PROPERTY CASHFLOW / INNER CIRCLE / SEPT 15-23

LEARN, INVEST, RETIRE

"AMATEUR HOUR: WHY YOUR 5% YIELD IS A JOKE IN THE UK PROPERTY MARKET"

THOUGHT OF THE MONTH

PRO INVESTORS THINK POTENTIAL FIRST AND RESOURCES SECOND. AVERAGE INVESTORS GET STUCK ON THE "I CAN'T AFFORD IT" EXCUSE.

You think a 5% yield is something to be proud of? Let's shatter that illusion. Professional investors in the UK property market are achieving returns upwards of 12%. How? Through a combination of tax-efficient models and high-yield investment strategies.

Tax-Efficient Models: The Pros' Secret Weapon

Professional investors don't just play the game; they master it. Here's how they minimize taxes and maximize profits:

LLP's with LTD's Combination: This is not child's play. By integrating Limited Liability Partnerships (LLP) with Limited Companies (LTD), professionals create a hybrid structure that cuts their tax bill nearly in half. While you're stuck at 40%, they're enjoying a 20% rate. (See page 5 for an article on it).

Capital Allowances: Professionals understand every corner of the capital allowances landscape. They know what to claim, how to claim it, and when to claim it. While you're scrambling, they're saving, reducing their taxable income in ways you haven't even considered.

High-Yield Investment Strategies: Beyond the Basics

While you're stuck in the mundane, professionals are exploring innovative strategies:

Change of Use: By altering the use of a property, professionals unlock hidden value that is reflected in the final valuations . A simple residential unit becomes a lucrative (**To page 3**)

IN THIS ISSUE

CALENDAR

Property Massive Bootcamp, Sept 23

1 day with the investor, Sept 29th

Inner circle Call, CIP, Sept 25th

Property Elite Mastermind, Sept 30

6 week master class, Sept 15

LEASEHOLD VS. FREEHOLD: UNDERSTANDING THE KEY DIFFERENCES IN UK PROPERTY INVESTMENT

By Noel Cardona

In the UK property market, ownership can be categorized into two primary types: **leasehold and freehold.** Understanding the intricacies of both is essential for investors, as each has its own set of implications, benefits, and drawbacks.

Leasehold Ownership

Leasehold ownership means that you own the property but not the land it stands on. You have the right to occupy the property for a fixed term, usually for many decades or even centuries, but ownership of the land remains with the freeholder.

Implications of Leasehold:

Ground Rent: As a leaseholder, you'll often be required to pay ground rent to the freeholder. This can be a significant ongoing expense and may increase over time. Sometimes is pennies.

Service Charges: Many leasehold properties come with service charges for the maintenance of common areas. These charges can fluctuate and may lead to unexpected costs.

Decreasing Value: As the lease term nears its end, the value of the property can decrease substantially. Extending a lease can be costly and complex, making it a critical consideration for investors.

Difficulty in Making Repairs: Leaseholders might face challenges in making repairs or alterations to the property. Approval from the freeholder may be required, leading **(To page 3)**

PHRASE OF THE MONTH

THE AVERAGE INVESTOR DOESN'T WIN BECAUSE HE/SHE HASN'T DEVELOPED MENTAL FREEDOM.

(**From Page 1)** commercial space, and the yield soars.

Space Maximization: It's not about what you have; it's about how you use it. By maximizing space through smart design and layout, professionals create more revenue-generating units within the same footprint.

Achieving That 15% Yield: The Perfect Storm

Want to know why you're struggling to break past 5%? It's because you're not thinking like a pro. Achieving that coveted 15% yield isn't about luck or simple strategies. It's about a perfect storm of tax-efficient models and high-yield investment strategies. Professional investors are constantly evolving, adapting, and innovating. They're not just playing the game; they're dominating it. They're combining LLP's with LTD's, capital allowances, change of use, space maximization, and smart design to create a winning formula.

The Brutal, Unforgiving Truth

You're not on their level, and it's time to face that fact. While you may be content with mediocrity, professionals are redefining success.

Want to join them? Then stop playing like an amateur. Learn the game, master the strategies, and start thinking like a pro. Until then, enjoy your 5% yield, knowing that it's a mere fraction of what you could achieve.

