

# HOW TO MANAGE INVESTMENTS

*when you have been stood down*

**Louise:** Okay, welcome. I'm delighted to be talking today to Andy, who's a long-term client of mine, who has an extensive portfolio of investment properties. And we're particularly interested in his view on how he's coping in the COVID environment and how he's managed to even be as successful as he has. And first up, Andy, I'd love to introduce you to everyone and you are a Qantas flight attendant and of course, you were first up affected before almost anyone, you guys were, you know, right in the firing line. So do you want to tell us how that has been working for you and what happened?

**Andy:** Good day Louise! Nice to talk to you. Thank you for asking me to help out. Probably when the Wuhan experience started for flight attendants is when we got asked to do some flights over there and bring people back. So we were kind of knowing something bad was going on really early on. So, you know, in January, in February, we were experiencing things getting bad. And that's when we started hearing rumors that this could get really serious for everybody around the world. And Qantas were one of the first big major companies in Australia to lay off or stand down staff. They started asking us to take annual leave very early on, and a lot of us did burn up our leave or take long service leave. I'm on a combination now of stand down and annual leave, right up until the middle of July. So, and it was interesting from day one, it's like what's going on? We don't know what's happening. And then as soon as you're stood down, it's a mad scramble for other people to try and find some work to get some income. Thankfully, watching what the government's been doing with JobSeeker, and JobKeeper allowance, it's really helped us as an industry. It's helped us crew personally, to

just help pay the bills. Some crew are mum, dad and the older kids all work for Qantas. So for a whole family to be stood down, it's really quite devastating for them. Personally, I'm lucky my partner can actually keep working from home. So we still have an income coming in but up until then, I thought I was just going to be on my annual leave income, which isn't that much. We don't get any allowances for long-range flying or overtime.

**Louise:** And that's really crook because that's your whole job really, isn't it?

**Andy:** That is. So on a personal level being home is quite unique for a flight attendant. One of the nice things is your body clock becomes normal like everybody else. I wake up at half past 7, go to bed at 9:30, 10 o'clock at night, it's like, okay, can't be that challenging. I'm doing lots of renovations around the house.

**Louise:** Good for you. I can imagine the routine would not be your thing at all normally. Would it?

**Andy:** No jet lag, but the minus is always being at home. You know, that's just not normal for us.

**Louise:** That's amazing. Well tell us, when you first contacted me, we were talking about what's going to happen if your tenants weren't able to pay. And your first thought was for them, because you're a beautiful person, but I was more concerned for you at first, but how are your tenants coping at the moment? Just out of interest?

**Andy:** I've been in contact with my tenants via our property managers. I don't want direct contact with their tenants. That's not a good idea. And my property managers are fantastic. They're way ahead of the curve. Some are just ticking along and seeing what's going. My main concern was for tenants that I've got that in this initial period before they announced JobKeeper allowance was, what if they're like me? What if they lose their job? They must be stressed out to the max about trying to meet their rent payments and commitments, as well as paying for food and other things. So, my first thoughts was for their welfare. And then it was for, what can I do that I might need to do in the future? And the first thing was looking at my repayments, how can I adjust things to bring my repayments to a lower level that gives me a buffer that might be able to be used to help tenants if it comes to that. So remember, this was all before the announcements for JobKeeper payments. And that's when I got in touch with you. I thought, okay, I've got my loans on all principal and interest on variable amounts. And we've done really well over the past eight, nine years. We've been paying our loans down. We've been living within our means. We've done squirreling away, you know, for a rainy day. As far as our tenants are concerned, luckily, our properties have been positive instead of negative now, and that gave me a little bit of a buffer to play with. And then by contacting you and getting an idea of what can the banks do, and our bank dropped its variable rate down a few more percentages, not total ones point something or other. But you gave me a list that the bank was coming up on the 30th of March with these new fixed rates, which were much less than my variable. So I chose to actually go and drop two of my loans down to a fixed rate for two years because I think this is going to take a long time to sort out. And I kept one on variable, which gave me a saving of around about \$900 a month, which is great if it's in my pocket, but I know that it might end up having to come out of my pocket and help support my tenants. I've written to my tenants via our property managers saying how grateful we are that they're our tenants, and we've got a home for them to live in. Also, that if they experience hardship, use all the government's initiatives that they can use if possible. If they still experience any more hardship, contact us via the property manager and we'll try and work out a solution. Be that a rent adjustment, be that a rent holiday or whatever, it's open for discussion after that. But at least I know now, financially, how much wiggle room I've got with my loans.

