TheProperty Couch

Case Study: 30-Something Single Investor

Meet Rachel; a single professional in her 30s. Like many other areas in her life, she is independently driven and has great aspirations to secure her financial future. She is wanting to purchase her first property – but also has a burning desire to build a multimillion-dollar property portfolio and create a passive income for herself. She wants to know how she can create $2,000 a week on her own.

Some things about Rachel:

- Single 30-something
- No kids
- Annual income of $90,000
- Currently renting and doesn't own any properties
- Cash savings around $80,000

The great news is it's entirely possible for Rachel to build a property portfolio that creates $2,000 a week in passive income!

Here's how...

Please Note: this is a transcription of the video case study demonstration. For extra clarity, please watch the video of how a 30-something single investor can create a passive income of $2,000 per week.

And always remember: please seek out professional advice before you take action on any of this information. Your investment strategy and numbers will vary based on your individual circumstances, passive income targets and goals 😉

You will find the full transcript on the following page. Enjoy!

– VIDEO TRANSCRIPT –

G'day, Property Couch, it's Ben Kingsley here just wanting to demonstrate to you the **30-something case study of a single 30-something female in using our modelling software** that we do here.

Now, before I get into doing the full demonstration, I just want to highlight our disclaimer, so you can see it's now appearing on the page. It basically just means that please don't take action on this information. We don't know your personal circumstances, and even if they're close, they're not exactly the same as this example that we're using here.

Seek out professional advice before you take action on any of this information, so you can make informed decisions using qualified professionals.

Okay, so let's get to the next page. You can see here now that we're at the Financial Planning Fact Find piece, so the MyWealth Portal. You can see here – we'll just go up and have a quick look at who we're dealing with.

So, we've got **Rachel** here as an example. She was **born in March '82**. Hopefully, it will take around half an hour to get through this program, to sort of spell it out for you. So, we go down, obviously **no kids** or anything like that, so all nice and clean. We go to the next page and we can see here she's an assistant manager and she currently earns this level of income. So she's on **$90,000 a year**. She's paid fortnightly. If we have a look at our current financial situation, **she doesn't own a property at all.** She has **contents of around $20,000**. But she has been very good at **saving up around $80,000 as a starting point.**

Her **superannuation currently sits at $78,000.** Now, we're not giving any advice on superannuation. Superannuation is a licensed investment, so we're not going to be talking about any recommendations around super. But I will say this to you, just make sure you take an active interest in your super, so you know exactly how it's invested. Someone in their thirties should be looking to make sure that that super is working just as hard for them, and maybe in the later years, you may want to look at some more defensive plays around superannuation. But again, that's general information, so make sure you speak to a financial advisor to get some quality information.

We've got a Mazda 3 valued at $17,000 and no other investments, so no shares or anything at this stage. We definitely want to invest in property, however, we've got no current investment properties. We're starting from scratch. Then in terms of our current borrowings, we've just got the credit card, you can see there, with the $5,000 limit and we've got $1,000 owing. We currently make repayments of around $50 a month on that credit card as well. No other debts. No investment debts, as you can see here, so we're sitting relatively pretty.

Then we have a look at our rent. So we pay **$1,500 a month in rent**. Then we've got our water and sewerage, electricity, house and contents, so obviously that's just ensuring our contents because we don't own the building. We've got the phone, the Pay TV to watch Bryce on *Location, Location, Location Australia*, the internet, car registration, and so we've got our mobility taken care of. We've got bank fees as well that I'll put there for the future plans. Then currently, we pay our tax accountant $100 a year to look after our very simple tax affairs.

In terms of current spending, you can see here we've got $120 for groceries a week. Our clothing and footwear, we spend $150, medical expenses, $50, personal care, $120 a month, household appliances, $100, furniture, $250 a year, household furnishings, etc. So yep, **as a single person, we realise that there are lots of costs associated with living.** We've got a nice holiday budget there. Now, you'll notice here pretty much from presents and gifts down, that they're pretty much discretionary items. So if you are looking at your own personal circumstances, they're the sort of things that you potentially want to look at in being able to change if you want to start investing and planning for the future. So there's an outline in terms of the current expenditure.

