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REAL LIFE

From novice investors to financial freedom

Virginia and Gordon McDonald have recently joined the ranks of Australia's retirement set, stepping down from their busy roles within the public service. And they're doing so with some handsome real estate profits in their bank balance, making the transition from employment so much smoother

VIRGINIA McDonald, aged in her early 60s, and her husband Gordon, who is in his late 60s, had always planned to retire from the workforce at around this stage of their lives. However, they had never thought they would retire completely debt-free and with a portfolio of residential investment properties.

The couple became first-time property investors just over a decade ago, on the advice of their financial planner.

"It was something we hadn't even thought about doing, until we spoke to James Nihill at Patrick Leo and began looking to better utilise our tax," Virginia explains. "We were both PAYG public servants, so we had no opportunity to really build our capital, until we looked at property investing.

"Around a decade ago we were pretty close to finishing paying off our mortgage, which is when James gave us the idea of building a diversified portfolio that included property as an investment strategy."

The Brisbane-based couple were intrigued, after "basically [having] done nothing for 30 years but put our money into our own mortgage", Virginia says.

AT A GLANCE

Years investing
11

Number of properties
2

Strategy
Set and forget

VIRGINIA'S PORTFOLIO

Suburb	State	Property type	Purchase year	Purchase price	Current value	Rent per week
Pakenham	VIC	House	2007	$300,000	$460,000	$370
Kurri Kurri (Hunter Valley)	NSW	Townhouse	2009	$240,000	$300,000	$280

Total spent	Total current value	Total weekly income
$540,000	$760,000	$650

Virginia and Gordon McDonald
Virginia and Gordon are renovating their investment property in Victoria prior to listing it for sale. It is set to deliver a six-figure profit

“We had simply worked and paid our bills. We wanted to invest, but we didn’t have the knowledge or the confidence.”

Their first property in 2007 was a three-bedroom house in Pakenham, Victoria, which they built with an investment of around $300,000.

“We decided that even though it was in another state, that would probably be better for me because I may have become a bit of a ‘drive by and check on the home’ type of landlord,” Virginia laughs. “It gave us a tax deductible trip when going to Melbourne, which we enjoyed, so we went ahead with that purchase.”

ADVICE FOR INTERSTATE LANDLORDS

1 — Get a good real estate agent to manage your property, and develop a good, strong relationship so there’s clear communication and feedback. This helps you get a true picture of inspections and tenancies so you’re not left with problems to fix later.

2 — Definitely don’t get emotionally involved. Remember that it’s not your own home; it’s an investment.

3 — Adopt a ‘set and forget’ attitude. As long as you’re getting a good rental return and have solid tenants in place, then you’re in a good position.

4 — Don’t go panicking when things are not going so well. Ride out the swings and roundabouts of the economy if you can. Hang in there, as property provides steady growth over the long term.

Testing tenants

Their Pakenham property was easily rented, though Virginia admits that their very first tenant presented immediate challenges.

“She stopped paying rent and we had to take her to court a few times,” Virginia says, but ultimately “we weren’t out of pocket very much, and we got better tenants in – along with a new property manager! If you’re going to invest in property you need to find people to work with who are trustworthy, honest and above board.

“Apart from the odd rogue tenants, it’s been quite set and forget,” Virginia says of the couple’s interstate investments.

In fact the process of becoming landlords was so stress-free that in 2009 they decided to acquire their second property investment – a townhouse in the Hunter Valley in NSW.

“It was smaller and cheaper than our first property, but it gave us another investment opportunity in real estate that wasn’t too onerous,” Virginia says.

They paid $240,000 for the three-bedroom home, which currently rents for $280 per week.

"We're happy to hold on to our other property for now as it tenants really well. We had a bit of a low when the mining boom seized up, because a lot of the properties [in the Hunter region]

> "We were both PAYG public servants, so we had no opportunity to really build our capital – until we looked at property investing"

were being rented by people working in the mines. But now, that area has rebounded and eased off to being a thriving little town. It's got a tourism focus rather than mining, so we're not having any issues renting the property," Virginia says.

Having now retired from the workforce, the couple is currently overseeing some minor renovations to update their Pakenham property before placing it on the market, with an expected sale price of around $460,000.

"The key to our retirement has been having a diversified profile. In regard to property, we have gone from [being] nervous first-time investors without a clue, to financially comfortable retirees with a lifestyle we have always wanted. And we've particularly enjoyed the freedom of being in a financial position to help our son as a guarantor for his property."