There's Never Been A KING Without LAND

Why You MUST Invest in Main Street

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This book is designed to motivate individuals to learn how and why they should invest in real estate for retirement purposes. It is essential to follow the recommendations for further education and to seek professional guidance to minimize the relative risks associated with real estate investing.

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First Edition

I want to dedicate this book to my Lord and Savior Jesus Christ. I pray that the wisdom in this text be a blessing to those to read it and that they may pass this knowledge on for generations.

❧

Acknowledgments

I wish to thank my many supporters who have stood by my side and have kept me motivated through my many life lessons. I wish to especially acknowledge my wonderful wife Darlene, my incredible parents Joseph and Barbara, my loving children Brandon and Bailey, and my GREAT friends (the family that God let me select).

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Why Real Estate

Why Real Estate?

There is no better opportunity than real estate for the average person to become a millionaire in the United States of America.

The proof? More millionaires in the USA have made their money in real estate than in any other area of business.

Real estate is a needed commodity. People need certain basic things just to survive. Air to breathe, water to drink, food to eat, and shelter to protect them from extreme weather.

Well, you can't make money selling air. Good luck selling water. Forget about the restaurant business (the number one business to start and fail in the USA).

But real estate is needed by all, in good times and bad. We all need shelter. When times are good, real estate values soar. When times are bad, real estate values may go down — but they never go to zero.

Unlike most Wall Street products, it's hard if not impossible for real estate to lose all of its value. Even if your house or building burned to the ground and you had no insurance, the land you own would still have value.

Even in bad times people need shelter — so maybe two families share one house. Sounds a bit crazy, but people would rather share a house than sleep in a car or on the ground. Much of the world lives with multiple generations under one roof (key words *under* and *roof*).

Any real estate investment, when executed correctly, has the following characteristics:

❉ - Instant equity (an increase in your net worth)
❉ - Positive Cash Flow (monthly income)
❉ - Lower Taxes (IRS rules insure this benefit)
❉ - Deferred Taxes on capital gains (IRS 1031 exchange rules)
❉ - Passive Income (no work just CHECK$ in the Mail)
❉ - Inflation Hedge (rents go up annually)

❉ - Appreciation (Value increases and/or Debt Reduction)

In summary, you should invest in real estate because it is always in demand, it has the best IRS tax treatment, and it can provide you with passive income with minimal effort or time.

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There's Never Been a KING without LAND

Build your own Kingdom!

Simply start with one house and build from there.

Everyone should own at least two homes: The first house they buy as a starter and the house they upgrade to when their family starts to grow.

Keep that starter house as a rental and let the tenants pay it off for you, and I guarantee you that the income it produces during your retirement will be more than your social security check (if you get one. I hear that they're running out of money).

Real estate investing has been around since the beginning of time. I am certain even cavemen protected their caves. America was founded as a real estate investment. I forget what early Dutch settlers paid for the island of Manhattan (New York City) but that worked out quite well.

As for the rest of the country we traded the Indians casinos for that. (Well, eventually they got their casinos.) During the time of kings and royalty, the common people rented the land where they lived and farmed it for income.

In the USA we had sharecroppers. Now we have Donald Trump and other major real estate players. The good news is there is plenty of room for the little guy. Anyone - I mean **everyone** — can and should start buying real estate as an investment. I promise that in the future people will still need shelter.

<u>According to the National Real Estate Investors Association</u>:

- Approximately 5.8 million homes are sold in the USA every year.

- 28% of these homes are bought for investment income by local real estate investors, totalling $320 billion in sales *every year.*

- Approximately $3.2 billion of these are *seller-financed* transactions.

There are plenty of deals being made every year…
1.64 million deals… every year!
Are you missing the boat?

3

Do you want to be Rich or Wealthy?

The Sheeple Plan that Wall Street has sold Americans is based on accumulating enough money to live off of the interest and dividends in retirement. If it works, you are said to be Rich!

What most financial advisers sell you is a risky accumulation plan. The investments might fail during this accumulation period, so you don't become Rich. Instead you end up living with your kids.

If the plan works (and you become Rich) and all goes well, you still lose!

Wall Street considers their Sheeple Plan a success when you have the *pleasure* of living on 50-60% of your last year of earned income. What typically happens is that, at the time of retirement, you place your money into safe (read: low return) investments and attempt to live off the cash flow.

