Financial Independence through Real Estate 2

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Financial Independence through Real Estate 2

The Beginner's Guide to Passive Income from Real Estate

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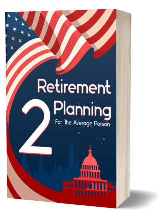

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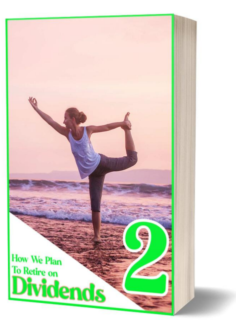

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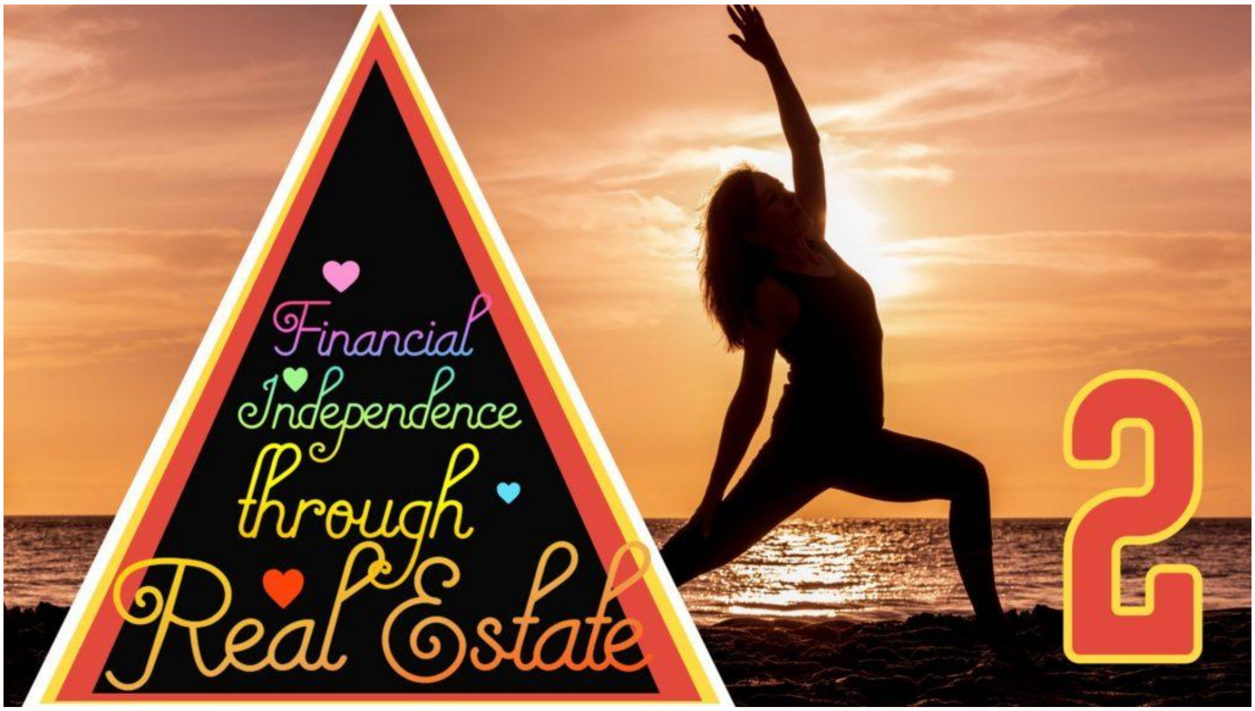
INTRODUCTION



01 Financial Independence through Real Estate 2

The average person can take themselves from rags to riches by leveraging real estate. Real estate has probably made more millionaires than the stock market and business combined. Of course, that is just a guess, but leverage is a powerful bedfellow—and nowhere is leverage as accessible as real estate.

Where else can you go and put $100,000 down and walk away with a $1 million loan? Real estate is so powerful because the asset is also the prize. The bank understands that if you default, they get to take control of your home.

But if you keep the home, you'll pay the bank 3% to borrow their money. That's not an alarming rate for the bank because they aren't taking much of a risk. You, however, can earn a 10-15% return on your cash if you make good decisions.

All these reasons combined ensure that I will always have something new to talk about with real estate. Every few days, I write an article about real estate. Every few months, I combine these articles to form the Financial Independence through Real Estate series.

This article is part two of the series, and you can find part one right here. Over the last six months, I have written over 36 articles, specifically on real estate. I love real estate, as I own three properties. Owning three houses has challenged my wife and me, but it has also allowed us to accumulate $200,000 in our dividend portfolio.

Steady cash flow, appreciation, tax benefits, and leverage are powerful tools that anyone with education can wield. As such, I present to you another giant book on real estate. Keep in mind that this is just the start of your education. You could spend a year reading only real estate books and still just scratch the surface. But you don't need much to get started. Let’s begin our journey.

REAL ESTATE MINDSET

Real estate is a mindset, not a physical address. If you have the correct perspective, you can build an empire of homes, apartments, and commercial properties. In the Real Estate is a Mindset series (beginner, intermediate, advanced), I start preparing your mind for the world of real estate. You’ll need to envision things others don’t see to become a successful real estate investor.

There are many types of passive income, but what makes rental income the best of them all? The magic of rental income is that it is the most consistent income stream versus the others. Every month you’ll be pulling in rents to help you accumulate wealth. And if you have the stomach, you can manage your own rental properties to save money on property management fees. This attitude will put more money in your pocket versus using a property manager.

Real estate is a mindset because you don’t need to own any property to make a rental income. Sure enough, you can rent a room in your primary residence to make a sweet rental income. We call this house hacking. By using house hacking, we can achieve Mortgage Positive—earning enough money from your primary residence to pay your entire mortgage.

REAL ESTATE BASICS

Part of the challenge of real estate investing is determining the best time to buy a home. Nobody wants to buy at the top of the market, so you need to purchase homes that make sense long-term. You may not make much money the first few years, but your houses will allow you to beat inflation over time.

Today, the real estate market is at all-time highs. It is hard to find a starter home to start building our rental empire. If you want to buy homes today, you will need to leverage the support of your family to purchase a home. Waiting on the sidelines will not help you as prices keep going up and your salary remains flat.

Two fundamental techniques in real estate that you must understand are the one percent rule and cash-on-cash return. You may not hit the dream numbers that the real estate book discusses, but at least you can compare the numbers versus other homes. Don't buy homes on emotion alone, as that is a recipe for long-term wealth destruction.

An excellent way to make great investment choices when buying a home is to mentally become a real estate investor BEFORE buying your first home. I offer ten real estate books that can assist you on your journey from real estate novice to professional. Why not use someone else's experiences to help guide you through the real estate lifestyle?

CREATIVE FINANCING IN REAL ESTATE

Over the last few months, I completed the Creative Financing in Real Estate series (104, 105, 106). I started the series to assist young real estate investors who don't know how to access tons of money available to them.

Of course, you will need to dig much deeper than my series to learn the language of real estate financing, but hopefully, I can give investors a solid direction to travel.

REAL ESTATE LIFESTYLES

I created a brand new series called Real Estate Lifestyles, where I compared different areas of real estate versus each other. In part one, I compared owning physical real estate versus shares of real estate investment trusts.

Part two pitted real estate investors versus lenders. Investors buy the properties, and lenders create debt and collect interest on loans. In part three, I asked about renovating a home and renting it or flipping it—finally, part four asks which is better for you, investing in single-family homes or multi-family properties.

REAL ESTATE IDEAS

When you start focusing on real estate, you begin to formulate creative ways to make money. One such idea is to start and run a property management business. It is a good business to run if you stay home with the kids full-time. You can manage most of the work from home, only needing to show houses or check properties.

Recreational vehicles, or RVs, are a vast business currently. They will become even more prominent as less and less affordable housing comes on the market. You can turn RV life into a business. You can buy and rent RVs or buy land to rent to RV drivers. There are many ways to turn a profit in this huge niche.

If you don't have the cash to invest in real estate, you can start purchasing shares of real estate investment trusts. REITs are an excellent way to profit from the real estate market before you own physical properties. I buy REITs on the stock market but also purchase through Fundrise. Fundrise does not trade on the stock market, so it's not subject to day trading volatility.

PAY FOR COLLEGE WITH REAL ESTATE

I read an amazing article about using real estate to pay for college, so I wrote an entire series on the topic. The Pay for College with Real Estate series (101, 102, 103, 104, 105) focuses on various ways to use real estate to pay future college expenses.

There are many ways to leverage real estate to pay for college, including buying a home and selling it, using a home equity loan, a cash-out refinance or renting the property for the duration. Flexibility is a critical component of any future college discussion, and real estate provides multiple options to assist.

REAL ESTATE BOOK TAKEAWAYS

I was able to complete four books over the last few months. "The Book on Managing Rental Properties" is a massive book on everything you need to run your own property management business.

"40 Ways to Increase the Net Income of Your Rental Property" gives you ideas on how to make more passive income from your property. Some ways include adding ATMs, arcade machines, and special VIP parking.

"Buy, Rehab, Rent, Refinance, Repeat" is the best book on real estate I have read. It covers the four most important people you will need as a real estate investor; real estate agent, general contractor, property manager, and lender. Read this book first!

"Starting Your Career as a Contactor" gives us the inside scoop on life as a general contractor running your own construction business. I learned about creating estimates, structuring contracts, and hiring subcontractors. It is a fantastic look into the construction world and something you will need to understand as a real estate investor.

CONCLUSION

Wow, I do love writing and seeing all my articles coming together in harmony. Nothing is more challenging than waking up and writing 1000+ words on a given topic. Over the months, my pieces accumulate to form books that I am very proud to share with you.

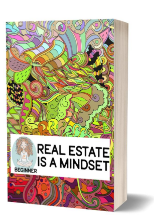
Hopefully, this book helps change your life as much as it did my life. Real estate is a powerful tool that only the strong can yield. Reading and understanding the language and flow of real estate is the first step to becoming a successful real estate investor. You can be a great real estate investor and only own your primary residence. Remember, real estate is a mindset.

Please join my [Facebook Group]() if you want the latest articles and free books delivered to your news feed. Also, you can contact me inside the group and ask questions. I also have a [Facebook Page]() where you can see my latest articles.

REAL ESTATE MINDSET

02 Real Estate is a Mindset -Beginner

How can some people build a rental empire of 100s of homes while others struggle to keep one home for themselves? Why do some people buy and sell homes like trading cards while others keep their homes forever?



[Real Estate is a Mindset (Beginner)]()

The answer is simple—**real estate is a mindset**. Real estate is the best wealth generation tool available, or it is just a place to stay. You either take quick profits or enjoy the tax benefits, capital appreciation, and rental income for the long term.

Real Estate will make you rich if you are strong enough. Owning real estate is neither hard nor easy; it just is. If you understand the wealth-building aspect of owning real estate, then it is easy to hold it for a long time. If you just want capital gains, dealing with renters will piss you off every day.

Web Edition: The Biggest Book on Passive Income Ever!

My name is Josh, and my wife (Kristina) and I own three single-family properties. We are not crazy real estate investors; we both grew up poor and changed the outcome for our children. We understand that real estate is vital to our long-term wealth.

Was it always easy to hold these properties for the last 13 years? No, it was freaking annoying sometimes, but being broke is worse. There are two types of stress—**life stress and business stress**.

Life Stress is when you struggle to provide for the daily expenses and emergencies that occur. If your car breaks down and costs $1,000 to repair, this could lead to life stress.

Business Stress is when your life stress needs are taken care of; however, your business endeavors (dividends, real estate, crypto, business) cause friction in your life. When you have termites in one of the rental homes, that can lead to business stress.

Most people go through life attempting to avoid business stress. This is when you hear things like "I don't want to get a call in the middle of the night about a toilet" or "What if the renter doesn't pay the rent?"

Can You Live the Laptop Life?

I hear this about 90% of the time. These people also are chasing capital gains and say things like, "I can make $100,000 profit on my house." They also think that $100,000 is a lot of money.

When you avoid business stress, you are guaranteed to have life stress. People try to avoid life stress by living below their means, which is smart. However, if you are not bringing in business, then you are on a fixed income. So now, to prevent business stress and life stress, they are living below their means on a fixed income (say $3,000/month). Does that sound fun?

Now, you can replace the terms life stress and business stress with "Financial Freedom vs. Financial Security" or "Earned Income vs. Passive income." They all tie into the same emotions and mindsets. Fear is what prevents people from owning real estate. Fear leads people to work 45 years in the workforce and have no stocks or real estate investments.

How do we break our fear of owning properties, renting for the long term, and dealing with tenants? We read; we read a lot. Nothing that you will deal with in real estate will be brand new. Also, there are tons of ways to own real estate without ever dealing with a tenant. You have to read to understand flipping land, purchasing tax liens, holding billboards, or harvesting timber.

Let's start with building our financial mindset first. You will want to read four books by Robert Kiyosaki first, ***Rich Dad Poor Dad***, ***Rich Dad's Guide to Investing***, ***The Cashflow Quadrant***, ***and finally Unfair Advantage***. If you can read these books, your outlook on life and wealth will change dramatically.

How Would You Invest $300,000?

Now, we need to ensure our finances are in top shape. I recommend everyone to read ***I Will Teach You to be Rich*** first. If you are a couple, then follow that book with ***Smart Couples Finish Rich***.

Now that your money and mindset are right, it's time to jump into real estate. Wow, there are so many places to start, but I'll narrow it down to three real estate books—this will be very hard.

I'll start by recommending ***Sold***. It is a book about becoming a top real estate agent; however, the information provided will be great for every real estate investor/owner. I love the in-depth look at the day-to-day operations of a real estate agent. It is a full-on business, and knowing how they operate can lead to considerable gains in your real estate career.

Next, I recommend the book ***40 Ways to Increase the Net Income of Your Rental Property***. This book will assist you with maximizing your rental income. You may find a decent deal, but it doesn't cash flow very much money. You can add or adjust some things that could energize your income. Knowing these before you start investing in real estate will give you a leg up on others and assist you in seeing wealth where others see garbage.

Finally, I recommend ***The Book on Managing Rental Properties***. It is a long book, but it will probably save you hundreds of thousands of dollars if you can finish it. Either by allowing you to manage your own properties or by picking the best property managers available.

Here are a couple of my articles that I recommend. "Mortgage Zero" will walk you through the mindset of paying no mortgage costs out of pocket—by making money with your primary residence.

The Business of RV Life?

