

**WIN MAKE GIVE**



# WEALTH SERIES

**2.0**

**PART ELEVEN**  
Real Estate

# REAL ESTATE INVESTING



"Don't wait to buy  
real estate. Buy real  
estate and wait."

- Will Rogers -

# Part Eleven - Real Estate

I'm excited about [today's lesson](#) as it covers one of my favorite buckets – real estate. I'm not talking about a real estate business or being a real estate agent. I'm talking about owning your own home and investing in rental properties or vacation rentals. What I find so exciting about real estate investing is that you can generate massive returns with little money, which can help you achieve your desired lifestyle sooner rather than later.

For example, let's say Bob invested \$10,000 in the stock market, and that investment went up 20% over the course of a year, then that stock account would now be worth \$12,000. That's a pretty good return.

If Bob bought a \$300,000 property and put \$10,000 down, and within a year earned a 4% appreciation, the property's value increased by \$12,000, reaching a rate of return of 120%. Which one would you rather have? 120%!

This is the power of investing in a leveraged asset.

In the workbook, you'll find spreadsheets and examples to help you understand the concepts we present. You'll also want to go to the App Store and download the PLACE Mortgage Calculator. Don't forget to download the two coordinating spreadsheets, the [5 Homes in 30 Years Model and the 10 Homes in 30 Years Model](#). These resources can also be found at [WinMakeGive.com](#).



A handwritten signature in black ink that reads "Ben Kinney". The signature is fluid and cursive.

**Ben Kinney**

Ben Kinney Companies Founder

[WinMakeGive.com](#)

# Real Estate Investing Model

Download the PLACE Mortgage Calculator and/or use the spreadsheets provided to play with the variables. What could owning real estate do for you and your retirement?

1. Own your own home



BUY

2. Rent out home & buy 2nd home



RENT



BUY

3. Rent out 2nd home & buy 3rd home



RENT



RENT



BUY

4. Rent out 3rd home & buy 4th home



RENT



RENT



RENT



BUY

5. Rent out 4th home & buy 5th home



RENT



RENT



RENT



RENT



BUY

## BENEFITS OF OWNING REAL ESTATE

Long-term growth, low down payment, and the following financial benefits:

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

4. \_\_\_\_\_

5. \_\_\_\_\_

# 5 Home, 30-Year Financial Model

## Assumptions:

- 4% annual home appreciation
- 5% down payment applied to each purchase
- 2.5% annual increase in rent
- 5% rental income loss
- 25% rental net operating margin
- Natural increase in interest rates through the years

