

# Property Investor Traps!

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**Part 1 : 'FREE' Intro Event TRAPS –  
AND TIPS TO AVOID THEM!**

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## Why I bothered to prepare this guide :

Something happened to me recently that made me decide to put this guide together. See the short story on the back page if you want to know the background. Otherwise read on, and I hope it's useful to you 😊

## Upfront disclaimer...

Although my partner and I purchased over 75 rentals, thankfully I'm not qualified to give you any advice and am not licensed to sell or deal in property. I'm not providing this information with the intent of selling you a property, or a strategy, or to give you advice.

I am not qualified to give advice, so understand when you read this information that it contains my personal opinion and suggestions only! They are based on my own experience, and that of close friends, clients and colleagues.

In my opinion I'd estimate that at least 50% and more likely 70% of events / presenters in the investment arena are either mis-informed, misleading, or downright dishonest. I have been on the speaking circuit myself, sharing inspiration and information about property investing with thousands of people and always get a big buzz out of helping people. BUT sadly, I've seen how the speaking system usually works and it's fraught with danger for new and experienced investors. Even good speakers or well-intended promoters can be deceived too.

You must do your own due diligence, take 'advice' only from those people qualified to give it. Check the people you choose to do any business with, and come to your own conclusions.

Meanwhile I hope the information that follows helps you to be prepared, to protect yourself and your money, and have fun while you make a fortune!

## First TRAP and TIP :



The *first trap* you need to be aware of is that 'disclaimers' you are asked to sign before attending an event can provide a veritable 'get out of jail free' card for promoters or presenters. You should always read them before signing and *my first tip* is to take a picture of the signed disclaimer before you hand it in so you have an exact copy yourself in case you need it later.

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## Free Introductory Event

A free event – usually 2-3 hours to help you learn how to invest.

### *Where's the risk in that?*

You probably see one of these events and book in feeling excited and eager to learn as much as you can about investing!

You could be getting a lot of really good information here, and getting to meet some new people who are also interested in investing. You can probably expect to get some personal attention from the organisers at the event too, as they come around and chat to you. Sometimes you even get a prize or gift for attending, or food and drinks provided.

### *OK – It's not costing anything, so what's the problem?*



I remember my daughter saying that to me when she wanted to bring home a 'free' kitten. It ended up costing me thousands of dollars for food, care and vet's bills over the next 12 years!

The same can apply when you consider attending a free event, but I'm not saying you shouldn't go.

It can be good to try before you buy anything. And from the organisations' perspective they risk the venue costs to get to speak directly with people they believe are a prime audience – their target customers.

Usually you WILL get some really good information at these events. Because if they can show you in this short timeframe how good they are, then you are likely to feel confident enough to buy from them, refer someone else to them, or both! So, it pays them to give you as much great information as possible at this first event to build trust, rapport and confidence.

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## Trap 1 – Straight to the big sell

This trap is where the organisers go straight to trying to sell you a strategy and a property that fits it!

The information you get can be very biased, and designed to show you a problem and then lead you to a solution – which they have prepared for earlier. On the face of it, that's what selling is all about. **But there's big money at risk here**, so read on...

One common example of concern for property investors is where the organization running the events wants to sell new properties.

They will use statistics they think will help their argument, and assumptions that suit their scenario to 'prove' their reasoning.

So, at their events you'll expect them to 'prove' that the best or only 'wise' way to make a good property investment is to buy one or more brand new properties 'wholesale' through them, rather than 'retail' through a normal real estate agency.

Real Estate Agents are bound by quite a bit of legislation that is in place to protect buyers. But in some situations, property can be marketed without that qualification. Some promoters of these events may be working on behalf of a developer directly, or are merely 3<sup>rd</sup> parties marketing the system – often getting real estate agents to do the legal paperwork.

They will usually tell you that they have 'wholesale' access to this builder's properties and can therefore get you a better deal than if you were to try and buy something similar through normal real estate agency channels.

For even more convenience, they probably have Finance Brokers at the event, so they can set up a time to give you an idea of what you can afford and continue the encouragement to purchase one of their properties.

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## Trap 2 – Easing you in gently

The longer sales funnel ... gently does it.

There will always be a percentage of people in the audience that are looking to get more information or support, especially when they feel that they got great value from the free night.

Often around 10-30% of the audience are willing to outlay some money for the next offer, especially if they don't consider it too much of a financial risk. Being more open to having more information and the potential of feeling like they will 'belong' with this tribe, many people are highly likely to part with \$2-\$3000 without too much persuasion or concern.

At this stage of their investment in information, they may think this is all they will need to pay, to get the information they need to make a huge change to their financial position.

Let's assume you commit to a membership or full weekend event and pay \$2000. You might even share that with a friend, and you go along for the weekend expecting to learn loads more!

Although the weekend starts off promising, often (if you look at it clearly) you see that it's really become much more sales focused. Sometimes it's not that transparent. The sales process can work in less obvious ways. It may be that you are inundated with information, processes, and warnings of things that can go wrong.

An example of this technique is when they want to sell you overseas properties. That sales process needs a longer sales funnel for you to feel comfortable, and there's a lot more education and research required to invest overseas.

