CLIENT INFORMATION BULLETIN

With compliments:
TENNI & ASSOCIATES

Ph. 9720 9880

grant@tenni.com.au
www.tenni.com.au

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Is this the New World Order

Or just a return to the economic conditions that existed in the past. In other words, if you don't learn and understand what went on in the past, you won't realise when we are just repeating exactly what happened before.

Property, housing in particular, the long term capital growth is around 8%. The growth in the Median price of housing in Melbourne is actually below that average since 2010.

Shares, the long term capital growth is around 8%.

Interest Rates, the long term lending rate is around 3%. In the last 200 years the only period interest rates have massively exceeded this figure was when Nixon disassociated the US $ from the Gold Standard in 1970, and the US started printing money and inflation went through the roof. 40 years of above average interest rates, we have now returned to the norm.

The Year in Review

The doomsayers were wrong again. As they will be wrong again in 2018.

Yes, Australian property prices are high. However, Australian property prices have never, Never, had a crash unless it was following the crash that had already occurred in the USA, followed by the UK, then followed by Australia. Which occurs on average every 18.6 years. We will not crash until those countries crash first. And they are absolutely nowhere near the situation they were in back in 2007 which lead to the GFC.

We now have 9 years of growth leading up to the next major crash after the market peaks around 2026.

Interest Rates

The USA has just raised their rates. Further rises are predicted in 2018. Whether the rate rises are well managed or overdone will be a real challenge to a country that got it wrong in the great depression, and then mismanaged the GFC again in 2008. If they left the economy to sort itself out we may well not have the levels of Government debt that currently exists. Booms and busts will always reoccur, Governments continue to delude themselves that they can manage the economy to avoid the volatility. 2008 is the most recent proof they have no idea.

Regardless of whether interest rates rise in the next couple of years or not, we are still going to go into recession around 2020.

USA

In last year's Newsletter I said 2017 would be a bullish year for US stocks.

There is nothing on the horizon to indicate 2018 is likely to be anything different.

Australian Shares

Almost a repeat of 2016.
2017 The poor All Ordinaries had another year that went nowhere!
However if you were invested in either of the 2 specialist share funds we recommend to clients you have had great returns again in 2017.

From 1997 until 2001 Tech Stocks made some people millions. Crypto currencies are today's equivalent. Some of you may have bought Bitcoin years ago and be sitting on thousands of percentages of growth. However Bitcoin is one tiny part of the story. There are over 1,000 crypto currencies, and there are and will be tens of thousands of companies who will benefit from the technology behind Bitcoin, that of Blockchain. Very few people make any money out of something they don't understand. The rich want you to remain ignorant, so that they can make the most money out of property, shares, and any new technology that comes along. The Ultra Rich were behind Railways, Telephony, Cars, Internet, Mobile Phones. The poor buy the product, the rich sell the product and make billions from owning the equity. The rich love Blockchain!

Super Funds

My opinion on the returns achieved by the major managed share funds in 2017 is yet again, pathetic, especially those advertising on TV telling us how wonderful they are! Not!

From 2016's Newsletter, I repeat - The money that was in the shares component of your Superannuation back on 1/11/2007 still won't have got back to being worth what it was then, until the All Ordinaries returns to its value on that day of 6,851. Since then the main reason your Super has grown has been because you put more money in, not because the Fund Managers have made you anything. But let's keep up the Blind Faith in Super, because that is just what the Government wants us to do. And don't Governments manage money well!

USAIC Trusts

We recently attended the November update from Michael Drapac and team. Some people had previously invested in his Japan Fund, which lost money, Victoria St which lost money, Bourke St which made very little money. But having listened to Michael's presentation in 2013 on what he did in Melton and Doreen after the 1990 crash, dozens of our clients wisely decided he was in an excellent position to repeat his 1990's success. So they invested in the USA, where property prices had plummeted in 2008 and in 2012 had started to recover. Are they glad they did? You bet they are!
Has the opportunity to invest via Drapac in the USA gone? Yes.

