

INVESTING IN REAL ESTATE IS SMART

Assumption: You buy rental (3 bed/ 2bath, 1000 Sq Ft home) for 100K



❖ **STRUCTURING YOUR INVESTMENT FINANCING FOR MAX ROI:**

- *Buy below market value*
- *Cross-Collateralize other working assets that you do not want to liquidate at this time. The bank will hold your collateral: stocks, mutual funds, title to property, etc...this gives you 100% financing)*
- Closing costs of \$3700 (scenario dependent, may vary) but we will try to roll these costs into our total loan to avoid cash outlays at closing

❖ **YOUR RETURN:**

- Assuming a conservative national historical average of 3% appreciation, and 20-year mortgage @ 7%, principal and interest is \$775.30, rent of \$1000 per month
- End of year one--house value is \$103,000 (appreciation at 3%)
- Debt owed (mortgage balance) is \$97621 (\$2379 paid in equity for yr)
- Total equity in property at end of yr 1 ~ \$103,000-97330= \$5379
- The return on the leveraged collateral is additive!
- Walk in equity when you buy below market is additive!
- The tax benefit from depreciation is additive~\$800 in direct tax benefit!

WHEN YOU STRUCTURE DEALS THIS WAY YOU CAN GET RETURNS OF 50% OR GREATER THE FIRST YEAR ALONE!