Since the cost of living continually increases at a greater rate than your returns — medical costs and taxes continue to rise — your income ultimately doesn't support the lifestyle you'd hoped to enjoy and maintain.

The retired person usually discovers this about ten to fifteen years into retirement. With life expectancies increasing steadily, this creates a serious dilemma: Which child to move in with? or Do we eat cat food or dog food?

Long term independent retirement in style rarely happens. You'll ultimately be living a meager existence — *if you are even able to maintain your financial and housing independence.*

Things get worse when one spouse dies and you lose Social Security income. The reverse mortgage is the fastest growing mortgage product as a result of this serious flaw in the Sheeple Plan.

Sadly, the average investor doesn't even flinch when he's told that he'll be living on 50-60% of his last salary. Think about it: You will have **half** the money and **three times** the amount of free time to spend and enjoy it. *Not exactly what you thought the golden years were supposed to be, is it?*

Being wealthy is so much better than being rich. Wealth, as I define it, is when you have more checks coming in the mail than you need to survive and enjoy life.

Additionally, these checks must increase over the years in relation to the cost of living.

I love getting checks in the mail!

Lastly, the taxes on this ongoing income must be as low as low can go.

Hey, my Dad always told me if you are paying taxes, you are making money — but pay as little as possible. The only way to retire this way is to own cash producing assets (C-P-A's). C-P-A's consist of deeded real estate, real estate notes, business ownership (a business you own but do not have to operate daily), and royalties from business ventures.

You need cash-producing assets that you own or control. *Mimimize your risk by owning as directly as possible.*

RISK equals lack of Control

4

What other choices do you have?

Before I start bashing Wall Street, let me give credit where credit is due: Although they sell crappy products for retirement investments, I have to admit that Wall Street is great —I mean **great**— at marketing the crap they sell. (Please forgive my English when I say ‘crap,’ but I go to church on Sundays and don’t want to use the more accurate description.)

There are many things I dislike about what I call the “Sheeple Plan” (I call it that because it seems to me that people are herding like sheep into the Wall Street corral so they can be sheared of their wool - aka hard earned money).

Someone on Wall Street is always paid before you earn a penny, or a dollar, or a percentage, or whatever else they claim you’ll gain. The only guaranteed gain is their commission —or load, or fee, or discounted fee, or management fee, or fee for service — or any other clever term that simply means ”*Wall Street gets paid first, No Matter What!*“

Even high end accredited investors, allowed by our government to buy into sophisticated hedge funds, get screwed. These funds take even more fees than the investments the Average Joe is allowed to make.

Our beloved 401K plans — the ones most Sheeple are convinced are the best thing ever — get charged hidden management fees on top of the fees and loads charged by the mutual funds they invest in. Most people don’t ask about fees — they’re too busy trying to choose which crappy fund to put their hard earned money into — limited to choices made by the commissioned firm their company’s Human Resources department selected.

By Wall Street crap, I mean:

- savings accounts
- non-interest checking accounts
- certificates of deposit
- 401K plans
- whole life insurance products
- stocks

- bonds
- mutual funds
- hedge funds
- most annuities
- IRAs (unless self-directed Roth IRAs used for real estate and other non-Wall Street investments)

These are all crap because of the fees, the risk and/or the limited earning potential. To make matters worse, many set you up for serious future tax consequences.

Besides the fees, most of this crap they sell is RISKY! Hey, I like Las Vegas — for the shows and food — but certainly not as a way to earn money for retirement.

I know we are talking about investments. My point is that Wall Street products, like games of chance, have **serious risk**. Risk equals lack of control. Why take the chance?

You can lose all of your money on some investments, even though someone got paid an upfront or ongoing fee on the money you invested. I prefer having a fair amount of certainty and a better probability of success when it comes to the safety of my money and its rates of return.

Advisors talk about "return on your money." I'm more concerned with RETURN OF MY MONEY! Try asking that advisor if he'll return his commissions if you lose any money. I think not! Read the fine print that states that there is risk with investing, *and that the risk is associated with all of the crap they sell you.*

You can choose some of their far less risky crap, like savings accounts or certificates of deposit. The reason these are crap is that you can't make any real money.

Banks will pay you very little for these safe investments. In fact, returns on these investments are so low that they won't keep up with inflation. This means that your buying power will not be the same with the slightly increased portfolio.