"Should You Buy A Property in a Small City?" will help you pick a market that works for you, even if you are not physically there. After reading the book on managing rentals, you can select a better remote property management team.

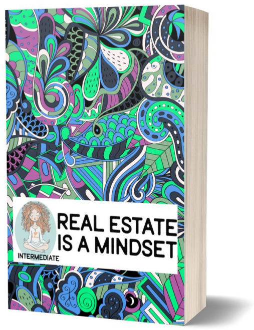
"TAP Your Home Equity" will give you ideas on how to grow your portfolio by using leverage—in the form of home equity. Robert Kiyosaki asks a great question about the use of leverage "Is it easier to save $1 million or to borrow $1 Million?"

As you can see, that is a lot of Real Estate boot camp to get you started. I am a HUGE fan of reading. Once I started reading, my bank account started to grow exponentially. You will begin to see value where others see nothing. That is how you become rich—by being a first mover.

I'll be back with the intermediate and advanced versions of Real Estate is a Mindset. You can never learn enough about real estate. However, learning won't make you wealthy; taking action will. Enjoy and Happy (Real Estate) Investing.

03 Real Estate is a Mindset -Intermediate

My wife and I just returned from looking at a new mobile home to put on our 3 acres in Florida. We looked at a few mobile homes, and they would all serve our needs well. Then we talked about the purpose of buying this home.



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Is it just going to be rental for the long-term, or will we plan to move our parents in eventually? Either answer has significant ramifications on price point, size, and amenities. Being able to ask these questions is what makes us intermediate real estate investors.

You do not have to be a hardcore real estate investor with a vast team to think like an investor. You just need to do the math, think logically (vice emotionally), and make decisions at face value and merit.

When Life Gives You Lemons...Make Passive Income Lemonade

However, to think like a real estate investor, you also must know what they know. We have been renting rooms for close to three years, so we know what the rents will be for the place when we buy this new mobile home.

Having experience in the room rental business helps us make decisions that are accurate and financially savvy. We did not start this way—we misjudged pricing initially, which led to attracting the wrong element.

Now, we are all the wiser, plus we have read many more books on business, investing, and real estate. An intermediate real estate investor understands that each room, house, or apartment is its own separate business entity.

We may get the house if the numbers work out, or we may miss this opportunity. I can care less which way because we have set ourselves up to be financially free already. Anything else is icing on the cake.

I mean, this is how the rich spend their time. We drove to the mobile home lot together, talked, walked around, ran the numbers, and went to lunch together afterward. Regardless of the outcome, we spent time together, learned some things about mobile homes, and predicted the cost of land improvements. Altogether a great day—I love being wealthy.

Happiness isn't Free

Back to real estate—how do we get to the intermediate level of investing? We need to learn and become super confident in our abilities. Without confidence, you will not make it, even as an intermediate investor.

When you are a first-time homebuyer, you don't know much. The real estate agent guides you through the process, and you make emotional-based decisions. Don't worry; we did the same thing back in 2008.

As we move up the real estate investor levels, we need to learn the numbers, regulations, prices, comparisons, and regional quirks. Therefore, the first step to becoming an intermediate investor is reading "The ABCs of Real Estate Investing."

This book will give us background numbers such as net operating income and cash on cash return. These concepts are invaluable as we navigate the real estate world, even as "light" investors.

When you talk to other real estate professionals, such as lenders, property managers, real estate agents, general contractors, and salespeople, the way we present ourselves (our confidence) is vital to getting the results we seek.

I Live Paycheck to Paycheck 2

Also, understanding why real estate is essential to our overall wealth is just as important as knowing the key terms. "The Millionaire Fastlane" describes the idea of wealth generators. Using a wealth generator dramatically increases the speed of our wealth accumulation. Real estate can be a wealth generator when done correctly.

The goal is to work a "4-Hour Work Week" because our wealth generators are building wealth for us. With these concepts in mind, we can set goals like "to buy one rental property a year." Doing this can significantly add to our wealth and cash flow.

The 4-Hour Work Week is why we move into the intermediate level of real estate investing. We don't need lots of properties either. Having 3-5 rentals at retirement can drastically change the prospect of living comfortably for the rest of our lives.

The book "Build a Rental Property Empire" is all about buying single-family residences and creating an immense amount of passive rental income. I love this book because it never forces you to move into the commercial or apartment space.

Prepare for Inflation

The book “Real Estate Note Investing” has you covered when it comes to financing your new properties. It is not so much the exact technique as much as the idea of how to fund your investments. The author used credit cards, private money, hard money, sponsorships, fundraising, and partnerships. Once you see how creative people are at using OPM (other people's money), it will make you think twice about using your cash.

I wrote an entire series about Creative Financing in Real Estate. Read through this series before you even think about going to a bank. Know how many options are available to you and when to use them.

When my wife and I were at the mobile home lot today, we started using the house finance agency because of the low money down. The interest rate was 5%, though—it is currently 2% for first-time homebuyers of traditional homes.

Diversify Your Passive Income

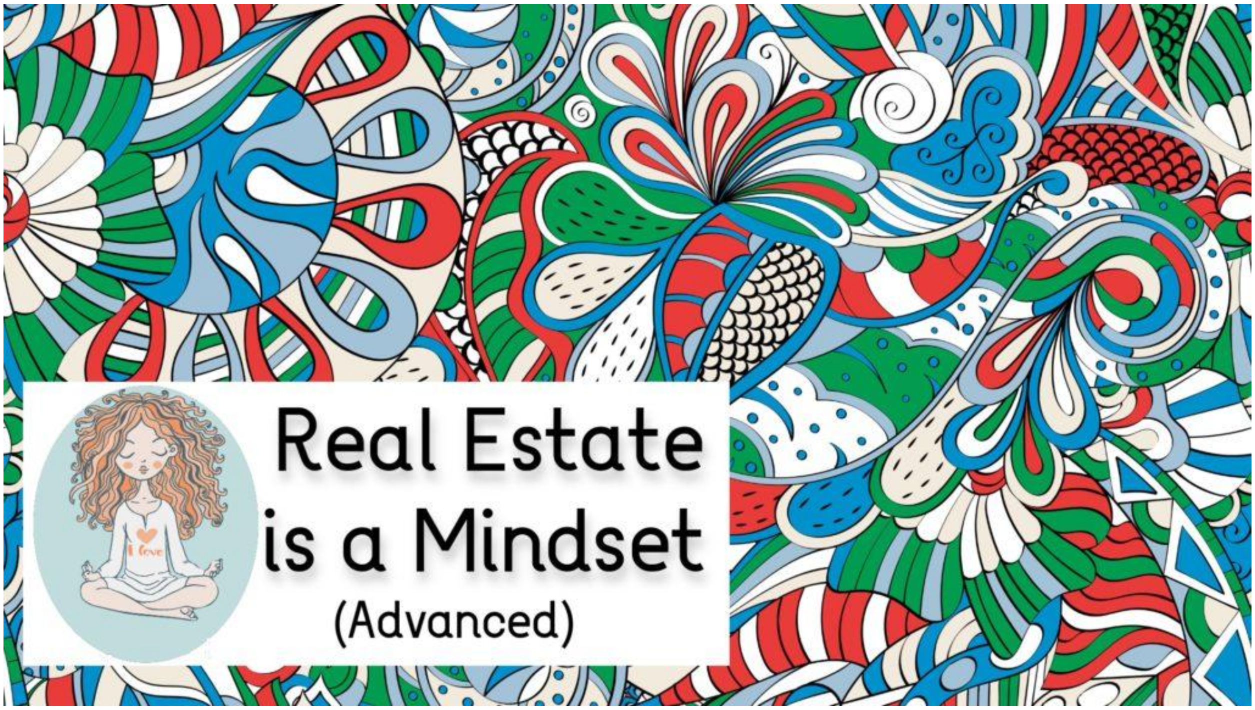
Before I take the 5% loan, I will look at the possibility of combining my traditional home and my mobile home into one bank-conforming loan. Then I can refinance both into a primary residence 2% conforming loan. Not a bad plan—you just need to predict the future as best as possible.

Another reason why homebuyers must amass our real estate holdings is because we use real estate to pay for college. Please visit my series of the same name, the Use Real Estate to Pay for College series.

We have achieved Mortgage Positive with our primary residence, so our son can go to college while renting the rooms and living for free. Dropping a mobile home will further increase the profits on this property. It is a win-win for my son and the tenants, as they will probably be students as well.

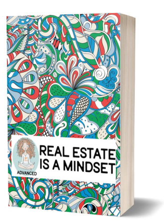
In the end, real estate is about options. We want to have a fantastic Happy Cash Flow Retirement system in place when the time comes. Whether we decide to live the laptop life or buy a home in a small city, we want to have the ability to choose.

For these reasons, my wife and I keep ourselves firmly in the intermediate level of real estate investing. We love the options and creativity that real estate gives us on a day-to-day basis. We cannot oversell the Magic of Rents; all we can do is recommend everyone learn as much about real estate as possible. Enjoy and Happy Investing!



04 Real Estate is a Mindset -Advanced

So you want to be a real estate investor, huh? The thing that makes you a real estate investor versus a homebuyer is your mentality. Investors realize that real estate is just another asset class, like cryptocurrencies, commodities, stocks, and business.



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Knowing that real estate is a means to an end lets investors make business-based decisions. For example, if adding a $5,000 rain shower makes no business sense, an investor will not perform this upgrade.

A homebuyer **WANTS** the rain shower, so they do this upgrade based on emotions and personal comfort. So even if you are a homebuyer purchasing your first house, you can still make decisions like an advanced real estate investor.

Are You Retiring TO Something or FROM Something?

Don’t forget to check out the other two articles in the series (beginner, intermediate) before proceeding forward. Becoming an advanced real estate investor starts with thinking like other investors, whether real estate or otherwise.

I just finished the best book I have read outside of Robert Kiyosakis’ books. The book title is “Buy, Rehab Rent, Refinance, Repeat,” or BRRRR, and it is about real estate investing. The book breaks down each step in great detail, giving the reader an immense amount of tips and information.

However, I wouldn’t read this book before reading some others first. BRRRR has so much good information that your mind has to be ready to receive it prior. In its rawest form, the book is a businessperson’s guide to real estate.

The author, Davide Greene, repeatedly says that adding value to other real estate team members is the best way to grow your business. I am a firm believer in adding value as a way to achieve business success. I did not know any of this until I read certain books.

The first book I read about adding value as an entrepreneur is “Superfans.” I began to understand the true value of what an entrepreneur brings to the table. An entrepreneur's job is to solve other people’s problems at a profit.

Nobody Owes You Anything

Another great book on adding value first is “Content, Inc.” This book delves into the world of creating content and growing an audience well before you launch a product. For example, if you plan on releasing a cleaning product, you would first start a YouTube channel about cleaning your house smartly.

The world of real estate is similar to other investments; you must add value as well. When my wife and I began to rent rooms in our current primary residence, we added huge refrigerators, HBO, cable, and new mattresses. Our roommates have been with us for almost two years because they find value in staying with us.

As we move into the real estate investor phase of our careers, it is important to understand we do not need to own a massive amount of homes. There are other ways to earn rental income outside of renting homes.

Success is a Habit: What Is Your Daily Routine?

My wife and I just looked at house #4, and we were surprised at how far we have come in our real estate journey. Since the house will be a mobile home, coming from the factory, we can make decisions favorable for renting rooms.

Some of these decisions include removing the carpet and adding external doors to the master bedrooms. These decisions will pay dividends when it comes to increasing the asking price of the rooms. We know that the roommates will find great value in having an external door to their room. See the theme here.

As an investor, sometimes buying land will be the best bet, depending on the situation. We can do so much with raw land that it needs to be a priority to understand the possibilities. I try to write as much as I can about land because we have two homes with three acres apiece.

A couple of possibilities include adding RV hookups or RV vehicles to your land and renting the space or RVs. This can be pretty lucrative in the long run. Another idea is renting your space to beekeepers and those who produce honey. Other beneficial insects need a home, such as mealworms and butterflies. Hey, insects need loving too.

The best part of being an advanced real estate investor is knowing that you don't need to partner with strangers—that is why we have a family. Indeed, the best way for a young person to buy a home is with the assistance of family members.

Big Money in Tiny Homes

But, as an investor, this can work in our favor. Why not buy a property and rent it to our children. Your home will get trashed anyway; it may as well be your kids doing the trashing—just kidding. But, I am a **HUGE** fan of adult children, being productive, and living at home.

My wife and I proved that by renting rooms, you could break the universe. The older gentlemen selling mobile homes asked us if we had $50,000 for the down payment. I replied that we have close to $200,000. He was shocked and said, "Are you all looking to adopt someone?"

That is the power of living below your means, paying off debt, and reading books. When we go into a real estate venture, we don't NEED it to work out. It only comes to fruition if it satisfies the needs of all parties. I can care less if we get house number four. We have already learned so much about mobile homes in the process.

I think the most powerful idea of becoming a real estate investor is knowing how you are and how you want to retire. If you are an average person, you may just want properties to supplement your pension and social security.

Should You Consolidate Debt?

Just because you only have two properties doesn't make you less of a real estate investor. You can still maximize your land by adding billboards or space for storage sheds. The idea of being a real estate investor is in your mind. You see things that others don't. You don't have to have 30 doors to consider yourself an investor.

I wrote the mega-article "Financial Independence through Real Estate" because real estate is the best way for the average person to retire comfortably. I still stand by this thesis; everyone can see through the eyes of a real estate investor.

How do you derive income from this property if you are a family of four and own a five-bedroom four-bathroom home? If you don't want roommates, what can you do to achieve Mortgage Positive?