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At this point you are usually led to believe (directly or indirectly) that you don't have to worry about doing all this painful detail stuff, because this organization can do all those processes for you and protect you from the mistakes that other less educated investors make. They have all the experience in the market and can do everything for you.



And of course, if we use the previous example, they've got a few (very limited!) fabulous investment properties available for you to buy... you just need to sign here (and now!). These properties may look like they're about 40% below value, so you'll make your money back immediately in equity ... or that's the belief at least.

- This is where you're willing to pay bigger dollars for convenience.
- This is where you're not sure that you want to do all the research or that you understand it fully – better leave it to these experts and feel protected and save time.
- This is where you make the decision that the potential return on your bigger investment is really worth the money that you're going to pay.
- This is where you'll be part of a great group of people – your tribe.
- This is the easy way out –
- And you don't want to miss out!

Imagine if this organization can give you access to special deals that are 'off market' so no-one else yet knows about them. On your first deal you could be getting it up to \$50k cheaper than someone else. With all the information, support, and convenience, wouldn't that be worth paying \$40k for – especially if you want to buy more property soon too?

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### Trap 3 – Down the rabbit hole

Warning! When you fall into this big dollar trap, you're going down the rabbit hole!

You become your own worst enemy ...

Once you've paid the big bucks you are now feeling that you HAVE to buy their property to make it a good return - otherwise you would feel that you just wasted your money.

Our minds play tricks on us. Even if we make a bad decision, we'll want to justify it. So now you'll be looking for any information that you can call 'evidence' to prove to yourself that the deal is great!

You may call it due diligence, but it may be delusion!

With USA properties it's such a volatile market that property prices can dive and thrive in ways that we couldn't imagine happening in Australia. Properties were definitely being offered for sale at ridiculously low prices... but that doesn't mean they are worth as much as they were previously, and it doesn't mean they'll get back to those higher prices any time soon.

With Australian brand-new properties and off the plan, it's very difficult to even come up with a realistic value, because you only have the new sales to compare to now.

If all the new properties are being sold through one agency or 'club' or organization at a high inflated price, then that's what you're comparing to. You won't really know the value until a few years down the track when these properties start being re-sold.

You can understand by now then, that you're not necessarily getting a better deal by staying with the company and getting everything done through them. They may be getting commission as well as receiving kickbacks from lawyers and brokers they refer you to.

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## Here's an example explained further...

A good example of this was a so called 'club' where people were told that there's special deals in place with extra benefits. They felt supported, protected and felt a comforting sense of belonging and even prestige when asked to run their own events.

Their special deal was the opportunity to buy some brand-new properties in growing locations at discounted prices. All the time-consuming research on where to buy and due diligence on what to buy, were done by the 'club'.

Many people didn't even consider other property investment strategies that would have been better for their financial and personal situation. They assumed these people knew best – they had the reports and the stats to 'prove' it after all. So many people went into negatively geared investments time after time – keeping them working longer and longer rather than giving them the choice to retire sooner.

I met a developer a while ago who was really upset that people were paying so much more than necessary for her properties through one of these sorts of clubs. The members thought they were getting a huge discount on the price but were actually paying \$40k more than they needed to if they'd gone to the developer direct!

As an example, let's say the developer offers the property at \$440k allowing \$40k to pay commission to a marketer or agent, so they still net \$400k.

The 'club' offers the property to their members declaring the property to be at a bargain price that only their members can benefit from due to the 'clubs' contacts and influence. And their members believe them!

- The 'club' sells the property to their member for \$440k (or more!)
- The developer gets their price of \$400k
- The 'club' gets \$40k revenue (commission) for the property

Meanwhile, the member thinks they are getting a huge discount of many thousands of dollars without realizing that they could have saved \$40k without the 'club'!



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We all understand there's usually a cost to marketing and don't have an issue with paying for it somewhere along the line...

A major cost/hurdle for a builder/developer is paying for marketing and/or paying fees to agents or marketers. So, having a company or club to do all that for them can be worth the commission they pay – and \$20-40k isn't unusual. The sooner the developer gets a property sold, the quicker they can get onto the next development.

A Real Estate agent usually earns their money too. They really have to be focused and persistent and build their contacts to make a good consistent income.

I don't have any issue with people getting paid commissions for referrals - who you know can be beneficial for someone else and save both sides time and money.



***BUT I do have an issue with people who lie and cheat, 'distort' facts and generally prey on good people!***

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# Tips to keep you and your money safer

## Tip 1 - Stop while you're ahead!



The first tip to avoid being ripped off would be just to go to the info night BUT don't take a credit card and don't take anybody else who is likely to entice you to get involved.

You've probably just learnt what you need to know - **Don't spend money on more!**

## Tip 2 – Invoke your own 48 hour 'sleep on it' rule



I'd have a rule of thumb or a personal policy which is that I'm going to sleep on this deal or on this offer for at least two nights. This will be helpful in 3 ways:

- (a) sleeping on it will allow me time without pressure to feel sure that I'm doing it for the right reasons and not because I've got the fear of missing out
- (b) to give me time to do some of my own research and due diligence on the company or the system that they're looking to promote. *(See the last page for due diligence suggestions)*
- (c) To give me time to talk it through with someone outside of that organization whose experience is relevant and who I trust. Sometimes just articulating the plan and having someone ask questions of you is enough to help you decide if it's for you or not.

