

# WHY REAL ESTATE INVESTING MAKES (DOLLARS AND) SENSE

There are a lot of “gurus” out there who promise to teach you how to “get rich quick” through real estate investing. While much of what they’re selling are high-risk schemes, there is a way to make predictable, low-risk income through real estate investing. In this report, we’ll examine the tried-and-true tactics that can be used to increase your income, pay off debt ... even fund your retirement!

## WHY INVEST IN REAL ESTATE?

One of the basic principles of real estate investment lies in this fact: everyone needs a place to live. But there are other reasons why real estate is a great investment choice:

### 1. Appreciation

Appreciation is the increase in your property’s value over time. History has proven that over an extended period of time, the value of real estate continues to rise. That doesn’t mean recessions won’t occur. The real estate market is cyclical, and market ups and downs are natural. However, in the vast majority of markets, the value of real estate does grow over the long term.

### 2. Hedge Against Inflation

Inflation is the rate at which the general cost of goods and services rises. As inflation rises, prices go up. So the money you have in your bank account is essentially worth less because your purchasing power has decreased. Luckily, real estate prices also rise when inflation increases. That means any money you have invested in real estate will rise with (or often exceed) the rate of inflation.

### 3. Cash Flow

One of the big benefits of investing in real estate over the stock market is its ability to provide a monthly cash flow. If you choose to rent out your investment property to a tenant, you can expect to receive a rent payment each month. If you’ve invested wisely, the rent should cover your debt (i.e. mortgage payment), as well as any repairs and maintenance that are needed. Ideally, you will have some additional cash left over each month to supplement your income.

### 4. Leverage

Leverage is the use of borrowed capital to increase the potential return of an investment. That means you can put a small amount down, take out a mortgage to finance the remainder of your investment, and profit on the entire combined value. That’s the power of leverage!

### 5. Tax Advantages

One of the top reasons to invest in real estate is the tax benefit. There are many ways a real estate investment can save you money each year on taxes. Be sure to consult a tax professional, but if structured correctly, the profits you earn on your real estate investments can be largely shielded from tax liability. Just another reason to choose real estate as your preferred investment vehicle.



# TYPES OF REAL ESTATE INVESTMENTS

While there are numerous ways to invest in real estate, here are the top three methods we've helped our clients use to start making money as investors:

## 1. Remodel and Resell

Commonly referred to as a "Fix and Flip," investors purchase a property with the intention of remodeling it in a short period of time, with the hope of selling it quickly for a profit. Investors need to understand the risks involved and be prepared financially to cover additional expenses that may arise.

## 2. Traditional Rental

One of the more conservative choices for investing in real estate is to purchase a rental property. The appeal of a rental property is that you can generate cash flow to cover the expenses, while taking advantage of the property's long-term appreciation in value, and the tax benefits of investing in real estate. It's a win-win, and a great way for first-time investors to get started.

## 3. Short-term Rental

Platforms that facilitate short-term rentals, like Airbnb and HomeAway, are booming. Their popularity has spurred a growing trend toward dual-purpose vacation homes, which owners use themselves part of the year, and rent out the remainder of the time. There are also a growing number of investors purchasing single-family homes for the sole purpose of leasing them on these sites.

## GET STARTED

However you choose to invest in real estate, make sure you're working with a real estate agent who has knowledge of the investment market and can guide you through the process. While no investment is without risk, a conservative and well-planned investment in real estate can supplement your income and set you up for future financial security.

If you are considering an investment in real estate, please contact us to set up a free consultation. We have experience working with all types of investors and can help you determine the best strategy to meet your investment goals.