So, if we have a look at the summary here, we can see that she's on $90,000. We've got no other tax deductions other than the tax return prepared by the accountant. So our taxable income, less estimated tax paid, we're paying $23,000 in tax. So our **total net income is $66,000 a year.** So, if we break that down a little bit, we can actually see in terms of our bill payments and spending. So we're just **living around that $50,000 a year mark.** So living quite okay, but obviously, we want to improve on that, and that's why we want to invest as well.

Now, because we've got the book, which is *The Armchair Guide to Property Investing - How to Retire on $2,000 a Week*, which is obviously $104,000, I'm going to do the example to **try and create $104,000**. Now, **for a single person, that is quite an aggressive position to try and strive for.** So usually, that's the type of position that we're striving for the household, which is usually two income producing households as opposed to a single income producing household. But this is going to demonstrate that it's not impossible, but you're going to obviously get to have a look at how we've been able to build that.

So, we come down here and we can see right now, there's our monthly income coming in, there's our expenditure going out, so we're saving around almost $1,600 a month in savings. Now that's obviously a snapshot of the moment in time, but we've got to think about the future plans. So, the Mazda 3 is eventually going to need to be replaced, so we've provisioned a new car purchase for $15,000 as the changeover cost and then another one again in 2032. So, every 10 years, we're effectively recycling our car to make sure we have mobility to potentially get to our place of employment.

Then we can also see here, there is a period where I've said, "We need to reduce our holiday expenditure by $1,500 a year." So, if we're going to commit to this property journey, we're going to need to compromise. So the compromise is that we're going to spend only $1,500 a year on holidays as opposed to the current $3,000 that we were planning to look at. If we go to the next page, we can also see here in the Future Plans page, I've done a bit of modelling prior, so hence I've got some mortgage insurance costs in here, which I'll explain to you moreover. But I've also got special holidays in here. So some of the short-term goals, if we remain single, we're going on a European holiday with a $10,000 budget in 2025 and then a further special holiday, $15,000 budget, in 2035 as well. So, we are going to have some fun along the journey as well. Then you can obviously see those mortgage insurance premiums, which I'll explain to you more in a minute.

In terms of any other changes, we've got no basic changes. The other thing I've also incorporated in here is in 2020, I'm going to up the rent. Okay? So you can see here, I've increased the rent that we're going to be paying. So if we want to enjoy ourselves, we're going to potentially get a slightly better house or place to rent in. So I've increased that rent during here. Then I've also increased that rent again when we go into it. Now, you'll notice that you're saying, "Well, wait a minute. What about the annual increases that potentially the landlord charges me for my rent?" Well, the system automatically factors in 3% increases in all costs associated with living. So it has indexation at 3%. So these are addition to that in terms of being able to increase our cost sets.

Okay. So we've now got the Property Investment Portfolio that we're looking to build and you can see I've done some preliminary work on that. But I'm going to move over now into our wealth projection software, and this is basically where the rubber hits the road in terms of all the information that we've been able to gather from our client. So, Rachel's 34 years of age and this model, this plan, is starting from this month, December 2016. We've got our income coming through. Now, there's a lot of moving parts in here. The first section, without trying to over complicate it for you, of course, we would go into a lot more detail if you were an actual client of ours, but in terms of that is effectively looking at how your current system works. You've heard us talk about Money SMARTS before on the podcast. If you haven't checked out that episode, do so. It's highly advantageous to make sure you're trapping that household income and putting it to paying debt down or putting it to building wealth.

And in three here is scenario number 3, which we're going to talk to now in terms of so you can see those rental increases that are potentially coming through over here. Then we've also got these future plans, which I'm going to document for you in the model right now. There's a couple of other highlighting things that I want to show you here. That's all the lending componentry that goes with this, but I just want to come down. You can see some of the numbers that are going on in regards to building out this model. So I'll get down to the bit down here and you can see there. So we've assumed that the rate of wages for Rachel will go up by 3% and accordingly, so will her superannuation contribution as well. You can see there, there's the annual expense going at 3%.

