

## Welcome to the Wealth Matrix News.

This is your inside guide to *Doing the opposite of the masses*; so that you can *Have the opposite of the masses*, e.g. Financial Freedom and Choice.

Please feel free to forward this newsletter onto work colleagues, family and friends.

### NEXT FREE INTRODUCTORY SEMINAR

**Wednesday 6th of May 2009**

Learn the strategies used by the wealthy to make and protect their fortunes.

Learn how you can build wealth in your spare time and how a Strategic Wealth Optimisation Plan can be tailored to your personal values.

Email [info@deden.com.au](mailto:info@deden.com.au) to book your place now. Attendance is by invitation only and seating is limited to 12 people.

### NEXT CLIENT MENTORING SEMINAR ~

**“Be Greedy when others are Fearful”** ~ Warren Buffett

**Tuesday 12th May 2009**

Warren Buffett's mentor Ben Graham, having survived the Great Depression of the early 1930's always taught Warren to be greedy when others are fearful and fearful when others are greedy.

Although not a depression, the current slow-down is a perfect time to invest. In fact all great wealth accumulators significantly increased their personal wealth during recessions.

This seminar will sort the wheat from the chaff and steer you clear through the current market malaise, showing you how you can be greedy at this time when the masses are fearful.

So come along and mix with people on the same journey to wealth as you.



## MONEY MYTH:

# Rent Money is Dead Money!

With the raft of recent RBA interest rate cuts the media, banks, real estate agents and even financial planners are now all chanting the same mantra; **“Rent Money is Dead Money!”** Which they quickly follow up with saying; **“It is now cheaper to pay interest on a mortgage then it is to pay rent”**.

Of course the Federal and State Governments are literally throwing money away (in the guise of the first home owners grant) to help perpetuate this myth. This mantra has been repeated so forcefully over the years that it has become a paradigm of the masses.

Do you ever wonder why most people are all too willing to listen to the hype and follow this paradigm without questioning whether it is actually true or not? Remember that this latest ‘advice’ is being given to the masses by the same people who told everyone to fix their interest rates (when they peaked) last year!

At Deden we know that the ‘rent money is dead money’ paradigm is actually a tool used to keep the masses locked inside the Wealth Matrix. This paradigm is affecting most Australian's ability to invest to build wealth, as it ties them to the treadmill of never ending personal mortgage repayments and in turn it keeps them locked into swapping time

for money and paying hefty fees, taxes and charges along the way.

The biggest reason this myth in particular is so easily accepted and followed, is that it supports the Australian values of owning your own home (the great Australian Dream).

Ask 95% of retirees aged in their 70's if owning their own home provided them with a growing passive income stream, if it helped them to enjoy a life of financial freedom and choice and if they lived in the home of their dreams that was close to their work and all of their social outlets? The odds are pretty good that none of them will say that owning a house did anyone of these for them.

The media are now giving examples of obscure suburbs and towns where a home costs \$365 per week to rent and the mortgage interest only payment (if you have a 20% deposit) is \$355 per week. And thus they say it is cheaper to own then to rent. But the reality looks a lot different as it cost at least another \$100 per week to pay for rates, levies and insurance and once interest rates climb back to the long term average of 8% interest payments will be closer to \$650 per week ~ and where did that 20% deposit come from?

# Don't pay off someone else's Mortgage.

## Doing The Opposite!

- 95% of the Population are \$ Poor/ Middle Class
- 5% of the population are \$ Wealthy
- 95% of the population want to own everything
- 5% of the population understand control is more important than ownership
- The top 5% of the population control 70% of the world's wealth.
- The other 95% of the population have to share the rest!
- 95% or 5% ~  
Which one do you want to be?

*Would you like to have access to and be supported by a Mastermind Team of Professionals?*

*Do you want to invest like the wealthy?*  
Imagine the wealth you could generate when you have your very own Private Wealth Manager working for you.

**Deden can help you become wealthy in your spare time and you can then become a 5%er.**

Deden teaches a proven formula where investing is as simple as making a single phone call and then following a detailed plan, step by step, bound by an iron clad set of rules.

### The Home Ownership Facts!

- 70% - Homes are Owner Occupied
- 27% - Homes are Privately Rented
- 3% - Homes are Government Housing

### The Borrowing Facts!

- 50% - Owner Occupied Homes Are Owned Outright - Zero Debt owing
- 50% - Owner Occupied Homes owe 19% (of the total value to the bank) +
- Investment properties ~ owe 27% to the bank, equivalent to 1-2% ~

*continued page 3 >*

Banks, Real Estate agents and the Government (State and Federal) work hard to perpetuate this myth. None of these institutions have any desire for you to be independently wealthy.

