

JOURNEY²



Freehold Your Home



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**By Investing in the New Zealand
Residential Property Market**

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Who Are Journey2?

Journey2 is committed to assisting Kiwis' in freeholding their homes as soon as they can, by using brand new residential rental properties, the power of compound growth and our "Freehold Plan".

What Do We Do?

Journey2 will map out a plan to demonstrate how you can purchase a new rental property, for the purpose of using it to freehold your home in the future.

You will be given a step by step guide with the assistance of independent professionals, to allow you to make an informed decision about the benefits of paying off your mortgage.

What Does A Typical Mortgage Look Like

Amount	\$698,000 (25 Years)
Combined Income	\$103,000 (Gross)
Income after Tax	\$ 82,860 (Nett)
Mortgage @ 5.2%	\$ 45,996 (PA)
Monthly Income After Tax	\$ 6,905
Mortgage Monthly Payment	\$ 3,833
Surplus	\$ 3,072

55% of your take home income goes to the bank.

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Benefits Of Paying Your Mortgage Off Early

Total Cost of Mortgage Over 25 Years

\$45,996 over 25 years \$1,149,900

Pay off your mortgage in:

15 years a saving of \$459,996

10 years a saving of \$689,840

7 years a saving of \$827,928

The \$3,833 per month you were paying to the bank is now yours, would that make a difference?

How do we do this?

Power Of Compound Growth

Rule of 72

1. Your house will double in value over 7.2 years with a 10% average annual return.
2. With a return of 7.2% average per annum, your house will double value in 10 years.

The New Zealand residential property market has grown at 8.8% on an annual average since December 1970 to December 2019*.

NB: Average allows for fluctuations over the periods where by in some years the return is considerably less and in others considerably more.

So what does this mean?

The Power of Compounding Returns:

Years	2007—2019		1970—2019
	12 Year Average	10 Year Average	49 Year Average
	5.48%	6.6%	8.8%
3	\$ 692,408.48	\$ 714,699.74	\$ 759,868.95
5	\$ 770,375.77	\$ 812,153.34	\$ 899,490.31
7	\$ 857,122.43	\$ 922,895.32	\$1,064,766.26
10	\$1,005,896.33	\$1,117,954.32	\$1,371,326.81
15	\$1,313,420.61	\$1,538,898.81	\$2,090,699.78
20	\$2,239,262.61	\$2,915,963.80	\$4,859,307.65
Source	R.B.N.Z Global Property Guide	Coomb Smith Property Accountants	Booster

The average returns are a simple mathematical average of a series of returns each year.

The average return is NOT the return achieved each year. The average takes into consideration the market fluctuation, for example the return in March 2009 was - 9.1% and December 2003 was 24.9% both these returns are factored into the year averages displayed in table above.



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By Implementing The Journey2 “Freehold Plan” You Can Use The Benefits Of:

1. Someone else paying rent/mortgage on your investment.
2. Tax benefits.
3. Power of Compound Growth.

To pay off your mortgage years earlier than the banks want, saving you thousands of dollars of your take home income.

What is the Journey2 “Freehold Plan”?

The “Freehold Plan” is a road map to paying off your mortgage as soon as you can, using residential property investment.

Your Plan will contain:

1. A mortgage pre-approval by an independent mortgage broker.
2. An architecturally designed 4 bedroom investment property with selected sections to suit your budget.
3. A rental assessment for the proposed property.

4. A comprehensive personalised property investment report which will reflect:
 - a. Cashflow
 - b. Capital gains
 - c. Tax benefits
 - d. Depreciation
 - e. Rent yield
 - f. Exit strategy

We encourage you to take this report to your Accountant and Lawyers for their assessment, if you feel it's appropriate. We have independent Accountants and Lawyers we can refer you to, who due to our referral you will get a discount.

Please note whilst all Journey2 team members are either very experienced Mortgage Brokers, Registered Financial Planners or Licensed Real Estate people, we do not provide Investment Advice. We specialise in paying off your mortgage through our "Freehold Plan". We are happy to refer you to a Registered Financial Adviser should you, or we, feel you need other advice.



How Do You Get A Journey2 “Freehold Plan”?



