Bank on Real Estate to Fund Your Retirement

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Today you will learn how to:

- Apply the #1 rule when it comes to real estate investing.
- Determine which types of investments are best for your retirement including why real estate is a better choice than stocks.
- Select the best funding options for your investments given the latest market trends and high interest rates.
- Assess various advanced investment strategies including REITs, house hacking, debt funds, and purchasing deeds of trusts to determine if they're appropriate for helping you to fund your retirement.

Caveat: Neither Bernice Ross nor RealEstateWealthForWomen.com is qualified or licensed to give you investment advice. Because every person's investment profile and tax situation is unique, always consult your tax professional and/or attorney BEFORE you invest!

I. Strategies for Becoming a Smart Investor

- **The #1 rule of investing:** Always do your due diligence prior to purchasing any investment including consulting with your tax professional regarding NET after tax returns on your investment.
- **Strategy #2: 90 percent of the world's millionaires built their fortunes by investing in real estate –what's their secret?**
    - They're contrarians! They buy when others are selling, and sell when others are buying.

II. Strategy #3: Make This Your #1 Priority: Get Out of Credit Card Debt ASAP!

- **How to get out of credit card debt.**
    - Only use a debit card or cash.
    - Due to high credit card interest rates, if you pay minimum payments each month, the cost of a $100 item can triple to $300.
    - If you had taken that $100 and invested it at seven percent compound interest instead, that $300 (cost of item and interest) over 10 years would have doubled to $600—THAT'S THE REAL COST!
- **Debt avalanche method—pay off highest interest rate debts first.**
- **Debt snowball method: Pay off the smallest balances first.**

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- **Strategy #4: Only invest in what you know and understand!**
- **Strategy #5: Learn the secrets of how money works—The Rule of 72.**
- **How long will it take your money to double? (compound interest only?)**
  - Take 72 and divide it by the rate of return (ROR) you're earning. Examples:
    - ROR is five percent (72/5 = @14.4 years).
    - ROR is seven percent (72/7 = @10 years).
    - ROR is 12 percent (72/12 = @ 6 years).
- **Real life example #1:**
  - In 2006, I took an excess retirement contribution of $10,000 and put it into an annuity with two components.
  - For the last 17 years, the money has been in professionally managed mutual funds.
  - The annuity also has a guaranteed death benefit of seven percent compounded interest.
- **Values today:**

  Stock value: $25,781 (Mutual funds)

  Death benefit: $35,860 (Compound interest)

  A 39 percent greater return!!

  If this had been a $100,000 investment, the annuity with seven percent compound interest would have returned $100,790 more than the mutual funds did from 2006 -2023.

- ***"Compound interest is the eighth wonder of the world. He who understands it, earns it…He would doesn't…pays it."* – Albert Einstein**

III. Strategy #6: The Tax Benefits of Depreciation

- **Two approaches to depreciation.**

  Purchase assumptions:
  - All cash purchase where the improvements separately valued at $250,000.
  - Annual property taxes are $4,000 and annual property insurance is $2,000 (total $6,000).
  - You rent the property for $1,000 per month, or $12,000 per year.
  - You net $6,000 per year of profit.
- **Traditional depreciation approach**
  - The IRS bases depreciation on the "useful life" of a home's improvements is 27.5 years.
  - To determine your tax deduction, determine the separate value of the improvements ($250,000).
  - Divide the value of the improvements by 27.5.
  - $250,000 divided by 27.5 is approximately $9,000 ($9,090) a year that you can deduct.

