

WILL YOU EVER BE FINANCIALLY FREE?

ARSH ELLAHI

Hi Arsh,

I've recently encountered a problem. I bought into the whole financial freedom dream but as I got into property, I found myself trading one job for another. I'm working hard buying property and am taking on more debt – I'm wondering if this is another rat race?

Can you help me with these anxious thoughts?

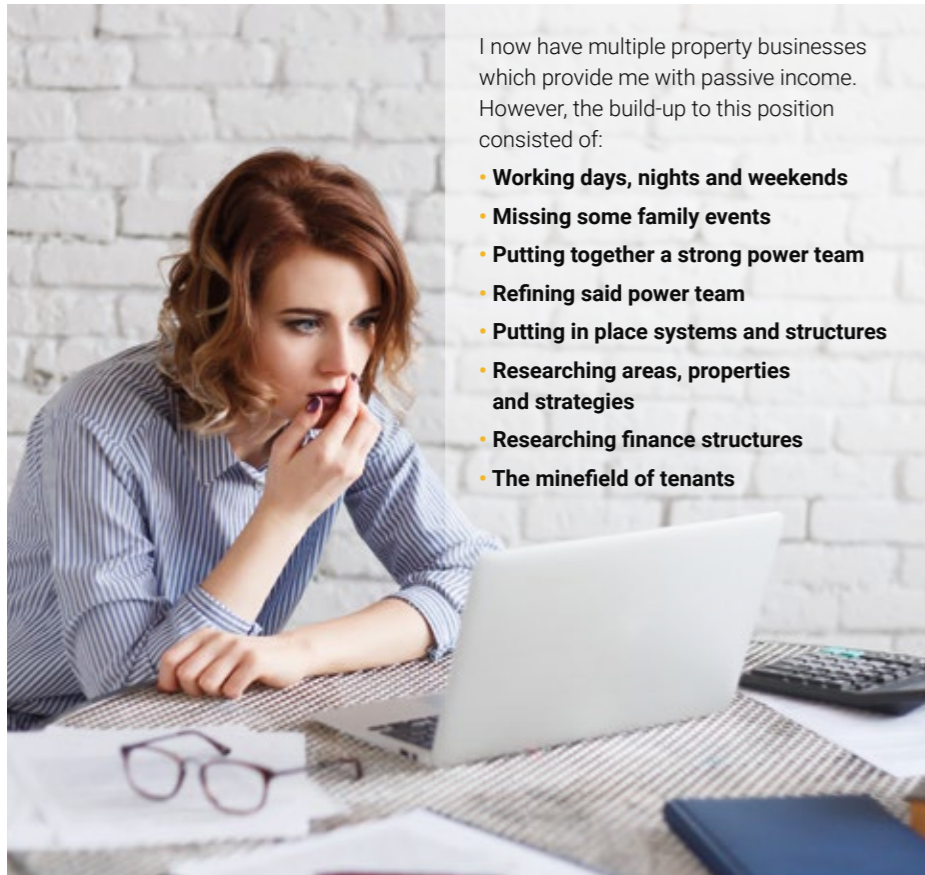
Mr T, Birmingham

What an interesting question! Thank you, Mr T, for asking it.

First of all, let me congratulate you and welcome you into the world of property. It is a weird and wonderful place, but also a very rewarding one if you treat it correctly. Allow me to elaborate on that ...

You mentioned that you just left your job to get involved in property. I hate to burst your bubble, but property is extremely hard work, especially in the early days. It takes years to get to a position where I believe you can take your foot off the gas and reap the rewards.

The one thing I should mention is that, by leaving your job, you have started the journey of making money for yourself as opposed for someone else. Therefore, the hard work you put in now will benefit you and your family in the years to come. I have been in property for 20 years, and I can honestly say that it took approximately 15 years to get to a point where I could really see the fruits of my labour.



