Seven Steps to Financial Freedom through Buy to Let

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propertysecrets*

Chapters

Seven Steps to Financial Freedom through Buy to Let Part One

Would you like a few buy to let properties to supplement your pension?

Would you perhaps like a few buy to let properties to supplement your current income?

Or perhaps you would like to be more aggressive and would like to put together a portfolio of buy to let properties so that you can be financially free?

Whatever your property aspirations are I'm looking forward to helping you. In this short series of posts I'm going to introduce you to my seven-step system for finding and buying your buy to let properties, so you can put together your own portfolio.

But before I do… Let me tell you a profound truth that I've learned in my thirty plus years in property. It's this:

"The secret to being a property millionaire is to buy the right property".

Now I should say that if you are hoping to hear about a quick and easy 'get rich quick' type scheme, or some kind of foolproof formula, which means that you can find and buy properties without doing any work, then this system won't be for you. But if you're prepared to take my system and apply it with a bit of graft and effort, then there's no reason why you shouldn't have even better results than myself, and far more quickly.

So who is this system for?

Quite simply it's for anybody who wants to get into buy to let and who wants to get off to the best possible start.

It's also for anybody who has already started but who has perhaps stalled, or who is finding things not going as they hoped, perhaps they are not making as much progress as they hoped they would and are struggling to hit their financial goals and targets in property.

And it's for anybody who is doing okay but who wants to 'do' property better and who wants to make sure that they're maximising their returns and getting the most out of their buy to let investments.

BUT, to be clear, it's not for those who are extremely experienced and who consider themselves to be extremely successful, and who are happy with their progress to date. If that describes you, then this probably isn't for you.

The purpose of the system is to allow us to draw out all of the money we put into a deal, allowing us to use it again, recycle it, so we can then use it to buy another property, and then another and then another. Over time, we can keep using that one ‘pot’ of money to put together a multi-property portfolio.

Despite that, expressed as step-by-step, it’s very simple to understand and to follow.

So, if that’s the case, and if it’s all so simple, why do we need this seven-step system at all?

Well, good question.

I mentor beginner and experienced property investors and over the years it’s become apparent to me when I’ve been talking to my mentees that *although we all think we know the system, very few investors actually follow it*.

In fact, I met with one of my mentees recently and he said that before our meeting he had told his father in law that he was coming to see me and his father in law had said “Well why bother with that, why don’t you just go out and buy a property?”

And unfortunately that’s the way a lot of us think and that’s what a lot of us do, we just go out and buy a property.

Now I’m not knocking that because the mere fact that they’ve actually taken action to buy a property elevates them probably into the top 5% of the population. Most people sit around talking about it but don’t actually do anything.

But sadly, good intentions don’t guarantee the right results and don’t produce the maximum returns.

I said earlier that the secret to being a property millionaire is to buy the right property.

And what I see over and over is investors not buying the RIGHT property! So I often ask the question:

“If buy to let and property investing is so easy, why do so many get it so wrong?”

Surely we all want to get the greatest possible return from our properties and to me that means buying the right properties which, in turn, means buying in a very systematic way, rather than a haphazard way. If we are going to do it we want to do it well, not in a half-hearted, half-baked way. After all there’s a lot of money at stake, ours and other people’s (usually the banks) so it’s worth doing properly.

Put another way it means buying in a *Strategic Way.*

Now I know from talking to my mentees that another major problem that many investors can face is that they can run out of money, which can stop them in their tracks. They can be very fast out of the blocks but, before they know it, the whole thing has stalled because they have run out of cash. There may be ways and means to get around that, but wouldn’t it be easier just to set out the process properly from the start so that you know, going into this, that you're not going to run out of cash and so you can keep buying for as long as you want to? You can then decide whether you're going to stop after three or four properties, or whether you keep on going and build a multi-million pound portfolio.

The choice of how many properties you buy is then yours.

Now, as I say, I'm not being critical because I've been there and I've done it. I've made all the mistakes there are to make and my system came about very much by trial and error. But I've learnt that using the system helps avoid all those problems and mistakes which can hold an investor back at best, or at worst can completely derail them.

