What is the real cost of a free seminar?

Fri 12th June 2015

by Adrian Hanrahan, CFP®

Increasingly, individuals are taking it upon themselves to find ways to grow their wealth, but often don't know where to start. There is a wealth of information available out there, and filtering the good from the bad will be the difference between making money and losing money.

For the novice investor, a 'free wealth seminar' can seem an attractive starting point, but usually they will only get a sales pitch that says "*the only road map to financial independence is through a property investment portfolio*".

I like property, and just like shares, fixed interest and cash it is an important asset class within any diversified investment portfolio. It is also an asset class that many investors love and trust, and where some Australians generate the majority of their wealth.

But too often it is used as a tool to line the pockets of developers at the expense of novice investors. If you sign up after one of these seminars you may have participated in a get rich quick scheme, where the seminar spruiker gets rich quick at your expense.

These seminars are never free. It's like the old saying goes 'there is no such thing as a free lunch', especially when some of these flashier seminars can cost up to $20,000 to host. Nothing is free, someone always pays, and that someone could be you.

Too often, I see investors wanting to be in the action because of the fear of missing out (or FOMO as it's colloquially known). The key message they instil at these seminars is that you must act now, with every week that is wasted is more profit that you are missing out on. Sometimes you may even get told that property doubles in value every seven years (i.e. 10% capital growth every year) – an exaggeration that cannot be taken seriously.

Typically, the big selling point is making you believe that the investment is more affordable than you think, by tapping into your existing home equity, while also benefiting from tax deductions via negative gearing. Tax deductions are never the reason to make any investment – they are merely the icing on the cake. Negative gearing is an often misunderstood concept. Put simply, it is a socially acceptable *label* to tell friends that you hold a loss making investment.

It is also important to understand how these spruikers make their money. Their business model is to buy property in large developments, then on-sell it to you making a commission of up to $40,000 per sale. Their number one priority is to sell you a new build (or two, or three). It can be convenient to have someone organise everything for you but this comes at a cost – and guess who is ultimately paying?

You should also be wary where they provide an 'independent valuation' and 'independent finance approval' for your investment. Many investors also do not conduct their own research on the accuracy and efficacy of return projections, often believing that their investment is guaranteed to make incredible returns. They also make the mistake of not getting rental guarantees independently verified and often these are not worth the paper they are written on if you suddenly need to rely on the guarantee when the property manager is struggling to find quality tenants.

Unfortunately, you are unlikely to be told this at a free wealth seminar, where so-called self-made millionaires only exist to sell you one of their new property developments.

Property investing can provide a roadmap to growing your wealth, but you need to do your own research and not rely on the advice of those wishing to sell you something. You also need to be cognisant of fees, taxes and negative cash flows over prolonged periods.

When making any investment decision, you should consider having a portfolio that is diversified across a variety of asset classes (which helps to reduce the overall volatility of the investment) with a focus on the position after ALL costs and taxes.

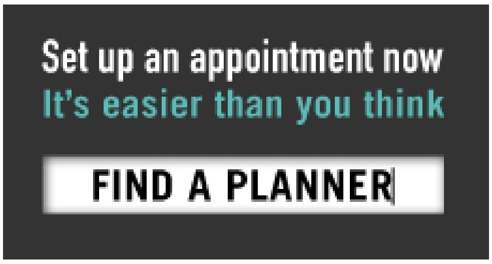
You can still grow your wealth by investing into a well-researched investment property, but you must recognise the extra risk you are taking on by relying on the performance of a single asset.

If you are unsure where to start, seek advice from a professional adviser that is independent from the investment opportunity. Free advice from a salesperson is the most expensive advice you will ever receive.

Adrian Hanrahan CFP®
Big Sky Financial Planning

« Previous Article

Comments are closed.


Set up an appointment now
It's easier than you think
FIND A PLANNER


ask an EXPERT


Advice for whatever
stage in life you are


2 MINUTES
THAT will CHANGE
your FUTURE