

PLATINUM

June 2019

# Cash Cow

Mastermind  
Event

Melbourne

---

**Narelle Cosstick**

*VIC, SA, TAS State Coach*



**I LOVE**  
REAL ESTATE

# Event Outline -

- 6:00 – 6:30 Networking
- 6:30 - Start
- 6:30 – 6:45 Introductions
- 6:45 – 8:00 Accountability
- 8:00 – 8:30 Networking Break
- 8:30 – 10:00 Cash Cow

# WELCOME NEW PLATINUM'S



# Housekeeping




## Updated Community Profile Tab:

- ❖ PA Website / Community Profile Tab
- ❖ More Comprehensive Profile incl Strategies completed, Strategies being targeted, Interest in JV's & Your role, JV or Spotters deal available.
- ❖ New Functionality – Searchability based on above

PLATINUM ACCELERATOR


Home Education Meeting Recordings Coaches & Contact Platinum Schedule **Community**

### My Profile

 Tamara Read  
QUEENSLAND

About Groups Blog Message<sup>1</sup> Notification<sup>1</sup> Settings

[Edit Profile](#)

Profile	 PLATINUM GRADUATE Platinum Graduate
Contact Information	LOCATION Sunshine Coast, QLD
	PLATINUM YEARS 2016, 2017, 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2018, 2019.
	PARTNER NAME John
	OCCUPATION Investor, Mentor, Educator
	BACKGROUND Platinum Accelerator National Coach and

# Housekeeping

## Platinum Student Meetups:

- ❖ PA Website / Platinum Schedule
- ❖ Must have your Facebook account / profile open to access the links



### PA Student Meetup Groups

These Student Meetup groups are for ALL Platinum students only, both past and present. They are organised by Platinum students to facilitate networking between Platinums and staying connected with the awesome Platinum family. Typically they occur between the PA Monthly Meetings.

**NOTE: You MUST have your Facebook Account/Profile open to access these links.**

### Brisbane Student Meetup



Student Organizer – Megan Humphreys

Click on the link below to access the Platinum Accelerator Facebook Events for each Brisbane Student Meetup. All of the upcoming dates, location, times and RSVP information is in these events.

[Brisbane Student Meetup](#)

### Sydney Student Meetup



Student Organizer – Cindy Luok

Click on the link below to access the Platinum Accelerator Facebook Events for each Sydney Student Meetup. All of the upcoming dates, location, times and RSVP information is in these events.

[Sydney Student Meetup](#)

### Melbourne Student Meetup



Student Organizer – Aygun Coker

Click on the link below to access the Platinum Accelerator Facebook Events for each Melbourne Student Meetup. All of the upcoming dates, location, times and RSVP information is in these events.

[Melbourne Student Meetup](#)

### Perth Student Meetup



Student Organizer – Basia Garbowska & Heath Worlton

Click on the link below to access the Platinum Accelerator Facebook Events for each Melbourne Student Meetup. All of the upcoming dates, location, times and RSVP information is in these events.

[Perth Student Meetup](#)

# Housekeeping

- 2019 Platinum National Conference Dates:

- ❖ 27 & 28<sup>th</sup> July – Sunshine Coast
- ❖ 30<sup>th</sup> Nov & 1<sup>st</sup> December – Sydney



- 2019 Platinum Graduate Only Leadership Day Dates:

- ❖ Friday (full day) prior to each National Conference: 26<sup>th</sup> July, 29<sup>th</sup> Nov – Venue TBA (close to National Conf Venue)

