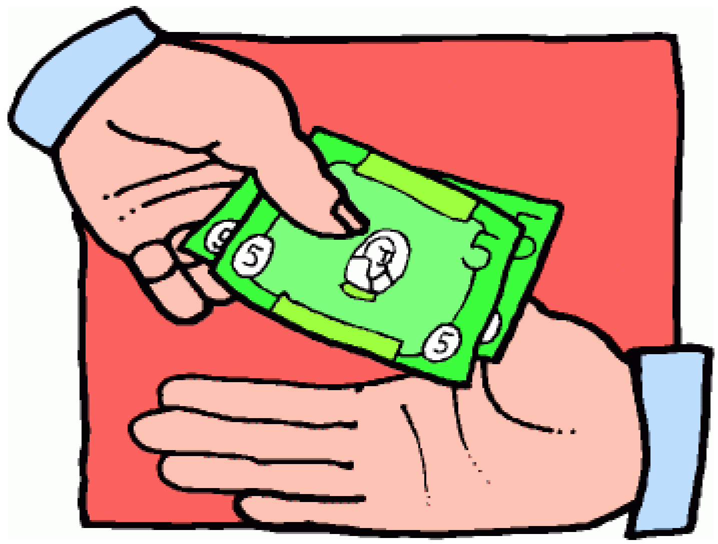



How to Make Money with Real Estate

How do you Make Money with Real Estate

We've created a path for you to get on this real estate boat by busting common myths and showing you the step-by-step guide in real estate investment. But to become a good real estate investor, you should expect to do hands-on work, not just knowing the theory. You need to have property management skills and people skills because you'll be actively managing your properties and tenants.



Specifically, there are at least 7 reasons why real estate investment can earn you profits. In real estate investment terms, we call those reasons profit centers.

Profit center #1: Immediate equity

Unless you're in a very hot market, you can make money as soon as you buy a property, and I'm not even joking you. Let's say you purchase a property at 10% below listed market value. That means you've created 10% immediate equity. In number terms, if a house is listed for $300,000 on the market, and today you successfully buy it for $270,000. You've just created $30,000 of immediate equity on your net worth statement.

Of course you may have doubt about this and ask, "Why would anyone ever want to sell his/her property at a discount with 40% or more?" In the book we answer this question and show an example of how we purchased a property 40% under the current market value.

Profit center #2: Property appreciation

This is the most common way a property can profit you. In the short term, housing prices do have fluctuations, so it’s normal to see a rise and fall in pricing. But in the long run, house values will appreciate. In the Book we show some of our examples of how we have profited from Property Appreciation.

However, as good as it sounds, in order to get profit from appreciation, it requires you to purchase the property at the right time. Hence, if you buy a property only with the hope for appreciation to earn your profit and disregard timing in purchase, your strategy is called speculating, not investing. That’s not what this book is advocating. This is why many people were caught when the bubble burst in 2007. They were gambling on pure appreciation over a short time and were devastated when the prices actually dropped, and they could no longer afford to hold on to the property, because they had purchased it while it had a negative cash flow.

Profit center #3: Steady cash flow

Having cash flow is paramount in the investment world because you can reinvest to generate even more cash flow. In real estate, this means you should never buy any property that can't generate positive cash flow (i.e. profit after all the expenses).

As difficult as the housing market is – like in large metropolitan cities – you should never invest in properties that are cash flow negative. Even if the house isn't generating any positive cash flow, you need to charge enough rent to break even at the very least; your tenant will pay off your mortgage and all the expenses, and you can rely on the property's natural appreciation. Regardless of where you live, you can always get investment properties that are cash flow positive.

Profit center #4: Mortgage principal reduction

Once you have a mortgage from the bank, you'll need to make monthly mortgage payments. At the beginning of the mortgage, a significant amount of your payment will pay for the interest, and remaining small percentage of 2% to 4% will go to reduce the principal amount. This principal reduction is called silent cash because you do not really see it or even notice it. That debt reduction amount becomes your profit even though you don't physically see it, and you need to include it in your taxable income.

Profit center #5: Financial leverage

As a new investor without a lot of cash, you often use a loan from a lender to buy a property. Imagine you can control 100% of a property with just 10% down payment, this leverage is an enormous advantage of real estate investment; you get to control a huge asset with very little of your own cash.

For more detailed description of this process, please read the book.

Profit center #6: Allowable depreciation

We just said appreciation is a good thing for you as an investor, so if I say depreciation is also a positive thing, it would seem counter-intuitive to you. But indeed it is!

In the book we will show you that you can use depreciation to your advantage. But I strongly recommended you to seek an accountant's advice and see if it's worthwhile for you to do so for tax purposes.

Profit center #7: Reinvestment possibility

Other than renting out your property to earn steady cash flows, you can also refinance it and reinvest the money. Let's say you're living in a house that is worth $350,000 and it's all paid off with no debt. While it's great that the house is all paid off, it's also not doing anything for you as a homeowner; your house has become dead equity.

You decide to take out a line of credit against your house for investment prposes.

Many of the investors we deal with do exactly this. They take equity out of their existing properties and use that money to invest with us into other cash flowing properties that give a safe consistent return on their money. If you would like to find out more about these kinds of deals, please contact us directly to find out if we have any current investment opportunities open for you.