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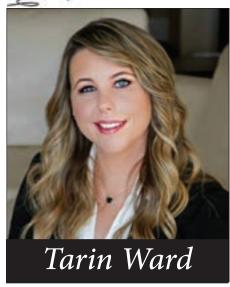
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## RE Journal Member Spotlight



Tarin Ward is a managing member of AIP Real Estate Group, a Florida based real estate investment company. In 2018 Tarin cofounded Women Wholesaling Houses (WWH) Facebook group and currently coordinates local Women Wholesaling Houses meetings in 10 cities in the US. WWH provides its members with every tool and resource they need to succeed in real estate investing. The group is a safe space and open forum for women to share ideas, ask questions and get quality training that empowers them to succeed in every area of their lives. WWH currently boasts over 20,000 women members nationwide. Tarin is an active member of Broward Real Estate Investor Association in South Florida.

### Please tell us a little about who you are and what you did before getting into real estate investing

I'm a single mom to three beautiful

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# What Chances for Recession in 2020 and What Does it Mean for Investment Strategy?

By Chris Kuehl, Ph.D.

't seems that recession talk always greets the arrival of a new year. It is not as if anything really changes as far as the economy is concerned when the calendar flips to a new number but this seems to be the trigger for people to take stock of their decisions and assumptions regarding the next year. By most measures it would appear the US is in good economic condition and the threat of a recession would seem to be quite distant. The problem is that the same can't be said for the rest of the world and one burning question is whether the US will be infected in some way by the economic malaise that has gripped the world.

With all the supposition regarding a recession there is actually a group

whose task it is to determine when a recession has arrived, how long it lasts and when it is at an end. The National Bureau of Economic Research (NBER) is the arbiter of all things recession and they have a number of data points they examine to make that determination. They look at four indicators as signals of recession and at the moment only one of them is sending any kind of warning signal.

The four include 1) real personal income less transfer payments, 2) real business sales, 3) employment and 4) industrial production. Taking these one at a time we can get a sense of what is strong and weak about the economy right now.

For the majority of the last decade there was not much growth in real personal income but that pattern has started to shift a little. The expectation had been that wages would start to spike enough to create inflation threats due to the low rates of joblessness. This is what the Phillips Curve has predicted every time unemployment rates have fallen. It did not occur this time. The rates of unemployment hit record lows but wage gains were not appearing and thus there was little in the way of wage inflation. This lack of wage inflation has been attributed to factors that include the retiring of better paid Boomers and the fact that many companies have been hiring less qualified people that require extensive training and which will not be paid what a more experienced person would command. This situation has started to change as wages are finally catching up - the last reading Continued on Page 9

# Houses + Multi-Family = Apples and Oranges

By Mark Gannaway

ver the past 3 years I've noticed two major changes, besides the traffic, on my commute in the Dallas–Fort Worth region. First, it seems like every new construction project going up in our area, if not a fast food restaurant, is a new multi-family complex, with 100s to 1,000s of doors. The second is the "get rich in real estate" messaging

on the radio ads suggesting Investors consider moving (are moving) away from single family homes to consideration of (promoting) buying commercial buildings, especially multifamily housing. These promotional ads run non-stop.

It does sound attractive, with single family housing inventory at a huge demand level in most major markets, Investors find themselves paying premium price points.

\*Continued on Page 11\*\*



# Finish Strong, Because That is When They Take Your Picture

By Rebecca McLean, Executive Director, National REIA

Think it is an appropriate message as we near the end of the year to inspire you to Finish Strong. Tom Peters once said, "Anything worth doing is worth doing poorly." This may seem counterintuitive, given all that we talk about in our publications and education encouraging cultivation of excellence.

Yet Peters' lesson is especially relevant when addressing new projects - like those real estate deals we've nudged you to take on this year - because very few of us get it right the first time. It is the completion of a project or a task, however, which enables us to carve another notch in our belts. Once you finish something, it can't be taken away from you. It is now a permanent mark on your resume; but more importantly, regardless of the result, you now have the experience to build on and to improve the next time. Was this the first rehab you've attempted? Maybe it didn't go perfectly, but I bet you learned a ton! First time dealing with rental residents? Maybe you've added some items to your checklist or lease because of lessons learned. Great! It means that you are ready for more properties or units as you have a better handle on how to be a better manager. Each new project, each new property, gives us more experience and a better idea of how to be even more successful next

To short cut the painful learning processes you can also take advantage of the education offered at your local REIA. You can engage in what I think is the very best benefit from a REIA – networking! Ask questions, listen to stories from successful business people, just soak up the knowledge!

As 2019 comes to a close, look back over the year and think about how you can finish strong. My favorite story



about finishing strong is about an old man running a marathon. A friend of mine recounts it like this. He was watching the man from the sidewalk and during the last mile he looked like he was going to die. He was tempted to call an ambulance, but when he rounded the final bend and headed toward the finish line, the man sparked up and started running like a champion. After he broke the imaginary finish line tape, my friend walked over to this man and said, "What was that all about? A mile ago you were on death's door and now at the finish line you look like Alberto Salazar (the winner of several New York and Boston Marathons in the '80s). What gives?" The old man looked at him and said, "I always cross the finish line strong, because that is when they take your picture."

Next year, in 2020, maybe I'll get a little closer to breaking that yellow tape and getting my picture taken.

So, how about you? There is no time like the present for taking a step back and taking a long good look at where you are in your Real Estate Investing Journey, your career. No time like the present to think about where you are when it comes to your most important interests. No time like the present for thinking about where you'd like to go next. No time like the present for making a plan and making it happen!

When it comes to real estate, if your goals involve making more money or being more successful in real estate, we've got you covered. First off, you can take a good look at where things currently stand in the industry by checking out our industry news site at RealEstateInvestingToday.com, where we take a look at the latest industry news, research, statistics and more. If learning more about your local market or networking with others in your area is part of your plan, visit your local

REIA group and get a better idea of the latest trends in your own area and find out how others in your area are being successful. And, if you want to learn on your own time, maybe even in your pjs, visit us at NationalReiaU.org to find our online educational offerings.

We look forward to supporting you in making 2020 your year! Good luck!

Rebecca McLean is the Executive Director of the National Real Estate Investors Association. National REIA is federation of local associations or investment clubs throughout the United States that represents local investor associations, property-owner associations, apartment associations, and landlord associations on a national scale. Representing the interests of approximately 40,000 members across America, they are the largest broad-based organization dedicated to the individual investor.

# In Memoriam: J.C. Underwood

This Fall, the National REIA family lost a good friend and the industry lost a great leader when J.C. Underwood passed away after 81 years of life. His dedication and support of real estate investors was evident in all that he did – both at his home association (Metrolina REIA, Charlotte NC) and during his service as NREIA's President. The legacy J.C. leaves at National REIA cannot be overstated. His leadership was instrumental in making the organization what it is today and he worked hard to make it more responsive to members' needs. He is survived by his wife of 35 years, EJ as well as three grown children and six grandchildren. A devout Christian, he was a Boy Scout, a second-generation Gideon, and a successful entrepreneur having owned more than 20 businesses and he was Executive Director of Metrolina REIA. He will be missed, but not forgotten.



J.C. Underwood (left) and NREIA President Doug DeShields at the annual MidYear Conference



### A Federal Budget?

In a stroke of brilliance, as of this writing, Congressional leaders have scheduled the next continuing resolution to be voted on about the same time as the impeachment inquiry will wrap up, after all the polarization between the parties will surely be at an all-time low and conducive to a sincere dialogue of what's best for the country...

While there is no stomach for another government shutdown, don't be too surprised if it happens. The last one ran from 12/22/18 – 1/25/19 and was the longest shutdown in our history lasting 35 days. As you head into the new year, please consider the impact the election cycle and the government in general will have on your business.

### **Taxes**

The single largest impact to your property – sometimes larger than the mortgage – are the taxes. With the steady increase in housing costs over the past couple of years and in some regions bubble-like increases, be prepared for property taxes to increase substantially. Additional levies and increased fees are also on the horizon in many locales. Whether it is the IRS, an individual state's department of taxation or a municipal tax collector, we have heard numerous stories of financial tragedy from folks who didn't plan accordingly for Uncle Sam and all his little moneygrubbing relatives!

### **Opportunity Zones**

Recent efforts at consolidation by HUD are working and a special internet site has been set up for Opportunity Zone information: https://opportunityzones.hud.gov. Secretary Ben Carson has almost made this effort his personal mission.

As secondary markets are coming online to assist with liquidity during the "hold period" of Opportunity Zones, more and more state and local entities are getting involved with the development aspects. In fact, the City of Phoenix has a mapping, increased staff support and importantly community

support behind 6 large developments with numerous smaller ones also moving forward.

One word of caution, presently, there is a real focus on the bricks and mortar benefits of the Zones. Please do not forget that business development in an Opportunity Zone has more flexibility than the real estate development and can have as large or larger benefits! Consider uniting the two, a business in a redeveloping zone, as the best of both worlds.

### **Local legislation**

While the wave of blight-related legislation has dropped dramatically, it has been offset by the hue and cry for affordable housing and anti-eviction efforts. While several states have flirted with or instituted rent controls, local elected officials are trying to make names for themselves by appealing to renters with ever more generous so-called rental rights. Long reserved for the most liberal of cities like Berkley, CA, the spread of these efforts has coincided with a progressive turn in the policies of the left. Whereas these policies were often battled out at the state level, Berkely and San Francisco are now being held aloft as role-models, even while the latter is struggling with out of control homeless issues and the resulting problems from dirty syringes and human feces in public areas. If you like being able to perform background checks on potential residents, redevelop and rehab with minimal interference, and engage in private contracts for lease, now is the time to build relationships with ALL members of your local governments - especially those politicians you know that are looking to "move up."

### Non-pet pet policies

The abuses of the ADA rules on reasonable accommodation have reached unprecedented levels. HUD has noticed to some degree and remarked on the number of fraudulent websites offering quick conversion of your pet to a comfort or companion animal. Property owners for years have been complaining about this abuse and a significant part of the problem actually stems from HUD weighing

in on the Justice Department's rules on support animals. If HUD would roll back its rules, even though they have "so many hours and work involved" this issue would deflate and the disabled who truly need support animals trained and certified ones - would certainly benefit. Until then, property owners are on a collision course with the courts as the rights of a pet allergic resident clash with the rights of accommodation for the so often abused request for a companion animal by a resident who has had the same pet for years. Eventually there will be a backlash and those who truly need their support animal will lose out.

#### **Renters Choice**

Be on the lookout for this new term. While there are lots of things it could refer to, the present push is to "allow" renters to choose between standard security deposits and utilizing newer technology or insurance based options. Of course, this means the government will be passing a new law mandating that property owners will be required to accept any of a dozen different forms of payment from various companies, whether they are an approved vendor or not. Instead of allowing the market to accept and adjust to alternatives and disruptors, local elected officials are forcing the issue: it is akin to trying to force existing taxi drivers to accept Uber and Lyft rather than allowing the market to develop normally.