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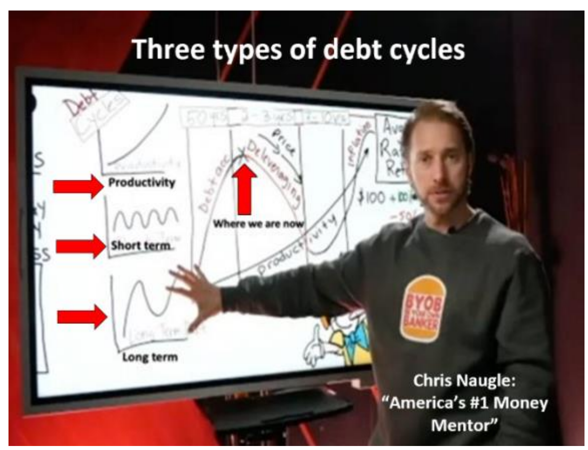
- Subtract $9,000 from your $6,000 profit and you have a phantom (not a real loss) of $3,000.
- You get to keep your $6,000 in income tax free.

- **Cost segregation study approach.**
  - This approach creates separate depreciation schedules for the various components of the property such as appliances, doors, plumbing fixtures, roof, windows, etc.
  - David Perez, a top tax strategist, says his clients typically take about 25 percent of the depreciation in Year 1. In this case that would be $62,500 instead of $9,000.
  - In other words, you now have a phantom loss of $56,500 instead of $3,000!
- **Caveat "Active" vs. "Passive" investors.**
  - Active investors work 750 hours per year managing their real estate holdings directly or doing property management. (Not doing sales.)
  - If you're working full time in sales or another position, you are most likely a "Passive investor."
  - **ALWAYS check with your CPA to make this determination!**
- **"Active" vs. "passive" investors**
  - Active investors can take their losses directly off their W-2 or other income.
  - Passive investors can deduct that loss against any profit from another property.
  - If you don't have anywhere else to apply the loss, you will have a $3,000 loss to carry forward to next year's tax return.

IV. Strategy #7: Understand Debt Cycles

- **Three types of debt cycles.**
- **The "normal productivity cycle".**
  This describes the normal growth of the economy and is tied to short-term debt cycles of 5-7 years.
  - We work.
  - We produce products.
  - We sell them.
  - The 5-year and 7-year short-term cycles constantly repeat over and over again within the 17-year and 50-year debt cycles.



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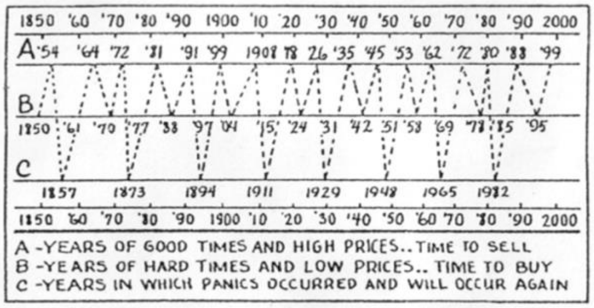
- **The 17-year market cycle—a reliable predictor dating back to 1810.**