Let me make this point very clear.

The costs of goods that you need to purchase will go up in price more than your investment portfolio. Instead of getting ahead, you will be falling behind.

Safe investing on your part is only good for the bank holding your deposits — that bank paying you point zero percent interest. What your bank is doing is borrowing money from you at point zero percent, *and loaning it to your neighbor at 5% on a new car loan*. A good investment for the bank, not you.

When you purchase real estate, you do not pay a commission … the seller pays a commission if they use a real estate broker. In many real estate transactions, no real estate broker is needed because real estate sales transactions can be completely private. Not even the seller has to pay a fee or commission.

The important point is that you do not pay anyone a commission. You will pay state, city, possibly county taxes on the property transfer, but that's it.

The Sheeple Plan also sets you up for major tax implications in the future. When you invest in a 401K or a traditional IRA, you delay the taxes on the money invested and any earnings on your gains.

Assuming you earn a lot of money of your investments, you will pay the taxes on both invested funds and earning when you're retired and need to draw funds for living expenses.

The RISK and potential problem is that when the salesman sold you their IRA Sheeple Plan, he assured you that you'd be in a lower tax bracket once you retired. With the USA in a state of virtual bankruptcy, how is that plan going to work if you have to pay substantially higher taxes when you draw out your funds?

We are at historically low tax levels in 2012. Our brief history shows much higher taxes when our great nation goes through challenging times. Why would you bet your retirement on an assumption of taxes always being low? That's no safer than taking out an adjustable rate mortgage assuming that the rate will never go up!

PAY YOUR TAX ON THE SEED NOT THE HARVEST

5

The Money Making Mindset

You might consider skipping ahead to the investing chapters, BUT <u>you will miss the real key to success.</u>

I learned that I could lose everything I owned and worked hard to accumulate, but I could never lose what I know how to do. More importantly, I'd never lose the attitude that will allow me to do it all over again, bigger and better.

Science has proven that your mind controls your body. For example, your subconscious mind makes your heart beat, makes you breathe while you're asleep.

The foundation to success in anything and everything is BELIEF.

Belief is the most powerful force on the planet. Anything great ever accomplished was accomplished by someone who already believed they could achieve the great feat — before they achieved it.

At one point in history, science concluded that a man could not run a mile in less than four minutes due to the physical limitations of the human body. The scientists were wrong. In the same year Roger Bannister became the first man to run a mile in under four minutes, another three or four men did the same. That was 1954, and his time was 3 minutes, 59.4 seconds.

What happened was the other men changed their belief because they gained a new perspective. **The feat became achievable because it became believable.**

Belief is controlled by your conscious mind. You choose what you believe. You make choices when you're communicating with yourself. You speak to yourself all day, every day.

STOP and listen to what you say to yourself.

If you say "I can't do that" or "That's too hard," those are beliefs that you have created in your mind.

The key is to listen to what you're saying to yourself, and learn to stop saying anything that is holding you back. You have to learn to replace those negative thoughts to positive ones, to change your beliefs so that you can move towards success that's available to you and everyone who doesn't hold themselves back.

The Bible talks about *"… the power of the tongue…"* and *"… as a man thinketh…"* You have control of your destiny by your faith and belief. If you think you can, YOU CAN (with the right strategy).

If you think you Can Not, then you are already defeated!

I mention strategy because success is not all about positive thinking—not even close. You have to have a plan, and a proven plan is preferable. Find a strategy for whatever goal you want to achieve, then apply persistent action with passion and belief.

When you meet a challenge, adjust your strategy —but not your passion and belief— and ultimately you will achieve success.

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Attitude is EVERYTHING!!!

This section is short but important… and I repeat some important points.

REPEAT AFTER ME:
I CAN… I WILL… I MUST… I TRUST!

Insert whatever goal you have after “I Can,” then “I Will,” then “I Must.”

Look at yourself in the mirror and repeat this with force and passion several times a day for weeks, or until you see your life’s efforts manifest into a continuous assertive effort towards your goals.

The Bible talks about ”*… the power of the tongue...*” and ”*… as a man thinketh...*” The wisdom being shared is about how you think and, specifically, how you talk to yourself.

We all talk to ourselves, but we usually have our mouths closed when we do. We say and think things like

- “I want that.”
- “This is harder than I thought.”
- “I wish I could do that.”