Considering that in many states there are restrictions on who can even offer insurance products, it should not be surprising that there could be a lot of obstacles in the way for these new disruptors. Mandating that property owners accept the products or offer or accommodate them could place property owners in a tough spot requiring them to be licensed in new fields.

With the anti-eviction efforts in full swing, look for politicians to try to appear relevant by introducing bills like this where they offer a solution without a problem.

### State and Federal overview

As we wrap up the year, be on the lookout for draft bills being prepared for the next legislative session or introduced for reports. Knowing they are in process can give you an opportunity to invite the key sponsors to Holiday parties for an incidental discussion and lay the groundwork for future meetings as interested parties. In those full-time legislatures that are going, even they will slow down, however, the holiday season is a great time to pass unpopular bills with few eyes on them – stay informed and attentive. Please make sure your elected officials know your positions on key bills – and the poisonous ones.

Oftentimes the failure to communicate concerns on a bill that is potentially costly to your business, (because it has "no legs") can result in the perception that there isn't any opposition and it will gain momentum by sheer persistence.

As an example of persistence, many House Democrats vowed to impeach the President when he was sworn in, and 3 years later they are in the process of doing just that. The partisanship has reached unparalleled polarization in the country and we are on the eve of 2020's presidential primaries in the run up to November's Election. While some committees are still working behind the scenes, very little is expected to be accomplished. The impeachment process and the Budget/CRs (discussed above) will dominate the agenda with little else expected to move. Having said that, we will continue to work with the Housing Coalition on HUD-related regulations and tax-extenders like the Mortgage Forgiveness Debt Relief Act.



# How to Thrive Long Term in Real Estate

By M. Jane Garvey

any people get into real estate as a way to provide extra income and a financially healthy retirement. Some want to pay for big expenses like college and weddings, and some want to provide a legacy for future generations. Most expect to be "in the game" for a long time. The good news is that real estate is capable of providing for all of these things, if you learn, and keep learning.

There are many resources that talk about how to thrive using a specific technique, or in a specific segment of the industry. Critical steps include assessing your situation and resources, choosing a path that fits your resources and your financial goals, connecting with industry resources, learning the basics of the business and the path you have chosen, and then taking action. The thrive part comes from continuing to take action.

Thriving long-term is another matter. Any long-time investor will tell you that real estate is an ever-changing business. From the economy, legislation, lending requirements, new technology, customer preferences, and many other aspects there are always changes. Just like fashion, sometimes the old is new again. Over the course of time, your business and your properties will need to go through many changes. If you are willing and able to change, you stand a chance.

Here are some key elements that set some thriving long-time investors and their businesses apart from others.

### Continuously Expand Knowledge and Resources

The business of real estate comes in many forms. There is always something new to learn. If you are always looking to the future for ways to evolve, you stand a better chance of surviving the changes. Investors who keep learning about new techniques can be reinvigorated about their business. Look forward to the next deal, make new friends and connections, and expand your "toolbelt" of techniques so that you can change as needed.

### Paying Attention to Market, Risk, and Opportunities

Keeping a close eye on your local market will put you ahead of the game in seeing potential risk as well as opportunities. Pay attention to the local, regional and national markets looking for trending - rents, vacancy rates, time on market, are prices climbing or falling, gentrification or deterioration, and changes in consumer preferences. Pay attention to legislation at the city, county, state and federal levels so that you can adapt. Sometimes these things require a tweak in procedures, and sometimes they require a change in strategy, investment type, or a change in locale. But all of this requires that you are paying attention. The earlier you are aware of these things the better your ability to make informed decisions



about your business.

### Adaptability & Maneuverability

Are you driving an 18-wheeler or a motorcycle? Can you change direction rapidly? The answer to this probably lies in what type of investing you are doing, and how adaptable it is to change. If you are strictly buying and selling, you may be able to change strategies more rapidly, but it may take a bit of work. If the properties in your pipeline won't sell, can you repurpose them as rentals? Have you chosen financing that will allow for that? In the last recession lenders called their rehab loans causing massive issues for rehabbers. If you have large buildings, what can you do with them if rent control makes it impossible to have a positive cash flow? Have as many exit strategies as possible. You never know when you might need

### Laser Focus vs Diversification

I would contend that diversification in technique, asset type, and geography are all necessary to thrive long-term. If you have a lot of things going on and one of them starts having a problem from forces beyond your control and beyond your ability to change, you still have other things that are working. You can change your focus and quickly reset to move forward. Many investors find that laser focus allows them to grow quickly. That is great when you are starting out, but as you grow you need to diversify to survive. You can outsource a lot of the work, which in some sense allows you to have someone else with laser focus on each aspect of your business. You then can work on a more global scale with portfolio management.

### Appreciation of the Risk-Reward Continuum

Have you heard the phrase, "With big risks come big rewards." There is always risk, but you can control how much you expose yourself to. In real estate we are tempted to put too much of our assets in one investment which increases our portfolio risk. When you are just starting, this might be out of necessity, but as you grow – diversify so that one failure won't collapse everything you have worked for. Leverage is a wonderful tool. It accelerates our growth and rewards, but it also increases our risk. Learning to judiciously use leverage is critically important if your business is to thrive long-term.

### **Asset Protection**

Understand and Implement: There is no such thing as perfection. Things will go wrong, despite your best efforts. Take the time and spend the money to learn and implement an asset protection strategy. We hope that you will never need it, but just like having proper insurance, the benefits of it will allow you to thrive long-term rather than having to start over.

### Learn from Your Experiences

As you go through the work of building your business, pay attention to what works for you and what doesn't. You do not need to make the same mistake over and over, which you can do if you aren't learning and paying attention. Learn from others too. Knowledgeable friends, acquaintances, teachers, and connections will make this business much easier.

# Keep Your Long-Term goals and Dreams in Mind

Don't take shortcuts to get to intermediate goals. You want to build something that you can count on for years, and even generations to come. It is a worthwhile endeavor. Make sure to include your family in your efforts. They need to know the effort it took to build, and the techniques needed to keep it growing.

Jane Garvey is President of the Chicago Creative Investors Association.



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Editor Brad Beckett brad@nationalreia.org

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Publisher
John Triplett
john@rentalhousingjournal.com
Editor
Linda Wienandt
linda@rentalhousingjournal.com
Advertising Manager
Terry Hokenson
terry@rentalhousingjournal.com

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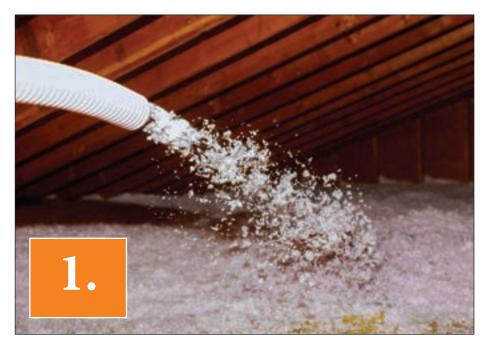
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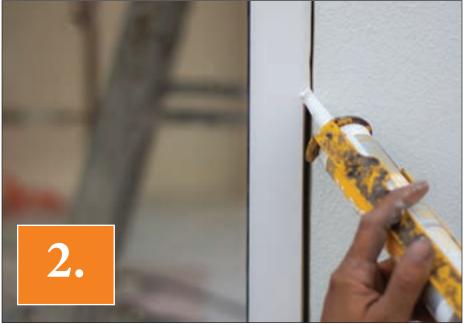
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# **Keep Your Cool With These Four Winterization Tips**

By Jeff Watson, The Home Depot

s the saying goes, an ounce of prevention is worth a pound of cure. As the fall season concludes, now is the ideal time to start winterization projects that can protect your investment properties and keep costs down during the coldest months of the year.

Whether you're in the middle of a remodel or prepping for proactive maintenance, here are four tips for your winter weatherization checklist.

### 1. Don't Hesitate to Insulate

It's estimated that 25% of a home's heat is lost through the attic, and this is especially true of older properties. One of the best ways to keep the heating unit running longer and more efficiently is to add an extra layer of insulation to help offset cold temperatures and brisk winds that can make it work harder than it needs to.

Start by inspecting the attic. If you notice areas with more than one inch of the floor joist exposed, it's probably a good idea to add another layer of quality insulation from a top-rated brand like Owens Corning. Installing insulation yourself isn't a daunting project. With the right tools, it's a manageable job that can be finished relatively quickly.

The Home Depot Rental Center can help you take on the task with a fiberglass blower that's ideal for attic insulation. The first day's rental is free with the purchase of 10 or more bags of insulation.

### 2. Seal it up

Doors, windows and other small openings can also contribute to inefficient temperature control. While it may not seem like much, those mini escape routes for heat can add up – especially during winter's peak months. Look closely around the property for new cracks or openings and take the necessary steps to address them now. Sometimes it's as easy as a quick caulking job or replacing weather stripping to make



sure the cold stays out and the heat stays in.

However, draft-proofing your property is a bigger task should it require window replacement. It's a good idea to have windows thoroughly inspected for efficiency, especially if they were at all drafty last winter. While replacement may not be ideal, the upfront costs are worth the energy savings in the long-term.

The Home Depot's local, licensed service professionals are experts at window replacement and installation to help you get the job done. Their service is backed with a lifetime craftsmanship warranty, along with a wide range of affordable financing options to choose from.

### 3. Water Heater Check-up

There's never a good time for a water heater go out, but things become a bit more complicated during the winter. Now is the time to check it to make sure it's in good shape. Look for any leaks or rust around the unit. That's a good indication to contact a professional to determine if it needs to be repaired or replaced. It's also a good idea to check the temperature and pressure relief valve to ensure it, too, is leak-proof with no corrosion on the pipes or valve stem.

The Home Depot has the tools and parts needed for a repair as well as a wide assortment of new water heater options from trusted brands. Rheem offers a high-efficiency electric water heater that's four times more efficient than a standard water heater. The brand also features a tankless water heater with the ability to reduce energy loss by only operating when needed to heat water. And remember: Bulk pricing and next day onsite delivery are both available for Pro customers.

#### 4. Be 'Smart'

Because you can't always be at your investment properties, smart home products are one of the best ways to stay connected, even from afar. When synched up to a mobile device, you can receive real-time alerts that enable you to address problems proactively, instead of waiting for a middle-of-the-night call from a tenant.

When a property is empty, you can have greater control over things like the thermostat and water heater to keep utility costs low. Ecobee's smart thermostat with voice control and temperature optimization can help save up to 23 percent annually on heating or cooling costs.

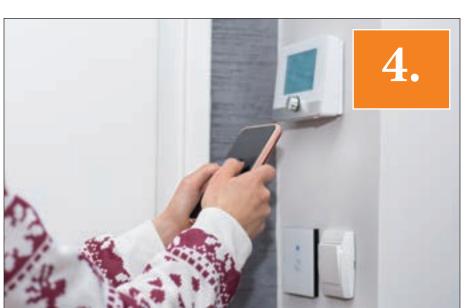
When it comes to lighting, the U.S. Department of Energy reports that LED bulbs use at least 75 percent less energy and last 25 times longer than incandescent lighting. Remote LED lights can be programmed to turn on and off at various times to give the appearance of someone living there.

