Te Tohu Whakahaere Pūtea
Certificate in Money Management

Lesson Plan Workbook

Wāhanga Tuatoru:
Ngā Whakatupuranga Hanganga

Module 3:
Property Investment

Contact Delivery

Programme Developers and Authors

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Introduction to Lesson Plan Workbook 3

How to Use this Lesson Plan Workbook

This workbook contains instructions that tell you what you need to do to complete this Module of the programme. It consists of five lesson plans, which give you guidance as to how you are to spend the hours of learning associated with each of the five weeks of the Module. (Note that these hours of learning are summarised on the following page).

There are two parts to each of the lesson plans in this workbook: The 'Core Lesson Content' and the 'After Lesson Activities'. These are explained further below.

The 'Core Lesson Content' Component of the Lesson Plans

The core lesson content is the programme content that will be covered in the 3-hour weekly classes that you are required to attend. It is useful to review this content before you attend each class. This will assist with your understanding of the content and will provide you with an opportunity to identify any questions that you may wish to ask during class time.

The 'After Lesson Activities'

The second part of each lesson plan in this workbook is titled 'After Lesson Activities'. As the name suggests, this section provides guidance on how you should allocate time associated with the programme *outside* of the 3-hour weekly classes. It shows the amount of time that should be allocated to review the core lesson content as well as to complete your assessments and gives suggestions of activities that you can do to support your learning. For example, it will specify which activities within the Activity Workbook will reinforce what you have learnt during the core component of the lesson.

To summarise, the 'After Lesson Activities' specify:

- When to complete parts of the **Activity Workbook**.
- What other **Activities and Readings** are recommended.
- How much time should be allocated to **reviewing core lesson content** and **completing assessments.**

To get the maximum value out of this programme, it is recommended that you complete all of the 'After Lesson Activities' for each lesson, before you move on to the next lesson within the programme.

Note that you do NOT have to hand the after lesson activities (e.g. your Activity Workbook) in to your tutor to be marked. These activities are only used to support your learning and will not be assessed.

Hours of Learning

The hours of learning for this five-week Module are as follows:

Learning Format	**Hours**
Lesson Plans *(five 3-hour lessons)*	15
Lesson Review & Completion of Assessments	75
Activity Workbook	25
Recommended Readings and Activities	25
Support Workshops	10
TOTAL HOURS	**150**

Explanation of Learning Hours

Core Lesson Content **3 hours per week**

The core content of this programme is delivered in one 3-hour class per week. Content will be delivered in an interactive manner and will be reinforced with group activities.

Lesson Review & Completion of Assessments **15 hours per week**

Lesson Review involves spending time during the week reviewing the content of the lesson covered that week and working on assessments. An allocation of 15 hours per week is provided for this. Use this time to make sure that all Module readings are complete, you understand the content of the lesson and your assessments are completed on time.

Activity Workbook **5 hours per week**

You have been provided with an Activity Workbook. After each lesson you should read your 'After Lesson Activities' instructions to see which workbook activities you need to complete during the week. These activities will relate to the components of the Module covered during the lesson. Therefore, if you are having difficulty completing an activity, refer to the section(s) of the Module covered in that particular lesson. An allocation of five hours per week is provided for this.

Recommended Readings and Activities **5 hours per week**

The 'After Lesson Activities' components of the lesson plans provide instructions for activities that you can do to reinforce your learning. This may include, for example, finding out more information about some of the content covered in the Module or trialling online tools referred to in the lesson content. Although it is not compulsory to complete these activities, they are designed to improve your understanding of core programme content (which may, in turn, assist you to complete assessments).

Support Workshop **10 hours total**

Throughout the Module, two 5-hour support workshops will be provided for tauira. Please check your programme timetable to see when these workshops are scheduled. These workshops will reinforce core lesson content and will offer support on completing assessments.

Lesson Plans

Lesson Plan 1

☐ (*Tick when lesson is complete*) Date Completed: _____

Core Lesson Content

Core Learning Outcomes Covered

- Demonstrate an understanding of the New Zealand property market and of the basic features of property as an investment strategy

Component of Module

- Section 1: The New Zealand Property Market

Assessment

- The following components of Part One of Assessment 1: Understanding Property Investment:
  - Task One
  - Task Two (Question 3 only)
  - Task Three

After Lesson Activities

Lesson Review & Completion of Assessments

Spend approximately 15 hours reviewing content covered in the 'Core Lesson Content' and completing the specified component(s) of the assessment before the next lesson.

