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# FROM TO PROPERTIES IN

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# Table of Contents

[Cover](#)

[Title page](#)

[WHAT PEOPLE ARE SAYING ABOUT FROM 0 TO 260+ PROPERTIES IN 7 YEARS](#)

[Copyright page](#)

[ACKNOWLEDGEMENTS](#)

[IMAGE CREDITS](#)

[Preface: Bad Advice in a Fish and Chip Shop](#)

## [PART I: Making a Start](#)

[1 The Real Steve McKnight](#)

[SAD SUNDAY NIGHTS](#)

[A SLOW LEARNER](#)

[ESTABLISHING A NEW DIRECTION](#)

[OVERCOMING UNCERTAINTY](#)

[THE REAL STEVE MCKNIGHT](#)

[2 Creating a Significant Mindset](#)

BRENDAN'S WISDOM  
THE PROPERTY INVESTING MOUNTAIN  
STARTING FROM SCRATCH

### 3 Don't Rely on a Government Aged Pension

AN ALTOGETHER NASTY PICTURE  
YOU'RE NEVER TOO OLD  
CHOOSE YOUR FUTURE NOW  
A HAPPY ENDING

### 4 Take the Steve McKnight Challenge!

NOTES AND SCORING  
STEVE'S ASSESSMENT  
FORWARD PLANNING  
THE CRITICAL QUESTION

## PART II: A Recipe for Disaster

### 5 The Dreadful Dangers of Personal Debt

ADDICTED TO SPENDING  
A NEW ERA  
DALE'S DEBTS  
IMPROVING YOUR FINANCIAL POSITION  
UNLOCKING THE DOOR TO FINANCIAL FREEDOM  
DON'T GIVE IN TO DEBT

## 6 There Are Only Two Types of Debt: Bad and Worse

INVESTMENT DEBT

MEET VANESSA

CHANGING TIMES

WRAP UP

SOLUTION TO INVESTMENT PROFITABILITY

## 7 The Steve McKnight Property Clock

THE THEORETICAL PROPERTY MARKET

WHEN IS THE TIME RIGHT TO BUY?

WHEN IS THE TIME RIGHT TO SELL?

THE PROPERTY CLOCK

USING THE PROPERTY CLOCK

THE REAL WORLD

## 8 The Secret to Massive Lifetime Wealth

EQUITY EXPLAINED

THE SECRET TO BUILDING WEALTH

ADDING EQUITY

THE WORST WEALTH-CREATION STRATEGY EVER!

THE PERILS OF USING EQUITY TO FUND

RETIREMENT

THE MARGIN OF TERROR

LAZY MONEY AND IDLE EQUITY

EQUITY THAT'S TRIM, TAUT AND TERRIFIC

MR BOAT'S BEST BET

DON'T MISUSE YOUR EQUITY

EQUITY SOLUTION

## 9 Avoiding the Biggest Mistake in Property

CHANGING YOUR MINDSET

THE BIGGEST MISTAKE REVEALED

GETTING STARTED

A QUICK INSIGHT INTO MY STRUCTURE

HOW MUCH RISK DO YOU FACE?

## 10 How to Survive and Thrive in a Property Downturn

1. HAVE A SALES AND MARKETING NICHE

2. NEVER STOP LEARNING

3. MANAGE PROACTIVELY

4. FINETUNE YOUR STRUCTURE

5. TAKE CASH PROFITS

6. BE VIGILANT COMPLETING YOUR DUE DILIGENCE

7. NEGOTIATE A FAIR PRICE

8. CHANGE YOUR INVESTING STRATEGY

9. THERE'S NO 'I' IN TEAM . . . BUT THERE IS A 'ME'!

WE MAKE OUR OWN CIRCUMSTANCES

## PART III: Real Estate 'Steve Style'

## 11 Building a Massive Property Portfolio from the Ground Up

AUTOMATIC VERSUS AUTOMATED PROFITS

THE RIGHT PROPERTY

THE RIGHT PRICE  
THE RIGHT STRATEGY  
THE RIGHT PERSON  
SEEK A SYSTEM  
THE PROPERTY TREE  
YOUR REAL ESTATE OPTIONS  
A PROVEN RECIPE