Home #1		2023	2028	2033	2038	2043	2048	2052	
Year Purchased	1	Market Value of Home	\$364,260	\$444,760	\$543,050	\$663,062	\$809,597	\$988,515	\$1,159,724
Purchase Price	350,000	Rental Net Cashflow	0	23,078	55,322	91,804	133,080	179,780	221,521
Down Payment	17,500	Unpaid Principal Balance	328,784	306,117	274,774	231,432	171,498	88,620	0
Annual Interest Rate	6.50%	<b>Cumulative Growth of Net Worth</b>	<b>\$35,476</b>	<b>\$161,720</b>	<b>\$323,598</b>	<b>\$523,434</b>	<b>\$771,179</b>	<b>\$1,079,674</b>	<b>\$1,381,245</b>
Rent Payments	1,950								
Home #2		2023	2028	2033	2038	2043	2048	2052	
Year Purchased	3	Market Value of Home	\$0	\$472,212	\$576,570	\$703,990	\$859,569	\$1,049,531	\$1,231,308
Purchase Price	402,500	Rental Net Cashflow	0	12,942	48,237	88,169	133,349	184,466	230,155
Down Payment	20,125	Unpaid Principal Balance	0	365,071	335,405	293,350	233,731	149,214	56,819
Annual Interest Rate	7.00%	<b>Cumulative Growth of Net Worth</b>	<b>\$0</b>	<b>\$120,084</b>	<b>\$289,402</b>	<b>\$498,809</b>	<b>\$759,187</b>	<b>\$1,084,783</b>	<b>\$1,404,644</b>
Rent Payments	2,243								
Home #3		2023	2028	2033	2038	2043	2048	2052	
Year Purchased	5	Market Value of Home	\$0	\$501,360	\$612,159	\$747,444	\$912,626	\$1,114,313	\$1,307,311
Purchase Price	462,875	Rental Net Cashflow	0	0	38,633	82,343	131,796	187,748	237,759
Down Payment	23,144	Unpaid Principal Balance	0	432,080	406,652	368,769	312,329	228,243	132,167
Annual Interest Rate	8.00%	<b>Cumulative Growth of Net Worth</b>	<b>\$0</b>	<b>\$69,280</b>	<b>\$244,139</b>	<b>\$461,017</b>	<b>\$732,093</b>	<b>\$1,073,819</b>	<b>\$1,412,902</b>
Rent Payments	2,579								
Home #4		2023	2028	2033	2038	2043	2048	2052	
Year Purchased	7	Market Value of Home	\$0	\$0	\$649,944	\$793,580	\$968,958	\$1,183,094	\$1,388,005
Purchase Price	532,300	Rental Net Cashflow	0	0	25,996	73,840	127,971	189,215	243,956
Down Payment	26,615	Unpaid Principal Balance	0	0	476,015	433,945	374,307	289,761	197,336
Annual Interest Rate	7.00%	<b>Cumulative Growth of Net Worth</b>	<b>\$0</b>	<b>\$0</b>	<b>\$199,925</b>	<b>\$433,474</b>	<b>\$722,622</b>	<b>\$1,082,548</b>	<b>\$1,434,626</b>
Rent Payments	2,966								
Home #5		2023	2028	2033	2038	2043	2048	2052	
Year Purchased	9	Market Value of Home	\$0	\$0	\$690,062	\$842,563	\$1,028,767	\$1,256,121	\$1,473,679
Purchase Price	612,152	Rental Net Cashflow	0	0	0	0	0	0	0
Down Payment	30,608	Unpaid Principal Balance	0	0	558,772	510,435	445,237	357,294	265,318
Annual Interest Rate	6.00%	<b>Cumulative Growth of Net Worth</b>	<b>\$0</b>	<b>\$0</b>	<b>\$743,442</b>	<b>\$944,280</b>	<b>\$1,195,682</b>	<b>\$1,510,979</b>	<b>\$1,820,514</b>
Rent Payments	3,411								

<b>Net Worth of 5 Homes in 30 Years</b>	<b>\$35,476</b>	<b>\$351,084</b>	<b>\$1,800,507</b>	<b>\$2,861,015</b>	<b>\$4,180,763</b>	<b>\$5,831,804</b>	<b>\$7,453,931</b>
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Get the 5 and 10 Year, 30 Home Calculator at  
[WinMakeGive.com/wealth-part-10](https://winmakegive.com/wealth-part-10)

# 10 Home, 30-Year Financial Model

## Assumptions:

- 4% annual home appreciation
- 5% down payment applied to each purchase
- 2.5% annual increase in rent
- 5% rental income loss
- 25% rental net operating margin
- Natural increase in interest rates through the years