But if you have made any of these mistakes, don't worry about it because now is the time to review where you are at, and to make sure that going forward that you do things in a more predetermined way. And if you haven't started yet, then take advantage of the knowledge of those who have gone before you, and who have made those mistakes, so that you can avoid them.

In the next chapter we'll jump into the nitty-gritty of what the seven step system comprises.

By the way, I've rewritten and updated my best selling ebook, *The Successful Property Investor's Strategy Workshop,* which is an account of how I put together my multi-property portfolio, £2m of property in 4 years, literally starting with none of my own money, and how you can do the same.

Looking at the market now, there are many similarities to when I first started, and many experts agree that if you want to be financially free using property, now is the best time in years in which to buy.

The same techniques and strategies I used STILL WORK JUST AS WELL TODAY. In fact, I am still using them to buy even more property now.

That means that, if the experts are right, this is the perfect opportunity for you to do the same as I did and put together your own multi-million pound property portfolio, should you want to.

The Successful Property Investor's Strategy Workshop is my very own 'course in an ebook', all in one easy-to-absorb volume (although it is big - 178 pages of A4), so that you can have all the information you need at your fingertips.

Anyone can do this, but you have to go about it the right way. Indeed, you can copy my model, if you want.

That's why I'll show you everything I did, right and wrong. Right, so you can do the same. Wrong, so you can avoid my mistakes and save a lot of wasted time, money and effort. I've even included real-life examples of actual properties I've bought, so you can see how it all works in practice so that you can do the same. It took me years of trial and error to learn all of this and to get 'the system' right, so let me save you time, and money, and help you to reduce your risk, by sharing with you my over 30 years of experience in property.

For more details and to order your copy please visit the Property Teacher website here

Seven Steps to Financial Freedom through Buy to Let Part Two

In the last post we looked at how, in my experience gained from mentoring new and experienced investors, I see many of them buying in a random and hap-hazard way, and then wondering why they don't get the results they desire.

The answer, in my opinion, is to buy strategically, using a system, and so in this post I want you introduce you to my seven step system which will allow you to buy the right properties (for you) AND buy without running out of cash.

That means, potentially, you can keep on buying and assemble a portfolio of any size you desire.

So what is my seven-step system for financial security through buy to let?

It's this:

- Number one – Decide on what we want to achieve from property and why.
- Number Two – Choose the right strategy to achieve what we want to achieve.
- Number Three – Find the right property or the right types of property that fit with our strategy.
- Number Four – Find, negotiate, finance and buy our property.
- Number Five – Add value.
- Number Six – Let and refinance our property.
- Number Seven – go again, repeat the process.

When you look at this, you will see that this is actually a very simple process, but despite that it is a very powerful system.

Its strength comes from that it uses several "wealth" principles, particularly:

- The velocity of your money
- The recycling of your money
- The power of gearing your money
- The power of using other people's money
- The compounding of money

The system might look simple but if you stick to the principles it's very effective and it has allowed many people, myself included, to put together substantial portfolios and to generate a significant cash flow. I know that many investors, when they are starting out, doubt whether they can do this and I'm not saying that it will be easy, but the principles are simple and I really do believe that anybody can do this (if they apply themselves)

Now, I have to say that in order to do the system justice I could probably write a separate ebook for each step. When I teach this live I can easily fill a two day workshop with content going into all the detail.

And because I have limited space in this post I'll stick to drawing out the most important points under each heading so that you can have some kind of framework to work by and get started with.

So let's start with….

Number One: Deciding on What We Want to Achieve From Property and Why.

The truth is that many property investors I meet and mentor don't have a clear idea of what they are trying to achieve. They have a vague idea that they'd like to be successful in property or that they'd like an income from property, or that they'd like to own a few properties so that they can have some capital growth and something to look forward to in the future. But it's all a bit vague and wishy-washy. The problem is that if you're not really sure what you're trying to achieve then buying any property will do, which as we've seen, happens too often.