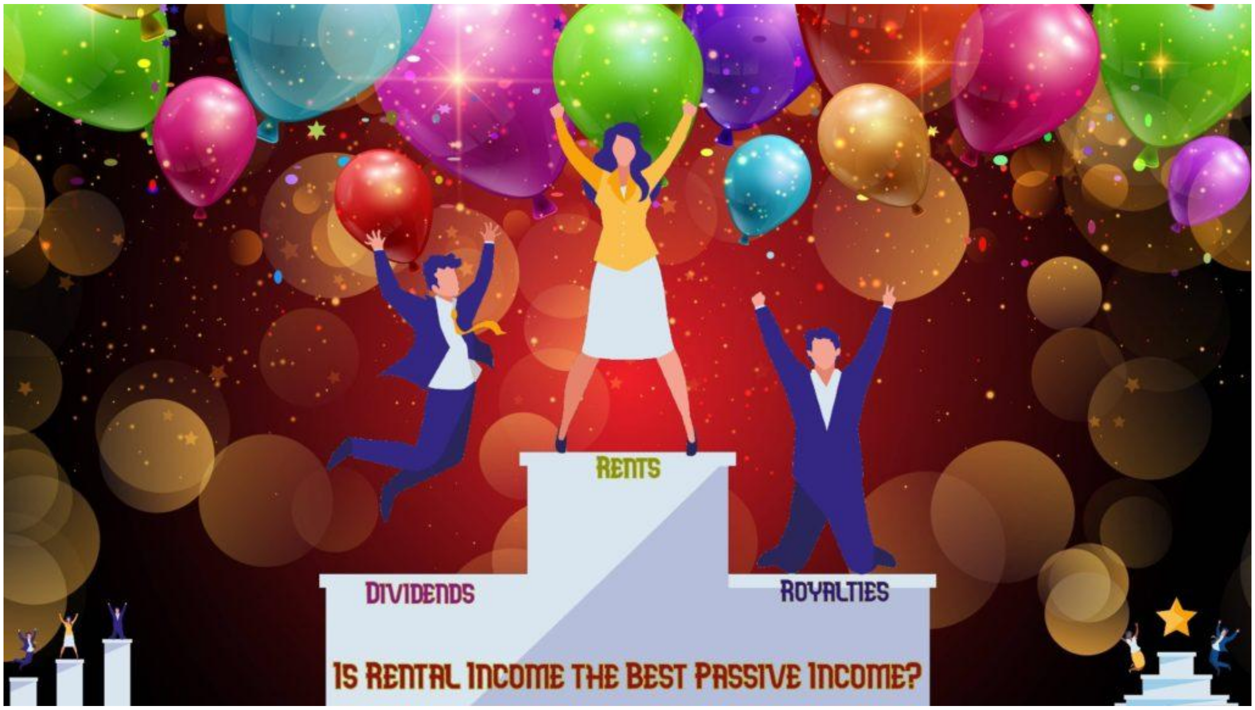
Can you section off the home and add walls that allow you to rent spaces safely? Can you use the extra rooms to store things for other people? Maybe you convert the area so people can use your home as a daycare or business throughout the day. You have to be super creative; that creativity makes you an investor.

Become CEO of Yourself

I wrote an article titled "Hustle in Your 20s and 30s, and Relax in Your 40s and 50s." As we age, we hustle with our minds and thoughts, not physical labor. To form unique thoughts and ideas, we have to read every single day. Sorry, but that's how the world works.

Wealth is a Mindset, just as real estate is a mindset. Reading is the link to make everything combine into a glorious stream of ideas and action. You have the chance to be the smartest person in the room; why not take it?

Well, that wraps up the Real Estate is a Mindset series, for now. The key takeaways are 1) read books, lots of them 2) add value to others. With these two things in mind, you will start to see the world through different lenses. Thanks for reading, and don't forget to download the Free PDF for safekeeping. Enjoy and Happy Investing.



05 Is Rental Income the Best Type of Passive Income?

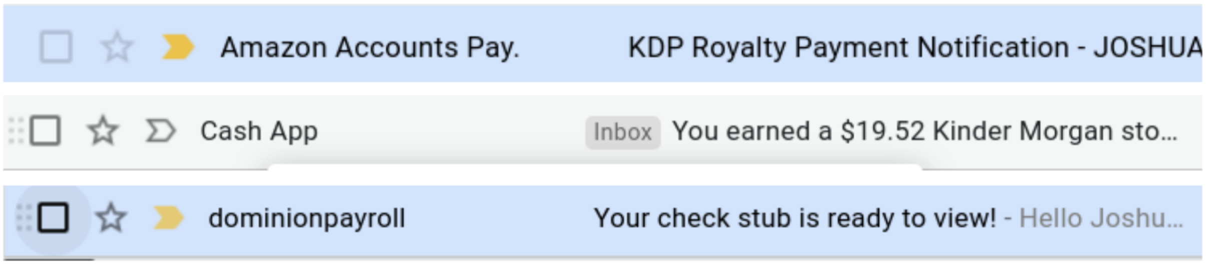
Passive Income is the equivalent of a king sitting on a comfortable bed fed grapes and fruits by his servants. There is nothing quite like passive income for making you feel excited about the next day.

When it comes to passive income, the granddaddy of them all is rent. Rental income is money that you collect from someone living in your home or using your property. And although we attach the "passive" term to these funds, it can take some work to keep it coming in.

I personally love rental income. If you can get a nice stream of rental income coming in, you can become rich rather quickly. But again, it does take management, leadership, and people skills to keep the money train rolling.

In the article "Mailbox Money," I talked about rents, dividends, and royalties as ways to bring in cash passively. Now we will pit them all against each other to see which one could be right for you.

All three incomes have their pros and cons, but I strongly feel that you should work on bringing all of these powerful forces under your control. Trust me, I have been gathering all of these income streams under one roof for the last six months, and it is incredible.



Yesterday, I was busy at work all day, and I got six emails from Amazon. Each of the emails was royalty payments from book sales across the different Amazon Markets. I can't tell you how great the feeling is to get "random" money throughout a typical day. The amount of money is irrelevant. It makes me feel as though my life is continually moving forward.

The other two emails are from dividends and my online teaching gig ($35/hour). My wife collects our rents and deposits them into our accounts. Together, it creates a tailwind of cash that you can leverage however you want. As I discussed in "The Truth about Discretionary Income," your actual spending money comes from the income that comes from passive sources—rents, royalties, and dividends.

Now onto the battle royal between my favorite sources of passive income; royalties, rents, and dividends. I will briefly introduce how I started earning each source of income, followed by how they compare to each other. Let's jump right into it.

How I began. Here is a quick summary of each passive income source. We started collecting **rental income** as we began to rent out our guest bedrooms in our primary residence roughly two years ago. I also began building up my **dividend portfolio** approximately two years ago. We are now getting to the point of earning serious money from our dividends ($500/month). I am new to the **royalties game,** having started about six months ago. However, it is quickly growing on me.

How passive is it? Now, no money is truly passive. You (or someone) had to complete some form of work to build the stream of income. We call things passive when we don't have to tie work to time. For example, when I work at McDonald's, I am exchanging one hour for $15. Once that hour is over, I receive no more money from this time exchange. However, I can write a book and make money from it for my entire lifetime.

For this article, I am going to use rental rooms as the type of rent I compare. Everyone can get into room rentals, dividends, and writing books, so it is equal across the board. **Renting rooms can be very passive.** However, you will have to deal with roommates. Roommates can be highly annoying, but over time this tends to subside. Once you have done it for a while, you will start to screen for the people who fit the flow of your house. Once you get a good fit, it is free money. The only thing better than receiving $800/month from our roommate is when we receive another $800/month from our other roommate. Renting rooms is how we became rich.

Dividends also can be very passive, but there are two things to consider. First, usually, you have to work a job to fund your dividend portfolio. Next, you will have to keep up with the companies of your dividend-paying companies. For example, one of my favorites is AT&T. They may be cutting their dividend soon, which is fine if it makes the company stronger. I'll just buy more Verizon to offset the cut. So I spend 20-30 minutes daily catching up on my companies. I love it, though, and don't consider it work. Reading is the best way to keep your brain engaged, so dividends are passive to me.

Royalties are entirely passive once you complete the initial work. Yes, you can go back and update your book, but you don't have to. Now, getting someone to find your artwork, music, books, or videos is a whole separate discussion. That involves building an audience or advertising. However, the actual product is passive once complete. Overall I will call royalties the most passive of the income sources.

Which of the three is most consistent? We all love to know when our monies are coming in; it is human nature. **Rent by far is the most consistent**—it is not even close. Once you get a good roommate, they will not want to leave. The money will come in like clockwork as long as you stay fair but firm. **Dividends** can be consistent as well because you have a rough estimate of what month they will arrive. However, inside that month, the days change every quarter. **Royalties are completely random.** I would never want to depend on royalties as a source of income that I rely on for paying bills. One day you are a king; the next nobody knows your name. Rents win hands down in the consistency category.

How easy is it to get started? Again, **rents win hands down**. Renting rooms takes minimal capital upfront and has very little ongoing expenses. You could quickly (and easily) bring in $600/month by the end of next month—this is the purest form of money, and all you have to do is sacrifice some living space. **Dividends take money to initiate.** If you don't put a lot of money in, you won't get much money out. If you receive a windfall of cash, you will still need to research what dividend-paying stocks and ETFs suit your portfolio. **Royalties take time**, consistent works, and knowledge to build. Remember, you earn royalties only when people buy your creations. You have to be good at what you do and add value. You can't produce a crap product and have people continually buy it. Royalties are the hardest to earn. It will probably take me two years of writing to make $600/month.

Which has the best tax situation? Renting a room is going to put you in the best tax situation, bar none. I won't tell you how to handle your rental income, but you should understand what I am saying. **Long-term dividend income** (once you hold stocks for over a year) is currently 15%, depending on your annual income. **Royalties are taxed at your ordinary tax rate**—so at the earned income rate. The more you make, the more they take.

Final thoughts. You can see it plain as day, **renting a room is the best passive income source**, bar none, the champion. It smoothly cruises to the first place for the ease of getting started, taxes, and consistency. Even better, your rental income can help pay off debt and eventually assist in funding your dividend portfolio.

I will continue to recommend renting a room as a way to get ahead in life. However, there are other ways to earn rental income from your home without having someone else living there. I recommend reading one of my all-time favorite articles, "Mortgage Zero," for many tips on maximizing income from your property. We want our homes to be assets, not liabilities. Good Luck!

06 The Magic of Rents: Consistent Wealth

Ahh, wouldn't it be nice to sit back on your chair, relax, and still make tons of money? I guess that would be the ideal way to receive cash passively. I never thought about passive income this way until a strange event happened in my life.

My wife and I had just bought our third house; this one was in Florida. The home has two huge, luxury master suites, so we decided to rent them out for $800 each. We were still on the grind, paying off debt and building our dividend portfolio.

The house has three acres of grassland, and we loved to sit out in the shade and have some beer. One day we were hanging outside with our two boys, enjoying the spring weather when one of our roommates approached.

The roommate came up to me and gave me $800, and walked off. At that moment, I knew the power of rent. Sometimes, the power of passive income can get lost in translation because you are running around doing things in the world.

Because you are busy, nothing looks pretty passive; however, you are earning double money. I mean that passive income also allows you to make more money while other cash is coming consistently.

And the mother of all consistent income is rent. It is hard not to become rich when you have the constant cash flow of rents to supplement your lifestyle. Rents are especially powerful if they can fund your dividend portfolio. So you see, rental income is a wealth generator.

I consider business and real estate the two most potent wealth generators out there. However, most people will not create income from either of these. Strangely, everyone can build wealth from rents—by sharing their property.

My wife and I are currently making $2,500/month in tax-free rental income. It is tax-free because we can use tax breaks like mortgage interest and depreciation to lower the rental income to zero.

However, a large chunk of that cash comes from our two room rentals. In addition, we receive $1,600/month from the two master suites. My wife recently helped us save even more money by completing a refinance of my primary residence.

We are now paying $1,530/month for a 2,500 sq ft home on three acres of land. Even better, our roommate's rent completely covers the mortgage, plus $70 cash flow. How many people in the world can say that they are cash-flowing from their primary residence.

And this is just the start. Ladies and Gentlemen, rents just continue to go up. My oldest son will graduate from high school in four years. If he stays local, he can live in this house. My wife and I can buy another house nearby.

He will continue to rent out these fantastic rooms, and by then, the rent will be $1,000/month. The mortgage will stay $1,500/month, making his cash flow positive by $500/month. There is even another room he can rent for $750. Now he is positive $1,250.

What if we drop a mobile home on the property as well? Or a large shed that he can rent storage space to the renters? The possibilities are endless, and they all bring in excess cash passively.

Yes, dealing with roommates and tenants can be a pain **sometimes**. But going to work is pain **all of the time**. Rent is a powerful force multiplier that can propel anyone to the land of the rich.

Think about this. My wife and I receive $1,600/month for basically doing nothing but sharing—roughly $20,000 a year. If I only used this money to fund my dividend portfolio, I would still be hyper-rich.

Just renting at this rate for 30 years at an 8% return would be $2.3 million. This is life-changing money for us, which also can provide for my kids for multiple generations. Many times people sell their homes to avoid the stress of renting out their property. Please keep your homes.

Our first home was a nightmare because we bought it in September 2008, when the world changed due to the financial crisis. We lost all of our equity, and rents were upside down. I had to execute orders to South Carolina, leaving my wife, mother, and two kids behind in Arizona, because we would have been cash-flow negative roughly -$700/month in rents.

So, I know what a bad rental situation looks like. However, we endured, and this house will prove to be a cash cow for the rest of our lives. We owe it to our kids to fight through the pain to get to the reward—cold hard cash.

With the rental income, you get tax breaks, capital appreciation, consistent returns, and rent growth. It is almost like a joke the world plays on you. They scare you with things like vacancies, maintenance costs, and bad tenants. Those things happen, but the people who endure them become hyper-rich.

Don't let the idea of property management scare you from the reality of becoming rich. If my oldest starts a family in 10 years, he already has a positive cash-flow home to raise his family in. In addition, being positive cash-flow means that they can probably work from home and home-school their children.

These are powerful ideas that make the rich even richer. I am glad my wife and I opened our minds to the power of keeping our homes and opening our doors to tenants. As a result, by the end of this year (2021), we will have $200,000 in our dividend portfolio.

Much of this money is the result of rental income. Rents helped us pay off our debt and fund some minor house maintenance. My wife and I recently put new rain gutters on our homes in Florida, fully paid for by rents. Having that consistent cash flow of rents can make your life more comfortable than you could dream of.

Don't let the American media fool you; you do not have to become a home-flipper or real estate tycoon to make a large sum of rental income. You just need to share your property. There are tons of ways to make money from your residence.

A good starting point is my article "Financial Independence through Real Estate (book)." I walked through many of the steps we took to obtain three homes and a mindset of Mortgage Zero.

In the end, only you can prevent media contamination. For example, people will look at you funny when you say that you have roommates. Meh, there is a 97% chance that they do not have $200,000 in an investment portfolio.

Who would you rather be, someone who conforms to society or someone rich as hell? I know which one I choose. Good Luck!

07 Mortgage Positive: Make Cash Flow from Your Primary Residence

Six months ago, I wrote one of my favorite articles of all time, "Mortgage Zero: The Art of Paying No Out-of-Pocket Living Costs." This article is still my most linked piece ever because it is such a vital topic to me.

