7 Mistakes made in Property and how to overcome them

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Contents

02

Introduction

Property is undoubtedly a great way to invest your money, earn a profit and help set you on the path to attaining long term financial independence.

There are many ways that you can choose to invest into property – whether this is Buy-to-let, HMO's, Buy to Sell, Serviced Accommodation, Rent to Rent, Deal sourcing or even Property Management. However, your decision on what to invest in is usually compromised by your financial situation at the time.

Some people choose to be less involved in their property portfolio and allow agents to manage their properties for them. Others dive into property investment making it their part-time or even full-time job.

Having property investment strategies or a business plan is crucial in the property sector, due to the plethora of financial challenges that you will face. Therefore, it is important to understand different financial options from the offset or mistakes will end up costing you thousands down the line.

There are many experienced people out there that have made financial mistakes over the years through lack of knowledge when they started out. These could have been avoidable if they had been given guidance and advice from professionals throughout. We are giving you this guide so that you can learn about the mistakes made by others and how to avoid them.

04

Property Investment – your potential way to financial freedom.

There are different paths to get started in property, here are different sectors that you may currently be focusing your property business on:

- Deal Sourcing
- Landlords
- Property Development/Flipping
- Serviced Accommodation
- Property Investment
- Rent 2 Rent

Common problems that Property Investors make

06

Mistake #1
Cashflow

Cashflow is King. From experience I can tell you that without a healthy cashflow, your property business will stall.

Having a cashflow forecast will keep you from making rushed decisions, help you to plan and will outline possible unexpected expenses. This will help you to be more prepared if you must take money out of your own pocket.

You need cashflow to be sure that you can physically afford to invest, especially if you are just starting out. Being realistic from the start will stop you from struggling down the line.

Cashflow is still important if you have already started building your portfolio and is vital for growth. Growing your portfolio means you are more likely to be taking on more debt and responsibility. If you have cash flow behind you or if you have properties that generate cash flow then you can fund future investments to help with the expansion of your portfolio. Alternatively, you will be able to see that if you are putting all your income into your current properties to keep them afloat then expanding at that time will not be a wise investment to make.

Have a Plan B.

Regardless of the amount of time and energy you devote to creating a budget for your property venture, unexpected events can suddenly emerge, resulting in havoc on even the best cash-management system. During such times, the business might need to rely on a contingent source of cash to keep running until things return to normal.

Typical sources of contingent funding include lines of credit, personal assets, family and friends. Business owners should have a Plan B lined up well before the funds are needed.

Tips: Chase payments early and often. Control spending and stick to your budget. Go digital for accurate cashflow information.

For a free cashflow template get in contact with us.

Mistake #2
Poor Financing

One of the incredible benefits of property investment is that you get to invest with borrowed money.

Using a mortgage to fund your property investment allows you to profit from other people's money. It could massively boost your returns and yield on your capital investment (the deposit). Get the financing wrong and your profit could disappear.

When you invest in property using a mortgage, the interest payments are likely to be your biggest monthly outlay. But getting the best financing is not simply about getting the lowest interest rate, there are many other considerations to make. For example, if you are likely to want to sell or restructure your mortgage in the next couple of years, the savings from a lower interest rate could quickly unravel with early repayment charges.

Tip: Always use an experienced buy-to-let mortgage broker. They will know the market like the back of their hand and help you avoid costly financing pitfalls. We partner up with great mortgage brokers so get in contact with us for a referral.

Mistake #3
Not having an Effective Investment Strategy

Investing in property is a strategy based on your personal financial situation, your attitude to risk and the level of funds available to invest.

Preparing and understanding your own motivation, goals and aspirations will help you with taking your first step and provide you with a structural strategy.

Buying a Property is simple – if you do it right.

Buying a property that will meet and deliver on your personal strategy and your financial objectives is more of a science and one that you should familiarise yourself with.

Other things to think about are how much time you can afford to put into your property business. Many people are unrealistic about the time they can afford to spend; they think they have more or less than they do. If you do not have much time, perhaps you may need help which means incurring more costs. If you have lots of time, then you probably do not require the same start-up capital.

Be specific before you start investing. Know why you are investing, and the timescale of investment. Do you want to benefit from income now or in the future? Are you trying to build a property portfolio that will support you through your retired years? Do you plan to sell properties before you retire, perhaps to make a capital gain to meet other financial obligations?

Answering questions like these are integral to creating a property investment plan to get you to where you want to be in life.

Tip: If you are starting out and you do not have lumps of cash to invest, you can start by deal sourcing and/or finding BMV deals for investors for a fee. Once you build up a portfolio and relationship with investors you can ask to go into joint ventures – a JV is between two or more partners who work together on a project. In this instance, the investor would put down the money and you would agree to do the workload, and both share the profits at the end.

Mistake #4
Selling property

The main reason we believe selling is a mistake is because you are transferring your wealth to someone else.

Despite this, we do believe that IF your property is not performing well, you have bought a property out of area, or you can flip a low yielding property on a quick turnaround, then selling the property to reinvest in another better performing property project or to get out is a viable strategy.

The mistake we often see is investors not investing for the long term. If we go by past property cycles, and property prices increasing in value over time, then continually selling your properties reduces your asset base and long-term wealth.