Staying ahead of repairs and replacements during the winter months is key to maintaining your property and keeping costs down. By properly insulating, sealing drafts, checking the water heater and installing the latest home technology, you'll drastically increase the probability of an issue-free winter across your investment properties.

Designed by professionals for professionals, Pro Xtra is The Home Depot's loyalty program that helps you save money, manage your spending and grow your business. In addition to the program's standard benefits, National REIA members also receive a two percent annual rebate, 20 percent off paints and primers, volume pricing and more. It's free to join, so check it out and get started today.

Jeff Watson is the Director of National Sales for The Home Depot and supports organizations including the National Real Estate Investors Association.





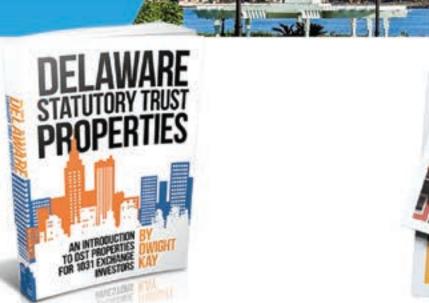
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# Looking Ahead: The 2020 Real Estate **Economy**

By Kathy Fettke, Co-written by Donna **Behrens** 

The global economy has been turbulent for the past several months. We've seen headlines warning us about economic risks like the trade war, the global economic slowdown, and other geopolitical issues. They've taken their toll on the stock market, and there's concern that at some point we'll see another recession, but should real estate investors be worried?

When we hear so much talk of an impending recession, it could turn into a self-fulfilling prophecy. Consumers could stop spending money and put their cash into savings. Investors could do the same, as the confusion builds. It's not a surprising reaction to all the bad news. Anyone who experienced losses during the Great Recession does not want it to happen again.

It is important to understand, however, that the real estate market is very different today than it was in 2008, when the 8-trillion dollar housing bubble burst and threw the U.S. economy into chaos.

#### Home Loans: Then and Now

Before the housing crisis, millions of homeowners had adjustable rates. Many were subprime loans. They had qualified for their loans with low teaser rates but at the start of the crisis, many of those loans were resetting to higher rates. Homeowners who couldn't afford the higher monthly payments defaulted. And those defaults snowballed and resulted in millions of foreclosures nationwide.

Today, the story is much different. According to the St. Louis Fed, delinquency rates on single-family residential mortgages continue to decline. In the third quarter of this year, delinquencies hit a record low of 2.45%. That's down from 11.54% in 2010.

Credit Karma did a recent analysis of lender qualifications. The study looked at Transunion credit scores for about one-million Credit Karma members who took out a first-time mortgages between August 2017 and August 2018. It found that the average credit score among those homebuyers ranged from 662 to 730, depending on where they live.

These borrowers needed high credit, low debt-to-income ratios, and proof of their ability to afford the mortgage payment with a two-year job history and plenty of reserves. That's much different from the subprime scenario

leading up to the housing crisis, thanks residential units off the market. to the Dodd-Frank Act of 2010.

Dodd-Frank Act heavily regulated banks and lenders. While some no-doc or low-doc loans may still be available from private lenders, they represent a very small percentage of home loans today and require high credit scores and high cash reserves.

New regulations just this year have made it even more difficult to qualify for a mortgage. In March of 2019, the FHA informed lenders it would require even more stringent standards to applicants with high debt and low FICO scores.

Lenders are not handing out loans like they were before the housing market collapsed.

In the early 2000's, subprime loans were abundant. That is not the case

### Home Equity at All-Time Highs

Borrowers also have more equity in their homes today. Homeowner equity has more than doubled since 2009. According to real estate data firm Core Logic, it was \$6.1 trillion in the first quarter of that year. Ten years later, at the end of the first quarter of this year, it was \$15.8 trillion.

Even if we are hit by a recession, borrowers won't be so willing to walk away. That equity is like money in the bank that they won't want to lose. And, they will have lower, fixed-rate monthly payments that could be less than they'd

It's unlikely that the next recession will produce another foreclosure crisis that fed into an investor frenzy for underpriced, distressed homes. If you are waiting for that to happen, you could be waiting for quite some time.

### **Demand Outpacing Supply**

There's also a big lack of inventory for affordably-priced homes. According to CoreLogic, the number of single-family rentals increased by three million during the foreclosure crisis, leaving fewer homes available for owner occupants. Home builders were also hit hard by the recession and haven't been able to catch up. Plus, the U.S. population has grown by 23 million people since 2008 and household growth by more than 10 million, putting even more pressure on the tight housing inventory.

The short-term rental business is adding to the lack of supply. It didn't even exist in 2008, but today, hundreds of thousands of homes are being used as short-term rentals. This new business has effectively taken long-term

The for-sale market is also losing homes to seniors who want to "age in place." It's becoming more common for seniors to remain in their homes thanks to new technologies that help them maintain their independence. But it isn't just seniors. Redfin says, in 2019, the typical homeowner has spent 13 years in his or her home. That's up five years from 2010.

According to Insight, the shortfall of housing supply ranges from a low of 0.9 million to a high of 4.0 million housing units, as of the second quarter of 2018. (5) The Freddie Mac blog says: "If supply continues to fall short of demand, home prices and rents are likely to outpace income and household formation will fail to reach potential."

Housing inventory levels started to grow a bit last year when interest rates increased. News described it as a "housing slump" but in reality, the market was balancing out. Inventory increased slightly and price appreciation slowed down a bit, which was good for buyers. Then, when interest rates started to decline this past summer, home sales surged. Now, housing supply is down by as much as 10% for affordable new homes priced under \$200,000.

Robert Dietz, chief economist of the National Association of Home Builders, says: "Five years ago that share was one in five, and 10 years ago it was 40% of new home sales were priced under \$200,000." He added that: "It's not just the overall supply of new construction that's gone down, but the supply of starter homes, so it's the affordability challenge at the entry level that's been a particular challenge."

### Lack of Affordable Housing

Due to the high cost of construction, builders have been bringing pricier homes to market, but that's the category with the most supply. CNBC reported that inventory for homes priced above \$750,000 was 4.7% higher in September compared with September 2018. Overall, inventory fell 2.5% in September. Homes priced below \$200,000 experienced a 10% drop in inventory due to what CNBC called "an unseasonably strong surge in demand." For homes priced between \$200,000 and \$750,000, which make up 60% of the market, inventory was flat.

Today's low interest rates will certainly help more people buy a home at the end of 2019, and probably into 2020. But, it's important to understand

that there is an affordability ceiling. Prices can't rise forever, no matter how low interest rates go. Rents can't climb forever either.

### **Economy is Slowing but** Growing

The theme of 2020 will most likely be a "Slowing but Growing Economy." In other words, expect to see growth, but it will likely be slower than we've seen in the past decade.

A new supply of homes will continue to be slow to market. Sales will be strong for affordable housing, moderate for median-priced homes, and slow for high-priced properties.

The current real estate cycle is indeed ending, and we are entering a new cycle of "normal" and "stable." We are certainly not falling off a cliff.

### **Real Estate Investors Strategies** for 2020

While many of us long to return to 2012 so that we can pick up cheap real estate with double digit cap rates, that doesn't exist anymore. We are in an environment that requires a careful study of fundamentals. Strategies used over the past decade will not work in 2020 and beyond.

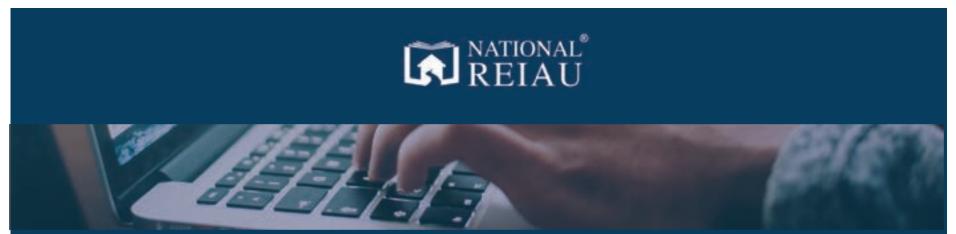
Landlords will have to accept lower returns as rents stabilize. Proformas should not assume rising rents.

House flippers will need to be more careful when calculating returns, and must get a great bargain at the outset. Repair costs need to be accurate, along with the cost of marketing, taxes, insurance and debt service. There will be less forgiveness when prices are stable.

Developers should look for ways to provide more affordable housing. This may mean smaller floor plans on smaller lots, or building up.

Kathy Fettke is the Co-Founder and Co-CEO of Real Wealth Network. She is passionate about researching and then sharing the most important information about real estate, market cycles and the economy. Author of the #1 best-seller, Retire Rich with Rentals, Kathy is a frequent quest expert on such media as CNN, CNBC, Fox News, NPR and CBS Market-Watch.

Donna Behrens has worked as a TV news writer and segment producer in the San Francisco Bay Area for more than 25 years. She is a podcast producer and writer for the Real Wealth Show and the Real Wealth News for Investors. Learn more at www. RealWealthNetwork.com.



### What Chances for Recession in 2020? ... continued from Page 1

showed gains of between 3.0% and 4.0%. If wages still continue to rise the consumer will maintain their level of confidence and that means a reduced threat of recession.

The category of real business sales has also been holding steady with growth rates that can be maintained. The survey of companies in the S&P 500 show a growth rate of 3.8%. This is slower than has been the case in the last couple of years but it is still in respectable territory. The National Federation of Independent Business also reports some solid numbers with steady sales. As the holiday season has gotten underway the sales data has been getting better and that has been the case with retail activity in general. The sales data has been good through Back-to-School, Halloween and now the data from Black Friday and Cyber Monday have exceeded expectations. Again, this is not pointing towards a recession but consumers can change their mood very quickly.

The employment numbers have been very solid, to the point that there are issues that have arisen from a chronic job shortage situation. The rate of unemployment is as low as it has been in decades and that has created a situation in which there are far more jobs than there are people to fill them. If every person available to work was to be employed there would still be over 2 million jobs going unfilled. The jobs data certainly supports the notion of continued growth and puts the chances of recession at a very low probability. The fear is that productivity levels are suffering and that will create issues for many companies. It is also causing a longer-term change in the way that companies look at their employees. The lack of available skilled labor has convinced many operations to substitute technology and robotics for human resources and that creates long term employment issues for those without education and training.

The one fly in the ointment as far as recession threat is industrial production. There are three parts to this data - manufacturing output, the energy sector and utilities. For the last several years it has been the manufacturing sector that has led the way but in the last year this sector has been floundering due to the trade wars that have erupted throughout the world. Most of the attention has been focused on the US-China confrontation but there have been disputes between the Japanese and South Koreans as well as the Brexit mess that has compromised the European Union and the UK. India and China have their issues and Brazil has been on the outs in many parts of Latin America. Even as the energy sector and utilities have been able to hold steady the manufacturing sector continues to fade and that spells potential recessionary

Ultimately this affects investment decisions in the US and the world in general. For example, the surging US equity market has been attributed to the influx of foreign capital as these investors have been unable to get the returns they desire in their home markets. This has certainly been good for the US market performance but there is a concern that at some point the money returns home and that would leave a void in the US. Generally speaking, there has been some return to more cautious investing as concerns persist over what might transpire in 2020 - the problem is that bond yields remain very low and unattractive to all but the most nervous. There has been some interest in commodity investment but metal prices have been down overall. This leads to some persistent interest in exotic tools such as bitcoin.

