

**WIN MAKE GIVE**



# WEALTH SERIES

**2.0**

**PART TWELVE**

Advanced Real Estate Strategies

# REAL ESTATE STRATEGIES



"The best time to buy  
a house is always five  
years ago."

- Ray Brown -

# Part Twelve - Advanced Real Estate Strategies

In the last lesson, we outlined how to create your desired lifestyle through real estate investing using the [5 Homes in 30 Years and 10 Homes in 30 Years](#) models. These owner-occupied properties are designed to help you earn your down payment back to reinvest in another property in a shorter period of time. We also showed you how to assess the value of a property using metrics like cap rate and cash-on-cash return.

[In today's lesson](#), we dig deeper with seasoned real estate investor and Realtor® Brian Gubernick. He shares seven characteristics to look for when choosing a potential city/town for real estate investing, how to gauge an opportunity using the 1% rule, and real-life examples, including one with creative financing.

What I want you to take away from our conversation is that anyone can be a real estate investor and build wealth through owning real estate. You are not alone on this journey, many are looking for their first investment property while others are well on their way.

Real estate investing is not complicated, but it does take time. Start now by reading the books in this workbook, listening to real estate investing podcasts, and networking with real estate investors and agents. I'm so excited to share some advanced real estate investing strategies that you can consider as you achieve your retirement goals!



**Ben Kinney**

Ben Kinney Companies Founder

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# Advanced Real Estate Strategies - Identifying Where to Invest

Many real estate investors begin investing where they live, but if home prices are high and a large down payment is a challenge, consider out-of-state investing. No matter where you choose, it's essential to understand how to identify if a market is a good place to invest. Follow along with Brian's "Where to Invest List" and jot down a few notes.

- 1. Government**
- 2. Hospitals and health care**
- 3. Education (universities and higher education)**
- 4. Migration patterns**
- 5. Crime rates**
- 6. School system (elementary, middle and high school districts)**
- 7. Rents versus current home values**

**Hear Brian Gubernick discuss his where to invest list in more detail beginning at 16:16 in this episode.**

**EXPERT TIP: There are upsides and downsides to all property types. Whichever investment type you choose, prepare mentally and budget financially.**

# Advanced Real Estate Strategies - 1% Rule

The 1% rule is used to determine if the monthly rent earned from a piece of investment property will exceed that property's monthly mortgage payment. The rule's goal is to ensure that the rent will be greater than, or at worst, equal to, the mortgage payment so that the investment at least breaks even on the property ([investopedia.com](http://investopedia.com)).

## 1% Rule Scenarios

A potential investment property costs \$100,000. The 1% rule says that you should be able to rent it out for \$1,000 per month.

A potential investment property costs \$275,000. The 1% rule says that you should be able to rent it out for \$2,750 per month.

A potential investment property costs \$200,000. Using the 1% rule, what should the property rent for? \_\_\_\_\_

A potential investment property costs \$150,000. Using the 1% rule, what should the property rent for? \_\_\_\_\_

A potential investment property costs \$250,000 and rents at \$2,100 a month. Is this property worth investigating as a potential investment property?

Yes \_\_\_\_\_ No \_\_\_\_\_

A potential investment property costs \$145,000 and rents at \$1,450 a month. Is this property worth investigating as a potential investment property?

Yes \_\_\_\_\_ No \_\_\_\_\_

**Hear Brian Gubernick discuss the 1% Rule in more details at 32:37 in this episode.**

# Advanced Real Estate Strategies - Deal Examples

## Example 1 (Follow along at 36:25 in this episode.)

Brian purchased an investment property in Tucson, Arizona, for \$210,000, which rented for \$1,900 a month. Even though the property didn't meet the 1% rule, he decided to purchase the property. Since this was not owner-occupied or a second home, it required a 25% down payment of \$52,500 and a \$157,500 loan with a bank with a 5% interest rate. Repairs cost \$2,000.