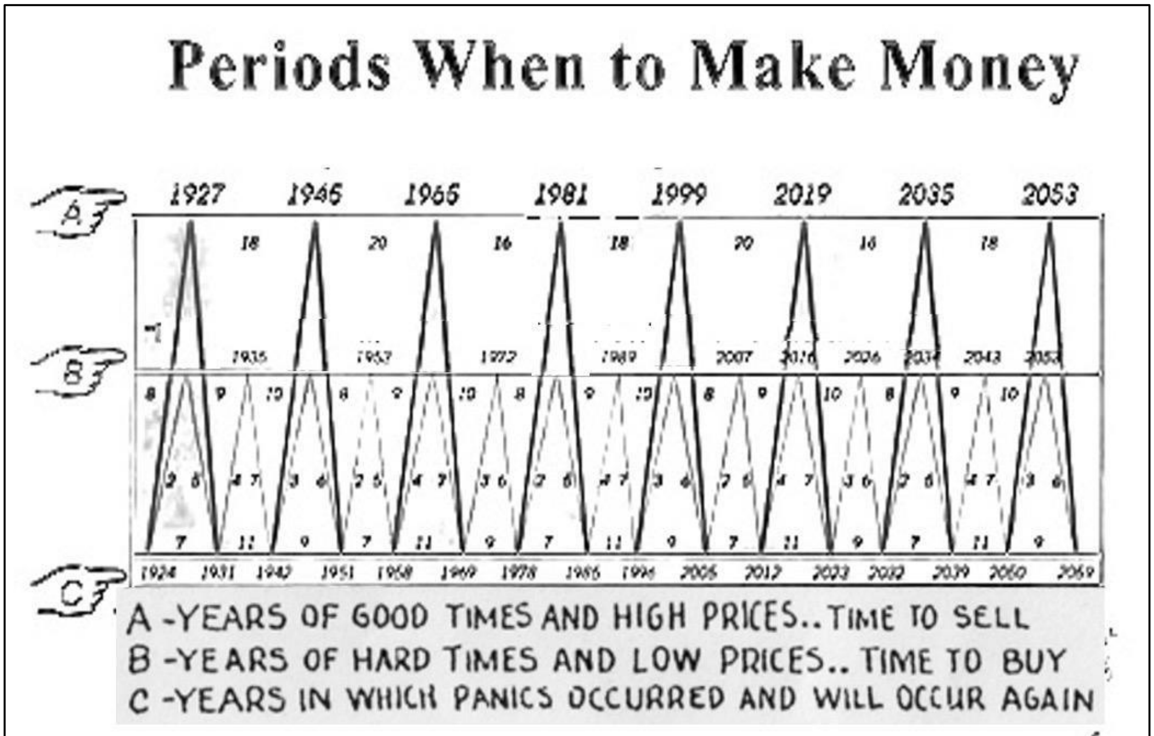
GOOD NEWS-(FROM ED HERON'S BULLETIN DATED 4/14/82)

Recently I stumbled across an item I've kept in my business desk since 1958. You will find it particularly interesting in light of today's economic predictions by the so called experts: (from a newsletter from Congressman Jerry Lewis)

"Recession, Depression or Bust? That question has been headline news for months. The outlook for the next few years might be found in a chart found in an old desk in Philadelphia back in 1902 and published first before the Civil War. The original chart started with the year 1810, but we had to chop off a few years for this two column width. Study it carefully and note how accurate it has been through all the years. The panics of 1857, 1873 and 1894 are all a matter of record. You plungers will remember 1929. Note how the chart dips that year. It's easy, too, for a lot of us to remember 1918 as a prosperous year. Note that 1931 was a year of hard times and low prices. Scoot up to 1935, and YOU find that was a good year. There's a ray of sunshine when you look at the bottom in 1948. It takes 17 years to go up and clear back down again. Clip it and stick it in our billfold for a dozen years just to check the accuracy of it." Check out what has happened since Ed used this in 1982. Is it on the money?? Unfortunately we now only have 5 years left on the chart. But what a 5 years!



- **The second 17-year market cycle chart.**



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- **What this chart shows.**
  - The second chart shows the run-up to the 2007-2008 Great Recession.
  - Beginning in 2016, we crossed over into Period A, good times and high prices, but started declining in 2019 (This was a seven-year cycle). That means 2023 is the bottom point for Period C.
  - The chart predicts that we will have another upswing until about 2026, and then we will hit the next major bottom in 2032.
- **The 50-year long term debt cycle.**

  - We have been accumulating (leveraging) debt for 50 years and this 50-year cycle is ending right now.
  - Since 2009, the national debt has increased over $18 trillion to over $33 trillion today.
  - What's coming is a massive deleveraging (reduction) of debt, resulting in massive pain in the economy.
  - It's possible that we will see another 20-30 percent further decrease in the stock market.
- **According to Chris Naugle:**
  - Most people believe that stock market changes happen by chance, are coincidences, or are circumstantial (influenced by the news cycle.)
  - The charts tell a different story—these events are merely a small part of the market cycles.
  - Very few people track these cycles because Wall Street and financial advisors are never taught about them. Instead, they train us to sell financial products, which is conducive to them making more money and doing more business with more clients.
- **The mistake most people make.**
  - Psychologically, we want to buy when everything feels good, when we're optimistic, and excited. These charts prove it's absolutely the wrong time to buy.
  - The time to buy is when people don't know what to do, anxiety is high, and everyone else is selling.
  - The best way to avoid financial pitfalls is to make your investment decisions based upon pure logic, not emotion.
- **Naugle believes that this next cycle will be the best time in our lifetimes to acquire properties that generate returns.**