Conclusion

The UK property market is not for the timid or the uninformed. It's a battlefield where only the strongest and smartest survive. If you want to rise above mediocrity, it's time to embrace the brutal reality and learn from the masters.

From Noel Cardona's Dictionary

Pro Investor: The one who can navigate fast and with the least costs, all the intricate steps to invest in property and make off-the-chart gains.

LEASEHOLD VS. FREEHOLD: UNDERSTANDING THE KEY DIFFERENCES IN UK PROPERTY INVESTMENT

(From Page 2) to delays and potential disputes.

Selling a Leasehold Property: Investors may choose to sell a property as leasehold to retain ownership of the land, generating ongoing income through ground rent. However, a short lease can make a property less attractive to potential buyers.

Freehold Ownership

Freehold ownership, on the other hand, means that you own both the property and the land it stands on. This type of ownership generally offers more control and fewer ongoing obligations.

Benefits of Freehold:

Full Control: Freeholders have complete control over the property and land, without the constraints often faced by leaseholders such as ground rent or service charges.

Long-term Value: Freehold properties typically maintain their value better over time, as there's no diminishing lease to worry about.

So what to do then?

As an investor most of the time I buy freehold to avoid all these issues and extra charges that could make a property go into negative cashflow which is the last thing you want. For example, not long ago, I was talking to someone who wanted to buy a studio because his budget wasn't big, However when I quickly looked at a property he was keen on and calculated a ball park figure for his profit, the service charge for that property would eat away most of the earnings and decreased the return on investment to a one or two percent! **(End)**

WHAT HAPPENS IF YOU BREAK PLANNING RULES?

By Noel Cardona

Navigating the labyrinthine maze of UK planning regulations is no small feat, and even the most vigilant Property Renegades can stumble. While the average, mediocre investor often underestimates the ramifications of ignoring planning laws, let's delve into what really happens when you fail to comply.

Local Planning Authority (LPA) & Enforcement

The Local Planning Authority (LPA) is the institution that serves as the gatekeeper of planning laws. Should you breach these rules—intentionally or otherwise—be prepared for the LPA to initiate enforcement actions. However, there are two safeguards against this: **the 4-year and the 10-year rules.**

The 4-Year Rule: An Illustrative Example

Imagine you own a property intended for residential use but covertly converted part of it into a retail shop. Four years pass without any enforcement actions from the LPA. You might think you've evaded the law, but that's not exactly the case.

This rule protects you from enforcement for building or operational developments that have not been challenged for at least four years. In this example, the illegal retail shop has now become "lawful" after the 4-year window has closed.

To formalise this, you must apply for a "certificate of lawfulness" from your LPA, which can be a labyrinthine process. Not applying for this certificate could jeopardize your ability to sell or remortgage the property. Always consult professionals, and don't rely solely on the passage of time.

The 10-Year Rule: Another Example

Now consider you own a warehouse which, against planning conditions, you converted into an art gallery. Ten years go by, and no enforcement action is taken. Here, the 10-year rule applies, allowing you to evade enforcement actions for unauthorized use of buildings other than dwellings. You would still need to apply for a certificate of lawfulness to ensure future legal protection.

Caveats and Consequences

Here's where many average investors falter—they overlook the brutal truth that these rules are not blanket exemptions. If you deliberately deceive the LPA, expect the book to be thrown at you. A simple mistake could lead to an inability to sell or remortgage your property, and deliberate actions could lead to fines or even criminal charges.

Making Amends: Certificate of Lawfulness

Gaining a certificate of lawfulness is not a simple checkbox exercise; it requires the submission of exhaustive documentation. From tenancy agreements to utility bills and construction receipts, you'll need ample proof to demonstrate continuous, unchallenged use or development over the 4 or 10-year period. Failure to obtain this certificate doesn't just make you a risk-taker; it makes you a mediocre investor playing with fire.

Final Thoughts

Property Renegades navigate planning laws with a meticulous attention to detail, understanding that their credibility and investments are at stake. To sustain your investment portfolio and achieve your objectives of financial freedom, don't rely on time to legalize your breaches. Instead, consult professionals and always strive for lawfulness from the outset.

Don't gamble with your financial future; ignorance is a choice, not an excuse.