**Investment location:** Tucson, Arizona

**Tucson characteristics:** Education, Health

**Purchase price:** \$210,000

**Annual cash flow:** \$9,146

**Total out of pocket amount:** \$54,500 (down payment + repairs)

**Loan:** \$157,500

**Loan interest rate:** 5%

$$\$9,146/\$54,500 = .1675 = 16.75\% \text{ cash-on-cash return}$$

Using the cash-on-cash formula (cash flow/down payment=cash-on-cash return), Brian's annual returns were 16.75%, meaning it took Brian six years to recoup all (100%) of the cash invested upfront for the down payment and repairs.

**EXPERT TIP: Think of creative ways to maximize your cash flow. Using this example, Brian bought a \$400 storage shed from Home Depot and rented it out for \$25 a month, earning \$300 a year. Once paid off, the shed earned additional income from that time forward.**

# Advanced Real Estate Strategies - Deal Examples Continued

## Example 2 (Follow along at 47:05 in this episode.)

Brian purchased an investment property in Birmingham, Alabama, for \$98,000, which rents for \$1,050 a month. The property was listed on Multiple Listing Service (MLS) for \$115,000 and had been sitting on the market for a long time. Brian worked with a local agent to put in an offer and close the deal, paying for the property with cash.

**Investment location:** Birmingham, Alabama

**Birmingham characteristics:** Education, Health

**Purchase price:** \$98,000 (cash)

**Annual cash flow:** \$12,600 (\$1,050 a month)

Using the cash-on-cash formula (cash flow/down payment = cash-on-cash return), Brian's annual returns were 12.8%. Therefore, in just under eight years, Brian will recoup 100% of the cash invested upfront.

**$\$12,600/\$98,000 = 12.8\% = 8 \text{ years for } 100\% \text{ cash-on-cash return}$**

Paying for a property with cash will not be an option for everyone. For a loan, establish a relationship with a local bank. Doing this shows them you could be a repeat customer, and in return, you may have more flexibility using their loan products and services.

Work with a real estate professional who knows the market and potential investment opportunities. Ask about their local connections, such as property managers, cleaners, and home repair businesses.

**EXPERT TIP: When searching for listed properties, filter by 60, 90, or 120 days on the market. Typically, when a property hits the 90-day mark, sellers worry about their property sitting and may be more likely to entertain offers under market value.**

# Advanced Real Estate Strategies - Deal Examples Continued

## Example 3 (Follow along at 55:48 in this episode.)

Brian purchased a mobile home for \$12,000 in Phoenix, Arizona. When a mobile home tenant stops paying their land fee and mobile home rent, the park takes the mobile home as collateral. Brian found this property by calling the mobile home park and asking if any mobile homes were available for purchase. Repairs cost \$5,500.

**Investment location:** Phoenix, Arizona

**Phoenix characteristics:** Education, Migration

**Cash purchase price:** \$12,000

**Repairs:** \$5,500

**Land rent:** \$700 monthly (goes to mobile home park)

**Annual cash flow:** \$4,800 (\$400 monthly rent to Brian)

**List price:** \$49,000

Instead of renting the property, Brian listed the property for \$49,000 and offered seller financing. With this creative financing strategy, he acted as the bank, setting the interest rate and length of the note. For example, a 30-year note at \$43,000 with an interest rate of 10.7%.

The buyer put down \$6,000, bringing his total invested money down to \$11,500, and Brian holds a 30-year note for \$43,000. Each month, the new homeowners paid \$400, with around \$315 as interest. That year, Brian collected \$3,780 in interest payments, bringing the total amount invested down to \$7,720. In two more years, he'll have earned all of the money back.

**EXPERT TIP: It can pay to think creatively. Holding the note creates additional passive income through interest payments. In the example above, Brian will collect \$113,400 in interest over the loan term, plus the principal of \$43,000.**



# Advanced Real Estate Strategies - Reflection

What does BRRRR stand for?

How much do you want to make in passive income each month?