Now, we know that at the moment, currently as we're recording this demonstration, wage growth hasn't been that strong and also some costs of living have gone up or are going down, so we are looking at lots of variables and we're continuing to be consistent with the way in which we would normally service our clients. There you can see there, the superannuation contribution coming in, so there's the amount. So it's basically 9.5 in the contribution that's coming through. You can see here in terms of the property information. So we've got 92% occupancy rate, is the one I wanted to highlight. So each year the property is assumed to be vacant for four weeks of every year. Property management fee, 7.7, maintenance cost on the property, 1. 5, growing at 3% per annum. Purchasing cost, 6%, selling expenses, 2.5, if we ever choose to sell through an agent. Then basically, the long-term interest rate we've set at 6.5% for these loans that we're also getting as well, and we run with interest only terms and then put the money in the offset.

So, there's those things there. Now, in terms of the cash flow variations that we were talking about, you can see them coming up here. There's those costs that we were looking at, reduction to the holiday spending and the future changes that we're also looking to bring in there in terms of the rent and those types of things as well. In terms of the projection, I want to spend a little bit of time on this page because it's quite interesting to watch. You can see what's going on. So there's two things happening here. I should quickly just go back to highlight one other thing, which is, effectively, the amount that we're trying to retire on. There it is, $104,000, okay, by age 65. Okay? So by March 2047, that's what we're looking to.

So coming back into this wealth projection, there's a couple of bits going on here. So the first thing here is you can see a snapshot of the current projections for Rachel in terms of how her numbers look. So her net worth is 157 today. In 10 years it'll be 495. In 20 years, it'll be 976. Now, this is without investing, okay? In 30 years, it'll be 1.79 and then 1.8 at retirement. Now, in present value terms, that would be the equivalent of, sorry, $738,000 in present value terms. So you can see, if that was then generating a passive income of 4%, that would be the equivalent of 29,000 without touching the capital base. Now, that doesn't line up perfectly with this graph that you're seeing over here because what this graph does is basically assume that we are taking the $104,000. That's why, effectively, we fall off a cliff in terms of if we were to take the full $104,000, our money would run out quite quickly. Okay? So you can see that there.

Now, in real life, we would probably not take the $104,000, would we? Because, we wouldn't want to run out of money and then life off a pension. None of our models include pensions, okay? So we assume, and it's probably not a bad assumption given the government's current position and the confidence around what pensions will be available in retirement, it's best not to assume that we're going to have access to any pensions. And so we effectively do that in terms of the client modelling that we work. So not an ideal situation, you can see here, basically running out of money.

So I'm just going to copy that as an example, and you can see I've made a second copy of that down here. That will basically change as I start to build out the portfolio. Now, a couple of other important things that we need to understand. What we're looking at here, and it might look a little bit small, so I'll just enlarge it a little bit, so we can see there's a few graphs on this dashboard. This dashboard's effectively looking at a few things here. So this is our cash flow position. So the green line represents the cash we've got coming in and the red line represents our expenditure. They're obviously growing because of the indexation that's coming in there. Now, this jump up here is when we take on our first increase in rent, so we maybe upgrade to a better rental property. And there's the second upgrade to that extra rental property that we were talking about before. So we can see where that lines up.

Then we retire at this point and effectively what the system is then doing is saying, "Well, you've now told me that you're retired." So I've got no income coming in, but I need to pay the $104,000 on a monthly basis. So that's why it absolutely ramps up. Now, through this period, my access to super is covering my money. But then once I run out of money, you can see, obviously, I fall off the cliff yet my expenditure keeps going up. So, that's the cash flow on a monthly basis and this is the savings. So very similar to that graph we saw earlier on the wealth projection page, we effectively fall off the cliff here. And so it's obviously not a plausible outcome for Rachel to move forward. She simply cannot live off that type of income. She hasn't built up a significant wealth base.

In terms of loan to actual ratio, well, she has no loans and the same sort of principles apply in terms of, basically, her loan to debt position. Then the final chart down here is looking at the tax deductibility. There's no tax because we haven't got any investments that we're offsetting any interest again. Now, where do those graphs get generated from? This incredibly powerful bit of calculations that are going on behind the scenes.

