

EBOOK

The ultimate e-book for property investors

10

STEPS TO BUILDING YOUR PROPERTY INVESTMENT EMPIRE

The secrets of
rich real estate
investors



By Jacques Fouché

CEO/Founder IGrow

www.igrow.co.za



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WELCOME

Congratulations on enrolling in this short online course on the 10 steps to building your property investment empire.

These 10 steps make up the holistic system critical for building a sustainable property portfolio. This is what will enable you to retire years earlier than you planned, create passive income for you and put you in a position to leave a legacy to your loved ones.

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INTRODUCTION

These 10 steps are also the most comprehensive and strategic method of building your empire. And to make it even easier to follow, I have layed out these 10 steps in the perfect order and sequence to follow.

It is imperative that the steps are followed in this specific order, this is the optimal sequence to follow to maximise your success.

There are all kinds of reasons or excuses for why you can't invest in property. I have heard it all. Prior to my live seminars, investors would say:

- ❓ Investing in property is expensive
- ❓ Investing in property is only for an elite few
- ❓ I don't know how to get started
- ❓ I must have 20 percent or more to put down as a deposit to buy property
- ❓ I have a bad credit record so I would never get a loan
- ❓ I know someone who really got burned in property investment
- ❓ The tenants don't pay
- ❓ I don't have any money to get started
- ❓ I can't deal with debt and can't sleep if I have too much
- ❓ I am 'too young' or 'too old' to get into the property game



"Investing in property is expensive"

or

"Investing in property is only for an elite few"

But none of this is true. You can build your property investment empire, and retire years earlier by following these strategic sequential 10 steps...



LEARNING OUTCOMES

Yes, there are many property investors who are currently making a loss, but that is simply because they have not followed a strategic plan and system for investing. Many people jump into property without doing enough research or learning from successful investors in the industry.

When I started investing in property I made the same mistake. I have lost time and literally tens of millions of rands in the process. If I could turn back time and change some of my decisions, I would. That is why I have created this course - to help investors, such as yourself, avoid these mistakes and reach success faster, while minimising the risks.

On reflection, if I was to start over from scratch today, I would employ these same 10 core principles into my investment strategy.

Anyone who works each one of these principles into their investment strategy **can retire 10 or even 15 years ahead of schedule.**

I have seen many unsuccessful investors employ only some of these principles, but not all 10 of them. This is significant, because these components work together. Each serves a specific, integrated function in your holistic approach. An investor needs to understand and make use of all these steps in order to succeed.

Today, I wish to share these steps with you. I don't want you to start your property investment making a loss or generating meagre returns. In order to invest in property in South Africa successfully, you will need master the following 10 strategic and sequential steps:



JACQUES FOUCHÉ

CEO & Founder

Jacques Fouché is one of South Africa's leading real estate investment trainers and entrepreneurs. He is also the CEO and founder of the IGrow Group of Companies, currently consisting of 10 real estate investment related companies.



"We give our investors the tools, knowledge and peace of mind to start a buy-to-let business and to make property investment the cornerstone of their pension fund for early and carefree retirement."

Module 1

Step 1 - Acquire the skills

01 ACQUIRE THE SKILLS

One very important quote to remember is:

”

*A skilled property investor
can build an empire without
ever laying one single brick.*

- Jacques Fouché

The overarching rule of property investment is to invest in your mind first before you invest in property. You don't need to know everything about everything, but you need to know something about everything.

Please believe me when I tell you that 80% of your success as an investor is psychology, while the other 20% comes down to skills and execution. Therefore, I am saying you don't need to personally learn all the skills immediately. Rather leverage the skills, the qualifications and the street-smart thinking of a highly qualified investment team.

There is not enough time to become an expert in every field of property investment, but you can leverage the knowledge and skills of a team of experts that are proven to be successful. This means that with the right team that possesses the correct strategy and skill set, you will be empowered to immediately start your property investment journey.

There is a big learning curve, particularly when you are starting out. It is, therefore, best to not dissipate your efforts by trying to juggle a number of different asset classes like:

- **Shares or unit trusts**
- **Fixed-income securities**
- **Property**
- **Crypto currencies and alternative investments**

Instead, become a specialist in one particular investment type.

As Warren Buffet said, "Diversification is a protection against ignorance. It makes very little sense for those who know what they are doing."

Studying an industry closely allows you to really entrench yourself in its environment. Consequently, it allows you to become an expert in it.



The image shows a podcast cover for 'The 7 Key Fundamental to Building Your Property Empire' with Jacques Fouché. The cover features a man in a suit and tie standing in front of a modern building. The text on the cover includes the title, the host's name, and the IGROW logo. A circular 'PODCAST' icon with a play button is also present.

**THE 7 KEY
FUNDAMENTAL
TO BUILDING YOUR
PROPERTY EMPIRE**

WITH JACQUES FOUCHÉ

IGROW

PODCAST

**THE 7 KEY
FUNDAMENTALS TO
BUILDING YOUR
PROPERTY EMPIRE**



And the results are clear. You will make better-informed decisions that will lead to more profitable returns, rather than hedging your bets across a range of sectors.

In order to be able to spend your time analysing deals and making offers through your investment team, you need to first learn the skills and put these investment principles into practice.

Attending educational seminars, watching online webinars, belonging to a credible investors club, and understanding your property investment wealth plan (also known as your retirement plan) are key to your investment success.

Great deals are literally everywhere, you just need to find the opportunities and profit from the many great bargains out there.

Once you find the right A-Grade investment properties, you will fast track your buy-to-let property investment empire!

Mastering the skills contained in these ten crucial steps will make you a more strategic and intelligent investor, and will allow you to play the property investment game at a whole new level.