STRATEGIC TAX EFFICIENCY: LEVERAGING LLPS AND LIMITED COMPANIES FOR PROPERTY INVESTMENT SUCCESS

By Noel Cardona

In the dynamic world of property investment, a particularly effective approach gaining traction is the strategic combination of a limited liability partnership (LLP) and a limited company. This dual structure not only streamlines property management but also offers notable tax benefits, especially for high-earning investors. In this article, we'll delve into the mechanics of this strategy, showing an easy to understand example.

Understanding the Dual Structure: LLP and Limited Company

Before delving into the tax benefits, let's review the foundational components of this strategy:

Limited Liability Partnership (LLP): An LLP combines the attributes of a traditional partnership and a limited company. In this context, the LLP can serve as the operational arm, overseeing day-to-day property management tasks, tenant interactions, and maintenance responsibilities.

Limited Company: The limited company takes ownership of the investment property, holding the property's legal title and generating rental income.

An example, **Recalculating Tax Benefits: Limited Company Only vs. LLP and Limited Company**

For a comprehensive illustration of the potential tax advantages, let's consider a high-earning investor operating in the 2023 financial landscape. Assuming the investment property generates a net profit of £30,000, we'll analyze the two scenarios.

Scenario 1: Limited Company Only

In this instance, if the investor solely utilizes a limited company to own the property and withdraws earnings as dividends, for a high-income individual, the tax liability can be calculated as follows:

£30,000 net profit

£7,500 (25%) corporation tax on profit

£22,500 dividend distributed to the investor

For dividend income exceeding the tax-free allowance:

£21,500 (£22,500 - £1,000) taxable dividend income

£7,202.5 (33.5%) dividend tax

Total Tax Paid: £7,500 (corporation tax) + £7,202.5 (dividend tax) = £14,702.5

Scenario 2: LLP and Limited Company

Now, **let's explore the tax benefits of combining an LLP with a limited company.** Again, the investment property generates a net profit of £30,000, which is shared between the LLP and the limited company. The limited company retains £15,000, while the LLP receives £15,000.

For the limited company's retained profit:

£15,000 net profit

£3,750 (25%) corporation tax on profit

For the LLP's share of profit:

£15,000 profit to the investor

In this scenario, the investor would pay:

£4,690 [income tax (£15K-£1K Dividend tax free allowance)] *33.5%

Total Tax Paid: £3,750 (corporation tax) + £4,690 (income tax) = £8,840

Comparing Tax Efficiency:

By embracing the LLP and limited company strategy, the investor could save £6,262.5 in taxes (£14,702.5 - £8,840) for the year 2023, compared to the scenario of solely utilizing a limited company and withdrawing earnings as dividends.

Conclusion:

The world of property investment is rich with opportunities, and judicious tax planning can amplify returns significantly. Employing a combined structure of a limited liability partnership and a limited company offers not only operational benefits but also remarkable tax advantages. High-earning investors stand to reap substantial savings by thoughtfully distributing profits across these entities, thereby enhancing their financial gains. As tax laws continue to evolve, seeking guidance from financial advisors and legal experts is essential to tailor this strategy to individual circumstances while maintaining compliance with prevailing regulations.

Planning For Investors

https://tinyurl.com/PlanningSecrets

Investing in property is particularly difficult because as an investor you need to know about the planning system in the UK.

Not an easy one as is very complex at many different levels.

If you are serious about investing and want to know how the system works I suggest you take my course on Planning For Investors you can see find on the link above. Worth every penny If you ask me.

THE IMPORTNACE OF KNOWING YOUR NUMBERS

By Noel Cardona

When it comes to UK property investment, there's a vast gulf between mediocre investors and Property Renegades. Mediocre investors love the fantasy of passive income but fail to understand the work that goes into creating it. In contrast, Property Renegades are the hardcore realists. They go beyond glossy property brochures and actually dive into the data. Let's look at this through an illustrative example.

Scenario: Investing in an HMO Property

Mediocre Investor

A mediocre investor gets excited by the buzzword "HMO" (House in Multiple Occupation) and jumps straight in, thinking it's a golden ticket. They look at the property's asking price of £250,000 and potential monthly income of £2,000 and think, "Great, that's a profit right there."