I think you get my point.

The outside world tries to influence what we think or say to ourselves contantly. Every commercial, billboard, magazine cover, newscast, talk show wants to impart their way of thinking onto you. Their goal is to have you saying ”I want that.” “I need that.” “I should do that.”

Your attittude changes when you figure out what you want, and how to get it — and your conversations with yourself become about *how you are going to get it.*

If you really want something (a lifestyle, the ability to give, money, cars, etc.) then you can build a passion for that goal.

We all want things. Most of us don’t know how to stay passionate and focused on those goals. You need to have that ”*how-to*” conversation with yourself on a regular basis to create the passion and maintain the motivation — without being thrown off track by all the crap you take in on a daily basis.

Ask yourself an important question…

What is most important in my life?

Your daily life efforts need to revolve around the answers to this question. If you get focused, you will get results: happiness, satisfaction, bliss, fulfilment…

7

Create a real vision of success

You may have heard or read that having goals is vital to your success.

The difference between a dream and a goal is a deadline.

You need to have goals — and goals are not simply numbers. They're also an outcome.

You need to picture yourself in the movie that you want to star in. You don't have to be a superhero or any kind of hero in this movie, but you need to know exactly how you want your life to be.

If you don't have that vision, you need to think about it. Do not simply have a goal to be a "Millionaire" or the next "Real Estate Mogul."

Money goals should lead you to a lifestyle. Money is a tool you want in your tool box. Decide what you will do with the tool.

Money can be a great servant but is always a terrible master. Don't love money but learn to appreciate how it can be used to gain what you want for your life —and for those you care for most.

Use money to finance a lifestyle of freedom and to enjoy the memories it will allow you to create.

Create a lifestyle vision. For example, envision that you want to have X dollars per month in residual income (passive income) so you can

- take a year off to travel
- write a book
- take vacations every month to anywhere you want
- do charitable hands on work one week each month

Envision an actual way of living that will bring you joy, happiness, to you and others. **To feel financially FREE.**

8

Making REAL Investment$

Investing in REAL estate is REAL is in two ways.

First, you are making investments in REAL assets, not paper. You will be taking ownership or control of something you can touch, whether it is land, or land plus structures.

Real assets tend to have some form of use — like gold can be used for jewelry and real estate for shelter. Unlike paper assets, these usable assets tend to never lose all of their value. However, real assets need to be cared for (unlike a stock or bond).

Secondly, REAL means that means you are really making investments, so you must *evaluate the risks involved*. With real estate, the risk is based on each individual transaction. The risk is reduced by making well-evaluated decisions based on various factors, trends, and ratios.

Since you are purchasing a very specific asset, you must obtain all the details about that purchase:

- price
- total condition
- value (both current as is, and after repairs)
- neighborhood or hood (based on percentage of owner occupants)
- value trends
- market state (based on available properties for rent or sale, their condition, and pricing)

You have to know your product and market. You must also have a strategy for your investments on an individual basis and for your overall portfolio of properties.

There is a saying I use often and live by:

Better to be Slow and Sure, than Fast and Foolish!

This is serious business. You will have cash or credit — and maybe both — on the line in each and every transaction. Your risk compounds as you create an investment portfolio. So look and learn before you leap.

The business of real estate investing is a simple concept, but not nearly as easy as they make it seem on many television shows and infomericals. Nothing great has ever been achieved without some great sacrifice.

Again, look and learn before you leap. Then create a plan and make sure you have all the tools and resources you will need to succeed.

Be prepared to modify your plan as you move forward. *Market changes are certain.*

9

Flipping 101

Yes, I know you want to FLIP 100 houses your first year, just like everyone else who tells me they want to get into this business.

If it were as easy as the television shows make it seem, then everyone would flip houses. I am sorry but it's just not that easy — however, it's very possible.

The first problem I have with flipper shows is that they never show you all the numbers. For example they might say:

We bought the house for $150,000, we invested $50,000 in renovations and upgrades, we sold it for $250,000, so we made $50,000!

WRONG, WRONG, WRONG! It pisses me off when I see these false illustrations.

They never tell you that they had to pay the real estate agents 6% ($15,000) of the $250,000 they sold the home for — or approximately another 4% in closing costs for themselves and the buyer ($10,000).