This is basically where it sits. So you can see here, if I take and pack these two here and hide, you can see all of the moving parts. It didn't quite work. Let's try that again. Oh, yes it did.

So we've got the salary coming in, any salary sacrifice, business income, self-employed income, other income, investment income, gross income. Then an interest receiving, so we're receiving interest on our $80,000 at the moment, so we've got it in a high interest savings account. Tax deductibility, other deductions, taxable income, carried forward losses, income tax, tax free income, personal super contributions to get a net income position. That's effectively what we're looking at. If we had a second person in the conversation, that would be their section.

Then we come into here's the income, there is our expenditure, there's our living costs, there's our regular payments that we're making on a credit card and the indexation that's happening there. There's our investment expenses, which is zero. Total expenditure, then our net surplus income, and that brings us into our cash flow and then our global household cash position. So you can see our savings building up over time as we don't do anything. All right. What sits in behind that is obviously, again, some sophisticated modeling around assets liabilities, scenario results also.

So what I'm going to do now is go back into the household cash flow position. And so we've got some capacity here to start investing. So the first property I'm going to put into the model is a $450,000 property. Now, that $450,000, as we go back into here, I'm just going to click on calculate, and that'll bring that $450,000 property through and you can see it there. Now, you can automatically see the jump up in the expense, which is obviously the debt that we're holding, but you can also see the rent coming in behind that. I'll give you the parameters of that particular property at the time. You can see we've used up a bit or quite a fair bit of our savings to be able to get that property. You can then see that we are in an okay position afterwards.

Now, if we scroll down, you can also see the loan to value ratio position. So we've got a 90% loan to value ratio. Then we took some mortgage insurance out. So remember I was telling you before about the mortgage insurance? Well, let's go and see what we did. So we took out mortgage insurance. Coming up here you can see it cost us $8,700 to get mortgage insurance on that first loan, which has allowed us to keep a cash flow buffer. So you can come back in here to scenario three and you can see, there's the first property coming through in March 2017. You can see that we've got out of pocket expenses based on the 6% costs of acquiring the property. It leaves us with a cash flow, oh sorry, savings of $15,000 and we've still got around $1,000 coming in.

Now, that always depends on the level of or the type of property that you're buying. So in this case, the $450,000 property that I'm looking at, I've given a growth target of 6.5% per annum and then a yield position of 4.5%. So the gross rental yield needs to 4.5%

and you're remembering each year the property is assumed to be vacant for four weeks or effectively one month of each year, and that's the first property. So it is more of a growth play than a yield play on this first property and we're buying that sort of 450. So what we're trying to do is look around Australia where we can find... That's probably a little ring suburb around some of our capital cities, to try and get that type of opportunity where there is lots of owner-occupier appeal, some low vacancies where we're getting a little bit higher yield than normal. That's where we're potentially going to get that opportunity. So you can see that first property coming through.

Now, if we come back in here, you can see I've still got some capacity here, but I'm looking to build up my cash position and also looking at my loan to value ratio as well. So you can see if I then take a look at that household cash position. Oops, here we go. Get rid of that. There we go. So I'm back up here. You can see that I want to still put my money to work here. So that's my liquidity position growing and you can see I'm now looking at where the next opportunity lives in terms of what I'm capable of, also being conscious of what I can afford and the sort of gearing position that I'm looking at.

Now, your gearing position, meaning the level of borrowings that you're going to be comfortable with, is going to be determined by your risk profile. So it's really important to understand that if you have a low-risk profile, then ideally you don't want to be going over an 80% level. Okay? Because, you're going to have to borrow money to get into property. If you've got a moderate risk profile, that means you could potentially go up to a global LVR of 90% and then a high-risk profile we could say is for people who are willing to go up to 100% or even borrow money from family and friends to get themselves in the market. So that risk profile's really important and most people should be in that sort of moderate profile as opposed to that high profile. People who are willing to risk everything to make investments are usually those ones, for every good result there, there's probably 10 or so victims of people who haven't done well out of their investment strategies.

