How Real Estate Can Rebuild Your Portfolio *and* Provide Income Each Month for Life

The Real Estate Portfolio Report

By

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INVESTING IN REAL ESTATE

First off, let me set you straight on one BIG, important aspect of real estate investing:

Ignore the media.

If you pay attention to what's talked about, blogged about, written in newspapers, etc., you'll never know what to think about real estate. You will be paralyzed by the mixed messages from media sources whose primary focus is not to inform, but to attract readers or subscribers so that they can collect advertising dollars.

For every article you read or news report you watch that says now is a good time to invest, you will see another that says the opposite. For every report you see that the worst is over, you'll see another that says the worst is yet to come.

The best advice is to ignore the white noise of the media and consult with someone local who knows the local market. Period.

Real estate investors make money in up or down markets, just like investors on Wall Street do, and listening to the constant contradictions you hear in the media will only lead to paralysis by analysis.

It's cliché, but all real estate really IS local. A rising national median house price means nothing – do you think the people of, say, Malibu are watching the $160,000 national median home price? The national rate of foreclosures means nothing to you; what matters are the foreclosure opportunities here and now.

That is the first lesson you need to know about real estate investing in the new economy. Right now, people are missing opportunities because they're sitting on the fence, unwilling to pull the trigger because some blogger a thousand miles away says "Don't buy real estate!"

Real estate has always been a good investment. It is a good investment right now, and it will continue to be a good investment. The reason: It has one MAJOR difference from all other investments:

It will always be in demand

People will always need a place to live. In fact, population trends show that MORE people are going to need places to live. Doesn't that sound like a good investment — something that people need right now, and something that MORE people will need as time goes on?

I think this is a major fundamental point that "experts" who talk about investments miss when they are encouraging people not to invest in real estate.

Was there a bubble in the real estate market? Yes. But it is different from bubbles that have occurred in other markets in the past.

Remember the "dot.com" craze in tech stocks in the '90s? That was a bubble that burst, and the tech sector of the stock market has never been as hot since. Well, that's because no one *needed* companies that didn't really do anything, didn't make anything — they just existed on the Internet. The unsustainable bubble burst, and we haven't seen the likes of it again. The stocks that were so hot then don't even exist today.

What about the oil bubble of a few years ago? Speculation and the media frenzy drove the market for a commodity that, really, wasn't *needed*. Yes, we rely on oil, but gasoline prices, for example, got to a certain point, and demand went down, which, in turn, helped drive the price of oil back down. It's a commodity that consumers use, yes, but it's something they will use in a finite quantity. They will stop using it at some price point.

Oil prices got to somewhere around $150 a barrel, I think, before the bubble burst. Now, even during a kind of rally for oil early in 2010, the highest it's been since is about $88.

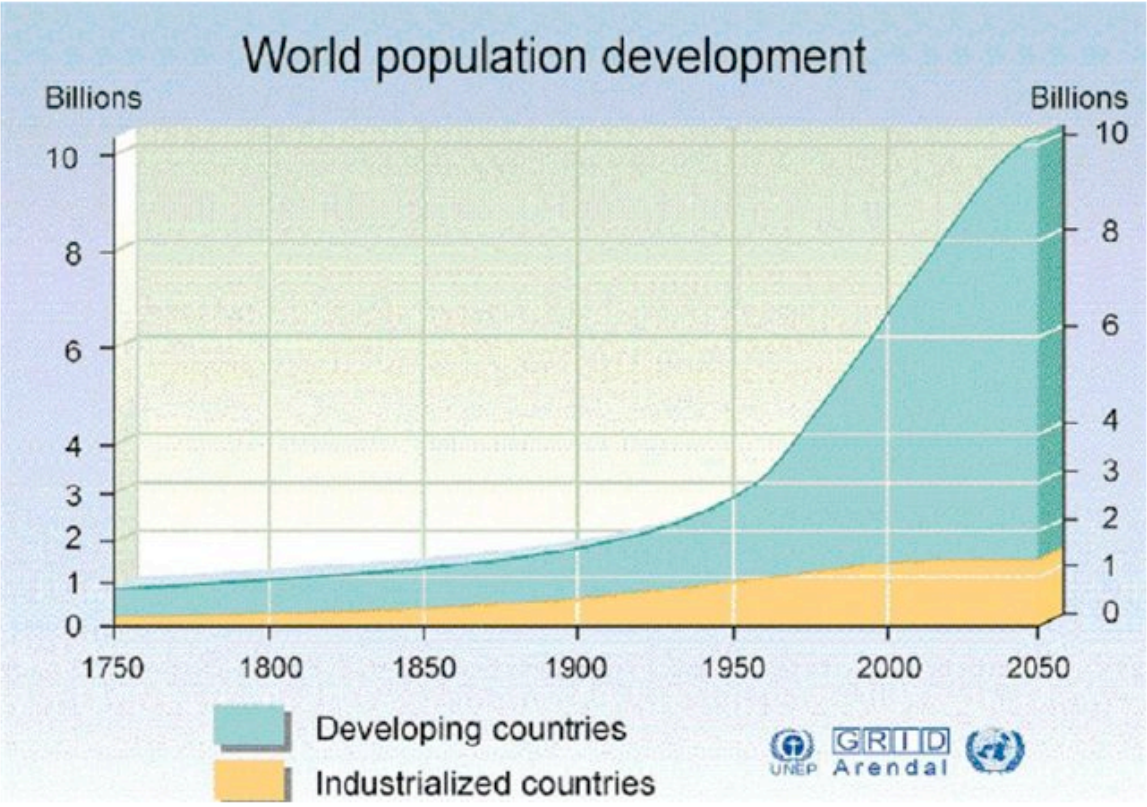
Homes, unlike oil or tech stocks, are things everybody needs. This need, this demand for homes, is a **fundamental driver** that's lacking in the other "bubble" examples.

