LOW INCOME INVESTING

Tim Halling:

$30k income, 3 properties

Thanks to his canny buying decisions, Tim Halling went from sleeping on the floor because he couldn't afford a bed to owning three investment properties. Spurred on, he tells *Aidan Devine* how he's planning to buy more

Ten years ago, Tim Halling found himself staring down the barrel of an uncertain future. Aged 18, he was a high school drop-out making his living packing orders at a Sydney warehouse. He had no visible career path, no skills or specialist trade and, stuck on minimum wage, few options.

A reoccurring thought was that somewhere, something had gone terribly wrong. "I had always imagined myself going to university," he says. "I had these grand ideas of one day rising up through the corporate world and becoming a high earner.

"It slowly felt as if this option was closed to me forever. I started to worry about how I would be able to support myself in the future."

For Tim, it was a situation he was in more out of necessity than choice. After a tragedy at home left his family bankrupt, he was forced to leave school midway through Year 10 to get a job and help support his family.

He remembers the warehouse job being gruelling work. "I'll never forget the great people who worked there, but otherwise, it felt like I had hit a brick wall. I wasn't a specialist, my work was doing a number of general, hard jobs around the warehouse, and it was clear that my salary wouldn't be going up for a very long time."

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Faced with the prospect of a life he didn't want to lead, Tim began exploring ways he could invest in his future. He looked at stocks and other asset classes and after a wealth of research and reading, became set on property investing.

"A lot of people thought I was nuts," says Tim. "My boss in particular told me I'd be making a big mistake.

Because I was earning less than $30,000 a year, he pointed out that if something went wrong I'd have no way to rescue myself. The arguments against my ideas were endless: what if there were termites in the property? What if a tenant damaged something? "

Against a slew of naysayers, one person who always believed it would work was Tim's father. He continued to give his son support and recognised that property investing would be a wise move in the long run. Tim might not have been earning big money just yet, but he was young and had time on his side. If he aimed for properties with good capital growth potential, there was a chance he could make a lot of money.

Another person who proved to be a constant source of support was a friend who Tim met through working at the warehouse – Ian Hosking Richards. Ian, now a property millionaire and three-time recipient of *Your Investment Property*'s Readers' Choice: Real Estate Agent of the Year, was just starting to get into property investing and gave Tim a lot of advice.

"Ian helped to get me excited about property and was always thinking of new ideas. That kept me encouraged and I decided to go through with it. I put my head down and started saving. I wanted to have enough for a sizeable deposit. I was a newcomer to property back then. I didn't see how else I could do it."

Tim's portfolio

Highland Park, Qld

3-bed townhouse

Purchase price: **$125,000**

Finance: **90% LVR/ Line of credit for buying costs**

Year: **2003**

Value after 12 months: **$225,000**

Current value: **$315,000**

Rent: **$330 pw (13.7% yield)**

Reedy Creek, Qld

3-bed townhouse

Purchase price: **$196,000**

Finance: **Equity from 1st property**

Year: **2005**

Current value: **$300,000**

Rent: **$330 pw (8.8% yield)**

Clifton Beach, Qld

2-bed apartment

Purchase price: **$296,000**

Finance: **Equity from 2nd property**

Year: **2009**

Current value: **$230,000**

Rent: **$330 pw (5.8% yield)**

One cent at a time

Determined to save as much money over as little time as possible, Tim went into lockdown.

"I didn't spend a cent unless it was absolutely essential. Everything else I saved," he says, adding that for much of the time he refused to go on nights out with his friends. His weekends were strictly for staying at home. He didn't even have a proper bed and slept on the floor to save himself the cost of buying furniture.

It was an extreme measure, but it worked. After 12 months, he had saved enough to put down a 10% deposit on a 3-bedroom townhouse in Highland Park on the Gold Coast, Queensland. The property was going for $125,000 and Tim recognised there was potential for a lot of growth.

"Back then, it was the midst of the property boom and the Gold Coast was doing very well. I'd looked at a number of properties, but this one really stood out."

The next step was finding a bank that would be willing to provide Tim with a mortgage. On paper, it looked to be a difficult task. Still a teenager and earning less than many part-time workers, he didn't fit the traditional mould of borrowers that banks like to have on their spreadsheets.

In practice, Tim says that getting a loan was easy.

"I'd shown a great history of saving. I had enough for a deposit and, for the bank, that was enough.

"I didn't have enough money to fund some of the additional buying costs, but I solved this problem by opening up an additional line of credit. This also turned out to be problem-free because my credit rating was good."

Reaping rewards

As it turned out, Tim had spotted a winner. Within 12 months, his property experienced a $100,000 jump in value thanks to a buyer surge that occurred across many Gold Coast suburbs. He says it was a welcome relief. With equity behind him, he now had a suitable buffer in case anything went wrong. He also had something much bigger – a foot in the door. The equity could provide him considerable leverage to invest in more properties.

This he did, some 20 months after his first purchase. He decided to reinvest in the Gold Coast and chose a 3-bedroom townhouse in Reedy Creek, an affordable suburb with easy access to the beach. "I had a lot of equity sitting there in my first property so I used that to put down the deposit on my next property, which I bought for $196,000. The growth in value wasn't as good as it was for the first one, but it was still strong and it has experienced good rental growth."

Changing horizons

Tim's foray into property investing has been fairly smooth sailing ever since. He purchased his third property in Clifton Beach, close to Cairns in 2009, accessing the equity in his Reedy

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Creek townhouse. Following the tough time that property values have had in this part of the country, the 2-bedroom apartment he bought there has had a slip in value, but he says he is not worried. He plans to hold onto the property for the long term and is confident that prices growth will return.

He remains optimistic about his future, not only in property investing, but professionally. He now works as a marketing coordinator for an IT company in Sydney and has left his warehouse days behind him.

The lesson he wants to impart to other would-be property investors on lower incomes is not to be discouraged. Investing is about choices, not just earning potential. You make your own luck, he says.

"Like anything in life, it's important to do a lot of research before you buy. You've got to make sure that you're happy with what you're buying and that you don't get pushed into anything you're not comfortable with.

"Listen to the people around you and try to stay positive. Most importantly, don't get too scared by the people who say you can't do it."

Tim's tips for low earners

1. **Save yourself:** The banks automatically see lower income earners as higher risk. This leaves it up to you to do a lot of the saving. You've got to be diligent. That's the key. You need to justify every cent you spend. Ask yourself what is essential and what you can do without.
2. **Just do it:** You may think that banks will be reluctant to offer you a loan, but if you have a history of saving, and if you've got a reasonably sized deposit, you'll find it a lot easier. You might also be surprised by who is ineligible for a mortgage. Don't assume you won't get one until you've made some enquiries.
3. **Good credit, bad credit:** A lower income isn't the end of the world if you've got good credit history. This will also make it easier for you to get additional loans, which you might need in order to have a healthy buffer fund in place.
4. **Start at one:** Property selection is important for every type of investor, but being on a lower income makes the properties you choose even more critical. If your first property doesn't achieve a large amount of capital growth or cash flow in a short space of time, it will restrict the growth of your portfolio. There are no second chances for lower income earners. Be smart in what you buy.