



BEWARE THE SELLING MACHINES

Sucking-in thousands of naive investors.

by Neil Jenman

Over the past decade - and the new century in particular- an entire industry has sprung up with the sole purpose of convincing wanna-be property investors that certain companies, clubs or groups can show us all how to get-rich in property.

Many (no, make that 'most') of these outfits have become so sophisticated that they are convincing tens of thousands of Australians to invest in their so-called 'carefully-selected' properties.

These companies go to great lengths to paint themselves as legitimate. They seldom use terms such as 'get-rich'. Instead, they talk about retirement planning or wealth creation or tax minimisation.

They will produce dozens of glowing references from seemingly happy and prosperous investors.

To the inexperienced investors (which represents the majority of the Australian population) these companies seem like the answer to their investment prayers.

Such companies, however, are often nothing more than mammoth selling machines. They make their money - and it's big money - by selling over-priced properties to over-anxious families.

As well as their glib lines, touching testimonials and their aura of authenticity, all trot out the same-old-same-old mythical statistics - such as, most retirees will struggle financially and property prices have always doubled every seven to ten years.

Often they will quote the ABS (Australian Bureau of Statistics). Astonishingly, these claims are seldom examined, even by asking questions that a first grade school student would ask.

Take the 'property doubling every seven years' statistic, the one that's supposedly chiselled in stone. It's garbage. To prove it all you need is a ten dollar calculator.

Take the city of Sydney - the Mecca of property investing.

In 1890, the average Sydney home price was \$1,446 (£723). If property really does double every seven years then, in 2009, the average Sydney home will be worth \$189,530,112.00. (There must be one helluva boom coming in the next 14 months).

Let's be perfectly clear about one common-sense and constantly over-looked fact. If there really was so much profit to be made in investing in property, then these Selling Machine outfits would not be selling property en-masse, they'd be buying it en-masse.

But the simple fact is that there is more profit in selling property than in buying property - at least for these Selling Machines.

They have a huge infrastructure - big marketing campaigns, which can comprise anything from huge glossy ads in the property investor magazines to trained telemarketing teams.

They have teams of salespeople - known, of course as "property consultants" or "support members".

They have finance contacts, legal contacts, valuation contacts, developer contacts. It's a veritable Selling Machine designed to suck every cent out of inexperienced investors.

Selling Machines are like the Fighting Machines from *War of the Worlds*.

Not only do these Selling Machines have glib lines for sucking-in investors, they also have glib lines for keeping them sucked-in. And for sucking them in again and again.



Lines such as, "Never sell your properties," which prevents the investors from discovering their real worth on the open market. [A property is worth what a willing and well-informed buyer will pay. It is NOT worth what a sucked-in naïve investor can be fooled into paying or what a dodgy Selling-Machine-valuer can be coaxed into saying it's worth].

Now, to be sure, I am not saying all investors who invest with these Selling Machines will lose their money. Given enough time - and if they can keep up the payments and the holding costs - many investors should make some profit.

But - and here's my major point - all have been ripped off because they have paid far too much at the start - and they often pay far too much in holding costs. In my opinion, investing in property via a Selling Machine company, which is rapidly becoming the most common way to invest in property, is the worst way to invest in property.

Most inexperienced investors do not realise that investing in property - the right way - is relatively simple. The respected financial expert Noel Whittaker says something like this when it comes to smart property investing, "All you have to do is buy a well located property from a seller who urgently needs to sell and is prepared to accept a discount for a quick sale."

I have a very close friend of Italian descent. His name, of course, is Tony. He has the best definition I have ever heard for investing the right way in property.

Tony says, "I never invest in a property unless I know there are plenty of people who would line-up to buy it from me for more than I paid for it as soon as I have bought it."

In other words, Tony only buys high-demand property. He never buys from a Selling Machine company.

I don't know how exactly much Tony is worth. At a guess, I'd say at least \$20 million. Oh, and he drives a 12-year-old car.

All my life I have studied investors and investing. I have never seen anyone get rich by dealing with what I now call Selling Machine companies.

I have seen plenty of people make plenty of money by doing what people like my friend Tony do - they stay away from Selling Machines, they learn about the property market by doing their own time-consuming research (which, when you work it out is probably worth hundreds of dollars an hour to them) and then they buy a good property in a good area at a good price.

Oh dear, sorry if this sounds so simple, but that's the way it is.

These Selling Machine mobs deliberately make property investing sound complicated. They confuse you so that you will use them.

All they are doing is sucking-you-in to buy bad properties in bad areas at bad prices.

One of the most common questions I receive by email goes like this: "Hi Neil, Have you heard of XYZ Company? I am thinking of investing through them. What do you think? Are they legit?"

From now on - and to cut down the number of defamation actions (and make my wife happier), I am going to answer such questions by referring to this article.

I will simply say: "You are dealing with a Selling Machine." And, buying property from a Selling Machine is one of the worst ways to buy property.