**Louise:** Fantastic! And one of your tenants, you said might be already getting some government assistance for their rent. So how did you manage with this process? How did that change?



**Andy:** With this process, one, and I think also another tenant, one of the tenants, she already gets rent assistance. So she's in the Centrelink system, and Government announced early on the extra \$750 payment for people on rent assistance or who are in the Centrelink system. So I was very pleased that they actually announced things early on to help the people that didn't have jobs or who were struggling already. At the moment, if she experiences more hardship, then she contacts her property manager, and they work out what's going on, you know, where is she at? Is she behind or ahead or where is she at with the rent? Currently, all my tenants are paid up in full. I've had good tenants, they're all long term tenants. There's all fixed-term leases in place. And that was one of the things I always wanted to keep was no month-to-month leases. I wanted everybody to always have a fixed-term in place. Just gives us certainty for all of us.

**Louise:** And how did you develop your good relationship with your property managers?

**Andy:** I have a fantastic property manager in Ballarat, her name's Mel Porush works the PRD, plug plug. I've been with Mel now for nearly 15 years. She actually moved to a different agency and I went and followed her. I took my properties and went with her. She has already put together a tenant hardship application for the people through them in Ballarat. So if they're experiencing, as tenants, some hardship she's got a form ready to go for them to fill out. They can help assess where there might be need for them as tenants. The other property managers, the other one I've got in northern New South Wales, they are a small little family type of business. And I have parents that live up near there, so I've dropped in to see them a couple of times and we had issues with a tenant that we had to get evicted a few years ago, unfortunately. And I developed a real good rapport with them by going in and saying giddyay, and they really helped me out. The other property managers that I've got in middle New South Wales, they're just property managers. That's all they do. So they're not real estate agents. So, I feel very confident that they've got us as landlords at the front of their minds rather than after the business worrying, or more worrying, about what a property price is doing, what's going on here?





Very comfortable with property managers that I've got and early on when we started investing. I realised that the property manager is your most vital person in this whole entire chain. Because they're the ones that are the link between you and your tenants. They're the ones that are going to vet your tenants for you. So getting a good one is like a diamond.

**Louise:** Totally right! And so, so true. And it is important to be the person that the property manager likes. You're the owner that they actually like to deal with, rather than someone who's ringing up and whinging all the time. So I'm sure they're delighted they've got you as an owner as well. But anyway, I was just going to ask you about insurance and how do you manage your insurance throughout this?

**Andy:** That's been the one thing that you're always a little bit unsure about from, as a landlord, you generally have two types of insurance. The bank will offer you landlord's insurance. I choose to go with Terri Scheer, because they're not a bank-issued insurance. I've been through the bank PDS Or whatever it is, and pandemic is not listed in there at all. There is a virus listed under liability. So as in your legal liability, so if someone catches a virus in your property, the legal liability there, from someone else, I'm assuming.

**Louise:** Okay. Wow! That's interesting!

**Andy:** It needs to be read with a fine-tooth comb. I'm not a legal expert, and legal liability is more you know that a tradie coming in and chopping his toes off and that type of thing. So it's a big gray area. Definitely, as far as loss of rent is concerned in the policy, it covers loss of rent for hardship, but it has to be after it's gone to tribunal, gone to court. So that's a long way down the process if you end up there.

