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REAL ESTATE  
INVESTMENT SEMINAR

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EVERYTHING YOU NEED TO KNOW BEFORE YOU  
PURCHASE INVESTMENT PROPERTY

*Presented By:*

Your Logo Here

# ! CAUTION !

The information presented in this seminar is not intended to eliminate consultation with a qualified real estate investment broker. Real estate contracts and laws are continually changing. You are advised to consult competent legal, accounting and inspection professionals, as well as to retain a qualified real estate broker to represent you in any real estate transaction.

# REAL ESTATE INVESTING MAKES MORE SENSE TODAY THAN EVER BEFORE:



- ❖ Stock market has become less reliable than ever
- ❖ Low interest rates make it easy to begin
- ❖ Wide varieties of loan options now exist, such as interest only and zero down.

# REAL ESTATE INVESTING MAKES MORE SENSE TODAY THAN EVER BEFORE:



- ❖ Downturn in the economy provides an abundance of properties
- ❖ More than 90% of millionaires in America made their money in real estate!

# WHY IS REAL ESTATE A GOOD INVESTMENT?

- ❖ **Capital Appreciation** - Real estate investing offers a high rate of return.
- ❖ **Security** - In the long term, real estate has shown a consistent increase in value, even when the economy is unstable.

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# WHY IS REAL ESTATE A GOOD INVESTMENT?

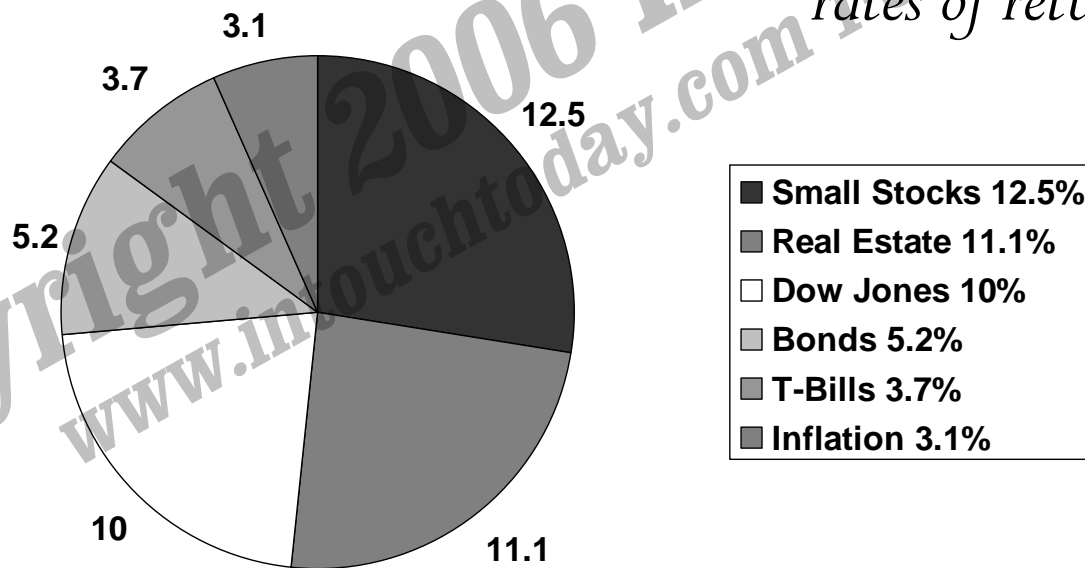
- ❖ **Tax Shelter** - There can be tax deductions associated with the purchase of real estate.
- ❖ **Cash Flow** - Real estate can generate consistent cash flow.

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# WHY IS REAL ESTATE A GOOD INVESTMENT?

Excerpt from an article in the Wall Street Journal:

*Stocks vs. Other Investments Average annual rates of return, 1926-1996*



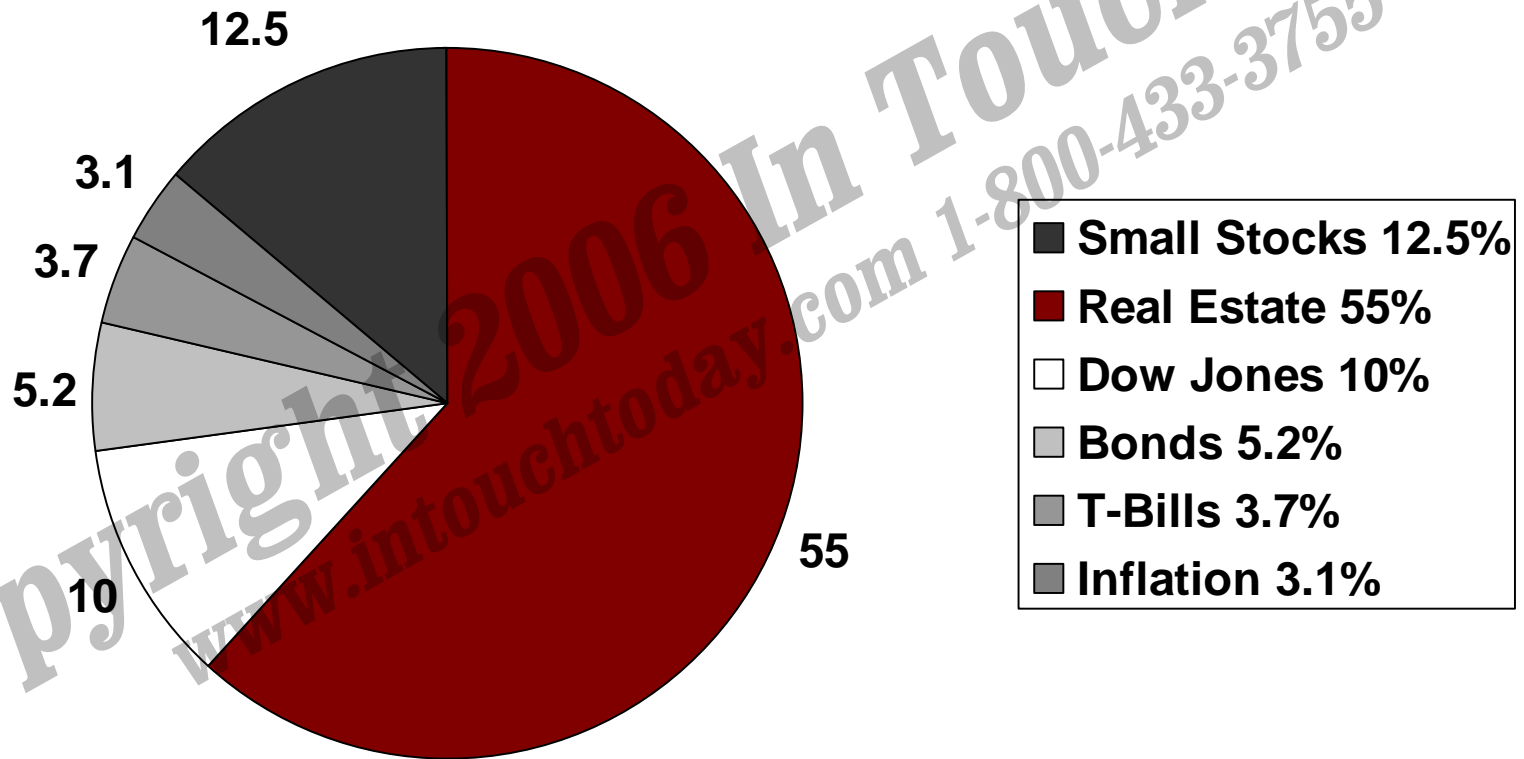
# BUT WHAT INFORMATION IS MISSING FROM THOSE STATISTICS?

## LEVERAGE!

Those figures assume you did not mortgage the property. If you leveraged the investment, and put only 20% down, the statistics would actually look more like this:



# BUT WHAT INFORMATION IS MISSING FROM THOSE STATISTICS?



## CONSIDER THIS EXAMPLE:

*Investor A* purchases a \$200,000 property and pays the entire amount in cash.

Property *appreciates* 8% over the first year.



# CONSIDER THIS EXAMPLE:

Investor A has *made*  
*\$16,000*

Based on his \$200,000  
investment — *8% ROI*



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## CONSIDER THIS EXAMPLE:



*Investor B* purchases a \$200,000 property and puts \$20,000 down, mortgages \$180,000

Property *appreciates* 8% over the first year.

## CONSIDER THIS EXAMPLE:



Investor B has *made* \$16,000

Based on her \$20,000

investment — **80% ROI!!!**

# REAL ESTATE IS ONE OF THE FEW INSTANCES WHERE INFLATION WORKS FOR YOU

The effects of 3% inflation on a \$36,000 salary:

End of Year	Amount
1	\$37,080
2	\$38,192
3	\$39,338
4	\$40,518
5	\$41,734
6	\$42,968
7	\$44,275
8	\$45,604
9	\$46,972
10	\$48,381

**Total increase: \$12,381**

# REAL ESTATE IS ONE OF THE FEW INSTANCES WHERE INFLATION WORKS FOR YOU

Now consider the effects of 3% inflation on a \$250,000 property:

End of Year	Amount
1	\$257,500
2	\$262,225
3	\$273,182
4	\$281,377
5	\$289,819
6	\$298,819
7	\$307,469
8	\$316,693
9	\$326,193
10	\$335,979

**Total increase: \$85,979!**

# WHY IS REAL ESTATE A GOOD INVESTMENT?

## Security

- ❖ Real estate will always be here.
- ❖ Real estate always appreciates over time.
- ❖ In what other investment can you put only a portion down and have a tenant pay off your loan?



