q wealth: WHAT'S GOOD AND BAD

How to tell the difference between a 'good' investment and a 'bad' one:
'Good' and 'bad' are very subjective terms. What one investor may consider a 'good' investment result another more experienced investor might consider to a 'bad' investment result. Most people understand that there are also some truly 'horrible' investment choices out there too. Equally, with investing there is almost always something that you could have done differently to take your investment results to a higher level.

If I had to define what a 'bad' investment is, I would argue that it is simply an investment that does not help you achieve your investment goals within your desired time frames. Even if the property you bought has made you some money over time, has it provided you with the exact returns you were targeting within the timeframes you had set? Had you invested in a different property, or different asset class altogether, could your results have been better?

The problem for many property investors is that they have never taken the time to work out their investment plans and timeframes in the first place. Therefore, they will find it incredibly difficult to determine whether any, or all, of their investments are good or bad.

Why do so few property investors follow a clear investment plan? I have found over the years that the main reasons investors fail to create a clear roadmap for their property success is a combination of some, or all, of the following four road blocks.

1. They don't know how to create a clear investment plan

Let's face it, most people have never been taught, nor had any real experience, in learning how to create a concise blueprint for how they are going to achieve all the things that they want to achieve in life. It stands to reason that if you don't know how to do something, chances are it simply won't get done. By contrast, imagine how much easier the process would be if you had someone who was an expert in goal-setting holding your hand and guiding you through the whole process step by step.

2. Planning takes some time and work to get it right

Most of us have a big basket called the too-hard basket. There's also another big basket called the do-it-later basket. For many investors, the thought of sitting down to create a plan, especially if they don't know exactly how to do it, means that the task seems herculean. Therefore, it gets thrown into one of those two baskets described above – where it's likely to stay forever.

3. They haven't identified the real value in making a plan

In life, we all make choices that typically line up with our highest values. The problem with forward-planning is that many people cannot see the immediate link between the planning and how it helps achieve a higher quality life in the future. It all seems too far away.
However, they can spend many hours planning a 2-week overseas holiday. This is because they immediately understand how researching the best flights, hotels, restaurants and things to see and do will impact on the quality of such a holiday. I question the logic in planning so extensively for something like a holiday yet failing to recognise the value of setting yourself up financially for the rest of your life. You might like to start by writing down all the ways your life could be improved if you had a clearly defined plan to follow.

4. Lack of trust

There is so much (mis)information out there, and conflicting opinions, that it can be difficult to know who, or what, to trust. With the Hayne Royal Commission recently throwing a damning spotlight on so many examples of poor and conflicting advice within the financial industry, it might seem safer or easier just to forget the whole planning idea.

However, by becoming more educated you will become more empowered to be able to take better control of your financial future. That is not to say there is no place for professional advice and guidance, but rather than just letting someone else tell you what to do, take the time and learn the skills to be able to create your own blueprint for investing success. Educated investors with a well thought out plan will have a far better chance of selecting good investments.

Luke Harris and Matthew Bateman are co-founders of The Property Mentors, a Melbourne-based business comprising an elite team of property professionals who educate, motivate and facilitate clients from all around Australia. Their new book, Let's Get Real (Major Street Publishing $29.95) is now available. For more information visit www.letsgetrealbook.com.au/giveaway