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### Tip 3 – Don't sign anything until you've done your homework



Don't sign anything on the night – even if you aren't giving them any money then.

They may suggest or tell you that there's a cooling off period and you don't have to worry.

They may encourage you to sign this document now so they can 'hold' the property or deal for you and give you the

option to ring your credit card details through in the next couple of days. Don't do it - that can be dangerous!

Again there's 3 reasons:

- (a) Signing a contract even without paying money can put you at risk of having to continue with it. A contract is binding. Even if they offer to tear it up if you decide not to proceed, the person who makes that promise even with good intentions, may not be in a position to keep that promise to you.
- (b) Cooling off may certainly apply on a property contract but what you may not know is that there is often a penalty for exercising the option – around .25% of the property price.
- (c) Your own personal feeling of commitment can come into play here too. That's why they want you to sign, so that you feel an obligation to follow through with the contract... and convince yourself that it's best and easiest. Most people don't feel comfortable complaining or cancelling an agreement as they don't like confrontation.

The bottom line here is that if they are offering good deals, and they are a reputable company, then they will be open to you taking a bit of time to think about it before committing, and doing your own due diligence first.

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## Don't give up even if you are already in their sales funnel



If you're already going down the rabbit hole and feeling uncomfortable about what you've signed - all is not lost.

For one thing you have just learnt a costly lesson and hopefully you won't do it again.

You may even protect a friend by sharing your experience to alert them before they go down the same hole!

### Other tips I'd suggest :

**Tips 4** – Get as much value as you can for what you've already paid for – and don't pay any more!

**Tip 5** - If you have paid too much and haven't got what you should have received - ask for a refund.

**Tip 6** - If you can't get a refund contact ASIC or the office of fair trading or consumer affairs.

- <https://www.moneysmart.gov.au/scams/recovering-your-losses>

It's not unusual for unethical companies or individuals to be charging somewhere between \$25,000 - 50,000. That's a great income for them from each 'client', but not usually enough to make it viable financially for you as an individual client to take the matter to court. And of course, there's the time, paperwork and stress that goes with court action that most people prefer to avoid.

**If nothing else** – please help others by reporting any scam or misconduct you've experienced:

- <https://www.scamwatch.gov.au/report-a-scam>
- <https://asic.gov.au/about-asic/contact-us/how-to-complain/>

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## REMEMBER:

### Bad people profit when good people do (or say) nothing.

Sadly, that's why it can take years before scams are brought to public attention, and even then, you have to go searching for clues let alone the evidence.

## Due Diligence suggestions :

### Here's a list of links and search criteria that might help you with your research:

<https://www.moneysmart.gov.au/scams/avoiding-scams>

<https://www.moneysmart.gov.au/scams/companies-you-should-not-deal-with>

<https://www.complaintsboard.com/>

### Search terms you might want to google:

*(insert presenter or promoter name) Asic*

*(insert presenter or promoter name) Fair Trading*

*(insert presenter or promoter name) Scam*

*(insert presenter or promoter name) Rip off*

NB Always read the information you find to check the validity of it. It is easy for a competitor or person to be upset about something and try and blemish a person's reputation, but you'll get a good sense of whether the concern is isolated or more widespread if you read the details.

## Questions?

If you have any property investment questions or concerns you want to discuss, you can use the link below to schedule a complimentary call. I'll ring you then and we can have a brief very informal (no BS) chat: <https://rachelbarnes.setmore.com/>

## Comments / Suggestions?

Email me : [coach@rachelbanres.com.au](mailto:coach@rachelbanres.com.au)

If you have any comments or suggestions to add to these tips, please let me know. it will be safer to include this subject header to get my attention:

Subject Header : **About Part 1 Free Events**

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## Why I bothered to prepare this guide :

Something happened to me recently that made me decide to put this guide together.

### It was Jury Duty!

I was called up for Jury duty and one of the cases I was selected for, was six counts of 'Deception'.

There were six plaintiffs who were deceived out of approx. \$350k by one man (and his wife). BUT there was even more that concerned me after listening to the evidence :

- (a) All these people had gone to a 'FREE event' where they had ended up fleeced of about \$45k each couple – and they weren't complaining about that!
- (b) The fraudsters (the accused and his partner) had been part of the audience! It seemed apparent they'd gone there specifically to prey on attendees
- (c) Some of the plaintiffs had since gone on to sign up with other 'dubious' spruikers for 'mentoring' ... one of them at least was paying \$25k pa!

The fraudsters had since gone bankrupt, so these poor plaintiffs won't get hardly any money back, despite winning the case. Their deposit for at least one investment property was gone 😞

These were good people, not greedy people. They were intelligent and trustworthy. They've had to go through a lot of stress for years to bring this matter to court and get any sort of 'justice'.

### The reason I bothered to do this guide :

It's the least I can do to help make sure it doesn't happen to YOU!