



Design a Decade

Property Planning Guide





Contents

What is Design a Decade?	1
The Property Cycle	4
Year 0 – Prepare and Activate the Idea	6
Year 1 – Crafting Success: The Art of Approach and Strategy	10
Year 1-4 – Portfolio Building	16
Year 5 – Safeguard	20
Year 6-10 – Assess and Enhance	24
The Forthcoming Years	28
Shaping the Next Decade	36
Glossary	39

What is it?

‘Design a Decade’ is a property planning guide to assist anyone looking to improve their financial situation through property investment over the next 10 years, whether you already own a home, an investment property, or neither.

Based on the cyclical nature of the property market, the idea is that when you invest in property, it generally takes a decade before you start seeing significant benefits.

Ideally the decade has laid the foundations and groundwork for the future which will offer the opportunities and flexibility in someone's life to make decisions on working less, retirement or continuing to grow their property portfolios rather than reliance on an income.

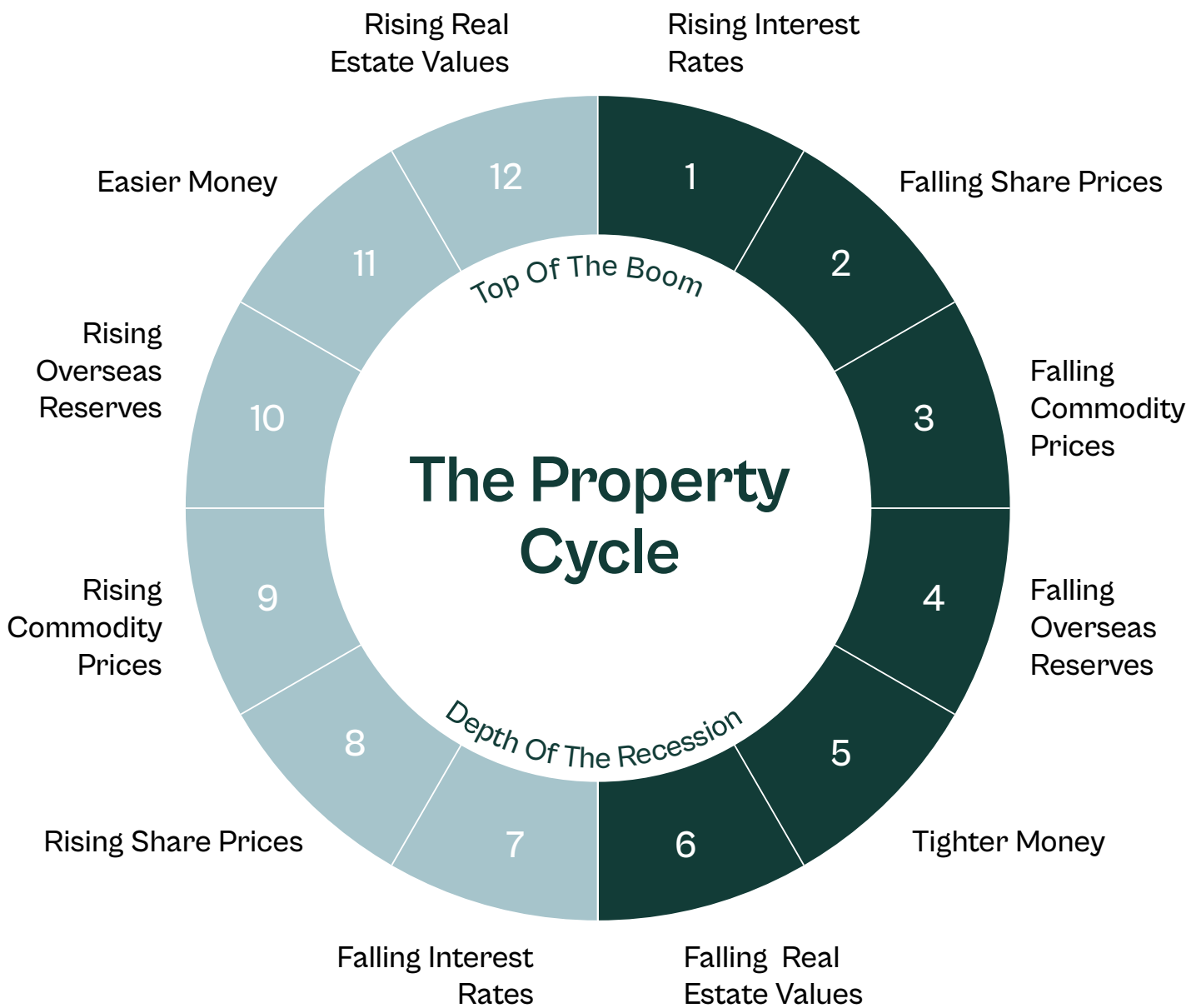
By employing this strategy, individuals can establish a well-defined plan to achieve their specific financial objectives within a predetermined timeframe. This approach promotes staying on course and accountability. Annual revisions of your strategy will align your objectives and outcome and ensure you are on the right track.