However, the **great news** is that top investment teams already possess the skills and attributes you want to acquire.

So, instead of trying to master all the skills you need all on your own, instead you can supplement your knowledge by finding the right team members and leveraging their knowledge and immediately take action for your personal financial gain.

This brings me to my second principle and component.

Module 2

Step 2 - Assemble a team



02

ASSEMBLE A TEAM

My team is my biggest asset in building my property investment empire.

The difference between handling one or two properties and handling more than five is the ability to leverage the time and efforts of an excellent team.

To go from one property to 100 properties you will need to leverage your time through the use of your team.

One of my best philosophies is that I **don't have to be the smartest member of my team, but I do need to have the smartest team around me.** Surround yourself with a great team - that's the big secret to success.

Having a great team reduces your risk, increases your knowledge and gives you access to ideas, opportunities and money you would never be able to make all on your own. **I have found that collective knowledge and experience:**



LOWERS MY RISK



INCREASES MY RETURNS



MOTIVATES ME TO CONSTANTLY BETTER MYSELF

To be clear, the property investment entrepreneur doesn't hand control of his property portfolio over to others. Instead, he retains control whilst employing a proficient team who have great systems that achieve repeated and consistent results.

The biggest reason why property investors fail is because they try to do everything themselves. The old saying you get what you pay for is particularly relevant here:

Never try to find the cheapest professional investment team. Because you don't just pay them for a service, but you pay them for their knowledge as well.

The second reason why most investors fail is because they have the wrong team. They think that because their father or friend is an attorney or accountant, that they will understand the strategies of investing in property.

People are inherently looking to save money but in the end, it costs them their financial freedom. Unfortunately many are **penny-wise and pound-foolish**.

Through lots of trial and error, paying the price and making mistakes, I have come to realise that your team is like your family. Like a family, they will help you achieve your dream.

I started without a team and it's cost me many years, millions of rands in mistakes and lost opportunities. Without a team, it is impossible to build your property investment empire on a scale that will set you up for future financial freedom.

Who should be on your team?

My investment team consists of the following key team members:



1. Property investment strategists

They help me formulate and devise my plan, as well as source, evaluate and analyse A-grade investment properties. They conduct the due diligence and present bargains that I can purchase.

They ensure regular meetings are held to revise and assess the performance of my portfolio.

My personal strategists are the central core of my team and act as the bridge between myself and all the other expert members in my team.



2. Bond originators

These are my financing specialists, ensuring that my disposable income and my exposure (bond debt) is strategically spread over multiple financial institutions, to ensure that I can keep on buying A-grade properties to add to my portfolio.

My bond originators create a critical financing strategy for me, and work hand-in-glove with my property investment strategist to ensure that my investment goals are achieved.

They will also advise on how many properties I can get financing for, as well as the best strategic option at the bank for the next deal to be financed. We use all the major commercial banks for funding our property businesses. Bond originators will also assist you with refinancing your portfolio and reinvesting existing equity to create cash flow for future deposits and shortfalls you might have on your next property acquisitions.

A very important point here is that, if refinanced correctly, all your equity that you leverage will be tax free and can be rolled over into the next purchase. My bond originators also make sure that I have cash flow reserves in my access bond facility to ensure I always have liquidity to cater for interest rate hikes or unforeseen expenses.



3. Chartered accountant (tax specialists)

My tax specialists ensure I enjoy all the tax benefits that SARS gives us. Like section 13 sex of the Income Tax Act, that gives investors tax allowances on new developments or off-plan developments. More on this later.

Chartered accountants also assist with tax deductions, and ensure tax rebates are optimised. They ensure my tax losses are never lost, but can be used for a future date to offset income to further reduce tax.

In short, they ensure that I don't pay tax whilst I am building my portfolio, living from my portfolio and leaving my portfolio to my children after my death. My tax accountants ensure that I can run my portfolio as a business and not just as a static, tax-unfriendly portfolio, as most investors do. Detailed management accounts and financial statements ensure that I have used all the possible tax mitigation strategies available to me.

The team of chartered accountants ensures that I don't pay tax in the accumulation phase of investing in property, and I don't pay tax at retirement - meaning I can live off the passive income, tax-free or pay the absolute minimum tax, whilst I am living of the rental income. And, more importantly, I will be able to transfer my wealth, and the properties in my portfolio, to my legatees, my children, without paying any tax, whatsoever.





4. Trust attorney

The secret to wealth creation is protecting what you are creating, both when you are alive and after your death.

My trust attorneys will ensure I own nothing but control everything whilst I am alive and after I am dead. If you own nothing you have nothing to lose. It's all about how you structure your properties within your property investment business.

My trust attorney help me to bulletproof my buy-to-let business by ensuring that all my businesses and my property portfolio are protected in the correct trusts and companies, to ensure maximum asset protection against legal predators, SARS, banks, personal and business creditors and other third parties.

They are also able to ensure that:



THERE IS CONTINUITY IN MY ESTATE WHEN I DIE



NO ESTATE DUTY IS PAID



NO CAPITAL GAINS TAX ON DEATH



NO EXECUTORS FEES

This saves my estate millions in taxes on death. They serve as my independent trustee to ensure the trust is compliant with legislation. Annual trustee meetings are also arranged to ensure my property investment business carries no risk of creditor attacks, and my assets benefit from optimal governance.

Jacques Fouché
Do you work hard for SARS?
EPISODE 2

VIDEO

WEBINAR PROPERTY
INVESTMENT
TAX & TRUSTS



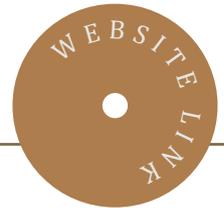
5. Property portfolio planner

The Wealth Plan is a comprehensive report that tracks traditional investments such as a pension fund or retirement annuity as well as real estate, when targeting the desired income at a future date.