Calculations:

Property Price: £250,000

Rental Income: £2,000/month

Mortgage: Doesn't calculate. Assumes that rent will cover it.

Maintenance, Management, Utilities: Considers it but severely underestimates.

ROI: Doesn't calculate.

In the end, the mediocre investor finds themselves drowning in unforeseen maintenance costs, a higher-than-expected mortgage rate, and unexpected vacancies. The 'passive' income stream suddenly becomes an active liability.

Property Renegade

A Property Renegade interested in the same HMO starts by dissecting each component meticulously.

Calculations:

Property Price: £250,000

Stamp Duty: £10,000

Legal and Survey Costs: £3,000

Total Initial Investment: £263,000

Rental Income: £2,000/month or £24,000/year

Mortgage: £800/month or £9,600/year

Maintenance: £2,400/year

Utilities and Council Tax: £1,200/year

Property Management: £1,440/year

Net Income: £9,360/year

ROI: 3.56%

Then they assess market risks, interest rate fluctuations, and local property laws. By doing so, they know their numbers inside out and can make an informed decision. They might still proceed with the investment, but perhaps they negotiate a better price or they find ways to optimize the ROI, like by reducing energy costs or increasing rent in line with local trends.

Conclusion

Here's the brutal truth: Mediocre investors are often lazy thinkers. They hear success stories, believe property investment is a get-rich-quick scheme, and end up failing because they never understand the numbers. They are the gamblers of the property world, relying on luck rather than diligence.

Property Renegades, on the other hand, are the chess players. They think multiple moves ahead and understand that every investment is a calculated risk. They don't just survive in this industry; they dominate it.

So, if you're serious about property investment, don't just aspire to invest; **aspire to be a Property Renegade.** Because at the end of the day, it's the Renegades who understand the subtle complexities, and hence, it's the Renegades who win.

Ladder OF Success

Property Investment Mastermind & Inner Circle: These are not for the faint of heart. Are you ready to accelerate your results while working and discussing your strategies with me and other investors like yourself? Are you willing to be on the hot seat and put your ideas to the test? If so, **send a message to info@propertycashflow.co.uk enquiring about the Property Investment Elite Mastermind or Inner Circle (CIP).**

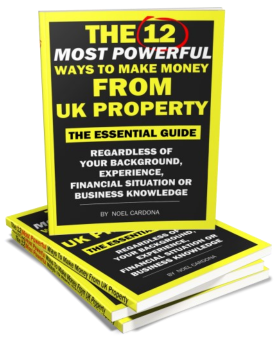
Let me Invest in Property For you: if you have neither the time or the experience but you do have the funds to invest in property (from £50K) at extraordinary returns and capital gains, then I can help you using my several years of experience building portfolios for me and other investors. I do everything for you, from the beginning to the end and you get the value increase and the monthly income. All from the comfort of your home. **Request a 30 mins Free consultation With me on info@propertycasflow.co.uk.**

Hunt Properties with me: Do you want to discover how it is to be in the trenches with an investor looking for properties which have the kind of hidden value that will yield extra-ordinary value for you? Are you ready for a full on day talking to real estate agents and investors, sifting the good from the bad and looking over my shoulder as I uncover the hidden value that the average invertor will never see? **Enquire about the next days available at info@propertycashflow.co.uk**

Attend my 6 week Masterclass: Want to uncover my most important secrets to start from zero and get to freedom in less than four years? Do you want me to break down my strategies, contacts, software, legal packs, everything you need to become a master in property? If you do, then you need to attend my 6 Week Masterclass. Learn about R2R, HMOs, deal packaging, raising finance, buy to let, investing mindset, service accommodation and more. All the tools you need to succeed in property. **Enquire about dates available at info@propertycashflow.co.uk**

Ultimate Property Boot Camp: For those members of my circle who want to start from scratch and get sound bases for their future property investing this is the second step of your journey (The first is to read my books). What is a good deal? Where to start in property? This outrageous boot camp will give you the big picture required to make the right decisions and get where you need to get to. I am aware there is so much information out there that it causes the opposite of what it should do: show you the clear path to move fast and create money speed.