Mortgage Positive

Mortgage Zero proposes that you use your home as an income generator. Whenever I say real estate is the best wealth generator, Mortgage Zero is one of the main factors. You don't need any money to start renting rooms.

My family moved into our third home in March 2020 (fun times) and immediately began to rent out two huge master suites—roughly 14 months. We rent the rooms for $800/each, for a total of $1,600/month. Over 17 months, this equates to $27,200 of rental income directly into the stock market. This money alone will make us rich.

Our Most Stressful Moments as Homeowners

When I wrote Mortgage Zero, we were paying $1,750/month for our primary residence. I am proud to announce that we completed a home refinance three months ago, and our new mortgage is $1,540.

With the refinance complete, and the fact that we still bring in $1,600/month rental income, we are now cash flow positive from our primary residence; we achieved **Mortgage Positive**. Mortgage Positive is when you receive positive cash flow from your primary residence.

I first became intrigued by the idea of positive cash flow from the book "Rich Dad, Poor Dad" where Robert Kiyosaki famously said that your home is a liability. They stated that your home does not produce income for you—making it a liability.

Now our home is an asset, and I have never been more proud. I talked about Mortgage Zero in two of my favorite housing series, the Creative Financing in Real Estate series and the Pay for College with Real Estate series. Being able to reduce mortgage costs, especially in today's expensive environment, is a must.

However, bringing in roommates isn't the only way to bring down mortgage costs and make a profit for your home. I know 95% of Americans (and other first-world countries) refuse to bring in roommates. Sure, I guess. I don't see the appeal of living paycheck-to-paycheck when you can achieve Stress Freedom from getting roommates. But I digress.

Millennials, Homeownership, and Kids

We can also use business to assist us with paying our mortgage for us and becoming Mortgage Positive. Let's look at some ways I have discovered over the last six months.

Harvesting Beneficial Insects can be a great way to make use of the space in your land. You can also start an earthworm farm which requires very little room. The compost they produce is top-notch and highly sought after.

Starting a property management business is another work-from-home strategy that people need in this rental environment. If you are good with people and staying organized, then you can excel at this business.

The business of RV life allows you to choose to produce income from an RV. You can set up RV hook-ups and charge people rent to connect. You can also set up your RV as an extra room for Airbnb and monthly rentals. You can add substantial income to your property with an RV.

We Make $50/day in Passive Income

Running a Passive Airbnb Business can give you more than enough income to cover your mortgage. Converting your garage into an entire apartment would be a great idea. You could TAP your home equity to get started if you create an entrance, bathroom, kitchen, and air conditioner; it would be pretty much a stand-alone unit. You would never have to see the Airbnb traveler, and you could clean the home for income or out-source the task.

Depending on your available space, starting a community garden or herb garden is a great idea to connect with nature and make a significant income. You probably have to add a blog or YouTube channel to increase the revenue to a point to cover your mortgage.

Conclusion. As you can see, there are a ton of ways to reach Mortgage Positive. Remember, Mortgage Positive, along with Mortgage Zero, is a mindset. You have to have the attitude to lower your housing costs as low as possible or even eliminate them.'

Once you have the property mindset, everything will fall into place. You can become rich by eliminating your single most significant expense outside of healthcare. In smaller countries all over the world, people share their residences and work together to survive.

Here in America, we laugh at people who work together and call them poor. Well, the last laugh stands with the person with the biggest bank account at the end. Achieving Mortgage Positive ensures that person is you. Enjoy and Happy Investing.

08 Should You Manage Your Own Rental Properties?

Life is too short to do things we do not love—and nobody loves managing rental properties. We can clear the air right now and be completely honest with ourselves. As much as we disdain managing properties, rental income is one of the best sources of wealth on the road to retirement.

[Download the Free 36-Page PDF ($2.99 Value)]

So how do we get around the roadblock that is named "managing properties?" We can either learn to manage them ourselves or hire someone else to work them for us. Therein lies the rub—which one is better? More importantly, which one is better for you? Let's dive in.

I am in a unique situation in my life right now. My wife and I own three properties, and we manage them all differently. I have a home in Arizona where we hired an external property manager. We have a home in Florida where we serve as the property manager. Finally, in our primary residence, we have two room rentals.

Real Estate Investing 102

So, as you can see, we have the whole gambit of rental options working in our favor. Today, I will give you my opinion plus some insights from the many books on the subject I have read. When it comes to managing properties, the best answer is whatever is suitable for you.

Pros of managing your property. This is as good a place as any to get started. Managing your property gives you the most hands-on leadership of your home possible. Yes, I said leadership. Each home you own is its own business. Therefore, when you manage your property, you are the CEO.

Running your own home requires work and organization. However, in the article "Run a Property Management Business," I said that as long as you can deal with people and keep yourself organized, most people can succeed at being property managers.

Of course, it helps to know what you are doing. I read the best book on property management called "The Book on Managing Rental Properties." I highly recommend everyone to read this book, even before buying your first home.

The most significant advantage to managing your property is extracting the most value out of your listing. No one knows your property better than you; therefore you can speak directly to prospective tenants in your advertising.

Play Monopoly in Real Life

For example, my home in Yuma has many possibilities to make passive income from its location and lot size. I would like to put these facts into the advertising. Someone will come along and find these possibilities precisely what they are looking for in a home. I'll go more into value as we move progress.

Cons of managing your property. Running your own property sucks. I hate to use such a technical word, but it is the best way to convey my message. Managing a property isn't all bad.

Once you have a solid, trustworthy tenant, it is pretty hands-free. Ensure you have access to at least $10,000 for emergencies. Finding a reliable handyperson is also quite a challenge. However, if you can pull it off, you can save a lot of money in the long run.

You will have to deal directly with people. People will want to get over on you—it's human nature. If you let a tenant slide on rent once, expect to do it every month. Some tenants will not make rent a priority unless you make them.

Become a Private Money Lender

If you are not “a hammer” or you like to avoid conflict, managing a property may not be for you. If having the conversation about rising rent will be hard for you, then hiring a property manager is probably best.

Overall, your time is at stake when you manage your own property. If you value your time and don’t like dealing with tenants, I would hire a manager.

Pros of hiring a property manager. Most property managers know the ends and outs of running a property. They know the rent prices, the handymen in town, and how to evict someone.

They have all the contracts ready and have lawyers on standby for any incidents that may arise. It feels good to have a shield against your tenants sometimes. Remember, your tenants do not always have your best interests at heart.

Also, property managers will probably do a better job screening tenants than you, at least at first. Picking the right tenant is the hardest part of property management. My wife and I found this out first hand as we began to rent out rooms.

Creative Financing in Real Estate 102: Personal Loans

Cons of hiring a property manager. Most property managers are not good. I never knew this or thought like this until I read it in back-to-back books. First, I read it in “Buy, Rehab, Rent, Refinance, Repeat (BRRRR).” I was shocked when I read this.

In the book, David Greene states that finding a rockstar property manager may take years. The majority of them are going to do the bare minimum to get by and collect a paycheck. It was interesting to read this from such a well-respected and seasoned real estate investor.

Then, I reread it in the book “Make Your Family Rich.” The author states again that finding a good property manager is near impossible. I started thinking and reflecting after I read these books.

My experience has been the same as these two books. I have had nothing but bad stories since I hired my property manager in Arizona. It’s not as though they fail at their jobs; it’s more of going the distance.

If the house could rent for $2,000, they would instead rent for $1,800 because it would be less work. They have no problem burning your money; it doesn’t affect them at all. It is a crappy feeling to have someone who doesn’t protect your money or assets with any kind of passion.

I am in Japan, and my wife is in Florida, so having a property manager in Arizona is necessary. However, my eyes are wide open, and I will do things differently as I transition to the next manager.

Become a Real Estate Agent/Investor

Should you manage your rental properties? First, real estate is the best type of passive income. Rents are the I.D.E.A.L. way to make income throughout retirement. Therefore, not getting into real estate is not an option.

We cannot hide from our family obligation to own real estate, so we just have to make do with what we have. First, we need to determine what our rich life is before we start our journey?

Once we know how much income we would like to have in retirement, we can formulate a plan. We may want to own 2-4 properties during the work-up to retirement. Upon retiring and moving overseas, we may sell our properties and invest in real estate investment trusts. Or, maybe we can have our family manage our properties.

My wife and I love having the hands-on capabilities of managing our properties. However, we prefer the freedom of renting rooms. Renting rooms give us the biggest profit margin and the most control of any rental scenario.

Renting rooms isn't for everyone, but it allows you to go month to month with your tenants. If they do not work out, you are not stuck with them. Eventually, our children can live in our homes and rent rooms. This can help them pay for college and live a very comfortable lifestyle.

Determine the Best Time to Buy a Home

Hiring a property manager isn't a bad thing; it's just that you will need to lower your expectations—massively. As a real estate investor, you are an overachiever, the consummate "A+" student. Property management attracts "C" students. That doesn't make them bad; just know what you are getting into before you sign.

Remember, there are also good property managers out there as well. The best way to attract them is to give them a lot of business. If you know multiple people renting their homes out in an area, start feeding them leads (helping with their sales funnel). By adding value, you will attract the best of the best.

Conclusion. If you have 2-4 homes, you will learn more and get better results managing your properties on your own. You can also extract more value per house by thinking creatively; the book "40 Ways to Increase the Net Income of Your Rental Property" has great examples that you can leverage.

Prepare for Inflation

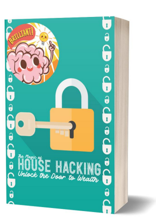
When you hire a property manager, you lock a lot of value behind them and their contracts. You will also be dealing with headaches just as much. However, if you plan on moving past five homes, you are probably better off hiring a manager.

Read the books mentioned above before hiring a manager. You will get better results when you know exactly what they are supposed to be doing and how to attract rock star property managers.

Hopefully, this article was of service to you. Please download the free PDF with all the related articles in one neat, shiny package. Thanks for reading. Click on the real estate link in the banner for more real estate articles.

09 The Magic of House Hacking

So you want to be a millionaire? Most of us will never accomplish this status, not because it is difficult to achieve, but because we don't want to sacrifice. Yes, most self-made millionaires had to sacrifice something to achieve wealth.



[The Magic of House Hacking]

Many wealth generators can make us millionaires. I use the military as my wealth generator, but we also have a business, the stock market, and cryptocurrencies. However, real estate is the best wealth generator because it is accessible to everyone.

First and foremost, real estate is a mindset (beginner, intermediate, and advanced). If you can master the mindset, you can make tons of money. The first thing to understand about real estate is that you will be dealing with people. Please read the above series for more on building the mindset for real estate.

Financial Independence through Real Estate

Now, money is the second thing that prevents people from getting involved in real estate. Buying your first primary residence gives you the maximum amount of leverage (part 2), often with little money down.

The best part of real estate is house hacking. House hacking can make you extremely rich; however, most people feel it's beneath them. And that is truly sad. Let me go on a quick rant.

When in America did we start to believe that we deserve to live alone? Yes, we all want to move out of our parent's house, but housing prices are too high to go at it solo. We should be paying no more than 20% in total housing costs; that includes mortgage (or rent), utilities, and maintenance.

I don't even believe in paying that much. I say you should aim for mortgage zero or even mortgage positive. Yes, you sacrifice a little legroom but gain much more (financial) freedom. It's disappointing to see so many people with large homes who do not share.

Rant over. House hacking is the art of using your primary residence to collect rental income. You can also house hack by buying a fix-and-flip and living in it while you complete the renovation.

How to Determine the Best Time to Buy a House

Although the military is my wealth generator, the income from house hacking has set my wife and me financially free. Let's explore the magic of an infinite return before I continue.

An infinite return is when you make an investment, receive all your money back and keep the asset. The asset then continues to produce cash for you every month.

First, let's look at the stock market. If we receive a 5% return on our dividend-paying blue-chip stock, using the rule of 72, it will take us 14.4 years to get our money back. Once we have our initial money back, our stocks would be in an infinite return.

Starting a business will probably be at least a couple of years before you are profitable and debt-free. Your business then would be in an infinite return.

If we buy an investment property with a 20% down payment and a cash-on-cash return of 10%, it will take 7.2 years to recoup our cash and start our infinite return.

6 Types of Income Streams

Now, let's look at renting rooms. In this scenario, we start the process in January. We choose to rent our master suite to a tenant. We move all of our things out, perform a professional cleaning, buy a new bed and mattress, tv, lamps, nightstands, and refrigerator.

We also order Hulu, HBO Max, and Netflix so that the tenant has everything they need. In total, we spend $800 (on the high side) on all of our improvements. We take good pictures with our phone (free) and list the room on Craigslist (free).

The value of a master suite should be the same as a one-bedroom apartment. The tenant gives up privacy versus an apartment, but in return, they get free utilities, less stress, no stairs, a washer/dryer, and a closer parking spot. A home offers a lot of things people don't consider or may take for granted.

In this example, it takes us a week to get a fresh room on the market. Within one week, it will rent for $900/month if you take it seriously. Wham, we rented it in February, and we are already in an infinite return. In one week! It is magical.

Run a Passive Airbnb Business

Receiving $900/month may not sound like a lot, but boy, in reality, it is HUGE. First, that money can go directly to paying down bills. If you use house hacking in conjunction with lowering expenses, you will see the effects immediately.

My wife and I started renting rooms in January of 2019 with -$77,000 in debt and about $3,000 in savings (not investments). Today, September 2021, we have ZERO debt and +$195,000 in investments and savings. Wow, less than three years.