# Housekeeping

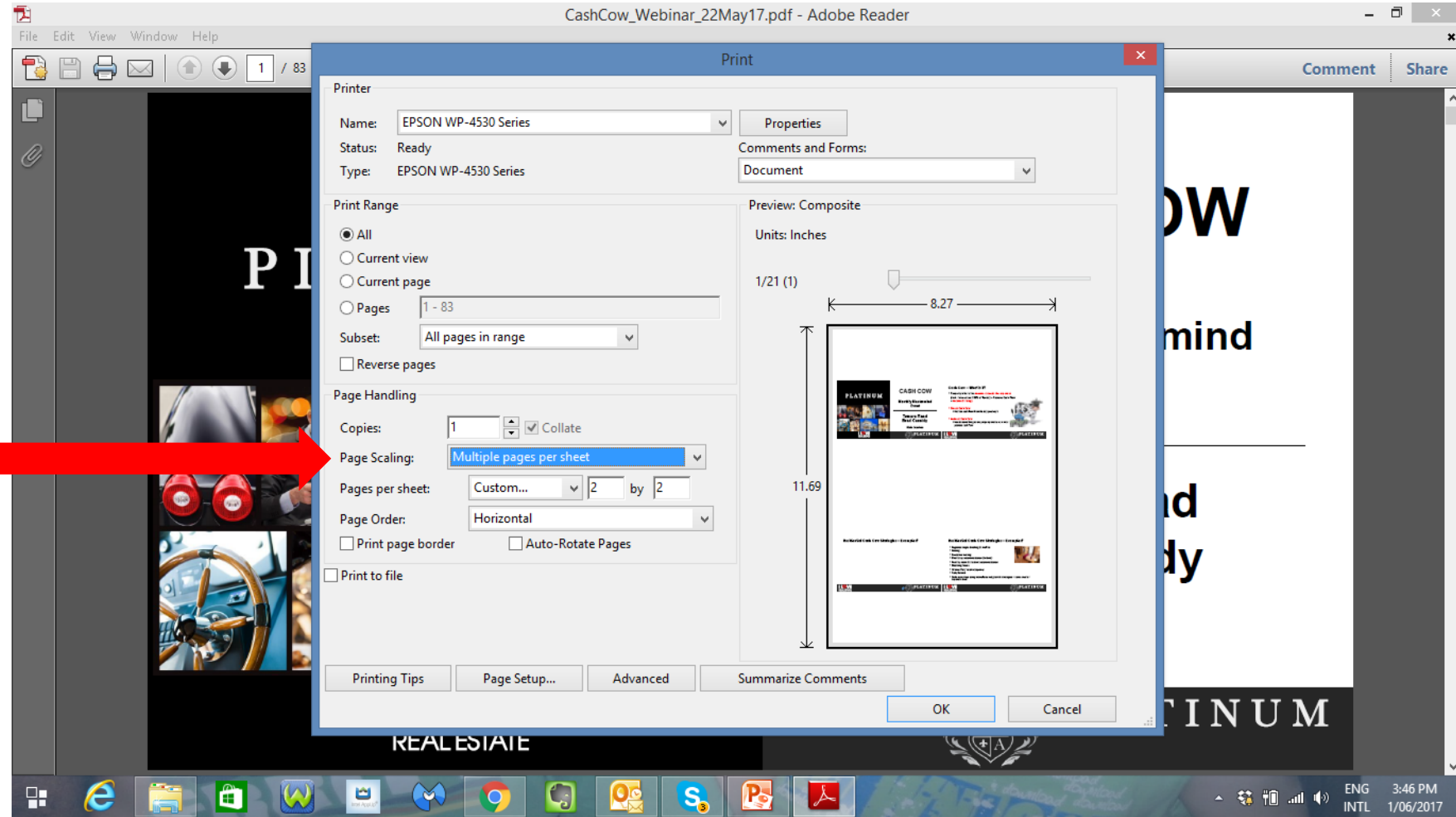
- 2019 Ultimate Bootcamp Dates – Note - Refer to Ultimate Website for Potential Future Dates:
  - ❖ Brisbane: 28-30<sup>th</sup> June
  - ❖ Sydney: 27-29<sup>th</sup> Sept
  - ❖ Melbourne: 4-6<sup>th</sup> Oct
  - ❖ Brisbane: 11-13<sup>th</sup> Oct
  - ❖ Adelaide: 18-20<sup>th</sup> Oct
  - ❖ Perth: 25-27<sup>th</sup> Oct

# Housekeeping

- 2019 Other Ultimate Dates:
  - ❖ Realestate Millionaire Within – Brisbane: 12-14<sup>th</sup> July
  - ❖ I Love Realestate Super Conference – Sydney: 22-24<sup>th</sup> Nov
- 2019 Quantum Events: Check Ultimate Website

# Housekeeping

- Printing Webinar Slides – pdf
  - File, print
  - Can print multiple pages per sheet!!



# GRADUATING PLATINUM'S



# PLATINUM

# Commitment

---



**I LOVE**  
REAL ESTATE

# Tendai Monks



## Their Story

# The Tendai Monk Challenge

- **During Year 1** - monk must run 30 km per day (about 18 miles) for 100 straight days.
- **During Year 2** - monk must again run 30 km per day for 100 straight days.
- **During Year 3** - monk must once more run 30 km per day for 100 straight days.
- **During Year 4** - monk must run 30 km per day. This time for 200 straight days.
- **During Year 5** - monk must again run 30 km per day for 200 straight days. After completing the fifth year of running, the monk must go 9 consecutive days without food, water, or rest. Two monks stand beside him at all times to ensure that he does not fall asleep.
- **During Year 6** - monk must run 60 km (about 37 miles) per day for 100 straight days.
- **During Year 7** - monk must run 84 km (about 52 miles) per day for 100 straight days. (52 miles per day!) And then, he must run 30 km per day for the final 100 days.
- The sheer volume of running is incredible, of course, but there is **one final challenge** that makes The Kaihogyo unlike any other feat...

## Day 101

- During the first 100 days of running, the monk is allowed to withdraw from the Kaihogyo.
- However, from Day 101 onwards, there is **no withdrawal**. The monk must either complete the Kaihogyo ... or **take his own life**.
- Because of this, the monks carry a length of rope and a short sword at all times on their journey.
- In the last 400+ years, only **46 men** have completed the challenge. Many others can be found by their unmarked graves on the hills of Mount Hiei.