It's crucial to understand that being flexible and adapting to changing circumstances is a vital part of designing a decade. You may need to adjust your property acquisitions based on external components that are unforeseen such as lending factors or internal life changes such as a baby or a career change.

Developing a comprehensive 10-year plan is crucial for anyone investing in property to strive towards attainable goals. This approach is especially effective when implemented during a phase where sufficient working years remain, allowing investors to repeat the process and maximise returns over the span of two decades – in essence, a 20-year plan.

By following an established strategy tailored to your goals, you can significantly impact your financial future for the better. This is explained in detail below.

By following an established strategy tailored to your goals, you can significantly impact your financial future for the better.





Year 0

Prepare & Activate the Idea

Each and every one of us has the power to shape the next decade of our lives, ensuring it surpasses the achievements of the previous one and opens the door to opportunity.

Ask yourself, if you had the chance to rewrite your financial journey from the last 10 years, what alterations would you make? How would that impact your current position?

In your journey towards financial freedom, there's no one-size-fits-all answer, but having absolute clarity on your goals is the key to reaching them.

Year Zero surrounds the idea of a shift of mindset. The 'initial stride' requires a switch from consuming information regarding property investment to taking an active approach to begin building your portfolio. This involves crafting an idea of what your big picture looks like over the next decade and taking a proactive step to embrace the strategy that will get you there.

During this phase, it's essential to define your ultimate end goal whether it be building substantial generational wealth for your family, the possibility of reducing your reliance on income or even achieving financial freedom in the future?

As you embark on this initial step, it's crucial to understand your financial limits. What's your borrowing capacity? How much cash flow shortfall/top-up can you comfortably handle? Additionally, it's important to assess your risk tolerance when it comes to money. How risk-adverse are you? Are you a conservative investor, or do you lean towards more aggressive investment strategies? Every type of investment involves some level of risk, Year Zero requires you to analyse and consider risk capacity and look towards reward.

Engaging an experienced Properli Financial Adviser is essential at this stage, whether you're a prospective property investor or already in the game, valuable insights and guidance on debt structuring and insurances to protect your investment portfolios growth and stability in the long term is key to any success.



Year 1

Crafting Success: The Art of Approach & Strategy

Now that you've set your sights on your ultimate goal and have a firm grasp of your financial capability and cash flow/top up capacity, it's time to delve into the exciting world of property strategy and approach.

The first year of your journey is a critical phase, often tripping people up. Some investors will jump the gun and commit to property that doesn't make sense for their overall strategy, meaning potential missed opportunity elsewhere. Others will overthink, get cold feet and never take the leap as they are too risk adverse. We hear too often clients tell us they wish they had invested earlier.

This is where partnering with seasoned property experts can be a game-changer. They not only understand your goals but also possess the skills and experience to identify the right property investment to suit your needs.