The system starts with requiring the investor to know exactly what they're trying to achieve, and why, which if you think about it isn't unreasonable. We're talking about spending very large sums of money and we shouldn't be buying properties on a whim.

So the first part of the process is to know exactly what you're trying to achieve and to express this as clear, focused written goals. We need to put very precise numbers on what we want to achieve and, if possible, the timescales within which we want to achieve these goals.

I don't want to go into too much detail here, suffice to say that the starting point is that we need to set our goals, properly.

I'm preparing a series of posts to help us to do that as we get closer to the end of the year so we can hit the New Year running.

There's a lot of material on goal setting available, so it's worth spending time doing a little research although, in fairness, there's very little about goal setting in a property context.

That's another good reason to look out for my next series of posts.

But, for now, let's assume that you do know what you want to achieve from property, particularly in a financial context. With that said, let's move on to step number two.

Number Two: Choose the Right Strategy to Achieve What We Want to Achieve

Assuming an investor does know what they want to achieve from property (which is a big assumption) that's often where the story ends.

Very few investors stop to think about what is required STRATEGICALLY to fulfil their aspirations. I have noticed that many investors are unclear on which strategy is best for them and often buy property without a clear strategy in mind.

If you think about it there are really only three basic strategies in property:

Buy and hold for income.

Buy and hold for equity.

Buy and sell for cash.

All other strategies are really sub-strategies of these.

When you TRULY know what you're trying to achieve you can then choose the right strategy.

So, for example, if your principal goal is income from property then you know that your principal strategy is likely be *buy and hold for income*. This requires buying properties cheaply enough that your mortgage, and your mortgage (interest) payments are as low as possible, so the rent produces significant positive cash-flow.

If your goal is equity or wealth then the most likely strategy is *buy and hold for equity*. This requires buying properties with a genuine expectation of significant capital value increases. There may be historic evidence of a trend, such as in London or the South East where long-term, prices have tended to increase more than in the rest of the country. Or it might mean buying in a regeneration area, or an area marked for new infrastructure, and so on.

If you buy for equity it will still be important to keep in mind investment fundamentals and to find a property where the rent at least covers all the costs, even if it doesn't produce a significant positive cash-flow for income. This may be made easier by targeting 'cheaper' properties, or 'below market value' properties, to reduce mortgage costs.

Increasing capital values is only one way of benefiting from equity. Buying a property cheaply, in other words at below its 'true' market value (below market value) allows you to have equity from day one.

And you can buy properties to add value. This is usually property requiring repair, renovation, modernisation and improvement, and where the value added by doing the works is more than the cost of the works. We'll look at this in a later post as the Seven Step

System allows us to draw out all of our money and recycle it into another property and buying cheaply and adding value is a key part of this.

If you follow the seven step system, both buying and holding for income and buying and holding for equity both work as long as you can buy at the right price, and generate the right rent cover for your needs and wants.

The key thing is to have a long-term strategy and to buy with that in mind. There’s no point in recycling your money and assembling a portfolio, only to find that it’s the wrong type of portfolio with the wrong type of property.

In the next chapter we’ll look at how to find property that fits our strategy.

Seven Steps to Financial Freedom through Buy to Let Part Three

In the first two posts of this series we looked at how, in my experience, many investors do not really know what they want to achieve from property, with a result that they buy rather randomly and not strategically.

And we looked at the first two steps of my seven step system for achieving financial freedom from property – knowing what you want to achieve from property, and then deciding which strategy is best to help you to achieve that.

Step three of the system, which we'll look at now, is Find The Right Property or The Right Types of Property That Fit With Our Strategy

If your goal is income and your preferred strategy is *buy and hold for income*, it's implicit that you will be looking for high yielding property to produce cash-flow.

As rule of thumb high yielding property tends to be cheap property, or cheaper property, and so now we're beginning to get an idea of what we should be looking for.

Conversely, if your goal is to build equity or wealth, and your strategy is *buy and hold for equity*, it's implicit that you'll be looking for lower yielding property. Lower yielding property tends to be higher value property, and, as a rough rule of thumb, all other things being equal, we can assume that higher value property is more likely to enjoy greater capital growth over any given period than cheaper property.