Following this myth leads most people to buying a home before investing for their future. Buying a home first will delay any possible investing until way into the future due to the high cost of home ownership ~ the average age for a first time property investor is 42.

For first or new home buyers the sequence usually goes like this; scrape together 2 - 5% to pay for the purchase costs and use Government grants to pay a 5% deposit. Buy a home you can afford (not necessarily where you would like to live) and take out the maximum mortgage as soon as possible.

The reason being for the much higher cost is the home owner has to pay land rates, council rates, body corporate or strata levies, maintenance, insurance etc and interest rates are now at their lowest levels in 40 years. Yet home owners (and the media) justify the much higher cost of home ownership because it is assumed you will get to keep the future capital growth. And yes you are likely to get capital growth over time but it generally only equals the amount of interest you pay to the bank (plus all your duties, fees and charges along the way) as well as the tax you paid on your earned dollars before you could pay the interest and fees.

### Sound bizarre? ~

**Let's look at the numbers.** Over the last decade annual average property capital growth for Sydney has been 7.74% p.a (ABS/RP Data) and the average variable mortgage interest rate has been 7.94% (RBA). Add on a few bank fees and charges and you are effectively paying interest equal to the capital growth your property is making.

### What about compounding you ask?

Well, yes your property grows in value above the initial purchase price and your mortgage stays the same, so eventually you do save money. But, there is a catch; Australians sell their homes every 4.5 years and refinance their mortgage every 2.7 years. Buying and selling and refinancing so frequently mitigates the effects of compounding due to all the fees, stamp duties and levies charged and also by the fact that the assets are not held long enough to let compounding take effect.

As it was written by Moses in the 13th Commandment; *'thou shalt not sell'* ~ home owners break the golden rule for compounding by not staying put.

### Let The Numbers Do The Talking

- First Home Purchase Price \$420,000 plus \$21,000 in mortgage insurance, fees and charges.
- Use FHOG and \$20,000 deposit (savings or personal loan).
- Borrow \$400,000 and pay 8% interest on average over 25 years.
- Total repayments are \$927,425.
- Land Rates, Council Rates, Water Rates, General Maintenance and Insurance average \$5,000 per annum plus CPI growth (not counting renovating kitchens and bathrooms etc).
- CPI is averaged at 3% p.a.

Average rent for a \$420,000 Sydney home is about \$360/wk. Now with interest rates at 5.5% interest is \$445/wk or \$642 once rates climb back to 8%, plus another \$100/wk for holding costs.

Total cost of buying a \$420,000 home is: (A Whopping) **\$1,895,721**

(Purchase Price \$421,000 + \$527,425 interest + \$182,296 in ongoing holding costs + Income tax of \$765,000).  
Income needed to be earned is \$3,062,578 gross. Living expenses must be no more

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- All credit card debt is worth 1-2% of the value of all homes (rental and owner occupied).
- \* Total Debt Levels are very reasonable when compared to the value of the assets the debt is secured against. (Contrary to popular belief).

**Free Report:**

*The Biggest Mistake in Finance*

[www.deden.com.au](http://www.deden.com.au)

**Learn More About Deden's Private Wealth Management.**

*Free Audio Discussion;*

[www.deden.com.au](http://www.deden.com.au)

To invest successfully you must know what the fundamentals are for investing and you MUST follow a specific set of investing rules. Deden is able to educate you on these fundamentals and rules. At Deden we are passionate about providing our clients with the right knowledge, a Master Mind Team and financial tools to assist you to safely and effectively build their wealth, whilst simultaneously improving their quality of life.

**With a Strategic Plan supported by the right financial structures, anytime is a great time to invest.**

*Please note, that the information provided within this newsletter is general in its nature and intended as educational only. It is not as a replacement for individual assessment as provided in the Deden Wealth Optimisation and Fingerprint Plan.*

**Quote of the Month:**

**“Success is the progressive realisation of a worthy ideal.”**

~ Norman Vincent Peale

than \$26,000 p.a (not much fun to be had on \$500 /wk to spend on your lifestyle).