## 12 Cashing in on Fast Growth

\$76,385 PROFIT IN 4.5 MONTHS  
TIME AND MONEY  
15 TIPS FOR ACHIEVING ACCELERATED GROWTH  
VALUE IS IN THE EYE OF THE BEHOLDER  
THE SIX TYPES OF SCARCITY  
CASHING IN ON SCARCITY  
THE RENTAL MULTIPLIER EFFECT  
SUMMARY

## 13 Proven Ways to Find Positive Cashflow Properties

12 APPROACHES  
HOW TO CONVERT A NEGATIVELY GEARED  
DISASTER INTO A POSITIVELY GEARED GOLDMINE  
SUMMARY

## 14 Working the Five Money-Making Formulas

THE FIVE KEY PROPERTY RETURN FORMULAS  
HOW OFTEN SHOULD YOU CHECK THE RETURNS?

## SOLUTIONS TO CHAPTER CALCULATIONS

### 15 Revealed: 3-2-1 to Easy Deal Evaluations

DOES THE '11 SECOND SOLUTION' STILL APPLY?

TEST 1: THE THREE SECOND SOLUTION

TEST 2: PROFIT = TWO × INTEREST PAID

TEST 3: THE DANGER MONEY MULTIPLE (DMM)

BALLARAT DEVELOPMENT PROJECT

IT'S ALL UP TO YOU

SUGGESTED SOLUTIONS FOR PROJECT X

SUGGESTED SOLUTIONS FOR BALLARAT SOUTH CASE

## PART IV: Deal Time

### 16 Troy and Bec Aim for Reno Riches

TOY ISLAND!

PROFIT OPPORTUNITY

THE NUMBERS

WHAT DIDN'T GO TO PLAN

NEXT TIME

A HAPPY ENDING

### 17 Tammy and Co. Go Mining for Cashflow Gold

ACCOUNTABILITY LEADS TO ACTION AND ACTION LEADS TO SUCCESS

DRIVING THE DUSTY STREETS OF CLONCURRY

THE NUMBERS  
AN INDUSTRIAL SHED  
HOW TO FIND DEALS  
SUGGESTIONS FOR NEW STARTERS

## 18 Suzanne and Katrina Do Their Block for a 322% Return!

FINDING THE DEAL  
HEADING NORTH  
THE AUCTION  
RETURNING HOME  
THE NUMBERS  
LEARNING OUTCOMES  
HOW TO FIND DEALS IN THE CURRENT MARKET

## 19 \$65,974 in Four Months and Two Days

DIAMOND IN THE ROUGH  
WHEELING AND DEALING  
THE NUMBERS  
LEARNING OUTCOMES  
FINAL THOUGHTS

## 20 Simon, Lynn and Tony Commercialise New Zealand

HOW WE FOUND THIS DEAL  
THE NUMBERS  
SEEING PROFIT  
NOT EVERYTHING WENT TO PLAN  
SHARED INSIGHTS



## 21 Melissa and Andrew Divide and Conquer

FINDING DEALS

THE NUMBERS

WHAT WENT WRONG

FINAL THOUGHTS

## 22 Kate and Lyle's Positive Cashflow Executive Gem

PROPERTY INVESTING PARAMEDICS

DEALING DIRECTLY WITH A VENDOR

SEEING THE PROFIT OPPORTUNITY

TRANSACTION TROUBLES

THE NUMBERS

THE BIGGEST LESSON LEARNED

FINAL INSIGHTS

## PART V: What Next?

## 23 Your Step-By-Step Implementation Plan

STEVE'S 24-DAY 'PATH TO PROGRESS' PROGRAM

WEEK 1

WEEK 2

WEEK 3

WEEK FOUR

Day 22 (Thursday).

WHAT NEXT?

## 24 Final Thoughts

THE BUCKET STORY

THE PAINFUL DIFFERENCE

CAN YOU DO IT?