# Lessons to be Learnt from the Tendai Monks

## 1. “Complete or Kill”

- The Marathon Monks are an extreme version of the “complete or kill” mentality. But you can take the same approach to your goals, projects, and work.
- If something is important to you, complete it. If not, kill it.
- What half-finished, half-completed projects and ideas do you have in your life right now? Do you need all of those loose ends?
- Either something is important enough to you to complete, or it's time to kill it.
- Fill your life with goals that are worth finishing and eliminate the rest.

**Make a list of unfinished projects and either schedule in completion time frame or kill it**

# Lessons to be Learnt from the Tendai Monks

## 2. If you commit to nothing, you're distracted by everything.

- Most of us never face a challenge with the true possibility of death, but we can learn a lot from the monk's sense of **commitment and conviction**. They have clarified exactly what they are working toward and for seven years they organize their life around the goal of completing the Kaihogyo. Every possible distraction is rendered unimportant.
- Do you think the monks get **distracted** by TV, movies, the internet, celebrity gossip, or any of the other things that we so often waste time on?
- We all have things that we say are important to us — but do you make time for these goals above all else? Do you organize your day around **accomplishing** them?

**Write down what your biggest distractions are in your life right now**

# Lessons to be Learnt from the Tendai Monks

## 3. It doesn't matter how long your goal will take, just get started.

- On Day 101, the Tendai monks are thousands of miles and 900 days from their goal. They are setting out on a journey that is **so long and so arduous** that it's almost impossible to imagine. And yet, they still accept the full challenge. Day after day, year after year, they work.
- And seven years later, they finish.
- Don't let the length of your goals **prevent you from starting** on them.

**Never give up on a dream just because of the length of time it will take to accomplish it. The time will pass anyway.**

**—H. Jackson Brown**

# Lessons to be learnt from the Tendai Monks

## 4. Mental Toughness and Commitment

When you believe in something enough – any obstacle or hardship that arises is simply part of the journey, an opportunity to problem solve and ultimately learn

WHETHER YOU  
THINK YOU CAN,  
OR THINK YOU CAN'T,  
YOU'RE RIGHT.

# Commitment & Conviction

- Imagine the **sense of commitment** that the monk feels on Day 101.
- Imagine what it feels like to embrace the final 900 days of that challenge and accept a goal that is so important to you that you tell yourself, “**I’m going to finish this or I will die trying.**”
- If you have something that is important to you, then eliminate the unrelated and unimportant tasks, get started no matter how big the challenge, and **commit to your goal.**

**Every big challenge has a turning point. Today could be your Day 101. Today could be your Day of Commitment.**

# PLATINUM

# Accountability

---



**I LOVE**  
REAL ESTATE

# Buddy Process Follow-Up

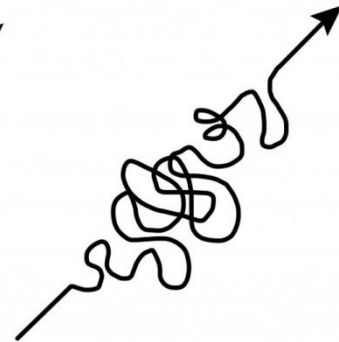
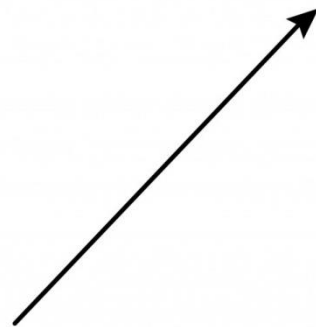


# Last Month In Review

## Share Your Successes and Challenges

SUCCESS

SUCCESS



what people think  
it looks like

what it really  
looks like

**This Months Plan**

Share Your  
Key Goals For Month

Monthly  
✓  
goals

# PLATINUM



**I LOVE**  
REAL ESTATE

# Cash Cow

---



# Fundamental Characteristic of a Cash Cow?

- Income Greater than Expenses

it's all  
ABOUT the  
NUMBERS



# Activity - Cash Cow Analysis

❖ List calculations important when analysing a cash cow?

1) Cash Flow Analysis –

- a) Feasibility
- b) Value Add
- c) Sensitivity Analysis

2) Deal Analysis -

- a) Value Add Potential
- b) Funds Required

3) Refinance Analysis-

- a) 80% LVR

4) Opportunity Cost Analysis

- a) Metrics
- b) Property Analysis Spreadsheet

See PA Website - Ultimate Wednesday Webinar – April 2019



# The Deal – Indirect Cash Cow

- Purchase Price: \$285,000
- Purchase Costs: \$17,000
- Rates: \$2100 / year
- Insurance (House & Contents): \$550 / year
- Landlord Insurance: \$300 / year
- Management fees: 7.7% incl GST
- Letting fee: 1 week rent plus GST
- Maintenance: \$1000 / year
- Rental (unreno): \$290 / week
- Rental (reno'd): \$350 / week
- Rental for Granny Flat: \$310 / week
- Renovated existing end val: \$375k
- Unrenovated with granny flat end value: \$405k
- Renovated with granny flat end val: \$495K
- Renovation budget: \$26K
- Granny Flat Build (turn key) Incl. certification etc: \$120K