You'd be surprised how many investors lose sight of this in the excitement of trying to buy a bargain. I come across investors who bemoan the fact that they can't live off the cash-flow of their properties, but it turns out that they've bought expensive properties in expensive areas, with low yields and which are relatively hard to rent out.

Likewise, I come across investors who jump at buying cheap properties, in very cheap areas, because they can afford them, but who then bemoan the lack of capital growth or the limited capital growth.

Once we know the type of property that we're looking for we can then start to identify areas where we're likely to find that property.

Not every area is suitable for all strategies. At least that's what we may think.

Now I know that the ideal is to buy within your local area but sometimes, being pragmatic, you may just have to go further afield. So, using an extreme example, if you want to buy for yield or income, but you live in Chelsea, you're probably not going to be buying locally because values will be too high and yields too low.

Many investors head north looking for yield, but you wouldn't do the same necessarily if you were buying for future capital growth. Although I'm sure that all areas of the country will enjoy capital growth at some time, if you look at the statistics, which are admittedly just averages, you can see that some regions, towns and suburbs historically perform better than other regions, towns and suburbs. So there is a view that you should follow the trend and buy in those areas for future capital growth.

But you'd be surprised how many investors I find who are determined to make their strategy work in their chosen area. I come across investors who are desperate to try to create income. They choose an area, possibly an area close to where they live, but where they are going to find it very, very difficult to find cheap property to produce the yield that they want. Despite the fact that they spend months and months looking for the ideal high yielding property, they stubbornly refuse to change areas. Sometimes you just have to accept your strategy isn't going to work in that area and move on.

Or, choose a different strategy that DOES work in that area.

Now there are always exceptions to the rule. We all know about buying the cheapest house in the best street. And it may be if you do enough leg work you may find cheap properties in good areas which produce the yield you are after. But, as a general rule of thumb, if you're after yield you need to go to the cheap areas and if you're after capital growth you need to be heading towards the better areas.

What I suggest you don't do is 'sit on the fence' and buy properties in what we could consider to be the middle area, which are neither cheap nor expensive, and which will benefit from neither a decent yield nor a decent rate of capital growth. By heading slightly towards the extremes, but not all the way to the extremes, an investor can greatly increase their return.

Looking ahead to the next steps of the system we will also be looking for properties that we can buy cheap, or where we can add value, or preferably both.

I believe that the quality of any deal that we do reflects the depth and the thoroughness of our due diligence and research and the more research we do, the more likely it is that we will find bargains, and find the properties that fit our strategy.

One of the key things is to believe that the right deals are out there and to be persistent in looking for them. If you view enough properties, you will find them.

In the next chapter we'll look at how to negotiate, finance and buy our property.

Seven Steps to Financial Freedom through Buy to Let Part Four

In this series of posts we are looking at the seven step system for achieving financial freedom through property, a system which, if used properly, will allow an investor to draw all or most of their cash out of a deal, so they can keep on buying without running out of cash and accumulate a portfolio of any size they desire.

In this post we are going to look at Step four which is Negotiate, Finance and Buy Our Property.

It is possible to go into an area that is new to you and to do a good deal, but it is unusual. We are much more likely to be able to do good deals (by that I mean buy at a bargain price, or buy below market value), when we know our area, when we are familiar with values, when we understand how the market works in that area, when we know the local estate agents and so on.

There are many advanced techniques for generating leads to buy properties, all of which can be worth trying and pursuing at one time or another. But in this series of posts I want to keep things simple, because often simple is 'good enough'.

I'm often surprised that many investors will turn their nose up at the idea of finding a deal through an estate agent. If you think about it that doesn't make sense. 90% or 95% of vendors' first call when they want to sell their property is to an estate agent. Estate agents have the low hanging fruit, and they can give you access to many of the best deals.

There's also a perception that the only good deals to get from an estate agent are the ones that they're hiding in their bottom drawer and reserving for their very best buyers. It's true that they will have those deals and it's true that until you have a really good relationship with them you probably won't be offered those deals.

