

Secret Global Real Estate Investment Strategies

by Dymphna Boholt

When I first spoke about the US market it was 8, 9, 10 years ago now. I've been interested in the states for quite some time. I look and research globally markets around the world and I looked at the US at the time even though the exchange rate was no way as favorable as it is now. In fact, when I first started investing in the States, the exchange rate was 48 cents in the dollar. Can you believe it? So at 48 cents on the dollar, I was paying double for everything in my dollars, but even, even with that, I was able to make money in the US. Obviously the elements of the US were very, very different that attracted me there.

What actually sparked my initial interest in international was actually probably New Zealand and then I looked at other markets, which were relatively easy to access as an Australian and America came up. From a tax perspective, America is very interesting too and as an accountant, I knew that. So that was really why I focused on my initial researching in New Zealand first and then America.

I thought that I would go and have a jolly good holiday and see what I could do with the information that I had. I did a couple of trips first and then I carted the whole family over there for two or three months and we went shopping - shopping for real estate, dragging the kids in and out of houses and all sorts of things. I had done enough research to know that I was committed to the process and I think if anyone is interested in investing internationally, there is a huge learning curve to

Secret Global Real Estate Investment Strategies

go through first. You have really got to commit to the process if you want to go that way.

What I mean by that is that buying one positive cash flow property in America or anywhere else is not going to change your life. Accumulation and smart accumulation will. The cash flows that were available then and even more so now, out of the US particularly, were exciting to me. Even with that though, I still had to be very, very careful because you can't go into another country with Australian eyes. What we expect to be the norm over here; you can't replace it over there and expect it to be the same because it's just not. There are so many things that are very, very different.

To be perfectly truthful, when I first went over the US, I went over as an accountant knowing asset protection backwards; knowing the taxation implications between Australia and America and how that worked and all that kind of stuff. Having all of that background behind me and being a successful real estate investor in Australia, I still believe, I probably wasted about \$30,000 because of people telling me things that were blatantly wrong. They don't mean to but that's just how it is because for them, but for us, 'foreign aliens' it's not right.

I think there's a huge amount of opportunities but I caution everybody to get the education first, which is why I've been holding back. I've had so many of my students come to me asking about the US saying that they want to go to the US and want to buy. The reality is there are so many things that are different. There are so many traps that without that education, people will waste money. I don't want to see that happen because it's a fabulous opportunity; get some education and you can change your life.

I was attracted by the cash flow because as my students know, I'm a very, very strong cash flow supporter and having massive amounts of cash flow in your portfolio, growth as well obviously. But the yields that I was getting when I first started investing in the US, which you can still achieve today, were in excess of 20% and 20% was a pretty ordinary property. I remember taking some friends over there at one stage and

basically if the numbers didn't go over 20%, we wouldn't bother getting out of the car. The yields are very, very high; much, much higher than they are here, if you know what kind of property to look for and that's definitely what attracted me.

From a growth perspective, right now the market is very, very good. Much better than it was when I first started investing over there because everything has happened from that global prospectively. We've all heard stories that the property market has crashed over there and that there is an oversupply in a lot of places around America, which is totally different than what is happening here in Australia. The opportunities for it to even rebound to half of what it was before; people will make money just by having something, simply by having your money over there.

The other thing is, our exchange rate is very, very strong at the moment. It's a strong growth cycle compared to the US. And that won't last forever but we're looking pretty good to be transferring our money over there because our money buys quite a lot now. When I first started going over there, the exchange rate was 38-48 cents on the dollar. So it's paying double, but even with that, I still made money. On the flipside though the yields over there bringing them back into Australia was attractive, over 48.

American Taxation Regime Works in Your Favour... Secrets to Only Paying 15% Tax For the Rest of Your Life

The other great thing about the US is that the taxation regime between Australia and the US is a little bit different to most other countries. In Australia, we have a very aggressive taxation system. When it comes to international investing, what that means is, if you are an Australian tax resident, then any of your global income is counted as income here in Australia. There are number of different countries around the world that we have double tax agreements with and most people would have heard of that.

Secret Global Real Estate Investment Strategies

What that actually means is with those countries, if you earn income in that country, that you taxed in that country at the taxation rate of that particular country. But if Australia has got a double tax agreement with that country, what happens is, you declare the income back here in Australia but you also declare the tax that you've paid in that other country and you get a full credit for it back here in Australia. However if that tax in that particular country is less than our taxation rate, then you pay the difference back here in Australia. For instance, if you're being taxed 15 cents on the dollar like you would be say in Singapore, and you bring that money back here into Australia who we have a double tax agreement with, that means that we'll get a full credit for that 15% that was paid in Singapore. But if our tax rate over here is 30 cents on the dollar (or 38 cents on the dollar or 45 cents on the dollar), we pay the difference, even though it's foreign income.

