Life is a Holiday by the Seaside
Dolf de Roos

A hundred years ago, in 1900, the Western World was essentially an agrarian society. In the United States, for instance, a significant proportion of the population worked on the land, producing 80% of the food consumed (the deficit was imported fromabroad). By the year 2000, only 4% of the population worked on the land, producingmore than 120% of the food consumed (the surplus is now exported).

The change that permitted a mass exodus from the land (rural living) to cities (urban living) was mechanisation and automation. A tractor could plow as much in a day as 100 men with oxen or horses. Refrigerated trucks and ships enabled the transportation of food to new markets where previously that food would have spoiled en route. “Crop-duster” airplanes for aerial spraying and fertilising could achieve in an hour what would have taken a week, one hundred years ago.

Every operation became much more efficient, eliminating the time-consuming human component. Of course, the people no longer required to work the land were not relegated to the unemployed heap. On the contrary, vast armies of workers were required to design, prototype, commercialise, manufacture, assemble, test, deliver, install, service and maintain millions of tractors, trucks and airplanes, to name but a few of the manufactured goods that typify the move away from an agrarian society.

And so there was a slow but consistent shift in populations away from the rural sector to cities where manufacturing was concentrated. Some cities were so dominated by one or two main industries that they are still associated with that industry, such as Detroit with cars, Pittsburg with steel, Hollywood with movies, Blackpool with coal, Mt Isa with mining, Zurich with finance, and Milan with fashion.

Note that people didn’t just drift from the land to end up congregating in these places, and then spontaneously decided to start an industry there, such as making cars in Detroit. Rather, the (initially) nascent industries attracted workers from the land as employment opportunities rose in the new industries while they fell on the land.

In other words, part of the reason why cities grew the way they did in the 20th century is that the dominant industries were hungry for more and more workers, who had to live near their place of employment.

However, the world is changing once again. All the industries which required armies of workers during the last century are themselves being automated and mechanised. Assembly plants now exist that are entirely run by robots. Financial trading houses that once had hundreds of brokers running around and interacting with scraps of paper, shouts, hand signals, and other cues, now are entirely computerised. Movies have been produced entirely inside computers, and trains exist that are fully automated and do not even have a driver.

In addition to this phenomenal wave of automation, communications technology (epitomised by the internet) has permitted both incredible mobility (you can call the office on your mobile phone while driving to the ski-field) and an incredible stay-athome power (you can video conference for two hours with co-workers from around the world instead of having to each spend 4 days travelling to meet each other).

And here is the point. The reason why people came together to live in big, sprawling cities (which, as a result, became overcrowded, polluted, crime-infested, and short on resources such as water and open spaces) has disappeared. No longer do the masses need to live on each others' doorsteps, so to speak. No longer do we have to congregate within an easy commute of our erstwhile places of work. For increasing proportions of the population, through the judicious use of communications technology, we have the freedom to live where we want.

Just hold this thought, for a moment: we have the freedom to live where we want. And now go back to your childhood, and try to think of where everyone wanted to go to for their summer vacations. Nine out of ten friends and acquaintances that I have asked this question answer: "To the beach!" or "To the seaside!". All of the holiday resorts from my memory were at the beach: Schreveningen in Holland, Kortrijk-aan-Zee in Belgium, St Tropez in France, Brighton in England, New Brighton and Sumner in New Zealand, and the Gold Coast in Australia.

The allure of the seaside is varied and deep-seated. For a start, the scenery is usually far more interesting – and certainly more alive – than at inland locations. Sunrises or sunsets over water are coveted by vacationers everywhere. Secondly, recreational activities abound by the sea. Activities such as surfing, diving, swimming, fishing, boating, boogie-boarding, and whale-watching all require water, while land-based activities such as hiking, biking and camping, or air-borne activities such as hanggliding and paragliding can also be done at the seaside (with, some would say, enhanced views).

Those still in the work-force who are no longer shackled to their place of employment may seek to live by the seaside. Another category may also want to move there: the vast and burgeoning masses of retired people, including the bulge of baby-boomers who are headed for retirement.

Therefore, it is my contention that in the coming years, the value of seaside real estate is going to rise much faster than the comparable value of inland real estate. And this trend has already started to happen world wide. In the United States, the top 100 seaside counties have had population growths 50% higher than the national average since 1993. I imagine the statistics are similar in other countries.

Bear in mind that with a higher than average population growth, property values will also rise faster than average. And remember, if property values nationwide have gone up by say 10% on average, and you are getting better than average, then you are doing all right! So often people ask me where they should buy. I know a lot of these questioners do not want a general answer; they really want me to take them by the hand, show them a property, and have me say: “Buy this one, I will personally guarantee and underwrite your purchase!”.