But there are plenty of other deals which may not be the very best but which are perfectly good enough, especially to get us started.

Unfortunately, when you look in the estate agents window at all the details, those deals aren't marked. It would be great if they were marked as being "Buy below market value, desperate vendor will accept much reduced offer!"

But we all know that they're not, so the only way that we're going to unearth those deals is by a little bit of hard work.

When you know your area reasonably well, you'll begin to spot when properties come onto the market at what looks like an already cheap price. That might be a clue that the vendor is looking for a quick deal or that there is a story behind the sale which could result in your doing a good deal.

I have alerts set on Rightmove for my investment areas and as soon as something a little bit different or a little bit interesting comes on I call the agents straight away and go straight around and have a look.

When I first started doing this I didn't end up buying every property I went to look at, far from it. But it was a great way of starting to build a relationship with the agent. It showed them the sort of property I was looking for, and they could see that I was prepared to act because I was straight on the telephone making an appointment to view the property.

It is a numbers game, the more you do this the more viewings you will do and the more likely you are to find a deal.

One tip I will give you is that you need to treat agents and vendors with respect. I was chatting to a friendly estate agent once who was telling me that when they come across an investor who makes a ridiculously low offer they just literally scratch their name off the list and that investor will not be offered any more property. The example she gave was of a property which was on the market at £80,000, and which was probably quite a good buy even at that price, but an investor had been around and viewed the property and had then rung later to offer £50,000. Personally I don't blame the investor for trying, I always say that if you don't ask you don't get. But there are ways of putting an offer forward like that which don't cause offence, such as the "offer which isn't an offer" type of offer.

Also, if you think it will help to describe yourself as a cash buyer, do make sure that you have the cash. In the early days when I first started, nobody ever questioned it when I said I was a cash buyer. I was genuinely a cash buyer but nobody asked to see any proof, they took it at face value. Nowadays I've noticed that agents will ask for a copy of your bank statement or other proof that you have the funds to buy cash.

I used to wonder whether being a cash buyer actually made any difference anyway but in the last couple of deals that I've done the agents have used me almost as a 'reserve buyer'. Two properties I bought recently had been under offer to purchasers who needed a mortgage, but in both cases the properties had failed on the valuation. "Interestingly not for anything which I would be terribly concerned about." In one instance the valuer said that the kitchen wasn't up to scratch. In the other there was some question mark over whether lintels had been put in over windows in the back elevation.

When I looked at the property I couldn't see that there was anything structurally wrong with it and I think that the valuer was being a bit OTT but it meant that the agents, and the vendors, recognised that they weren't going to be able to sell the property to a purchaser requiring finance. So I was offered both properties as a cash buyer and at a significant discount.

To keep things simple I'll talk about how we finance our property when I talk about step number 6, letting and refinancing.

But first, part read part 5 next.

Seven Steps to Financial Freedom through Buy to Let Part Five

In the last post we thought about the practicalities of finding our property. In this post we are going to think about Step 5 of the Seven Step System, how to add value.

Hopefully, if we've done our research properly, we will have bought the property cheaply anyway but keeping this example simple, we are going to assume that in any case the property requires renovation and repair.

Now just a word on that because it can muddy the waters a bit as to whether you've bought the property cheaply or not when it is discounted because it needs repair and refurbishment.

I suppose that you can look at it this way.

There will be the value of the property as if it were in good repair.

Then there will be a lesser value of the property reflecting that it needs repair and renovation.

And then there's an even lower value which reflects that it needs repair and renovation, but you're actually buying it for a bargain, discounted price.

In this model the ideal price to pay is the last option, but keeping it simple, if you can buy it at a price which merely reflects that it needs repair and renovation, you should still be able to achieve what we are trying to achieve, if the renovation adds sufficient value.

As you become more experienced and more sophisticated in your property dealings, you may find other ways to add value which don't necessarily rely on repair and renovation. For example, I've just put an offer in on a pair of flats. The flats look like a terraced house; there's a one-bedroom flat on the ground floor and a two-bedroom flat on the first floor. Interestingly they are in a self-contained, purpose built block and that's how they were built. Because one flat is over the other it's possible to actually acquire the freehold of both flats.