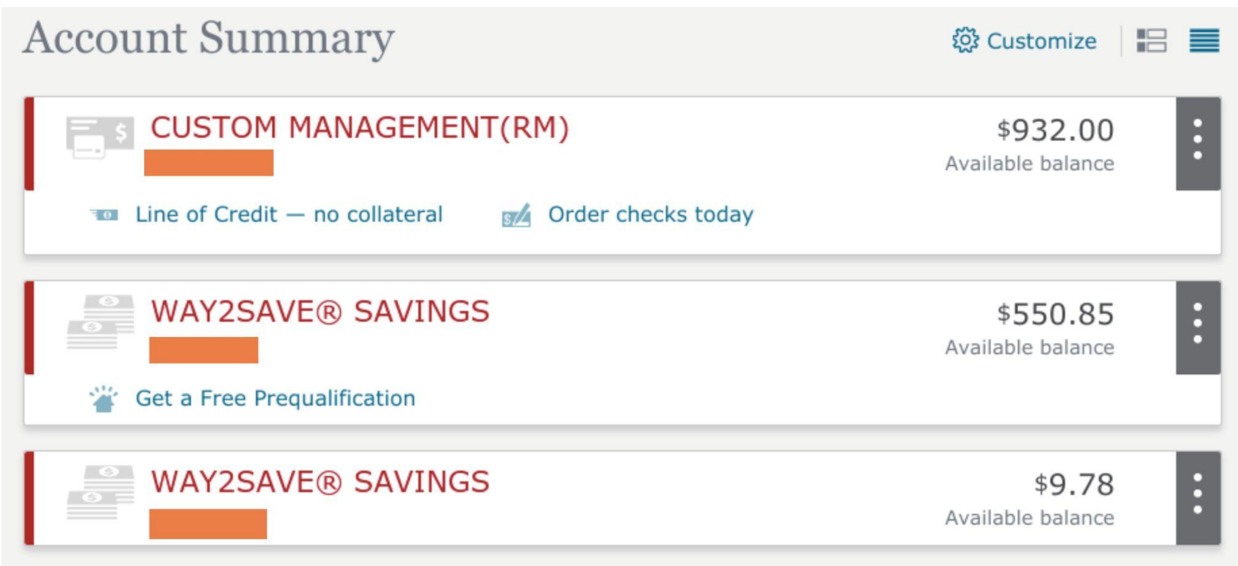
4 Steps to Become Rich

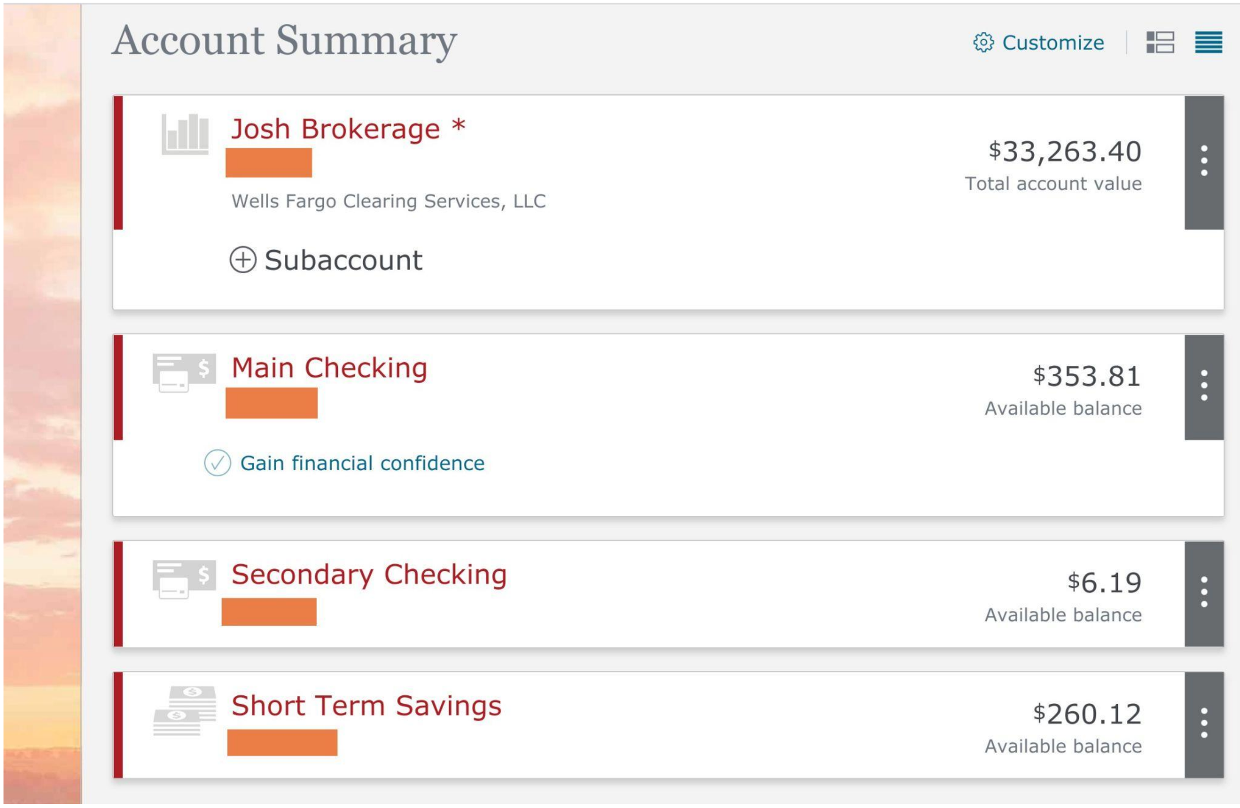
House hacking works best with the 4 Steps to Become Rich: 1) destroy debt 2) reduce expenses 3) increase income 4) obtain assets. Read the article "4 Steps to Become Rich (book)" to gain further insight.

My wife and I worked these steps a little out of order, but they worked fast. We paid off cars and loans, cut things like Netflix and cable, and consolidated credit cards. When we completed a loan or car note, that money went straight into investments. We became rich, very quickly, because of renting rooms and the magic of an infinite return.

The Magic of Rents

But, sometimes, showing the magic is better than just bragging. Here is my Wells Fargo account from June 19, 2020. Next, here it is, September 23, 2021.





Now, imagine these numbers across 8-10 accounts between my wife and me. It is truly amazing, and I attribute 75% of this accomplishment to the magic of house hacking.

There are other ways to house hack outside of renting rooms too. You can buy a duplex as your first home. If you do it right, one side can pay for both. You can **even be more ridiculous** and rent rooms on your side of the duplex.

In "Build a Rental Property Empire," I learned that the bank considers any home under four units a personal residence, not a commercial property. That means you can buy a four-plex with your VA loan, FHA, or USDA loans. You will also get those sweet low interest rates that a first-time homebuyer of a primary residence receives. Wow, just amazing.

Inflation vs. Rents

You can also add a finished basement, an in-law suite, or a finished attic. You may not even need to have people living with you. There are ways to rent out storage containers or parking spots on your property.

There are too many ways to list—as I said, real estate is a mindset. One last thing, house hacking allows you to buy a bigger home. No, we don't buy a bigger home because we like nice things, we have a purpose. Bear with me.

If you can buy into a four-bedroom, three-bathroom, you have the potential to make a lot of money. You see, that means you can have two “master suite quality” room rentals—even if the bedrooms and bathrooms aren’t connected.

The important part is that each of your roommates has their own bathroom. We can charge the one-bedroom rate. With two “master suites,” we should be able to live for free with the remaining two bedrooms and one bath.

Defeat Toxic Consumerism

This arrangement is our current setup in our primary residence. It is 2500 square feet. With the two masters rented, we still have at least 1500 square feet to ourselves. Would you live in a two-bedroom, one-bathroom home for free? That is essentially what we are doing.

Conclusion. You probably don’t like the idea of house hacking. So, if you are debt-free and have $200,000 in the bank, do as you wish. If you don’t have those two things, then rethink your approach.

House Hacking is the fastest (legal) way to become rich in America. You have no start-up costs and it requires no skills—just the ability to deal with one person (or two). People are paying more than 50-60% of their income towards housing. I own three homes, and I am making a profit on all of them. Do you want to be rich?

If you don’t know how to screen tenants, read “The Book on Managing Rental Properties.” If you can get quality tenants, house hacking is almost free money. Please follow us on Twitter. Enjoy and Happy Investing.

REAL ESTATE BASICS

10 How to Determine the Best Time to Buy a House

The housing market is currently sitting at an all-time high again. I seem to hear someone with sage guidance about the market every day. *Josh, I will wait a couple of months until the real estate market cools off, then I will buy*. However, that day may never come. What do we do?

Trying to determine the best time to buy real estate can be highly frustrating. If you are a first-time home buyer, then the answer is pretty simple—you need to purchase something immediately. If you are an investor, then the answer may be a little more complicated. First, let's take a look at the four real estate cycles to position ourselves in the market better.

Stage 1: Recovery. Recovery is the time directly after a housing bust. The market is at all-time lows, and there are foreclosures everywhere. It is an investor's dream. However, banks aren't lending very quickly, and it can be challenging to secure financing. Many people who can secure funding become rich throughout this phase. Again, this is an investor's dream. I continually write about creative financing in real estate (101, 102, 103) in preparation for this time.

Stage 2: Expansion. Things are looking suitable for investment in the real estate market. The vacancy rate is low, and banks are lending. New home buyers are out and about and have an agreeable time buying a home. Everything seems balanced—sellers and buyers seem to be about even because supply and demand are about equal.

Stage 3: Hyper-Supply. Everyone seems to be making millions off fix-and-flips. Something seems a little off. The home prices that were selling aren't selling anymore. Buyers seem to control the market. Also, there are too many homes on the market; builders have a ton of supply, and new developments stop mid-construction. You wonder if we are at the top of the market.

Stage 4: Recession. The inevitable bust in the boom/bust cycle. Prices collapse or stall out. Real estate is making much fewer new millionaires. We have hit the peak and are on a descent to lower costs or more supply. After biding your time, this is the moment you were waiting for. You can get your hands on as much property as you can buy.

For reference, America went through this entire cycle in the 2000s. It is a period that we should all study because it was the perfect storm of Wall Street greed and Main Street ignorance. However, this idea that everyone is a house flipper was born in 2009 and 2010 when home prices dropped 30-50%.

Why do we need to know the four stages of real estate? Because knowing how everything will play out can lead to becoming a more savvy investor. When I came home from overseas in 2005 and witnessed the San Diego housing market firsthand, I was shocked. Everyone was rich. New homes, new cars, new boats were an everyday occurrence.

I was a 25-year-old Sergeant in the military. I hadn't read any books and didn't possess any higher-level thinking. I knew something was wrong but couldn't describe it. In fact, I remember that my mom was renting a house in Chula Vista, San Diego, California, in 2005.

Next door to my mom was a professional couple—a teacher and a nurse. They had two brand new BMWs, a boat, and an RV parked outside. The houses in the neighborhood were priced at $550,000, which was a large sum of money then (and even now). I remember thinking, *how the heck can standard Americans afford all this fancy stuff?*

Later we find out that they couldn't afford it. It was all on borrowed money. House values were increasing so fast that people were tapping imaginary home equity to buy "toys" such as jet skis, RVs, boats, and motorcycles. As I said in "TAP You Home Equity," only buy assets that produce money if you tap into your home equity. It was a candy wonderland, and everyone became sick from the sugar.

Knowing the four stages of real estate would have allowed me to better position myself to take advantage of the situation. That feeling that something was off would have led me to start consuming the appropriate media to ascertain what was going on. I would have read about interest rates, gas prices, and stock market growth. These are all indicators of the actual situation.

The four stages of real estate are there for you to exercise second-level thinking. Second-level is asking "why" four times. Every boom/bust cycle will play out differently, and the catalyst that bursts the bubble will be a different villain every time. However, using **second-level thinking**, we can better position ourselves to profit when everyone else is trying to survive.

So what do we do today? Today, I am getting that same sense that I got in 2005. Something is wrong in the housing market. The prices are way too high, and home values appreciate over 10%, year over year. This rate of appreciation is unsustainable. I am researching the market and finding that there is a severe shortage of new homes. Since prices are so high, even if someone sells, they can't afford another house—time for second-level thinking.

I recently wrote an article called "Should You Buy a Home in Smaller City?" If you are sitting on $300,000-$400,000 of home equity, it may be a good idea to tap into it to purchase a home in a small city. Second-level thinking tells me that these tiny towns are going to get an influx of older citizens soon.

What If you are a first-time homebuyer? I know that prices are high, but you have to get into a house any way possible. Remember, all those articles I wrote about renting rooms and lowering mortgage costs. Yeah, those ones. Time to do the math. The goal is to buy a house to get a roommate to assist with the mortgage. "Mortgage Zero" is an excellent place to start to get ideas.

If you are a parent, it is incumbent on you to start planning to help your kids buy a house. If you can buy a home now, buy it. Salaries haven't seen real growth since the 1970s, so home prices are sky-rocketing, and wages stagnate. Our kids are screwed if we can't help them get into homes. Parents need to become investors.

What if you are a real estate investor? Become an investor first, real estate investor second. Becoming a broad investor means that you can jump into different asset classes as necessary. There are multiple asset classes, and knowing how to leverage each one at the appropriate time will position you to succeed across the board.

Now real estate is running hot. Some other asset classes are cryptocurrencies, stocks, commodities, and business. Cryptocurrencies and stocks are running hot right now as well. The difference is you don't need large amounts of money to get started into those.

In fact, the more I read about crypto, the more I learn that it is a "first mover" asset. There are ways to get involved in new coins early in their lifecycle. I don't want to get too much into it now, but this may be an excellent time to learn how new coins come to market and learn how to become seed money.

Stocks are heating up as well, with the Dow Jones Industrial index hitting a new high almost every day. There are still pockets of suitable investments if you conduct the proper research.

What is the asset class that lost the most during the pandemic? That's right, business. American need small businesses to return in a big way. You don't have to open a large business; it can be a "Company of One." Luckily I just wrote an article called "Retire Rich, Retire Comfortable with a Business" that pieces together some ways to get involved with a business. I also put it together in book format.

All this is to say that real estate is expensive right now. In 2006-2008, it was the banks who were juicing the housing market artificially. Currently, there is an extreme shortage of houses. Will builders be able to catch up? No one knows how this will play out. However, it may be an excellent time to buy into homebuilder stocks.

As we wait to see what is happening, we need to expand our horizons into other asset classes such as crypto, business, stocks, and commodities (gold/silver, etc.). Shifting focus does not alleviate us from studying and preparing to make a move in real estate.

Money made from other asset classes needs to be ready for action in the next window of opportunity in real estate. We need to form strategic alliances with our parents, sisters, brothers, and other family members to buy more houses. Only by working together can we succeed against the world.

The best time to buy a house was ten years ago; the second-best time is now. If you are a first-time homebuyer, you need to get into a place now! Get with your parents or other family and devise a way to get into a house. You cannot build true wealth without getting into real estate. When house prices take off, you want to be one of those who are benefitting, not looking from the outside.

As investors, we need to broaden our horizons. If you are not reading 2-3 hours a day on real estate, stock market investing, cryptocurrencies, commodities, or business, please don't consider yourself an investor. And that's okay; not everyone wants to be a true investor.

