property investors beware

WITH NOEL WHITTAKER

FOUR YEARS AGO, the Storm Financial Group collapsed, leaving investors with losses of more than a billion dollars. There is a worse crisis to come – it will be caused by property spruikers.

This area is totally unregulated – this is why you will be on your own if you get taken in. Fortunately, the scam is easy to spot once you know what to look for.

First: The approach will always come from the spruiker. This will either be by a 'free' seminar showing you how to become a millionaire, or else by a phone call to urge you to come to an interview where you'll be shown how to save tax while paying off your home faster. This is to get you in so they can put you under their spell.

Second: Even though any seasoned property investor knows the way to wealth is to search out bargains for yourself, the spruiker will take control and try to convince you that they are the only people who can find the right property for you. This is so they can sell you an overpriced property.

Third: There will nearly always be a building contract involved and the rationale is that you'll save stamp duty, get a new home, and therefore bigger tax breaks. The real reason is it gives the spruiker a better chance to load the price.

Fourth: In most cases, they will be a one stop shop – once again, to stay in control. You will find they control the lawyer, the mortgage broker, the builder, and the managing agent.

Fifth: The properties will usually be situated in outlying suburbs and in lower socio-economic areas. Often, the properties offered will be in a different state to the one you live in.

Sixth: There will invariably be a mortgage required over your own home. The last thing the spruiker wants is for a valuation to be done on the overpriced property they are trying to force on you. And they often use two different lenders, so that one lender does not know of the other one is doing.

Seventh: Almost all of the schemes proposed by the spruiker involve leaving the interest on the investment loan to capitalise, so that you can use all the rents coming from the investment property to reduce the mortgage on your non-deductible home loan faster. This practice is NOT approved by the tax office.

It's a sad state of affairs, and I urge you to take careful note of what I have written and circulate it is widely as possible. Also, if you have any anecdotes, I would love to hear them – just email me. Right now, the only protection we have is to take care of one another.

*Noel Whittaker is the author of *Making Money Made Simple* and numerous other books on personal finance. His advice is general in nature, and readers should seek their own professional advice before making any financial decisions.
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