That would leave a profit of $25,000 and that is only true if they paid ALL CASH (no loan costs or payments), no purchase closing costs, and they has free utilities and lawn care. I doubt that very much.

So, like I said, these shows are a bit misleading but very motivational. These shows might get you excited enough to go buy someone's book or CD course.

Unfortunately, while these books and courses will teach you some things, they cannot teach you your market specifics.

More importantly, they can not answer the real deal questions you'll have while trying to determine if you have a real opportunity in front of you or not.

I must tell you that there is money to be made flipping houses —but it takes the most knowledge and is the most risky form of real estate investing.

Actually, I don't consider it to be a part of the real estate investing category. I consider it to be the BUSINESS of real estate.

In business, you buy a product and resell it just like flipping a house.

In investing, you acquire an asset with the ultimate goal of creating residual cash flow.

Since my little book is not designed to convince you or teach you to get into the business of real estate, let's not get into detail about flipping houses — let's not distract you from the point: Real Estate Investing is a **must** for your retirement portfolio.

Real Estate Investing is the best way to create an ongoing, ever-increasing passive income stream.

10

Buy and Hold 101

The most basic form of real estate investing is to buy and hold rental properties.

The process is simple: Acquire rental properties and then rent them to earn a positive cash flow and benefit from an ongoing monthly income.

Ideally, you want to acquire properties (single family, duplexes, fourplexes and the like) for as little as possible, and rent them for as much as possible, to maximize the return on your investment

Return on Investment: Cash to acquire versus positive rental income minus expenses

This strategy looks great on paper. In reality, this investment strategy has flaws.

Typically, the investor will buy property with a combination of the smallest down payment allowed and a bank loan — using leverage. This leverage allows you to control more assets, since you only have to make the down payment to own an asset worth five to ten times more in value.

Since you can make more investments with the same amount of money, it might seem to make sense to leverage your investments. *This is true only if your actual stratgey has the BEST CASE OUTCOME.* In other words, if everything goes perfectly — you're always 100% rented, properties need little to no repairs, property tax and homeowners insurance increases are minimal.

Before we go further, let's discuss the RISKS involved in real estate investing. We are taking about investing so this is a very important factor to consider.

Whenever you invest in anything, you take a RISK of losing all or part of your money.

In stocks your money is at risk due to the many market factors that you have no control over (CEO decisions, competition, government regulatory changes, globalization, new technologies).

In real estate the risks are more or less based on your decisions such as:

- what property to invest in
- who to rent to
- how much to pay for the property
- what kind of loan to get
- what repairs and upgrades to do (or do not do)
- how much rent to charge.

At least you have a say in what happens, as your investment is directly controlled by you or someone you put in control.

RISK = LACK of CONTROL

To evaluate the risk, simply ask yourself three questions. What is the best case outcome? Most likely outcome? Worse case outcome? If you cannot tolerate the most likely or worse case outcome, then the investment is too risky for you. Don't bet the milk money!!!

So what can and will go wrong in the basic buy and hold strategy of real estate investing? **What are the risks?**

1. Tenants don't pay
2. Tenants destroy your property
3. Tenants do not give you notice and vacate property

When you get a mortgage loan, the underwriter only gives you credit for 75% of your rental income, even if you collect 100% of your rents as scheduled. They do this because they know that *not getting all your rent is likely* and *that this represents the most likely outcome for your investment.*

They consider the risks, and so should you.

When using this strategy you have to assume that you will not receive all rents as desired. Assume there will be damage - even normal wear and tear. Carpet does not last forever, and that new paint job is no longer new when the lease is up and you're trying to attract a new tenant.

You will need to have reserves ready for the vacancy periods as well as mini-renovations, utilities during vacancies, lawn care during vacancies, and so forth.

If you don't have additional investment funds to weather these financial storms that will most likely occur, then do not take the risk. You need to have the reserves budgeted for the worse case outcomes so that you can protect your initial investment dollars. You never want to lose money when investing in anything.

In real estate it can be even worse if you lose using this most basic of strategies because you will also have your personal credit at risk. Damaging your credit can endanger employment, mortgage loans (personal and business), car loans and other credit scenarios.

Even though this is the most common way to invest in real estate, this is not the best way. *There are safer and more profitable ways to invest your hard earned or inherited investment funds in real estate.*

11

SLOWFLIP your way to Wealth

The SLOWFLIP.