## Appendix A: Definitions Behind the Sustainable Debt Levels Matrix

SKILL AND EXPERIENCE

PROPERTY MARKET

SUGGESTED DEBT LEVELS EXPLAINED

## Appendix B: Definitions Behind the Danger Money Multiples Matrix

INVESTING SKILL AND EXPERIENCE

SCENARIOS EXPLAINED

## Index

# FROM 0 TO 260+ PROPERTIES IN 7 YEARS

**Steve McKnight**

#1 Best-Selling Author and Professional Investor





# WHAT PEOPLE ARE SAYING ABOUT FROM 0 TO 260+ PROPERTIES IN 7 YEARS

'It might sound clichéd, but Steve McKnight has done it again. This book takes investing to the next level and introduces strategies I've not seen or heard anywhere else ever before.'

— **Allan Rawack (NSW)**

'Read this book! It's a toolkit of "How-to" information that's relevant to every current and aspiring investor.'

— **Ryan Minster (Vic.)**

'While the whole book is great, chapter 11 is a real cracker! The content is new, powerful and challenging.'

— **Craig Sutherland-Muir (NSW)**

'This is just about the best investing book I've ever read, and that's saying something because I've read lots of them.'

— **Greg Brierley (ACT)**

'The information in this book is priceless! It's clear, practical and provides confidence. For example Steve's "Three Second Solution" (chapter 15) is like a secret weapon!'

— **Tammy Bolch (Qld)**

'If you're serious and want to increase your property portfolio then this book is a must have! It's not only entertaining, it provides insights that all property investors should consider regardless of their skills and experience.'

— **Rachel Bobrowski (NSW)**

'If you're hungry for new and exciting concepts then this book is for you. It's practical without being complicated, and entertaining while also packed with analytical and sensible information. It's well worth buying.'

— **Tamsin Young (WA)**

'I'm only up to chapter 12 and I can't put it down! I like the way it contains income and growth strategies, and how it's full of real-life deals that show you how to make money in the current market.'

— **Cassie Buono (NSW)**

'This book sets a new standard of excellence when it comes to investing books! It's worth many times the asking price.'

— **Luke Abnett (Qld)**

'The content of "0 to 260+" is real and relevant to today's property market. I now have a number of new ideas on how to create additional value, whether at purchase, during ownership/ tenancy, renovation or sale. This is recommended reading.'

— **Mark Milkos (NSW)**

'There isn't another property book around like it! It's certainly investing "brain food" as it will help you to create a winning investing mindset at the same time as delivering unique and practical tools and concepts.'

— **Jo Bourke (NSW)**

'I couldn't put this book down! Where other investment books can be dry and boring, Steve's conversational style makes it interesting and enjoyable. I found many new "a-ha" moments. Thanks!'

— **Richard Muhling (Qld)**

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‘Don’t hoard treasure down here where it gets eaten by moths and corroded by rust or worse, stolen by burglars! Stockpile treasure in heaven, where it’s safe from moth and rust and burglars. It’s obvious, isn’t it? The place where your treasure is, is the place you will most want to be, and end up being.’

— Matthew 6:19-21

While this is a book about wealth creation, my life has become far richer than I could ever have imagined since accepting Jesus as my Lord and Saviour in 2001. It’s God, not me, who deserves the complete credit for this book! All the thoughts and information I’ve included reflect the ideas and inspiration He provided through prayer.

This book was written in eight weeks and, as such, is a bona fide miracle. It was only possible with the assistance of many more people than I could list on one page, so a special thank you to all who helped. Specifically, I’d like to acknowledge the following:

- my wife and children for accepting the sacrifices that were made to write this book
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- Katrina for listening to the ramblings of an exhausted author
- the generous contributors: Juliet, Jan, Dale, Vanessa, Cam and Lisa, Troy and Bec, Tammy, Katrina and Suzanne, Anna, Simon and Melissa
- the many parties who were gracious enough to allow my publishers permission to reproduce the photos and graphs that appear in this book (see overleaf for a full listing)

- the support team, including Alister and Damian, and those who helped to proofread the book and provided feedback.

More than merely enjoying this book, my sincerest hope and prayer is that you will apply the information herein and, when it works, start teaching it to others. Thank you for your trust in buying this book.