So let's put number two in. Okay? So you can see I'm looking down here at number two, when we can afford to put number two in. So you can see I've already predetermined that it should go in in 2019. You can have a look here, it's a $300,000 purchase. Now, there's a couple of reasons why, depending on the growth of that first property, it's going to be important for us to potentially allow us to access some of the equity out of that property. That's why I've been conservative and said it's going to take two and a half years before we're probably going to be in a position to buy our second property.

I'm also conscious of the cash flows because remembering that we were going to increase our rent. So you can see here I've got our rent increasing in 2020, so we want to make sure that with that increase in sort of making sure we can live in a nice property and have flexibility around that, then ultimately, we're going to still be able to afford it. You can also see here I've provisioned for some costs for mortgage insurance for that second property and you can see that at $4,600 mortgage insurance on that.

So let's go back in here and let's put that second property in, and we can see sort of what's happening in regards to our cash flows. So we push that property through the models and you can see it comes in here. So again, we're just really making sure that we're working our money to the best of our ability. We can also start to see that there's no real danger or we've got some buffers. Again, the buffers are going to be coming back to your risk profile in terms of what you feel comfortable with in having that buffer.

So we can see the next property comes in here. So again, we've still retained $19,000 in our savings account for emergencies or anything like that, which will buy us a bit of time in case something was to go wrong. You've got to remember that this is not a low-risk strategy, this is moderate risk to moderate-high risk in terms of what this client's looking to do, what Rachel's looking to do.

So what can we now start to see? Well, I'll show you some other. So this is a sample of those two properties coming through. So you can see there's the current position, there's the debt coming through and we compare it to the position before. The scales are obviously changing a lot, so you can see the scale is now one to a million as opposed to one to 200,000. So we can start to see that happening and you can see the debt being retired out. So this is starting to look like a pretty good story just with those two investment properties as well, in terms of whether Rachel's going to be able to achieve this. But you can also see her savings and super in place.

Now, that's just two properties, but there are also potential to do some more, so we want to keep exploring that. In terms of the cash position, you can see here, this is the global story. So we can see the two properties coming in. There's the loans and then the debt being paid out. And there's, hopefully, the value of those properties growing over time based on the power of compound return. You can see here, this is when the portfolio is negatively geared and this is when the portfolio becomes positively geared. This is nicely illustrated over here.

Now, this is only a 20 year model, but assume that was running for 40 years or beyond and you can see here that, sorry, that's the out of pocket net cash flows for the first nine or 10 years. Then you can see that the properties now are starting to generate passive income in retirement there as well. So that's the tax that then we start paying. So see, governments, we do start paying our tax on our passive investment properties. Yes, we have a negatively geared position to start with. But remember, negative gearing is only a moment in time, it's not a strategy. Because at some point in time, the property portfolio turns positively geared and we start paying our tax. Anyway, that's my little rant for now. So we can start to see that it's starting to build up nicely.

Now, let's talk about the parameters of that second property. That second property is now sitting at five and six. So this one's a bit more of a balanced asset where we've got less growth but we're trying to chase some stronger cash flow. Because effectively, that is going to be important for us to be in a position to hold and maintain this property portfolio. So now, if we go back into scenario three here, we can see that our cash positions are still sitting in a positive territory and you can see there, we start to build up again.

Now, this is where we've got some transactions happening as well. So in June 2022, what will we be doing in June 2022? Let's go and have a look. So you can see that that $15,000 in June 2022 is actually a new car that we were planning to buy. So it's basically calibrated that out, increased the value of that new car, so indexed the value of that new car. So effectively, we'll be buying that new car in 2022. You can see future cars also that are coming in to the story every 10 years and some other costs. So here's another one as an example. In June 2025, we've got that holiday, so we go into cash flow variations, and you can see the holiday spend. So you can see that's the holiday spending.

So in 2035, we're going on a special holiday and in 2025, we're going on a special holiday as well. So you can see back in here that 2025 is saying that that holiday is going to be now $12,800 as opposed to, well, in current value terms, that was the equivalent of a $10,000 holiday. So really important to understand you need to make sure you can factor in these cash flows to ensure that you're provisioning for these future plans because it's these future plans that we also want to enjoy as we're building out our property portfolio for passive income and retirement.