However, if you aim for greatness, get started by reading everything you can about the different asset classes. Build your thesis and move forward with it.

My current thesis on real estate is that the market will run hot for a couple more years. There is too much money on the sidelines and not enough houses. There will be an influx of people ready to buy if there is a slump in prices.

We "little people" need to work together or risk getting left behind. Remember, there are other ways to get into real estate, such as raw land. Perform second-level thinking on all that you do. I put some of my articles together in "Financial Independence through Real Estate." And in book format. That is a great place to start, and I have many references to books that have helped me in my real estate journey.

Trust me; it feels good to own assets that are appreciating very fast, like the current real estate market. However, I recognize that my kids will have to buy into this market, and my mind starts working again. **There are no easy answers, only easy questions.** How do I get into a home? How do I raise the money? How can I afford the monthly payments?

From there, use second-level thinking to get to the answer you need to move forward! Good Luck!

11 Inflation vs. Rents

The pinch is real. Do you feel a little lighter in the wallet as you walk out of the store? If you are a budget hawk, you already know what is going on. Some people may think that their invisible budget has ballooned out of control, but that is not the case. Inflation is upon us.

We have to do everything in our power to fight back the claws of inflation. Inflation is too much money chasing after too few goods. We are covering how mailbox money can help us to fight back inflation with cash flow. We have already covered dividends and royalties; next up is rents or rental income.

Rents come from owning real estate, renting rooms or storage space, and other unique ways to earn income from real estate. To increase rents, you will have to be creative beyond the standard ways to make money. Let's look at the standard and non-standard ways to make a ton of cash from rental income.

Before we get into standard and non-standard ways to increase rents, let's first look at how real estate, in general, is a hedge against inflation. Right now, the prices of housing are shooting through the roof. The housing market across the United States is up over 10% in a year, easily.

If you own real estate (we own three homes), you are the winner. If you are on the outside, you are having a tough time getting into a home. Do whatever it takes to get into a home. It is expensive but using creative financing, maximum leverage, and mortgage zero; you should be able to get into a home and find ways to reduce your monthly mortgage and expenses to zero dollars out-of-pocket.

Standard ways to increase rents. There are two traditional ways to improve your rent: increasing the rent payments from your tenants and reducing your rental property mortgage. My wife and I have conducted both methods over the last year, and this has allowed us to get our monthly rental income to $2,500/month passively. This level of control is the magic of rents.

Let's take a look at one of these scenarios. My wife and I bought our third house in Florida in March 2020 (I know, right?). The mortgage payment was $1,750 at the time of purchase. We have two roommates because the house is so big it gave us this option. They pay $800/each for a total of $1,600/month passive income.

Now, that leaves us out-of-pocket $150/month for our primary residence, which is impressive. However, we can do better. Because of historic low interest rates, we refinanced our home to a new low cost of $1,540/month. With roommates, we are **MAKING** $60/month on our primary residence. How cool is that? How can you **NOT** get rich by doing this?

Also, rents across the board have gone up. We are good landlords, so we haven't raised the rent on our roommates and have no intention of doing so. However, if they leave, the rents are probably going to go up to $900/month. That is utterly insane and would put our profit margin up to $260/month—from our primary residence. Insane!

Non-Standard ways to increase rents. Non-standard ways to increase rents come in all shapes and sizes. Each property has ways to increase income by using intelligent techniques that most people do not know about.

A good resource is the book "40 Ways to Increase the Net Income of Your Rental Property." It has some genuinely unique ideas like harvesting beneficial insects, parking, on-site storage, a fitness center, or a park bench (for advertising).

An example could be of renting your garage space to your roommate. Say you have a roommate paying you $600/month for a room. Almost all of our roommates had some form of storage space they were renting from somewhere else. Rents at storage units go up every year like clockwork. You could offer them a locked-in space, on-site, in the garage for, say, $100/month.

They would be overjoyed, and you just increased your net rental income by 16% by doing absolutely nothing. This is how you beat inflation by using tips and tricks to squeeze out more revenue and provide value to someone else.

There are other ways to squeeze value from real estate. One of my favorites and one I am looking into is [creating a dog park] on your premises. We have three acres of land, so why not open the rest of this land up for others to let their dogs run around? Oh, and get paid to do so.

We can also use real estate to hedge against the highest inflationary source outside of healthcare—college. Indeed, if we plan and get into real estate early, we can use real estate to fund our [kids' college expenses].

How do you get started with real estate? Real estate is the most difficult to get started with because of the sheer amount of money you need to buy a house. Not to fear, start by reading this article or book, "[Financial Independence through Real Estate] ([book])."

Once you get a better grasp of real estate, you will understand that it is like a game. Each house you buy is like a Jenga game; you are just trying to get the blocks to fit together. There is no right way or perfect way to get into real estate. Just know that you need to get in.

Once you get in, this is where people lose all of their money. As Robert Kiyosaki wrote in "[Rich Dad, Poor Dad,]"—"Your house is not an asset." This quote means that your house will drain all of your resources and become a liability if you let it. My house is an asset because it **MAKES** me $60/month.

Some people buy large, expensive houses in expensive cities and don't do anything to mitigate the mortgage costs. They have four little people living in a six-bedroom, four-bathroom, 4,000 sq ft house and paying $7,000/month in mortgage costs.

With the right mindset, they could quickly be bringing in $3,000/month in income from roommates. How about you rent a second room to the same roommate for office space? Most people would love to have an office and a room that are separate.

Thinking outside the box are ways to not only increase rental income but beat inflation. Inflation is coming, no matter if we are prepared or not. If you want to sit in an expensive house and think it won't get you, that's cool.

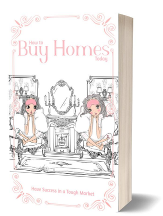
I read somewhere that the price of HVAC filters has almost doubled since a year ago. I can believe that. I am sure HVAC services, plumbing, and electrical maintenance are slowly going up as well. Make no mistake about it; inflation will touch you.

Key Takeaways. Get into real estate as soon as possible, the best way that you know how. You may have to borrow money from your parents or sell your car or Pokemon cards. Do whatever it takes to get into a house.

Once you are in a house, maximize your space to create rental spaces or events like a dog park. Do not let your home go to waste—this is how you use rents to beat inflation. Good Luck!

12 A Shortage of Starter Homes: How to Buy Homes Today

Wow, this is a crazy time to attempt to get into the housing market. Prices are at all-time highs, we are starting to recover from a timber shortage, and we can't build enough homes to keep up with demand. Even homes going up for sale are going through bidding wars with other buyers—what is a person to do?



How to Buy Homes Today

I just finished an article on Business Insider that talked about the shortage of starter homes. The report also said that buying land may be an alternative to purchasing a house; that way, people could build what they needed.

What the article didn't do was offer up actionable steps to getting into a new home, especially as a young person today. To buy a home in today's market, we will have to use all of the skills and knowledge we have been putting together over the last six months.

How to Determine the Best Time to Buy a House

Terms like leverage, taxes, business, and house-hacking come to mind when I think of all the ways to offset the expensive homes of today. In this article, I want to give you some suggestions on buying your first home in today's market. I can tell you upfront that most people will not like the ideas I recommend because they involve using teamwork. Let's jump into it.

Family. My number one suggestion is working together as a family to buy homes. With teleworking becoming much more prominent, it has allowed us to move freely around the country. We need to team up with parents and siblings to form a massive pot of resources to enter the market.

The Business Insider article mentioned that it was almost impossible to find homes under 1,400 square feet. When we work as a family team, we will buy bigger houses, with much more space—this obviously will come in handy if we decide to live together.

Yes, I recommend that you house-hack with family members. Who better to live with than family? I know in America that this is a no-no, and family living together is frowned upon. However, would you rather be rich and live with your family or be poor and rent a home?

Living with family would allow us to save and invest tons of money. The prices of housing would be considerably more affordable for multiple working family members under the same roof. I write about similar situations in "The Advantages of Adult Children Living at Home."

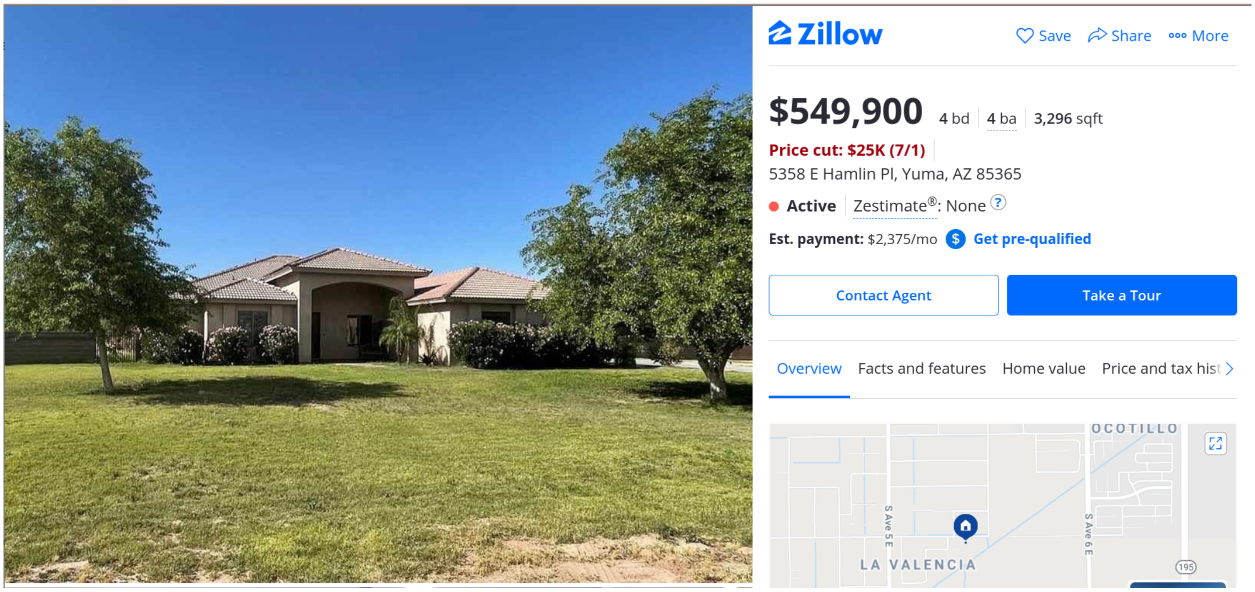
To be honest, I don't see a better viable option than teaming up with family to get ahead in today's market truly. Once you have your foot in the door, it will be much easier to accumulate multiple properties. There are some other advantages to living with family.

Creative Financing in Real Estate 103: Home Equity

Daycare. Another colossal money pit is daycare. No matter where you live, and even if you work from home, daycare is necessary when both parents are working. Between paying a high mortgage and massive daycare costs, it will be almost impossible to get ahead financially.

Enter family members to assist with daycare needs. If you have two families living under one roof, at least one person can stay home to babysit the children. Yes, it will be a huge sacrifice for one person to leave the workforce, but sometimes we need to return to our roots.

I can tell you from experience the huge help it is to have multiple incomes under one roof. In the article "Mortgage Zero," I explained how everyone's goal should be to lower housing expenses to zero. My wife and I have not only achieved mortgage zero but are making a small profit ($70) from our primary residence—having this income has done wonders for our investment portfolio. Let's do the math of buying and living like a single-family versus a combined family setup.



The Math. Here we have a bigger home in Yuma, Arizona, which for intent and purposes is a medium-to-small city. Look at the price of the home- $550,000 for 3,300 square feet. Zillow tells us that with 20% down ($110,000), our house payment will be $2,375/month.

[Investing Insider vs. Outsider](#)

For daycare, we are looking at $700-$800/month per child. Across the country, this is probably an average amount, but I know bigger cities can get upwards of $2,000/month. If we have two kids and two working parents, we would look at $1,600/month in daycare expenses.

To live comfortably, where housing is 20% of our total household income, as a couple, we would need to make $11,875/month or $142,500/year. I lived in Yuma for seven years, and I can tell you that these numbers are sky-high. It would be hard to find two $70,000 jobs in Yuma and still have time to rear children. Possible, yes, but highly unlikely.

Let’s not forget that we also input a down payment of $110,000, which is also highly unlikely for first-time parents. Ladies and Gentlemen, this is just for an average house in a small city. I am not even talking about city centers like Seattle or San Diego. It is tough to get ahead when we are working alone in this world.

Enter family. I won’t go through the math again with my family, but you can see how having three incomes and someone at home to watch the children will pay dividends for everyone involved. If there were a total of four children, that would save the group $3,200/month or $38,400/year.

Retirement Planning for in Your 30s

Also, we could avoid the down payment by using techniques I explain in Maximum Leverage 1 & 2. Our costs would be higher, but we could use that money as an emergency fund, to fund other business ventures, or build a dividend portfolio.

From there, I recommend starting some other low-cost ways to bring more money into the household by leveraging each other's talents. More people equates to more skills to go around. I always try to talk about a home-based business, whether content creation, outdoors or online.

Buying Land. I wouldn't recommend starting with buying land first. We need to get a house as early as possible. The problem with the acreage is that to become a land millionaire, you will be far removed from the city center by getting the best prices.

Plus, it will take a ton of time to research lots delinquent on taxes. Don't pay retail for land. Remember, owning land is excellent to buy and hold for long periods, but you will have to wait 20-30 years to recoup your cash if you pay retail unless you know of an upcoming freeway or development that will intersect with your land.

Also, if you pay a high amount for land, don't forget that getting a home built will also be costly. Even mobile homes are jumping in price now. In my most straightforward terms, we need to find land for pennies on the dollar to make any sense.

Other ideas. If you can't get family onboard, you will have to rent rooms to reduce costs. Again, 95% of people can't afford housing at these prices, in my most expressive language. My wife and I can't afford to pay $2,500/month on housing, and we make a combined $200,000/year. Being able to pay for something and being able to afford something are two different things.

Pay for College with Real Estate 103

You have to consider investing as part of your regular expense budget. Investing is right behind food, shelter, and clothes on the importance scale. If you are buying housing without investing at least an equal ratio of housing and investing ($2,500 mortgage, $2,500 investing), you can't afford your house. You need to find a way to supplement your income or lower your mortgage.

Some other real estate businesses to consider are starting an Airbnb business, becoming a real estate agent, or a starting property management business. Both of these will help you get a bird's eye view of real estate and make future buying decisions.

Conclusion. I know that most people do not even want to consider living with family as a way to build wealth. Most people also think that working their job will make them rich. If you do as most people do, you get the results most people get—see the pic below.