The great thing about America is that we have a special arrangement with America in that America is a broad taxed country. This means that not only do we get the tax credit if we bring it back home here to Australia, but we actually have the opportunity to quarantine the income, which means the income that we earn in the US. Now if it's a property income and we're earning in the US under our structure, if we're earning less than \$50,000 in any one structure, which most people are going to start that way, you'll only pay 15 cents on the dollar. So we quarantine the income, which means with that income, that's all we pay - that's as good as the superannuation payments over here - that's a very low tax rate. So not only have you got yields of 20%, 25%, 30% in some cases, you've got a market for this crash. So the upside of the growth on those properties is phenomenal. You've got very strong cash flow and you've probably got, at worst case scenario, only going to pay 15 cents on the dollar in tax. Effectively you could have several LLCs always under \$50,000 and only pay 15%.

Additionally, in Australia, if you sell a property, we pay capital gains tax. New Zealand doesn't have capital gains tax and New Zealand is not a broad tax country to Australia, so if you sold a property in New Zealand, the New Zealand government doesn't charge you capital gains tax on it. Because you're an Australian resident, that income has

to be declared back over here in Australia. So you actually still pay capital gains tax because you physically live here, but in America it's different.

Never Pay Capital Gains Tax Again If You Do This...

Because America is a broad tax country to Australia it means that you can quarantine the income. You can also quarantine your capital gains. The other thing in America is even though you pay capital gains tax, it's at a flat rate of 15 cents on the dollar and you've got the ability to roll it over. So if you sell a property and buy another property, you've actually got the ability to be able to roll that over into the next property. Thus, deferring your, your capital gain until such time as you pull out of America totally and by that time you might be dead!

It's a brilliant way of actually quarantining capital profits, every time you keep rolling them into the next property and the next property and the next effectively leveraging your gains up as you go and don't pay any tax, which makes it very, very effective.

Did My Investments Tank in the Recent American Property Crash..?

In the recent crash, number one, my rents have not gone down at all. I have not had a single vacancy and if anything, they have gone up, not down. The values of the properties have actually changed very little because of what I bought - I focus very heavily on multi-income properties, multi-family properties as they call them over there. Because of that, that market has held pretty strongly because anyone who's got properties that are returning greater than 20% return, it really doesn't matter what happens on a global stage. There's nothing there that, that has hurt at all - as I have said before, what financial crisis? I didn't have one. Even if you look at the portfolio here in Australia, even though the yields are not as high as the American properties. It's still the same thing. If you've got that good strong cash flow, even when we were going through those massive interest rate hikes, like last year

Secret Global Real Estate Investment Strategies

and earlier the crossroads saw you through. It's basically a recession proof strategy.

The cash flow is very, very important. I guess it really doesn't matter where it's coming from an international portfolio or whether it's coming from an Australian portfolio - the ultimate objective is to, is to have both.

Back then I think the cheapest property I bought was about US \$23,000 and most of them were around the US\$32,000, US\$40,000. They are properties that I bought without requiring renovation (in the US they don't call it renovation they call it rehab, which I always have kind of a quiet giggle to myself about me being in rehab for years). All of those properties were multi-family homes and all of them remained fully rented the entire time. I've never had problems with you know the rent not coming. With the exception of one property.

I Made a Few Mistakes... Here's One.

Now there's one property that I will admit to everybody I made a mistake with and that was a property that I had bought for life stop. It was on the canal in Florida, so it was an upper price property. My view was to do a substantial renovation on it and at that stage I thought the market is not good over here. I'm going to go over here and live and this will be my home. That is the only property that has plummeted in price in value and the rental is ho-hum, it's not, it's not a cash flow property that I bought, but then I bought it for very different reasons. Since then I've come back home and I decided I really don't want to live over there and would prefer to live in Australia. So the reason for

First-Time Ever! Global Real Estate Investor Event February 6th - 7th, 2010 in Sydney

The early-bird deadline ends on Thursday 24th of December. Up to that point, you can come for just \$100. After that, it goes to \$497... Still good value, but no where near as good as a measly \$100.

www.knowledgesource.com.au/global/earlybird

buying it was wrong but that's the only property of mine that has suffered over there.

Here's How to Avoid the Common Mistakes Investors Make

The multi-income homes that I am talking about are more like a two unit within the one, sometimes two, three, fours - that kind of size. Some of them get much, much bigger. You can buy whole block of 300 which is a totally different scenario all together. You can also go through the strata titling process, which they call 'condo conversion' over there.

Now back here in Australia, single-family house generally doesn't cash flow positive. You have to have a dual income even if it's just a house and a granny flat or an upstairs/downstairs. But in America they do. Now the yield may not be 30%, it might not even be 20%, but you get 15% on it and this was when I was first buying. Now it's a different story.

A lot of it is single family homes so they've actually come down in price because they weren't investor stock; they were owner / occupied stock. There's a lot of reasons why people got into trouble and lost jobs and all sorts of things over there. So they're the stock that the price has not come down so far. Now you can get your 20%, 25%, or 30% yield on a single-family house, where as when I first started, you would only get that on your multis.