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V. Strategy #8 Why Real Estate Beats the Stock Market

- **Facts investors often overlook: stock market brokerage trading and management fees consistently eat away at your profit margins.**
- **Financial planners and stockbrokers.**
  - According to Investopedia, financial planners charge 1.02 percent annually on the total amount of assets under management.
  - Most full-service stockbrokers charge 1-2 percent of the total purchase price, a flat fee, or a combination of both.
- **Example:**
  - Assume you have $500,000 in your 401K that generates a six percent return ($30,000).
  - At one percent, you will be charged $5,000 in management fees, so your net profit is $25,000.
  - $5,000 is roughly 17 percent of your profits.
  - This amount does not include what you will pay in taxes or lose due to inflation.

VI. Real Life Example #2

- **Real life example #2:**
  - My brother and I invested $200,000 in two large, well-respected mutual funds in 2000. At that time, the DOW Jones Industrial Average (DOW) was at 20,324.
  - In 2002, the DOW bottomed at 9,859 and ultimately caused us to lose $120,000 **(60 percent)** leaving us with only $80,000.
  - To recover my original investment using the reduced base of $80,000 would require the market to increase by **250 percent**.
  - If I had stayed in the market for the last 20 years, my $80,000 would have increased 278 percent provided I earned an average return of **6.875 percent**.
- **Real life example #2.**
  - Assuming I stayed in the market for the last 20 years AND I earned an average annual return of 6.875 percent, my stocks would be valued at $222,400 today.
  - Over a 20-year period, that's only $22,400 "profit" or a return of only 1.12 percent. That's <u>without</u> any brokerage fees, taxes, or inflation.
- **Adjusting for inflation.**

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Using the scenario above, my stocks would be valued at $222,400 today, but based upon my $200,000 in 2003, with inflation I would need $317,149 ($117,149 more) to just have the same amount we started with.

- **Compound interest example.**
  - If we had invested our $200,000 in 2000 in a 4 percent savings account compounded monthly, our value would be $501,091.
  - If our rate was 7 percent compounded monthly, our $200,000 would have now been worth $995,893—not the $222,400 in the stock market.
- **Strategy #9: The Moral of the Story: Risk comes from investing in what you don't control, you don't know, and you don't understand.**

VII. Real Estate Investing for Beginners

- **Benefits of owning real estate—an investment you can live in.**
- **Key benefits of investing in real estate.**
  - **Appreciation** occurs when the value of the property (asset) increases over time. Most U.S. real estate has kept pace and/or exceeded the rate of inflation.
  - **Cash flow:** The rental income generated from the property helps you pay expenses while simultaneously building your equity.
  - **Raising rents or making improvements** can also increase the property's value and/or your equity.
  - **Slower market cycle than other investments:** Unlike the lightning-fast cycles in the stock market, real estate has long-term cycles which make it easier to capitalize on market shifts.
  - **"Stickier" prices when the market is declining.** While stock market prices can plunge instantaneously, real estate prices are usually "sticky" going down.
  - **Tax deductions:** Unless you're invested in a high-risk sector like oil and gas, most other investments do not have the various tax benefits linked to property ownership such as depreciation and the 1031 tax deferred exchange provisions in the IRS code.
- **Your primary residence can become your first investment: 2-4 units qualify for many of the same programs as a single-family residence.**

VIII. Down Payment Assistance: How it Works and How to Access It

- **A major obstacle for many buyers: misinformation about down payments.**
- **According to NAR 41 percent of all first-time buyers believe you must have a 20 percent down payment and 62 percent of the general public also believe this as well.**
- **DownPaymentResource.com.**
- **The five major types of DPA.**
  - Closing costs credits.

