CASH IS KING!

SPECIAL REPORT

How saving regularly and leaving cash in bank deposits does not increase your wealth

We are about to show you that a person who starts with a sum of money but does not regularly save, can accumulate substantially more than a person who starts with exactly the amount and diligently embarks on a 30 year saving plan.

WHAT? Say that again!

Well, imagine you have two children, twins, David and Dianne. On their 21st birthday, for their present you give each of them enough cash to place a small deposit on a home in Australia.

David uses the money to buy a house, which he rents out while he lives with his mates. He never makes any further investments, and never saves any money, preferring to spend all his money on going to the pub, restaurants, travelling and on himself.

Diana on the other hand is a great saver! She in facts starts to save out of her paycheck a monthly amount, which she adds to the lump sum you gave her. Due to her conservative nature, and the worry about losing her job, interest rates, property prices being too high, a bubble, and the general state of the property market, she thinks it better to leave the money in the bank, where she manages to get a decent 4% annual return, tax free, which she re-invests every year.

Fast forward to their 50th birthday. Who has done the best? Dianna, using the magic of compounding her original capital with the interest year on year and regular savings every year. Or David, who has done nothing except enjoy himself?

This lesson should be taught to your OWN children. Diligent and regular savings and conservative safe investing regularly against what happens compared to the 'lazy' investor, David, who has does nothing and never made any effort to save money.

The difference between the financial position of these two needs to be seen to be believed.

In fact, what we are about to show you proves conclusively that earning more and saving regularly does not necessarily create wealth.

The world is filled with highly educated professionals, academics, MBA's, movie stars, sports heroes, and millionaires who today are broke.

But everyone seems to know at least one person who seems to have an average education, no special skills, is not super clever, nor talented, and yet is loaded.

We will show you how investing smarter is even more important than saving hard when it comes to building wealth.

After reading this, no matter what age you are, you will wish you were 10 years younger! Still, it doesn't matter, as the key to this formula rests in one thing only: actually getting started.

It is never too late to benefit from this strategy. With patience, time, commitment, and an initial cash deposit, the magic power of leverage, inflationary growth, compounding and OPM means many investors can benefit through the power of geometric progression by investing in Australian property.

While of course nobody knows the future, the past is often a guide, and so what we are about to show you will amaze you.

But it isn't really amazing at all-it is based on simple investment fundamentals that the world's most successful investors have used for decades. But "amazing" is more fun than "investment fundamentals" so let's think of it as amazing.

CONTACT: Citylife International. Email info@citylifeproperty.com.
www.CitylifeGroup.com. © Citylife

This proves conclusively that regular savings and leaving your money in bank deposits does not help you increase your wealth.

HOW AN INVESTOR WHO NEVER BOTHERED TO SAVE ANY MONEY <u>MADE SUBSTANTIALLY MORE</u> THAN AN INVESTOR WHO DILIGENTLY SAVED EACH AND EVERY YEAR FOR 30 YEARS!

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Imagine it is 1990.

You decide, because someone had already explained this concept to you, to invest $20,000 as a deposit in a home valued at $142,000 in Melbourne (the Residex medium Melbourne home price at that time) with a loan of $122,000.

Unfortunately, you chose the worst time to invest, Australia was in

recession, and house prices did not move for the first five years of your ownership!

You MAY have said "real estate is not for me", this investment is a disaster.

BUT instead, you just sat tight.

You had learnt from the Australian Property Academy that the single most common mistake investors make is "selling too soon."

So, you did not take any action, used your rent to pay the bank interest, then you forgot about your property, and made no effort, ever, to pay back any of the loan.

You saved no further money, ever again.

Now imagine an alternative scenario. Again, it is January 1990.

You are concerned about the recession, and you are worried about property prices, about interest rates, a "bubble" property market in the future, unemployment, potential oversupply of property and no tenants in the event of a downturn, so you decide the best (and safest) strategy *will be to "watch the market", choose the right time to invest, and leave your $20,000 in the safety of cash* in the Bank, and you diligently add to it at the rate of $1,000 a year for the next 30 years.

You do not want to invest in property as *you are worried* prices could fall.