Understanding the American Mindset When it Comes to Real Estate Investment

To fully understand what has happened in America you've got to understand the mentality a little bit more of America. They're very much a corporate mentality, where you get a job and you're working for the man and you stay in that job until you stop working basically. A lot of the bigger corporations have had massive downsizes, particularly in the manufacturing industry like tyre manufacturing and other bigger manufacturers and this has had a huge effect on the whole economy.

Secret Global Real Estate Investment Strategies

There are some cities where that style of employment has been hit the hardest but when you look at it on a national basis, a lot of other factors are at play. The credit system over there has been very, very lax for a long time and to be perfectly honest, that is one of the reasons that I was attracted to the place because you could go and get 100, 110% loans on things as an American, not necessarily as an Australian but as an American. There are practically no credit checks or checks of what income you earn; no figures written down, nothing to back it up.

There was over 300 banks in the US before the economic crisis happened and they were all competing for each other's business. So the credit policy was exceptionally lax and that can never last. Basically banks don't hold their mortgages like they tend to here; there is a little bit of 'on-selling'. In the US, little banks in particular don't sell their mortgages in packages to bigger institutions, mainly hedge funds, superannuation funds and the like. Now all of these mortgages are then bundled up. By the time they've changed hands a couple of times they're now a premium package of real estate. In reality, they're now 110% lends.

The people who have had no checks on their income and in reality can't afford the properties even if things go well, and the only protection they have is if the property continues to go up in value in the hope that they can actually sell it and not go into foreclosure. The normal every day foreclosure rate in the US, prior to the economic crisis, was running at about 4%. So 4% of all mortgages written would go into foreclosure – that is not that's huge particularly when you compare that to Australia. The normal foreclosure rate in Australia prior to all of this economic stuff happening recently was 0.4%. - totally different dynamics.

In the US, it's almost double now - almost 8% now. Where as in Australia, we get the big headline saying the foreclosure rates are going up. It looked like topping 50% increase in foreclosure rates. It's nothing compared to what's happening over there. When you look at

the two countries, particularly with Australia and all, it's very, very different.

Fundamental Differences Between American Banking vs Australian Banking (And Why It's Important)

It's going to sound a little bit boring but I just want to tell you, the banks in the US have a different accounting system to Australia. In the US, they count on 'at market value'. What that means is that if a bank gives out a loan on a property and their underlying security is say \$100,000, and the underlying security drops to \$50,000, they have to readjust their books, which means that they've lent \$100,000, but the underlying security is now only \$50,000. Technically they're trading insolvent at that point if that was the only mortgage that they had. Because such a broad percentage of the mortgages were in that situation, a lot of the banks folded, not because necessarily that they ran out of money or they, you know that they weren't able to cover their deposits and things but because they were technically insolvent because of their accounting standards.

Conversely here in Australia, our accounting standards are such that we account on an 'at cost basis'. So if our bank lends out \$100,000 and say the same thing happened here and the property market dropped to \$50,000. In their books it still stays as \$100,000, so they can never be deemed to be technically insolvent in that regard like the American banks. A lot of American banks folded because of that technicality.

There were two very large institutions, Bernie Mac and Fannie Mae, which through this crisis are now are government institutions. They didn't keep their mortgages, they on sold the mortgages. So what normally happens is they on sell them to the central warehousing. Fannie Mae, (which started up in 1957) was a government owned organization which was set up to stabilize the financial system in the US. They got some competition in around the late 1960's with Freddie Mac coming into the industry and Fannie Mae was semi-privatized

even though the bank still kind of backed it. This all worked very nicely until last year.

Obviously there was so many loans that Freddie Mac and Fannie Mae were now buying but they couldn't then and they had now gone into foreclosure; they were in dire straits. That's where the government stepped in and backed basically both of them and again, we don't have that in Australia, our system is far more stable. But at that same time, because that's happened over there, it's created an enormous opportunity for us who are feeling the credit crunch like everybody else around the world though nowhere near what's going on in some of the other countries around the world. We have a huge opportunity to go in and buy a bit of America to counteract what has been bought over here in the past.

You don't actually have to have any special qualifications to buy in the US. People ask me what you have to do to buy in the US – if you have got money then you can buy in the US. There is no restrictions of trade like there is in Australia, but to abide by the, the FRB (the Foreign Review Board - Investment Review Board over here). Anyone can go and buy or hold real estate in the US if you have got the money to pay for it.

In Australia we don't have 'foreclosures' per say, we have 'mortgage in possession'. America is a little bit different and each state is a little bit different also. It's like having 52 different countries over there. Broadly speaking, as a property owner in the US, if you couldn't meet your payments, you just hand back the keys, walk away and there are institutions and organizations in the US that can clear your credit rating in six months if they know what they are doing, which means that in six months time, after walking away from that debt you can go and borrow and start your life all over again. In Australia you need to be tread with a great deal of caution. In order for you to be squeaky clean again, while in the US, it might be six months, over here, you're talking a minimum of three years before you are considered to be a discharge bankrupt and then normally another seven years after that before it

actually goes off your credit rating before you're in a position to be able to borrow without the financial institutions penalizing you.