The plan will give you a holistic overview of your retirement portfolio. An investment portfolio can be a complex investment vehicle, and the plan is designed to help you create a roadmap to reach investment goals more strategically, with guidance from professionals.

We will take your current financial commitments and future aspirations into account, and create an investment plan that is unique to your situation and goals. Your plan will be regularly reviewed with your strategist as your financial needs and wants develop over time.

To view my webinar where I take you through the Wealth Plan in greater detail, please [click here](#).



6. Rental managers

I really like doing the more fun stuff in property investment and rental/tenant management is not exactly what I enjoy. My rental managers run my whole portfolio as a business, allowing me to work on and not in my real estate business.

They are responsible for sourcing, screening, vetting, credit checking, qualifying, verifying and administrating tenants. They handle all the more boring aspects of buy-to-let properties, from marketing the property as available for rent to tenants, to collecting and paying over my rent to me, to paying the levies/rates and taxes. They also handle all the maintenance, from A to Z.

For an overview of rental management services, please see this [video](#).





7. Conveyancing attorney (legal team)

My conveyancers verify my contracts, protecting my right as a purchaser of investment property and making sure that I get proper concessions and discounts on bulk and big purchasers.



8. Maintenance team

My maintenance company work hand-in-glove with our rental managers (without my involvement) and handles all the day-to-day maintenance, like broken windows and/or cupboards, and painting the units when needed.



9. Estate agents

My network of estate agents, across South Africa, assist me to sell some of my non-performing assets, recreating cashflow and exposure to be replaced by better-performing investment properties.



10. Certified financial advisor (risk management)

Luckily for you, we have all the specialists you need in your team at the IGrow Group of Companies. To find out what services we provide, click [here](#).

Some crucial considerations a certified financial advisor will assist you with involve securing the right amount of life insurance for your portfolio.

Considerations include:

01

What are the risk implications on our property portfolio?

You buy the property and need to cover the shortfall. Let's say you purchase 20 properties with R2,000 shortfall each, that a R40,000 shortfall per month in total. Let's assume that you are able to cover the shortfalls out of your cash flow, but what happens on your death? Will your spouse or child be able to afford the shortfalls out of their pockets?

This is the risk and if the answer is no, then you need life insurance. You will have to decide what level of life insurance you require in terms of the shortfall on your properties being covered and for what period after your death. Thereafter, your spouse can decide what he/she wants to do with the property portfolio.

Your legacy is safe and sound.



02

Insurance is not an investment!

Life insurance must not be confused with investments. There are no life insurance products where you get a payout while you're still alive. If your health and age allow it, you shouldn't retain the same life insurance policy indefinitely.

Periodically it makes sense to shop around and look for new products that provide better benefits at more competitive premiums. These are being introduced into the market all the time. The reason that insurers want you to believe that life insurance policies are like investments is that they don't want you cancelling your policies. If your age and health allows for it, and you have not done so recently, you should consider replacing your life insurance policies now as better deals are available these days – for example, it is possible to get one and a half times the cover at half the premium than 15 or 20 years ago, the cover at half the price than 15 years ago.



03

Correctly Structured Life Assurance

An often overlooked area by many business persons are the areas of insurance and assurance. Always be wary of incorrectly structured life assurances for the following reasons:

- May cause a great loss in value due to estate duty
- May cause a great loss in value due to capital gains tax
- Without a corresponding buy & sell agreement your spouse might be left holding onto shares which he/she doesn't want while your ex-business partner hangs onto the insurance payout
- Watch out for ongoing changes in legislation and be aware of how this can affect you, for example will article 3 of the estate duty act still be enforced?
- Be aware of who pays the estate duty incurred by an incorrectly structured policy.
- Can you enjoy a section 11w deduction on premiums paid towards a buy & sell policy?

The individual's private life insurance should be owned by the family trust. By having the trust own the policy, the policy and the proceeds are protected from creditors going forward. If the policy is owned by the trust, the trust pays the premiums and the trust is the beneficiary, the premiums contributed by the trust, together with a 6% compounding interest on such premiums may be deducted from the individual's estate for estate duty purposes.



Module 3

Step 3 - Devise a plan

03

DEVISE A PLAN

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GIVE ME SIX HOURS
TO CHOP DOWN
A TREE AND I WILL
SPEND THE FIRST
FOUR SHARPENING
THE AXE

ABRAHAM LINCOLN



“We all know that a goal without a plan is just a wish”

- Antoine de Saint-Exupéry

People spend a lot of time planning their holiday. In fact, people spend more time planning a single vacation than planning their financial future.

The importance of creating a blueprint plan for building your property investment empire cannot be understated.

Do you have an investment plan? A roadmap or blueprint for financial freedom?

You need to know how many properties you need to retire, where will you buy them, how do you evaluate them, how do you structure them, how will you structure the finance, and in which entities will you buy them.

Ask yourself:

QUESTION 1

How much passive income do you need to become financially free, in today's terms, 10 or 15 years from today?

QUESTION 2

How much equity do you need in your portfolio at retirement, before you have to start selling off some properties to repay outstanding debt so that you can live off passive income?