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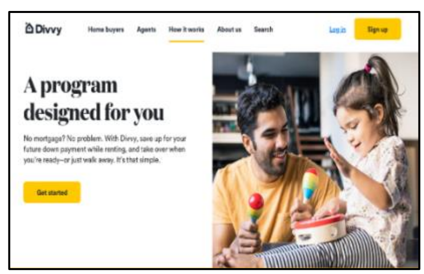
- Interest rate reductions.
  - Property tax bill credits.
  - Down payment loans.
  - Cash grants.
- **Who qualifies.**
  - First time homebuyers.
  - Lower-income first time homebuyers.
  - People in service professions, such as firefighters, military, healthcare workers, people who are disabled, etc.
  - Specific communities or neighborhoods.
  - Programs can be layered (combined).
- **How to locate DPA for listed properties.**
  - On Zillow, search for the property listing.
  - Click on the tab for Down payment assistance.
- **Last year the average DPA client received $17,000 in down payment assistance.**
- **Rocket Mortgage's new ONE-Plus mortgage.**
  - One percent down, Rocket pays a two percent grant of the loan amount, for 3 percent total down payment, PLUS they pay the Private Mortgage Insurance (PMI).
  - On a $250,000 loan, the borrower puts down $2,500, Rocket gives them a $5,000 grant, and if PMI were $200 per month over 10 years that would be a savings of $29,000!
- **Guidelines.**
  - FICO must be at least 620.
  - Can earn no more than 80 percent of the median income for that area as per Fannie Mae's guidelines.
- **Buying your first home: Divvy.com Rent-to-own.**



IX. Buying your first property you don't live in: Residential Investment Opportunities

- **Single family.**
- **2-4 units.**
- **Multi-unit apartments.**
- **Mobile homes.**
- **Vacation rentals, Airbnb, or VRBO.**
- **Condo hotels.**
- **Fractional ownership.**
- **Farming and ranch properties.**
- **Raw land opportunities.**

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X. How to Fund 1-4 Unit Residential Investments

- **Unique ways for self-employed, 1099 income, and investors to qualify for mortgages (These are only available through mortgage brokers, not banks).**
- **Five unique programs.**

1. **Asset based:**
    - Savings, stocks, retirement, and semi-liquid investments are used to help the borrower qualify for a loan.
2. **The 1099 Program:**
    - Rather than the borrower providing their tax returns, they provide the lender with their 1099 from the previous year. If the loan is being originated after the first quarter, the borrower must also provide an updated Profit and Loss Statement.
3. **The Bank Statement Loan Program:**
    - The borrower must be self-employed for at least two years and there are two types of programs—the 12-month and a 24-month program.
    - Buyers in these programs qualify based upon the amount of money that flows through their bank statement, rather than their net profit after expenses.
4. **Debt Service Coverage Loans:**
    - These are a fantastic option for investors! The borrower puts down about 20-25 percent, but they don't have to qualify using their income. Instead, the property goes through a specialized type of appraisal to see if it generates enough income to justify a loan.
5. **Delayed Financing Loan Program (DFLP):**
    - On April 1, 2023, borrowers who make all cash purchases must wait a full year before they can obtain conventional financing. This poses huge problems for builders, flippers, house hackers, remodelers, etc.
    - DFLPs allow the borrower to apply for financing the first day after they have closed, the terms are the same as a purchase loan, but they most close no later than six months after the closing date.
    - The loan must fund no later than six months after the closing date.
    - The terms are the same as if they had purchased prior to closing.

XI. Flipping is Out, House Hacking Is Hot

- **House Hacking–an excellent way to start investing.**
    - Reduce your rent by living in the property while you fix it up.
    - You can do this with a single house, but up to 4 units often qualifies for low down payments, conventional financing, and single-family interest rates.

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- The more units, the lower your costs are for owning the property.
- The GenZ approach to house-hacking—creating cash flow where there isn't any.