I now have multiple property businesses which provide me with passive income. However, the build-up to this position consisted of:

- Working days, nights and weekends
- Missing some family events
- Putting together a strong power team
- Refining said power team
- Putting in place systems and structures
- Researching areas, properties and strategies
- Researching finance structures
- The minefield of tenants



WHERE IS THIS ALL GOING?

Well, I want to reassure you that I completely appreciate the pain that you must be feeling. Buying property where you take on lending or leverage can be daunting, as you are now responsible for another debt that you're responsible for, regardless of whether the property is occupied or not. There will be times when the property is unoccupied and the mortgage payments may be coming out of your own pocket. So what can we do about this?

Set yourself three separate goals

- Short-term goals (six-12 months)
- Medium-term goals (12-36 months)
- Long-term goals (36-60+ months)

Ask yourself where you would like to see yourself within these periods, and set your business targets accordingly.

At the brink of bust in 2008, I really had to sit down and work on these goals. My situation meant that I was starting from scratch, but having three period goals allowed me to focus and build the business from the ground up.



These were my goals:

SHORT-TERM GOAL BUILD CASHFLOW BUSINESSES

This needed to be a vehicle that produced cashflow immediately. After all, without any form of monthly cashflow, the business wouldn't survive. So in 2008, I went back to the grass roots and started a letting agency, without a penny (other than a laptop and the use of internet). We simply managed other people's properties and gave them a net rent (but not guaranteed). Anything we achieved in excess was our commission. We took on properties quickly and soon built a monthly cashflow in excess of £2,000. I didn't pay myself for approximately two years and kept all spending to a minimum to give the business a fighting chance to get off the ground.

It developed further into a larger business model, but ultimately it put us in contact with property owners. We pitched to either purchase their properties or to take them on on a rent-to-rent basis.

It allowed me to create a business so we could move on to the ...

LONG-TERM GOAL BUILD FOR THE FUTURE

Cashflow from the short and medium-term strategies had allowed me to build sufficient funds to purchase properties for the long term, ie our pension pots. To date, we have approximately 1,100 tenants in over 100 properties, and this continues to grow as a result of our plans above.

I have also built other property-related businesses that took a short amount of time (one year) that continue to pay me without any further input. As I write this, I have very little, if any, input into the lettings businesses or the properties, as they run themselves with the infrastructures I have created.

So there we have it. Mr T, as you can see, it isn't always easy but persistence is the key. I firmly believe that winners do not quit and quitters do not win.

MEDIUM-TERM GOAL CREATE SUSTAINABLE BUSINESSES

The cashflow from my short-term goal allowed me to start doing some small refurb projects, such as turning two-bed properties into the three-bed and sell them on. We also started looking at options on development sites, where we were able to get planning permission on the land and then sell the sites on at a profit.

This started to bring in slightly larger chunks of cash. For example, in Wolverhampton we managed to agree on an option for a piece of land with the owner. We applied for and were granted planning permission, and sold it for a much higher price as a result of the development opportunity. This worked extremely well, as we:

- Did not own the land and simply had an option on it, all secured via solicitors
- Did a JV with the architect, who didn't charge for the drawings and professional fees, but took a percentage of the uplift

In the background, the letting agency continued to grow, allowing us more free time. Also, cashflow from both the short and medium-term strategies was increasing as the systems we were setting up started to fall into place.

Create your three strategies and stick to them. Define and visualise where you would like to be within one year, three years and five years from now and start working towards those goals. There will be plenty of days where things won't go your way and you will question whether you're on the right path. I can assure you that this is perfectly normal, and there is always light at the end of the tunnel.

Meanwhile, I can finally report that I believe I am financially free. My problem is that I refuse to stop and keep building businesses that keep me occupied. My current venture is the Property Investor App – the UK's first property investment mobile app.

Please feel free to download it by searing 'Property Investor' in your mobile app store or visit: www.propertyinvestorapp.co.uk

I wish you every success!

If you have a question you would like me to answer in next month's article, please email me: arsh@arshellahi.com and I'll aim to answer as many as I can over the coming months.

CONTACT

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