There continues to be a lot of change and adjustment in the real estate investment sector. The build to rent market has been expanding into new markets as high land prices and labor shortages drive investors out of areas in the Northeast, and parts of California. The millennial buyer is still not as attracted to the single-family home as were the Gen-Xers and certainly the Boomers. This trend has led to more engagement from big capital firms as they seek opportunities that seem more secure. There has been a lot of merger activity involving REITS and these big capital players who have started to shy away from technology plays and start-ups. There has also been significant interest in single family home rentals and that has attracted many of the smaller investors as well as the bigger players. As the Boomer generation retires in greater numbers, they will be dumping a lot of existing home stock on the market and much of this will be hard pressed to find a buyer. There will be many of these homes more suited to the rental market.

The hope in the housing market has been that millennials would start to gravitate towards that traditional home once they reached their 30s, had kids and a steady job. It turns out that this cohort remains uninterested in that home choice even as they age. Only 37% own their home and that is lowest percentage of any of the age cohorts save the Gen-Z crowd. They want the flexibility to relocate and reject most of what goes along with ownership. That makes rental property investment far more steady and lucrative than would have been assumed.

There are a lot of unknowns regarding 2020. The trade wars can trigger a global collapse that might drag the US down, consumers could be spooked by all the electoral negativity and cause a slowdown. At the moment recession risk is minimal and that keeps the door open for investment – albeit with strategies that are more careful than might have been the case a few years ago.

Chris Kuehl, PhD., is an economist and Managing Director of Armada Corporate Intelligence. Visit www.armada-intel.com for more information.



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Phone:

Email:

(855) 337-6811 EXT. 12716

michael.littlejohn@officedepot.com



# Seven Things You Need to Know Before You Buy Rental Property

# Thing Number 7: The Return on Your Investment

EDITOR'S NOTE: Mr. Dornish resides in Pennsylvania and, as such, occasionally makes references to Pennsylvania law. Please check with your local laws and ordinances as they differ from state to state.

By Bradley S. Dornish, Esq.

have saved the most important thing to know about a rental property before you buy it, THE RETURN ON YOUR INVESTMENT, for the last in this series of articles. After all, we call ourselves real estate investors because we buy and operate real estate as an investment. We expect to benefit short term from cash flow and tax benefits, long term from appreciation and even better cash flow when we eliminate mortgage debt service.

Yet all too often, we get caught up in the appearance of a property we brought back from a disaster to pristine condition, or we empathize with the problems of our tenants and put the profitability of each property second, or even a distant third to other considerations. When I analyze a property for investment, I look first at the cash flow. I do have properties on which I make less than they cost to operate, some because they are vacant waiting to be renovated, others because I had to spend more than I thought to get them renovated. Some are in locations where the market hasn't caught up to my vision of what the market would, should and someday will be in the area, while others lag in income because I don't get the rent I should or thought I would from particular tenants. None of these properties started out with the expectation that I would carry them. Every property I bought looked good on paper and in my mind before I closed on it. Later events increased operating costs, decreased income or both.

Because contingencies can, and often do affect your bottom line after you buy a property, you need to buy with a cushion for those contingencies so not getting every penny in income you expected doesn't leave you upside down. You must have extra cash flow to pay more than you anticipated in taxes, repairs, utilities, or my personal favorite, legal fees. Plan so an extra expense doesn't take you over the line into a negative cash flow spiral from which you can't recover.

There are probably almost as many rules of thumb followed by successful investors in planning their returns as there are investors, but most revolve around certain key elements. My first step is to look at all the current income and all the current expenses of the property I am considering, and compare both to the income and expenses of my most similar units. Do all the numbers end up in the same ballpark, and if not, why not?

Next, compare that income in the building you want to the asking rents for other units in the area advertised in the papers and online. Honestly check the pictures online and see whether owners of nicer units in the area are asking for less rent, or units in poorer condition are advertised for more rent than the building you want to buy. Remember that units often rent for less than asking rent, but rarely rent for more. In fact, other than extra pet rent, or a lease for less than a year, I don't think I've ever rented for more than advertised rent.

If the rents reported by the seller for the building you want look high for the neighborhood, look the leases over carefully for waivers of security deposits, free months' rent offers and leases in the building for less than a year. These things may make short term cash flow look good, but seem to find market level on your first renewal cycle.

Test expenses the same way. If the expense seems too low, don't just accept the seller's word, but ask for supporting records. If the records look too cheap, check the bills. If the bills look too cheap, don't be afraid to look even deeper. One of the most expensive cash flow mistakes I made was accepting an electric bill that just seemed too low. It turned out that the bill was too low, even for over two years after I bought the building. When the electric company eventually investigated, they found a seal had been cut by someone before I bought the building, and the meter jumped so most of the electricity used wasn't recorded on the meter inside or registered by the electronic reading device. Since nobody came to read the meter, nobody saw the cut and carefully replaced meter seal.

I kissed any hope of a good return goodbye, and paid \$1,000.00 dollars a month for two years to cover the electricity I had unwittingly "stolen" while the meter was jumped. To add more pain, the utility used the opportunity to replace a direct meter with a demand meter, so I paid much more due to peak demand.

Once you are comfortable with the income and expenses, do you show a profit on cash flow? I like to see \$200 per unit per month in projected cash flow

after all expenses. That way, even if my expenses creep up faster than income, I have room to absorb the extra.

Next, I like to estimate a vacancy rate and make sure that even with higher vacancy than I really anticipate, I can break even. I find that being conservative in my calculations before I buy may cause me not to buy some good properties, but leaves me with a better mix overall.

Although this article is about what you should know before you buy rental units, your cash flow analysis should continue after you buy a property. Every year you should review the return on every property you own. Tax time is a good time to pull out the cash flow analysis you did when you were buying, and see what expenses have changed, and why. Are you able to refinance and lower your interest rate without stretching the payments out too far?

Look at income, too. Are you able to raise rents to keep up with inflation in your expenses? If you don't like the answers you see, and can't plan to improve your diminishing return, you have to decide whether to wait for better cash flow when you pay off the mortgage, or sell the building now and find another with a better return. Remember, investors who maintain a good rate of return get rich slowly, while those who ignore the return on their investment often go bankrupt quickly.

Bradley S. Dornish is a licensed attorney, title insurance agent and real estate instructor in Pennsylvania. He can be reached at bdornish@dornish.net.

### Houses + Multifamily = Apples and Oranges ... continued from Page 1

This makes buying decisions extremely difficult based on the average Investor's cash flow analysis and return on capital. Investors ask themselves, "What could be different in buying a \$500,000 single family residence verses buying the same valued building, but having a much larger multiple on the rental income return?" EVERYTHING!!!! It truly is an Apples and Oranges scenario. Especially when you are reviewing potential financial exposures due to uninsured risk and buying the proper insurance coverage at a price within your budget.

If you have read any of our previous articles or listened to us speak at a conference, you know we "preach and teach" that without proper insurance in place, you could lose your entire investment. Case in point; go (down) to Houston and look at all the abandoned houses from Hurricane Harvey that didn't have flood insurance whether they were in a flood zone or not.

Today, the biggest issues with



multi-family insurance is finding an insurance company who will offer you coverage. Carriers do not like this class of business, so the rates are not stable and not guaranteed to renew; particularly at the initial price point.

If you can find it, the price points, especially in hail and wind prone areas, are extremely high. And this is only for property coverage. Liability insurance is a must as you need to protect yourself

and your investment(s) from tenant and guest exposures. It is not uncommon for current insureds to receive a non-renewal notice or a very large price increase and less coverage. This is especially true in areas that experience frequent storm related losses or have high tenant claims.

The first item you will notice about multi-family insurance is that it is not a quick and easy process compared to residential property. You must complete a large detailed application before any type of price indication. Typical questions on the application include:

- Year built for the apartment complex and year built (if any) and each add on.
- How many doors?
- How many stories?
- How many buildings and distance between each building?
- Last year a new roof was installed?
- Last year a new HVAC was installed in each unit if separate?
- Last year the electrical wiring was updated and what type of wiring is it? Many apartments in the '70s and '80s had aluminum wiring which most insurance companies will not except.
- · Pool? How many?
- Construction Type?
- Lead Paint this is a big issue in many states, especially in the Northeast region of the country.
- 3-5-year claims history
- Management Experience of Building Owner,
- If you hire a Property Management Group, then there will be several questions regarding their experience.
- Have you ever been fined by any regulatory agency?
- Company Financials
- Copies of other Commercial Policies
- How do you do background checks? Name of the firm?

If the application is not complete, no quote or indication will be given. The property will most likely be inspected by the insurance company unannounced and at any time, and they can cancel the policy if they identify any increase in hazard or risk.

Don't be surprised if you are having to change carriers every year. This is very common in this class of business with claim frequency and average claim loss much higher than traditional single-family insurance. There is also a greater chance for non-renewal, higher rates and deductibles at renewal.

Many investors are entering or expanding into the multi-family sector with success. We recommend you do so with a much more in-depth analysis of your costs as opposed to the potential profit upside. If you are a seasoned investor, then a migration into this sector might make the most sense. If you are new to the investment world, caution is the key word of advice as you must weigh all of your options relative to insuring risk and the opportunity to flip the property or costs involved in holding the property over a period of time.

Mark A. Gannaway, CPCU, is the Chief Executive Officer and Founding Partner of Arcana Insurance Services, an all-lines property and casualty managing agency that's been working with real estate investors since it began in 2005.

Arcana Insurance Services offers National REIA members multiple insurance products specifically designed for Investors and their tenants. Learn more by visiting www.nreia.arcanainsurancehub.com.



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# What is an ADU in Real Estate?

By Than Merrill

The concept of an accessory dwelling unit (ADU) has grown in popularity as the price of homes and cost of living continues to increase. More and more people are choosing to share living spaces in an attempt to account for the latest surge in home values, and accessory dwelling units have helped homeowners accommodate the transition for years. It is worth noting, however, that improvements in the economy have seen the use of these alternative living spaces come into question. What is an ADU in real estate investing terms? How much does it cost to build an ADU? Is building an ADU a worthwhile investment for today's real estate entrepreneurs? The answers to these questions, and many more, can be found in the following ADU guide.

#### What Is An ADU?

An accessory dwelling unit (ADU), otherwise known as a "mother-inlaw" or "granny flat," is an additional living quarters located on the same lot as an existing single-family home. While accessory dwelling units may be attached or detached, their purpose is to provide its tenants with complete and independent living facilities. In order to be classified as an accessory dwelling unit, the living space must include permanent solutions for living, sleeping, eating, cooking, and sanitation. In other words, an ADU is essentially a self-sufficient home that happens to be located on the same plot as the single-family home. Zoning laws will vary between each municipality and the criteria that make up an ADU house may differ, so be sure to check with the proper authorities in your area to gain a better idea of what an ADU is.

