

The ProLoan Newsletter

Sep 2009

FORCE OF LAW

For any of you have spent any time with Tony, you are sure to have heard him quote the Economist Hernando De Soto.

De Soto argues that an important characteristic of capitalism is the functioning state protection of property rights in a formal property system, where ownership and transactions are clearly recorded. This makes the following possible:

- greater independence for individuals from local community arrangements to protect their assets
- clear and provable *protected ownership*
- the standardization and integration of property rules and property information in the country as a whole
- increased trust arising from a greater certainty of punishment for cheating in economic transactions
- more formal and complex written statements of ownership that permit the easier assumption of shared risk and ownership in companies, and the insurance of risk
- greater *availability of loans* for new projects, since more things can be used as collateral for the loans
- easier access to and more reliable information regarding such things as credit history and the worth of assets
- increased fungibility, standardization and transferability of statements documenting the ownership of property, which paves the way

for structures such as national markets for companies and the easy transportation of property through complex networks of individuals and other entities

So what does all this mean?

It supports the theory of smart property buying each time—and holding on to it where the clients serviceability permits this.

There are many strategies to assist a client hold property;

- who should own the property purchase the first time around?
- Ensuring that the client does their property homework—i.e. what is the likely capital appreciate of the property and likely income and expenses in the future (i.e. are body corporate involved?)

The **Force of law** also can help us understand why so many international people want to buy in Australia. When you think about all the world holds—there are a selected few countries that have **certainty of property title**.



Helping Children buy—looking after the whole family.

One idea can be where parents have cash in an offset account or deposit account and can lend this to their children (obviously with the correct legal agreement in place), who then have cash to put into their purchase. If the parent needs the funds at a later date for an investment they can then borrow against the child's home to fund the income producing asset. In this instance, all the child needs to do to compensate the parents, is to make them a gift of the after tax dollars on the debt the parent takes out, effectively increasing the child's purchasing power!

SMSF borrowing

Since the Budget has been terribly evil for over 50s trying to contribute to superannuation - the question has been raised - "What should I do to substitute the \$50k that I have lost by the way of a contribution?"

One answer could be for your clients to look at buying their future retirement home now and negatively gearing it, to move into in the future!

The "Scary Times" Success Manual

By Dan Sullivan

From time to time, economic and political events make people anxious and fearful about their futures. Below are two insights on how to thrive when events seem to be beyond your control, by transforming negativity and unpredictability into opportunities for growth, progress, and achievement.

Forget about your commodity, focus on your relationship

In uncertain times, people become frightened about the viability of their "commodities" - the things they sell and the jobs they hold. A more strategic response here is to disregard your own commodity and focus on deepening the power and possibility of all your relationships—with family, friends, team members, suppliers, clients, customers and prospects. Every time you strengthen a relationship, the viability of your commodity will increase.

Forget about the sale, focus on creating value

Most people don't like being sold at the best of time. When the future is less certain, they turn off, hang up, and slam shut. But what people want at all times is value creation—that is, solutions that help them eliminate their dangers, capture their opportunities, and reinforce their strengths. When you focus on providing these three solutions, the sales will naturally follow.

*"A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty."
- Winston Churchill*