Special Report

FREE COLLEGE?

How To Use Real Estate to Pay for Your Child's College Education

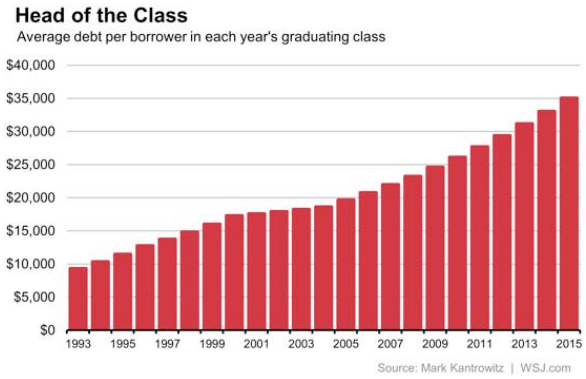
How You Can Use Real Estate to Pay for Your Child's College Education!

The cost of a college education has skyrocketed. According to the College Board, the projected cost for a 4-year degree in 2015 is $134,600 for a private college, and $39,400 for a public in-state college. These costs do not include room, board, books, supplies, equipment and transportation. These additional costs will more than likely double the total cost of a four-year degree.

Estimated private school total cost	**$270,000**
Estimated public in-state school total cost	**$80,000**

Multiply these estimated total costs times the number of children you have and you'll quickly see how expensive college may be for your family.

This is why the Wall Street Journal reported students graduating in 2015 from public schools have an average student loan balance of $35,000:



Source: Mark Kantrowitz / WSJ.com

"Not only is debt rising, but almost 71% of bachelor's degree recipients will graduate with a student loan. College is becoming less and less affordable, though it's still just as necessary."

In the graph, notice the significant increase in average debt per borrower from 1993 through 2015. In 22 years, the average student loan balance per borrower has more than tripled. This trend would bring the average student loan balance per student to $100,000 - $108,000 in 2035.

When we borrow money to buy anything (even a college education), we are spending our future income today. This obviously means we'll have less future income, as this income has to be used to repay what we've borrowed. Young adults spend tens of thousands of dollars of future income with one pen stroke on the student loan agreement.

Breitbart.com recently reported over 27% of student loans are in default. And with those defaults come with sever consequences: trashed credit, wage and tax refund garnishment, an inability to renew professional licenses or enlist in the military, and more. Worse, student loans – unlike most any other kind of debt – cannot be discharged in bankruptcy.

Imagine working your way through college and being in this financial situation soon after graduation? Even for those borrowers who don't default on their student loans, their lives after graduation are impacted significantly:

- 38% reported not pursuing graduate school due to outstanding under graduate loans.
- 40% reported delaying the purchase of their first home due to outstanding student loans.
- 22% reported not having children due to outstanding student loans.

The good news is it doesn't have to be this way. We have the opportunity to restructure how we pay for college and sidestep these challenges. If this new strategy is used properly, you may be able to have someone else pay for your child's entire college education.

The strategy is to buy an income-producing asset and then use the income from the asset to pay for college. Your money goes to acquire the asset. The asset's income goes to pay for your child's college education.

To illustrate how this might work, let's do a walkthrough scenario together. Let's assume you've been saving for your daughter's college education for years with the idea you would use this savings to help pay for her college.

When your daughter starts high school, you decide to use a portion of her college savings to buy this home as a rental property:

Residential MLS: **3667147** **Active**
960 E 347 St, Eastlake, OH 44095
Area: **1107-Eastlake** Twp:
Subtype: **Single Family** Subdiv:
Parcel ID: 34A011P000680 County: **Lake**

Supplements (3) Virtual Tour-Property Panorama

Directions: **West of SOM, between Stevens and Glen. L9B2**

List Price: **$79,500**
Sold Price:
List Date: **11/09/14**
List Date Rec: **11/11/14**
Pending Date:
Off Mkt Date:
Closing Date:
Contingent Dt:
Exp. Date:
DOM/CDOM: **373/373**

$/SqFt: **$49.69**

This is a 4-bedroom, 2-bath home listed for sale for $79,500. You decide to use $15,000 of your college savings to buy this home as your income-producing asset.

Here's how this investment might look:

Purchase price:	$75,000
20% down payment:	($15,000) from college savings
Mortgage:	$60,000

To buy this home when you're daughter starts high school, you use $15,000 of her college savings and use it for the down payment.

For the mortgage, you take out a 15-year mortgage with a fixed interest rate of 5%. The monthly principal and interest payment on this mortgage is $475. We'll add another $250 to this payment for property taxes and insurance bringing the total payment to $725 each month.

You'll rent this home out for $1,200 a month. After paying our mortgage, taxes, and insurance of $725 each month, you'll have a profit of $475. This monthly profit will go back into her college savings fund.

Over the next four years of her time in high school, you'll add back $22,800 into her college fund from this monthly income. ($475 of monthly income over 48 months.)

As your daughter starts college, she'll use her college savings and all the other traditional ways to pay for college. She'll also be able to use the extra $475 a month of income from the property offsetting another $5,700 of her annual college costs. This rental property will provide an additional $22,800 of income to help with college costs during her four years at college.

When your daughter graduates, she'll probably be in one of the following two scenarios depending on the school she attends and the amount you've saved in total for her college education:

1. She graduates with student loans

Student loans aren't fun, but these loans can actually be repaid with the income from the rental property. Simply keep the property rented and use the rental income to pay the monthly student loan payments. This way she won't have to pay the student loans out of her paychecks! The tenants in the rental property will actually be paying her monthly student loan payments for her!

<u>When you have real estate as an investment and use student loans to pay for college, you're spending your tenant's future income instead of your child's future income</u>.

