Turn ONE Home Into Millions

A Simple Financial Plan for Financial Freedom

By Rob Minton

A New Free Special Wealth Building Report

How You Can Turn <u>ONE</u> Home Into $1,000,000

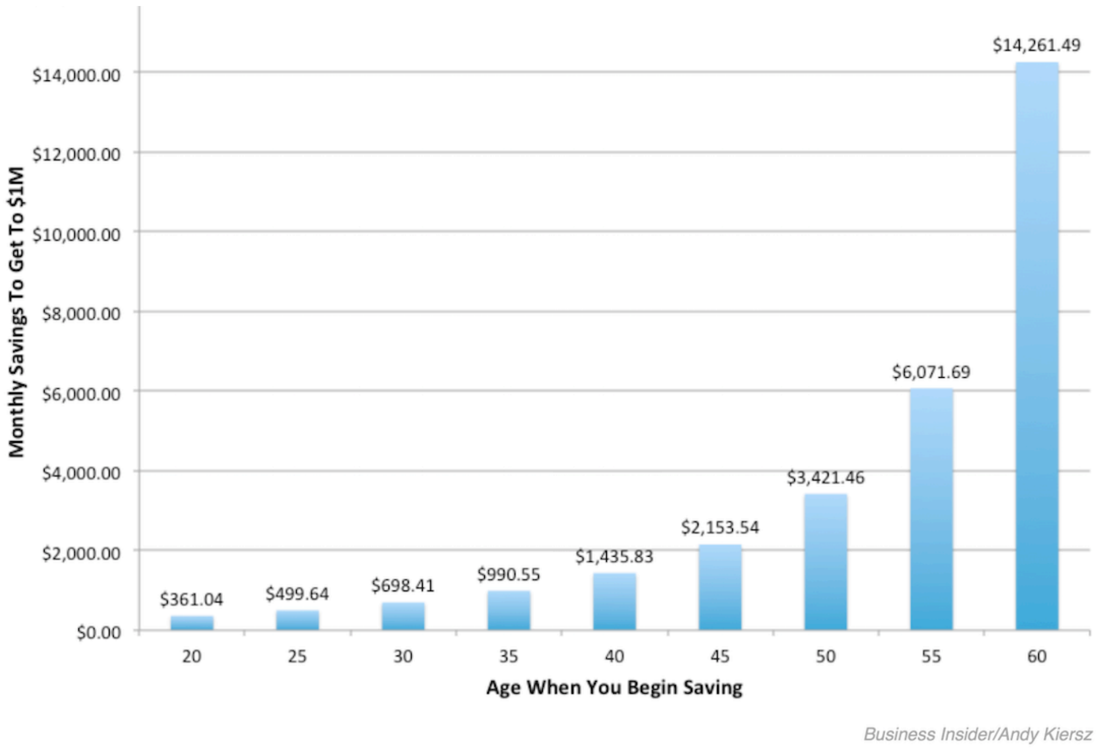
A few years ago, Richard Russell of the Down Theory Letters wrote an incredibly powerful article titled, "Rich Man, Poor Man." In the article, he shared how important it is for the average investor (you and me) to have a financial plan utilizing the power of compounding. I'll share a simple financial plan with you in this article. Before I do, I want to quote a portion from Rich Man, Poor Man:

"Compounding is the royal road to riches. Compounding is the safe road, the sure road, and fortunately, anybody can do it. To compound successfully you need the following: perseverance in order to keep you firmly on the savings path. You need intelligence in order to understand what you are doing and why. And you need knowledge of the mathematics tables in order to comprehend the amazing rewards that will come to you if you faithfully follow the compound road. And, of course, you need time, time to allow the power of compounding to work for you. Remember, *compounding only works through time*."

Compounding is not about getting rich quickly. It's about creating a compounding financial plan and sticking with this plan for years. This isn't as easy as it sounds because we tend to get easily distracted. Richard Russell wrote:

"There are two catches in the compounding process. The first is obvious – compounding may involve sacrifice (you can't spend it and still save it). Second, compounding is boring – b-o-r-i-n-g. Or I should say it's boring until (after seven or eight years) the money starts to pour in. Then, believe me, compounding becomes very interesting. In fact, it becomes downright fascinating!"

To see how fascinating compounding can be over time, check out this chart from BusinessInsider.com:



This chart shows how much a person would have to save at various ages in order to accumulate $1,000,000 by the age of 60. The two factors determining how much you'll have to save each month are:

1. Length of time
2. Average investment return

In the chart above, the monthly savings amount was calculated assuming you would earn 6% compounded over time. The earlier you start saving, the more you'll accumulate by the age of 60. Someone who is 30 years old can have a million dollars at age 60 by saving $698.41 per month.

Things get interesting when you realize you don't have be the one saving the $698.41 per month. Things get even more interesting when we find an investment providing higher annual returns than 6%.