Approach this phase with a clear vision of the next decade, ensuring you can commit to owning and maintaining your investment properties with diligence and sustained strategy. It's essential to be practical about life changes on the horizon such as a new baby, wedding, divorce or career change. These factors can significantly impact your financial approach and must be considered.

There are generally only four types of residential properties which may or may not suit your overall strategy.

Freehold

You own the land and (generally) anything built on the land.

Leasehold

You purchase an exclusive right to possession of the land and the buildings on it for a specific period of time according to terms set out in a lease.

Unit Title

Unit title ownership is most common in a building where there are multiple owners.

Cross Lease

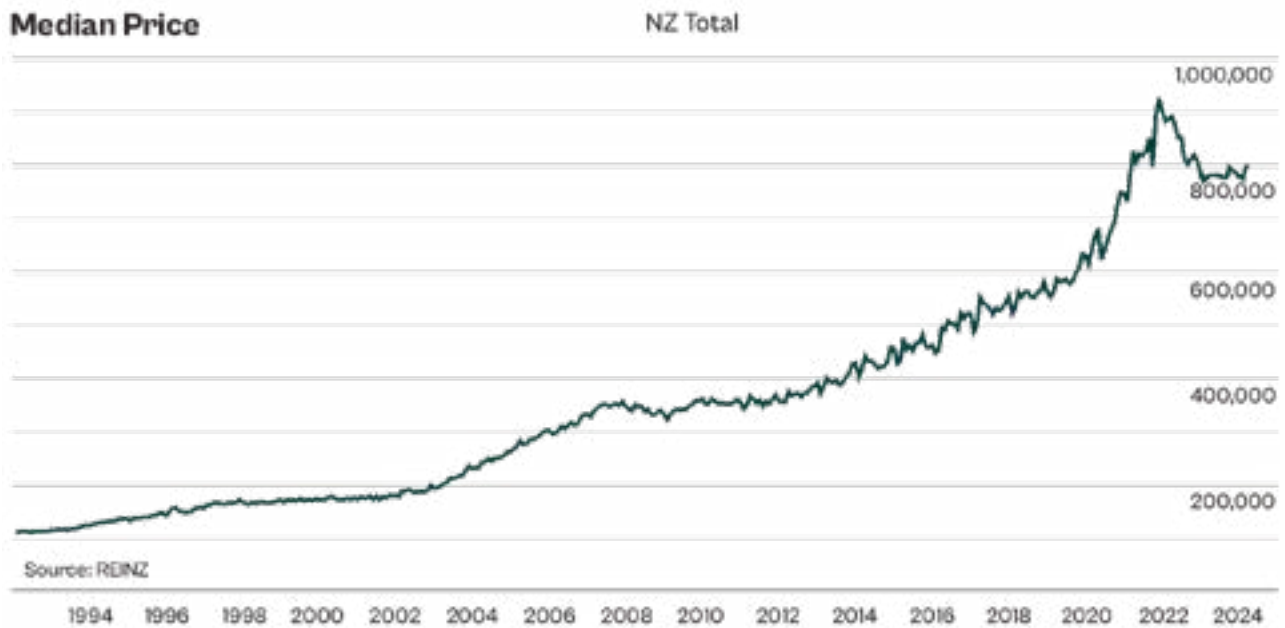
You own a share of the freehold title in common with the other cross leaseholders.

It is essential to understand what drives up the value of a property.



For instance, a decade from now if the property you acquire has the capacity to appeal to multiple buyer profiles, it's highly likely that you'll attract multiple prospective buyers. This competition, in theory, should drive up the value of your home when you decide to sell. When selecting properties, consider how it may appeal to first home buyers, professional couples, families, investors or downsizers/retirees.

The chart below shows how Median property values have increased over the past 30 years (three decades).



Once you have selected an ideal property, work out the feasibility of this purchase using on the Properli Calculators on properli.co.nz.