Activity Workbook

Complete the following activities in your Activity Workbook:

- Activity 1: Property Market Trends Quiz (1 hour)
- Activity 2: Residential or Commercial? (30 min)
- Activity 3: Investment Type Crossword (30 min)
- Activity 4: Property Terms Word Find (1 hour 30 min)
- Activity 5: Terminology Word Scramble (1 hour 30 min)

Recommended Readings and Activities

- **Activity: Understanding Market Forecasts** (2 hours)

  Economist forecasts of the property market are often reported in newspapers, on the television and online. In these forecasts, economists discuss how they expect changes in the economy to affect property market prices. Also commonly found in newspapers, etc. are economist views of current and past property market trends. For example, if prices have fallen, economists will explain what they believe has caused this to happen.

  Find at least one example of an article in which either a forecast or an explanation of current / past prices is given. Then, try to understand the reasons given by the economist for changes in property market prices by drawing supply and demand graphs.

- **Activity: Commercial Property Opportunities** (3 hours)

  Research the commercial property investment opportunities available in your area or a city / town that you are familiar with. Compare the asking prices for these properties to those of residential properties in the area.

  See if you can find information about the rental prices for these commercial properties and also compare these to rents for residential properties.

  Think about the location of each commercial property, the quality of the building and the intended business use – how easy do you think it would be to find tenants?

  Use all of this information to evaluate whether there are any commercial investments available in your area that you think are likely to provide good financial returns for the level of risk you think is involved.

Lesson Plan 2

☐ (*Tick when lesson is complete*) Date Completed: _____

Core Lesson Content

Core Learning Outcomes Covered

- Understand and evaluate home ownership options in given situations

Component of Module

- Section 2: Your Own Home

Assessment

- Part One of Assessment 2: Home Ownership

After Lesson Activities

Lesson Review & Completion of Assessments

Spend approximately 15 hours reviewing content covered in the 'Core Lesson Content' and completing the specified component(s) of the assessment before the next lesson.

Activity Workbook

Complete the following activities in your Activity Workbook:

- Activity 6: Rent or Own? (50 min)
- Activity 7: Deposit Calculations (40 min)
- Activity 8: Home Buying Checklist (1 hour)
- Activity 9: Fill the Gaps (30 min)
- Activity 10: The 'Why?' Building Quiz (1 hour 30 min)
- Activity 11: Home Ownership Terms (30 min)

Recommended Readings and Activities

- **Online Activity: The 'Rent or Buy?' Calculator** (30 min)

  Check out the 'Rent or Buy?' calculator on the Consumer Organisation's website. You can find it at http://www.consumer.org.nz/reports/mortgages/rent-or-buy. This calculator is designed to compare the financial implications of buying and renting over a period of 20 years.

  Try using this calculator by entering either:

  - purchase details for your current home (if you own it), or
  - details regarding the amount that you would most likely spend if you were to buy a house, in the 'Buying' section of the calculator.

  Then, in the 'Renting' section of the calculator, either enter:

  - the current amount of rent you pay (if you are currently renting), or
  - the amount that you are likely to need to pay if you were to rent a house in your area (if you already own your home).

- **Activity: Calculating Loan Affordability** (30 min)

  Estimate how much you can afford to borrow to purchase either a home or an investment property. Do this by:

  - using the 'one-third' rule, as well as by
  - examining your budget, to figure out how much you can afford to contribute towards a mortgage each week.

  Then use the table given in Section 2.2 of the Module to estimate the value of the mortgage you can afford.

  If the value of the mortgage is likely to be larger than $300,000 (the maximum amount shown in this table) or if interest rates are quite different from those shown in the table, try working out how much you can afford by using the Mortgage Repayment Calculator on the Sorted website (www.sorted.org.nz).

- **Online Activity: The Mortgage Repayment Calculator** (1 hour)

  Use the Mortgage Repayment calculator available on the Sorted website (www.sorted.org.nz) to get a good idea of how much you can afford to borrow for a house. Try using several different interest rates to look at how interest rate changes may affect what you can afford.

- **Online Activity: Your Property Comparison Checklist** (1 hour)

  Use an online tool, such as the one given on the website www.housepoints.co.nz, to create your own property comparison checklist that you can use when house hunting to evaluate your options. If you already own a house, create this checklist for the purpose of evaluating investment properties.