- **The "B-R-R-R-R Model"**
  - "Buy, Renovate, Rent, Refinance, Repeat."
  - For example, buy a triplex that needs work.
  - Renovate it, then rent it out to new tenants at a higher rent.
  - Once you complete your renovations, refinance with a long-term mortgage, pull out your original down payment amount, and use that money to buy another investment property.
  - Keep recycling the same money over and over!
- **Look for transitional neighborhoods for future profit.**
- **Purchasing larger investments: Multi-unit residential.**

XII. Commercial Investments

- **Free standing office building.**
- **Retail.**
- **Strip malls.**
- **Shopping malls.**
- **Mixed use.**
- **Industrial.**
- **Storage units.**
- **Manufacturing facilities.**
- **Research buildings.**

XIII. How Will You Fund Your Retirement?

- **How will you fund your retirement? Investments or Social Security, borrowing against or having to sell your home?**
- **Understanding your options and the costs.**
- **When borrowing against your home is the only option.**
- **Six strategies, but which are best?**
  1. **Home Equity Line of Credit (HELOC):** is a revolving credit line that allows homeowners to borrow money against the equity in their home. The borrower can draw from the line as needed and make monthly payments on the borrowed amount.
  2. **Home Equity Loan:** Unlike a HELOC, a home equity loan provides a lump sum of money to the borrower. It's a fixed-rate loan that requires monthly payments over a set period.
  3. **Reverse Mortgage**: This is a special type of loan designed for homeowners aged 62 and older. It allows them to convert part of their home's equity into cash without having to sell the home or pay monthly mortgage payments.

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4. **Cash-out Refinance**: Homeowners can refinance their mortgage for more than they owe and take the difference in cash. This provides a lump sum that can be used for retirement expenses.
5. **Shared-equity agreement:** Companies offering a shared equity agreement provide a lump sum in cash in exchange for a percentage of the future appreciation of the home.
6. **Sale Leaseback**: This involves selling the home to an investor or company and then leasing it back. The homeowner can stay in the home and use the proceeds from the sale for retirement.

- **DON'T REFINANCE! Take out a HELOC instead.**
- **The advantages of taking a HELOC.**
  - Your existing loan stays in place and the current amortization continues.
  - You only pay interest on the amount you need as opposed to taking a lump sum and paying interest on the entire amount.

- **The next best choice: Home Equity Loan.**
- **On 12/31/2013 you obtained a $330,000 4 percent, 30-year-fixed-rate mortgage.**
  - As of December 31, 2023, your loan balance is $259,278 and you have paid $119,043 in interest.
  - The remaining principal amount is $70,013.
  - In December 2023 you apply for a 20-year Home Equity Loan for $50,000 at 8.25 percent with payments of $426 per month. (You take out the entire $50,000)
  - In December 2033, you will have paid **$234,725** in total interest. ($206,281 + $28,444)
- **Refinance your mortgage: Good for the bank – not good for you!**
- **The truth about refinancing.**
  - Assume you currently have a $330,000 30-year loan at four percent interest in December 2023 and your refinance is at 7.5 percent.
  - You will have already paid $123,353 in interest.
  - In July 2033, you will have paid $329,634 in total interest.
  - ($207,605 + $123,353)
    - **That's $94,909 MORE in interest!**
- **Even worse is how much you still owe after 10 years:**
  - **4 percent with HELOC:** $126,588 + $31,845 = **$158,433**
  - **Refinance:** $94,909 + $276,878 = **$371,787**
    - **REFI REAL COST: $213,354**

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- **Case study: Reverse mortgages for seniors age 62+: the worst deal!**

	Refinance	62+ Reverse Mortgage
Amount Borrowed	$230,000	$230,000
Term	20 years	20 years
Type of interest paid	Amortized, fixed	Negative Amortization
Interest rate for 20 years	5.83%	5.18%
Minimum monthly payment	$1,626	0
Line of Credit	0	$154,177 to $371,669 (year 20)
Interest rate	Fixed	Variable
Interest paid after 5 years	$63,229	$48,331
Interest paid after 10 years	$113,369	$120,851
Interest paid after 15 years	$147,901	$212,268
Interest paid after 20 years	**$160,202**	**$327,503**

While the reverse mortgage has the benefit of no payments, the interest cost over 20 years ($327,503) is more than double the interest you would pay using a traditional refinance ($160,202).

