# If property falters, consider gold

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For those who have been gleefully watching property prices soar in recent years, and for those left wondering whether they will be able to afford a home, the news is the same: real estate prices are likely to remain very flat in the short term before declining, predicts Sebastien Leblond, a senior adviser of Financial Partners International (FPI).

He and others believe the property market is due for a correction in many parts of the world, beginning with the United States and also in England and Australia. Inevitably, Thailand will be affected.

"The thing that will make the property market go down in my opinion is basically people getting into debt. The percentage of debt per family is rising dramatically."

Those who are looking for an opportunity to buy property at a reasonable price should search the secondary market, he says. "I think the opportunity will be in the second-hand market because what will happen is that people who bought property, if prices go down then a lot of them will default on their debts, and that will create a market to buy second-hand."

There is a clear advantage to buying real estate, say a condominium, that is already built and whose price is plunging because one would be able to acquire it on value. "Whatever investment you make, in my opinion you should always look for good value for your money. Never pay market price."

Mr Leblond is also bearish about the bond market and the Thai stock market, saying that the former will either stay flat or go down. "And stocks, basically with the political situation at the moment, I would also tend to be negative about them as well. Whatever happens, whether Prime Minister Thaksin gets re-elected or not re-elected, either way I think that will make the market go down."

"Never pay market price," advises Mr Leblond.

The poor sentiment about stocks seems to mainly apply to Thailand because Asia is doing very well at the moment, with currencies also appreciating.

Not all is doom and gloom, though. Mr Leblond says gold and commodities should do well. Analysts he has spoken to indicate that gold in particular should continue to rise for another three years.

Gold's value will climb, he says, because people will be looking for alternatives. "They will be looking for fixed assets, so if property is going down and currency is not doing well, then people will be looking for things they can touch — fixed assets — and gold will be one of those things . . . by default it will basically go up."

All commodities are expected to do well in the near future but those considering diversifying into this market are warned that it is very, very volatile. Despite this, if one has the right people managing a commodities portfolio, then a return of as much as 20% per year can be expected.

In making investments in some other markets there is an option to select the preferred currency and Mr Leblond says the most promising at the moment is the yen because it is at its lowest rate in many years. The dollar is also low but there are other, more worrisome reasons for this. The euro should stay stable in his view.

In opting to invest in a currency that yields high interest rates, one also has to remember that one could lose a substantial amount of that yield when exchanging the currency back to Thai baht.

Mr Leblond is of the opinion that Thais should invest abroad because of the current political situation. "Diversifying into different currencies and different markets is very good idea, especially now."

He has heard from people who work in private banking that a lot of very wealthy Thais are investing offshore right now. For those of more modest means, though, the law limits one's options to approved foreign investment funds.

But before you take a single step in any asset class, you should plan for financial freedom. This could be for retirement, children's education, to buy a house or basically just to save in general. You need an investment plan based on your risk tolerance, goals and personality.

"It is very easy to understand the philosophy but how do you design a plan that is based on these three, that's the question," says Mr Leblond, who has worked out seven steps to financial freedom, a programme he offers independently from his work with FPI.

The concept is based on climbing a mountain from the first to the seventh camps before reaching the peak. The first camp is where you understand the psychology of money; the second is where your personal profile is created; at the third camp you set your personal goals; at the fourth you comprehend investment terms; the fifth camp is where you apply the 11 proven strategies and formulas; at the sixth you implement your action plan and finally at the seventh camp you stay focused with ongoing coaching.

"So after the programme they can decide to invest with me or they can go and invest with somebody else. The difference is that they will be well-informed and they will be able to make smart decisions for their financial freedom."

How much one needs to be financially free varies from person to person. If a person needs $50,000 per year to live on and has $1 million in the bank that pays 5% interest, then that goal has been met.

"If you are able to raise your return from 5% to 10% for example, then obviously with $1 million you are able to get $100,000. However, that is being overly optimistic because when you are looking to get an income out of your investment, 5% is a realistic rate of return."

But with bank interest rates trailing or barely equalling inflation at the moment, diversifying into other asset classes — if one can handle the risk — is useful.

"So if you invest in the stock market then you can perhaps get 7%, I would say 7% to 9% is a good target, net fees."

Those thinking of bonds should expect a 4% to 6% return.

Those who invested in property a few years ago would be sitting pretty right now but if you invest in the near future, then a rental return of 5% to 10% should be satisfactory.