# The Deal




# The Deal



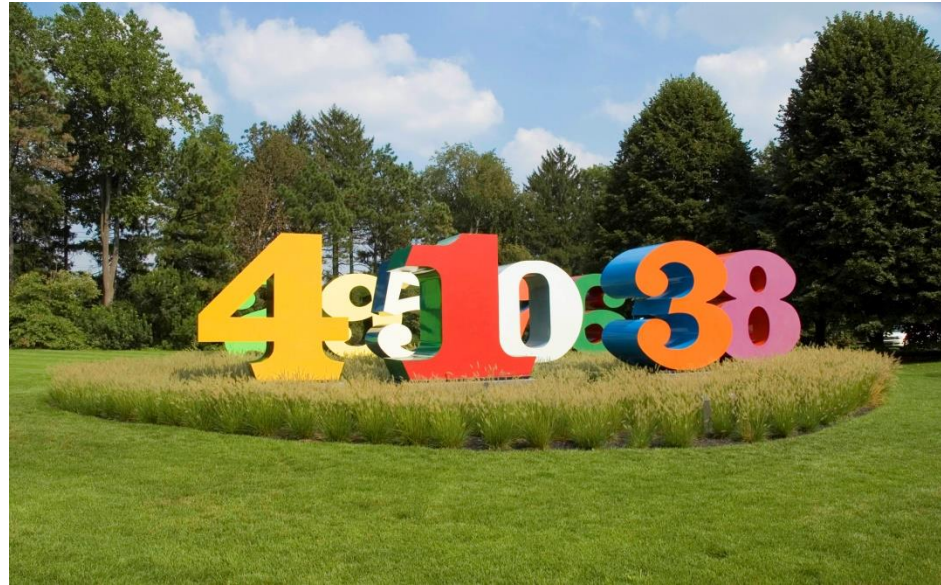
# The Deal

- Population of 6,252
- Approx. 689m<sup>2</sup> block (15.4m frontage)
- Residential zoning

Metrics 	HOUSE	UNIT
Median price	\$398,750	N/A
Quarterly growth	0.69%	N/A
12-month growth	9.25%	N/A
Average Annual Growth	4.70%	N/A
Weekly median advertised rent	\$380	N/A
Number of sales	91	N/A
Gross rental yield	4.96%	N/A
Days on market	48.15	N/A

Source: CoreLogic

**Qu: Is This a Positive Cash Flow Deal?**



**A: Do Cash Flow Analysis - Feasibility**



# 1a) Cash Flow Analysis - **Feasibility**

<b>Item</b>	<b>Formula</b>	<b>\$</b>
<b>Income – Rent @ 48 weeks</b>		
<b>Hold Costs</b>		
Interest - Loan		
Interest – Owners Funds		
Property Management		
Let Fee		
Insurance – Building / Contents		
Insurance - Landlord		
Rates & Water		
Maintenance & Repairs		
Body Corporate Fees / Land Tax		
<b>Total Hold Costs</b>		
<b>Annual Cash Flow</b>		

# 1a) Cash Flow Analysis - **Feasibility**

Item	Formula	\$
<b>Income – Rent @ 48 weeks</b>		
<b>Hold Costs</b>		
Interest - Loan		
Interest – Owners Funds		
Property Management		
Let Fee		
Insurance – Building / Contents		
Insurance - Landlord		
Rates & Water		
Maintenance & Repairs		
Body Corporate Fees / Land Tax		
<b>Total Hold Costs</b>		
<b>Annual Cash Flow</b>		

## ❖ Activity –

Add figures & calculate cash flow

### Assume:

- 80% LVR on purchase
- 4.5% Interest (bank & owner funds)

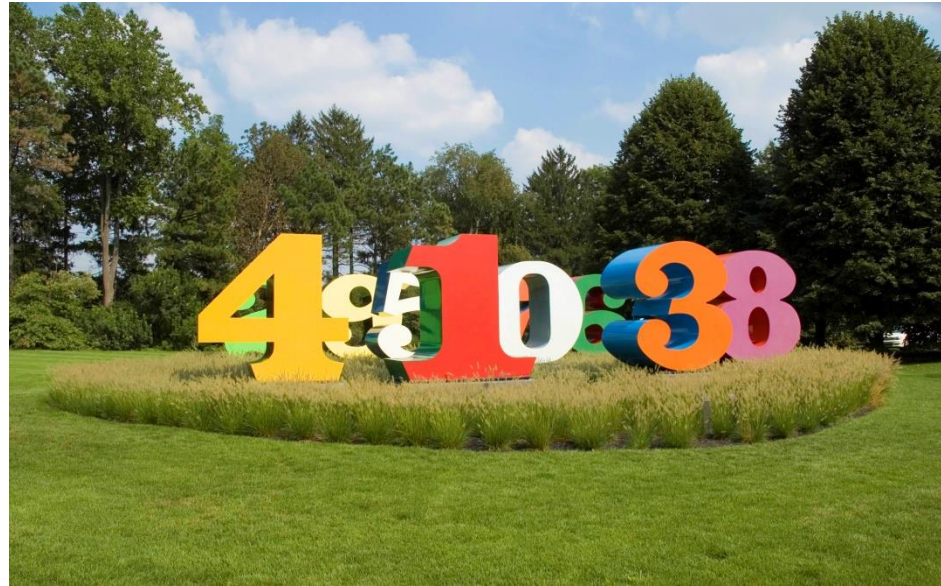
### Note:

Calculate cash flow in first year of purchase not after longer term hold. Depreciation is not being accounted for.