**Louise:** So you really have to manage this with your tenants through your property managers now. Don't wait for thinking you can ever claim it because it's not probably going to happen

**Andy:** And we all know that the nature of insurance companies is to try and wiggle out of paying if they don't necessarily have to pay, but this isn't such an obvious thing. And then apart from that, the other insurance we've got on the property is just a normal building and structural type. Plus, don't forget your own personal insurance. You know, because we've got loans we have to have income protection insurance. How do you stand with that? Does your income protection insurance cover you if you've been stood down, for example? Employed or not employed? Can you, because we're getting paid the JobKeeper allowance, does that mean we're actually getting paid. All of that issue.

**Louise:** Good point, really good point. I gather requests for insurance globally is up 40%. 40% - that's pretty insane! Well that's right, now people have had this worry they're now more concerned to protect themselves but anyway, such is life! What's your view on how the market's going, from your properties' point of view?

**Andy:** Yeah, the market is always an interesting one to answer because as you know, the market, as a big global thing, yet, right, fine. What market? Which market? Whose market? For me personally, my markets are small regional towns in Australia. I deliberately chose properties that weren't, you know, costing a lot with a high rent. I wanted to go for the working class type property, for people like teachers, doctors, and those, that type of client was what I was looking for as my tenants. So, if I can add for what I think is going to happen regionally with property market, as far as rent is concerned, I think we're all going to take a hit. Rents may start to drop. But there may be a lot more people pushed out of their, not investment property, but their home, because they can't afford things. So that may increase the pool of people looking for places to rent. So you've got to weigh up what's actually going to happen. Am I going to take a hit on

valuation on my properties? I think for the short term, probably, I can't see a lot of people rushing out there to buy places at the moment. And again, it depends on what banks want to do with lending to people, you know, maybe they'll lend money because it's so cheap, that maybe they won't lend money because people don't have jobs. So it's a really difficult one to answer. I think the thing to keep in mind is if you've got good tenants, you want to hang on to them. That's the thing in the market that you've got.

**Louise:** At least I can reassure you on that level, banks are definitely lending and they certainly, although certain industry they're reviewing, but sometimes if people say they were actually already in a purchase, and just out of interest, say they're a Qantas person and they've lost their job, but they anticipate that in six months, they'll probably be back, hopefully, the banks are actually settling on those loans and deferring payments straightaway. So if they're already unconditional, some of the banks, I'm not saying all of them, but definitely some of them are helping people who would normally have good credit, but under the circumstances don't, so there's a lot of really amazing good stuff coming out of our banks, which you never would have thought if you had just watched the Royal Commission. So, I think we've got to be pretty grateful that Australia has such a great strong banking sector because I'm feeling really proud of them at the moment because they're doing a lot of good. So yeah, and we're certainly as busy as ever. But you know, we're trying to help people keep their homes and get better rates, which we're able to do. So, so true, we could lock in some really great rates for you. Is there anything else you'd like to share, just before we finish up?

**Andy:** Yeah, I think it's going to be a tough time for all of us emotionally, and to reach out to each other. And if you're feeling you're unsure about something financial, reach out to people like yourself, or you know, ring up someone, ask questions, don't just rely on what you Google and find out the answers there.

**Louise:** Thank you, yes, great advice.

**Andy:** And I'm limiting my time on Facebook. It's a great medium for keeping in touch, but as both can also get you quite down sometimes. So get outside, go for a walk, get your exercise, and try and stay positive about what's going on. Definitely!

**Louise:** Totally! We will all see a new day - onwards and upwards. Well, it is brilliant to talk to you Andy, thank you so much for sharing your wisdom with others. And I know that other people will be thrilled to hear your story and how well you are doing and good luck and I hope to see you back at work. And I'd love to be flying up the front with you one day soon, too! You'll never know!

**Andy:** Old days again!

**Louise:** Yes. Oh my gosh, I'm just planning something for next year. I'm just like, I cannot wait. It's all getting put on the vision board. Holidays are all that's on! But anyway, thank you again, and lovely to chat with you.

**Andy:** Thanks Louise! Bye.

**Louise:** Bye!