# WHY IS REAL ESTATE A GOOD INVESTMENT?

Real estate can shelter other income. You can take deductions for:

- ❖ Expenses related to the business of investing
- ❖ Interest and property taxes
- ❖ Travel expenses
- ❖ Depreciation tax shelter
- ❖ Tax free exchange for more expensive property
- ❖ Capital gains treatment

# WHY IS REAL ESTATE A GOOD INVESTMENT?

## Cash Flow

Whether fix 'n flips, or buy n' holds, the right property with the right financing can cash flow immediately.

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# WILL YOU ENJOY REAL ESTATE INVESTING?



❖ **Do you enjoy interacting with others?**

As a real estate investor, you could find yourself dealing with renters and/or buyers, Realtors, lenders, contractors, and other professionals.

# WILL YOU ENJOY REAL ESTATE INVESTING?

## ❖ Are you organized?

As a real estate investor, it will be crucial that you keep track (accurately) of all the details or you could end up in trouble with the IRS, your renters, and your contractors.



# WILL YOU ENJOY REAL ESTATE INVESTING?



- ❖ **Are you averse to risk?**  
While generally more stable than the stock market, real estate investing can be a risky and stressful endeavor, at least until you learn how to minimize the risks.

# WILL YOU ENJOY REAL ESTATE INVESTING?



## ❖ Do you have the time?

Investing in real estate requires an investment of time as well as money, despite what folks in the late-night infomercials may try to tell you.

# WILL YOU ENJOY REAL ESTATE INVESTING?



❖ Are you handy with a hammer and paintbrush?

If you plan to invest in rehab properties, and can do the necessary repairs and renovations on your own, you'll be able to save money.

# WILL YOU ENJOY REAL ESTATE INVESTING?



❖ **Can you make the hard decisions?**

Are you willing to do what it takes to evict your tenants if they fail to pay the rent?



# SUCCESS REQUIRES A GOOD SUPPORT TEAM

## ❖ Mortgage Consultant

Someone you can trust who can do investment financing



# SUCCESS REQUIRES A GOOD SUPPORT TEAM

## ❖ Realtor

Again, trust is the key factor with these top two members of your team.



# SUCCESS REQUIRES A GOOD SUPPORT TEAM

## ❖ Certified Public Accountant

Look for one who is aggressive, knowledgeable, and who invests in real estate.



# SUCCESS REQUIRES A GOOD SUPPORT TEAM

## ❖ Mentor

Connect with a successful investor who can give you sound advice and a good overview of the process.



# THE FOLLOWING PROFESSIONALS WILL ALSO PLAY AN IMPORTANT PART IN YOUR SUCCESS:

## ❖ Attorney

Ideally one who specializes in real estate deals.



# THE FOLLOWING PROFESSIONALS WILL ALSO PLAY AN IMPORTANT PART IN YOUR SUCCESS:

## ❖ Title or Escrow Company

Your real estate or mortgage professional can recommend a good one.



# THE FOLLOWING PROFESSIONALS WILL ALSO PLAY AN IMPORTANT PART IN YOUR SUCCESS:

## ❖ Insurance Agent

Find one who understands land contracts, landlords, etc.



# THE FOLLOWING PROFESSIONALS WILL ALSO PLAY AN IMPORTANT PART IN YOUR SUCCESS:

## ❖ Contractor

Find one who offers free estimates and has a proven track record of reliability.





## IN ADDITION, YOU MAY ALSO WANT TO LINE UP THE FOLLOWING SERVICE PROVIDERS:

- ❖ Credit Reporting Agencies
- ❖ Inspection Services
- ❖ Structural Inspectors
- ❖ Tenant Screening Services
- ❖ Home Warranty Companies
- ❖ 1031 Exchange Providers
- ❖ Appraisers

## ONE OPTION: SHORT-TERM REAL ESTATE INVESTING

❖ **Best if property values are stable or rising quickly.**

Talk to your Realtor about what he/she expects values to do in the neighborhood you're interested in.

## ONE OPTION: SHORT-TERM REAL ESTATE INVESTING

❖ **This type of investment generally requires renovation and repair.**

If you can do the repairs *correctly* yourself, you can save money. If not, hire someone who can do them or it may end up costing you money in the end.