The reason why I'm interested in buying them is because I know that, although they don't require very much work internally as they are both in good condition, if I can buy them with the freehold I can split the title and sell each flat individually on a long lease. So in that instance I'm going to add value by changing the legal nature of the property, by doing what is now called "title splitting".

To give you an idea of the figures, I have offered £69,950 for the pair but could potentially get £115,000 or more if I sell them individually to owner occupiers.

But, as I say, let's keep this simple for now and we'll think about an example where we need to renovate or repair.

Ideally you should be looking to increase the value by at least £3 for every £1 spent. That's a good target to aim for but you will have to do your sums to make sure that this increases the value enough.

Ideally you want to look for properties which require mainly cosmetic work and this could, and probably should, include a new bathroom and kitchen. At a stretch it could also include installing central heating which, in most properties, should be relatively straight forward, and/or perhaps new windows.

What you don't want to be getting involved with is major works of repair, particularly anything which is going to get the Building Control Officer involved. Not that there's anything wrong with having the Building Control Officer involved, they are usually very helpful and very quick, but that is like the benchmark as to where you may be taking on a project which is inappropriate for what we are trying to achieve, because it assumes you'll be doing work which requires Building Regulation consent.

Just to give you an example, the property I've just exchanged contracts on was on the market at £80,000.

I know that the purchaser, who had to drop out because the property was declined on valuation, was looking to spend £30,000 on it and was going to put in a new bathroom and a new kitchen, and probably redecorate it throughout.

In my view the kitchen is fine and I would not change it, particularly if I was going to rent the property out. The bath is poor and probably needs replacing but the WC and the wash hand basin in the bathroom still look as good as new and so I would leave those. So we're probably looking at £200 for a bath and maybe £100 - £150 to get the plumber in to fit it.

Other than that I may or may not put in the two lintels that the valuer got excited about, but even that would only probably be about a couple of hundred quid, maybe £300 at most. And lastly on the list, the property needs central heating which I would budget at around about £4,000. So we're probably looking at about £4,500 - £5,000 altogether for the major works.

After that, it needs decorating throughout. Most of the wallpaper is actually still in good condition so I'd probably just paint over it, especially if I was going to rent the property out. I think that would cost no more than £1,000 and I might even be able to get it done for less than that.

So let's say this project is going to cost £5,500 - £6,000 in all.

I think that, if and when the property is finished, it will be worth in excess of £95,000. The agents I've spoken to are of the opinion that if it is done well it would be worth £100,000. So if we assume conservatively it will be worth £95,000 then you can see that this simple exercise has actually added £4.16 for every £1 spent, which is pretty good.

In the next post we'll look at refinancing our property once we've added value so we can pull all or most of our money back out.

Seven Steps to Financial Freedom through Buy to Let Part Six

In this series of posts we are looking at the seven step system for achieving financial freedom through property, a system which, if used properly, will allow an investor to draw all or most of their cash out of a deal, so they can keep on buying without running out of cash and accumulate a portfolio of any size they desire.

In this post we are going to look at Step Six which is letting and refinancing our property once we've added value, so we can pull all or most of our money back out.

Letting the property is self-explanatory so I don't want to say a lot about that.

I didn't say anything about financing the property back at step four when we were talking about negotiating and purchasing because I thought I'd keep it simple and pull it all together under this step where we refinance.

When I'm doing a project like this there are three ways that I will consider financing it.

The first way is to buy it for cash initially, do the works and then refinance onto a buy to let mortgage after six months.

If I didn't personally have the cash to buy outright I'd consider borrowing it or buying as a JV (in other words, taking on a Joint Venture partner, someone like a friend or relative who could fund the deal in return for a decent rate of interest). I would then pay back the loan from the JV partner when I refinance.

The advantage of this is that there are buy to let products reappearing which have 80% LTVs (loan to values) (The Mortgage Works and others), even 85% (Kent Reliance) and you can finance after 6 months using one of these products.