Home #1		2023	2028	2033	2038	2043	2048	2052	
<b>Year Purchased</b>	1	Market Value of Home	\$364,260	\$444,760	\$543,050	\$663,062	\$809,597	\$988,515	\$1,159,724
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<b>Down Payment</b>	17,500	Unpaid Principal Balance	328,784	306,117	274,774	231,432	171,498	88,620	0
<b>Annual Interest Rate</b>	6.50%	<b>Cumulative Growth of Net Worth</b>	\$35,476	\$161,720	\$323,598	\$523,434	\$771,179	\$1,079,674	\$1,381,245
<b>Rent Payments</b>	1,950								
Home #2		2023	2028	2033	2038	2043	2048	2052	
<b>Year Purchased</b>	3	Market Value of Home	\$0	\$472,212	\$576,570	\$703,990	\$859,569	\$1,049,531	\$1,231,308
<b>Purchase Price</b>	402,500	Rental Net Cash Flow	0	12,942	48,237	88,169	133,349	184,466	230,155
<b>Down Payment</b>	20,125	Unpaid Principal Balance	0	365,071	335,405	293,350	233,731	149,214	56,819
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<b>Rent Payments</b>	2,243								
Home #3		2023	2028	2033	2038	2043	2048	2052	
<b>Year Purchased</b>	5	Market Value of Home	\$0	\$501,360	\$612,159	\$747,444	\$912,626	\$1,114,313	\$1,307,311
<b>Purchase Price</b>	462,875	Rental Net Cash Flow	0	0	38,633	82,343	131,796	187,748	237,759
<b>Down Payment</b>	23,144	Unpaid Principal Balance	0	432,080	406,652	368,769	312,329	228,243	132,167
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Home #4		2023	2028	2033	2038	2043	2048	2052	
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<b>Purchase Price</b>	532,306	Rental Net Cash Flow	0	0	25,996	73,840	127,971	189,215	243,956
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<b>Annual Interest Rate</b>	7.00%	<b>Cumulative Growth of Net Worth</b>	\$0	\$0	\$199,925	\$433,474	\$722,622	\$1,082,548	\$1,434,626
<b>Rent Payments</b>	2,966								
Home #5		2023	2028	2033	2038	2043	2048	2052	
<b>Year Purchased</b>	9	Market Value of Home	\$0	\$0	\$690,062	\$842,563	\$1,028,767	\$1,256,121	\$1,473,679
<b>Purchase Price</b>	612,152	Rental Net Cash Flow	0	0	9,720	62,089	121,341	188,378	248,297
<b>Down Payment</b>	30,608	Unpaid Principal Balance	0	0	558,772	510,435	445,237	357,294	265,318
<b>Annual Interest Rate</b>	6.00%	<b>Cumulative Growth of Net Worth</b>	\$0	\$0	\$141,010	\$394,217	\$704,871	\$1,087,205	\$1,456,658
<b>Rent Payments</b>	3,411								

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# 10 Home, 30-Year Model Continued