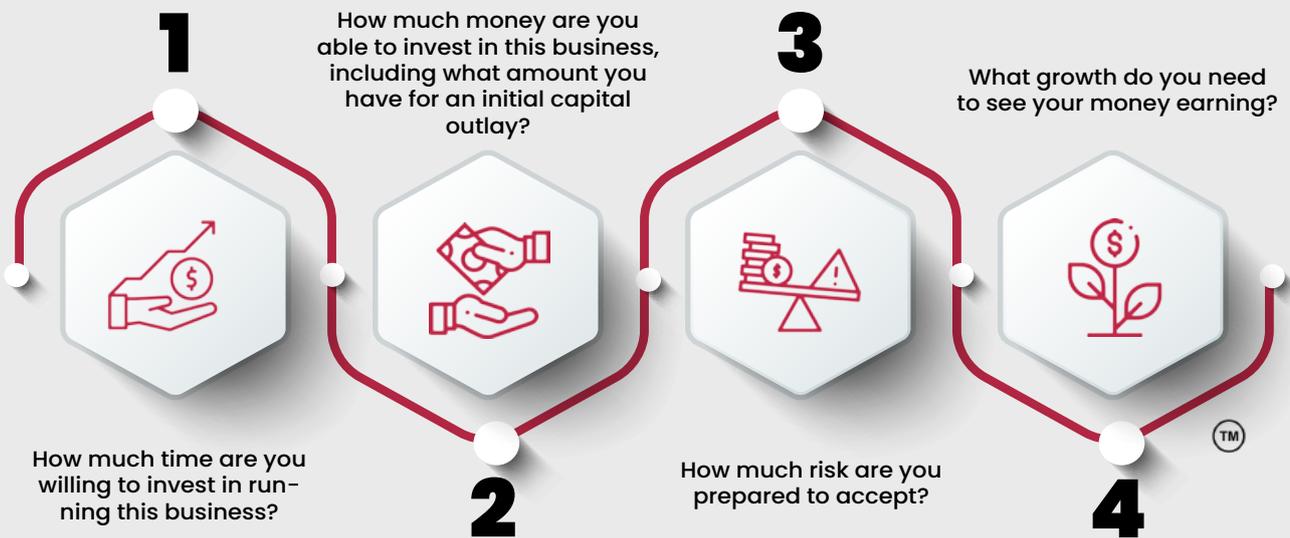
If I had to parachute into your life right now, would you be able to show me your plan and tell me the exact amount of net asset value and income stream you have set as a goal for your early retirement?

Would you be able to show me the date at which you will retire?

Most people I know would have said no to many of these questions. This is not their fault. 99% of people don't have a crystal clear plan for their early retirement. And if they do have one, it's probably the wrong plan given to them by the big insurance companies. That's why so few people retire early and become wealthy.

I have not heard of anyone who has retired early by investing in a retirement annuity. But I have seen countless millionaires who have invested in property who are now living the life of their dreams.

In order to create your unique wealth plan and blueprint, you need to consider the following factors:



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When building wealth through property, you need to consider these four steps.



Let me ask you another question? If I were to offer you an investment of 12% return, every year, would you take it? Would you take 24%? Or do you need a 30% growth rate on your investment?

If you don't know at what growth rate of return your money should work for you, it's not your fault. It simply means that you STILL don't have the correct financial blueprint for your retirement.

If you don't know how hard your money should work for you to achieve your goal - a very specific outcome - how will you ever know how, where and what type of properties to buy...?

Unless you have a detailed and strategic PLAN, that clearly states your financial objective you cannot really answer these questions.

This is why IGrow's property portfolio planning division, have created what we believe is arguably South Africa's most potent plan to ensure you retire financially free.

Before you start with any investment, you must determine how much capital you will invest, how much to borrow and at what rate of return your invested capital should work for you to achieve your unique wealth growth rate of return, in order to achieve your goal.

You cannot control your wealth if you cannot measure your wealth. That is why I have built our group of companies around a direct ownership model of investing in buy-to-let property. Where you are in control and you own the title deed of the properties you buy.

Therefore, I want you to be in full control of your wealth. I want you to manage the growth and risk but also take full responsibility for your early retirement because, at the end of the day, it's up to you - no matter how strong your team or plan is.

Let's take a simple scenario.

You could consider investing R2,000 per month in a traditional investment product at a growth rate of 10% per annum which would yield a total of four million, five hundred and twenty thousand, nine hundred and seventy-five rand over 30 years.

Or how about investing that same R2,000 per month at a growth rate of 50% per annum? This would produce a return of one hundred and fifteen million rand over that same 30-year period.

That's a staggering difference of more than one hundred and eleven million rand on the same R2,000, invested monthly.

Traditional investment vs. Property investment

R2000

invest R2,000 per month over 30 years.



My point is, it's not only the growth on the property that will make you wealthy but also **the growth you achieve on the money invested in that property** that will make you wealthy. If you have your predetermined wealth growth rate that you know you must achieve in order for you to achieve your financial objectives, you will not invest in properties or investments that do not help you achieve your desired returns.

Once you have determined what growth rate you must get on your investment in order to achieve your goal, you have to find the investment strategy and vehicle to achieve that rate of return. IGrow paying club members get the IGrow Wealth Plan as part of their monthly club membership.

Your wealth plan will give you peace of mind and teach you all the skills over time to become a master investor and separate you from the 99,9% of the people out there. If you have an IGrow Wealth Plan created by our portfolio department, all your team members will work together to help you achieve your early retirement goals.

For more information on this plan click [here](#).



Resources:



Blog article 1 [read here](#).



Blog article 2 [read here](#).



Module 4

Step 4 - Create your structures

04 CREATE YOUR STRUCTURES

Investing in buy-to-let property is a solid grounding for your retirement planning, but it is equally important to invest within the correct structures to ensure that the wealth you create is protected.

This will enable you to leave a legacy, and take advantage of tax benefits, before and during retirement.