# 1a) Cash Flow Analysis - Feasibility

Item	Formula	\$
<b>Income – Rent @ 48 weeks</b>	\$290 x 48	13,920
<b>Hold Costs</b>		
Interest – Loan 80% Purchase	\$285k x 80% = \$228k x 4.5%	10,260
Interest – Owners Funds 20% Purchase + 100% Purchase Costs	(\$285k x 20% = \$57k) + \$17k = \$74k x 4.5%	3,330
Property Management	\$13,920 x 7.7%	1,072
Let Fee	\$290 x 1.1	319
Insurance – Building / Contents	\$550	550
Insurance - Landlord	\$300	300
Rates & Water	\$2,100	2,100
Maintenance & Repairs	\$1,000	1,000
Body Corporate Fees / Land Tax	0	0
<b>Total Hold Costs</b>	Sum	18,931
<b>Annual Cash Flow</b>	\$13,920 - \$18,931	- 5,011

**Qu: Can We Do Anything To Make It A Positive Cash Flow Deal?**



**A: Do Cash Flow Analysis – Value Add Calcs**

# 1b) Cash Flow Analysis - Value Add

Item	A) Do Nothing	B)	C)	D)
<b>Income – Rent @ 48 weeks</b>	13,920			
<b>Hold Costs</b>				
Interest - Loan	10,260			
Interest – Owners Funds	3,330			
Property Management	1,072			
Let Fee	319			
Insurance – Building / Contents	550			
Insurance - Landlord	300			
Rates & Water	2,100			
Maintenance & Repairs	1,000			
Body Corporate Fees / Land Tax	0			
<b>Total Hold Costs</b>	18,931			
<b>Annual Cash Flow</b>	- 5,011			

❖ **Activity – Add Value-Add Strategies**

# 1b) Cash Flow Analysis - Value Add

Item	A) Do Nothing	B) Cosmetic Reno	C) Granny Flat	D) Cosmetic Reno + Granny Flat
Income – Rent @ 48 weeks	13,920			
<b>Hold Costs</b>				
Interest - Loan	10,260			
Interest – Owners Funds	3,330			
Property Management	1,072			
Let Fee	319			
Insurance – Building / Contents	550			
Insurance - Landlord	300			
Rates & Water	2,100			
Maintenance & Repairs	1,000			
Body Corporate Fees / Land Tax	0			
<b>Total Hold Costs</b>	18,931			
<b>Annual Cash Flow</b>	<b>- 5,011</b>			

❖ **Activity** – Calculate the cash flow for D) reno + granny flat strategy

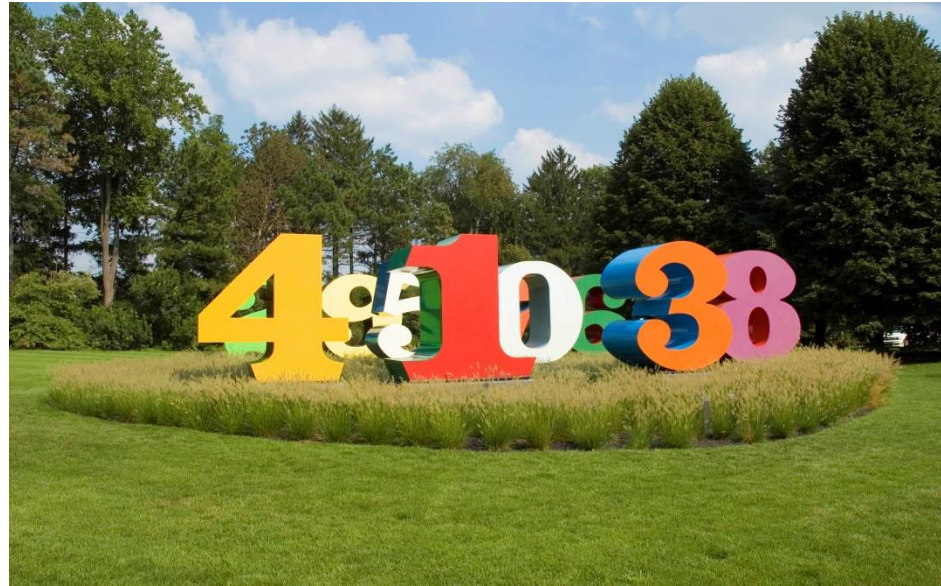
Assume

- 80% LVR on purchase & granny flat build

- 4.5% Interest (bank & owner funds)