How to Bullet-Proof Your Global Real Estate Assets in the Most Litigious Country in the World

So when investing in the US, let's first talk about the structure because it is slightly different. Firstly you are absolutely crazy if you buy anything in the US in your own name. If you look at the legal system here in Australia and look at asset protection and our propensity to sue and all that sort of thing – if you think that it's getting pretty bad here, it is a thousand times worse over there! So there's absolutely no way you should be buying anything in your own name in the US.

You need to set up a structure so you need to know what is available. There are partnerships just like you have here but they're just as dangerous over there as they are here.

Then there are companies. There are two different types of companies in the US - there's a 'C Corp' and an 'S Corp'. S Corp's are not available for foreigners, they have specific restrictions to foreigners.

A C Corp (C Corporation) is pretty much the same as what a company is in Australia with a few minor differences. If anything they're a stronger entity in the US than they are here.

Then you've got another structure called an LLC. Now an LLC is a bit funny because an LLC is like a chameleon. It can act as a company, where there's no difference to what we would consider as a company over here or it can act as an 'pass through LLC'. A 'pass through LLC' means that it can 'pass through' its profits to whoever its member are. So whilst it accounts for the tax and it lodges a tax return, it doesn't actually pay taxes; it passes that profit down to the member.

Now the member could be, if you quarantine any income, a C Corp in the US, in which case the corporation would then pay the tax. Or you could actually pass that down to the member, being an Australian entity

Secret Global Real Estate Investment Strategies

such as your piggy bank trust back over here in Australia. The flip through part of the profits can then come back to Australia. Now there's other considerations there which you know is a little bit long to go into now, but which I'll probably be covering at the event. There's a lot of other ways you can get the money back to Australia, with some of them without paying taxes at all.

There's an LLC. It is protected structure. It is as good as what we would consider a company to be over here from an asset protection perspective. The US have trusts but they're not very well known and not used much and a trust in one state may be virtually useless, where as a trust in another state may not be too bad so why complicate the situation by having a trust when an LLC in the US is just as good so most of the Australians investing in the US would be structuring via an LLC. We then need to work out what state, because the LLCs need to be registered in the state in which you're buying the property. So if you're buying properties in a number of different states, you would have LLCs that were registered in each one of those states.

Some states also have state taxes as well as federal taxes. I don't mean rates I mean taxes, as in income taxes. So in some states when you earn income from a rental on a property, you'll pay federal income tax and you will pay state taxes. Now depending on what states you're actually buying into, that can vary from zero, like in Florida or New York which is 7% or other states that can be up to 14% and 15% state tax on your income. However there are other ways of getting around that and it's basically having a number of different properties across a number of different states.

First-Time Ever! Global Real Estate Investor Event February 6th - 7th, 2010 in Sydney

The early-bird deadline ends on Thursday 24th of December. Up to that point, you can come for just \$100. After that, it goes to \$497... Still good value, but no where near as good as a measly \$100.

www.knowledgesource.com.au/global/earlybird

Secret Global Real Estate Investment Strategies

It's worthwhile setting up a C Corp in a state that doesn't have any state taxes and it acts as a managing agent, which means you can do away with all that stuff basically. It is a little bit complicated, but if you, as you grow, grow into this second structure and as you accumulate more properties and your income over there starts to get a little bit bigger, we can get do away with some of these things.

If you set up a C Corp in Nevada and you were going to do the management agency you don't have to pay any state taxes because Nevada, Wyoming and Delaware are three of the states that you don't need to pay taxes. But if you're just going to go and do an LLC and some passive income, say up to \$50,000, I probably wouldn't be so concerned about it. If you're buying properties in a number of different states, I'd start to consider it, but until your income gets up a little bit, there's other ways of stripping the LLCs so that you don't pay the taxes anyway.

You can set up an LLC from here in Australia. There's quite a number of attorneys over there that will do that for you, but the difficulty then is setting up a bank account with the LLC without being there. Similarly, you can buy property in your own name over there without actually going there, but you've got to have rocks in your head! There's absolutely no way that I want any of my students buying property sight unseen in the US - it is too dangerous!

I want my students to have the education before they go over there, set themselves up properly, and there's a process to setting up the bank account; there's a process to setting up a structure. Follow that process and you won't have a problem; it will be easy. You'll end up with a ITIN number which is an Individual Taxation Identification Number, which is similar to our Tax File Number. You can't get one of those without a reason for having one so you've either got to have rental property over there where you need to lodge a tax return, or you've got to have an interest bearing account. Now the first one is an easy thing to do and I'll show you step by step how to go through this process at our workshop. It is a bit of a mindfield if you don't know what you're doing.