Do you want to limp into retirement with $172,000? My wife and I already have that in our accounts, and I just turned 40. I am not bragging; I am telling you we have to share our house to build wealth. **Working as a team is the only option—outside of building a business and selling it via IPO—to create considerable wealth.**

Real Estate prices are skyrocketing with no end in sight. The best case is that the prices flatline for a year or so. But there is too much money on the sidelines for this. As soon as there is a slowdown, more money will flood the market. Investors are waiting for any chance to get homes for cheaper.

Also, do not forget that you are competing with Real Estate Investment Trusts (REITs) for single-family housing. Look at the picture above—this is in my hometown of Pensacola, Florida. My REIT, Fundrise, has purchased an entire community of single-family homes.

To get ahead, you need to build your own REIT by working with family, as you can see what you are up against. Hopefully, I have at least got your brain moving in a slightly different direction. It will take everything we have to beat this market. Read more about Real Estate in the article "Financial Independence through Real Estate (book)" Enjoy and Happy Investing.

13 Become a Bonafide Real Estate Investor I: The 1% Rule

Man, do I love starting and completing series. Welcome to the Become a Bonafide Real Estate Investor series, where we will cover some of the basics of real estate investing. I plan to review some terms, methods, and investing techniques to give you an idea of the real estate professionals' actions.

I am not a professional real estate investor, nor do I plan to become one. I do, however, own three nice homes that I collect rents from every month. In fact, all my mortgages are fully covered by rental income, including my primary residence.

I love real estate and believe it is one of the best wealth generators outside of business. I have two other real estate series you can read at your leisure: the Creative Financing in Real Estate series and the Pay for College with Real Estate series.

Real Estate Investing 101

Some real estate books I recommend are "Zero Down," "The ABCs of Real Estate Investing," and "The Book on Managing Rental Properties." Now, with all that out of the way, let's jump into the 1% rule for buying rental properties.

The 1% rule is a quick rule for buying rental properties, but it isn't the end-all-be-all for making a final decision. It states that by multiplying the purchase price by 1%, you should get the minimum you charge for rent. If the house can meet these criteria, you have a good chance of being cash flow positive from the start.

Let's do a quick example. If I purchase a home for $150,000, I should be able to charge $1,500/month for rent by following the rule. I don't know where you live, but this is crazy talk. Where I live, there are no way numbers add up.

I bought my second home for $180,000 in 2017, with a monthly note of $1,050. We began renting it in 2020 for $1,250 (a special discount for the tenant). Next year, we will probably be able to charge $1,500/month.

So after five years, we still wouldn't hit the 1% rule of $1,800/month. Does this mean that this home was a bad investment? Absolutely not. My wife and I are not real estate investors, and we lived in our home for three solid years. We made great memories there, and now the home is making us cash flow every month.

[How to Leverage Real Estate at Any Age]

You have to decide what rules to follow and what guidelines you can leverage to succeed in real estate investing. If you are an individual or family that invests, moving from primary residence to primary residence is a great technique to build up your property portfolio.

I have my own technique for getting a better idea of rents and housing costs. I bounce my real estate brainstorming off of Zillow and the US Military Housing allowance database.

If you don't know, the US Military pays its servicemembers a monthly tax-free housing allowance called Basic Allowance for Housing or BAH. By searching for the zip code on the BAH website, you can get a good idea of what the military gives for rental income in the area.

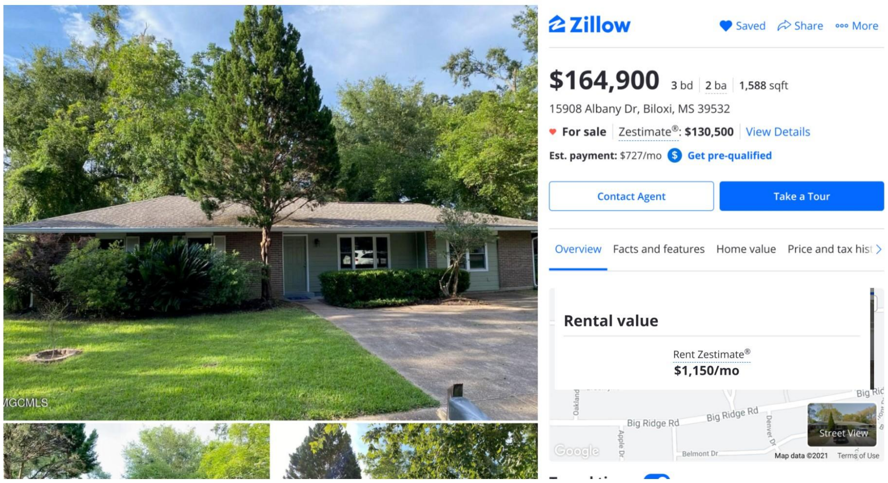
[Play Monopoly in Real Life]

Let's go through the process together.

1) Start at the [BAH website here].
2) Type in the zip code. I will use Biloxi, Mississippi (39530)
3) Enter E-9 as the rank. Press enter.
4) Use the E-9 with dependents as a marker for what the military will pay senior personnel in the zip code.

Now we can go to [Zillow] and see if there are homes around the area that we can buy that the rental income fits into the price range. Zillow even does the math for the mortgage costs and the estimated rental income.

When Zillow does the math for the homes, it assumes a 20% cash down payment, so don't get too excited if you see impressive numbers. If you use a VA Loan or FHA loan, your mortgage may be considerably more if you don't put down 20%. Let's see what we can find in Biloxi, Mississippi, for under $1548/month mortgage.



The numbers look pretty good for Bixoi, Mississippi, at least for now. The home is a decent size, looks like a good neighborhood, and numbers check out. However, the price is $30,000 higher (25%) than the Zillow estimate. That could be concerning when trying to get past the appraisal phase.

[Maximum Leverage: Buy Homes for Money Down]

Our quick due diligence shows us that the military can afford a lovely home in Biloxi under their BAH level. That alone is a miracle. That means that if you can stay under the military allowance, you will have a lot of interest from military folks if you have a base nearby.

Our home in Yuma, Arizona, is the exact opposite. We rent the home for almost $1,000/month-more than my BAH allowance for an E-9 in Yuma. The primary rental market for rentals will be seasonal "snowbirds" coming from Canada or the US Northeast.

So, the 1% rule is a quick check to see where the house fits into the spectrum of rents. Maybe during the housing crash of 2009, it was a good tool. However, prices have moved faster than rents, so the rule is pretty unachievable for now. That is unless you are willing to look into distressed properties or you are looking overseas.

Again, I am not a prominent real estate investor by any means. The military is my wealth generator, and I understand my place. This knowledge allows me to make decisions that fit my criteria and appetite.

I wouldn't mind buying a rental in Biloxi, even if it was breaking even or clearing $100/month. I can wait as the rent appreciates. You have to find your method and risk tolerance. There is a lot of noise in the realm of real estate, but you have to see what's best for you and your family.

We will talk more about the real estate mindset as we progress through the series. For now, start doing some research using the BAH calculator in your area. It is a reliable tool to get started. If you can find properties with a mortgage 10% below what the military will pay for rent, you are on to something. Enjoy and Happy Investing!

14 Become a Bonafide Real Estate Investor II: Understanding Cash-On-Cash Return

The world of real estate has a lot of rules and calculations to use on your way to investing success. However, knowing to regard or disregard these calculations will give you the most opportunities moving forward.

[Free 38-Page PDF Download ($2.99 Value)]

Welcome back to the Become a Bonafide Real Estate Investor Series (Part 1). Here, we attempt to learn as much about the overall real estate markets to become better investors. It is important to remember that even if you only have one home, you can still be a real estate investor—real estate is a mindset.

Now, back to cash on cash return. Cash on cash return is a calculation real estate investors use to see their rate of return (as a percentage) for a particular property. I like to think of it as the dividend yield of the real estate world.

Pay for College with Real Estate 101

How do you calculate cash on cash return? The first number you'll need to obtain is the cash flow of a particular property. Some investors will exclude taxes, but I take the income I can actually deposit in the bank.

For example, if my mortgage (principal, interest, taxes, and insurance) and property management fees were $1,500/month, and I received $1,800 from my tenant, my cash flow is $300. That would be $3,600 annually ($300x12).

Next, you'll need to determine the amount of cash you invested into the property. This number is usually your down payment, which is why having a low (or no) down payment is such a huge wealth generator. In the articles "Maximum Leverage" and "Maximum Leverage 2," I wrote some ways to reduce the amount of your down payments.

For the above example, we will say the house costs $250,000, and we could put down $25,000. We could then do the calculation for cash on cash return. The equation is the annual cash flow dividend by cash invested. (cash flow/ cash invested).

In our example, it would look like this. $3,600/$25,000 for a percentage of 14.4%. That is a considerable percentage and one you are not likely to see as a pure investor. It would be hard to get a 10% down payment and a low-interest rate when buying an investment property.

How to Buy Homes Today

How to use cash on cash return. It is essential to state that cash on cash return is just a number. Being able to crunch the numbers is vital for real estate investors. But being able to improve the numbers is even more valuable. Let's look at some ways to enhance our cash on cash return.

1) Use the BRRRR method. The book "Buy, Renovate, Rent, Refinance, Repeat" is about improving a distressed home and keeping it as a rental property. You would use the After Repair Value (ARV) to calculate your potential cash on cash return when you start to rent the property.

However, it's possible to have no money down in the home or even make money from the investment and continue to keep it as a rental. I gave an excellent example in the article "Renovate & Rent VS. Fix & Flip."

The idea is to find a distressed property, pay cash for the home and renovations, and when you refinance the house, you'll get all your money back plus additional cash. Most normal investors (me included) will never get to this level because it requires an all-star team of professionals to find and leverage these deals. However, it is something to strive for as you search for deals.

Start a Community Garden and U-Pick-It Farm

2) House Hacking. House hacking is a great way to improve your cash on cash return. Remember, I said that buying a home as an investor is difficult because you'll pay higher down payments and interest rates?

That's why you can buy homes as your primary residence. If you have access to the VA Loan, you can buy a property for zero down. Then you get a couple of roommates and achieve mortgage positive, meaning you'll receive a positive return on your primary residence.

You'll receive an error when you do the cash on cash return math because you have no money invested in the property. This scenario is called an infinite return and something you should always strive for in any investment.

Inflation vs. Rents

I first learned about an infinite return from reading "Rich Dad's Guide to Investing." It means that you have zero money invested in the asset, yet it still provides cash flow. It's a powerful concept that goes hand in hand with cash on cash return. It is also the reason I started writing books because they are free to create and provide me with cash flow.

3) Adding value. You may not achieve significant cash on cash return at first, but don't fret. There are many ways to continue to add value to your property. You can add RV hookups to the property to get some extra income.

How about adding a billboard or some form of advertising element? Maybe you can rent storage or a parking space. Thinking like this can truly bring out the value in most properties. The book "40 Ways to Increase the Net Income of Your Rental Property" is a great resource to begin to brainstorm ideas.

Real Estate is a Mindset (Beginner)

Conclusion. In the end, cash on cash is just a number, albeit an important one. Run the initial numbers and see what you have. If it is a crappy number to start with, go with your gut. But if it has potential, then figure out some ways to improve the number.

There are plenty of ways to increase rents by upgrading floors, renovating bathrooms, etc. You'll just have to look at the return on investment of these additions and see how they affect your cash on cash return.

Life is full of surprises, as is real estate investing. However, by looking at the numbers, working to improve them, and being honest with the situation, you'll make it far in the world of real estate.

I highly recommend the book "Buy, Renovate, Rent, Refinance, Repeat" because it covers all of these topics plus much more. To read more from me, please follow me on Twitter and my Facebook Page—real estate investing can be for everyone. Enjoy and Happy Investing.

15 Become a Real Estate Investor BEFORE Buying Your First House

Please don't make the same mistake that I did. Buying a home is a fantastic experience, one that can sometimes become emotional (because of your significant other). **Do not buy a home unless you have the mindset of an investor!**

I will quickly walk you through how we purchased our three homes, all with different mindsets. You can see that having the proper real estate mindset (beginner, intermediate, advanced) is vital to long-term success.

House #1 October 2008. We built and bought our first home in Arizona circa 2008. It is a beautiful home, and we are still proud owners. But, man, has it been a complete nightmare. We bought entirely out of emotion and a questionable future outlook.

TAP Your Home Equity

First, we paid too much for the home because we bought it at the top of the real estate market in 2008. Second, I knew nothing about leverage, loans, negotiation, etc. Instead of using some form of down payment assistance, I put 20% down on the home. The home promptly lost its value, taking our entire down payment with the decrease in equity.

The house was way too big for a starter family. A real estate investor always thinks about the future in realistic terms. At nine years in the Marine Corps, realistically, I would move at least three more times, so renting would be a given.

Most renters want a smaller home. Sure, the outliers wish for a huge place, but in general, a smaller home (1600 square feet) will be better than a bigger home (2300 square feet). We built a house at 2300 square feet. We priced the home out of reach of the military rental market in a small military town—nice!

However, we were able to turn it around after many years. After reading multiple books on effective use of debt, leverage, and investing (mainly books like "Unfair Advantage"), we were able to perform a cash-out refinance.

We extracted $80,000 cash from the home, finished paying off all our debt, and invested $50,000 into our dividend portfolio. This was a life-changing moment in our house, and I can thank reading books for giving me the confidence to pull it off without fear.

Do I Need Lots of Money to Start Investing?

Even better, our house mortgage increased from $1,500 to $1,670 after the refinance. However, we now rent the property for $2,000, which gives us a minimal profit after property management fees. Essentially, someone else is buying for our additional $80,000 loan—that's why understanding money is essential to long-term success.

House #2 June 2017. House number two will be much shorter because we learned so much from our first home, which we bought nine years earlier. Right from the start, we knew that this home was going to be a rental eventually.

We bought a starter-sized home at 1600 square feet. The home was a starter home in a friendly community close to beaches and the military base in Florida. It had a nice little front yard, a gated backyard for animals, and a great two-car garage.

The mortgage was super low in comparison to the military housing allowance. Our first mortgage was $1,050/month, and my military housing allowance was $1,500/month. So we ensured we were not pricing out our military clients.

Good Debt vs. Bad Debt

Personally, my wife and I **HATE (with a capital H)** living in neighborhoods. We want land, acreage, gardens, and freedom. However, we removed the emotion from buying this home and purchased it with the rental market in mind. Needless to say, this home has given us very few issues and has been an extremely positive experience for us.