## ONE OPTION: SHORT-TERM REAL ESTATE INVESTING

❖ **Quick turn around will equal greater profits.**

How quickly can you rehabilitate the property? Will it take months of work or just a few weeks? You'll need to know so you can accurately estimate your profit.

## ONE OPTION: SHORT-TERM REAL ESTATE INVESTING

### ❖ Can you afford to pay the taxes?

Real estate appreciation is taxed as ordinary income, unless it is held for a minimum of one year, at which time it is taxed as capital gains.

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# LONG-TERM REAL ESTATE INVESTING

With this type of investment, you'll essentially become a landlord with tenants.

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# LONG-TERM REAL ESTATE INVESTING

❖ **Best if property values are stable or rising slowly.**

How do the appreciation rates look? Talk to your Realtor about what he/she expects values to do in the neighborhood you're interested in.

# LONG-TERM REAL ESTATE INVESTING

## ❖ Are you willing to act as a landlord?

Unless you hire someone to manage the property for you, you'll have to solicit, interview and select tenants, collect their rent, and deal with their complaints.



# LONG-TERM REAL ESTATE INVESTING

❖ **Rental properties don't have to be "perfect."**

Because you're not trying to sell the property, you don't need to make it perfect. You may be able to rent it out "as is" or with just minor repairs.

# LONG-TERM REAL ESTATE INVESTING

❖ **Owning a home and rental property may entitle you to certain tax breaks.**

Consult with your CPA about how real estate investments may affect your particular financial situation.

# FUNDING YOUR INVESTMENT

A wide variety of financing options exist for investment property owners, such as:

**Adjustable rate mortgage (ARM)** – Fluctuates with the current interest rate. You may want to go with an ARM when rates are high but appear to be dropping.

# FUNDING YOUR INVESTMENT

A wide variety of financing options exist for investment property owners, such as:

**Fixed rate mortgage (FRM)** – Payments remain the same for the 15 or 30 year term of the loan. You may want to go with a FRM when rates are low and your investment is long-term.

# FUNDING YOUR INVESTMENT

A wide variety of financing options exist for investment property owners, such as:

**Assumable Loan** — You may be able to acquire the loan that the seller holds. These include FHA, VA and owner-financed loans.

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# FUNDING YOUR INVESTMENT

A wide variety of financing options exist for investment property owners, such as:

**Interest Only** – This option would allow you to maximize cash flow in a quickly appreciating market.

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# FUNDING YOUR INVESTMENT

A wide variety of financing options exist for investment property owners, such as:

**Blanket Mortgage** – Instead of taking out a mortgage on several separate properties, a blanket mortgage covers all of them.

# ONE INVESTMENT STRATEGY: BUY AND HOLD



- ❖ Good starting point for beginning real estate investors.
- ❖ Purchase the property with the sole intention of renting it.



# ONE INVESTMENT STRATEGY: BUY AND HOLD



- ❖ Rent must be set higher than mortgage payment in order to generate positive cash flow.

# HOW TO DETERMINE CASH FLOW

Principle & interest \_\_\_\_\_

Taxes + \_\_\_\_\_

Insurance + \_\_\_\_\_

PMI + \_\_\_\_\_

PITI = \_\_\_\_\_

Less rent - \_\_\_\_\_

Cash Flow = \_\_\_\_\_

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# ONE INVESTMENT STRATEGY: BUY LOW AND SELL HIGH

- ❖ Purchase a property in a neighborhood with high sales activity.
- ❖ Make necessary repairs and renovations (yourself or through a contractor).



# ONE INVESTMENT STRATEGY: BUY LOW AND SELL HIGH

- ❖ Sell the property for more than what you paid.
- ❖ Your purchasing price must be low enough to allow room to cover your costs for repairs, holding and resale – plus a profit.



# ONE INVESTMENT STRATEGY: BUY LOW AND SELL LOW

- ❖ Often referred to as  
“Flipping” or “Wholesaling.”



# ONE INVESTMENT STRATEGY: BUY LOW AND SELL LOW



- ❖ Purchase (or contract to purchase) a property for a price that is less than what the property is worth. For example, if a property is in the foreclosure process, the title holder (lender) may be very willing to accept less than what is due on the mortgage in order to avoid having to sell a dilapidated property themselves.

# ONE INVESTMENT STRATEGY: BUY LOW AND SELL LOW



- ❖ You can purchase and resell, or even close your purchase and sale simultaneously.
- ❖ Not as profitable as buying low and selling high, but effective as a method of quick cash generation.