### **Benefits of An ADU**

In the past, building an ADU was closely associated with housing close family members or friends. Increasing the occupancy rate of a subject property helped countless families afford their mortgages when the economy was

less than forgiving. However, as the economy improved, so too did the usage of ADU real estate. In addition to making homes more affordable for generational families, the benefits of an ADU have expanded to include the following:

- An ADU home is perfectly capable of serving as an income producing real estate asset.
- The addition of an ADU house may increase the occupancy rate of a subject plot of land, allowing more residents to enjoy the same area.
- Higher occupancy rates associated with ADU real estate translate into more affordable living situations for families with multiple incomes.
- The parents of younger families may move into an ADU house in order to be closer to caregivers and loved ones.
- Homeowners who aren't in need of the vast confines of their original home may be able to move into an ADU house and rent out the primary unit.
- They offer a way for homeowners to optimize the traditional American home.
- As the concept of the ADU home continues to grow in popularity, so too do the forms of financing that facilitate their development and construction.

### Drawbacks of an ADU

ADU real estate has grown in popularity, and for good reason: the opportunity to generate passive income from an existing piece of property is too good for many homeowners to pass on. That said, accessory dwelling units are not without their own caveats. While they may have become synonymous with several encouraging benefits, there are some drawbacks homeowners need to at least take into consideration:

• ADU real estate isn't a more

- basic living arrangement; it requires just as much attention to detail, permitting and care as a traditional single-family home.
- Zoning laws will vary from city to city, which can be confusing for those who have never owned or built an ADU home. For example, in some jurisdictions, ADU-endowed properties must be owner-occupied.
- Building an ADU can be expensive; sometimes as much as buying a brand-new home in some parts of the country..
- When an accessory dwelling unit is built on a property, it inherently increases property
- Accessory dwelling units coincide with a lot of "red tape," which can be confusing and dense to those who are unfamiliar with the concept as a whole
- Building an ADU will detract from the square footage of usable outdoor living space.

### How Much Does an ADU Cost To Build?

The cost of building an ADU is contingent on several factors, the most important of which is whether or not the unit is attached or detached. Detached accessory dwelling units, for example, cost quite a bit more than their attached counterparts. According to AccessoryDwellings.org, detached ADU real estate can cost homeowners upwards of twice as much as attached units. Whereas an analysis of data provided by Portland ADU Owners suggests detached ADUs can cost anywhere from \$9,000 to \$300,0000 to build, the same data set also tells us that attached ADUs can cost anywhere from \$3,500 to \$200,000 to build.

Outside of their proximity to the existing property, any number of factors go into determining the true cost of building an ADU. The location in which the home is located, the size of the addition, the amenities built into the new unit, the work put into designing the ADU, and the permits required to build the ADU, are a few examples of additional costs.

The upfront costs of building an ADU can be high, but financing options are becoming more and more available. More importantly, many of the financing options made available make it possible for owners to capitalize on today's hot rental market.

# What Are the Different Types Of ADUs?

There are three primary types of ADUs: detached structures which are completely independent from the primary residence, attached external apartments with their own entrances, and attached internal units with communal and/or separate entrances.

Detached structures, as their names suggest, are ADUs built somewhere else on the same plot of land as the existing home. Detached ADUs do not share any walls with the primary residence, and must have their own utilities in most municipalities. That means detached

ADUs will need their own utility hookups and mechanical appliances. As a result, detached units are typically more costly to build, but they may also award their inhabitants with more privacy, which bodes well for landlords intent on renting the space out.

Attached external units, unlike their detached counterparts, share at least one wall with the primary residence. It is worth noting, however, that the wall may be the only thing they share. Most attached external units have their own entrances and utility connections, as to function as thrown independent unit. That said, attached units typically cost a lot less to build, which may allow more homeowners to attempt to construct their own.

The last type of ADU is the attached internal unit. As their names suggest, these units are fully integrated into the existing structure. From the outside, it may not be obvious the home contains an ADU. However, the extra units may take the form of basement or attic units. Either way, the walls of the ADU are all shared with the primary house. More often than not, they share utility service and mechanical appliances with the main unit. Due, in large part, to the fully integrated nature, these units are the most common ADU homes.

### Is an ADU a Good Investment?

Determining whether or not an ADU is a good investment is entirely dependent on current market conditions and the amount required to get the unit "up and running." Again, building an ADU may require some homeowners to part ways with an exorbitant amount of money. Therefore, ADUs may be worth the investment if the owner is able to recoup the initial investment in a reasonable amount of time. Likewise, this particular investment strategy is more geared towards long-term commitments. It is worth noting, however, that building an ADU may take time, so profits may not come in immediately. Investors considering building an ADU should account for the time it takes to build the unit and get renters into it.

### Summary

The idea of adding an accessory dwelling unit (ADU) to an existing property gained notoriety as the latest depression took hold of the country. The ability to increase property occupancy rates awarded savvy homeowners with a lower cost of living. However, today's economic conditions have paved the way for ADU homeowners to benefit in more ways than one. More and more homeowners are finding that ADU real estate strategies compliment their long-term rental portfolios well.

Than Merrill is Founder and CEO of FortuneBuilders, Inc. He has bought and sold hundreds of properties nationwide during his investing career and founded FortuneBuilders with the simple idea of sharing his knowledge and passion for real estate with aspiring investors. As a graduate of Yale University and a former NFL player, Than attributes his success in sports, business and investing to coaching, education and systems. Learn more at www.fortunebuilders.com.



# What is Stopping You from Real Estate Investing Success?

By Whitney Nicely

ecently I met a gentleman who owns a business that is getting successful, but when I spoke to him about his next steps for growth, suddenly he got really squeamish and uncomfortable. You see, he knew what he needed to do to grow his business (and likely by quite a lot), but he was hesitant to take those next steps. What was the next step, you ask? He needed to buy a handful of domains which would cost him \$10-15 each. Yes, that is all. This gentleman, who owns an incredible business with minimal competition, was choosing to stay stuck because of a measly hundred bucks or so.

Here's the thing: it is easy to stay stuck when it comes to business success. My new acquaintance was scared of the little hits he would need to take in order to see enormous success down the road. This was his mistake, but it does not have to be yours or mine.

### Playing Small is a Choice

Let's get one thing clear: your real estate investing success is entirely up to you and how much you are willing to grow. The gentleman I just mentioned was playing small in his market and his opportunity. No matter what I said, or what ideas I had, he was determined to avoid the changes necessary to grow his business. He always was able to talk himself out of the next steps. You can do the opposite, though. If you are serious about growing your portfolio and building your investing empire, stop playing small. Take action and invest in your dreams without listening to the voice of doubt that wants to hold

# Focus on the Big Picture (not the pennies)

Remember what I said was the big struggle my friend was tripping over? A few hundred bucks. In the big scheme of things, considering the amount of money he stood to make, that money is pennies. It is nothing, but it was enough to trip him up and keep him stuck, instead of moving forward. Do you trip over pennies? If you do, set your mind on the big picture and your long-term goals and ask yourself if this issue really is as big as it seems. I would truly venture to say that 9 times out of 10 our struggles and concerns are penny issues. In the long-run, they just do not matter or make much of a difference, but they are surely enough to get in the way of those dreams if we let them. Decide right now to stay focused on the big picture and the vision you want for your life.

## Embrace Discomfort as the Path to Success

You may have already experienced this, but discomfort is the name of the success game. It is an absolute inevitability if you are serious about achieving success as an investor. It

is uncomfortable to change. No one enjoys the process of changing the day to day interactions, the to-do list, the evening routines, etc. But, if you want to see your financial success and build your real estate portfolio, change is absolute. Change is not only on the outside either. There are so many lessons of character to be learned when you lean into discomfort, too. Perseverance, diligence, courage, integrity, thoroughness, planning, budgeting, and time management are just a handful of the ones that come to mind immediately. Success is a result of these inner changes with outside behaviors that follow. Embrace the discomfort while becoming not only more wealthy but a better person all around.

### Find Your Support Team!

The final point that I believe always needs to be said is that we are better together. It is easy to get stuck inside of our own heads with our fears and doubts. This is why I always stay connected to a group of ambitious and visionary women to help me shift my perspective when I am stuck and to encourage me onward when I have doubts. These women are the lifeline for my business. My other critical support comes from the local REIA in Knoxville. There is power in connecting with other investors who have different experiences from your own and can encourage and counsel you from their earned knowledge. Make sure you connect with a support team to whom you can turn when you feel lost, confused, or just need advice or encouragement in the day to day. We need each other, and you need others, too, even if you do not always feel like it. Don't make the mistake of waiting until you desperately need other people in your corner.

I know what it is like to get hit with fears and doubts in this line of work. My battles have certainly been hardwon over the years. This is why I am so thankful for the people in my life who hold tightly to hope and belief that everything is possible, even when it is not obvious. Their belief in me when I doubt myself is why I am still standing here today. Your dreams are worth every bit of belief. Do not hold yourself back by playing small and allowing little pennies to trip you up. Keep your focus on the long-haul and the big picture. Embrace the mess of change and success, and always surround yourself with people who can spur you forward in your goals. Remember, your success is up to you!

Whitney Nicely rejected the southern girl path of working at her family's trucking business and embraced the life of an investor. Her first nine months made her over \$140k, and set her on the path to empowering other women to break into the real estate "good 'ole boys club" and break down barriers while making some serious cash. She is the President of Knox REIA and was featured in the RE Journal's "Member Spotlight" in Spring, 2016. Learn more by visiting SheBuyslt.com.



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### Member Spotlight - Tarin Ward ... continued from Page 1



Women Wholesaling Houses members (WWH) having fun together after a monthly meeting where they got some valuable nuggets on successfully navigating pre-foreclosures.

young daughters, Keira, Caitlin, and Emily. As the daughter of a Navy Veteran, I've travelled the world living places as varied as South Africa, Taiwan and Iceland. Like many people in Florida, I worked in the hospitality industry where I spent 23 years providing service in a variety of settings ranging from cruise ships to casinos. I started real estate investing as an exit plan in order to have more time for my kids. Today I reached my goal and I am excited to say that I'm a full-time investor.

# Where is your current market and what is your focus or area of expertise?

My primary market is South Florida although I work on deals all over Florida and in several other states. I focus on wholesaling and I specialize in short sales. I have developed an expertise and a reputation for creatively structuring deals for properties that offer major challenges and I have brought 95% of



Founding Members of the South Florida Chapter of Women Wholesaling Houses (WWH) at their first meeting in September 2018.

them to the closing table.

### How did you get started?

I read Rich Dad Poor Dad back when I was 19 and knew then that it was only a matter of time before I would be creating passive income through real estate investments. I put those plans on hold while I travelled the world with my work. In 2015 prompted by divorce, I completed a short sale on my primary home and I started looking for a career better suited to life as a single parent. I became a real estate investor to empower homeowners to navigate foreclosures with less stress and anxiety

than I encountered in that process. I signed up for the Rich Dad one-year program, an expensive commitment in both time & money. However, it wasn't until I met Ryan Kuhlman and Anish Dave at the BREIA and started closing deals through their mentoring that the Rich Dad Program started to yield dividends.