- **Selling a portion of your equity.**
- **What a Home Equity Sharing company does.**
    - Homeowner receives a lump sum payment to be used in any way.
    - No additional debt or monthly payments.
    - Investing company gets a percentage of the future value of the home.
    - If the home depreciates in value, the Home Equity Sharing company shares the depreciation.
- **Who is eligible.**
    - Self-employed.
    - Have poor credit.
    - Can't afford additional monthly payments.
    - Since it's not a form of debt, eligibility requirements are more lenient than with a traditional lender.
- **The top five Home Equity Sharing companies.**

unison
Noah
hometap
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POINT

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XIV. Real Life Example #3: How A Small Duplex Owned Over Time Can Make a Major Contribution to Your Retirement

- **1993 duplex purchased to generate cash flow and equity.**
- **Transaction details.**
  - Purchase price: $245,000, with 20 percent down ($49,000), 15-year fixed mortgage at 8.25 percent and payments of $1,901 per month.
  - $100 actual negative cash flow, but it turned out to be $700 per month because buyer was subject to Alternative Minimum Tax (AMT).
  - It took less than five years for the property to break even.
- **15 years later (2008).**
  - The loan is paid off, property is valued at $550,000 (more than twice its original value).
  - Operating expenses: $12,000 per year including reserves for repairs, taxes, vacancies, and other miscellaneous expenses.
  - Gross rental income: $36,000 per year, net income $24,000 per year.
- **Today (30 years later)**
  - Property value**: $1,090,000** (almost 4.5 times the amount of his original purchase).
  - Gross rental income: $60,000 per year, with operating costs of $18,000 per year.
  - Net income**: $42,000** per year.
- **Owner is ready to retire.**
- **Compared to other investments.**
  - A CD at 2 percent would require $2.1 million dollars to generate $42,000 per year.
  - A stock investment with a NET six percent return after brokerage fees would require a $700,000 investment, provided the stocks never lost any value during the 30 years.
  - Real estate allows you to leverage your money: initial down payment was only $49,000 and property had positive cash flow within five years.
- **Two retirement options.**
  - Sells property and pays capital gains tax on the amount over his acquisition and sale costs, plus any improvements (basis).
  - Does a 1031 tax deferred exchange for a single-family residence that he rents out for the first 12-24 months he owns the property to meet the 1031 exchange requirements. He can then move into that property as his primary residence.

XV. 1031 Tax Deferred Exchanges

- **What is a 1031 exchange?**
  - A 1031 tax deferred exchange ("like kind exchange"), allows property owners to sell an investment property and reinvest the proceeds in another investment property deferring their capital gains taxes and restarting their depreciation schedule.
  - Both properties in the exchange must be "like-kind," (used for investment or business

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purposes).

- **Requirements.**
    - Time frames: replacement property must be identified within 45 days of selling the old property and close within 180 days.
    - All sale proceeds must be reinvested. Any amount not reinvested becomes immediately taxable.
    - The 1031 Exchange must be facilitated by a Qualified Intermediary/escrow to ensure compliance with all 1031 regulations.
- **How a 1031 Exchange is structured.**
    - Owner (exchanger) decides to sell an investment property.
    - Once the property goes under contract, the exchanger notifies a Qualified Intermediary (QI) or Accommodator of the exchange prior to the close of the sale.
    - Proceeds from the sale are transferred to the QI upon closing.
    - The exchanger identifies the replacement property within 45 days of sale and notifies QI.
    - The QI transfers the funds to the seller of the Replacement property. Exchanger has 180 days to close on the new property.
    - **Always consult with your CPA/Tax Attorney first before attempting to do a 1031 Tax Deferred Exchange!**