We've had recessions before, and we had the Great Depression, but real estate has always been in demand. And that is how the smart money is playing it now, this time around. The people who have the

fear of dipping their toe into the real estate pond MUST recognize this major difference between the aftermath of this bubble and bubbles in other sectors.

People have always needed shelter. People need homes. And I personally believe that demand of housing will be higher in the future. Why?

Because the population is expected to grow considerably in North America in the next 40 years. In fact, the United States Census Bureau projects a U.S. population of 439 million in 2050, which is a 46-percent increase from 2007 (301.3 million). It's on the rise already (and has been for decades). See this graph…



All of these people need places to live. And since this need won't go away, those who are in a position to provide the need will profit from it. This demand for housing to me is the single biggest benefit of investing in real estate.

And in today's economic environment, **rental properties are in greater demand than homes available for purchase**. Recent studies show that the average person's credit score has dropped significantly due to the recession and high unemployment levels.

According to Eileen Connelly with USA Today…

"The credit scores of millions more Americans are sinking to new lows. Figures provided by FICO show that 25.5% of consumers – nearly 43.4 million people – now have a credit score of 599 or below, marking them as poor risks for lenders. It's unlikely they will be able to get credit cards, auto loans, or mortgages under the tigher lending standards banks now use."

This simply means more people need quality rental homes today than ever before.

The real advantage of real estate is that it's an investment that provides monthly income. This income can be extremely valuable to you, if used wisely.

Monthly income, in my opinion, is the most valuable aspect of real estate. It's far more valuable than appreciation. The reason why is because you have two powerful opportunities to leverage this monthly income to your advantage.

1) Your Own Investment Fund

With this strategy, you would finance other investments with your real estate income.

Most people are making contributions to their company 401(k) plan or some kind of IRA account. These contributions are paid, in most cases, directly out of your pocket. If your company contributes automatically to your retirement plan from your pay check, this is still directly out of your pocket.

Instead, take these retirement contributions and invest them into real estate. Then invest the cash flow from the real estate into your IRA or retirement plan. To be clear, I am not saying don't invest in your IRA**. I am saying to insert real estate in between your direct retirement plan contribution. Buy an asset (real estate) and have that asset fund your retirement plan.**

This is the advice that will get many people up in arms. I know Money Magazine tells you to maximize your 401(k) contributions. I know you parents would tell you to put everything into your 401(k). I know your company's human resource department would tell you to invest into your company 401(k).

I can hear you say, "Well my company matches my contributions." I don't care. Your first investing dollars should go into real estate. Real estate dollars then go into your retirement plan. Don't worry about your company match is because it is insignificant compared to what will happen if you follow this advice, especially with the opportunity to aquire homes at the bottom of the market.

This is especially important in this new economy because large cash flows are more and more common due to lower property prices. Prior to the financial crisis, investors (some may be called speculators) bought homes for the appreciation, which in some areas skyrocketed almost daily!

What we are seeing now – and it's part of what I meant earlier when I said investors make money in up OR down markets – is a return of the cash-flow investor. In most places, market rents HAVE NOT fallen with property values. That, combined with lower interest rates and lower purchase prices, has meant the potential for huge cash flow.