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# Preface

## Bad Advice in a Fish and Chip Shop

Being a chubby kid at primary school, I wasn't blessed with much popularity, so the people that I did manage to form friendships with in those early years will always have a special place in my heart. You'll understand then that a chance run-in with Dean Maloney, an old primary school mate, in a local fish and chip shop a few years back, resulted in more than the usual swap of pleasantries.

As the chips were cooking Dean and I filled each other in on all that we'd done over the past 15 or so years since we'd last met. It turned out that Dean had become a successful plumber, and when he discovered that I was a qualified chartered accountant, he said, 'Steve, I pay a fortune in income tax, is there any way I can invest some money and lower the amount the government stings me at the same time?' Happy to help, I told Dean about an investing strategy called negative gearing.

'It works like this', I said, 'you buy a property that has more expenses than income (one that makes a loss). You then offset your loss against the money you earn from your job, so overall you'll end up paying less tax. In the meantime, you'll make a profit as your property goes up in value, but you won't pay any tax on that profit until you sell'.

As we paid for our take away Dean asked, 'Is it legal?'

'Absolutely', I said. 'Stacks of people are doing it, and I hope to do it too when I have more money'.

While I haven't seen Dean since, I often think back to that conversation and hope, with all my heart, that he didn't take my advice. Although I answered accurately and truthfully, any argument for blindly following the strategy I suggested would contain a massive flaw. The name of the wealth-creation game isn't to save tax, it's to make money.

Dean's question touches on two key investing truths:

- 1.** if you make money, then you must expect to pay tax, and
- 2.** making a loss is never a good idea.

Sadly, today, even right this very second, there will be people like Dean wondering whether or not right now is a good time to buy real estate. Since the first question they'll ask themselves is, 'How do I save tax?', their choices about which properties to buy and which strategies to use will make it very difficult to ever achieve financial independence.

Like lotto, there are far more losers than there are winners in the property game, and far more dreamers than people achieving and living the dream of owning enough property to fund their chosen lifestyles. An inescapable truth of wealth creation is that you must buy assets that make money. If you own property, shares or businesses that are currently losing money, then you'll be burning wealth, rather than building it.

As someone who's bought (in conjunction with my former business partner Dave Bradley) more than 260 properties in the past seven years, my advice is this: use a competent accountant for tax advice, and find a successful investor to teach you about profitable investing. (And don't take advice you hear in fish and chip shops.)



## Steve's Investing Tip

It's simple. Sustainable wealth creation demands that you buy properties that make money, *all* the time.

### **IN A NUTSHELL**

Are your properties making money? Is the strategy that you're using providing the results you desire? Success is no fluke. The more you do of what you've done, the more you'll get of what you've got. In a nutshell, I've written this book to share with you the exact same information that I'm giving my family and closest friends concerning the following two areas.

#### **1. The Interest Rate Squeeze**

If you're not fully confident and skilled at property investing then you'll find the current property market a treacherous and dangerous place to invest in. The inflation genie has escaped its bottle, and interest rates are now trending up in an attempt to catch and control it.

Higher interest rates will result in decreased home loan affordability, especially for Aussies who have gorged themselves silly at the 'borrow as much as you like' debt buffet. The consequence will be more houses put up for sale and, in turn, this will cause housing supply to exceed buyer demand, resulting in pressure for property prices to soften.

Sophisticated investors always maintain control and there's much you can do to protect yourself. This book contains detailed strategies revealing many options that will

safeguard your property portfolio in the event of a real estate meltdown.

## **2. Bargains Are There to Be Bought**

If a property is to be sold, someone must buy it. As unfortunate as it may be for unsuspecting property owners who are being squeezed by market forces, for prepared and competent investors there will be some super bargains hitting the market in the coming weeks, months and years.

There's a popular saying — 'buy your straw hats in the winter' — and it applies just as well to property investing. Opportunities abound in the 'off season' when prices are low. It was hard to buy a bargain when the market was booming, but changing times bring with them new opportunities. Once you've bullet-proofed your property empire, it would be worthwhile to sniff around and see what deals are available. In this book I'll share with you the choice opportunities that I, and other investors, are buying right now. In doing so, I'll reveal how you can get in on the action too.

