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SOURCE

# 7 PAINFUL MISTAKES PROPERTY INVESTORS MAKE

Being a profitable property investor requires a goal and plan from the outset. You will also have to build a team of smart advisors whose professions complement the real estate industry. Investing in US property is slightly different than investing in the local Australian market. The principals are the same but the outcome is very different. You are investing in the US market to multiply your wealth with both positive cash flow and capital growth.

America Property Source has identified 7 *Mistakes* that Australian property investors make when buying overseas property;

1. They do not have an investor mindset
2. There is no long term plan
3. They are not able to answer their own *why*
4. They do not understand that real estate is a team sport
5. They do not actively build relationships with their team
6. There is a lack of effective communications with their team
7. They are not proactive investors.

America Property Source and our team of career real estate professionals have put together this list of 7 "Must do's" as a road map and check list for investors researching the opportunity in US property market.

## 1 Have an investor mindset:

An investor mind set begins with your attitude towards money. Specifically putting your money to work to make more money. You invest money in property for one reason and one reason only and that is to make more money. You will multiply your wealth by owning cash flow positive real estate. Income always follows assets.

You are investing for cash flow, capital growth or a combination of both.

**Cash Flow:** If you own a property and the tenant pays \$1,000 per month that equals \$12,000 per year of income or gross income. You have to deduct the expenses (outgoings) related to the property such as real estate taxes (council rates), insurance, property management and maintenance to calculate how much cash flow or income per year your investment property earns. If you have \$100 of expenses per month then your total earnings from rent equal \$900 or \$10,800 per year. The \$10,800 figure is your net income. If the acquisition of the property was \$100,000 and the cash flow equals \$10,800 per year, the property's net return for year one is 10.8% - net income (gross income - expenses) / price = net return. Investors look at these figures before they make a property purchase.

**Capital Growth:** Capital Growth is the appreciation of the asset's value. When the property market improves and the value of your \$100,000 investment property increases by \$15,000 over two years (24 months) then you have achieved a capital growth rate of 7.5% per year. Capital growth is important in the future when you want to borrow against the equity in existing properties to purchase more property.

Investors know their numbers and track the performance of their investments every year to measure the profit of each property and they understand the current market value of their holdings. Investing in real estate should always be treated as a business. Even if you only own one investment property, it is your small business.



## 2 Have a plan:

Investing requires a plan. Accurate planning requires research or as we say in the property game, *due diligence*. Maybe you have heard of a business plan before? Investing in real estate is a business and requires a plan. Begin with a goal. You have a destination, now you have to plan the course to that destination. Have a short term goal that is easy to achieve and reward your self for the small wins. Think big and have a much larger long-term goal.

A short-term goal may be to buy your first investment property in the next 90 days. A long-term goal may be to build your property portfolio until you earn \$20,000 per month in rental income.

No matter what your goal is you will have to follow a plan to achieve results. Visualize what you want to achieve. Map out who you will have to engage to help you along the way. Share your goals with family and friends. Verbalizing your goals will help keep you accountable. Write the goal in your calendar so that you have a set date in my mind. Constantly think about making your goals a reality and follow the plan you are creating towards the promised land of property success and profits.

## 3 Know your "Why":

Why do you want to invest in property? It's a good idea to know your *why* answer today so that it's easy to recall in the future when you encounter an obstacle that's temporarily slowing your forward progress towards your goal(s). Everyone has a *why* and just like our fingerprints they are all very different.

Many people choose to invest in real estate because it is a tangible asset, there are always people needing a place to live (demand), and your money is working hard for you (cash flow). Smart property investment is a proven strategy for creating long term wealth.

To say you want to invest in property to have more money is not a good enough *why*. We all would like to have more money to do and buy the things we want.

To say that you want to build up your monthly cash flow to equal an extra \$5,000 per month for a better retirement in ten years is an example of a *why* that works. Your *why* statement ties in with your goals. It is simple and easy to explain to others.

## 4 Build your team:

Property investing is a team sport. America Property Source believes that everyone is capable of being a profitable property investor with the right team in place. Your property *A-Team* will be the catalyst to your success as a real estate investor. You are considering investing your hard earned money in a foreign country with a completely different real estate culture that you will have to learn. You will rest assured knowing that your interests are being cared for with a smart team of real estate industry professionals on your side.

Here are the key players;

**US property advisor:** Learn what steps are required to safely invest in US property and how you will to profit.

**Licensed property manager:** Skilled property managers are the glue that holds your investment property portfolio together. Building a relationship with you property manager and maintaining effective communication is an important component of profitable real estate investing. America Property Source only recommends licensed property management companies that have experience working with out of state and foreign investors.

**Licensed real estate agent:** America Property Source only works with licensed real estate agents who also happen to be seasoned property investors. We are property investors working for property investors.

**Accountant:** You are now in the business of owning income-producing assets. You must learn the tax benefits and tax obligations of owning US property. A US tax accountant who has experience working with Australian nationals in an important member of your team.

**Banker:** Your investment returns will be deposited in your US bank account every month.



## 5 Build relationships:

Having a team on the ground is important wherever you invest in property. It's important if you live in Melbourne and invest in Melbourne or if you live in Melbourne and invest in Phoenix, Arizona or Cleveland, Ohio. The real estate business is a relationship business. Just having a smart team is not enough. You must build relationships with the key professionals that will support and advise you throughout your time as a property investor.

**Here's a hot tip.** Don't just speak with your property manager every time she calls you with a maintenance issue. Reach out occasionally and build a relationship.

## 6 Effective communication:

Overseas investment is an old practice. Remember that international business used to run with sailing ships and letters. Much like building relationships with your team, communicating effectively with your team is imperative if you live out of state or overseas. There are inexpensive and free ways to communicate face to face in today's world. Email provides quick and easy solutions to simple questions. However, written communication will never beat hearing the story straight from the source. Skype, Viber, FaceTime and Google chat are all free and easy ways to communicate face to face internationally. Time zones and public holidays are different so be pro active and establish a great communication system with all of the members of your team.

## 7 Be an active investor:

Property is a time tested strategy to multiply your wealth over time. The United States is a safe country to invest in and the real estate industry is tightly regulated. US values are aligned with Australia and major corporations work together across the Pacific every day. You are educating yourself right now to evaluate the opportunity at hand and that takes effort. The bad news is that you can't just purchase an investment property, hand over all responsibilities to a management company and expect a deposit to appear in your bank account every month for the rest of your life with out any continued effort. The good news is that by continuing to actively educate yourself, actively build a smart team, and actively build lasting relationships you are in fact an active investor.

From small things big things grow. Diversification is an important part of any investor's portfolio. US property provides cash flow, capital growth, and currency diversification. If you follow these simple seven steps to investing in US property, you will have the tools to become a profitable investor.

Thank you for downloading America Property Source's *The 7 Painful Mistakes Property Investors Make*. If you found this information helpful and would like to receive more USA real estate news and investment information please follow the link to our newsletter.

We promise not to overload you with emails. Our goal is to deliver value to real estate investors.

Kind regards,



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