<b>Home #6</b>		<b>2023</b>	<b>2028</b>	<b>2033</b>	<b>2038</b>	<b>2043</b>	<b>2048</b>	<b>2052</b>	
<b>Year Purchased</b>	<b>11</b>	Market Value of Home	\$0	\$0	\$732,656	\$894,571	\$1,092,268	\$1,333,655	\$1,564,642
<b>Purchase Price</b>	703,975	Rental Net Cash Flow	0	0	0	46,417	111,273	184,651	250,237
<b>Down Payment</b>	35,199	Unpaid Principal Balance	0	0	660,564	611,248	544,728	455,003	361,163
<b>Annual Interest Rate</b>	6.00%	<b>Cumulative Growth of Net Worth</b>	<b>\$0</b>	<b>\$0</b>	<b>\$72,092</b>	<b>\$329,740</b>	<b>\$658,812</b>	<b>\$1,063,303</b>	<b>\$1,453,716</b>
<b>Future Rent Payment</b>	3,922								
<b>Home #7</b>		<b>2023</b>	<b>2028</b>	<b>2033</b>	<b>2038</b>	<b>2043</b>	<b>2048</b>	<b>2052</b>	
<b>Year Purchased</b>	<b>13</b>	Market Value of Home	\$0	\$0	\$0	\$949,788	\$1,159,688	\$1,415,975	\$1,661,220
<b>Purchase Price</b>	809,571	Rental Net Cash Flow	0	0	0	26,031	97,021	177,340	249,130
<b>Down Payment</b>	40,479	Unpaid Principal Balance	0	0	0	727,673	659,806	568,263	472,521
<b>Annual Interest Rate</b>	6.00%	<b>Cumulative Growth of Net Worth</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$248,146</b>	<b>\$596,903</b>	<b>\$1,025,052</b>	<b>\$1,437,828</b>
<b>Rent Payments</b>	4,510								
<b>Home #8</b>		<b>2023</b>	<b>2028</b>	<b>2033</b>	<b>2038</b>	<b>2043</b>	<b>2048</b>	<b>2052</b>	
<b>Year Purchased</b>	<b>15</b>	Market Value of Home	\$0	\$0	\$0	\$1,008,414	\$1,231,270	\$1,503,376	\$1,763,759
<b>Purchase Price</b>	931,007	Rental Net Cash Flow	0	0	0	0	77,705	165,620	244,201
<b>Down Payment</b>	46,550	Unpaid Principal Balance	0	0	0	862,064	792,821	699,423	601,742
<b>Annual Interest Rate</b>	6.00%	<b>Cumulative Growth of Net Worth</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$146,349</b>	<b>\$516,153</b>	<b>\$969,573</b>	<b>\$1,406,218</b>
<b>Rent Payments</b>	5,187								
<b>Home #9</b>		<b>2023</b>	<b>2028</b>	<b>2033</b>	<b>2038</b>	<b>2043</b>	<b>2048</b>	<b>2052</b>	
<b>Year Purchased</b>	<b>17</b>	Market Value of Home	\$0	\$0	\$0	\$976,797	\$1,192,666	\$1,399,234	
<b>Purchase Price</b>	800,000	Rental Net Cash Flow	0	0	0	39,069	110,974	175,243	
<b>Down Payment</b>	40,000	Unpaid Principal Balance	0	0	0	707,213	636,012	561,544	
<b>Annual Interest Rate</b>	6.00%	<b>Cumulative Growth of Net Worth</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$308,653</b>	<b>\$667,628</b>	<b>\$1,012,933</b>	
<b>Rent Payments</b>	4,457								
<b>Home #10</b>		<b>2023</b>	<b>2028</b>	<b>2033</b>	<b>2038</b>	<b>2043</b>	<b>2048</b>	<b>2052</b>	
<b>Year Purchased</b>	<b>19</b>	Market Value of Home	\$0	\$0	\$0	\$901,817	\$1,101,116	\$1,291,828	
<b>Purchase Price</b>	800,000	Rental Net Cash Flow	0	0	0	0	0	0	
<b>Down Payment</b>	40,000	Unpaid Principal Balance	0	0	0	730,239	667,070	601,004	
<b>Annual Interest Rate</b>	6.00%	<b>Cumulative Growth of Net Worth</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$171,579</b>	<b>\$434,046</b>	<b>\$690,824</b>	
<b>Rent Payments</b>	4,457								
<b>Net Worth of 10 Homes in 30 Years</b>			<b>\$35,476</b>	<b>\$281,804</b>	<b>\$1,026,028</b>	<b>\$2,574,170</b>	<b>\$5,209,958</b>	<b>\$8,493,812</b>	<b>\$11,678,693</b>

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# Real Estate - Cap Rate

## What is cap rate?

Capitalization rate, often referred to as the “cap rate,” is a fundamental concept used in real estate investing. It is the rate of return on a real estate investment property based on the income the property is expected to generate. The metric is used to estimate the investor’s potential return on their investment.

## Cap Rate Equation = Net Operating Income(NOI)/Purchase Price

The net operating income (NOI) is the annual rental income minus the operating expenses. The purchase price is the market value of the property.

A good cap rate is relative to the location and the current market demand. In some areas, a 4% cap rate would be good, while in areas where housing prices are naturally lower due to less population or demand, a 10% cap rate may be considered the minimum. In addition to market demand and location, property types like apartments, offices, hotels, or industrial can dictate the range of acceptable cap rates.

## Examples:

You are looking at an \$800,000 investment property. After all expenses are paid (excluding mortgage and interest), the NOI is \$20,000. Divide \$20,000 by \$800,000 to get your cap rate.

$$\mathbf{\$20,000/\$800,000 = .025 = 2.5\% \text{ cap rate}}$$

You are looking at a \$400,000 investment property. After all expenses are paid, the NOI is \$25,000. Divide \$25,000 by \$400,000 to get your cap rate.

$$\mathbf{\$25,000/\$400,000 = \underline{\hspace{1cm}} = \underline{\hspace{1cm}}\% \text{ cap rate}}$$



# Real Estate - Cash-on-Cash Return

Cap rate is a standardized way of looking at a property's ROI. While it is a valuable metric to gauge investment potential, it isn't the only calculation to consider. You'll also want to determine the cash-on-cash return.