# Describe a typical work week for you as a real estate investor.

I use teamwork in everything that I do. In a typical day, I drop my daughters off at school, get a workout in and get to the office by 11am. I manage situations that range in anything from securing contracts, putting out fires on deals and coordinating smooth closings. Often times I get calls from my group regarding properties they are evaluating and requesting support on. By 3pm I'm in fulltime mom mode, chauffeuring my daughters to their various after school activities. After bedtime, I finish work on contracts and set up the next day.

# How long have you been investing in real estate?

I've been investing since 2015.

### Tell us about your first deal.

No sooner had I signed up for mentorship with Broward Real Estate Investors Association, that I got a call from a woman who saw the sign on my car. She was underwater with her



Tarin white water rafting (Grade 4 Rapids ) down the Chattanooga with Arilee, her title agent, and their children.

### Member Spotlight - Tarin Ward ... continued from Page 14

property, she was scared and not sure if I could help. With guidance from my mentors at the BREIA I was able to get her relocation money and helped her avoid foreclosure by completing a short sale.

### How do you fund your investments?

Depending on the size of the investment, I either self-fund or partner with other investors on larger deals.

## Do you have a real estate license?

No, it does not support my current strategy to have a real estate license.

## What projects are you currently working on?

I'm currently working on Women Wholesaling Houses 2020, our first annual conference where we are expecting upwards of 500 women. I'm expanding the local WWH meetups to 20 cities.

## How much time do you put into your real estate education?

My favorite quote is "your level of success will never exceed your level of personal development." I'm constantly looking to develop myself in different disciplines of real estate. I am currently in my 2nd year of Landmark Education's Team Management and Leadership Program where I lead a team of 50 in developing the practices of leadership, of building teams and creating teamwork, all crucial aspects of success in real estate.

# Has coaching or mentoring played a part in your success?

Mentoring has been the backbone of my success. Ryan & Anish, of Broward Real Estate Investors Association, have consistently been there as a beacon lighting the path forward and pointing out the way to the next level in my performance.

## What are your current and future goals?

My current goals include working with partners to identify and acquire a portfolio of multi units. A future goal is to create a community of women that can close deals anywhere in the world. It is to expand my investing Business and the Women Wholesaling Network worldwide.



"The best motivation on the planet, my 3 wonderful girls, from left to right, Caitlin, Tarin, Emily and Keira!!!"

## What has been your top struggle in this business?

Consistency with time management has been my biggest Hurdle. Raising three daughters, working full time, and creating balance is a daily challenge to overcome. I find calendar-blocking to be an essential skill in managing the time to have it all. Another struggle has been finding my way in a male dominated industry which is why I'm so passionate about creating a community of women to empower each other.

## What do you like most about what you do?

I love helping people and having the experience that I've made a difference in someone's life. I also enjoy the fact that each day is different. New challenges, new people and new adventures. With the Women Wholesaling Houses group I get to positively impact women and families worldwide. They get to create a successful future for themselves with our support. Children do as we do not as we say. On a daily basis, my daughters now get to see how I meet challenges, overcome obstacles and grow as a result. I believe they will be



Women Wholesaling Houses Members (WWH) learning strategies to turn property challenges into opportunities for success.

the stronger for it and better prepared to face the world we are leaving them with.

# Do you have a tip or advice that you would pass along to other investors?

Focus on one strategy. You can make money in many ways in this business and you can do so faster with focus. I learned this the hard way. Focus, take action, and surround yourself with people who empower you and raise you up to new levels.

## How important is joining a local REIA to a new investor?

A good local REIA will give you access to all the resources and knowledge you need to make it in this business. It is a great place to make connections with individuals already doing what you would like to master. Surrounding yourself with like-minded people will support you in your endeavors.

## What is your favorite self-help or business book?

Think and Grow Rich by Napoleon Hill. "If you can conceive it, and believe it, you can achieve it." I read this book when I was 16. I have created a life I love from the concepts I was introduced to in that book. I believe this is a must

read for anyone ready to create their future

I also love the book Go-Giver. It is a quick read, the gist of it is; if you make sure everyone around you win, you will automatically win. I'm a firm believer in this. If you help everyone get what they want, you will get what you want.

# Do you have any interesting hobbies or something unique that you like to do?

I'm an adrenaline junkie and I love to travel. I enjoy whitewater rafting, ziplining and other fun outdoor activities. My passion is creating opportunities for my daughters and I to share exciting moments together. I'm also an avid reader, enjoying fantasy books when I have the time.

### Does your business have a website?

- www. WomenWholesalingHouses.com
- www.aipreg.com

### Social media accounts?

- Instagram Women
   Wholesaling Houses or AIP
   Property Solutions
- Facebook Women Wholesaling Houses or aipreg



Tarin Ward







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# Investing in a Low-Interest-Rate Environment

By Jeffery S. Watson

low interest rate environment occurs when the risk-free rate of interest, typically set by a central bank, is lower than the historic average for a prolonged period of time. Put another way, this means the interest rate being paid on U.S. Treasuries (3, 5, 10 and 30 years) is lower than it has been on average. If you look at the average interest rates paid on Treasuries over the last 40 years, you will see that what is being paid now is way below normal, just as home mortgage rates are way below the 40-year average of 7-8%.

Low interest rates are meant to boost economic growth by making it cheaper, but not necessarily easier, to borrow money to finance investments in both physical and financial assets. The reality is that there are two sides to every coin in a low-interest-rate environment. There can be a huge benefit, but also a huge curse for those who are affected by low interest rates

The downside to low interest rates is that they punish thriftiness and saving. The rate of return being paid on money and certificates of deposit (I call them "certificates of depression") does not keep up with inflation. That is the most obvious risk in a low-interest-rate environment, but there are also hidden risks for real estate investors. Some may not have adapted to this environment and may still be paying too much for the use of other people's money in their deals. The era of paying a passive investor or hard money lender 10-12% is over, in my opinion. The new

norm is between 6-7% for relationship-based lending and 9-11% on hard money. These are generous percentages compared to what passive investors could earn if they bought 3-, 5- or 10-year Treasuries.

The other more serious risk associated with low interest rates is that way too many investors are chasing what could be a fake, high yield. Innocent people are overpaying or making bad decisions on their investments because the desire to earn higher rates leads to taking unnecessary risks. Individuals seeking to make a high rate of return are now being lured by those with the siren song of unsustainably high rates of return being promised on borrowed money. If you are blinded by the shimmer of an illusory return, it is unlikely you will enjoy the return of your capital and a return on your capital.

Investing in a low-interest-rate environment places a greater duty of due diligence on you, the investor. You have to be far more careful about how your capital is deployed, focusing on the fundamentals of what you know in your investing business. You need to know your risks and strengths and make sure you are performing extra due diligence on assets you are looking to buy or lend against or on trades you are seeking to become involved in. You need to perform extra due diligence on the counterparties with whom you are dealing, and you need to perform extra due diligence on those getting into the deal with you, particularly if it is a syndication, a multiple-member LLC, or other means in which money is being collected for an investment.

Another risk associated with low interest rates

is the inflation of asset prices, whether in private equity, real estate or other areas. As more and more money chases fewer and fewer good deals and investment opportunities, the prices on those deals or investments increase significantly. Idle cash may be preferred to buying an overpriced asset or investing in a questionable deal.

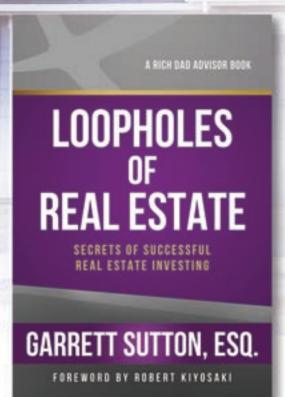
Looking into the future, the pressure upon central banks from institutions and governments to keep interest rates low will remain; however, eventually, interest rates will climb, possibly very quickly. This could be in reaction to massive debt bubbles popping or as a result of inflationary pressures caused by too much money chasing too few assets, or a combination of both. It's important for investors to have a plan in place for when interest rates climb. When that happens, risky debt and borrowers will collapse, asset values will fall, and cash FLOW will be king.

Jeffery S. Watson is an attorney who has had an active trial and hearing practice for more than 25 years. As a contingent fee trial lawyer, he has a unique perspective on investing and wealth protection. He has tried over 20 civil jury trials and has handled thousands of contested hearings. Jeff has changed the law in Ohio four times via litigation. Read more of his viewpoints at WatsonInvested.com.



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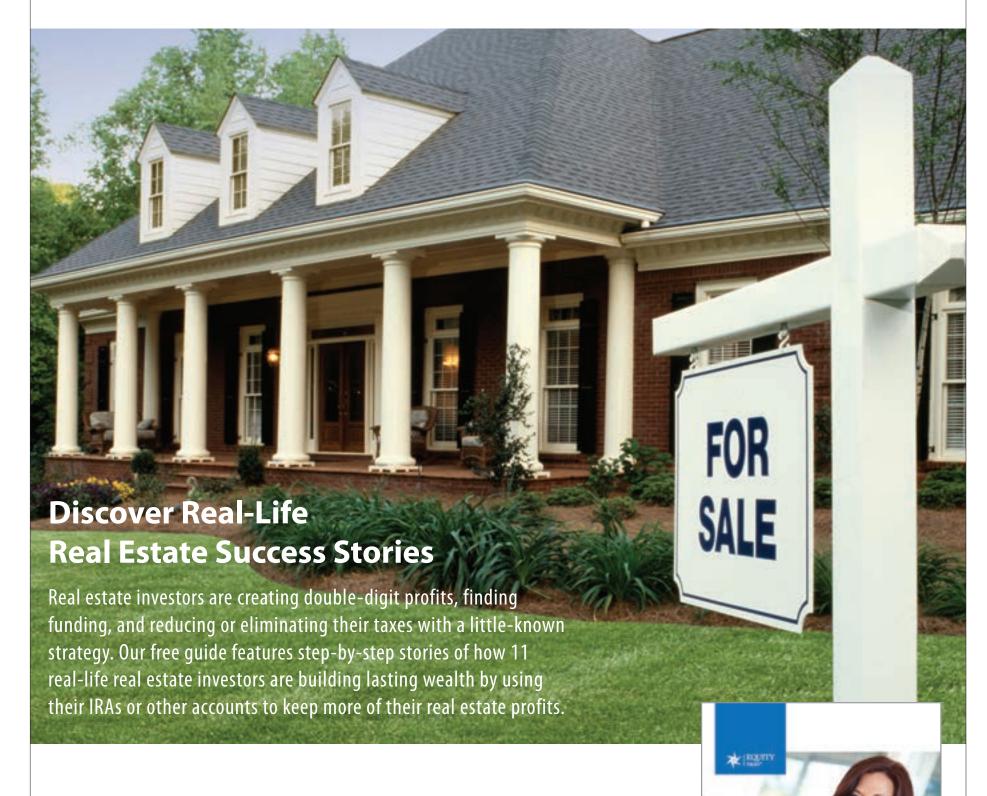


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Investments Revealed

# 151-Percent Real Estate ROI Brings Couple Closer to RV Retirement Dream

Scott and Christine fuel their future plans with their self-directed IRAs and help a neighborhood with an investment in an estate property.