What is a SLOWFLIP?

When you SLOWFLIP a property, you place a tenant in your property with the plan to ultimately sell that tenant the home. I like to call them Tenant-Buyers.

REAON to sell properties to a Tenant-Buyers?

- You can collect a non-refundable down payment which increases your positive cash flow greatly by immediately returning a small amount of your invested capital.

A cash return on cash invested is always the goal. Would you rather collect a first month's rent of $1000 and a refundable deposit of $1000? or a non-refundable $3000 to $5,000 down payment?

- You can make the tenant-buyer 100 percent responsible for ALL the MAINTENANCE!

This is huge. The number one reason investors are afraid to invest in residential real estate is because they've heard nightmare stories about how someone's tenant wrecked their rental property and they lost their shirt. When you find a person who wants to buy your home, and they give you a non-refundable down payment, they've made an investment. Think they'll want to take care of that investment?

On top of that, they've just signed a contract stating that they are willing to be responsible for that property.

Tenant Turnover vs. Tenant-Buyer Turnover

Eventually you'll have to deal with turnover, whether you rent your property or find tenant-buyers. You must be prepared for the most likely and worse case outcomes.

The advantage to finding a tenant-buyer is that they will typically leave the property in a much better condition than a tenant — in some cases, they may have made upgrades.

First of all, a tenant-buyer goes into a property with a totally different outlook than a renter does. The tenant-buyer desires full home ownership and most likely appreciates the opportunity afforded by your tenant-buyer offering.

A tenant just wants a place to live and has a landlord that they know they can call when they have problems.

Think about when you rent a car:

- ❉ Do you check the oil before that road trip? NO!
- ❉ Do you check the tire pressures? NO!
- ❉ Do you even look at the tires? NO!

You're a renter — and you know someone else is responsible — so you don't even think about these concerns.

Think about when you stay in a hotel: Do you make the bed before you leave? NO WAY! You are a renter.

I won't ask how you treat your own car or home, but I'll assume — because you made an investment of your hard earned or inherited money — that you care and take care of these possessions.

The bottom line: With a tenant-buyer, you can make more money with less concerns.

This is an investment, and you want to earn the maximum returns.

You want this investment to be as passive as possible… otherwise it becomes a business —or a job — and you may already have one of those.

More Money and Less Work

12

Be the Bank

KINGS Never had Mortgages!

The word 'mortgage' in Latin means "Death-Grip."

If you borrow $100,000 for 30 years, and end up paying the bank approximately $200,000, that's not a bad deal *for the bank*.

Even worse: When you get excited about a low 5% rate, since the banksters front load the loan with interest, *the 5% rate is only truly 5% if you keep the loan for the duration of 30 years or 360 payments.*

Most people don't keep their loans much longer than five years. When you calculate the actual interest rate —including loan fees— over the real term, you're more than likely paying a double digit annual percentage rate. (Well, I did call them Banksters not Bankers.)

Don't PAY the Bank… BE THE BANK!

Not an actual bank — but why not finance your tenant-buyers? If you don't, someone else will.

Once you have acquired a nice property and have it ready for an occupant, simply offer it with "OWNER FINANCING" and BE THE BANK! You get a nonrefundable down payment of $3000 to $20,000 — or more — depending on the property you're marketing and the market you're in.

This gives you:

❉ a quick return of some of that *cash* you invested;
❉ a tenant-buyer with a lot at stake, *who will take care of property maintenance*;
❉ a higher monthly payment… *more cash flowing to you*;
❉ a passive investment *that makes money while you sleep.*

I started this chapter stating:

KINGS Never had Mortgages!

The ultimate scenario when you're being the bank is to <u>not owe the bank.</u> Assuming you have investable cash or other liquid investments, you need to seriously evaluate:

❉ the potential rates of return,

- the ability to buy real assets below market value (with stocks, etc. you will always pay retail plus fees),
- the quick return of cash on cash (down payments and monthly payments),
- the passive nature of the investment (after purchase and tenant-buyer placement), and
- the upside when your buyer decides to cash you out (when they refinance, or sell and payoff your financing)!

If you have to obtain loans to "BE THE BANK," make sure your reserves are in place. Additionally, if you still have an income that you can live on, accelerate loan payoffs by paying down or paying off the mortgage with your positive cash flow and other income.