This will give you an insight in to what your basic repayments will be, cashflow may look like and the potential growth your investment portfolio could afford you.

[Click here](https://properli.co.nz) to use the Property Calculators on properli.co.nz



Year 1-4

Portfolio Building

During the critical first four years of your 'Design A Decade' journey, you'll be actively acquiring properties that align with your long-term goals and meet essential investment criteria.

While not many individuals can afford to buy multiple properties in a single year, with a strategy over three years plus, your aim should be to potentially acquire one or more properties annually. By the time year five rolls around, your first investments have built equity and begin strengthening your financial position.

This phase also serves as a vital milestone for evaluating your financial standing and cash flow capabilities. It's crucial to avoid blindly following a plan that no longer fits your evolving circumstances. This underscores the importance of proper guidance prior to any property purchases.

Flexibility is the cornerstone of your decade-long plan. You must focus on the long-term plan rather than emotional attachment to short-term actions or particular properties. It is also important to view the achievements made through investing rather than opportunities missed. Each investment is a stepping stone towards building a strong portfolio.

Life changes happen such as shifts in income, expanding families, going

from salary to self-employed or external factors like lending policy changes that may require you to adjust and adapt. It is important to notify your financial adviser of these life changes or possibilities of.

An example of this could be that you plan to have another child and therefore a delay is necessary due to changes in your situation. Switching from double to single income or preparation for education costs will impact your strategy. Reviewing your debt structure with interest-only and principle and interest mortgage repayments may reflect tight cashflow constraints and change your outlook. Staying ahead of these financial milestones ensures that your plan remains agile and aligned with your overarching goals.

The power of leveraging should be considered an eighth wonder of the world. Borrowing someone else's money to double your asset base with the capital gains you have made naturally through the market and the debt reduction you have executed through hard work.

The Power of Leveraging

This example shows equity created in your current home has given you the ability to go purchase another home for \$1m while borrowing 100% of the purchase price.

Current Home

\$1M
Home Value



\$600k
Mortgage



Use equity
to 100% finance
new property

Second Home (Investment)

\$1M
Home Value



\$1M
Mortgage



Year 5

Safeguard

During this phase, it's crucial to reflect on the strengths of the last four years and evaluate the path for your next five. Safeguarding becomes the key phrase to navigate any unforeseen twists and turns to ensure your portfolio is protected.

This is the midway point of your decade of growth and consequently where many investors make the mistake of selling their investment properties before significant gains have been realised. This is often due to the wrong choices of property purchases early on in their investing or because they think there are stronger opportunities elsewhere. During this phase, it's crucial to reflect on the strengths of the last four years and evaluate the path for your next five. Will you amplify your efforts and continue growing your portfolio at the same rate or will you allow your existing ones to consolidate and appreciate in value? Most importantly you must safeguard what you have achieved so far.

At year five, assuming you've invested in high-quality properties, you should start seeing real equity growth in your portfolio. However, if your initial years of investment were not carried out thoughtfully and carefully, you may see some weakness in cashflow.

Older properties may have presented unexpected maintenance issues, circumstances may have changed or vacancy may be straining rental income. An interest-only repayment term may have come to an end at this point providing an opportunity to restructure your terms.

Safeguarding becomes the key phrase to navigate any unforeseen twists and turns to ensure your portfolio is protected. Setting up the correct protection methods such as life and personal insurance along with landlord cover can go a long way to mitigating any issues. This is where an expert insurance adviser can be extremely beneficial in structuring your protection.

You are your biggest asset in life. You can't build wealth without your health. Only your ability to generate income will safeguard your assets and if you aren't able to work you will struggle to generate said income. Protect yourself, protect your wealth.

You are your biggest
asset in life. Protect
yourself, protect
your wealth.





Year 6-10

Assess and Enhance

Think back to the beginning of this journey when you set out with a clear vision of your destination. Now, as you enter the second half of this decade, it's your chance to revisit and fine-tune your strategy. Will you proceed in the same manner as you did in the initial 5-year term? Will you be more aggressive? Will you be more reserved?