I just mentioned waiting six months because of the "*Six Month Rule*". Just to be clear the six month rule is not actually a rule or a law, it's a guideline, which suggests that banks don't lend on a property until it's either been in ownership for six months or until six months have passed since a mortgage was lent on it.

Not all banks adhere to this guideline. I know that there are some that will take a pragmatic view and if you can show them that you've undertaken works to the property that have enhanced the value they will refinance it earlier than six months.

The second way I'd look at financing it is to start with a light refurbishment loan. There are a number of lenders that offer these. They all but disappeared during the credit crunch but Paragon will lend 75% of the purchase price and will then revalue to 75% of the value of the completed property, subject to a maximum draw-down of £25,000.

Other lenders include Saffron Building Society who offer a light refurbishment loan subject to a minimum valuation of £100,000. Interestingly they offer an 80% LTV on their five year fixed rate option.

Shawbrook and Aldermore each have a light refurbishment product although these are for short term loans and are quite expensive, and are really more like bridging.

And Precise Mortgages offer a *Bridge to Let* facility. This comprises a bridging loan for the period of the refurbishment which can then be switched to their buy to let loan after a period of 4 months. The rate charged for the buy to let element is quite competitive and their minimum loan and valuation is £50,000.

As the market continues to pick up and as mortgage criteria loosen I wouldn't be surprised to see new light refurbishment products appear and the LTVs increasing.

The third way I'd consider financing it is to use a standard buy to let product on purchase, and then refinance to another buy to let lender on completion of the renovation works. Some buy to let lenders are a bit fussy about how much work they'll accept when you buy, and brokers will tell you the property needs to be habitable. But there is a wide variation between lenders as to what 'habitable' means, and ultimately it often comes down to a valuer's recommendation. I've seen nice properties turned down, and properties that should be condemned accepted.

When we're in the estate agents looking for something which we can buy cheap and which needs refurbishment, we need to remember that the formula is that 70% - 75% (or perhaps 80% depending on how and when you finance) of the end value must exceed the total amount of the purchase price, the costs of purchase and the cost of the renovation. Then, with a 70% or an 75%, or even an 80 or 85% LTV mortgage we can borrow ALL of our money back out.

So before you buy you need to be sure of your figures and get accurate quotes for the refurb works as far as you can.

You'll also need an accurate assessment of the "before" and "after" value of the property. If you apply for a light refurbishment loan the bank's valuer will provide the before and after valuations.

If you buy for cash first, and then refinance, you'll either need to appoint your own valuer to do a before and after valuation before you buy, or come to your own conclusion on value(s) based on your own due diligence.

The other part of the equation, of course, is that you need to make sure that the rent will provide the right cover required by the lender which is usually that the rent must equal or exceed 125% of the mortgage payments, calculated on an interest only basis.

There's bound to be times when your figures are a bit marginal but what's exciting at the moment is that in most areas of the country the market is now beginning to recover. That means that if things continue to go the way that they are, we will soon be back to the days where the value of the property increases during the time when you are undertaking the works. This has three advantages.

The first is obviously that the property will be worth more than you were budgeting for which means that you might be able to borrow a little bit more out, if you wish to.

The second is that as the market improves hopefully valuers will relax and will be more optimistic in their outlook which will make it easier to get finance.

The third is that if you are slightly out in your figures the market will bale you out if you wait long enough.

So when we've renovated the property and have let it, we either finance it if we bought it for cash, or refinance if we bought it with a loan or mortgage.

In the next post we'll look at final step of this seven step system.

Seven Steps to Financial Freedom through Buy to Let Part Seven

In this series of posts we have been looking at the seven step system for achieving financial freedom through property, a system which, if used properly, will allow an investor to draw all or most of their cash out of a deal, so they can keep on buying without running out of cash and accumulate a portfolio of any size they desire.

In this, the last post, we are going to look at Step Seven which is Go Again, Repeat The Process.

Assuming we get all or most of our money back out when we refinance, and if we find the right property and do our research and sums properly, we should then use that money to go again, and buy another property, and repeat the process.