In retirement —or hopefully early retirement— what you need most is certainty of income. With mortgages in place, you will need more reserves. You must be ready to weather the financial implications of tenant-buyer turnover. Mortgage payments and other retirement overhead during worse case scenerios demands larger reserves.

When your properties are fully paid for —or if you paid cash— your worse case outcome scenarios are far less severe. If you have ten homes paid for and making $1000 per month per property, you have $10,000 per month coming in.

If you have three-five simultaneous vacancies, you would have a reduced investment income of $5000- $7000 for a month or two. Your reserves would carry you until you get your new down payments.

In the most likely case, the new down payments will more than cover the lost cash flow, making this scenario not too unpleasant.

The point here is you want to be like a KING and fully own your LAND!

In the board game *Monopoly,* mortgages only come into play when the player gets into financial trouble.

There's Never Been a KING Without LAND

and

KINGS Never had Mortgages!

13

Getting $tarted NOW

Get started NOW!

Right NOW while you are motivated and convinced to take action.

You have the reasons to take steps towards a better financial future.

Don't say *"I'll get to it,"* or *"I'll do it it tomorrow."* When you get to tomorrow, it's always today again. Make a decision and begin to invest by taking action.

Do I mean to run out and pay cash for the first house that appears to be a deal? In no way do I mean that.

What I mean is to start planning and preparing yourself to make wise, calculated financial decisions. Start moving yourself and your family toward a future of financial freedom. Start by investing your time so you can retire young, stay retired, or retire sooner. (This plan takes less cash than the Sheeple Plan.)

CHECKS in the Mail!

"So what do I do first?" That depends on your current financial status:

Do you have cash to invest? or can you free up cash?

If you don't have cash then you need to save your money, find a partner with money, or look into borrowing money so you do not need as much money to invest.

If you have to take out loans, then proceed with caution.

As I stated before, you need to keep reserves and always accelerate your loan payoffs to minimize the time period of risk associated with carrying debt on your investment properties.

However, I recommend that you only invest when you can pay 100% cash, *especially if you are already retired and want to stay that way*. If you are younger and have a strong income and good capital reserves, then the risks are more balanced and you have time on your side but heed my advice above *and be very conservative*.

If you have cash or can cash out of poorly performing investments, do so before it's too late. Some 401k plans can be cashed out or rolled over into IRAs.

Existing IRAs can be converted to self-directed IRAs by changing to a Self-Directed IRA custodian — search the Internet and you'll find several. Go with a bigger firm in that field for added stability. Once you have cash in your new SD-IRA you can purchase real estate directly.

If you have a partner you can set up a Limited Liability Corporation (LLC), fund the LLC and own the real estate investments inside the LLC. You can make money from your ownership in the LLC, fund your SD-IRA and by way of other transactional business relationships. This works well if you need cash flow for living expenses and are not strictly looking to accumulate assets.

You (and no one related to you) can not own controlling interest in an LLC when funding it with your SD-IRA. The SD-IRA/LLC arrangement works best with a working partner who brings expertise to the partnership.

If you can wait for the cashflow, the best IRA scenario is a self-directed ROTH IRA. This form of retirement account allows you to build up cash which will be 100% tax free when you take it out at retirement age. (If you plan to retire early, the SD Roth IRA may not be the route for you - consult a tax attorney.)

Back to basics for a moment:

Assuming you have money to invest, then you can invest right away. You need to gain some knowledge in order to make wise investments. There are a few ways to gain this knowledge:

- Become a part-time real estate agent and learn the market by having full access to the local database of property transactions. This will give you a sense of your target market — and you'll learn to determine what a deal is by seeing market transactions.

You'll learn to spot trends and you'll soon know a good deal when you see one.

You can save money by acting as your own agent, since you can make a commission when buying a property just for doing some paperwork.

As an agent, you'll have full access to properties — and contractors to give you bids on properties that need renovations. You'll soon get a feel for the total investment needed to make a property ready to be an income producer for your portfolio.

The best thing about this access is that you can go through the motions of investing without actually taking risks. *I know I said get started right away, but my point is to start learning your market so you* ***can*** *invest.*

Better Safe than Sorry!

Once you have sufficient knowledge, you can make great investments and enjoy the income they produce.

So what else do you need to learn? You need to get a feel for the owner financing market. You can learn from other investors as well as good real estate attorneys.