During this phase, some investors may consider redirecting their capital/equity to other ventures or investment. They might utilise the equity from one of their properties to upgrade the family home.

Once again, it's important to note that there's no one-size-fits-all answer in this scenario. However, it's crucial to thoroughly understand all the potential consequences of any decisions that lead you away from your initial plan. These deviations should be discussed with a professional adviser.

Every investor should commit to a thorough annual assessment of each property in their portfolio. This evaluation should encompass loan terms, rental income, capital growth performance, as well as your ever-changing personal position. The importance of conducting an annual review ensures you're consistently monitoring your progress toward your 10-year goal. It also provides the opportunity to gain insights into the purpose of each property in your portfolio and whether it's delivering the expected performance to justify its place in your wealth-building strategy.

**“We don’t have to be smarter
than the rest. We have to be
more disciplined than the rest.”**

-Warren Buffett



The Forthcoming Years

In reality, property doesn't experience continuous linear growth; it involves periods of expansion and periods of stagnation over the long haul. Genuine value growth usually becomes apparent after the first decade of ownership. This is why 'Design a Decade' focusses on a 10-Year plan as this is in line with what we call the property cycle.

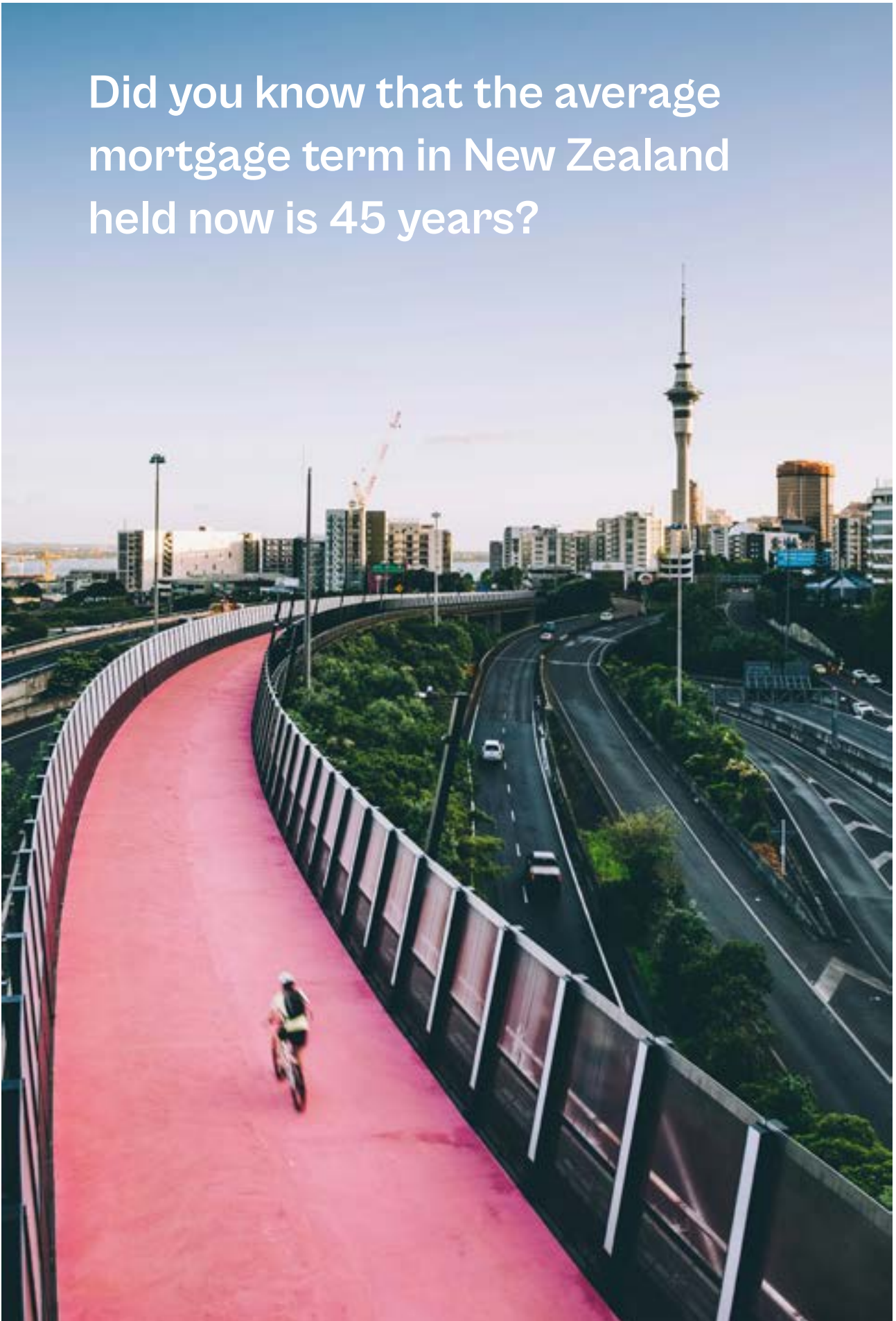
The concluding stage will invariably involve implementing a debt reduction strategy. It's important to bear in mind that your plan must maintain the flexibility to allow you to accelerate or decelerate your property acquisitions based on your personal circumstances at any given time.