Similarly when you're over there and you're having a bit of a look around, to do you're first lot of buying, you'll set up an LLC; it's the easiest thing to do then. Once you've got that set up and you're identified with the bank, now that the Patriot Act has come in since, since 9/11. It's a lot harder to get things done on the banking system side than it has been previously, but set yourself up with your individual identity with the bank, which means that when you want to add an LLC bank account, it's relatively easy to do. You can do that anytime once you've got your LLC pay working and because they've got you identified now. Then you apply to the IRS for an EIN, which is an Employer Identification Number. Your EIN is effectively your Tax File Number for your entity of your LLC.

From a taxation perspective, once this is done you are all set up and ready to go. You're protected. Similar arguments to buying multiple properties in one structure are as I have here. One property can bring down the other. Whatever is grouped together in the one structure can bring each other down. So whilst over there at the moment, you can go and buy a single-family houses for \$11,000, \$15,000, \$20,000, if you put a number of those together in the one LLC, just understand that if there was ever was a lawsuit or a case against one of those properties, all of those properties are exposed just like they would be here in Australia with a trust.

Setting up another LLC is easy because once they've got you identified it's easier just to add on another, another, or whatever. When you go over, initially you will need to take your birth certificate, your passport obviously, you've got to go with anyway and basically cover your 100-point id check so that they can identify you and then you get around the Patriot Act.

Finance: The Good, The Bad and the Ugly... And How to Get Finance When Everyone Tells You That You Can't

Let's step back to pre-financial crisis. When I first went to the US the only kind of finance that I could get was hard money finance. Hard

Secret Global Real Estate Investment Strategies

money finance is basically a private lender that will extend money normally, depending on the deal as to how much of the deal he would lend. The rates are normally very high but it can still be worthwhile. For instance, one of the deals that I did over there on hard money was a property that I purchased which was a foreclosure property. The owner was going broke and I took over the mortgage on his property, which is basically on a quitclaim deed. I assumed his mortgage and I got hard money to buy out the rest of the property and the back taxes etc. I renovated the property and then onsold the property, but the hard money deal that I actually got was 16% interest for six months. Not 16% over 12 months, but 16% for the six months and as a balloon payment at the end of the six months. If you didn't come up with that by one day, they took the house - so very savage consequences if you didn't make the payment.

I think that is something that Australians need to be very, very conscious of; understand the system and you'll do very, very well. If you are naive of the system then the consequences can be quite high.

I made money regardless of the exchange rate, interest etc, because when I sent the first lot of money over, at 48 cents on the dollar by the time I sold the property, the exchange rate was up to 75 cents on the dollar. Converting it all back to Australia, I just ran with it and built on from there. Now a days, whilst the hard money lending is still there, there's actually been a little bit of a shift I would say in the last three months, where when America was in the middle of the, the full-blown you know crisis, the hard money or the private money basically dried up. Everyone is sitting on the fence, they just wanted to see what was going on. The borrowing through the banking institutions basically, unless you were absolute prime, premium, American as well, not Australian, you couldn't get money either. That has now started to ease and it's actually experiencing a bit of a shift. The ability now in the private money sector, not that they're rates are anywhere near what I paid initially, but in the private money sector, have actually eased and they prefer to lend that 50% - 70% LVR to a foreigner than an American. The reason for this is because the foreigner generally has a greater invested interest in the property than, than the American has.

Private lenders that have got a few loans out with foreigners and they're the ones that are all done just fine, because they're mainly invested for cash flow; it's an investment rather than an attitude of 'I'm going to walk away from my house, I'll go and get another one'. So there is an easing in the private money and there is a little bit of bank money starting to come back into the market.

The LVRs are going to at best 50 – 70 so on a \$20,000 property you need to ask yourself if you really need it. Another thing is, on the low entry properties, a lot of the brokers won't touch the deal if it's under \$120,000 because of the commissions and things that they make on it which makes it worth their effort in putting the deal together. What often happens is you group a number of those properties together and say from Australia you might put in \$60,000 and borrow \$60,000 in America and you've got a \$120,000 worth of property - that's an awful lot of property and at the moment in some of these areas the cash flow is very, very high.

I think considering the US, you are better to have your finances sorted over here, get your lines of credit set up, go over there and take advantage of the market because you'll make it in the growth on the asset because of how much they've fallen and obviously the cash flow in the meantime and down the track there's probably opportunities that you can actually refinance when the whole situation eases a little. Having said that at the moment American interest rates are at only 2% whereas for an Australian the interest rate is probably going to be somewhere between 6.5% - 8.5%. Though 8% is still pretty cheap if a property is bringing in 20, 25 or perhaps 30%.

Investing From 20,000 Miles Away Can Bring You Unstuck If You Don't Set Things Up Right From the Beginning

So we've got our structure sorted out, we've got opportunity to lend money so we can actually leverage our activity as well going into this market space at a time when prices are reduced, now we need to assemble a team.