For example, let's say the rent on a single-family home you purchased in 2006 for 150,000 was $1,000 a month. You put 20 percent down and financed $120,000 at 8 percent. That would put your payment at about $880, or cash flow of $120 per month.

Now let's say the same home can be purchased for about 30 percent less today – about $105,000. With 20 percent down, you'd finance about $84,000. And let's use a rate of 6 percent, now that

rates are lower. Your payment would be $505, which would give you cash flow of $495 per month – a big jump from $120 a month.

With that kind of cash flow, your real estate assets can finance your other investments. You could then set up an automatic withdrawal from your rental property account and have $400 a month invested into an IRA, mutual fund or your child's college education fund.

At the end of the the first year, your real estate investment would have provided $4,800 of other investments on your behalf. Not too bad.

Imagine what would happen if you invested the monthly income from this property of $400 at 8% interest for 30 years?

Inputs		
Current Principal:	$	0.00
Annual Addition:	$	4,800.00
Years to grow:		30
Interest Rate:		8 %
Compound interest 1 time(s) annually		
Make additions at ◉ start ○ end of each compounding period		
Calculate		
Results		
Future Value:	$	587,260.17

Your one rental property would provide you with an investment fund of $587,260, plus a home free and clear. In this example, our 30-year mortgage would be paid in full at the same time. **All of this comes without any consideration of appreciation.**

To be clear about this, you would buy a property today and invest 20% down and use the income from the property to save for your retirement. This one down payment would set up an automatic savings program for the rest of your life.

See why the company matching contribution doesn't matter much?

The key is where your FIRST investing dollars go. If they go to a traditional retirement plan, you aren't creating velocity with your money. You can't leverage a 401(k) plan, stocks or mutual funds the way you can leverage the cash flow that real estate provides.

Or maybe you don't feel as if you can make 8% a year consistently. It's definitely been tough to make this much with your investments over the last few years. You can use investment Strategy No. 2.

2. Create Monthly Income

Use the $400 a month of cash flow to make additional principal payments on the mortgage for your investment property. The goal is simply to pay off the mortgage on the property as fast as possible. By using your cash flow to pay down your mortgage, you could have this property paid off in just 10 years, if not sooner. You would then enjoy income of $1,000 per month *for life.*

With this second strategy, you wouldn't have to worry about the stock market, interest rates on your CDs, or anything else for that matter.

No matter which strategy you decide to use, you'll be using the monthly income from the property to generate income that will flow to you for life. One strategy is more aggressive by re-allocating the funds into other high-yield investments. The other is more conservative and focuses on debt elimination. You have to decide which strategy is best for you and your family.

The key to success in real estate is viewing the investment as a long-term investment. Most real estate investors view real estate as a short-term investment and are hoping to capitalize on appreciation. Well, as we've seen in the last few years, appreciation isn't guaranteed.

If you apply one of the strategies from this report, the day-to-day market value of your investment property should have no impact because you're focused entirely on the income generated from the property.

My suggestion is to completely ignore appreciation when buying investment property in the future. If your property appreciates, consider it a bonus! Instead, focus on the income generated and leveraging this income into wealth or income for your family.

How You Can Find Great Income Properties

As you might imagine, we are very busy helping investors acquire income properties because of the incredible values available in this market. Depending on when you read this report, we may have an opening for new clients. To be considered for one of these limited openings, please complete the attached application and send it to our office. If we have an opening and your application is accepted, we will contact you to schedule a meeting to discuss your investing goals.

Income Property Client Application

Name:_____

Address:_____
_

City:_____ **Zip Code**:_____

Home:_____**Work:**_____

Cell/Pager:_____ **Fax:**_____

E-Mail:_____

1. Are you a BEGINNING or EXPERIENCED Real Estate Investor? (Circle One)

2. What is your time frame for your first investment? (Circle One from Below)

Next 3 Months 6 Months to 12 Months 12 Months or Later

3. Are you Pre-Approved with a Lender? (YES OR NO) (Circle One)

4. Any other information we should consider before making a decision to accept you as a client?

Please send your completed application to:

1. **PLEASE FAX YOUR APPLICATION TO US AT: 440-278-4889**
2. **VIA EMAIL TO: annam@myhomesellingteam.com**
3. **MAIL TO OUR OFFICE AT: 31813 Vine Street, Willowick, Ohio 44095**