Investors who have successfully navigated through their planning and acquisition phases are the ones who have amassed the necessary number of properties to realise their desired gross income target. Whether your strategy is a five-year plan or even after completing two or three decade-long plans, your position will be poised for further growth.

The journey ahead will never follow a straightforward, linear path, whether it spans a decade or longer. Nevertheless, that 10-year commitment serves as a focal point to build the momentum and gain the traction needed to work steadily toward your long-term objectives.

Many people will buy an investment property as a strategy to reduce their mortgage on their own home.

Did you know that the average mortgage term in New Zealand held now is 45 years?



Leveraging equity out of your own home to purchase an investment property should be considered as part of your strategy.

Over 10 years and with a capital growth rate of circa 5% per annum (historic conservative average), your investment property has increased \$500,000 from the original (\$1M) purchase price.

For example, in 10 years' time, on a 30 year mortgage term on principle and interest, your own home has \$500,000 of debt left to pay. If you then sell your investment property, you have a debt free family home through the power of leveraging and using someone else's money to do so.

Paying the minimum repayments on a 30 year P&I term will only reduce your debt by \$98,000. This is why leveraging is key.

Now

\$600k
Debt (On P&I)

Current Owner Occupied



\$1M
Home Value

Leverage equity to buy
investment property

Investment Property Purchase



\$800k
Home Value

\$800k
Debt (On IO)

In 10 Years

\$503k
Debt (On P&I)

Future Value Owner Occupied



\$1.628M
Home Value

Sell investment and
use capital gains to
pay off \$503k debt

Future Investment Property Value



\$1.303M
Home Value

\$800k
Debt (On IO)

Future Investment
Property Value @ 5% =
\$503k capital gains



There comes a point for all investors when they must begin paying down their mortgages, and there are essentially just three ways to go about it.

1. Using your surplus personal or business income

This essentially means allocating funds from your hard work, bonuses, or inheritance to make extra payments towards your property loans.

2. Leverage your surplus rental property income

Also including revenue generated from secondary dwellings you may have built on properties originally acquired for that specific purpose.

3. Tap into the proceeds from property sales

This can occur as soon as a year or two if you've experienced substantial value appreciation (with bright-line in mind), or it may come after several market cycles where your capital growth has increased dramatically.



Regardless of the method you choose to reduce your mortgages – the ideal approach involves a combination of methods to expedite the process and achieve a mortgage-free portfolio.

One of the reasons many individuals hesitate to invest is their reluctance to pay additional taxes on their personal endeavours. However, the reality is that, when you're paying any form of tax, it signifies that you're generating a profit.