Running any business, especially your real estate investment business, is all about wealth creation and wealth protection. If you want to run a proper property investment business, you have to create the necessary corporate structures to set up a sound and solid foundation for your investments. If you have a correctly structured buy-to-let business, you will effectively separate your assets from your liabilities.

So they are never kept in the same entity. We don't want paid-up assets and indebted assets all in the same entity. You need to have different compartments for your specific assets.

The risk of the underlying assets determines how far you need to go to compartmentalise your assets. Different trusts, or compartments as I call them, diversify your risks and assets.



By creating the correct corporate structures for your property investment business, you immediately alter the rules of the real estate investment game, in your favour.

We will show you how to not own any assets or money with the correct structures in place, because to own nothing in your personal capacity means you have nothing to lose. You want to minimise risks while maximising your returns.

From an asset protection point of view, this is advantageous. Most importantly, it protects you from the banks, the South African Revenue Services (SARS) and creditors.



As I have said before, a property investment trust is by far the safest and most tax-efficient vehicle available. This will save your beneficiaries approximately 35% of your net wealth upon your death. By placing the correct structures into your portfolio, you are going to avoid this calamity completely. Play the property investment game with your own set of rules and leave a legacy to your loved ones.

IGrow Trusts

IGrow Trusts assists IGrow clients to invest in property within the correct structures to ensure their investment is:

- Low risk
- Tax efficient
- Estate-friendly

There are three main forms or 'entities' for investment:

		
PERSONAL CAPACITY	TRUST	COMPANY
Taxed according to tax tables:	Taxed at a rate of	Taxed at a rate of
Between 18% - 45%	45%	28%

Personal Capacity

Most people purchase property within their personal capacity because they are not aware of the structures out there for asset protection.

There are several factors to consider when investing in your personal capacity:

- ✔ You and your assets are at **risk** from personal creditors
- ✔ All rental income received will be **taxed** at your marginal rate and could possibly increase your tax rate further
- ✔ When you pass away there will be **estate costs** that you have to pay to SARS, which can add up to almost 42% of the value of your estate in:
 - » Estate duty
 - » Capital Gains Tax (CGT) based on your marginal rate
 - » Executors' fees
 - » Estates can take up to 2 years to be wound up after death – that is 2 years that your dependents or beneficiaries do not have access to those funds.

Trust

When investing in property within a trust structure, there are several benefits, such as:

- ✔ No estate costs
- ✔ Full control over your assets
- ✔ Income tax benefits
- ✔ The trust deed is correctly set up, the trust will not pay more tax than an individual. That is because, according to a correctly set up trust deed, the trust is entitled to make unlimited distributions to its beneficiaries. Even the taxable income of the trust can be distributed to the beneficiaries, and the trust's tax liability is distributed along with the income. So tax liability is passed on to the beneficiary and he is assessed according to his tax rate as a private individual. The tax payable in a trust is therefore not higher than that for an individual. On the contrary, it can be even better, because the trust act allows you to split taxable income when you distribute it.

FACTORS TO CONSIDER:

Trust tax can be drastically reduced by using the conduit pipeline principal.

Interest of 8% on loans within the trust

Company

When investing in property within a company structure there are several benefits:

- ✓ A company's tax rate is 27% so investors pay less tax in a company than a trust
- ✓ You can draw company salaries
- ✓ Assets are protected against creditors
- ✓ Control – only one director is needed to register a company

IGrow Trusts recommends a hybrid model, making the most of the benefits of the different structures available.

We distinguish between a ***wealth protection structure*** and a ***wealth creation structure***:

A

All paid-up or unencumbered assets are structured in a family trust ie a wealth protection structure.

B

All investment assets or encumbered assets are structured in a company and trust structure ie a wealth creation structure.

The investment properties will be bought directly in a company with the shares held by a property share trust.

You will then pay tax on all rental income received in the company at the lower tax rate of 27%, compared to the income tax rate of a trust at 45%, or in your personal capacity at the maximum rate of 45%. The trust will provide protection against creditors as the shares in the company are indirectly owned by the share trust.

IGrow Trusts will assist our investors in registering their company and trust and transferring shares of the company to the investor's trust. Then, properties can be purchased in the company.



This structure makes it easier for investment properties to be passed from generation to generation. There are numerous benefits to this structure:

- The assets are owned by the trust and company
- The rental income received doesn't increase your personal income tax rate
- Estate costs are no longer applicable
- You are leaving a legacy to your loved ones

The added benefit of including a company is that if the conduit pipe principle is taken away it will not affect you.

What is the conduit pipe principle?

Trust income or capital that has been distributed to beneficiaries is not taxed in the hands of the trust, but rather in the hands of the beneficiaries:

- When the trust distributes money to a beneficiary the first R75,000 will be tax free
- Anything above R75,000 will be taxed according to the personal income tax rate of the beneficiary

IGrow Trusts offers a variety of services:

- ✔ Structured investment and asset protection
- ✔ Drafting and registering of trusts and companies
- ✔ Amending existing trust deeds
- ✔ Providing trustee services as an independent trustee
- ✔ Drafting of wills



THE INCREDIBLE
POWER OF TRUSTS

LEARN THE SECRETS
ABOUT TRUSTS IN
SOUTH AFRICA

PODCAST

Module 5

Step 5 - Create leverage

05 CREATE LEVERAGE

Leverage is the financial tool used by the wealthy to build their property investment empire. There is nothing stopping the ordinary person from becoming rich through the same means.

The wealthy use debt and other people's money to become financially free. The financially illiterate stay in debt and in the rat race by buying depreciating assets with unproductive debt, like cars. Be someone who knows how to leverage debt to acquire assets. The person who does this will have financial leverage over the investor who does not understand how to make other people's money and debt work for them.