- **Activity: Local Property Lawyers** (1 hour)

  Research which lawyers, in your area, are property specialists. There are several ways of doing this.

  You can, for example:

  - visit the website www.propertylawyers.org.nz.
  - review lawyer advertisements in the Yellow Pages.
  - visit the websites of various lawyers in your town.
  - ask friends and family members.
  - contact lawyer offices to ask them directly if this is an area of expertise.

  Once you have done this, create a shortlist of lawyers that you are most likely to consider using if you were to buy a house.

- **Activity: Lending Criteria** (1 hour)

  The lending criteria and process for lending is quite different depending on whether you are buying an existing house or are building one from scratch.

  Get information from your bank about their lending criteria and processes for getting a mortgage to build a house.

Lesson Plan 3

☐ (*Tick when lesson is complete*) Date Completed: _____

Core Lesson Content

Core Learning Outcomes Covered

- Identify and analyse mortgage options

Component of Module

- Section 3: Mortgages

Assessment

- Part Two of Assessment 2: Home Ownership

After Lesson Activities

Lesson Review & Completion of Assessments

Spend approximately 15 hours reviewing content covered in the 'Core Lesson Content' and completing the specified component(s) of the assessment before the next lesson.

Activity Workbook

Complete the following activities in your Activity Workbook:

- Activity 12: Mortgage Features (1 hour)
- Activity 13: Getting the Right Mortgage (1 hour)
- Activity 14: The Impact of Time (1 hour)
- Activity 15: Mortgage Crossword (30 min)
- Activity 16: Mortgage Quiz (1 hour 30 min)

Recommended Readings and Activities

- **Activity: Mortgage Type Analysis** (1 hour)

  Review each of the types of mortgages presented in your module. Make notes about how suitable (or unsuitable) each of these is for your situation.

  Which type of mortgage do you think is most suitable and which do you think is least suitable? Why?

- **Online Reading: Fixed or Floating?** (30 min)

  Read the Westpac article which contains tips about choosing between fixed and floating interest rates, available online at: http://www.westpac.co.nz/olcontent/olcontent.nsf/AttachmentsByTitle/Wondering+about+interest+rates/$FILE/Wondering+about+interest+rates.pdf.

- **Online Activity: Current Interest Rates** (30 min)

  Visit the website www.interest.co.nz to compare mortgage interest rates currently offered by various lenders in New Zealand.

  Once on the website, simply look under the 'Borrowing' section of the site to find the page containing mortgage interest rates.

  - Which banks / lenders offer the best fixed rates?
  - Which offer the best floating rates?

- **Online Activity: Non-Bank Lenders** (1 hour)

  There are two types of mortgage lenders – banks and non-banks. Remember, non-bank lenders may include insurance companies, credit unions, building societies, finance companies as well as other lenders such as New Zealand Home Loans.

  Search online to find out who the non-bank lenders are in New Zealand. One way to identify these organisations is via the www.interest.co.nz website which lists interest rates offered by the various lenders.

  Once you have identified a number of non-bank lenders, visit their websites and identify which, if any, appeal to you. Which lender are you most likely to get a mortgage from? Is this lender a bank or a non-bank lender? Why would you choose this lender?

- **Activity: Mortgage Protection Insurance** (2 hours)

  Is mortgage protection insurance right for you? To work this out:

  - Gather quotes for mortgage protection insurance, as well as for other types of insurance that will cover your mortgage if something happened to you (e.g. term life insurance).
  - Then compare the costs of each type of insurance to the benefits provided.

  Which option do you think is right for you? Why?

Lesson Plan 4

☐ (*Tick when lesson is complete*) Date Completed: _____

Core Lesson Content

Core Learning Outcomes Covered

- Demonstrate an understanding of the New Zealand property market and of the basic features of property as an investment strategy
- Demonstrate an understanding of using leverage to purchase property
- Demonstrate an understanding of key considerations in, and components of, the process of purchasing investment properties

Component of Module

- Section 4: Property Investment Strategies

Assessment

- The following components of Part One of Assessment 1: Understanding Property Investment:
  - Task Two (Questions 1 and 2)
  - Task Four
- Part Two of Assessment 1: Understanding Property Investment
- Part Three of Assessment 1: Understanding Property Investment
- Task Thirteen in Part Four of Assessment 1: Understanding Property Investment

After Lesson Activities

Lesson Review & Completion of Assessments

Spend approximately 15 hours reviewing content covered in the 'Core Lesson Content' and completing the specified component(s) of the assessment before the next lesson.