Let's say you can acquire an asset that would pay you $698.41 each month. You can simply use this monthly income as your savings vehicle. Instead of spending this income each month, you simply reinvest it each month and allow compounding to work its magic.

Where could you find an asset that would pay you $698.41 each month? How about this one:

Residential	MLS: **3656298**	Status:	**Active**	List Price:	**$49,900**
327 E 285th St, Willowick, OH 44095-5029				Sold Price:	
Area:	**1103**	Twp:		List Date:	**09/25/14**
Subtype:	**Single Family**	Subdiv:		List Date Rec:	**09/26/14**
Parcel ID #:	28-A-042-B-00-014-0	County:	**Lake**	Pending Date:	
				Off Mkt Date:	
Open House:				Closing Date:	
				Contingent Dt:	
				Exp. Date:	
Directions:	**worden to forest**			DOM/CDOM:	**34/34**
				$/SqFt:	**$40.24**

This is a 4 bedroom, 2-bath home in Willowick listed for sale for $49,900. This home is a foreclosure and is available below value. What if you were to purchase this home for $40,000 and invest an additional $10,000 to fix up the home?

You could offer this home for rent at $1,095 per month. The monthly property taxes and insurance for this home are around $300. We'll also save $100 per month out of the rent for repairs and maintenance. After saving for these three expenses each month, you would have $695 left over. This $695 could be invested each month creating a magical compounding machine.

Before we move on to see how this $695 can compound going forward, lets analyze how we did with this 4 bedroom home.

Our return on investment from this home would be approximately 16.7% annually. This was determined by multiplying the monthly net income of $695 by 12 to calculate the annual net income of $8,340. Next we'll divide this annual net income of $8,340 by the amount we invested into the home of $50,000. The actual return on investment may be different depending on actual repair and maintenance expenses.

So we didn't do too badly with our purchase of this asset. We locked in an investment providing 16.7% annually. More importantly, we'll now have $695 each month coming in that we can reinvest going forward. **For this investment, we are going to use a low-fee Vanguard Small Cap Stock Mutual Fund:**

The reason why we're going to use this as our compounding machine is because Vanguard fees are extremely low and because Small Cap Stock funds have outperformed most other stocks over time.

The actual fund we'll use in this example is the "Vanguard Small-Cap Index Fund Investor Shares." When signing up for this new Vanguard account, you would simply check the box "reinvest dividends" and all dividends earned in the fund would simply automatically reinvest the dividends into additional shares compounding your returns further.

This fund has an average annual return of 10.89% since it's inception. This means our $695 monthly investment has the opportunity to compound at 10.89% annually over long periods of time. Obviously, this return isn't guaranteed and your actual return may be better, or worse, in the years to come.

Now the magic happens! Our $695 monthly investment into this Vanguard Small Cap Fund may compound into:

$558,764 in 20 years
$1,002,427 in 25 years
$1,716,200 in 30 years
$2,931,120 in 35 years
$4,967,290 in 40 years
$8,379,848 in 45 years
$14,099,191 in 50 years

Plus, you would still have the 4-bedroom home paying you $695 per month, too. Who knows what this home would be worth down the road? But to be honest, it really doesn't matter. What matters is the compounding of $695 monthly income generated from the home.

Compounding is pretty boring in the beginning. However, once you get to the 20-year mark, notice how the amount grows every 5 years. Could you imagine adding over $500,000 to your net worth every 5 years? Simply amazing.

One single-family home purchased below value this year can turn into $1,000,000 in 25 years and $14,099,191 in 50 years by reinvesting the monthly income and allowing compounding to work it's magic over time. Remember, your initial investment was $50,000 to buy this one home below value. This one investment grew to a seven-figure portfolio over time.

This one home has a million dollars hidden inside. The reason nobody sees this million dollars is because it is locked away for 25 years.

This isn't about getting rich quickly.

This is about setting up a conservative investment plan and following it for years. All you have to do is keep your one home rented continuously and the million dollars hidden inside will slowly flow into your life as you reinvest the monthly net income into this small cap mutual fund. Think about the impact this could have on your life...

1. **You could make numerous financial mistakes throughout your life**. You could lose your job every few years and still be a millionaire. You could even run up a large credit card balances, which is a big no-no, and you'd still be a millionaire.

2. **You wouldn't have to work 60-hour workweeks climbing the "corporate ladder" and you wouldn't have to worry too much about finding the highest paying job.** This is because <u>the income from your job won't have any bearing on your financial future</u>. You could even look for a lower paying job you absolutely love and you'll still be a millionaire.

2. **Depending on your age and financial goals, you may not have to save any additional money for your retirement**. This means you'll have more money in every paycheck. You can spend every penny of every paycheck and you'd still be a millionaire.

3. **When you decide to retire, you can start living off the dividends and rental income leaving the $1,000,000+ Vanguard Small Cap Fund and the single-family home to your children and grandchildren setting them up financially for life**. If they continue investing the income from the home into the same mutual fund allowing the compounding to continue, they're sure to have $10,000,000 in their lifetimes.