### **A GUARANTEE**

This book is certainly not a rehash of concepts outlined in my previous two best-selling titles. Sure, there will need to be some minor (and I mean minor) mention of important points, but this will only be to show that the principles remain the same with only the context changing.

In fact, if having read the entire book, you're not completely convinced that the tips and insights I've included have the power to help you earn investment income worth at least 10 times what you paid for the book, then I'll personally send you a cheque for the cost of buying it. My legal team has suggested that a few simple conditions

ought to be included to protect all parties. Accordingly, this incredible refund offer is subject to the following:

- You must send a written refund request to PropertyInvesting.com, PO Box 92, Blackburn, Vic 3130. Include the book and your original purchase receipt, together with your name, address and daytime contact phone number.
- The book must be returned in a good condition with no writing in it or damage to the pages.
- PropertyInvesting.com must receive your refund request within 40 days from the date of your purchase (as shown on your original receipt)
- Only one refund will be granted per customer.

All in all, if you don't agree that the book is everything I've promised and more, then provided you meet the above conditions, I'll swiftly refund every cent. In short, I don't want your money if you can't profit from the information I've shared. I'm certain you won't be disappointed!

Right then! With the formalities over let's get started because the market is changing quickly and there's not a second to lose.

Sincerely,  
**Steve McKnight**  
**Melbourne**  
**November, 2006**



# PART I: Making a Start



# 1

## The Real Steve McKnight

The third year of my RMIT accounting degree (which was called a 'co-op' year) required that I find 12 months of relevant paid work experience. This was no easy task as back in 1991 the economy was in the grips of a recession and accounting jobs were pretty tough to land. Unlike some of my less fortunate peers, of the maximum 10 resumes that I was allowed to submit, I managed to secure three first-round interviews. One was at the massive accounting firm Price Waterhouse, another at The Herald and Weekly Times, and a third at a small accounting practice called Boyd Partners.

My job interview at Price Waterhouse was a disaster. First up, when they rang to arrange an interview I wasn't home and my brother answered the phone. When the lady provided her return contact number it started with 666, to which my brother quipped, 'You're not the devil, are you?' As you can imagine, I nearly died when he told me!

Still, despite my brother's best intentions, I was granted an interview a couple of days later, and I turned up full of confidence dressed in a lovely new black suit, white shirt and pink, swirly floral tie. Sadly though, the interview didn't last very long. I bombed out badly when asked, 'So, what would be your dream job?' Having no experience in interview politics, I answered truthfully when I said, 'I really enjoy basketball coaching and I can see myself finishing my degree and going into sports management.'

Well, the interview basically ended there and then! Later my uni friends advised me of the 'correct' answer: 'I'd really like to work long hours for you as I can't imagine anything better than a long and fulfilling career here at <insert organisation name>'.

Oh well, one interview down and two more to go.

The Herald and Weekly Times interview went much better, and I believe I would have been in the running for the job had the organisation not needed to cut back staff. After the interview I received a letter. It began by thanking me for my interest (not what you want to read at the start of such a letter), and advising me that the company had decided to withdraw from the RMIT co-op program for cost-saving reasons.

Things were becoming desperate. I only had one shot left — Boyd Partners. Whilst this firm was offering two places, one of them had already been snapped up by a fellow student named Andrew. Later I would learn that Andrew did some clever extracurricular groundwork and had sewn up the position well before the interview process even began. Nevertheless, walking into the interview, I had my mum's wise words ringing in my ears: 'Just be yourself, and it'll happen if it's meant to be'.

I had the interview with Sue, one of the partners, and it was the best of the three. We seemed to click and I liked the sound of working in a small team. Later Sue told me that the last position was a two-horse race — a choice between myself and another. Luckily, I was offered (and subsequently accepted) the job, which came with the kingly starting salary of \$20,000! It's a little quirky, but to this day I'll divide the profit I make from a property deal into \$20,000 lots. I then equate each lot to a year of blood, sweat, tears and timesheets that I've saved myself.