Activity Workbook

Complete the following activities in your Activity Workbook:

- Activity 17: Paea's Rental Yields (1 hour)
- Activity 18: Investment Return Facts (1 hour)
- Activity 19: Leveraging Equity (1 hour)
- Activity 20: Paora's Property Portfolio Plan (1 hour)
- Activity 21: My Ideal Tenant (30 min)
- Activity 22: Property Purchase Rationale (30 min)

Recommended Readings and Activities

- **Online Activity: Local Market Rents** (30 min)

  Visit the 'Market Rent' section of the Building and Housing Group website to get information about average rental prices for homes in your area.

  - Are these the rental prices you expected?
  - Did you expect the average rent to be higher? Lower?

- **Activity: Yield Spreadsheet** (1 hour 30 min)

  Create a computer spreadsheet that you can use to quickly calculate estimated yields for potential investment properties.

  Try to make this spreadsheet look like the example tables given in your Module for calculating yields. That is, down the left hand column, write headings such as 'Gross Annual Rent' and 'Annual Costs', and along the top row, write 'Property 1', 'Property 2', etc.

  Your spreadsheet should then be set up to automatically calculate the yield based on figures you enter. If you are not familiar with how to use a spreadsheet, ask someone for help.

  Once you have created your spreadsheet, try using it – identify several different properties for sale in your area and estimate details relating to the rent and costs to enter into the spreadsheet.

  Which property is expected to provide the best yield?

- **Activity: Investment Property Checklist** (2 hours)

  Create a checklist that you can use to evaluate investment property options. Make sure this checklist identifies critical 'must-have' features for an investment property.

  Once you have done this, look through real estate advertisements (e.g. in the newspaper, online or at real estate agencies) to identify properties that meet your base 'must-have' criteria.

  Next, estimate:

  - the yield for each of these properties, and
  - the capital gains you might get over the next 5, 10 or 15 years.

  Are you interested in visiting any of these properties?

- **Activity: Auction Time!** (1 hour)

  It is possible that, one day in the future, a house you are interested in purchasing may be being sold by auction. Prepare yourself for this possibility by experiencing what it is like to be at an auction.

  Simply identify an auction in your area (perhaps by going to a real estate agency and asking when and where the next auction is) and go along to it.

  Then ask yourself – do you think you would cope well in an auction environment? Would you need a support person or someone to bid on your behalf?

Lesson Plan 5

☐ (*Tick when lesson is complete*) Date Completed: _____

Core Lesson Content

Core Learning Outcomes Covered

- Demonstrate an understanding of key issues involved with maintaining and selling investment properties

Component of Module

- Section 5: Property Management

Assessment

- Part Four of Assessment 1: Understanding Property Investment

After Lesson Activities

Lesson Review & Completion of Assessments

Spend approximately 15 hours reviewing content covered in the 'Core Lesson Content' and completing the specified component(s) of the assessment before the next lesson.

Activity Workbook

Complete the following activities in your Activity Workbook:

- Activity 23: Self-Management Assessment (30 min)
- Activity 24: Maia's Tenants (1 hour)
- Activity 25: Property Management Quiz (1 hour)
- Activity 26: Sale Methods: Who Benefits? (30 min)
- Activity 27: Pricing My House (2 hours)

Recommended Readings and Activities

- **Activity: Find a Property Manager** (2 hours)

  Who is the best property manager for you?

  Decide who you would get to manage your investment property (if you were to have one). This could be yourself, a friend or family member, or a professional property manager.

  Research the various property managers in your area and find out what services they provide, and at what cost. Ask other people for recommendations.

  Even if you already have a property manager, complete this activity to see who else is available and to check that you are happy with your current property manager.

- **Online Activity: Building and Housing Group Resources** (1 hour)

  The Building and Housing Group website, available at www.dbh.govt.nz, has a section devoted to tenancy. This section contains information that is relevant to both landlords and tenants. Through this website, you can access the forms required to fulfil your obligations as a landlord, as well as other useful templates.

  Spend time getting to know the content of this website and downloading any forms that you think will be useful to you in the near future.

- **Activity: Find a Real Estate Agent** (2 hours)

  Now it is time to decide which real estate agent you would like to use if you were to sell a property.

  First decide if you would sell privately or through an agent. Then (if selling through an agent) consider which agencies you would list with.

  Speak with friends and family for recommendations and find out details regarding fees. Who would you choose and why?