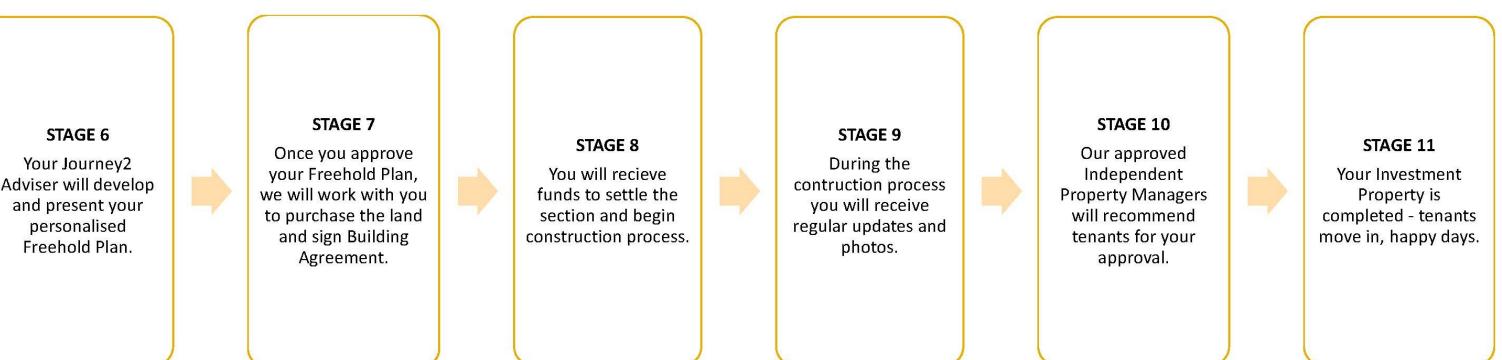
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Why Should You Talk To Us?

1. If you find your mortgage stressful.
2. If your mortgage is limiting your career aspirations i.e. maybe you want your own business but your mortgage payment is holding you back.
3. Maybe you have investment or lifestyle goals that you simply cannot afford because of your mortgage payments.
4. Do you want to help your children financially. By freeholding your home early, you can help them onto the property ladder and develop a Freehold Plan for them.
5. Are your kids currently struggling with the size of their mortgage? You could use our Freehold Plan to help them.
6. Does it makes sense to you to get other people to pay your rent/mortgage and obtain tax benefits and compound growth to pay off your mortgage?

Talk to us about your Journey2 “Freehold Plan”.



Why Build New?

Journey2 prides itself in advising it's clients on only investing in new residential homes. The benefits of this strategy are significant. It has been our experience that once habitual property investors have experienced the construction process and benefits of having a brand new home for their tenants, and obtain the financial benefits of the equity gain throughout the construction process, they seldom return to existing property for their portfolio.

Benefits Of A New Home

Typically you would expect equity gain through the construction process (refer case study on page 14).

Every home has a:

- 12 month Maintenance Guarantee
- 10 year Workmanship Guarantee
- 20-30 year Product Guarantee

Resulting in lower or no maintenance costs.

New is new - a new home always has the ability to attract more suitable tenants for longer.



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Latest technology and highest level of insulation, again enabling you to attract longer term tenants and avoid the cashflow impact of Government intervention, as occurred this year with Landlords having to insulate their existing properties with no hope of recovering the cost.

All foundations and construction techniques are at the latest earthquake standards resulting in lower insurance premiums.

Proven building systems, no leaky buildings, no remedial work and no tenancy downtime.

The Financial Benefits Of Building New

At Journey2 we recommend our clients enter into a full contract construction agreement with our recommended building company, and also enter into a separate Sale and Purchase Agreement on the land. We recommend this rather than purchasing a “spec build” or “turn key”. By doing this it ensures our clients are purchasing everything at true cost and gain the margins for themselves. With either of the other two options the margins would go to the middle man.

Our pledge to you.

Any discounts Journey2 and its Building Partner can negotiate with developers due to our volume or existing relationships will be passed directly onto our clients.

This is a “real life” case study demonstrating the financial benefits of entering the construction phase from the beginning.

1 Okoreka Road, Kahawai Point,
Glenbrook Beach.

Land Cost	\$270,000
House Cost	<u>\$375,000</u>
Total Cost	\$645,000
Valuation Prior to Construction	\$677,500
Valuation Day of Completion	\$730,000
Equity gain through Construction	\$ 85,000
Rateable Valuation 18 months from Contract signed	\$780,000
Paper equity gain	\$135,000
Rental per week	\$ 661
Per annum	\$ 34,372

Which equates to 5.3% yield

This gain is only possible from our clients selecting new homes and engaging in the construction process.

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Risk Management

All investments carry an element of risk which is increased if you shorten the timeframe of your investment.

There is a famous saying in investment circles, which applies to the investment property market - “It’s time in the market not timing the market”.

Every step of your Journey2 Freehold your Home process is “stress tested” by all of our Professional Advisers. This is to ensure that all precautions are taken to ensure your investment works for you as intended.

As part of our process you will find out about:

- What historical returns mean for future returns i.e. has property grown in the last 49 years. If so, how much?
- What are realistic timeframes to ensure your property investment “smooths” out the fluctuations?
- What is the Journey2 Four House Program and why is it recommended?
- What happens if interest rates increase?
- What happens when the property market fluctuates?
- What does dollar cost averaging mean?