By Kent Kinzer

any Equity Trust clients use self-directed investing (investing outside the stock market with their retirement accounts) as a means to realize their retirement dreams. For Scott and Christine of New York, who are currently benefitting from the strategy, self-directed investing is a prominent element of their retirement dream – a dream that will likely become reality soon.

Scott and Christine are real estate investors who hold several properties within their self-directed IRAs. Within the next few years, the couple plans to sell the investment properties they own and travel across the country in an RV full-time, visiting family and helping other real estate investors.

"The way we will support ourselves is loaning back to investors like ourselves," Scott says.

The partners in investing and life acknowledge that their self-directed investing is a major reason they're able to undertake this journey.

The Discovery: How to Maximize Real Estate Investing

Scott and Christine are long-time real estate investors, but it wasn't until recently that they learned of a new-to-them investing strategy.

In 2012, an Equity Trust education speaker visited their local Real Estate Investors Association (REIA) chapter meeting and revealed that it's possible to use an IRA or other account to fund their investments.

Custodians such as Equity Trust who custody self-directed accounts make it possible for investors to invest in an array of assets while receiving tax advantages. (The IRS identifies a handful of investments that are not permitted – see IRS Publication 590 for details.)

Upon learning this, Scott and Christine wasted no time converting their IRAs to Roth IRAs with Equity Trust so they could use their retirement funds to invest in an asset that they were already familiar with: real estate.

"We feel we have more control over the returns we make instead of relying on the uncertainty in the stock market," Christine says.

# **Estate Property Produces 151-Percent Profits**

Scott and Christine look for opportunities to buy and rehab properties within their Equity Trust Roth IRAs. In 2018, they received an email about a house that was left as part of an estate. The beneficiaries of the house agreed to sell it to Christine for \$31,000. She had an edge, providing an attractive all-cash offer, because she was using her Roth IRA to fund the entire purchase.

Christine hired someone to remove everything from the house, which filled two dumpsters for a total cost of \$800. All expenses had to be paid from her Roth IRA. Christine was able to easily pay the vendors using the Bill Pay feature on Equity Trust's online account management system myEQUITY.

Christine then advertised the property as a potential rehab opportunity.

"Instead of wholesaling the property I let prospective buyers determine their price," Christine says, adding, "I received 12 offers, and in less than 20 days I put it under contract to sell to an up-and-coming flipper for \$72,165."

The sale close date ended up a month later than originally planned because of delays with paperwork. This could have negatively impacted the transaction,

but the Equity Trust client service representative was able to work with Christine and ensure everything went smoothly from the standpoint of her Roth IRA.

Some of Scott and Christine's properties are income-producing properties for their retirement accounts. Other times, as in this case, the investment is structured as a note. The note is for \$65,000 with monthly interest-only payments for one year at 12 percent. All payments flow back into Christine's Roth IRA, tax-free.

Here's a breakdown of Christine's investment:

Purchase price Repairs Total Investment	\$31,000 \$800 \$31,800
SOLD	\$72,165
Down payment	\$7,165
Note	\$65,000
Monthly payments	\$650 (interest
	only 12 mo.)
One-year ROI	\$7,800 interest
Profit on sale	\$40,365
TOTAL:	\$48,165
ANNUAL RETURN	151 Percent ROI

With this investment, as with many of Scott or Christine's investments, they're not only ones benefitting.

"We explained to the neighbors what we were doing with the property, that a flipper is fixing it up and it's really helping the neighborhood," Christine says. "They're happy, and I've been able to enjoy profits in my Roth IRA, so it's been a plus for everyone."

### The Key to a Real Estate Investing Network

Scott and Christine have a pipeline of opportunities through the network they've established in their area.

"Initially, we worked with a local bank here in Rochester," Scott says. "We've built a relationship with the REO (real estate owned) department there. We've purchased a few other properties from them using our IRAs, as well as outside of our IRAs."

Scott adds that they're attractive business partners for banks because they've proven they'll follow through when they make an offer.

"The sales close relative quickly because we have the cash and resources," he says.

They've been able to grow their network with other banks in the area for the same reason.

Scott and Christine's team includes an attorney that helps work with them through each real estate investment.

"In New York State, it's almost crucial you go through an attorney for any real estate purchase," Christine says.

The couple met the attorney at a REIA meeting. They recommend REIA chapters for anyone looking for more knowledge, opportunities or to expand their network in the local real estate market.

"The REIA is a good resource because we meet with other investors and share ideas," Scott says, adding, "When we travel, we're able to go to other REIA meetings throughout country. Our local chapter is a member of the National REIA, so there is no charge to attend other National REIA chapter meetings."

#### The Power to Control the Future

As Scott and Christine's plan to travel the country takes shape, they'll sell a handful of properties owned in their retirement accounts. That will produce the cash flow to support them. They also plan to continue to earn tax-free profits by loaning their IRA money to other investors.

"It's been great for us," Christine says of self-directed investing. She adds that they've never had any retirement accounts through their employers, but self-directed real estate investing has given them the power to retire on their terms. "We have control this way."

# Special offer for National REIA members only

Equity Trust is offering some impetus for real estate investors to "get off the sidelines" and be prepared for potential investments with a self-directed account. Equity Trust Company is a national sponsor for the National Real Estate Investor Association (NREIA) and is offering NREIA members and its affiliated chapter members the opportunity to experience the concept of self-directed investing with a special introductory self-directed account offer.

NREIA members can open an Equity Trust account for the discounted rate of \$99 and receive bonuses worth \$720 or more:

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- Digital download of #1 ranked book on Amazon
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- Two tickets to any Wealth Building Workshop Equity Trust hosts at various locations across the country
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Kent Kinzer is Senior Marketing Manager, New Business Development at Equity Trust Company.

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# Limiting Tenant Background Checks Solves Nothing

By David Pickron

n the tragic aftermath of every mass shooting, the same public debate **L** appears; how can we stop these acts from happening? It is a complicated issue, including mental health discussions and extreme prejudice, but at the heart of the debate is the politicians' cry for better background checks prior to a gun purchase, hoping to use that to prevent people from obtaining the weapons used in these horrendous acts. While it is critical to find solutions to this new national epidemic, the same politicians pleading for more thorough background checks to protect our citizens are putting legislative blocks in place to limit landlords from obtaining background checks on potential rental home tenants. Although these two issues initially appear to be disparate, they both impact the health of our treasured communities.

City councils in cities both large and small are busily trying to solve the homelessness or affordable housing problem. One of their main attack points is to take away the landlord's ability to protect themselves and their homes by limiting or eliminating tenant background checks, allowing people with questionable histories to be housed. It raises the question of whether these municipalities even care about a landlord's safety. When or why is running a background check bad? Shouldn't it be "good for one is good for all?"

Recent publications out of Portland, Chicago, and Minneapolis always have a story about a "bad" landlord treating someone unfairly. I am not disputing that there are bad landlords out there, I've met a few, but most landlords are great people trying to play by the rules. Does it make sense to deny someone a firearm because of a drug history or an aggravated assault conviction, but then allow that same individual access, as a tenant, to my \$200,000 asset with no vetting? Have you ever seen the extensive property damage created by renters who used a rental to run a meth lab? Or how a property where drug dealers work invites crime to an area?



As a landlord myself, protecting my property is key to maintaining I already have mv investment. unanticipated expenses that can wipe me out. One service call for an air conditioning unit can cost me a year's profit on a rental property. A single nonpayment of rent or eviction will most likely wipe out two years of profit, or worse. The margins between mortgages and rents are not that high and all landlords are not wealthy. Therefore, we must be extremely particular on who we enter with into an agreement. Like any business that runs on tight margins, eliminating risk is a top priority. Walmart stores place security cameras to prevent theft, gas stations require you to prepay, and banks hire security guards to protect them from robbery; landlords are no different.

### We're in the People Business

Many people think we are in the property business, but the reality is we are in the people business. Our renters effectively become our business partners; with our relationship governed by a business agreement we call a lease. Would you partner in business with just anybody? There's a reason most of us don't get engaged to marry within the opening minutes of our first date. As a landlord, I do not have that luxury

of the months long "getting to know you" process. I take a rental application from a total stranger and am expected to make the decision of partnering with that person almost immediately, before they move on to another property. For landlords, the courtship process lies almost completely in the results of the background check. Things like: do they pay their rent? do they have a drug problem? are they hot headed? Is my spouse in danger if she stops by the home to fix something? The answers to these questions serve as a guide to the future of our relationship.

It is clear that, for landlords, background checks are all we've got. Municipalities use them to hire workers, and the federal government uses them to fill their affordable housing. So why do they even consider taking that ability away from us? As their constituents we are just trying to get ahead, provide for ourselves, and raise our families in a responsible manner.

As a background check provider, I have clients all over the country that rent to people with criminal records. A responsible landlord uses an individualized assessment to understand the severity of the record, the amount of time that has elapsed since the crime, and the age of the individual when the crime was committed. Landlords are in the

business to rent to people, not deny people. We profit when our units are full of the right tenants. We are housing providers, and with that comes a heart and a pride to provide the best housing we can.

### Landlords Go Where They're Welcome

But don't underestimate us, we are smart. If Portland makes it hard to be a landlord, then we purchase properties outside the city limits. Seattle wants to limit background checks; we will go where checks are allowed. Chicago wants to put in rent control: we invest somewhere else. And when we do that, what's left? Fewer rental properties, which means higher rents for those who reside in the city. The only winners are suburb cities with smart legislation... and smart landlords.

We are needed; municipalities need us to house those who, through choice or circumstance, rent our properties. We play a vital role in the health of any city, where some landlords provide housing to the middle class, others provide much needed housing for those who are less fortunate. It's time landlords are seen for their positive contribution to the health of our neighborhoods. If cities want more problems, keep taking away a landlord's right to manage their property the right way. Background checks will be the least of their worries as crime and violence will eventually work their way into every corner of their communities.

David Pickron has been a licensed private investigator for over 20 years, specializing in tenant screening for real estate investment owners and property management companies. His company, Rent Perfect, an Investigative Screening Company, helps clients onboard tenants from the initial background check to leasing and payment collection.

Members of National REIA can take advantage of special pricing from Rent-Perfect; the solution for rental property owners and managers for screening & managing tenants. Learn more by visiting www.rentperfect.com or calling 1-877-922-2547.

# Take a 'Vacation with an Education' on National REIA's 23rd Annual Cruise

et's face it, the majority of conferences take place at some convention center in some far-flung location, which may or may not allow you to relax and have a good time. That's where National REIA's annual winter cruise is completely different. Even the name of the cruise says it all; "A Vacation with an Education" – and it is all that and much, much more!

The ship will depart from Ft. Lauderdale, Florida in late-February embarking on an 8-day journey with

stops in Puerto Rico, the British Virgin Islands, and St. Maarten. Along the way will be a variety of educational programs & events geared specifically toward real estate investors.

