HOW TO MANAGE THE UNEXPECTED WITH INVESTING

The ability to effectively manage unexpected events when owning investment properties will assist you in avoiding cash flow crises and major losses. Things can and will go wrong. It happens to everybody and when it does it will test you, but it is the experience you bring to these circumstances that really matters. Success lies with 'allowing for the unexpected from the start' and building in mechanisms to help solve the problems to help mitigate risk. Have you taken the time to think about the risk of investing in property and what they could be?

Account for your lifestyle costs De-risk the process from the start by thoroughly and realistically accounting for your lifestyle costs. You will then gain a true assessment of what you can afford to contribute to your investment portfolio. For example, this could mean purchasing dwellings where the rent covers at least 90% of expenses in order to protect your bottom line. Keep 12 months' worth of these 'survival figures' in the bank to cover your risk – your lifestyle expenses plus your planned and budgeted investment contributions. It is important to know that you can financially maintain your investment portfolio.

Safeguard your liquid assets Hold on to your cash and use the bank's money to fund your real estate purchases. Almost every successful company has used other people's money to build their businesses and as your property investment portfolio is a business, this is what you should do too. If you've got the choice between using equity in your home or cash savings, opt for equity every time.

Buy well at the beginning A key component of your purchasing strategy is to find something that rents well and then buy under market value. If you don't get this right from the start, things can go wrong and it can be very costly to rectify the situation. Regardless of whether you are new to investing or an experienced portfolio holder, your strategy will need expert help each time to identify the best property for your needs.

Have the right support people in place Network and surround yourself with people who have been successful property investors as they will be able to share their own challenges and successes that you can learn from. Seek out property mentors, brokers and accountants who have performed better than you to date and their experiences will help you raise your own performance to their level of success.

Problem solve, don't panic and be prepared Only experience can prevent full-scale panic when problems arise. This is where you need to be prepared and know what can go wrong. What if the tenant falls behind in their rent, the property is vacant for an extended period of time or a hot water system needs replacing? Start with the end in mind and work towards being one step ahead.

Know when to cut your losses Sometimes there is nothing that can be done to rectify a situation, such as a falling property value. You may have bought a property in an area that wasn't ever going to be what it promised. When your annual assessment reveals this poor performance, it is time to act. In extreme situations, cutting your losses can be a smarter decision than holding onto the investment depending on your circumstances.

Be prepared to take bold steps on your property investment journey. With the right team behind you, it's been said that the real risk lies in not taking any risks at all.

For more information about Property Management?

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