Item	A) Do Nothing	B) Reno	C) Granny Flat	D) Reno + Granny Flat
<b>Income – Rent @ 48 weeks</b>	13,920			$(\$350 \times 48 = \$16,800) + (\$310 \times 48 = \$14,880) = \$31,680$
<b>Hold Costs</b>				
Interest – Loan (80% Purchase + 80% Granny flat)	10,260			$\$285k + \$120k = \$405k \times 80\% = \$324k \times 4.5\% = \$14,580$
Interest – Owners Funds (20% Purchase + 20% Granny flat) + 100% Purchase Costs + 100% Reno	3,330			$(\$285k + \$120k = \$405k \times 20\% = \$81k) + \$17k + \$26k = \$124k \times 4.5\% = \$5,580$
Property Management	1,072			$\$31,680 \times 7.7\% = \$2,439$
Let Fee	319			$(\$350 + \$310) \times 1.1 = \$726$
Insurance – Building / Contents	550			$\$550 \times 2 = \$1,100$
Insurance - Landlord	300			$\$300 \times 2 = \$600$
Rates & Water	2,100			$\$2,100\#$
Maintenance & Repairs	1,000			$\$1,000$
Body Corporate Fees / Land Tax	0			0
<b>Total Hold Costs</b>	18,931			$\$28,125$
<b>Annual Cash Flow</b>	- 5,011			$\$3,555$

# Qu: How Secure (Reliable) Is the Positive Cash Flow



**A: Do Cash Flow Analysis – Sensitivity Analysis**

# 1c) Cash Flow Analysis – **Sensitivity Analysis**

## ❖ **What is the purpose of Sensitivity Analysis?**

- “**What if**” analysis to determine how sensitive the positive cash flow is to changes in parameters.
- How much do things have to change to reach **break even point**?

## ❖ **What parameters should be tested?**

- Interest Rate Increase
- Rental Vacancy Increase
- Rental Rate Decline
- Maintenance Cost Increase



Item	D) Reno + Granny Flat - Formula	\$	Sensitivity
<b>Income – Rent @ 48 weeks</b>	$(\$350 \times 48 = \$16,800) + (\$310 \times 48 = \$14,880)$ $= \$31,680$	\$31,680	
<b>Hold Costs</b>			
Interest – Loan (80% Purchase + 80% Granny flat)	$\$285k + \$120k = \$405k \times 80\% = \$324k \times 4.5\%$ $= \$14,580$	\$14,580	
Interest – Owners Funds (20% Purchase + 20% Granny flat) + 100% Purchase Costs + 100% Reno	$(\$285k + \$120k = \$405k \times 20\% = \$81k) +$ $\$17k + \$26k = \$124k \times 4.5\% = \$5,580$	\$5,580	
Property Management	$\$31,680 \times 7.7\% = \$2,439$	\$2,439	
Let Fee	$(\$350 + \$310) \times 1.1 = \$726$	\$726	
Insurance – Building / Contents	$\$550 \times 2 = \$1,100$	\$1,100	
Insurance - Landlord	$\$300 \times 2 = \$600$	\$600	
Rates & Water	\$2,100	\$2,100	
Maintenance & Repairs	\$1,000	\$1,000	
Body Corporate Fees / Land Tax	0	0	
<b>Total Hold Costs</b>	\$28,125	\$28,125	
<b>Annual Cash Flow</b>	\$3,555	\$3,555	

❖ **Activity –**  
How much  
does rent  
have to  
reduce by  
to reach  
break  
even?

$\$3,555 / 52 =$   
 $\$68 / \text{wk}$

Item	D) Reno + Granny Flat - Formula	\$	Sensitivity: 7% interest
<b>Income – Rent @ 48 weeks</b>	$(\$350 \times 48 = \$16,800) + (\$310 \times 48 = \$14,880)$ $= \$31,680$	\$31,680	
<b>Hold Costs</b>			
Interest – Loan (80% Purchase + 80% Granny flat)	$\$285k + \$120k = \$405k \times 80\% = \$324k \times 4.5\%$ $= \$14,580$	\$14,580	
Interest – Owners Funds (20% Purchase + 20% Granny flat) + 100% Purchase Costs + 100% Reno	$(\$285k + \$120k = \$405k \times 20\% = \$81k) +$ $\$17k + \$26k = \$124k \times 4.5\% = \$5,580$	\$5,580	
Property Management	$\$31,680 \times 7.7\% = \$2,439$	\$2,439	
Let Fee	$(\$350 + \$310) \times 1.1 = \$726$	\$726	
Insurance – Building / Contents	$\$550 \times 2 = \$1,100$	\$1,100	
Insurance - Landlord	$\$300 \times 2 = \$600$	\$600	
Rates & Water	\$2,100	\$2,100	
Maintenance & Repairs	\$1,000	\$1,000	
Body Corporate Fees / Land Tax	0	0	
<b>Total Hold Costs</b>	\$28,125	\$28,125	
<b>Annual Cash Flow</b>	\$3,555	\$3,555	