## What is cash-on-cash return?

Cash-on-cash return measures the annual return on the total cash investment. The total cash investment is all the cash you pay to make your rental property operational, including the amount of money paid to purchase it, closing costs, rehab costs, and any loan fees (if you got a bank loan).

$$\text{Cash Flow/Total Cash Investment} = \text{Cash-on-Cash Return}$$

When you use the owner-occupied investment property purchase model, the goal is to put less money down (3 to 5% for owner-occupied vs. 20 to 25% for non-owner occupied) and get a return on the down payment within five years so you can reinvest that money into another property.

**Non-owner occupied example.** You're considering purchasing a \$400,000 investment property that you will not occupy, requiring a 25% down payment (\$100,000). The property cash flows \$500 a month, earning an annual cash flow of \$6,000. Divide \$6,000 by \$100,000.

$$\text{\$6,000/\$100,000} = .06 = \text{6\% cash-on-cash return}$$

With a 6% cash-on-cash return, it would take 16.67 years to earn the \$100,000 down payment back.

**Owner-occupied example.** You are considering a \$400,000 property that you will occupy, requiring a 5% down payment (\$20,000). Two years later, you rent out this property and cash flow \$500 a month, earning an annual cash flow of \$6,000.

$$\text{\$6,000/\$20,000} = .3 = \text{30\% cash-on-cash return}$$

With a 30% cash-on-cash return, it would take just three years to earn the \$20,000 down payment back. With this model, you can expect to recoup your down payment within three years of purchasing the property.

# Real Estate - Cash-on-Cash Return Continued

**Second home example.** You are considering purchasing a \$400,000 property for a second home, requiring a 10% down payment (\$40,000). This property will also be used as a vacation rental. The property has the same annual cash flow of \$6,000. Divide that by \$40,000.

$$\mathbf{\$6,000/\$40,000 = .15 = 15\% \text{ cash-on-cash return}}$$

With a 15% cash-on-cash return, it would take a little over 6 years to earn back the \$40,000 down payment.

You're considering a \$600,000 property for a second home that you plan to use as a vacation rental, requiring a 10% down payment (\$60,000). The property has the same annual cash flow of \$12,000. How many years it will take to earn back your down payment? (cash flow/down payment = number of years)

$$\underline{\hspace{2cm}} / \underline{\hspace{2cm}} = \underline{\hspace{1cm}} = \underline{\hspace{2cm}} \text{ years}$$

## How to use the formula to calculate for other variables.

Using our \$400,000 rental property example with a NOI of \$25,000 and a cap rate of 6.25% ( $\$25,000/\$400,000 = .625 = 6.25\%$  cap rate), we can move these numbers around to solve for other variables.

$$\mathbf{\text{Solve for net income} = 400,000 \text{ (purchase price)} \times .625 \text{ (6.25\% cap rate)} = \$25,000}$$

$$\mathbf{\text{Solve for purchase price} = 25,000 \text{ (NOI)} / .625 \text{ (6.25\% cap rate)} = \$400,000}$$

A property cash flows \$25,000 a year, and the cap rate is 8%, what is the purchase price?

$$\mathbf{\$25,000 / .08 \text{ (8\% cap rate)} = \underline{\hspace{2cm}} \text{ purchase price}}$$