Yes, you'll need an experienced real estate attorney. Join local real estate clubs, keep your ears open, and ask around. These attorneys can be quite willing to offer their investment knowledge — *they're often investors, too*.

Some real estate attorneys may share or make available contracts they've prepared for other clients (at discounted prices, since the work is already done). They can guide you and represent you in the legal steps to take ownership of investment properties.

Real estate attorneys can assist when you need to legally regain posession of a property — when a tenant-buyer refuses to uphold their end of the agreement or can no longer make the required payments. They can and will usually help you as they want repeat clients — that is, investors.

You will need a good accountant as well. Large CPA firms have benefits over smaller accounting firms — be prepared to pay more and to get more, including year-round service. I find it very beneficial to be able to call my CPA team, knowing they have specialists in all areas of the tax code. Larger firms tend to stay up to speed on IRS changes.

Look for a firm that acts as both accountants and business advisors. A firm such as this will be able to guide you through all the nuances of IRS Code 1031 exchange rules — when you have sales and want to defer the taxes by buying more real estate.

1031 Exchange? It's like when you're playing that famous board game called Monopoly, and you trade in your four green houses for one red hotel. That's when the game gets interesting, just like the real business of investing.

Real estate investing starts off a bit slow but gets exciting once you've played for a while.

Slowly but Surely…NOT Fast and Foolish

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Why you need a MENTOR?

You can certainly learn to invest and be successful all on your own — as long as you are patient and diligent, you can avoid the common mistakes, minimize the risks, and make wise investments.

However, most successful real estate investors are full time investors. They are in the field daily and follow the market closely. They have the advantage of a continuous flow of information, due to the time they continually invest.

As a result they have a wealth of knowledge that takes time to acquire — more time than many part time passive investors want to spend before making a quality investment.

If you want a fast start, tap into the experience of others who are already successful. Avoiding the potential mistakes that an inexperienced investor might make.

A wise man knows to learn from others.

Experience is a good teacher… but it can be painful and expen$ive

While you're out networking at the local real estate investment clubs — looking to make all the right connections — offer to buy some bigtime local investors lunch or dinner. Tell them you want to learn how they succeeded as investors. *These full time investors have busy schedules but they all have to stop and eat.* Also, successful people tend to like telling their tale of success.

You may be able to partner with an experienced investor to insure your success. When you know what you're doing, you can find deals where there's enough potential cash or cash flow for more than one investor to profit. I have partnered — and always will partner — with other investors. Sometimes I provide the knowledge and they provide the cash. This is great for the investor because they don't have to do anything — this makes their investment truly passive.

Get on the FAST-TRACK

For many new real estate investors, this may be the best road to prosperity. It removes the need for market and transaction expertise. It doesn't mean you should not gain market knowledge, but it is a solid way to gain that knowledge faster.

When you have a partner with experience, you can certainly ask as many questions as you want (*and you don't have to keep buying meals*). The benefit for the experienced working partner is financial leverage — they can use their knowledge to create more cash flow for themselves. Even though they do not earn as much on these investments, they only have to invest their time and experience so it works for them as well.

Create WIN-WIN Relationships

I hope and pray this gives you insight, motivation, and clarifies the benefits and necessity of real estate investing.

I wish you well on your journey to financial freedom. Rest assurred the you now know how to achieve it. While this is a simple business, it's not as easy as it seems.

Proceed with caution — but PROCEED!
LIFE IS SHORT…DON'T LET IT PASS YOU BY

About the Author

Michael E. Brown is a full time real estate investor located in Virginia Beach, VA. In addition to real estate investing, he consults with new investors in his area of expertise.

He began his career in real estate in 1996, as a loan officer for a mortgage broker. He soon became a specialist in the area of investor loans. His success in this specialty allowed him to open his own mortgage company in 1999.

"Learning this business from the Money Side has made my path much easier than for many of my colleagues."

His mortgage career continued for ten years as he became vice president for the largest mortgage broker in the country, where he launched a national reverse mortgage division.

Michael has been investing since 2000, and has owned and operated a real estate brokerage focused on investment property clients. He continues to build his real estate portfolio — and still does an occasional flip or two as well.

His business passion has always been helping others. He's written this book as a testament to this passion as he continues to help others achieve their financial goals through his proven real estate investing systems.

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