# ONE INVESTMENT STRATEGY: PURCHASE OPTIONS

*Some experts consider this to be the highest leverage, lowest risk real estate investment strategy.*

- ❖ Sell your property on a rent-to-own basis to a tenant-buyer.

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# ONE INVESTMENT STRATEGY: PURCHASE OPTIONS

*Some experts consider this to be the highest leverage, lowest risk real estate investment strategy.*

- ❖ The tenant-buyer gives you a sum of money up front for the opportunity to buy the property later (an “option payment”). You may opt to apply a certain amount of their monthly “rent” to the future purchase.

# ONE INVESTMENT STRATEGY: PURCHASE OPTIONS

*Some experts consider this to be the highest leverage, lowest risk real estate investment strategy.*

- ❖ The tenant-buyer is responsible for the day-to-day maintenance of the property, so you have fewer hassles than a traditional landlord.

# HOW YOUR REALTOR CAN HELP

- ❖ What are the rental and resale prices like in the area in which you're interested?

Is the supply outpacing the demand or vice versa?



# HOW YOUR REALTOR CAN HELP

❖ **What is the vacancy rate on the various housing options?**

Condos, townhomes, single family homes, duplexes, multi-plexes, etc.



# HOW YOUR REALTOR CAN HELP

## ❖ How long do properties take to sell?

Keep in mind that there can be a range of reasons why a house sits on the market for a lengthier period – price, condition, etc.



# HOW YOUR REALTOR CAN HELP

## ❖ What types of properties are hot and which are not?

For instance, some Realtors are predicting that, as baby boomers start to age and scale down their properties, the demand for ranch style homes will increase.



# HOW YOUR REALTOR CAN HELP

## ❖ What do buyers and sellers think the market looks like?

It's not uncommon to hear on the evening news about a "poor" economy, but in reality statistics show home purchases are increasing.



# HOW YOUR MORTGAGE PROFESSIONAL CAN HELP



❖ **Become pre-approved before you begin shopping.**

You'll know the maximum mortgage you can qualify for, and you'll have greater leverage when you make an offer (pre-approvals are as good as cash).



# HOW YOUR MORTGAGE PROFESSIONAL CAN HELP



❖ **Think about some creative financing options.**

Refinancing your existing mortgage is just one way to find down payment money for investment property.

# HOW YOUR MORTGAGE PROFESSIONAL CAN HELP



## ❖ Also consider:

Borrowing from your 401K, partnering with another investor, borrowing from friends & family, liquidating less profitable investments.

# PROTECTING YOUR INVESTMENT

## ❖ Limited Liability Company (LLC) or Limited Partnership (LP)

Important because you could be sued by a tenant, guest or even a trespasser for a variety of things. If the court rules against you, they can tap into your bank account, personal possessions, even your own home.



# PROTECTING YOUR INVESTMENT

- ❖ **Under an LLC or LP, liability is limited to the LLC or LP's assets.** A number of states allow an LLC to be formed under one person. An LP requires at least one general partner and one limited partner.



# PROTECTING YOUR INVESTMENT

❖ **An LLC or LP can provide substantial tax benefits.**

Properties under these types of agreements will only be taxed once, and tax on their appreciation will be less than under a C class corporation for instance.



# RULES FOR RENTING

- ❖ **Use caution when renting to friends or relatives.**

It can get even more uncomfortable than usual when it comes to late rent or damaged property.



# RULES FOR RENTING

## ❖ Be aware of the laws.

Know the landlord tenant laws for the state in which you plan to purchase your investment property before you buy. This way you'll be prepared in advance for any unforeseen legal dilemmas.



# RULES FOR RENTING



❖ **Protect yourself against tenants who break their lease.**

Let's say you buy a property in a college town to lease to students. It can be awfully inconvenient to rent a property in the middle of a semester. Include a clause in the lease that will make tenants responsible for paying the remainder of what they owe.



# RULES FOR RENTING

❖ **Don't take partial payments.**

If you take a partial payment once, your tenants will assume you'll do it again.



# RULES FOR RENTING

## ❖ Price to attract the best tenants.

Many successful landlords will tell you they rent their properties for just under market value. It tends to attract good tenants for longer periods of time



# EDUCATE YOURSELF AS MUCH AS YOU CAN

## ❖ Read books

❖ Rich Dad Poor Dad – Robert Kyosaki

❖ Buy & Hold – David Schumacher

❖ How to Get Started in Real Estate Investing –  
Robert Irwin

❖ Find a mentor

❖ Learn as much as you can

# DON'T PROCRASTINATE. JUST DO IT!

For more information:

Your Company Name

Office telephone number

Alternate telephone number

Web site address

Email address

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