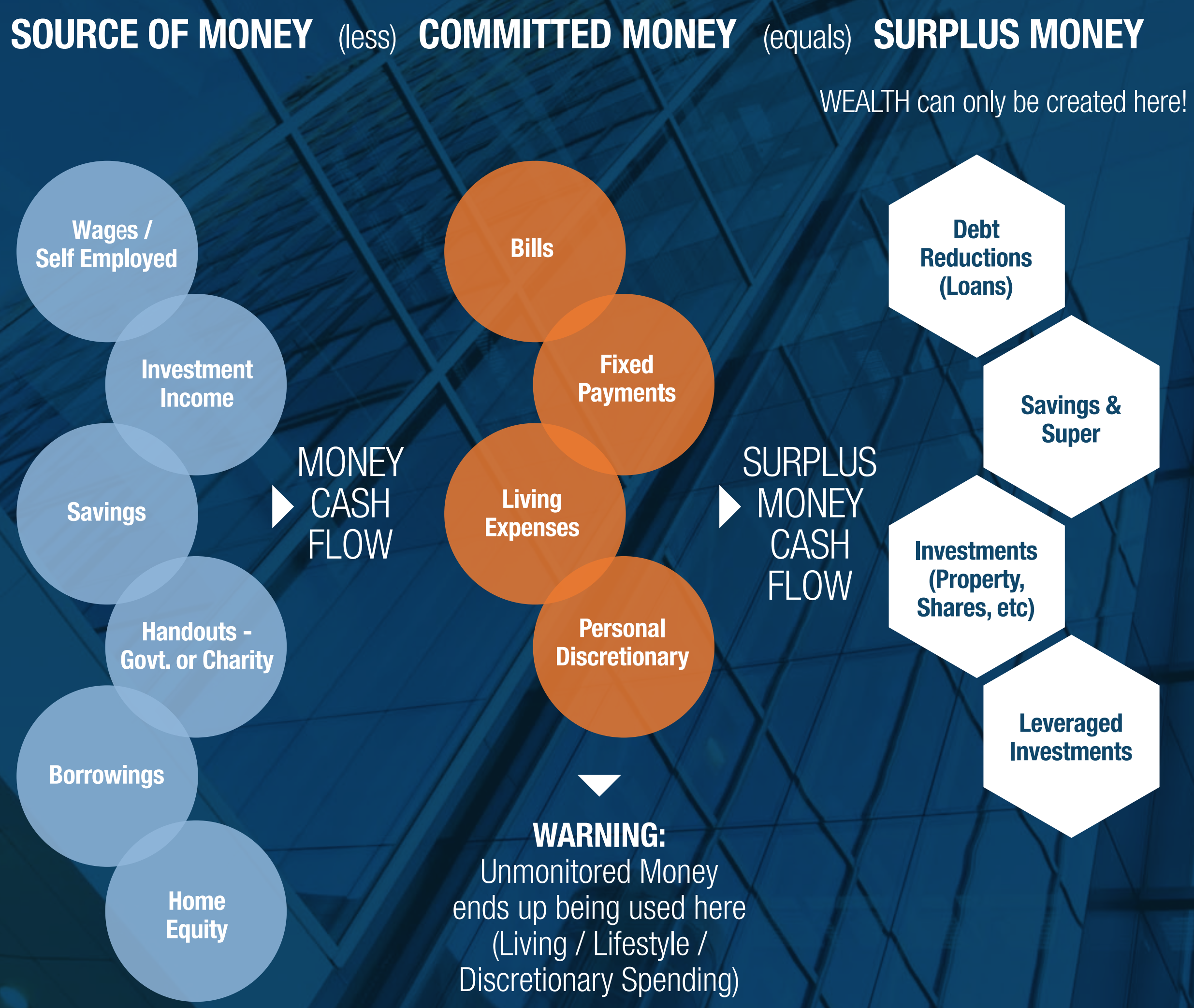
Why's this?

Well, if you're making money and holding onto property, do you think that monitoring where every dollar is going is really that necessary?

The answer is always simple and it's always the same.

The answer is always, "Yes".

Cash flow management flow of money



THE BEST WAY TO START INVESTING IS TO LOOK AT YOUR HOUSEHOLD'S CASH FLOW AND DETERMINE HOW MUCH SURPLUS YOU HAVE TO PUT TO WORK FOR YOU.

Ongoing education

The Armchair Guide to Property Investing

The Armchair Guide to Property Investing: How to retire on $2,000 a week, is a comprehensive guide to residential property investment. From the fundamentals of money management, risk assessment, and designing an investment plan and picking a winning property, this book gives its readers the full toolkit to be a successful property investor. (Coupon code: EMPOWER)
For more information: www.thepropertycouch.com.au/book

The Property Couch Podcast

In a casual 'conversational' style, Bryce Holdaway and Ben Kingsley talk all things property investing in Australia. Each week they explore relevant and topical ideas in an easy to understand and interesting way, forming a complete guide to property investing. From working out which property to buy, structuring your loan, finding the right property investment strategy to getting tips for bidding at an auction, Ben and Bryce share their knowledge with all Australians. Look for our podcast in Podcast apps or in the iTunes Store. This Podcast is about helping people make smart property investment decisions.
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In the Media

With Ben Kingsley and Bryce Holdaway being two of the top property commentators in Australia, Empower Wealth is no stranger to Australia's media industry. We are regularly contacted to provide our unbiased opinion and property investment advice on anything property related. We list all our appearances in the media, be it on television programs and radio, or in magazines and newspapers. For more information: www.empowerwealth.com.au/blog/category/in-the-media

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