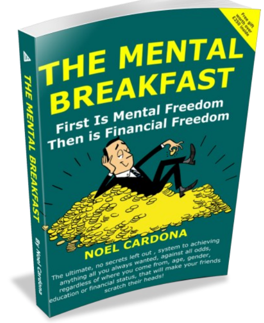
Other Resources from Noel Cardona



The 12 Most Powerful Ways to Make Money From UK Property. Get to know how investing in UK property is a unique ladder where you can start with no money and get to create a tremendous amount of value. My Story is all layout here for you to get inspired. **Buy the book in amazon:** tinyurl.com/Noelbook

The 10 Golden Rules of UK Property Investment will give you access to the 10 most important high leverage actions you must use to achieve money speed. Being busy is not the same as being productive and this book is the key to answer that puzzle. **Available to members of my CIP.**

The 5 Pillar of Successful UK Property Investing is about mindset, about the 80% that will make you successful: You. I've seen many investors fail because they retreat on the first sign of difficulty instead of pushing and winning the war. They give up too early. **Free here: tinyurl.com/5pillarsbookNoel**



The Mental Breakfast? This book challenges your beliefs about what you can achieve. This book works with the most valuable assets you have, that is, your mind and your time. If you don't know how to manage those two, you will just give up when problems come. **Free Download here: https://tinyurl.com/MentalBreakfast**

PROPERTY RENEGADE

BREAKING THE MOULD: THE BRUTAL TRUTH BEHIND PROPERTY RENEGADE MINDSET

Listen, and listen well. You can either be a part of the mundane parade of mediocre investors or you can rise to the level of a Property Renegade. The difference isn't just in the money; it's in the mindset. Let's uncover the uncomfortable truth that sets the Renegades apart.

1. Potential First, Resources Later

While the average investor trembles at the thought of investing without sufficient funds, the Property Renegade sees an opportunity and pounces. Money? It's an afterthought. They find the potential and then hunt down the resources. Lack of funds is never a barrier; it's a challenge. It's about the grit to see the possibility where others see impossibility. If you're held back by the lack of resources, maybe you're not cut out for the Renegade life.

2. **Parallel Projects, Not Consecutive**

The mediocre investor takes baby steps, one project at a time. The Renegade? They run parallel projects, a whirlwind of activity that leaves others in the dust. They don't wait for one project to conclude to begin the next. That's for the faint-hearted. They juggle, balance, and thrive in the chaos of parallel progress. If you can't keep up, perhaps it's time to step aside.

3. Success: A Process, Not an Event

Success isn't a one-time event for the Renegade; it's a relentless pursuit. It's a journey filled with battles, victories, and lessons. While others celebrate minor wins, the Renegade is already on to the next big thing. Complacency is the enemy, and the Renegade knows it. If you think you've "arrived," think again. The game is never over.

4. The Unyielding Mindset

The Renegade's mindset isn't just about confidence; it's about an unbreakable will to win. They don't hope for success; they demand it. They work with a ferocity that can be unsettling. They see failure not as a setback but as a setup for a comeback. If you're not ready to embrace this mindset, maybe you're not ready for success.

So what I mean is…

The Property Renegade is a breed apart. They don't follow the rules; they rewrite them. They don't wait for opportunities; they create them. They don't dream; they achieve.

Feel uncomfortable? Good. That discomfort is a wake-up call. You can either heed it and rise to the challenge or continue to wallow in mediocrity. The Renegade path isn't for everyone, but if you think you have what it takes, the rewards are unparalleled.

If you're still reading, perhaps there's a spark in you waiting to be ignited. Don't let it die out. Embrace the Renegade way join my Circle of Private Circle of Renegade Investors here: https://tinyurl.com/investorsCIP.

<u>Property Renegade Principle</u>

NO IFS, NO BUTS, RESULTS RULE. AND SUCH RESULTS ARE IN CURRENCY UNITS.

HOW MUCH PROPERTY PRICES WILL DECREASE?

By Noel Cardona

I know you must be worried because property prices are said to come down. The real question is by how much? It doesn't matter what they say no body can really say, all we have is predictions that put that, for 2023, property prices will come down between 2% and 12%.