Well, tough luck! I’m going to give you a generalisation, and it is this: Buy judiciously, using all the techniques and tips I give out in my column and in my books, tapes and software. But look closely at the seaside. Even if you do not want to live there yourself, the vast masses do. Mark my word: seaside properties will (in general!) rise in value faster than average.

Successful investing!

Who wants to be a Millionaire?
Dolf de Roos

All over the world people are enthralled with the American (and Australian) TV program “Who wants to be a Millionaire?”, where, by answering a series of questions correctly, the contestant can walk away with a million dollars. No doubt a lot of the excitement about this show is the subconscious desire by everyone to be a millionaire.

In fact at my seminars, when I ask the audience: “Who wants to be a millionaire?” just about every hand goes up.

So assuming that you, the reader, also like this notion, I now challenge you to answer the following question: What is the definition of a millionaire?

I also know from having asked this question many times, that not many people have a clear idea. Some will say: “A millionaire has a million dollars!”. Well, that’s a simple answer, but if you have your total assets of a million dollars in your pocket, and you also have a debt to the bank of $2m, then you are not necessarily enviably well-off.

What if you were to say that a millionaire has a **net worth** of a million dollars. This is probably most poor people’s (those who are not millionaires!) definition of a millionaire. Well, a net worth of a million dollars for your great-grandfather in 1910 would have meant a lot more than a net worth of a million dollars today. Through the ravages of inflation the value of money goes down, and a million dollars is worth less and less. Depending on where you live, a net worth of a million dollars, while infinitely better than a net worth of nothing, does itself not indicate the ability to live it up. And what if your net worth is made up of a home worth $4m, with a mortgage of $3m on it? You would still be paying interest of around $300,000 per annum on the loan, and even if your annual income was a whopping half million dollars, by the time you paid your taxes, basic necessities and the mortgage interest, you would have little left over for the luxuries of life.

Well, in that case we could say that a millionaire is someone who can put his hands on a million dollars of cash. When you consider that the average person in the Western World, on retirement, can barely put his hands on $12,000 cash, then being able to uplift $1,000,000 surely is significant? Possibly, but the moment you invested it to try to increase it, you would, by your own definition, no longer be able to put your hands on it, and therefore you would no longer be a millionaire. That leads us to the next level…

What if we said that a millionaire was someone who had an annual income of one million dollars? Surely that’s significant? Surely such a person is over-the-top rich? Again, it depends. Depending on where you live, the job you have (if you have one!) and therefore the professional indemnity insurance premiums that you must take out, and a myriad of other factors, a million dollars of annual income may or may not seem a lot.

So how about this for a definition… a millionaire is someone who, on a whim, can put a million dollars of spare cash into a venture, and if the venture falls over and the "millionaire" loses his money, he merely shrugs his shoulders and looks for the next venture to put more money in, without lamenting that he has been financially ruined. Surely such a person truly is a millionaire?

By any of the three definitions described above, the inheritors were millionaires. We could even say they were millionaires many hundreds of times over, but let's just keep things in perspective, because by the last two definitions above, they were not only hecto-millionaires, nor even mere deca-millionaires, but not even plain, vanilla millionaires.

Think about this carefully. They had hundreds of millions of dollars worth of land, but essentially no income or money in the bank. Their question to me was basically: "How can we become millionaires? We have all these assets, but not the financial means to better our families the way we should be able to, given our asset base".

Before you simply write their predicament off as academic self-indulgence, let me ask you what would you do? You see, if you do not have an answer, then you are a lot worse off than they are, for not only are you equally at a loss as to what to do with such an asset base, but even if you had it you still wouldn't be able to turn it into cashflow! They at least had the courage to ask someone. And don't you think that one way or another, they should have the financial clout to bring in expert advice?

To say they should simply sell the land is of course facile, as they may have a familial or cultural attachment to the land, just like you may have an attachment to your jet-skis or your holiday home that on purely financial terms you should sell (you could rent jet-skis or holiday accommodation for much less than the annual cost of holding these assets).

So how about a joint-venture, where you as land-holder supply the land, and the j.v.-partner supplies the technology and/or expertise to produce a new crop (such as chestnuts), or provides a new tourist facility (such as Euro-Disney in France), or a private highway (perhaps with no speed-limit, such as in Germany). Then again, you could sell off some of the land, to give the cash needed to invest in an income producing project to spin off cashflow.

You see, being rich isn't just about assets. It's mainly about CASHFLOW. Land is an asset. So are your skills, ideas, and drive. Life is about turning assets into cashflow. Which brings me to my final definition of a millionaire. A millionaire is someone who knows how to use the real estate between his two ears, and turn it into something that generates lots of cashflow.

And a final word: your purpose in life is not to collect the most dollars, but the most happy memories…

Richer than the gold of kings
Are memories of happy things.