To be able to apply these principles though, investors need to take the time to financially educate themselves. They need to learn the secrets of how to use debt and other people's money to become as wealthy as they want to be. Ordinary salary-earners can become very wealthy if they commit to learning the different forms of leverage and how to apply it to their lives.

Leverage is a universal principle, it works for everyone, and is available to anyone who wants to tap into its power.



When investing in property, this is particularly important when it comes to home loan financing. The banks have lots of money and would love to give it to you. Their whole business model relies on people using their money.

This is why residential real estate is such a great investment. The banks will allow you to borrow up to 100% of the purchase price from them for you to buy the property.



Banks will not lend you this amount of money to invest in equities, bonds, or crypto-currencies. But they will lend you money to invest in property. R100,000 can be leveraged to buy a R1 million property at 90% gearing, which is when you have used 90% of the bank's money or other people's money to pay for the property. Therefore, you have only had to pay 10% of the property price yourself, in the form of a deposit.

Property investing is a financing game. And this is where an investment bond originator, who understands financial institutions and dealing with property investors' portfolios, is invaluable.

The ordinary salary-earner can build a wealthy asset base by choosing to use the bank's money instead of their own.

Many first-time investors are getting 100% financing from the banks, negating the need to pay deposits. Meanwhile, experienced investors are using existing properties to fund deposits to buy other investment properties. These are geared at 80% or 90% financing.

Believe it or not, many investors are still getting 100% financing! There is no guarantee, but you have nothing to lose by applying.



Leveraging other people's money allows you to achieve growth rates of return that are high enough to build a major property portfolio. You might assume that you can achieve these kinds of returns through alternative investment vehicles. It's all about how hard your money is working for you in the respective investment and in relation to your money invested. The real kicker here is that the **ability to finance** or leverage is much more important than its return in either growth or yield.

By strategically leveraging other people's money, you dramatically **improve your return on investment**.

The more of the banks' money you are using in your property, the higher you are geared. This means that the lower your invested capital in relation to your borrowings, the higher your potential return.



Property investment is a financing game, and you play by using other people's money. As a result, it's possible to achieve rates of return that no financial institution can offer you.

Plus, you own your investment properties directly and exert complete control over your assets, instead of relying on a financial advisor to invest your money on your behalf.

The more you can borrow, the more assets you can leverage for capital growth, rental income and tax advantages. The more you build your asset base, the more your assets compound, the more equity you create to roll over, tax-free, to be able to buy the next investment properties. Through this process, you can start successfully building your property investment empire in South Africa.



There are mainly 7 forms of different leverage for property investors:

01 Leverage OPM - other people's money

The banks' money, friends' money, family money,

02 Leverage OPT - other people's time

Using your team's time and everybody else's time, except your own

03 Leverage OPK - other people's knowledge

Skill and experience from a team of experts

04

Leverage OPS – other people’s systems like:

- a professional investment software program to analyse your deals
- an accounting system from your accountants
- rental management systems of a top rental management company
- maintenance software to capture the condition of properties before prospective tenants move in and out

05

Leverage OPE – other people’s exposure

Some investors don’t have the capacity for any more bond financing but they might have access to a great investment property opportunities and partners who do. You might have the affordability and your friend or business colleague the exposure. You can bring the deal to him, he signs surety, you contribute 50% of the cost towards the property and you enter into a simple contract that states you are the co-owners of the property on a 50/50 basis.

06

Leverage the equity in your primary residence – use this equity

To start your initial property portfolio and set up your business structures. This is a very popular and cheap way to get financing for one or two investment property deposits.

07

Leverage other people’s sureties

I could not qualify for my first investment property and my dad had to co-sign sureties to increase my affordability and credibility for the loan.

As long as you remember that *when leveraged is used strategically, respectfully and conservatively it can make you a fortune.*

Module 6

Step 6 - Buy the right type of property

06 BUY THE RIGHT TYPE OF PROPERTY



On average, property doubles in value every seven to ten years. That's why the correct property selection is so critical. To choose where to buy property, you need to consider the province, town, suburb and location. These factors are all indicators for providing a proven track record for outperforming market averages in terms of capital growth and rental income.

Demographics play a major role in the sustainable capital growth of an area. And remember, it's the capital growth that will make you wealthy as a real estate investor, not the rental income. Demographics underpin a sustainable rental income stream. But, more importantly, they will ensure high rental demand, more consistent rental escalations, and high demand for the right type of properties.

Buy properties in high demand from both tenants and owner occupiers – this is indicative of a good, solid growth area. People underpin the housing demand – lifestyle dictates housing demands and preferences. If you want to predict the housing trend, you have to have an understanding of the lifestyle of your prospective tenants. Where do they want to live, play and work?

Key considerations to include when buying property

1. WHAT YOU BUY

What type of property are you purchasing? Are you deciding between an existing property or buying a brand new, off-plan development? Is the property either a house, townhouse or apartment? How many bathrooms, bedrooms, garages does it have?

2. WHERE YOU BUY

The geographical location of your property. You need to decide what province, town and suburb is your property located.



3. WHEN YOU BUY

At what stage of property cycle do you want to buy property?

4. WHAT TYPE TO BUY

The type of property, including deciding between an existing property or buying a brand new, off-plan development, and the kind of property itself, either a house, townhouse or apartment, whether it should be a sectional title or own title and the make-up of the property itself, namely how many bedrooms and bathrooms etc.



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Different types of properties attract different demographics, or, to put it another way, different demographic groups have different ways of living and different housing needs. Locations, where wage growth outperforms the average, are where you will find capital growth in properties.