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You prefer to leave your money in cash, safely in the Bank.

So, which is the better strategy?

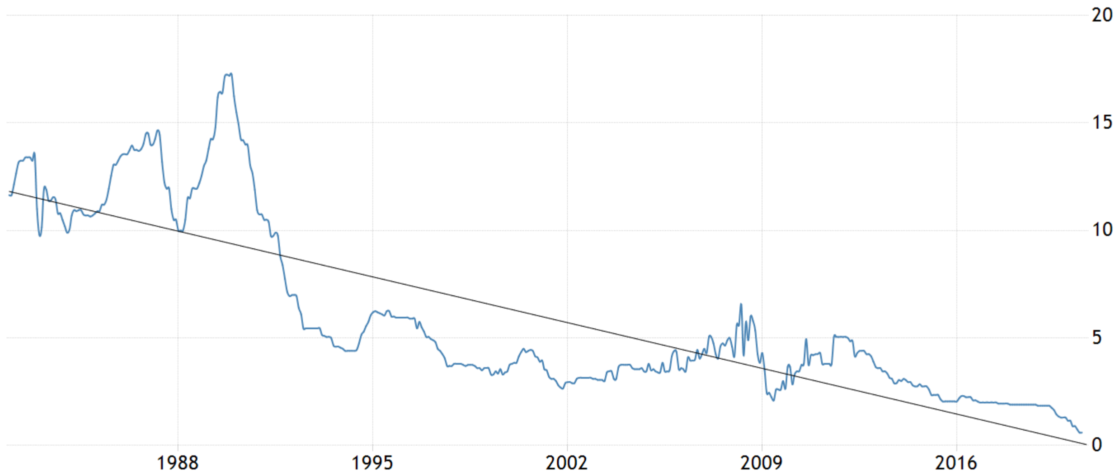
The bank savings plan, in which you invested $50,000 ($20,000 initially, then $1,000 per year for 30 years] will reap $122,161.

The property plan in which you invested $20,000 initially and then nothing ever further will reap you $908,000 dollars by the end of August 2020.

**Nearly three times more. A massive difference.
In fact, the property plan will give you a total return of 4,440% on your cash, compared to 144% with the bank savings.**

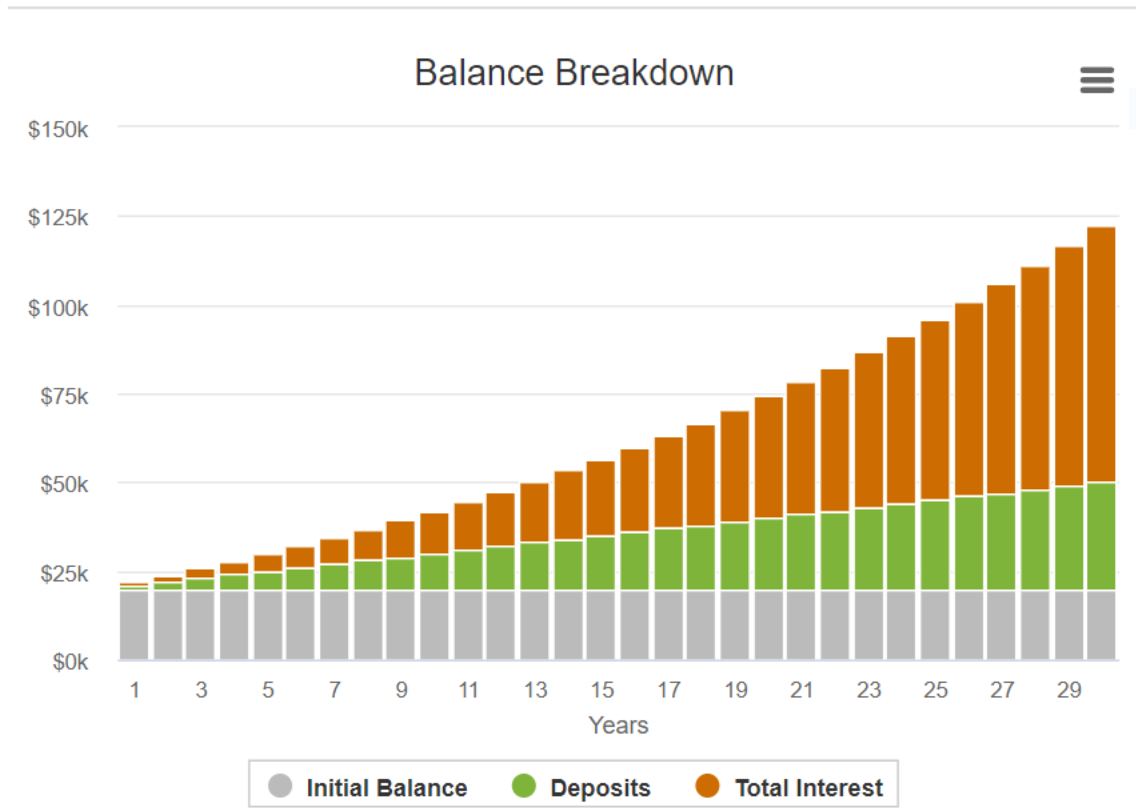
Here then are the calculations for your reference. For simplicity, we have not shown the calculations for each year, but the actual 5 years property value is as published by the official Residex Melbourne House Price up to 2010, thereafter the SQM Research Melbourne House prices. The value is taken at the beginning of the year. The Bank interest is a constant 4% per annum, with the interest always being reinvested, and $1,000 being added each year.< No cash surpluses from the rent are added to the property investment, as it is assumed the rents will be used to just pay bank interest and costs.>