Secret Global Real Estate Investment Strategies

In Australia as we all know, pretty much every second real estate agency has a property management arm. They're governed by state and federal laws. They are of a certain professionalism and it's common place. This is not the case in the US. In the US when you're talking about, having the property managed, it is tough because it's not common. The mentality of the average investor over there is stocks and shares. It's not property because the majority of investors that do actually go into property fall into two categories: one is as an accumulator and they might have a maximum of say 10 properties, they manage them all themselves and they're probably in the suburb they live in or you've got the aggressive property investor who is a bit of a fall out from Robert Kiyosaki and they make most of their money out of flipping; buying, doing up, selling, buying, doing up, selling... The only properties that they keep are really prime properties but the only reason they're positive is because they've got so much equity sitting in them.

So that's your traditional American investor which is very different from the way we view things in Australia and the way we invest in property. There are starting to be property management companies that just do property management staffing to filter out in the major areas throughout America and that has really been coming into vogue, say over the last five years. It's not national coverage. One of the biggest obstacles to owning property in the US is finding good managing agents that you can trust and I guess that's where it's taken me time to do that. At event next year, we'll be talking about this and how you go about securing good managing agents. It works the same as it would over here in Australia. If you go off on your own to do that, it's a lot of work and it's not an easy process. You can buy the properties, but who's going to collect the rent. It's not a case of every real estate agent doing it so I think that's one of the main advantages or it's another advantage of plugging into a system that is proven and tried.

The same applies with renovations, or rehabs as the Americans call them. It is quite interesting when you start doing rehabs in the US. You will be astounded at how little it costs. America really works on a submarket if you like, of low wages and not skilled and all of this kind of

Secret Global Real Estate Investment Strategies

stuff. Basically one tradee will have a swag of workers working underneath him which don't get paid tradee's wages and the costs of doing renovations are much, much cheaper, even your hard costs like a kitchen or a tap or a toilet.

When you look at the US price versus Australian prices, Australian prices are sometimes three and four times what you pay in the US. A good way for people to actually have a look at this is go onto the Home Depot website. Now Home Depot is like our Bunnings over here and they have an absolutely fabulous website and once you're set up with a credit rating in the US, you can actually get a Home Depot account. This is one of the things I'll be teaching you - how to get a credit rating in the US, so that you can start to borrow as if you were an American, because when you start out, you're an alien but I will teach you how you get into the credit rating system and get yourself a credit score because everything works on credit scores and you can actually start to borrow more easily. One of the ways that you will do that is to pick up things like store cards; Home Depot, go in there and have a look at just the website and have a look at the prices on the website. If you're doing a rehab job in the US, you can actually cost the entire job on the website. You can itemize how many screws or whatever else, right down to the nails and the website will automatically give you an actual real time cost of your rehab. It's phenomenal.

Having a team in the area where you're buying your property is important and hooking up with a group of people who've got a tried and tested system to make that happen is advantageous and to organize all of that stuff, otherwise you're going to stay there. You've

First-Time Ever! Global Real Estate Investor Event February 6th - 7th, 2010 in Sydney

The early-bird deadline ends on Thursday 24th of December. Up to that point, you can come for just \$100. After that, it goes to \$497... Still good value, but no where near as good as a measly \$100.

www.knowledgesource.com.au/global/earlybird

got to do it. You've got to find people. You don't know people. It's much, much better to go with organizations that can do that for you.

I had a new kitchen installed in a house in the US that would have cost me anywhere between \$6,000 - \$10,000 over here, but I had it completely installed and everything; I did the entire job for less than \$800, which is amazing.

Also, unemployment rates are very high in the US now, which also lends to the labor market and if you want a painter or carpenter or even just a handyman, you have a lot more to choose from.

Insurance... Just Do It!

Insurance in the US is very similar to Australia. For instance for a decent size block of units it might from \$300 - \$, it's not that much and pretty much what you'd look at here.

So Where Do You Invest?

I was amazed at how huge the US is and how it has a variety of areas. Some markets have been absolutely smashed and have fallen 60, 70, 80% while some markets have only fallen 14, 15 to 20%.

Generally for traditional investing when you're looking at researching areas the process is very similar to the process that I recommend over here in Australia. The difficulty without actually having physically seen the areas and spoken to people in the areas is you're going in totally blind. The internet is fabulous, Google is fabulous, all of that kind of stuff. But the reality is nothing is like going there yourself and getting a feel for the place. I don't want anybody buying sight unseen!

At the event I'm actually going to go through the different states and the dynamics of the different states and the attitude and culture of the states and what that means from a property perspective. So I can give you a helping hand there. Plus I'm actually going to have a couple of guys come out from the US that source properties and those sorts of things over there that can guide you on the up and coming markets

and where they are and what they are. I've got a lot of resources that my students can plug into as ongoing research that they can start to be reading and getting to know the markets.

The reality is, you are never going to invest in every state over there anyway and it'll be a case of targeting an area that's got the type of property that you're looking for. So if you are looking for uplift, you'll be looking for the end growth. You will be looking for the areas that have dropped the most, where you really can pick up million dollar properties for like \$100,000 because that's what you're looking for.