Crazy, isn't it?

The average person doesn't "see" this and they do not understand the true magic of compounding. Sadly, we're led to believe we have to be the ones saving the $695 each month out of our paychecks. So we head off to work five or six days a week hoping to save enough to be able to afford to retire in our 60s.

On Tim McAleenan website theconvervativeinvestor.com he wrote:

To truly change your life, you need an asset that throws off regular, monthly cash. That might mean something like a real estate property paid off in cash. If you are renting out a $225,000 property that you own in cash, you could very reasonably have $1,400 coming in per month that you get to use to make stock market investments. Do this for a couple decades, and you are going to benefit from rising rent checks that give you even more money to invest, and then the investments from years gone by start to throw off meaningful income all of their own, allowing you to spend your life constantly taking incoming cash and making fresh investments.

At that point, investing is an art form. It's a lifestyle. You're not playing the lame game of trying to beat the S&P 500 by a point here or a point there each year, but instead, you are laying the bricks of a financial fortress each month as you create a perpetual income machine that lets you build a collection of assets that keep on generating cash.

This can all happen with *one* rental home paid for in cash and you can do all of this inside your retirement account.

To build a retirement fund of $1,000,000 in the same Vanguard Small Cap Mutual Fund *without* the one rental home, you would have to save $695 a month out of your pocket for 25 years. This means you would have to save $8,340 a year for a total of $208,500 in 25 years – <u>all out of your paychecks</u>. This is money you won't be able to use for your living expenses during the next 25 years.

By shifting your plan and buying one rental home reinvesting the monthly income instead, you'll accomplish the same end result for an initial investment of $50,000. This means you can reduce the amount you'll need to save for retirement by $158,500. ($208,500 - $50,000) Who wouldn't want an extra $158,500 in their pockets over the next 25 years? You could use this extra money to pay for your children's college education. Or you could use this money to pay off your mortgage earlier. Or you could take an amazing summer vacation to Maui with your family each year.

Yes, you'll have to manage the single-family home going forward. This may not sound very exciting until you realize the tenants living in your home are going to work each week to send you a check for $1,095 each month. You'll be happy to continue managing this one rental property knowing your tenants are saving over $1,000,000 for your family's future.

The investor who truly understands compound interest will focus on saving enough to buy the single-family home and will simply reinvest the monthly income allowing it to compound for decades.

Some may feel this is a "risky" investment plan because they'll have to manage a rental property. Others may see how this as a "conservative" investment plan because they understand this plan actually reduces risk. This plan reduces risk because...

1. The rental home is purchased below value. Homes similar to the example in this report are listed for sale between $80,000 and $100,000.

2. The rental home is purchased for cash without any mortgage.

3. The actual market value of the home has no bearing on your financial future. The market value of the rental home could be the exact same 25 years from now and you would still be a millionaire.

4. You'll have homeowners insurance on the rental home to protect you from losing all of your money if your home burns down or is destroyed by a storm.

5. You're not trying to pick individual stocks and are instead reinvesting the income from the home into an index fund filled with hundreds of stocks. If several of the stocks in the index fund tank, it won't impact your future outcome.

6. We are investing for the long-term and stock market crashes will allow us to buy more index fund shares at lower price points.

If after reading this report, you think this long-term financial plan makes sense, I may be able to help you acquire your one rental home.

I'm a licensed real estate broker and have invested in commercial real estate, apartment buildings, single-family homes, condos, and mobile homes. I currently own and manage over 50 rental units. My retirement savings account collects over $8,000 each month in rental income from various investment properties using the strategies outlined in this report.

If you're curious and would like to learn more, we can set up a short phone call. I can answer your questions and highlight a few great investment properties for you. If you think we're a good fit during the call, we can set up a time to tour a few possible homes together. If you decide we're not a good fit, or the approach isn't for you, no problem. We're good either way.

To schedule a short phone call, send me an email at: rob@DividendRealEstate.com. Please put "Schedule Phone Call" in the subject line. Also, if possible, include some information about yourself and your investing goals. When I receive your email, I'll reply and set up a convenient time to talk.

Best,

Robert Minton
Platinum Real Estate

P.S. What would happen if you were to buy *two* homes like the one in this report and reinvest the rental income as outlined? Where would you be in 20 years?

P.P.S. The best part is you can actually set this entire plan up inside a special IRA account using your existing retirement savings to buy the rental home for cash. The monthly rental income will actually go directly into your special IRA providing the funds for your monthly index fund investment.

P.P.P.S. Investing is not risk-free. You can lose money depending on your skills as an investor. Your risk of loss is reduced dramatically because you'll be buying your one home below value. In addition, you'll be reducing your risk further by eliminating the mortgage. Please discuss this strategy with your professional advisors, including your attorney and your Certified Public Accountant to make sure it is appropriate for you.