Has the opportunity to make the equivalent of 30 years saving in Super, in the space of 2 years gone? No!

The Big Winner Property-Again

12 months ago I wrote "The big winner in property in Melbourne in 2016 has been subdivisions. The gains I have seen amongst colleagues and clients have ranged from $200,000 to $800,000 profit. All achieved in less than a 2 year time frame on just one project."

During 2017 you have gone to work for another 12 months. You have put a further 9.5%, maybe a little more into Super. Your Super has grown by the equivalent of half a year's wages. You may have now had 20-30 years contributing to Super, and you still haven't got half what you need to be able to draw the equivalent of half your wage in retirement.
The definition of Insanity is doing the same thing and expecting things to change!

In the last 12 months we have had a client complete the process of buying an old place, knock it down, build 3 units, and sell them for well in excess of half a million dollars profit. Awesome to have to pay the tax on that.
$500,000! How many years of your wages is that? In 2 years! Yes 2 years to totally complete the project.

Do you earn a combined family income of $100-150,000? Do you have $2-300,000 or more equity in your own home? Or do you already have an investment property with plenty of equity in it?

We can introduce you to real people, real clients, who have consistently made more money in a 2 year property investment than you will make in 30 years in Super. Their tax returns don't lie.

We, just like nearly every other suburban accounting firm can confirm without a shadow of doubt that the most money is made by our property clients and friends, the highest income is made by our property clients and friends. Many of our clients on very large wages are really "working for the man" and not making any inroads into providing for their own financial independence. With all those degrees and titles to their names but no time to make some real money, yet the builders and property investors, many without university degrees, are doing better for themselves by a country mile. Therefore we are unapologetic in our encouragement for you to seriously consider talking to us about a property project.

We have access to the assistance of developers who have been doing sub divisions for over 20 years. We have identified suburbs where the council will not stand in your way. We know suburbs in the early stages of growth, where a sub division only enhances further the gains to be made. We have even taken into account a very unlikely 20% fall in end values to ensure the projects are viable in the long term.

We have recently introduced the **Tenni Property Project Management Service**. This service enables our clients who don't have the time, who don't have the skill to find the right site, but do have the income and equity to undertake a property investment, to have us totally manage the project for them. So confident are we of a successful outcome, we will only receive the final 40% of our fee if the increased equity upon completion of the project is at least $200,000.

Many projects when completed find the mortgage is equivalent to the value of 2 properties, however they end up with 3 properties for the price of 2.

This is one reason why the out of pockets once the development is completed aren't that much. Negative gearing is not usually a factor in most clients projects.

In fact, even if you build to sell, but you find that the recession due around 2019/2020 has dropped house values, you shouldn't have any problem holding onto the properties as the rents will probably cover most of the expenses. You can just wait for the growth between 2020 and 2026 to see your properties increase in value. (The last 7 years of the cycle always sees the greatest growth) Hold them long term, and when you die pass them on to your children.

Which is in fact what the wealthy families have done, currently do and will always continue to do. The average Australian doesn't understand that generational wealth is built through property. (Only 2.57% of Australians own more than 1 investment property!) The other 97.43% of Australians have little idea how to genuinely build wealth. They don't educate their children regarding building wealth, the schools their children go to don't educate their children about wealth either. So the rich families getting richer don't really have much competition, as so few others understand how they do it.

Still can't retire?

Can't afford to retire? It is Time to try something different!
Call us now! Are you going to call us to help you grow your income and your wealth. Or instead in 2018 note in your suburb alone how many developments have been done ($500k profit on average), and regret another year of procrastination?

We again extend our deepest appreciation for your loyalty and support during 2017.

Wishing you a very
Merry Christmas &
a Fantastic 2018

**from
Grant, Emma, Renate &
Anthony (welcome on
board to Anthony Colella)**