People in the area must have sufficient disposable income to afford the rent and want to live there because of the lifestyle and leisure the area offers. There must be shopping malls, sports fields, hospitals and other recreational facilities. There must be a high level of security, but also be relatively easy to commute to work.

In some suburbs, you will find capital growth of 8% to 10% or more per year, while others have very low, almost no capital growth. That is why it is critical to do your research into an area's growth history before deciding where to purchase.

Buy in areas that have a strong history of capital growth that will outperform the average area or location. These areas will help you build your property investment empire.

Module 7

Step 7 - Use other people's
systems

07

USE OTHER PEOPLE'S SYSTEMS



A QUALITY SYSTEM
LEADS TO QUALITY
RESULTS AND IT'S
THE INSIDE TRACK
TO SUCCESS.

JACQUES FOUCHÉ



So, what systems would you need in building a property empire?

Here are 5 core systems you need to incorporate into your buy-to-let portfolio:

01

You need a system to select, analyse and evaluate the right type of property before making an offer. This takes the shape of a specialised investor software program. IGrow has created one of the best buy-to-let software and management tools for investors. You will also need property specialists bringing you the bargains. I tap into the systems of my property investment strategists to ensure they present me with the best deals in the market.

“Proper software is like having a 24-hour expert property investor on call, giving you all the answers you are looking for in a few minutes.”

- Jacques Fouché

02

You need a system to communicate and consult with your whole property investment team, including your trust attorney, tax accountant, financing strategist, property investment strategist, conveyancing attorneys and rental management agents.

03

You need a system for selecting the right areas in specific, high-rental income and capital growth areas.

04

You need a system for managing tenants - from finding tenants, screening tenants and managing rental agents.

05

You need a system to allow you to strategically, periodically and conservatively **refinance and grow your portfolio**, tax-free.

Two steps you can take immediately to put the correct systems to work in your property business are:

STEP 1

Join a credible club or group of investment experts that have the systems in place

STEP 2

Or you can **create your own systems and team**, but this could take a very long time

Getting the right ideas and then putting yourself in the right environment with the right mentors is a huge shortcut to success.



Property Investment Software

Your property investment software program is a system, whereby you can cut through the emotion and make an informed and immediate financial decision right on the spot. You need a software tool to hunt for those investment-grade properties that can give you a guaranteed return of more than 50% or more per annum on your investment every year, every time.

Having a proper software tool to pre-analyse and evaluate properties will help you to:

- ✓ Compare different properties with one another in order to negotiate the best bargain
- ✓ Assist you in determining the correct price to offer
- ✓ Decide how much rental income you need to cover costs
- ✓ Know how much return you are actually making on the cash you invest
- ✓ Calculate the equity over a 20-year period
- ✓ See when you can refinance to buy your next property and cut out taxation completely
- ✓ Calculate the value of the property in the future
- ✓ Budget for maintenance and renovations
- ✓ Determine the real financial impact on your pocket before you make an offer or buy the property
- ✓ Determine how much you will invest taking ALL costs into account before you go into a positive cash flow while taking inflation into account

There are 27 different variables in property investment and you need to know them all to see the whole financial picture. A proper software tool and system will incorporate all of these variables to ensure you know how hard and at what rate of return your money is working for you.



Module 8

Step 8 - Make SARS your partner

08 MAKE SARS YOUR PARTNER



Jacques Fouché
Property Investors Tax Incentive
SECTION 13SEX

VIDEO

**WHAT IS SECTION 13SEX?
- PROPERTY INVESTORS
TAX INCENTIVE**

Have you ever wondered how some investors are becoming wealthier through tax incentives? **Section 13sex of the Income Tax Act** was created because the government realised they needed to provide more affordable, new housing, as per their mandate, however, they were falling short of their targets. There is a massive backlog and shortage of affordable housing that needs to be taken care of.

They also recognised the needs of the group of the population who fall between those who qualify for a housing subsidy, and those who are earning enough to be able to afford a bond. This group in the middle cannot afford a bond. However, they need affordable housing to rent.

To encourage investors to help create affordable housing, they offer us an incentive to invest in property. Investors can claim a deduction against their personal income tax up to 55% of the total cost (acquisition price) of the unit, over a 20-year period.



This is how the rich real estate investors become rich. They legally leverage the tax act in their favour to get the receiver to pay millions back into their buy-to-let property portfolios.

If you are willing to make SARS an active role player and partner within your real estate investment business, you can get them to pay you money back over your real estate career.

Tax incentives by the government act as an economic stimulus to keep the wheels of the economy aligned, to create more opportunities where there is a huge demand, a shortage of infrastructure and economic activity. The receiver is encouraging certain activities that benefit the economy and promote social policy. In that case, it's our job to take advantage of these tax laws.

Resources:



Blog article I [read here.](#)

So, what I am saying to you is that the receiver is actually on your side – the side of the buy-to-let investor. They really want us to pay less in taxes and build our property investment empire. By applying what I call the 'stackable tax effect' – using the allowable SARS deductions, rebates, concessions and incentives as a strategic way to reduce your tax – you will create a compounding tax effect within your portfolio and build substantial wealth at the same time.

SARS is there to make you rich in real estate, especially if you follow the rules of the rich.

Module 9

Step 9 - Rental management

09 RENTAL MANAGEMENT

Step nine is to appoint top managers to run your real estate investment business. You need to get a brilliant rental management company to take care of the day-to-day running of the properties in your portfolio, to free up your time to focus on the bigger picture – namely strategically building your portfolio and with it, your future financial freedom.