In reality, this positions you in a far more advantageous financial position than if you were to take on a second job or hope for modest annual pay raises from your employer. Being required to pay tax is a strong indicator of your financial success.



Shaping The Next Decade

Now is the ideal moment to hit the reset button and chart your course for the coming decade. It's the perfect opportunity to gain a clear understanding of where you should be for a secure retirement compared to your current position.

Depending on age and stage of life most people should have the ability to replicate the “Design a Decade” model multiple times which intensifies wealth creation.

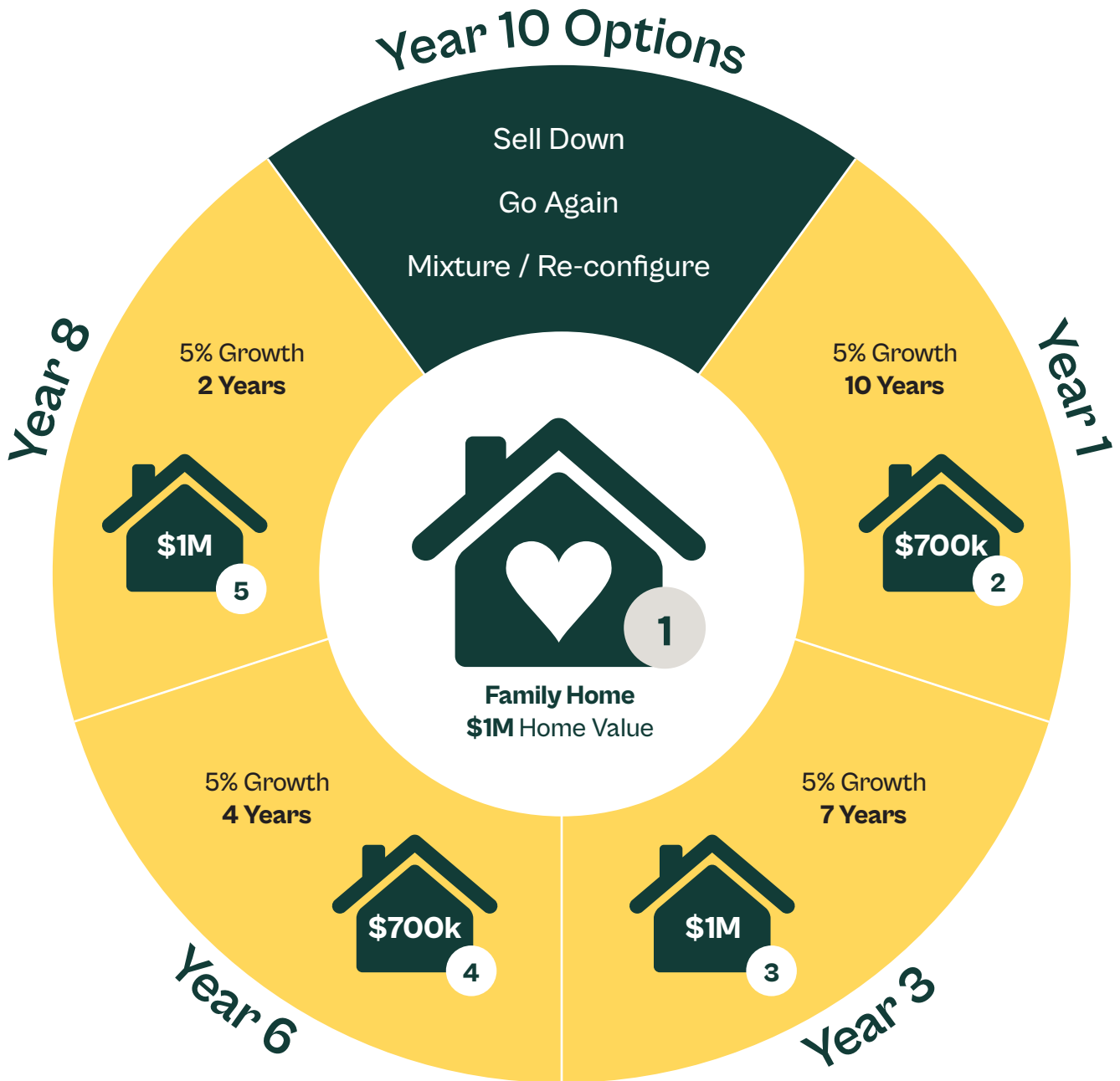
The Decade Cycle Example

Property	Present Value	Years Held	Future Value (5% Growth)	Capital Gains (5% Growth PA)
1 (Family Home)	\$1M	10	\$1,628,894	\$628,894
2	\$700K	10	\$1,140,226	\$440,226
3	\$1M	7	\$1,407,100	\$407,100
4	\$700K	4	\$850,854	\$150,854
5	\$1M	2	\$1,102,500	\$102,500
Totals:			\$6,129,574	\$1,729,574

Do nothing & make \$628,894 on the family home or build a portfolio and potentially increase gains by a further \$1.1M over the decade.

*This is not individualised financial advice and should be taken as general information only. This simplified example is subject to fluctuation and dictated by debt servicing criteria and other factors. This example is based on round numbers and gross values.

The Decade Cycle



Phase 1: Purchase property. **Phase 2:** Leverage and buy an investment property.
Phase 3: Allow equity to grow and build an investment portfolio. **Phase 4:** Sell down and go again.

Glossary

Capital: Financial assets or resources used to generate income or investment returns.

Capital Gain: The profit from the sale of an investment or asset, calculated by the difference between the purchase price and the selling price.

Capital Growth Rate: The rate at which the value of an investment or asset increases over time.

Cash Flow: The net amount of cash and cash-equivalents being transferred into and out of a business, typically measured during a specific period.

Cross Lease: A form of property ownership where multiple parties own a share in the land, and each has the right to occupy specific buildings.

Debt Structuring: The process of organising and arranging the terms and conditions of a debt arrangement to meet the borrower's financial needs.