## **SAD SUNDAY NIGHTS**

Sue was merciful in granting me that job; my university marks certainly didn't warrant the position. I was mainly a passes and credits student. I did manage to get a distinction for the first year subject 'Generation and Distribution of Wealth', but that didn't count for much since the subject was completely assessed based on assignments and class participation, so all you had to do was turn up and you would at least score a credit!

It's not that I wasn't extremely grateful for the job, but within a few months of starting I began to feel like a fish out of water. It was a great place to work — everything that was promised and more. My problem was that I came to the conclusion that I didn't want to be an accountant. Slowly over time my feelings of being unsettled turned into despair at having to work in a job that I didn't like. I hated Sunday afternoons as I started to think about having to go to work the following day. Sunday nights were even worse, as I'd have to spend an hour of precious time ironing five shirts for the week ahead. While I may sound like a sook, sometimes I'd even cry!

Even now, from time to time on a Sunday afternoon I'll look down at my watch and be gripped with a small glimpse of sudden dread. Should I be running a Sunday seminar, I'll tell the audience about it and see knowing looks on a lot of faces. Looks that say, 'I know what you mean! I have to go home after this seminar and iron shirts for the week ahead myself'.

As a child, what did you want to do when you were grown up? I wonder then, and particularly so if you're unhappy, how did you end up where you are right now?

Something powerful that I've come to learn is that our life (and investment) positions are the direct results of the choices we make. If you want a different outcome, then you need to make different choices.

## **A SLOW LEARNER**

My wife, Julie, will tell you that I'm a slow learner. Although I'd love to dispute this, it really must be true because I persisted as an accountant for 10 and a half years before finally turning my back on the profession once and for all.

Looking back, I was always conscious of being unhappy deep down, but what I lacked was the courage to take action that would address the situation. I failed to take control or ownership of my circumstances and to pursue a different direction rather than merely accepting what was dished up.

I challenge you to stop reading for a moment and to spend a minute or two thinking about times in your life when you've achieved substantial success — perhaps a sporting achievement, a time when you landed the job of your dreams, or a date with someone you liked. Go on — stop reading for a moment and think ...

Now, with one or two particularly happy moments in mind, did you get into these situations through random luck or did you plan for a certain outcome and then work hard to achieve it? Sustained success is no fluke — it's a result. It's the culmination of the expertise and planning invested into the process you employed to reach the outcome. This being the case, I just can't understand why so many people live a minority of their lives (say 10%) in a zone or mindset they know (from previous results) will deliver an above-average outcome, and spend the rest of their time (say 90%) living in passive ignorance by allowing their lives to drift by around them.

Sure, life isn't solely about achievement after achievement, but studies have been done and the conclusions are alarming. I'm told a research analyst once visited a series of aged care centres and surveyed a sample of residents. They were asked, 'If you had your life over again, what would you do differently?'

The top two answers were:

1. take more risks, and
2. spend more time with family.

Do you recognise these basic desires? Maybe they're the same two points that you want to take action on in your life. Don't be deaf to the wisdom of those who have gone before us, take action while you still have the time and inclination to do something about it!

## **ESTABLISHING A NEW DIRECTION**

Having decided to prematurely retire from my accounting career, you might be surprised to learn that I didn't have much of an idea of what I wanted to do next. No doubt some of you more sensible readers would regard this as crazy. You might believe it's dangerous to leave a job with no certainty, and no new income arranged. Ordinarily, I'd agree with you, but you have to understand how unhappy I was and how desperate I'd become for a change in circumstances.

Irrespective of commonsense, once I opened myself up to a new opportunity it transpired that destiny found me, rather than the other way around. Don't get me wrong though, I wasn't expecting the opportunity of a lifetime to simply land in my lap. However, given that I'd achieved success before (both personally and in my career), I had the firm belief that provided I could identify what had worked well for me in the past, all I needed to do was to find a new context in which to apply those same skills, and success would not be far away.

In my case, I looked into the world of investing and wealth creation. In no particular order I spent time analysing the merits of share investing, share trading, options trading, futures trading, network marketing, franchises, negative gearing, time share investments, positive gearing, and many others. As you'd expect, each held the promise of