# Real Estate - Key Takeaways

**1. The easiest way to build wealth is to buy owner-occupied homes and purchase five or ten properties.**

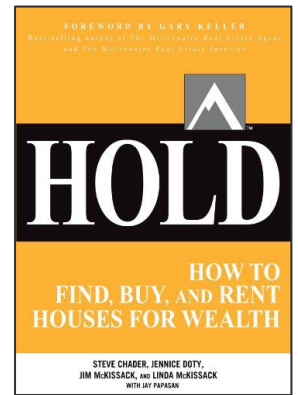
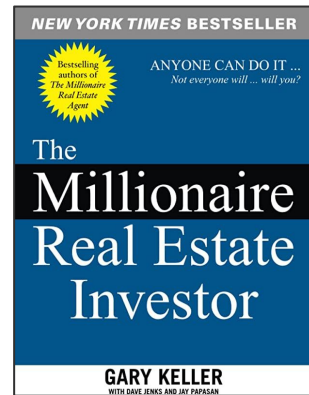
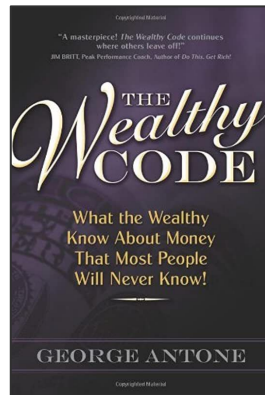
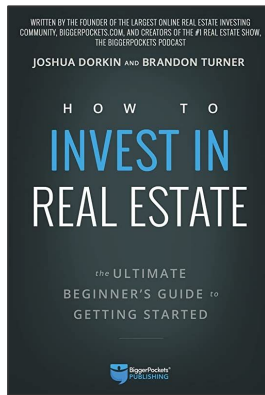
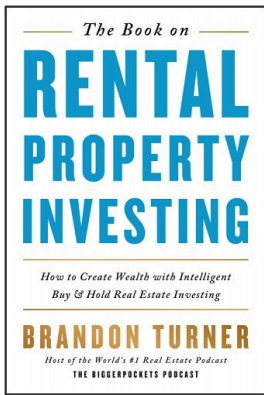
**2. Your financing matters. It is easier to get approved financing for owner-occupied homes. Your down payment and interest rate matters for delivering cash-on-cash return.**

**3. Use cap rate to estimate what price you would pay for a potential property based on rental income and net operating expenses.**

**4. Only buy properties under market value that cash flow significantly enough to get your down payment back within a certain time frame. We suggest five years or less.**

**Get the 5 and 10 Year, 30 Home Calculator at  
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# Real Estate - Recommended Books



## **The Book on Rental Property Investing: How to Create Wealth and Passive Income Through Smart Buy & Hold Real Estate Investing**

by Brandon Turner

## **How to Invest in Real Estate: The Ultimate Beginner's Guide to Getting Started**

by Brandon Turner and Joshua Dorkin

## **The Wealth Code: What the Wealthy Know About Money That Most People Will Never Know!**

by George Antone

## **The Millionaire Real Estate Investor**

by Jay Papasan and Gary Keller

## **Hold: How to Find, Buy, and Rent Houses for Wealth**

by Steve Chader, Jennice Doty, Jim and Linda McKissack and Jay Papasan

# Real Estate - Reflection

## Is now the time to start building your portfolio?

Go to your favorite real estate agent's website and find out your home's market value. If you don't have an agent, [find a PLACE agent near you](#).

Write down the market value of your home. \_\_\_\_\_

Review your mortgage documents. Write down your monthly payment amount. \_\_\_\_\_

Go to [rentometer.com](#) to look up rental prices in your area. Write down the average rental price you may get for your home. \_\_\_\_\_

Is the rental price larger than your mortgage payment? Write down your potential cash flow for your home. \_\_\_\_\_

Are you in a position to start building your portfolio now? \_\_\_\_\_

## DISCUSSION QUESTIONS

**What cap rate do we believe is a good rate to look for when searching for investment properties?**

**What type of real estate investment would be better for us, a long-term rental or a vacation rental, and why?**

**What is stopping us from becoming a real estate investor today besides access to funds?**

**Now that we have that answer, where can we find the funds?**

# REAL ESTATE INVESTING



"Now, one thing I tell everyone is to learn about real estate. Repeat after me: real estate provides the highest returns, the greatest values, and the least risk."

- Armstrong Williams -

Find lesson links and resources at [WinMakeGive.com/wealth-part-11](https://winmakegive.com/wealth-part-11)

## Preparation for Part Twelve

- Get ready to listen to our in-depth interview with a special guest.
- Subscribe and continue listening to the *Win Make Give* podcast to be the first to know when the Real Estate Investing Series launches.
- Please join the discussion on the [Win Make Give Facebook group](#). Post your thoughts, comments, and takeaways from the first eleven lessons.



*Ben Kinney*



*Bob Stewart*



*Chad Hyams*

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*Ben Kym*

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