If you're looking for cash flow, it's a different type of property, different type of area. Some of them may not have fallen that much, some of them have. Again, it comes back to analysis of where the individual is at and what they want to achieve and then the markets that will dictate which of the markets are going to fit them better but I'll certainly be going through a bit of a structured approach to attain that.

A Little-Known Secret of How You Can Get a Guaranteed 18% Return on Your Money Annually - and Your Capital Guaranteed!

There's a lot of other markets that I will be going through in ways of buying property in the US at the event. I will be talking about 'tax deeds' and 'tax liens'. Each state is a little bit different in their treatment and whether they have tax deeds or tax liens but what it is, it's basically the council has the right to collect taxes on a property or rates on a property. So if someone doesn't pay their rates, which they call property taxes, on a property, in some states that property can actually be put up for auction within six months. In other places it might take four years or the right to collect the taxes on the property is actually sold off, which is the 'tax lien'. Tax liens can actually be purchased over the internet; a lot of the councils or counties as they call them in the US, have actually put their tax liens and their tax deeds up on the internet and you can buy them; you can bid live online for these tax liens.

Secret Global Real Estate Investment Strategies

There is a huge amount of risk in doing that unless you know what you're doing. Selecting the state is important and I'll be dealing with that. When you bid on a tax lien, they'll have a guaranteed return. In, let's take Florida for instance, there is 80% guaranteed return on a tax lien. So if somebody hasn't paid their taxes, let's say \$8,000 on a bigger block or that sort of thing that would be. You could go in and bid and you might bid at \$8,000. You would be guaranteed that you will not only get your \$8,000 back but within Florida it's a two-year turnaround; within two years you would get your \$8,000, an administration fee (which on \$8,000 would work out to about \$500, \$600), plus you would get your 18%, plus you'll get penalties depending on how long, even if they pay it out the next day. You'll still get a minimum penalty of that \$200. If they paid the day before the two years is up, the penalty can be \$2,000, \$3,000. So you're guaranteed a good return on your let's say \$8,000 investment. If the taxes are not paid then when the two years is up, you get the property - so it's either all of that return or the property.

Now on the bidding: not everything gets bid on and sold at par. For \$8,000 you might bid say \$10,000 or \$12,000 on that \$8,000 lien because you know that you're going to get a guaranteed 18% on the \$8,000 plus the penalties, plus the administration charges, plus, plus, plus. And that still works out to a very good return.

In some states like Florida the call back period is normally two years, so you can, get the property but you actually can't do anything with it or sell it for a period of two years. In other states like Mississippi it's four years - so you wouldn't buy a tax lien in Mississippi for instance. In one state it's six months and the guarantee is 25%. So you're getting 50% return on your money plus in six months time you will own the property.

There's a whole lot of background which I will be going through at the event as well. In other states they don't actually sell the lien, they will sell the deed - they'll actually sell the deed to the property if you don't pay your rates right away, a bit like our rates default is here in Australia. Only they are far more savage with that. There are also searches that need to be done to ensure that you're not buying something with

Secret Global Real Estate Investment Strategies

existing loans on it or liens on it that then become yours when you buy the property.

I have been pressured all of this year by students to put an event on that focuses on the US and I've held off and held off. The reason for that is, was that the timing was not right and I promised to do the event when the time is right.

The markets have continued to fall all through this year. We are just now starting to see some green shoots in the residential property market in the US, which is what you would expect to turn first. They are just starting to turn now. This is what I've been waiting for. So as far as timing goes, I have specifically timed this to be the most advantageous for everybody because I want everyone to get the maximum amount of return that they can out of what's going on over there.

The financing markets have also just started to turn, so as far as timing is concerned, I don't think you could have a better time. When we look at what's going on, I don't believe there will be a second tier fall out in the commercial industry in the US and that's mainly from a business perspective. They struggled on this far if there is a second tier fall out it won't affect the types of properties that I'm talking about my students buying and it certainly won't affect the yields.

I would be cautious running over there and buying commercial property at this time. I think probably towards the end of next year would be more appropriate timing for that but as far as residential goes, I think the timing is actually perfect. Even if there was a low as a result of a second tier fall out from the commercial market, the types of properties that we're talking about won't be affected because the yields are still there. If you're buying yield, and the growth is on top of that, you really can't go wrong because the yield won't change.

People will have to live somewhere - they used to own it and they don't own it anymore; they rent it now. They've still got to be somewhere so the vacancy rates for a lot of these places are very, very low so I don't think it's going to hurt anybody even if there was. The only thing it will

do is determine how much growth and how quickly. I don't have a crystal ball either, but I do watch my markets very, very well - I am an economist and whilst I think yes there will be a second tier fall out in the commercial industry over there, as far as the residential industry with the types of properties, the high cash flow properties that we're talking about, I think it's perfect timing to be there. The uplift will be there. Typically you will be going in and rehabbing and that will immediately add value. Some of them need it; some of them don't need it. You've got the added advantage of strong cash flow to support you and you do have the opportunity of a strong dollar and the market moving with you.