When you achieve that, what does it mean for you and your retirement?

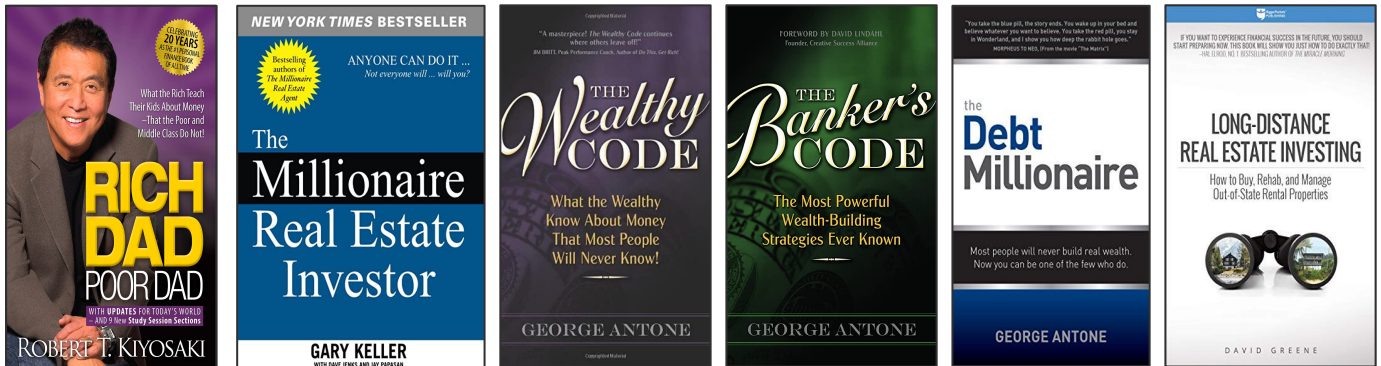
## DISCUSSION QUESTIONS

**What are our financial goals with real estate investing?**

**Should we look at investing nearby or in another state, and why?**

**How can we build a sound investment strategy to achieve our retirement goals?**

# Advanced Real Estate Strategies - Recommended Books



## **Rich Dad Poor Dad: What the Rich Teach Their Kids About Money That the Poor and Middle Class Do Not!**

by Robert T. Kiyosaki

## **The Millionaire Real Estate Investor**

by Jay Papasan and Gary Keller

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

by George Antone

## **The Bankers Code: The Most Powerful Wealth-Building Strategies Finally Revealed**

by George Antone

## **The Debt Millionaire**

by George Antone

## **Long-Distance Real Estate Investing: How to Buy, Rehab, and Manage Out-of-State Rental Properties**

by David Greene

# REAL ESTATE STRATEGIES



"If you don't own a home, buy one. If you own a home, buy another one. If you own two homes, buy a third. And lend your relatives the money to buy a home."

- John Paulson -

## Preparation for Part Thirteen

- Start thinking about a business you'd like to start or a business you'd like to invest in.
- Subscribe and continue listening to the *Win Make Give* podcast to be the first to know when the Real Estate Investing Series launches.
- If you haven't already, please join the discussion on the [Win Make Give Facebook group](#). Post your thoughts, comments, and takeaways from the first twelve lessons.



*Ben Kinney*



*Bob Stewart*



*Chad Hyams*

**Note: The hosts and expert guests of the *Win Make Give* podcast are not recommending any real estate strategies or advising you in any way. Please consult your financial advisor to see which strategies could be useful to your wealth plan.**

# IMPORTANT

Nothing in this course constitutes investment advice, performance data or any recommendation that any security, portfolio of securities, investment product, transaction or investment strategy is suitable for any specific person.

We cannot assess anything about your personal circumstances, your finances, or your goals and objectives, all of which are unique to you, so any opinions or information contained on this course are just that – an opinion or information.

You should not our my advice to make financial decisions and I highly recommend you seek professional advice from someone who is authorized to provide investment advice.



*Ben Kym*

Win Make Give Series