You will always be the CEO of your portfolio. Your rental managers will report to you and your tenants will report to your rental managers. Therefore, you need never meet your tenants – it’s just not part of your job. Rather, build a good relationship with your rental manager and make sure they do their job.

The core functions of your rental manager are to:



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CAPTION: Your rental manager has seven key responsibilities.

These are the core functions of a comprehensive end-to-end rental management service. The rental manager's role is to ensure that you don't get involved in the admin side of things but rather focus on the strategy and expansion of your portfolio.

Wouldn't you prefer to spend the time planning that next deal rather than dealing with tenant admin?

At the IGrow Group of Companies, I have ensured we have one company to manage your rental portfolio. To find out how you can use their services, click [here](#), or to see a short video on rentals Q&A.

Resources:



- 1. Occupational interest
- 2. The snagging process
- 3. What is rental assist
- 4. Development specs and the retention period



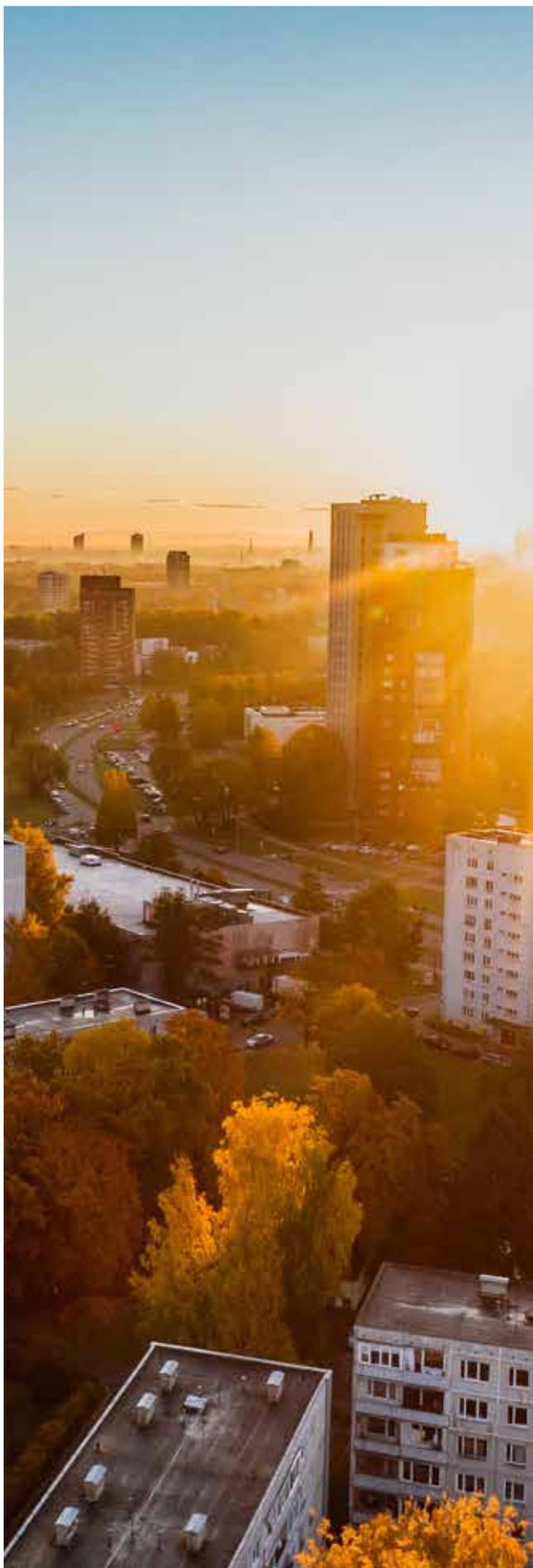
- 5. What are rates?
- 6. What are levies?
- 7. Tenants - Rental maintenance
- 8. Tenants - DSTV and fibre setup



- 9. Tenants - The damage deposit
- 10. Tenants - General fees, early cancellation and breach of contract
- 11. Tenants - Gate access
- 12. Tenants - Development unit security

Module 10

Step 10 - Scaling your business



10

SCALING YOUR BUSINESS

Once you have implemented the previous nine steps as discussed, you will have built up equity within your portfolio.

You will be able to prove that the company, or trust structure holding and owning the properties, is self-sustainable and will not require you to stand surety anymore. When this is proven to the banks, the portfolio can stand surety for itself. This means the sureties in your personal capacity will be cancelled and waived.

This opens up an opportunity to duplicate the process in your own name.

Consequently, you will grow so much faster than the average investor who bought all his properties in his personal name. And so the process repeats itself, and will create unbelievable wealth for you and your loved ones.

And there you have it – the 10 steps you need to take to build your property investment empire.

The information in this course is all based upon practical, real-life experience and demonstrates how anyone can become a highly successful investor by:



01 ACQUIRING THE NECESSARY SKILLS



02 ASSEMBLING A TEAM OF EXPERTS



03 CREATING A PROPERTY INVESTOR'S BLUEPRINT PLAN



04 SETTING UP STRUCTURES IN WHICH TO INVEST



05 LEVERAGING OTHER PEOPLE'S TIME, MONEY, EFFORT, EXPERIENCE AND SYSTEMS



06 SELECTING THE RIGHT TYPES OF PROPERTIES



07 USE OTHER PEOPLE'S SYSTEMS



08 LEVERAGING TAX LAWS IN THEIR FAVOUR



09 EMPLOYING THE SERVICES OF A GREAT RENTAL MANAGER



10 SCALING THEIR BUSINESS TO ALLOW THEM TO ACQUIRE MORE PROPERTIES, AND THEREBY GROWING THEIR PORTFOLIO EXPONENTIALLY



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