So that's number three. Sorry, that's property number two. So we can go back in here and we can have a look at those cash flows. We can see that the cash flows are okay. But through this period here they're a little bit lighter on. So what we've decided to do is just after those first two purchases, we're going to take a little break and then start to look at buying a property in 2024. So let's go back in here, have a look at property in 2024, and we can see we're ready to place the next property in here.

So in 2024, we're going to buy another property. In this case, because we've waited a little bit longer, we're able to buy a property worth $400,000 based on the household income that's coming in at that time. We go back in here and we can see that property now coming through. So there's that property coming through here. Now, because we've got equity in that property, we can actually also go down here and see that we've gone up to 80%. So no longer are we borrowing globally greater than that 90% or up into that lender's mortgage insurance territory. Again, that's nicely illustrated by the loan to value ratio at that time.

Now, of course, these are all projections. So those projections will potentially be better or worse depending on how the market actually responds during that time, the quality of the asset that you buy, the location of the asset you buy. So again, keep using the fundamentals of the game of property, buying for owner-occupier appeal. All those things that we teach you on the podcast are really important in terms of the asset selection. And of course, our famous ABCD asset selection, borrowing power, cash flow management and defense. We can see all of that coming through here clearly in regards to that. Excuse me.

So we've got that third property in. The cash flow's looking reasonably strong. You can see there's a little bit of tight cash flows here, which we saw coming through. But still, a nice little liquidity position. Overall position's looking good. We can see down here in terms of the tax, in terms of the tax savings that we're making, that's obviously when we retire, so there'll be some adjustments on that as well. But you can start to see the power of planning out your future in terms of what that looks like.

Now, what does that next property look like? Let's go down here and have another look at the strategy for that property. So this one is another, more balanced type property, so at a lower growth and yield. Still around that 11% overall return, but we're starting to see the yield being more important than the growth story because now we want to start living off that cash flow. Let's have a look at our wealth projection there. So we can now start to see here a significant position. So we really are building out lots of wealth and in essence, we can basically stop here. You can see that there's our magical 104 being hit. We still have some debt left over, as you can also see here, by the time we retire, but what is so wonderful about doing all these forward projections is you can see even though the debt isn't retired out here, effectively what we can do is we're still generating enough passive income to service the 104,000 in retirement, plus the interest on the loan, plus also the 1.5% to maintain the property. So you're not having to service that debt with the 104,000.

Now, we've got some other options here too, don't we? We could potentially sell one of those properties and retire that debt out. Now retirement, sorry, for Rachel, is 2047. So retirement for me, in terms of planning for that, is I've still got some time because the last property we bought was in 2024. So I'm actually going to put one more property in here. Now, that's going to increase the level of debt that we're holding in retirement. But it's almost like a little insurance policy. We would only do this come the time in 2033 where we actually felt, "Do we really need this extra property? How have the other properties performed?" You would never automatically buy these properties in any model that has ever been produced. You've always got to reassess your current situation, your circumstances, to see whether they've changed or not.

So in this case, I'm buying another little cash cow. I'm going to put that in and you can see. I'll just go back into parameters this time. You can see it coming through here. This again, is a 5.25 and a 5.75% yield. We hit calculate, that comes through. We can go and have a look at the household cash position. There it is there. Oh, I've hit it too quickly and didn't let it calculate completely, so we'll let it calculate completely. There we go. You can see here, we've got a really nice story. We can see even though when we retire and we've got access to super, we're generating additional money. We don't necessarily need to take that money. So in terms of the parameters here, I can actually say, "You know what? I don't need to take that super at the moment." So I'll turn that super payment off in terms of how I want to pay debt down. So I'm going to turn that down to zero. That should flatten out this nicely.

Let's have a look at that. There we go. Basically, we're on a fantastic little story here. So we can go and have a look at that wealth projection. Again, you can see here that we haven't paid the debt off and in fact, that debt's sitting in a very flat position. At retirement, we've still got $1.4 million in loans against the present value of 2.8 million. So we've still got effectively a $1.4 million net position compared to where we were before investing down here where we had, in today's dollar terms, 727,000. So we've played the long game. We don't necessarily need to get that last property. I will show you how we would then sell that property. This is, again, coming down to one of the things I like to do in terms of showing that.