XVI. Stop Borrowing and Start Lending

- **Real Estate Investment Trusts (REITs).**
    - Real Estate Investment Trusts (REITs) are companies that own and manage a portfolio of income producing properties such as apartments, commercial properties, and hotels.
    - Three types of REITs: Equity (often traded on the stock exchange), mortgage, and hybrids.
    - A major benefit is that REITs are exempt for corporate taxes, although the dividends are taxed as regular income.
- **Risks.**
    - Interest rate changes.
    - Real estate and stock market downturns.
    - Tenant defaults.
    - Property damage.
    - Disasters.
- **Crowdfunding—what is it?**
    - Crowdfunding is a way to diversify your financial portfolio.
    - This form of online fundraising is posted on websites with prospective investment

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opportunities to be pitched to everyday internet users.
  - Interested investors contribute to a pool of capital that is collectively sourced.
- **The benefits.**
  - An opportunity for an investor to diversify assets.
  - Low start-up capital is required.
  - You don't need to qualify for a mortgage.
  - Owners aren't required to guarantee loans with property or other assets.
- **Groundfloor.us.**
  - An easy way to get started.
  - Provides short-term loans for investors.
  - You can invest as little as $10.00 in individual loans which are typically 3-12 months, and then you get your money back.
  - Interest rates range from 7-15 percent based upon the degree of risk.
  - Since you're investing in a pooled loan, you can withdraw your money at any time.
- **Fundrise.com.**
  - Has $7 billion in its portfolio and functions like most Real Estate Investment Trusts (REITs).
  - They also offer private lending.
- **Syndication.**
  - The old adage among investors is *"The more doors, the better."*
  - Rather than purchasing one property, syndications allow you to participate in much larger deals.
  - **CAVEAT:** Be extremely careful and have a CPA or tax attorney review the entire offering before investing. There are a lot of charlatans out there.
- **Two ways to participate.**
  - **As a general partner**:
    - General partners run the deal and have all the liability.
  - **Limited partner:**
    - Act as a lender, but still have an ownership interest in the property that entitles you to a certain percentage of returns. Liability is limited to the amount you invested.

XVII. Private Debt Funds

- **Private debt funds.**
  - Registered with the SEC.
  - You can only find these by knowing someone who is running the fund or is in the fund.
  - We've invested in several of these with annual rates of return of 10-13 percent, payable monthly.

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- The funds we're in are providing early-stage financing major building projects. The typical commitment is 1-3 years or may be variable.
- **Debt funds.**
  - Debt funds lend short-term capital to real estate investors, developers, and builders and receive periodic payments based upon the interest rate charged.
  - They often diversify their holdings across multiple properties to minimize default risks and can include construction loans, multi-family buildings, and industrial buildings.
  - They typically generate a monthly interest payment and offer interest rates of at least nine percent.
  - A professional investment manager selects the loans and manages the fund.
- **Purchasing individual notes and trust deeds.**
  - Steady cash flow, passive income, and potential for high returns.
  - Risks include borrower default, market fluctuations, and difficulty liquidating these instruments.
  - Due diligence required to make sure note is legitimate, recorded, and there is sufficient equity to cover the investor if the borrower defaults.

- **The #1 rule of investing: Always do your due diligence prior to purchasing any investment including consulting with your tax professional regarding NET after tax returns on your investment.**
- **Advice from tax strategist, David A. Perez**
  - *Regardless, if you're an active or passive investor, if you're looking to save taxes every single year, I encourage you, I am begging you, figure out a way to get into real estate. It is the best way to minimize your tax liability, especially if you're higher income earner, to build wealth, and to enjoy the immense satisfaction of not giving as much of your hard-earned money to the IRS. –*

Key Takeaways

- Real estate is typically a safer investment than the stock market.
- There are a wide variety of options available for funding a real estate investment.
- Down payment assistance may also be available.
- There are many different types of residential and commercial investment opportunities.
- Real Estate Investment Trusts (REITs), debt funds and purchasing trust deeds are additional ways to finance an investment.

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