❖ **Activity –**  
Calculate  
what  
impact 7%  
interest  
rate would  
have on  
cash flow

Item	D) Reno + Granny Flat - Formula	\$	Sensitivity: 7% interest
<b>Income – Rent @ 48 weeks</b>	$(\$350 \times 48 = \$16,800) + (\$310 \times 48 = \$14,880) = \$31,680$	\$31,680	\$31,680
<b>Hold Costs</b>			
Interest – Loan (80% Purchase + 80% Granny flat)	$\$285k + \$120k = \$405k \times 80\% = \$324k \times 4.5\% = \$14,580$	\$14,580	\$22,680 (\$324k x 7%)
Interest – Owners Funds (20% Purchase + 20% Granny flat) + 100% Purchase Costs + 100% Reno	$(\$285k + \$120k = \$405k \times 20\% = \$81k) +$ $\$17k + \$26k = \$124k \times 4.5\% = \$5,580$	\$5,580	\$8,680 (\$124k x 7%)
Property Management	$\$31,680 \times 7.7\% = \$2,439$	\$2,439	\$2,439
Let Fee	$(\$350 + \$310) \times 1.1 = \$726$	\$726	\$726
Insurance – Building / Contents	$\$550 \times 2 = \$1,100$	\$1,100	\$1,100
Insurance - Landlord	$\$300 \times 2 = \$600$	\$600	\$600
Rates & Water	\$2,100	\$2,100	\$2,100
Maintenance & Repairs	\$1,000	\$1,000	\$1,000
Body Corporate Fees / Land Tax	0	0	0
<b>Total Hold Costs</b>	\$28,125	\$28,125	\$39,325
<b>Annual Cash Flow</b>	\$3,555	\$3,555	-\$7,645

❖ **Activity -**  
What  
impact  
would 7%  
interest  
rate  
have?

\$7,645 neg.  
cash flow

# Qu: What Is The Profit Potential Of The Value Add Strategies?



**A: Do Deal Analysis – Value Add Potential Calcs**

## 2a) Deal Analysis – Value Add Potential (Roughy)

\*\* Module 6 = Detailed Feaso; Below = Roughy Feaso

A) Do nothing, B) Cosmetic reno vs C) Granny flat vs D) Reno + Granny flat

Item	Option A Do Nothing	Option B Cosmetic Reno (8wks*)	Option C Add Granny Flat (12wks*)	Option D Reno + Granny Flat (12wks*)
Purchase Price				
Purchase Costs				
Hold Costs*	\$0	\$2,300	\$4,400	\$4,700
Strategy Costs				
Total Costs (A)				
<b>End Value (B)</b>				
<b>Profit Potential (B-A)</b>				

❖ **Activity –**  
Calculate the profit potential of each value-add strategy

## 2a) Deal Analysis – Value Add Potential (Roughly)

\*\* Module 6 = Detailed Feaso; Below = Roughly Feaso (= Headings Only)

A) Do nothing, B) Cosmetic reno vs C) Granny flat vs D) Reno + Granny flat

Item	Option A Do Nothing	Option B Cosmetic Reno (8wks*)	Option C Add Granny Flat (12wks*)	Option D Reno + Granny Flat (12wks*)
Purchase Price	\$285,000	\$285,000	\$285,000	\$285,000
Purchase Costs	\$17,000	\$17,000	\$17,000	\$17,000
Hold Costs*	\$0	\$2,300	\$4,400	\$4,700
Strategy Costs	\$0	\$26,000	\$120,000	\$146,000
Total Costs (A)	\$302,000	\$330,300	\$426,400	\$452,700
<b>End Value (B)</b>	\$285,000	\$375,000	\$405,000	\$495,000
<b>Profit Potential (B-A)</b>	-\$17,000	\$44,700	-\$21,400	\$42,300

**Qu: How Much Do I Need To a) Borrow  
& b) Contribute From My Own Funds?**



**A: Do Deal Analysis – Funds Required Calcs**

## 2b) Deal Analysis – Funds Required

	OPTION B - COSMETIC RENO		
Item	Total Costs \$	Loan Funds 80% LVR	Owner Funds
Purchase Price	\$285,000		
Purchase Costs	\$17,000		
Hold Costs	\$2,300		
Strategy Costs	\$26,000		
Total Costs (A)	\$330,300		
<b>End Value (B)</b>			
<b>Profit Potential (B-A)</b>			

- Simply add 2 extra columns
- Remember – Owner Funds = Cash \$, LOC \$, Offset Acct \$, JV Partner \$ etc.
- ❖ **Activity** – Identify who pays for what in this example?