But wait, there's more! This is also a conference (the education part) so you won't want to miss any of the many roundtable, panel discussions, networking, games and social activities – including cocktail parties. Topics include; Asset protection, Tenant Screening, Financial Planning, Finding Money for Your Deals, Balancing Your Investments, and more. In addition, National REIA will be providing industry & legislative updates as well as hearing from nationally-renowned speakers.

This season's cruise takes place on Celebrity's Edge – a luxurious marvel of maritime engineering that's packed with awesome amenities (the fun part!). Through a special arrangement, National REIA has various options available starting at \$1,475 per person

(double occupancy).

Are you unable to make this Winter's cruise? Don't worry....another one is just around the corner in early 2021. Watch for more information in the coming year from National REIA.

For more information or to sign up, please visit www.NationalREIACruise.com. See our advertisement on Page 16.

# Sales Gratitude in the New Decade

By Alex Goldfayn

As we embark on a new year – and a new decade – here is an excerpt from my WSJ bestseller, Selling Boldly, on the power of gratitude in sales:

ratitude is feeling of conscious appreciation for what we have (in sales, customers), what we get to try to get (prospects), and even what we do not have (customers who are not yet working with us, or even those customers who have rejected us)

While ungrateful is the opposite of gratitude, I wanted to use a slightly different mindset here as the negative version of gratitude. It's a way of thinking that I see frequently among salespeople who are not proactive, or confident or bold. This is an approach to life and work by salespeople who are driven heavily by fear: the word of cynicism. When I look up the definition of "cynical," I get distrustful of human sincerity or integrity; concerned only with one's own interest and typically disregard accepted or appropriate standards to achieve them.

When we are grateful, of course we appreciate our customers, but that's easy and obvious. They pay us. They choose us. We are grateful.

But we also give thanks for prospects, who provide us an opportunity to grow every day. I have a wonderful chance to grow thanks to these prospects.

But when we are cynical, prospects often frustrate us. I'm sick of chasing them!

When we are grateful, we acknowledge the importance of the customers who tell us no. They keep us going. We do not give up on them. We try again with them, in different ways, with different products and services. They need us, and we get to show them this. How lucky are we?

When we are cynical, we do not see the value in people who reject us. We take it personally, of course, when they tell us no. We feel that we have wasted time. We wonder why they took the time to meet with us, or even request a quote, if they were just using to compare us to the competition. They just used us to get a lower price, we say.

And even when this happens, grateful people will

find the positive: now I know what this person is like. This won't happen again. Good, onward!

### The Power of Gratitude

In his wonderful book, The Happiness Advantage, Shawn Achor writes that "few things in life are as integral to our well-being [as gratitude]. Countless studies have shown that consistently grateful people are more energetic, emotionally intelligent, forgiving, and less likely to be depressed, anxious or lonely. And it's not that people are only grateful because they are happier, either; gratitude has proven to be a significant cause of positive outcomes."

How powerful is that?!

How do you think having more energy, being more emotionally intelligent, and forgiving will affect your sales?!

What do you think happens to sells when we are less depressed, anxious and lonely?

That is the immense power of gratitude.

### We Can Choose To Be Grateful Right Now

Continuing the theme from the other chapters in this section of the book: you can choose to be grateful — or cynical — right now.

You can decide, at this moment, to live and work and sell gratefully.

It's totally within your control to make this decision. You simply need to want to be grateful, and then you will be!

You can practice being grateful, too.

In Martin Seligman's book The Optimistic Child (which is a must read if you have young children), he lays out a simple technique for practicing gratitude with kids. And we have been following it for years. Seligman teaches parents to ask their kids this simple question when they are in bed, right before the lights are turned off: "What are three good things that happened today?" Sometimes we modify this with our own children to: "What are three things you are grateful about tonight?" Or, "what are three things from today that you love?" The point is to get your children to think about positivity and gratitude, in specifics, before they sleep. On many nights it's the last thing they talk about with us that day, then they sleep

on it. We are programming our kids to be grateful. Seligman writes that his research shows that this early programming inoculates children against depression now, and later in life. That's extraordinary!

We can do the same thing in our adult lives also. Take a look at the Selling Boldly Mindset Planner just above. It's simple and straight-forward, and it's based on Seligman's three-good-things-at-night, and the research shows this works. And in sales, being grateful will have a a huge impact on your success. It will also make you more optimistic, confident, bold, and proactive.

### What Salespeople Can Be Grateful For

Here's what we can be grateful for:

- Our customers
- Our prospects
- The people who have rejected us
- Our colleagues
- Our company
- Our supportive family
- This meeting you have coming up
- The current problem you working on resolving for this customer
- That the phone rings all day and people want to talk to you and buy from you! Do you know how lucky that is?!
- That this a wonderful customer, but he only buys a small percentage of what you have to offer, and that you get to let him know what else he can buy
- That this terrific customer will have referrals for you, and that you get to ask her for them
- That your customer is happy to hear from you by phone

This list can go on for pages.

On this first month of the new year, and new decade, there's so much to be grateful for!

This is an excerpt from my latest book, Selling Boldly, which can be found on Amazon.com. Want to grow your company by an additional 10-20% annually as my clients do? Call me directly at 847-459-6322 or visit www. Goldfayn.com.





### What is Uniting Investors?

Uniting Investors is an online community brought together by the alliance of The National Real Estate Investors Association, American Rental Property Owners and Landlords Association, the Real Estate Investors Funding Association, and the National Note Buyers Association. Together, these associations have chosen to create an environment where their members can both connect with one another, as well as learn from those with more experience. Visit www.UnitingInvestors.org to sign up today.

### Benefits of Joining Uniting Investors?



- Backed by the leading associations in their respective divisions of the real estate industry.
- Authorities with years of experience in the field post their knowledge for our members to share
- Don't see the information you're looking for? Post it in the community and have it answered by your peers; answers will be rated for accuracy.
- New, valuable information released weekly to our members in our resource library. You can't get this anywhere else!
- Connecting to other real estate investors across the US gives you a unique perspective and advantage; you can share best practices with one another as easily as sharing a picture on social media, but nowhere else will you find this network.





Call Terry at 480-720-4385 to learn more



Dear Landlord Hank is written by veteran landlord and property manager Hank Rossi to answer questions from other landlords & property managers from around the country about their rentals. Landlord Hank's columns can be found online at Real Estate Investing Today and the website for Rent Resources by ARPOLA (the American Rental Property Owners & Landlord Association). You can submit a question to Landlord Hank through forms on both sites.

# How Much Should You Raise Rents in 2020?

### Dear Landlord Hank:

How do you decide how much you are going to raise rent for tenants in 2020? We have some leases coming up for renewal and of course just got increases from our insurance company and taxes from the county and school district. How do you decide how much?

#### Dear Landlord Tim,

When I have increases in fixed expenses I try, when possible, to pass along the entire cost to my tenants.

If your insurance went up \$300 and your taxes went up \$400, for example, that is \$700 increase total.

If you divide that by 12 months it only comes out to \$58.33 per month over an annual lease.

That, to me, is very reasonable and I think most folks could handle that with no problem.

Don't let your decision to raise rent cost you a tenant

I'd be open to discussion if a rent increase could be problematic for a tenant.

I would rather not pursue an increase in rent if it is going to cost me a good tenant.

Vacancy costs and rehab costs will more than make up for the small amount of rent you aren't receiving from not increasing a good tenant's rent.

Dear Landlord Hank:

My tenant had kids over and flushed wipes down a toilet that led to a major plumbing incident in my rental. I had to pay \$2,000 for the repair. He also told me last week that he lost his job. What do I do? He paid for the month of November. What do I do come December 1st when he cannot pay? I live in Washington State.

-Laura

### Dear Landlady Laura,

If you already know, and the plumber confirmed, that the blockage and plumbing expenses were caused by the tenant or the tenant's guests or invitees, then your lease should clearly state that the expense for the repair would be borne by the tenant.

Or, that the landlord, at your discretion, may make the repair, and the tenant be fully responsible for the



payment of the repair due to the kids flushing wipes down the toilet.

If the tenant can't pay for the damage caused by flushed wipes down a toilet, he would be in default of your lease.

If you already know he has lost his job, I'd talk to him and tell him he'll need to move immediately. You will use his security deposit to cover the damage that he caused, but to keep from being evicted, you will re-rent the property and he'll no longer be liable for the balance of his lease.

I'm not knowledgeable about Washington State landlord/tenant laws, but you may need to evict.

I'd would try to be reasonable and show him the logic of leaving now before his credit and rental history is damaged.

I know we are moving into the holiday season, but you are running a business. You must keep your charitable self in check. It's not up to you to pay his bills, including damage to the property and rent

If you let him stay until December's rent is due, and he doesn't pay that either, you will be further in the red.

You may need to get an attorney involved, but you need to have your property back in your hands so you can find a replacement tenant.

Don't hesitate, and move quickly. Good luck!

Strong leases save us when we're all

on the same page and it's in writing.

### Dear Landlord Hank:

I have a tenant who is behind on rent and his lease is up in January. I do not want to re-sign the lease. Can I ask him to leave when his lease is up?

-Brenda

### Dear Landlady Brenda,

I'm not an attorney so I can't offer legal advice.

A lease is a written agreement to rent a specific property for a particular term at a defined rental rate.

You need to check your lease with this tenant, but you will have somewhere in the lease a clause relating to HOLD OVER.

It basically states that tenant will deliver possession of residence in good repair to management upon termination of agreement.

Send tenant a notice now.

I would send this tenant notice that you are not renewing the lease at the end of his term, and do it certified mail with return receipt requested, and do it now, if lease is up next month.

If you think this tenant is not going to pay January rent and is already significantly behind in rent, then I would give him the required notice in your state and begin eviction process now.

If you start now he won't be served

until after Christmas.

This may seem harsh but this tenant is stealing from you by not paying the agreed upon rent, and you don't need to put up with that.

Dear Landlord Hank:

Do you give tenants a tour of your vacant rentals before they fill out an application? Or do you require an application before you give a tour? We charge a \$30 application fee.

-Tim

### Dear Landlord Tim:

I insist that tenants see THE vacant unit they would be living in prior to filling out an application.

I do prescreen on the phone before I set up a showing to make sure these are possible tenants, and they desire the rental we have in the time frame we want to rent it.

I ask if the tenants have seen our internet advertising with photos and details so they know what to expect. I find out how many people would be renting and how soon they need a property.

Also, I make sure they don't have pets, if not pet friendly, etc.

Then I set up a tour and if the clients are interested, I provide an application and explain the application process.

I would not want to waste time processing an application for someone that may not want the unit.

About Landlord Hank: "I started in real estate as a child watching my father take care of our family rentals- maintenance, tenant relations, etc. in small town Ohio. As I grew, I was occasionally Dad's assistant. In the mid-90s I decided to get into the rental business on my own, as a sideline. In 2001, I retired from my profession and only managed my own investments, for the next 10 years. Six years ago, my sister, working as a rental agent/property manager in Sarasota, Florida convinced me to try the Florida lifestyle. I gave it a try and never looked back. A few years ago, we started our own real estate brokerage. We focus on property management and leasing. I continue to manage my real estate portfolio here in Florida and Atlanta. Visit Hank's website: https:// rentsrq.com



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