



The Shortfall Dilemma

The number one reason why some property investors give up on their path to building successful property portfolios, and also why a lot of would-be investors don't even start, is because they can't afford, or should I say, they think they can't afford, to hold their property or properties.

Shortfalls are the difference between money coming in (ie. rent and tax deductions) and money going out (interest payments, insurance, rates, maintenance, repairs and so on). As a general rule, when you purchase an investment property, there will be a shortfall for the first two to five years and then the property will pay you to hang on to it forever, provided you have purchased at market price or less, and also provided that it met a

certain criteria as an ideal investment property.

For example, say your shortfall on a particular investment property is \$10,000 for the forthcoming year (approx. \$200 per week). Most people assume there is only one way to cover the shortfall, and that is out of their weekly/fortnightly income. For a lot of people \$200 per week or \$10,000 per year is too much of a sacrifice to make so they don't do it. If a property investor has a number of properties, shortfalls can be tens of thousands of dollars a year.

If people understood there are other options available for covering shortfalls, none of which involve taking money out of the weekly pay packet,

a lot more would buy and hold investment property and reach financial independence. Most of my clients do not fund shortfalls out of their weekly/fortnightly incomes.

Most people have, at some stage, come across stories in books, magazines or on TV, where ordinary people just like them have accumulated 10 or 20 or even 30 properties. The trouble is they automatically rule out the fact it could ever happen for them. It can happen over time if you do a few things right.

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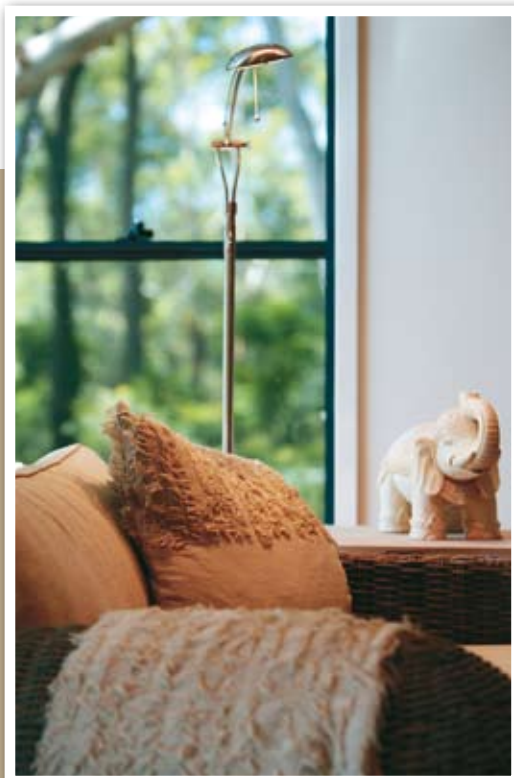
Giving Serious Thought To Summer

Q: Now that summer is just around the corner I have realised how tired my sun-room cane furniture is looking and would like some ideas on revitalising the whole area without breaking the budget.

A: Without replacing everything, one sure total transformation if you have cane furniture is to buy flat enamel in any colour, paint it over the cane and then wipe it off. The hardware store has bags of soft rags perfect for this job. It will take you about one hour per chair – thoroughly fill all the crevices and weaves with the paint, using a large brush for the big surfaces and a small one to dab into the corners. As soon as you have finished painting the item, gently rub all the surface paint away, exposing the cane again but leaving the paint in the crevices. You can call it "lime washing".

Recently we refurbished a pair of honey cane armchairs, lime washed in white, used and new covers in chocolate suede and used them with a new limed teak sofa and coffee table. The result was amazing and gave the room a completely new look. Try it on an old side table first. You can use red, black, green – any colour that works with your existing cushions. Or replace the cushions and lime wash the cane for a total transformation.

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