## 2b) Deal Analysis – Funds Required

	OPTION B - COSMETIC RENO		
Item	Total Costs \$	Loan Funds 80% LVR	Owner Funds
Purchase Price	\$285,000		
Purchase Costs	\$17,000		
Hold Costs	\$2,300		
Strategy Costs	\$26,000		
Total Costs	\$330,300		

❖ **Activity –**  
Calculate  
the Loan  
required &  
Owner  
Funds  
required

## 2b) Deal Analysis – Funds Required

Item	OPTION B - COSMETIC RENO		
	Total Costs \$	Loan Funds 80% LVR	Owner Funds
Purchase Price	\$285,000	\$228,000	\$57,000
Purchase Costs	\$17,000		\$17,000
Hold Costs	\$2,300		\$2,300
Strategy Costs	\$26,000		\$26,000
Total Costs	\$330,300	\$228,000	\$102,300

❖ **Activity –**  
Calculate  
the Loan  
required =  
**\$228,000** &  
Owner  
Funds  
required =  
**\$102,300**

## 2b) Deal Analysis – Funds Required

	OPTION B - COSMETIC RENO			OPTION D – RENO + GRANNY FLAT		
Item	Total Costs \$	Loan Funds 80% LVR	Owner Funds	Total Costs \$	Loan Funds 80% LVR	Owner Funds
Purchase Price	\$285,000	\$228,000	\$57,000	\$285,000		
Purchase Costs	\$17,000		\$17,000	\$17,000		
Hold Costs	\$2,300		\$2,300	\$4,700		
Strategy Costs	\$26,000		\$26,000	\$146,000		
Total Costs	\$330,300	\$228,000	\$102,300	\$452,700		

❖ **Activity** – Option D - Calculate the Loan required & Owner Funds required

## 2b) Deal Analysis – Funds Required

	OPTION B - COSMETIC RENO			OPTION D – RENO + GRANNY FLAT		
Item	Total Costs \$	Loan Funds 80% LVR	Owner Funds	Total Costs \$	Loan Funds 80% LVR	Owner Funds
Purchase Price	\$285,000	\$228,000	\$57,000	\$285,000	\$228,000	\$57,000
Purchase Costs	\$17,000		\$17,000	\$17,000		\$17,000
Hold Costs	\$2,300		\$2,300	\$4,700		\$4,700
Strategy Costs Reno + Granny flat	\$26,000		\$26,000	\$146,000	\$96,000 (\$120kx80%)	\$24,000 + \$26,000
Total Costs	\$330,300	\$228,000	\$102,300	\$452,700	\$324,000	\$128,700

**Qu: If I Hold & Refinance Will I Release All My Initial Funds Contributed, .....Plus Some?**



**A: Do Deal Analysis – Hold & Refinance Calcs**

# 3a) Refinance Analysis – Hold & Refinance @ 80% LVR

- ❖ Calculations at bottom of Module 6 Feaso
- ❖ From Previous Slide: End Value(B)=\$375,000; Original 80% Loan(C)=\$228,000; Owner Funds(D)= \$102,300

Item	Formula	Option B – Cosmetic Reno
New Loan on Refinance @ 80%	$A = B * 80\%$	
Loan to be Paid Out on Refinance	C	
Equity Released on Refinance	$E = A - C$	
Owner Funds to Repay	D	
Owner Funds Quarantined in Deal* *(Only relevant if F = negative (-) number)	$F = E - D$	
EXTRA Funds Released for Next Deal# #(Only relevant If G = positive (+) number)	$G = E - D$	
<b>Total Owner Funds Available for Next Deal</b>	$H = E$	

- ❖ **Activity –**  
Calculate if refinancing releases all of the owner funds and any extra

# 3a) Refinance Analysis – Hold & Refinance @ 80% LVR

- ❖ Calculations at bottom of Module 6 Feaso
- ❖ From Previous Slide: End Value(B)=\$375,000; Original 80% Loan(C)=\$228,000; Owner Funds(D)= \$102,300

Item	Formula	Option B – Cosmetic Reno
New Loan on Refinance @ 80%	$A = B * 80\%$	\$300,000
Loan to be Paid Out on Refinance	C	\$228,000
Equity Released on Refinance	$E = A - C$	\$72,000
Owner Funds to Repay	D	\$102,300
Owner Funds Quarantined in Deal* *(Only relevant if F = negative (-) number)	$F = E - D$	-\$30,300
EXTRA Funds Released for Next Deal# #(Only relevant If G = positive (+) number)	$G = E - D$	\$0
<b>Total Owner Funds Available for Next Deal</b>	$H = E$	\$72,000

- ❖ **Activity –** Calculate if refinancing releases all of the owner funds and any extra

- ❖ **Activity** Who pays interest on F & H?

- ❖ **Activity** - Owner Started with \$ 102,300 & Ended with \$72,000

# Rule of Thumb

- Hold & Refinance if property is **neutral or positive cash flow** PLUS if can **release most if not all owner funds** put into deal.
- If deal quarantines too much of your \$ after refinance – have less funds available to use in next deal and can **quickly run out of \$** to move forward.
- Each deal should put you in a **better position** moving forward (cash flow / available funds) – or at least not in a worse position



QUESTIONS?