Sometimes I'm asked, "That's ok for you Peter, but what if I don't have the money to start with?"

Well, first I'd suggest you look at what you have got. Have you got any equity in your home you can draw-out? Have you got any savings? Have you got any old ISAs or endowment policies which you no longer need? I'm not an IFA and so I can't advise what to do with them, you must make your own decisions. But I will ask "How much do you want to do this? And what is potentially going to give you the greatest return?"

Sometimes I'm asked, "What if I can't find the right deals?"

I think we need to be persistent and keep on going. Remember this. You only need one deal to get started, or one deal to take the next step. You don't need to be looking for 10 at a time. Build your portfolio one property at a time and just concentrate on finding the next deal.

Or what if you have trouble finding deals in your area?

Well, I'd make sure you genuinely can't find deals in your area. As I say, you only need one or two in your first year, but if you cannot genuinely find the right type of property at the right price level in your area, then move onto another area where you can.

So when should you use this seven step system? Simply, you should use it whenever you buy property.

If you are just starting out, use it from today.

If you have already started in property, use it from today. You'll get better results if you know what you want to achieve and why, and use a methodical systemised approach to finding them and to recycling your money.

When I started back in year 2000 I bought £2m of property in 4 years, and that was starting from scratch and using none of my own money. The reason I was able to do that was because I used this exact system.

Looking at the market today, there are many similarities and many experts agree that if you want to be financially free using property, now is the best time in years in which to get started.

That means that, should you want to, this is the perfect opportunity for you to do the same and put together your property portfolio.

This doesn't have to be hard, a lot of it is common sense.

As I said in the very first post in this series

"Anyone can buy a property, but not everyone buys the properties that are right for them".

In my opinion, that is the difference between success and failure, or the difference between doing okay and doing very well indeed.

Do you think successful investors buy "the house next door", just because it happens to be the house next door? Do you think they buy a property just because it looked cheap?

Do you think they'd buy a property just because they could get a discount from the developer?

No, of course they don't. They know exactly which properties they need to buy to attain their goals; they have worked a system to find those properties; and they take the necessary steps to acquire them at the right price.

Anything less than that and they won't buy. It's as simple as that.

Unlike the unsuccessful majority, they don't just happen to stumble into deals. Successful property investors know their strategy, they have a plan, and they take actions that are consistent with their plan. It's not down to luck that they are successful. These people have planned for success.

The good news is that once you've devised your strategy and plan, taking the right actions will become second nature to you.

I hope that you found this series of posts helpful, informative, even inspiring, and that you use the Seven Step System to build your property portfolio and financial freedom.

Here's to successful property investing

PS. By the way, I've rewritten and updated my best selling ebook, *The Successful Property Investor's Strategy Workshop,* which is an account of how I put together my multi-property portfolio, £2m of property in 4 years, literally starting with none of my own money, and how you can do the same.

Looking at the market now, there are many similarities to when I first started, and many experts agree that if you want to be financially free using property, now is the best time in years in which to buy.

The same techniques and strategies I used STILL WORK JUST AS WELL TODAY. In fact, I am still using them to buy even more property now.

That means that, if the experts are right, this is the perfect opportunity for you to do the same as I did and put together your own multi-million pound property portfolio, should you want to.

The Successful Property Investor's Strategy Workshop is my very own 'course in an ebook', all in one easy-to-absorb volume (although it is big - 178 pages of A4), so that you can have all the information you need at your fingertips.

Anyone can do this, but you have to go about it the right way. Indeed, you can copy my model, if you want.

That's why I'll show you everything I did, right and wrong. Right, so you can do the same. Wrong, so you can avoid my mistakes and save a lot of wasted time, money and effort. I've even included real-life examples of actual properties I've bought, so you can see how it all works in practice so that you can do the same. It took me years of trial and error to learn all of this and to get 'the system' right, so let me save you time, and money, and help you to reduce your risk, by sharing with you my over 30 years of experience in property.

For more details and to order your copy please visit the Property Teacher website here

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