Compounded Value of the home after 25yrs at 7.74% is **\$2,843,602.**

**Buying a home because ‘rent money is dead money’, net result after 25 years = \$2,843,602 assets and \$0 p.a.**

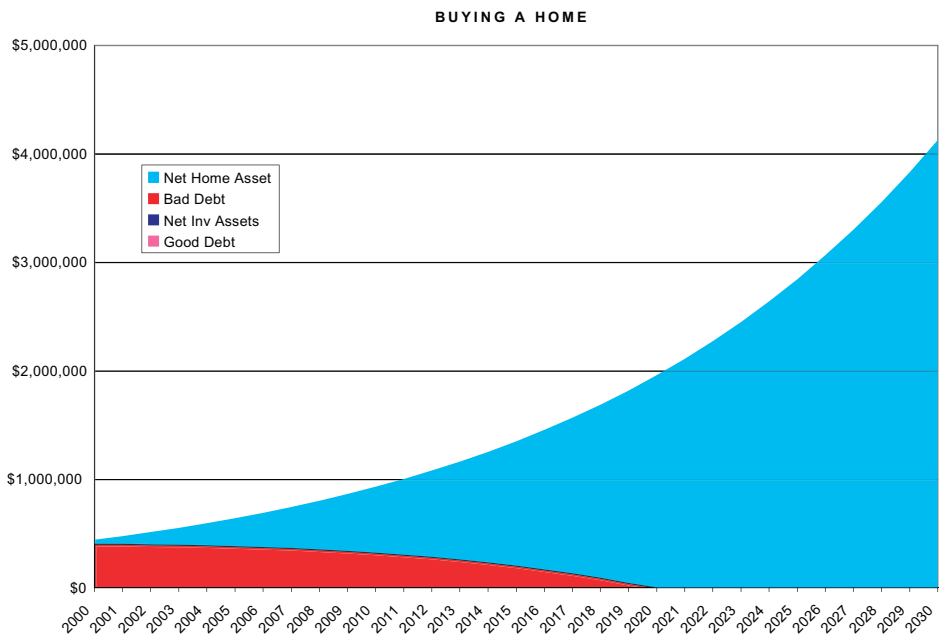
**passive income**

Now \$947,881 in net profit is a nice little earner and it looks even better because your home is worth \$2,843,602 but you can't generate an income out of your home unless you sell it, move out and rent and invest the profits (or stay put and borrow against the equity, though borrowing is against the ownership paradigm). And this equation only looks this good if you never move, never renovate and never refinance your first home. Once you add in a few moves and renovations that profit shrinks considerably as the costs add up and you borrow more from the bank and compound the interest and tax you pay.

having a job (they may become redundant) and a mortgage with no other investment income or assets is actually a very stressful place to be. And why did they buy a home in the first place? To one day be able to have a home to live in (after paying it off) when the next depression came? So buying a home for security is actually a real economic oxymoron then?

The treadmill of working to pay the mortgage to own a home to have security is a powerful and subtle force that truly binds our nation to great passivity (Political stability) and productivity (stable employment participation). For the nation this myth creates a fantastic environment for the masses but for the individual it subjects you to a life of toil and insecurity and a lot of missed opportunity to create real wealth and to live a balanced and healthy lifestyle along the way.

This myth locks people into their jobs, working hard to pay for their ‘Great



**But what about security you ask?**

Home ownership may look secure because everyone is doing it, but have you ever thought how secure you are with earning one income (sometimes two if you can afford day care or avoid procreating) paying tax, paying to live and then using what ever is left over to pay the mortgage? Why are so many people now worried about a recession? Because they are realising that

Australian Dream' and to the benefit of governments they stay in Australia and pay a lot of tax. Why wouldn't governments offer incentives to get people into home ownership? The benefits to tax revenue, political stability and work force participation are huge! The FHOG is the free cheese in the mouse trap; for every dollar the Governments hand out in home

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ownership grants they generate \$14 in tax revenue – a rather tidy earner. We can expect to see more hand outs in the future.

### Back to our first home buyers ~ What happens a few years down the track?

Because circumstances change, like having children or earning more income, they sell and buy another home that is more suitable. The average Australian buys and sells a home every 4½ years as about 70% of properties in Australia are owner occupied.