Tip: The property market is often speculated to grow every 5 to 8 years. By selling too early, you will be missing out on the following cycle and property growth period. Do consult your advisors on the best period to sell your property to gain maximum profits. Miscalculation would lead to great financial losses.

Mistake #5
Buying Overseas

When starting out with property investment, it is not a great idea to invest in property abroad.

It can be easy to be lured into buying abroad with catching ads and stunning apartments at low prices – if it seems too good to be true, then it usually is. This is for several reasons. You cannot speak the language or write the language well enough to communicate and you are not familiar with the way businesses run in that country. These factors simply mean that there are too many variables waiting to go wrong.

Tip: If you have lived in a different country or you are familiar with a particular area, speak the language and understand the property market in that area then go ahead and invest although this isn't the case for most.

Mistake #6
Purchasing properties that are too run down

When there is too much work to do on a property, it could be an expensive mistake to buy it.

Properties that have structural problems or need major work done to them are expensive and time consuming to fix. Again, there is always an exception to the rule, for instance if you are a structural engineer and can manage the project yourself, that's fine. However, most of us will have to pay for such a service so it is best to avoid these kinds of properties; they can be a false economy as you may think you are getting a bargain. Once you have factored in the money for repairs, extras, time and aggravation, it's no longer appealing.

Tip: While you may be open to buying a home requiring a lot of work, you need to be realistic with how much work you can commit to. If you choose in invest in an older property, for example, you need to note that some old buildings may be harder to insure and could require different renovation techniques to avoid further damage, often costing more money.

Mistake #7
Knowing where you can make savings, avoid paying tax and boost profits

As with any investment, understanding the numbers is crucial in working out how profitable your investment would be.

Property investors should identify potential risks to their bottom line and work out mitigation strategies.

Taking in to account various costs associated with building and running a property portfolio should be thoroughly stress-tested. It's astonishing to think that more than 10% of landlords fail to take any costs into consideration when calculating the financial performance of their portfolio. Worse than that, a huge number of investors do not factor in other costs or losses such as void periods, stamp duty, letting agent fees and maintenance.

Tip: Outsource. As a growing property investor, you may come to find that your time becomes valuable, you simply cannot manage everything yourself. What people struggle to realise is that it is more profitable to outsource certain things.

It's important to remember that HMRC are constantly changing the tax rules for the property sector; what is claimable this year may change next year.

14

What's next?

You should now have an insight into the potential errors, some you may have already made yourself. This guide should help you to identify mistakes and motivate you to take action required to avoid the pitfalls that others have made. We have put together some pointers to help you move forward with your property investment.

1. Write a business plan if you have not done so already. You can choose to write this yourself or outsource. Get your finances in order and use this to create a cashflow forecast. If you require a cashflow template or assistance with business plans please email info@accountsnavigtor.com

2. Sit down and dig into your current finances. Are you sourcing the best mortgage deals with low interest rates? Are you making enough money from your rental income to cover all your costs and make a profit? Do you know where your money can be utilised best in property?

3. Make a plan of action of where you want to go with your property portfolio. Where do you want to be 5 years from now? Will property be your path to financial freedom? Do you want to be able to leave your job 5 years from now and invest in property full-time? Or do you simply want to make enough to be able to live comfortably and enjoy time with your family?

4. Please ensure you act after reading the mistakes that others have made. You need to make the time to ensure you are building your business with the correct foundations. This will save you so much time and money in the long haul by doing so.

Discovery Call

Or you can simply contact Accounts Navigator Associates and we can help navigate you through your current finances and provide you with advice on your property business. Let's have a chat together and map out how you can grow,

Boost Profits
We help eliminate your stress by helping to get your financial management in order, giving you real time advice on how to cut costs and boost profits.

Generating Income
Once we have accurate financial data, we can start to build workflows and budgets recommending ways to circulate your income and utilise your money best.

Organising Paperwork
We'll then transform the way you keep paperwork from offline to online. Introducing you to our systems and getting you set up so that you can save time.

Setting your goals
Every business owner needs to set goals in order to keep moving forward and maintain success. Setting goals will help keep you motivated and disciplined to get you to where you want to be

Financial Updates
We'll get to know your business and take care of your numbers. With this in motion you can focus solely on your goals. We'll sit down with you on a monthly or quarterly basis and translate your numbers for you.

Credit Building
We can help you navigate your profits and tax planning to help you build your credit. Creating a plan to help you boost your credit so that you have more financial options available to you

Ready to get started?
Book an initial Discovery meeting with one of our Senior Accountants to determine your needs, where you currently are in your Business journey and what support you currently need. Contact us on **01992 714 010** or email us at **info@accountsnavigator.com**

BOOK A DISCOVERY CALL ↗

Our Team

Introducing the Accounts Navigator Associates team - a group of dedicated individuals ensuring your needs are met. With qualified senior accountants, bookkeepers and office administration at your grasp, we guarantee a specialist service with nothing but the best advice.

Andrea Richards
Finance Director

Lamont Richards
Practice Manager

Cassey Nixon
Office Manager

Kadeshya MacDonna
Senior Accounts Associate

Dante Small
Senior Accounts Associate

Beata Pacan
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