



# Most Common Investor Mistakes



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# Most Common Investor Mistakes.

While it may sound easy enough - buy a home, make a few renovations and rent it out for more than the monthly mortgage payment - successfully managing your own investment properties requires the mindset of a business professional. Without experience, it can be easy to quickly lose money, time and sleep by making these common new landlord mistakes.



## Have Clear Investment Goals

Buying an investment property without thoroughly looking at capital growth and rental return potential. Research is critical when buying an investment property. Most real estate institutes and real estate listing websites throughout Australia provide free online information about the

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long-term performance of individual suburbs in terms of capital growth, which is a good resource for investors.

### Location, Location

Buying an investment property close to home rather than looking at investment opportunities throughout Australia. That could mean that they achieve below average capital growth rates and miss out on potential property hot spots in other locations.



### Investigate

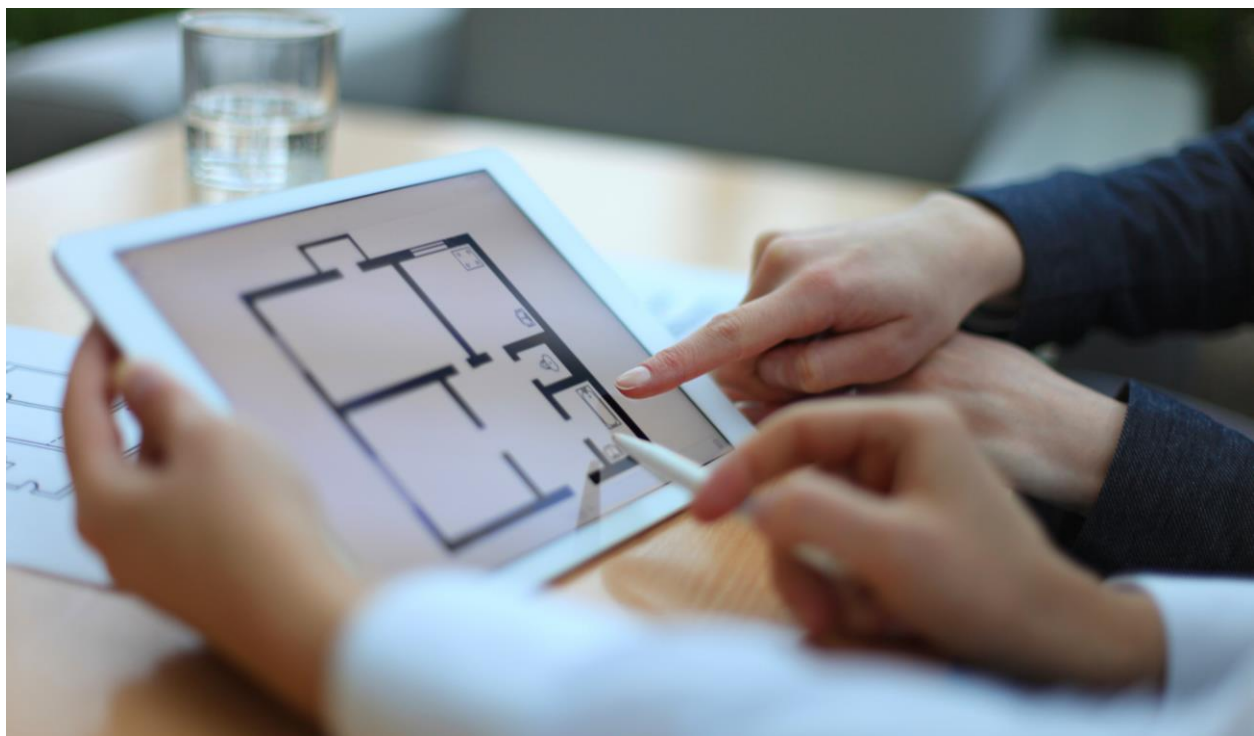
Failing to seek independent information. It is important to seek out people who own several investment properties and ask them how they managed to build their portfolio. They can provide very important tips on how to avoid simple traps and pitfalls when buying investment properties.

## **Hire An Agent**

Managing the property yourself. This puts the investor at a very high risk of selecting the wrong tenant as they cannot undertake the necessary background checks on tenants as a reliable property management company.

## **Research The Expenses**

Not undertaking a full assessment of the true cost of buying and holding the property. For example, if the property is an apartment, there are additional cost issues compared to buying a stand-alone house (such as strata fees). In addition, if the property is old, it may incur higher maintenance costs.



## **Loan Types**

Selecting the wrong home loan (i.e. principal and interest), which is typical for an owner occupier home. Instead investors should consider interest-only loans, which will help increase cash flow.

## Remember The Tax

Keep in mind the tax consequences before you invest. You will get a tax break on some investments such as municipal **bonds**. Before you invest, look at what your return will be after adjusting for tax, taking into account the investment, your tax bracket, and your investment time horizon.

## Focusing Too Much On Taxes

People often focus intensely on the tax consequences of their investment decisions, often to their own detriment. Yes, making a move to help you pay lower taxes can be a good thing, but the taxes a person pays on investment gains are often insignificant compared to having a good investment strategy for your goals.



## Not Running Adequate Checks On A Potential Tenant

As anxious as you may be to get a tenant in and paying rent, it's not worth rushing ahead without checking your tenant's credentials first. Use a rental application form that will provide you with adequate information, pay the money necessary to obtain a **credit report** (to check on a history of late payments, delinquent accounts, etc.) and take the time to verify references including employers and former landlords. Even if the tenant is "desperate" to move in and can make the deposit amount immediately, check out their background first. Don't allow yourself to feel rushed or pressured into making a potentially costly mistake.

## **Underestimating The Cost Of Repairs Or Ongoing Property Maintenance**

In order to keep tenants interested in (and paying for) the property you will need to maintain it. Make sure you're charging enough in rent to at least help cover a portion of ongoing maintenance costs (i.e. painting, cleaning and carpet cleaning between tenants).



### **The Bottom Line**

If you have the money to invest and are able to watch out for these beginner mistakes, you could actually make your investments pay off. And getting a good return on your investments could take you closer to your financial goals.