Now imagine the amount of money lost every time a home is bought and sold. Agents' fees for selling, maintenance to get it ready to sell, moving costs, legal fees and government duties. State government stamp duty on the property purchased is huge and never recouped when you sell. The mortgage is changed and usually increased incurring loan fees and more stamp duty. And most people are doing this 7/8 times over a life span according to the ABS! The fees and charges alone add up to \$100,000's of wasted after tax dollars.

### What is the opportunity cost?

95% of the population work their whole life and retire on an income of less the \$800 /wk and 70% of them own a home. The end result of following this myth is not wealth. If you aspire to become independently wealthy you will have to reject this myth and do the complete opposite to everyone else.

Using the example above the first home buyer could rent and use their savings to buy an investment property. With the continued savings (as rent is cheaper than holding a home) investment rental income, tax savings and much better capital growth eventually they can purchase a second investment property in 3 years, a third in 5 years and a fourth in 7 years.

We will assume after the fourth property purchase they just hold and never re-invest their returns and use the increased income to improve their quality of life.

Assuming the investment properties growth averaged 9% p.a the net value of their four investment properties over 25 years is \$10,952,000 with a passive gross rental income of around \$270,000 p.a.

**Renting and investing net result after 25 years = \$10,952,000 assets and \$270,000 p.a passive income** (and that is with just 4 properties).

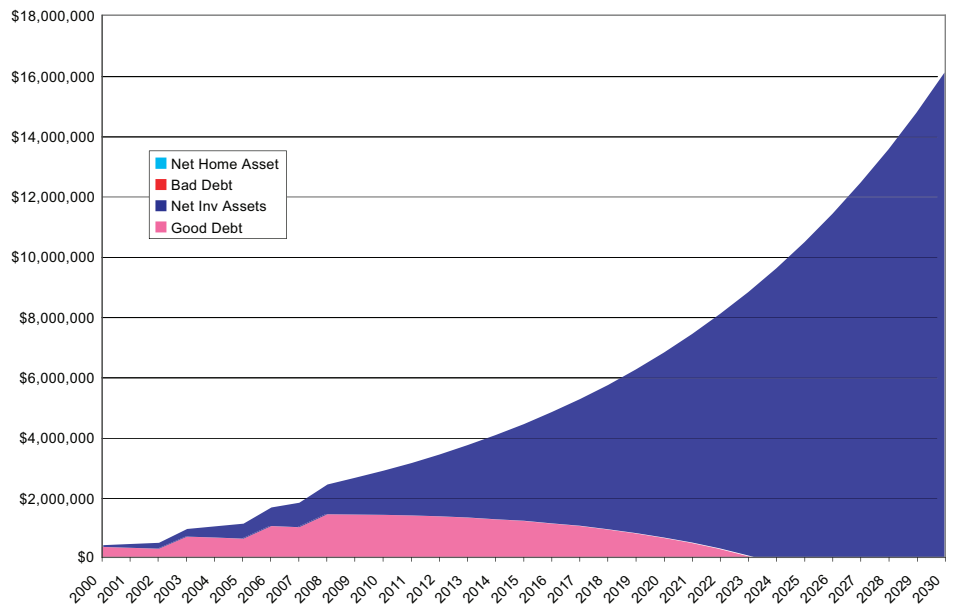
Now imagine how much income and wealth could be created over a lifetime if they were to keep investing their returns? Living in a rented home close to work and close to social activities, being able to increase lifestyle once investment portfolio is established and having security of passive income generates a huge benefit both financially and emotionally above owning your own home.

Renting first is a great way to help you start investing and to build wealth outside of your earned income. Being wealthy is about what you do with what you earn, not how much you earn. And you can build wealth while you enjoy the lifestyle you deserve. *An example of renting versus buying is below.*

But everyone should own their own home you say! So when can I buy my own home? When you have enough cash flow and equity from your investment portfolio to afford to buy a house you want, without having to stress about going to work to pay for the mortgage. It is an old saying but delayed gratification does pay off.

**What if I live in a home I am paying off?** The short answer is to stay and use the equity to start investing. Ask us how investing can help you pay off your home sooner and how you can actually use your home to provide you with a passive income stream over time.

RENTING & BUYING 4 INVESTMENT PROPERTIES



We have young clients who have put this methodology into practice and are on their way to “retirement” before it is time to buy a home and start having babies. By renting and investing they have built wealth first to give then security.

What if I have achieved the Great Aussie Dream and have no Mortgage? Ask yourself if you stopped work today will that home pay for your future lifestyle? At Deden we can help you safely use your home to start building wealth.