Equity: The ownership interest in an asset after deducting liabilities.

Freehold: Absolute ownership of land with no limitations, usually in perpetuity.

Income: Money received on a regular basis, typically in the form of wages, rent, or interest.

Interest Rate: The proportion of a loan that is charged as interest to the borrower, typically expressed as an annual percentage.

Interest Only: A loan repayment arrangement where only interest is paid for a specified period, with the principal repaid later.

Investment Portfolio: A collection of investments held by an individual or institution, such as stocks, bonds or in this instance, property.

Landlord Cover: Insurance coverage for landlords that protects against potential financial losses associated with their rental property.

Leasehold: The right to use and occupy real estate for a specific period under the terms of a lease agreement.

Leveraging: Using borrowed capital to increase the potential return on an investment.

Mortgage: A loan used to purchase real estate, with the property itself serving as collateral.

Mortgage Term: The period over which a mortgage loan is repaid, usually expressed in years. Commonly a 30-year term.

Principal and Interest: The components of a loan payment where “principal” is the original loan amount and “interest” is the cost of borrowing.

Revenue: The total income generated by a business from its primary operations.

Risk Tolerance: The degree of variability in investment returns that an individual or entity is willing to withstand.

Short Fall: The amount by which a financial deficit or shortfall falls short of the required or expected amount.

Surplus: The excess amount remaining after all expenses have been deducted from income.

Top-Up: An additional amount of money added to an existing loan or financial arrangement.

Unit Title: A form of property ownership where individuals own a unit or apartment within a complex, along with a share of common areas.

Vacancy: The condition of a property being unoccupied, often used in the context of rental properties.

Mortgage-free: Owning a property outright without any remaining mortgage debt.

Ready to design a decade? Get in touch with us today.

info@properli.co.nz | 09 361 0050 | properli.co.nz

[Click here to book a time slot now](#)