This will have a dramatic impact on her future, as this property will help her completely payoff her student loans! She won't face the same life-altering challenges other students face and will be free to move on to graduate school, buying her own home, or having children without worrying about her monthly student loan payments.

Or instead of keeping the rental property, you can sell the property and use the sales proceeds to payoff her outstanding student loans. After her college graduation, you'll have paid approximately 8 years on the 15-year mortgage. The mortgage balance on the rental property will be paid down to around $33,000. Sell the home for $100,000 and you'll walk away with around $50,000 of profit after subtracting closing costs, real estate commissions, and taxes. This $50,000 could be then used to payoff any and all student loan balances.

In a nutshell...

You used $15,000 of your daughter's college savings account to buy a great rental property with a 15-year mortgage. This property provided an extra $475 a month and $5,700 a year of income for her for college

related expenses. During her four years in high school and her four in college years, this property will provide a total of $45,600 of income you can use towards college. This is about half of the total cost of a public in-state college.

After graduation you can keep the rental property using the monthly income to cover any student loan payments, or you can sell the property collecting another $50,000 in sales proceeds to payoff the student loans.

One $15,000 investment into a nice single-family home generated $95,600 of income for college. This is $15,600 more than the estimated total cost of a public in-state school making her college education free to your family.

This one strategy has the potential to completely cover the total cost of your child's in-state college education.

On a high-level, you're buying an asset and using the income from the asset to pay for her college education. The families living in the asset will actually be paying for a significant portion of your daughter's college education through their monthly rental payments.

This is not what most people do. Most people don't buy the asset and instead pay for college directly. When their child earns their college degree, they don't have an asset to sell and their child is forced to struggle with monthly student loan payments for years setting them back significantly as they start their adult lives.

Before we move on to covering the cost of a private college, let's cover another interesting idea you might consider with this rental property...

This idea is to give the rental home to your daughter as a college graduation present. Your daughter can keep the rental home and use the income to payoff her student loans. When her student loans are paid off, she can move into the home and her mortgage will be completely paid off within just a few years.

Imagine being in your mid 20s and having a mortgage-free home and no student loans! How cool would that be? Or she could keep the home as a long-term rental and when the mortgage is paid off, she'll enjoy an extra $950 a month of income.

Plus, she'll benefit from her property management experiences and will become a better investor in the process. This is extremely valuable and may help her with other investments, too.

This one rental property may become the gift that keeps giving!

Now, some may be thinking...

"This is great if my child goes to an in-state public college. It doesn't work if they want to go to an expensive private college."

The solution to using this strategy with a private college is to buy three rental properties instead of one. Three properties with similar numbers to the home profiled earlier would provide a total of $286,800 of income.

Monthly Income	$475
Annual Income	$5,700
8 Years of Income	$45,600
Profit on Sale	$50,000
Total Income	$95,600

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Three nice single-family rental properties may help your family completely cover the total cost of a private college. To acquire three homes, you would need to invest $15,000 down into each home for a total of $45,000. This $45,000 investment would provide $286,800 of future income for college related expenses.

Yes, three rental properties will require more management; however, these three rental properties will help your child avoid tens of thousands of dollars in student loan debt. If the average student loan debt for a public in-state school is $35,000, it is easy to see this amount would triple for a private college making the outstanding student loan debt $90,000.

Would you manage three nice single-family rental properties for 8 years if it saved your child $90,000 in student loans?

In these examples, we haven't included maintenance, repairs, and vacancies to simply the idea. These expenses are real and would obviously impact the actual results.

These expenses may be mitigated when you actually buy the rental property by looking for homes with newer roofs, windows, and furnaces. The plan assumes you'll own the property for 8 years and most of these major expenses can be avoided.

This would leave you with normal repairs such as torn screens, plumbing leaks and stoppages, landscaping, paint and carpeting. These costs shouldn't be significant and can be paid for from the rental income of the property.

In a nutshell, you're taking on a part-time job and using the income from this part-time job to pay a significant portion of your child's college education. In some month's this part-time job will require 15-minutes of work. You'll deposit the rent check and pay the mortgage payment. In other months, you'll have to call a plumber or handyperson to make a repair. Once every few years, you'll have a tenant move and you'll have to paint, clean, and show the home. This shouldn't take too much time. There is significant demand for nice single-family rental homes and you'll be able to rent your home quickly.

If after reading this, you decide this approach to paying for college may help your child avoid significant student loan balances and would like to pursue this idea, I may be able to help you acquire your "Pay for College" rental property.

I'm a licensed real estate broker who specializes real estate investment opportunities. My journey and experience may be of value to you as I can help you identify the best investment properties on the market. More importantly, I can also coach you through the property management process, or help you with full-time property management if you decide you don't want to manage the property on your own.

If you're curious and would like to learn more, we can set up a short phone call to discuss real estate investing. I can answer all of your questions and send you a few actual properties for your

review. If you think we're a good fit during the call, we can set up a timeline to get started. 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@RenegadeMillionaireStrategies.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. It is important to understand there are rules surrounding how gifts to minors can be used. You cannot use funds given to children as your own. These funds must be invested for your child and you have a fiduciary duty to use the funds in their best interests.

For a detailed article highlighting possible problems and legal issues surrounding the use of funds given to your child, refer to this website:

http://beginnersinvest.about.com/od/ugma/fl/If-You-Spend-Your-Childs-UTMA-Money-Youre-Probably-Breaking-the-Law.htm

P.P.S. Please discus the idea detailed in this report with your professional advisors including your CPA, and your attorney, to insure it is appropriate for your family. An investment in real estate is not guaranteed and you can lose money depending on your skills as an investor.