Going for gold
By Matt Nippert
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It's Monday night at the Spencer on Byron Hotel on Auckland's North Shore, and a red Ferrari is parked conspicuously on the forecourt. The owner, a tanned man in a black and gold shirt with the top button undone to display a thick gold chain, isn't shy about where he got his bling. Sean Wood's Ferrari carries the personalised plate PR0PAT.

Although property-market experts are predicting the housing market is heading for a storm, Wood sees more than a silver lining: he gives the impression the entire cloud is 24-carat gold. "All property has growth," the microphoned Wood tells the 20 people attending his property-market seminar, "Your Questions Answered".

The market, Wood confidently predicts, is "not going to go down".

But first, introductions. Wood is a former real estate agent. "Have you guys heard about Sacramento in Botany Downs? It's been in the news recently," he says. (The development in an Auckland suburb was recently described by the New Zealand Herald as "New Zealand's largest rotting housing disaster".) "I sold 149 of those units," he says proudly. But now? Wood says he's retired and owns 35 properties with a combined value of $15 million.

He puts his success down to involvement in a consortium called Richmastery - and he devotes more time to urging seminar participants to sign up for an $8000 mentoring programme run by the same outfit than answering questions.

Seven figures of wealth can be yours, too, he says. Trevor Moore, a Richmastery mentor, talks of former clients "driving Porsches and buying gin palaces in Westhaven". In Auckland alone, they say, around 200 people have signed up.

How do they make megabucks? Wood blitzes through a hypothetical example on a whiteboard. Take $200,000 in equity from the family home and convert it into a $100,000 revolving-credit facility.

Use that credit as a deposit on a property, spend $10,000 on renovations that miraculously improve the property's value by $60,000, remortgage based on revised valuations to extract your equity, and then repeat the process again - and again.

He advocates using different banks for each mortgage to prevent lenders baulking at the mushrooming debt, and says people shouldn't repay principal and shouldn't be afraid of mounting loans.

"There's no point paying principal," he says, because that means you're borrowing less than your potential maximum.

You can live on ever-rising equity, says Wood. "You use debt to pay debt. Simple as that." After protecting the family home in a trust and setting up a loss-attributing qualifying company to write off income tax, the system is foolproof, says Wood.

"A deal like that will keep you safe forever. You won't lose your pants." Cautious words from the media about declining property prices putting highly geared individuals into negative equity are bunkum, he says. "What's the market doing? It's not what the newspapers say, because they're written by reporters, re-poor-ters," he says again with emphasis.

They write what they're told about what they don't understand." What Wood does understand is Richmastery, and the benefits of the mentoring programme, available tonight only for the special price of $6995 or six easy monthly payments of $1415, including a $500 administration fee. The package includes six hours of one-on-one consultation and plenty of phone calls with folks like Wood and Moore, plus monthly meetings and a Christmas party.

And for those not willing to fork out four figures, there's always the three-day Richmastery Property Academy (cost not disclosed) or membership of Club Richmastery for $49.99 a month.

Also marketed on the organisation's website is a slimming pill under the brand name HealthRich

Weight Mastery.
This training is well worth it, says Wood. "I still spend $10,000 to $15,000 a year on training myself. I continue going to seminars, Tony Robbins and all that stuff." Richmastery is run by a former electrician, Phil Jones, and the man and his organisation have their share of critics.
In 2004, the Advertising Standards Authority labelled Richmastery advertisements as "misleading and completely unacceptable". Seminars that promised participants money-making secrets were in fact teasers for courses costing many thousands of dollars.
Following an initial warning in 2004, the Consumers' Institute reissued the following in 2006: "We advise extreme caution in dealing with Richmastery and Phil Jones." Neil Jenman, an Australian-based real estate commentator who has been tracking Richmastery since its inception in 2001, is more forthright: "Loading debt upon debt? We're talking about financial Titanics."
Meanwhile, back on the North Shore the three-hour seminar is over, signalled by the distribution of photocopied property-mentoring order forms (they take cash, cheques, Amex, Diners, MasterCard and Visa).
Of the audience, a mixture of suit and singlet-wearers, a few are interested.
A redhead named Geoff, however, heads for the door. He says he's shortly taking over a rental property, and rising interest rates are a problem. "There's a gap between how much I'm getting in rent and the mortgage payments. I was hoping to find a few strategies to make up the difference," he says.
Did he get the answers he was looking for? "No."