So you can be assured as part of your journey with us, you will be fully informed of all the risks and measures to take care of those risks, as well as the benefits, to help you make an informed decision.

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What Do The Professionals Say?

"Hi, I have been a financial adviser since 1993 (nearly 30 years). During that time I have worked with hundreds of clients in preparation of their financial plans.

Almost invariably, when examining client's goals and objectives, becoming mortgage free in their own home is the priority.

There are a number of reasons for this. Security is a major one. Another reason is to achieve the ability to redirect the considerable levels of income that are used to pay most mortgages. This income, once available, can be used for other objectives such as lifestyle goals, travel, assistance for children's housing, retirement etc.

How do you achieve this elusive goal of being mortgage free?

Approximately 69-71% of New Zealanders own their home at retirement, however a good percentage still have a mortgage at age 65. Why?

It is not easy to pay off hundreds of thousands of dollars over thirty years or less. It requires considerable sacrifice of other lifestyle goals and family objectives. It is hard and likely, takes most of your working years.

The answer is Leveraging.

When you bought your current home, did you buy it with the belief that it would go up in value or did you think it might go down in value over the next 10 years or so? Of course... you believe it will rise in value.

In that case why would you not repeat the action and have a second or more properties going up in value concurrently? The attendant increase in value can be realised at the appropriate point in the future and the funds used to freehold your home. Thus saving you many thousands of dollars in interest and freeing up your income for other goals and lifestyle. Of course, let's not forget that during that time you had someone else paying the mortgage through rental income.

There are many additional advantages to this strategy. I won't go on and on about them at this point. Suffice to say people have options. One option ... save hard, pay hard, spend the bulk of your working life paying off your mortgage (we have all seen lots of people doing this haven't we?).

Another option Leverage. Most (if not all) financially successful people learned earlier in life that the key to financial success is leveraging. Simple arithmetic shows how difficult it is to save your way to financial success and being freehold early.



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Journey2 understands this. That is why I wholeheartedly support their programme of helping people (normal hardworking Kiwi's) to achieve being freehold in their own homes quicker and faster than those who decide to do it the hard way where the only winner is the BANK!!"

Greg Hart - Sterling Financial Services

" When my client's ask why they should pay their Mortgage off quicker and freehold their home, this is my response to them. Over the past 100 years it is a proven record that houses throughout Auckland double in value over a 10-year period. It is also proven that on an average person's income they wouldn't be able to save that amount over 10 years' time.

How would you feel to have the freedom to invest your mortgage payments into different Investment projects for your financial freedom? Or just save it in the bank? One of the main purposes in life is for you to have control over your hard-earned income not someone else."

Sandy Williams - Jameson Home Loans

"Many of my clients ask me why should I pay off my home in as shorter time as possible? Surely, we have 25 years til retirement, so there are more important financial goals to be set.

No-history shows the best decision you can do is freehold your home in as shorter time as possible. Your capital and income can be better invested elsewhere.

My advice is to not only focus on the equity being built, but also how we can best use the household income in the most effective way possible. Typically, as over half of the average household income goes to service the mortgage, we want to freehold the home ASAP to redirect this income towards better investment purposes. The longer we can use this significant slice of family income towards building investment capital (and thus investment income), the better the compounding return over time will be.

The average New Zealander builds personal capital in their homes - that's the Kiwi way.

If you consider the long-term returns historically made on property, the average Kiwi (over their lifetime) could never save the same amount solely from their income. We need to be cleverer; we need to use our capital and income as part of a systematic and ongoing property investment strategy. This is the best way to turn your house back from an investment, into a home. In doing so we also free up your income (both personal and investment) to work harder for you and your family."

Brad Roach - BRM Financial



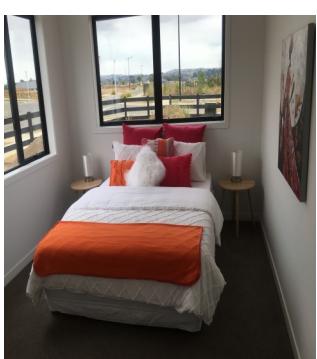
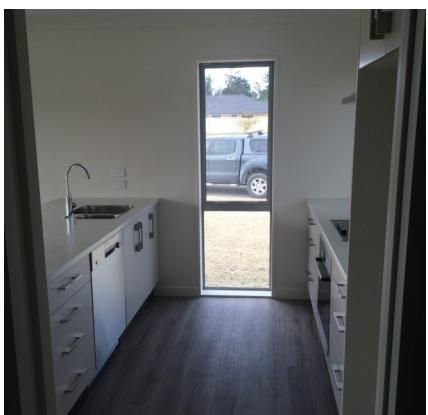
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journey2.co.nz

info@journey2.co.nz