The reason this range is so wide is because this needs to be drilled down per areas in UK as some will increase in prices whereas other ones will deep down in price. Personally, I think that if the Renters Reform Bill is approved that will deter a lot of property investors from getting into the market, why? Because if easily removing tenants from a property (Section 21) is abolished then it will be more difficult to make properties available for purchase and landlords like us will have a lot more difficulty managing properties.

Unfortunately there is a tremendous unbalance in the UK on whom the government protects more: The tenant is overprotected while landlords are constantly punished and that is a pretty bad situation.

I'd say that what keeps us investing in property is the rentability and stability of UK property, otherwise we would see home standards and property rental offer decrease really fast.

The UK government must understand private landlords are needed, that we take financial risks to make the rental market better, to improve standards, that we need to be supported better and that the private rental sector is fundamental for the UK and not a luxury.

ALL DONE FOR YOU

BY NOEL CARDONA

LET ME BE YOUR MENTOR

In the bustling world of UK property investment, there exists a clear divide: the cautious newcomers and the bold, knowledgeable Property Renegades. The newcomers often stumble in the dark, unsure and hesitant, lacking both time and understanding needed to make a mark in the investment sector. In contrast, the Property Renegades are the pioneers, ready to harness their substantial financial power to carve a prosperous pathway for their families. However, they too grapple with time constraints, unable to fully immerse themselves in their investment endeavours. This is where I step in, offering a guiding light and a firm hand to lead you on a prosperous path.

Let's step back and consider the stark reality: many venture into this domain with little more than ambition. These average investors often dawdle, missing out on golden opportunities due to indecisiveness and lack of knowledge. This is where the journey of becoming a Property Renegade begins, a journey of stepping up with confidence, backed by financial strength and the willingness to act quickly and decisively.

Allow me to narrate the transformative journey of two individuals, Carlos and Olimpo, who embarked on their investment journey with cash in hand but a dearth of time and expertise. They were like many others, teetering on the edge of uncertainty, aware of the potential gains yet held back by the fears of the unknown and the complexities of the property market.

Venturing alone in this labyrinthine market posed a myriad of risks. The danger of overpaying for a property, the potential pitfalls in legal processes, and the daunting task of property management without a nuanced understanding can lead to costly mistakes. The lack of a mentor in this journey could mean navigating a stormy sea without a compass, risking financial losses and wasted time.

But Carlos and Olimpo chose a different path. They chose to align with a mentor who could guide them, step by step, turning potential pitfalls into stepping stones towards success. Their first project was a promising venture at 32 Bishop Road.

32 BISHOP ROAD, LIVERPOOL

Initially a modest three-room property, it bore the potential for something far greater, something that could set the foundation for a prosperous future.

Under my guidance, Carlos and Olimpo embarked on a transformative journey. The property at 32 Bishop Road is now blossoming into a lucrative service accommodation unit, expanding from three rooms to a spacious five-room haven. This change is not just a physical transformation but a strategic move, offering the flexibility to convert it into a single let unit if required, ensuring a steady stream of income in fluctuating market conditions.

Yet, this is just a fragment of the journey. I guided them through the intricacies of negotiation, helping secure a deal that was both favourable and within their budget. Together, we navigated the legalities, aligning with proficient lawyers to ensure a smooth and secure transfer of property ownership.

Moreover, I stood as their pillar during the refurbishment process, ensuring compliance with UK standards and regulations without overshooting the budget. The critical aspect of tenant management was handled with utmost care, selecting individuals who would treat the property with respect, thereby fostering a harmonious landlord-tenant relationship.

<u>Property Renegade Principle</u>

LEVERAGE BY GETTING MENTORS AND A POWERFUL TEAM AROUND YOU.

Carlos and Olimpo's journey is a testament to the power of mentorship in the property investment realm. It demonstrates that with the right guidance, even those new to the sector can rise to become Property Renegades, commanding respect and achieving substantial financial growth.

I invite you to embark on a similar journey, where your financial dreams are not just fantasies but attainable goals. Step into the realm of the Property Renegades, where financial freedom is not a distant dream but a tangible reality, nurtured and guided by expert hands.

Reach out at

info@propertycashflow.co.uk, and together, let's forge a path of success, crafting a narrative of triumph and prosperity in the vibrant world of property investment, a journey where risks are mitigated and opportunities are seized with both hands.