I will never buy a property for a client unless there's 10 years of clear air before retirement to allow that property to mature into a good performing asset as opposed to because of the high entry costs of getting into that property. The other thing you also need to understand in this model, that even though we're buying those properties in current value terms, what are those properties worth when we actually buy them? And what's the liability associated with those properties?

So let's go and quickly take a look at some of these properties and we can see exactly what it means in terms of what those liabilities look like. So I'm just skimming through here. So these are the properties that we're looking to get. So you can see here's one of those properties and you can see the debt position on that property. You can see the interest rates that we're paying, 6.5%. Now, we've got an initial period here where we've got a five year fixed rate of 4.75. So it's important to highlight that. So I should just quickly spend a moment on highlighting that.

So in the model that I built, I actually provisioned that we could have some fixed rates for each one of those properties. So again, you would never buy these properties without insuring that you can lock away these rates. So the first rate I've locked away is five years at 4.75. So it's important to understand all of those variables. We come back into these liabilities and you can see what was the loan that we took out at that time. Because, the value of those properties is actually increasing and you can see here, this is best illustrated when I start to build out a property portfolio. So there's no existing property. So I'll just scroll over to the investment property. So you can see here that first property, 450, okay? But when we buy properties into the future, they're going to be worth a lot more and we are factoring in those growth rates as well. So we can start to see those other properties coming through in terms of the offset accounts.

Where are we? Let's see if I can find another one of these properties to demonstrate that to you, future investment offset accounts. We're using offset. Here we go, here's a good example. So number three. So we're not buying this property until 2024. We have the current value, the base value, of 400,000 while the property to purchase is going to cost us 572,000. The debt is going to be set accordingly, okay? So that's why we're still carrying this residual debt in terms of that wealth projection.

So what I'm going to do is just quickly sell one of those properties just before retirement. So we'll go in here and we'll sell what would technically be the worst performing property, and we would work out what that would be. But based on the information I've got here, I'll sell that last property. So I'm going to go and sell that in March and we're going to sell that in 2046, as an example. We effectively can see that coming through. Now, we'd more than likely sell it after they retire, after Rachel retires, because her incomes are going to be lower. But I just want to show you what that does in terms of helping pay down that debt level in terms of what it sits at compared to what it's going to sit.

So you can see, now we're only left with $119,000 of debt and we're effectively done. If I wanted to retire that debt, I would simply then go back in here and say, "Okay, I want to use a little bit of that superannuation to pay that debt down." So I'm just going to put in an example, pay it in over 20 years. That probably won't wipe it out straight away, but it just gives you a sense of what's possible in terms of putting those calculations through. You can see that effectively retires the debt out.

So pretty powerful software, yeah. So this is how we spend our time professionally advising clients to build a property plan that can achieve them financial independence. 104,000 is a very high target and that's why we've gone for those higher loans. But you can see the improvement in wealth position is significant for this single person for setting themselves for life, in regards to Rachel's situation. But it's all based on substance and good number crunching and making sure we've got those variables appropriately set in terms of where interest rates will be for the medium to longer term.

It is also about, if you are working with a professional advisor, is to keep touching base to make sure that you're on track on the journey that you're setting yourselves. Got the global household cash flow position, you can start to see all of that coming through as well. Yeah. So it's quite interesting to see how it is. So I promised you, there's a little Christmas gift for this year for our 30-something singles, male or female, it doesn't really matter. In this case, Rachel, example, is going to look to build out a portfolio that's going to deliver passive income for life.

If you haven't checked out the podcast for a while, you know where it lives on iTunes and also through your Android devices, just Google, "The Property Couch," straight off our website there. If you want a copy of the book, you can also go to the website and just look for the book link, The Armchair Guide to Property Investing, where we have other examples of clients that we have built out strategy for, so for different types of household, double household income, no kids, older households looking to still invest in property, so all different examples of different types of demographics looking to invest in property. I hope you found this insightful. I look forward to continuing to build your knowledge and education through The Property Couch with Bryce and myself. Thanks for watching and all the best.

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