There are lots of cash flow opportunities, where you can actually replace your income but I don't want people to be jumping prematurely, but now is the time.

Let Me Coach You and Guide You On How to Build an Instant Cash Flow Positive Real Estate Portfolio in the Next 12 Months

So on the 6th and 7th of February we will be running a global real estate investor event and there's an early-bird rate on the table at the moment which means that you can come along to this event for only \$100.

Yep, that's not a misprint. An event like this I know I can charge at least \$2,000 for and it would be money well spent. However, I want as many people as possible to be able to have this information and make 2010 the best year ever.

You can make the appropriate booking for the 6th and 7th on the website. We've had to guesstimate how many people we think are going to come along. So we've got a venue and once we fill that venue, unfortunately we won't be able to fit anyone else in - so once we reach that number, we'll be closing this site.

Secret Global Real Estate Investment Strategies

I'll be talking about the process of investing internationally. I will be covering New Zealand as well America and then generally investing internationally and what that means and the scope of that. I can't cover every country but I'll tell you what you have to do to put in place and understand for yourself and find out in any other country around the world. I'll be talking about the structure and the asset protection and what it means in those two countries, particularly in America. I'll be talking about the inter-relationship between those structures and what you have back home here in Australia to protect you.

Then also from a taxation perspective, what that means and the most tax efficient effective way to make this happen and replace your income with international monies. So that inter-relationship from not any structure but taxation as well. I'll be talking about the process of what I call infiltrating the American system, where you are able to borrow. You're able to actually finance; you're able to get your tax file number set up. The process of actually getting a credit score, which we really didn't go into too much here, but everything in America they lend is based on your score. As a foreign alien, you don't have a number, so you have an opportunity to create one, which really comes about as a bit of a loophole. If you follow my system, I can get you a credit rating which means you will be treated like an American with your credit score to able to borrow immediately and then into the future as well - but it is really a loophole but I've been doing it for a number of years with several of my students.

First-Time Ever! Global Real Estate Investor Event February 6th - 7th, 2010 in Sydney

The early-bird deadline ends on Thursday 24th of December. Up to that point, you can come for just \$100. After that, it goes to \$497... Still good value, but no where near as good as a measly \$100.

www.knowledgesource.com.au/global/earlybird

Secret Global Real Estate Investment Strategies

I'll tell you the process and the steps to follow to actually get a credit score, which means that you're then in the financing system of over there.

I'll be talking about the due diligence process and the precautions that you need to take.

I'll be talking about the different markets and I'll be talking about taking over somebody else's mortgage, about buying somebody else's note (a note is a mortgage).

I will be talking about the process of taking over the properties and about tax deeds, tax liens, and about the different states and how they work.

I'll be talking about the foreclosure market, the pre-foreclosure and the post foreclosure, which is better as a foreign alien.

I'll be talking about the process of growth.

I'll be talking about cash flow properties.

I'll be showing you properties.

I'll have some special guests there to talk to you about emerging markets and those types of things into the US.

So there's a huge amount of information that I'm actually putting together. I'm pretty excited about it and I know the time is right now. I'll be talking about the economy and what's going on and how you can best take advantage of that but most importantly, how you can replace your income with foreign income if that's what you want to go and do. It's nice to be able to have your income replaced in a number of different countries, just because you can for starters and also because it just gives you that freedom and flexibility across currencies and the currency hedging and what that actually means to you

It's like turning the clock back 30 years, imagine if you could do that, how much real estate you would buy knowing what you know today.

Secret Global Real Estate Investment Strategies

That's what's happening in some of the states in America on the some of the research that I've gone through; you're really turning the clock back 30 years.

I really encourage you if you're vaguely curious, or you want to make a commitment to make this happen, I want to see you on the 6th and the 7th. The last thing I want you to do is to go to the US untrained and uneducated. That's why I'm doing this event and that's why I want all of my students there, so that you can take advantage of an amazing opportunity that exists now that won't exist forever.

Look forward to seeing you all and a Merry Christmas to everybody!

Yours Sincerely,

Dymphna Boholt

Real Estate Success

P.S. The early-bird deadline ends on Thursday 24th of December. Up to that point, you can come for just \$100. After that, it goes to \$497... Still good value, but no where near as good as a measly \$100.

P.P.S. I suggest you hurry and get your tickets organised. At the point of writing this report, 68% of all available seats have gone. Do it now whilst it's fresh in your mind.

www.knowledgesource.com.au/global/earlybird

**First-Time Ever! Global Real Estate Investor Event
February 6th - 7th, 2010 in Sydney**

The early-bird deadline ends on Thursday 24th of December. Up to that point, you can come for just \$100. After that, it goes to \$497... Still good value, but no where near as good as a measly \$100.

www.knowledgesource.com.au/global/earlybird