Australia: Bank Deposit Rates 1990-2020



SOURCE: TRADINGECONOMICS.COM | RESERVE BANK OF AUSTRALIA

Interest compounded **yearly**



Year starting January	House Value Melbourne	Your Equity	Bank Savings
1990	142,000	20,000	20,000
1995	143,000	21,000	29,866
2000	203,000	81,000	41,869
2005	353,000	231,000	56,473
2010	539,000	417,000	74,242
2015	662,000	540,000	95,859
JAN 2020	1,030,000	908,000	122,161
AUG. 2020	1,023,000	901,000	126,106

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For the sake of this scenario, let's say you get a steady 4% interest per year (net after all taxes and fees) which you always reinvest.

You are convinced that this safe investment strategy plus the constant yearly savings will protect you in the future, and while you know it will not make you rich, you feel secure. It proves to be a very costly error.

Even if prices fall 5%, or even 10% after August 2020 because of the virus, this table shows the dramatic difference that buying a well located prime investment property in Australia will make to your investment results, even if you buy only one property.

Over decades Australian residential property has returned steady, secure and predictable results.

Will prices continue to rise into the future?

If history is any guide, and with the population, migration and economy continuing to grow again after Covid-19, with building and height restrictions in Australian cities, and with diminishing land, prices seem likely to continue to grow into the future as they have done for the past 100 years.

Slowly and surely. It is never too late to start, and the sooner you start the better to allow the long term compounding to work in your favour. The above chart conclusively proves this to be so, and if you ever needed a reason to consider a long term property investment this should be it.

It is never too late to benefit from this formula. The sooner you start the better. The key to this strategy is to get "started."

As can be seen, even if a major property downturn occurs straight after you buy, the magic of compound growth, leverage, and holding long term, ***outweighs any possible temporary benefit of waiting.***

Prices will surely continue to rise over the long term as they have done for the past 100 years.

If you need help with all aspects of buying, or just need specific advice, visit www.citylifeprojects.net/buyers-service.php and secure your dream home within 90 days!

"We don't have a lot of money and location is very important to us. Have you got anything located in 1965?"

DISCLAIMER: Past results are no guarantee of future returns. It is important to remember that these scenarios are based on previous house prices and that future house price growth or rates of return can't be predicted with certainty and that the actual rate of return on investments can vary widely over time, especially for long-term investments. This includes the potential loss of principal on your investment. It is not possible to invest directly in an index and the compounded rate of return noted above for the property investment does not reflect sales charges, taxes and other fees that real estate investment may occur.(Information and calculations provided by CIRL and are intended for indication only, and not intended to represent any particular investment)