We bought the home in 2017 for $180,000, and Zillow now quotes it at $260,000. We will wait a few more years and then harvest the home equity to invest in another property—the velocity of money. The mortgage is closer to $1,200/month because of the cost increases in insurance and taxes; however, the home can rent for $1,700/month. Can you see the difference a mindset makes in buying a home?

Home #3 March 2020. Yes, we closed on this home right at the pandemic's start and the lowest day of the stock market (March 23, 2020). This home was a 100% emotional purchase, but we would think like investors and come out much better than we came into the situation.

The home is right down the street from home number two, but not in a neighborhood. It sits on three lush acres of land but is still close to the base and white sand beaches. Plus, the home is huge at 2500 square feet.

Become Insanely Productive During the Magic Hours

As we walked through the property, we were impressed by the two huge master suites attached to the home. We felt that we could rent those rooms out if we needed. We bought the house for $340,000 (now worth $460,000), which is a lot in our part of Florida.

We moved into the home, and we knew we didn't need these two master suites right away. We were coming from a 1600 square foot home, and we loved the size of the land, not necessarily the inside square footage. We decided to rent out both master suites.

The first mortgage was $1,700/month, and we rented the rooms for $800 each for a total of $1,600. We almost achieved Mortgage Zero. We were damn near living for free in a massive home on three beautiful acres. Life was too good to be true.

Then, my wife was able to perform a refinance (I was in Japan) and get the mortgage down to $1,500/month. We were now Mortgage Positive. We were making money from our primary residence. Yes, this is why I wrote the article "The Magic of House Hacking."

The power of reading. Reading gives us confidence by letting us gain experiences from the authors we read. Experience is a great builder of confidence, and the more you read, the more information, knowledge, and intelligence you gain.

Don't Gamble Your Retirement Away 2

In the following article, I will lay out ten real estate and mindset books you should read before buying a home. As clearly as I can, I am telling you that you will want to think like an investor when buying a property.

Every improvement, modification, size, decision, adjustment, cash allocation, etc., needs to be run through the lens of a real estate investor. I highly recommend that you and your significant other read these books because buying property can create issues between couples—if not of the same mindset.

Conclusion. My wife and I have learned so much about real estate by owning properties for 14 years. Learn from our early mistakes and make choices that make sense in the long run. Try to remove as much emotion as possible when making these decisions.

20 Creative Ways to Make Money From Home

If you have to make an emotional decision (as we did with house number three), make the numbers work, consider sacrificing something in the short term, and know **EXACTLY** why you are making this decision.

If you can clearly articulate why you are making a decision, how it will positively or negatively affect you in the short and long term, and how to mitigate any issues, you are on your way to making great choices.

Again, read as much as you can before you buy any home. It is great to have multiple properties, a considerable dividend portfolio, and a budding business. In short, it's great to be rich and have the home of your dreams. You don't want to be house rich and cash poor because of bad decision-making.

Thanks for reading. I love talking about real estate and other investments. Please follow me on Twitter and my Facebook Page. Enjoy and Happy Investing.

16 Read These 10 Books BEFORE Buying Your First House

If I had to redo my first home-buying experience back in 2008, I wouldn't change anything. However, I would have taken the time to read exactly what I was getting us into during the process.

[Read These 10 Books BEFORE Buying a House]

I, of course, read multiple articles online about the home buying process, but nothing about being a real estate investor. This was a huge mistake. I reviewed all of my home buying scenarios in the article "Become a Real Estate Investor BEFORE Buying a House."

After spending the last year reading 70 books on real estate, investing, and passive income, I pieced together my most critical real estate books. I highly recommend you read all of these BEFORE you buy a home.

As much as we try to prevent it, buying a home is a highly emotional time. Trust me; you don't want to make emotional-based decisions during the process. Sure upgrading the countertops is okay, but buying an extra-large home based on emotions will lead to long-term stress.

With no further ado, here are my top ten books to read before you buy a house. I will give a quick blurb on why the book helped me in my real estate ventures.

1) "Buy, Rehab, Rent, Refinance, Repeat" is my favorite pure real estate book ever. The author covers each of the four steps in great detail. Reading this book alone will set you up for success from a home buyer to a real estate investor.

2) "The Book on Managing Properties" is a super deep dive into the world of property management. Yes, we all think our first home will be our "forever home." However, the average time in a home is eight years. So, it's better to understand property management sooner rather than later.

3) "Real Estate Note Investing" is about buying real estate debt, not physical properties. You may learn that investing in real estate mortgages better suits you than becoming a real estate tycoon.

4) "Dirt Rich" covers buying land for cheap by finding properties that are past due on taxes. It takes some effort to find these deals, but you stand to make huge profits if you can. The key is to use seller-financing to turn your land into passive income by creating real estate notes.

5) "10 Other Real Estate Investments You Could Do" has many different ways to invest in real estate. Other methods include mobile homes, hard money lending, private money lending, wholesaling, and billboards.

6) "The ABCs of Real Estate Investing" gives us a ton of essential terms and calculations to assist us during the home-buying process. Understanding terms like cash-on-cash return and net operating income are vital to becoming a real estate tycoon.

7) "Build a Rental Property Empire" is for those who want to buy a ton of single-family residences. Not everyone wants to own an apartment building, and there are many benefits to owning single-family residences.

8) "Zero Down" is for those who want to buy apartment buildings. Yes, it is possible, and you can achieve this goal. It is a process, but you can buy and run an apartment complex with the correct mindset.

9) "40 Ways to Increase the Net Income of Your Rental Property" helps you maximize the rental income from your property by adding things like rentable parking spaces, advertising, and laundry machines.

10) “Unfair Advantage” is not necessarily a real estate book but a financial mindset manual. It covers debt, taxes, leverage, and education. It is my favorite book of all time, and I recommend you read it first. It will change your view of the world.

I know most people don’t enjoy reading, but studies prove that reading enhances decision-making ability. There is no better time to get started by reading these books. I will also list a few free real estate books that I wrote myself below.

a) Renovate & Rent VS. Fix and Flip
b) Living Overseas Passively 04: Rental Income
c) Real Estate Lifestyles 3: Investor vs. Lender
d) Real Estate is a Mindset (Advanced)

If you like reading about real estate, I cover it once every five days. In between those days, I cover retirement planning, financial mindset, investing, and business. Please follow me on Twitter and my Facebook Page for more investing knowledge. Enjoy and Happy Investing.

CREATIVE FINANCING IN REAL ESTATE

17 Creative Financing in Real Estate 104: Private Money

The Creative Financing in Real Estate 101 series exists because real estate is expensive, very expensive. We need to leverage all of our smarts and connections to afford real estate with as little of our money as possible.

We have covered personal loans (102) and home equity (103) in previous installments of the series. You can perform both of those techniques without the assistance of others. However, at some point, you will hit the ceiling, wall, or limit. You will need to seek out others to pool money together.

Enter private money lending. I talked about becoming a private money lender before. Now, it is time to seek out private money to build your real estate investing career.

Private money lending focuses mainly on the person to whom the money is being lent, as opposed to hard money lending, which focuses primarily on the project or asset. This focus on the individual means that you need to have an excellent track record of success with completing your projects and returning investors' money.

So, how do you get started with private money loans if you don't have a track record of completed projects? First, read as many books as possible. You need to speak the language of real estate. Terms like net operating expense (NOI), cash-on-cash return, and the 2% rule should come second nature.

Second, ensure your personal life is in order. Your personal credit score and debt levels should all be impressive. People are investing with you at the heart of the investment. If you are carrying debt and creditors are chasing you down, investors will not trust you with their money.

Third, ensure you have a couple of homes of your own. It would be hard for me to loan money to someone who doesn't at least own one house. As a first-time homebuyer, it is easy to qualify for great loans. Read "Maximum Leverage 1 and 2" for more on how to acquire great loans.

Four, I recommend having some sort of rental income coming in, either from a room rental or basement/attic. You learn a lot by becoming a landlord, and it will help you as an overall real estate investor having these experiences.

Now, it's time to start your search for private money to build your real estate career. But, where do you begin the search? With family, of course.

For your first couple of homes, your family will be the best way to get funding and increase your chances of success. Inevitably, you will make some mistakes early on, so the family is in the best position to work with you.

How do you identify family members that are in a position to invest money? Easy, let's take a look at my past articles and figure this out. Go back and read the other pieces in the Creative Financing in Real Estate 101 series.

Family members who can take out personal loans, home equity, or can cash out retirement accounts are perfect candidates for private money lending. Remember, private money lenders care about themselves first; you second.

You will need to create a presentation that gives them their WIIFM or "What's in it For Me." For example, let's take your mom. She is 65 years old, has social security income coming, and a little money from her 401K. She worries about running out of her 401K as she continues to age.

You will need to create a presentation with her specifically in mind. Chances are, you are not in a position to become a house-flipper. So, buy-and-hold rentals are your best bet, at least initially. After reading my article "Should You Buy a Home in a Small City?" you discover hidden treasures in small cities nearby.

You can present to your mom that using her money as a down payment will create a $200/month passive income. You will be doing all the management and maintenance calls. Say she puts in $20,000; in about eight years, she will have all of her money back. With the rental price increases, it will probably be closer to five years.

You can also tell her that if this goes well, there will be more opportunities for investments. You can even propose a scenario where you move into the home, saving on the down payment. Instead, you can use the money to finish a basement or attic. You can guarantee even more income back her way.

It is essential to be creative. The only thing stopping your plan is your creativity or lack thereof. Read, read, read, and then read some more. These ideas come off the backs of others.

Now, once you have a few projects under your belt, more family members will show interest. You see, everyone wants to diversify into real estate; most people are scared or nervous. They hear the horror stories of tenets gone wild or missing payments.

But if you have been reading books, as I keep suggesting, you will have the confidence to push these stories to the side. Yes, tenets suck. I get it because I am a landlord. But every time I open my accounts and see zero debt and $160,000 in the bank, I don't mind being a landlord.

If you do not want to become a big-time real estate personality, you can fund most of your project through private money. To be a great investor, you need two things: deal flow and capital. In English, it means available deals and funds. If you are trying to buy one house a year, private money should get you there.

As long as you are giving your family their WIIFMs, they will keep investing. However, what if you want to own more properties? Then you will need to move on to friends and friends of friends. These are your second and third circles.

The process is the same, but now you have successful projects under your belt. When you create your presentations, remember to highlight your successful projects. You can even speak on some of the losers and explain what went wrong and how you can correct these issues in the future.

Being an investor is all about confidence. You will have faith, and successful projects, to continue your journey as a real estate investor. Make sure you explicitly layout the plan, the payments, dates, and the exit strategy.

Even if you are purchasing buy-and-hold rental properties, you still need an exit strategy for each of the private money loans. Structure the deals so that everyone wins; that is the best way to get continual deal flow.

For example, your mom may not want to keep her $200/month passive income; she may want to turn her $20,000 into $30,000. You may recommend she invest $20,000 and use the $200/month to invest in cryptocurrencies. Once she has $30,000 in crypto, she will still have the rental income as well.

You can use all of your intelligence as an investor to achieve your goals and the goals of others. Remember, always, I repeat always, be honest and a good steward of other people's money—this will ensure you keep a squeaky clean reputation.

That is it for private money loans; remember the three circles; family, friends, and friends of friends. Private money focuses on you as an investor—your track record, deals, presentation, and reputation. Keep all of these things looking good, and you will have all the deal flow and capital you need. Good Luck!

18 Creative Financing in Real Estate 105: Hard Money

So you want to become a house flipper, like those on HGTV? Flipping homes is the best use case of hard money loans. But hard money lending is not for everyone. If there is a way to avoid it, you may want to find a different approach.

Before we get into all that, don't forget to check out the other four articles in the series (101, 102, 103, 104). The purpose of the Creative Financing in Real Estate series is to give ideas on how to pay for your next investment property. With home prices going through the roof, we investors will have to use every trick up our sleeves to obtain property.

Now back to hard money lending. Hard money loans are loans from individuals or investors that base most of their investment thesis on the property that you are buying. The idea is that they can use your investment property as the collateral for the loan.

Remember, investors base private money loans mainly on the individual taking the loan. Hard money investors ensure that if you can't pay, the house will make them a nice profit.

When I think of hard money, I think of those old mafia movies where the guy taking a loan has to pay the "vig" in a quick timeline. The vig is the principal plus the interest. Hard money loans are not that nefarious, but I still would find a different funding source.

Hard money does come in handy in certain situations. Mainly for speedy loans that you need to close to get into a hot property. Going through a standard bank loan can take between 30-90 days, usually 45 days. Hard money can come in quickly to help you finance your fix and flip property.

Hard money is less concerned about your credit score and more with the investment property. Most hard money lenders have some background in real estate or construction and can tell if you have found a great deal or not.

Some real estate investors and hard money lenders form tight bonds, and they leverage each other for long periods. Like I said earlier, it is not a completely bad scenario.

The best use-case for hard money is to get into an investment, fix it, and flip it by refinancing with a standard bank. So, perhaps holding the loan for 9-12 months. Why keep the loan for such a short period?

Interest rates on hard money are going to be high, very high. Probably in the double digits. Hard money does not have to consider the federal funds rate. The hard money lender is taking all the risk, and they are entitled to all the reward. That is how money works, you get rewarded for taking risks, and the hard money lender is taking a chance on your loan.

Hard money loans can also be very flexible because each loan is different and tailored to your unique situation. Also, they may charge you a high interest rate or points. They may also charge you a percentage of the profits. That may be a great way to avoid paying high interest rates while you fix the home. Then when you sell, a portion of the profits go to the lender.

There are many options to structure the loan to get into the best situation possible, but make no mistake, it is still going to be expensive. In today's market, fix and flip properties will be selling for full market value, so hard money loans will be even more costly.

Where do you find hard money lenders? Remember that article I wrote about becoming a real estate investor and agent? Yep, that is the best way to find a hard money lender by starting with your real estate agent.

When you are choosing a real estate agent, identify yourself as a real estate investor. Not all real estate agents want to deal with investors; many want to deal with first-time homebuyers and other standard buyers.

Real estate investors come with their own set of issues, such as finding portfolio lenders and hard money. However, the only way to become an investor is by having deal flow and capital. So when you identify yourself as an investor, savvy agents know that there can be many deals and money involved with partnering with you.

As I said in that article, real estate agents have their ears to the ground and meet all sorts of individuals in the real estate world. Hard money lenders usually don't advertise so be prepared to present some of your other successful projects.

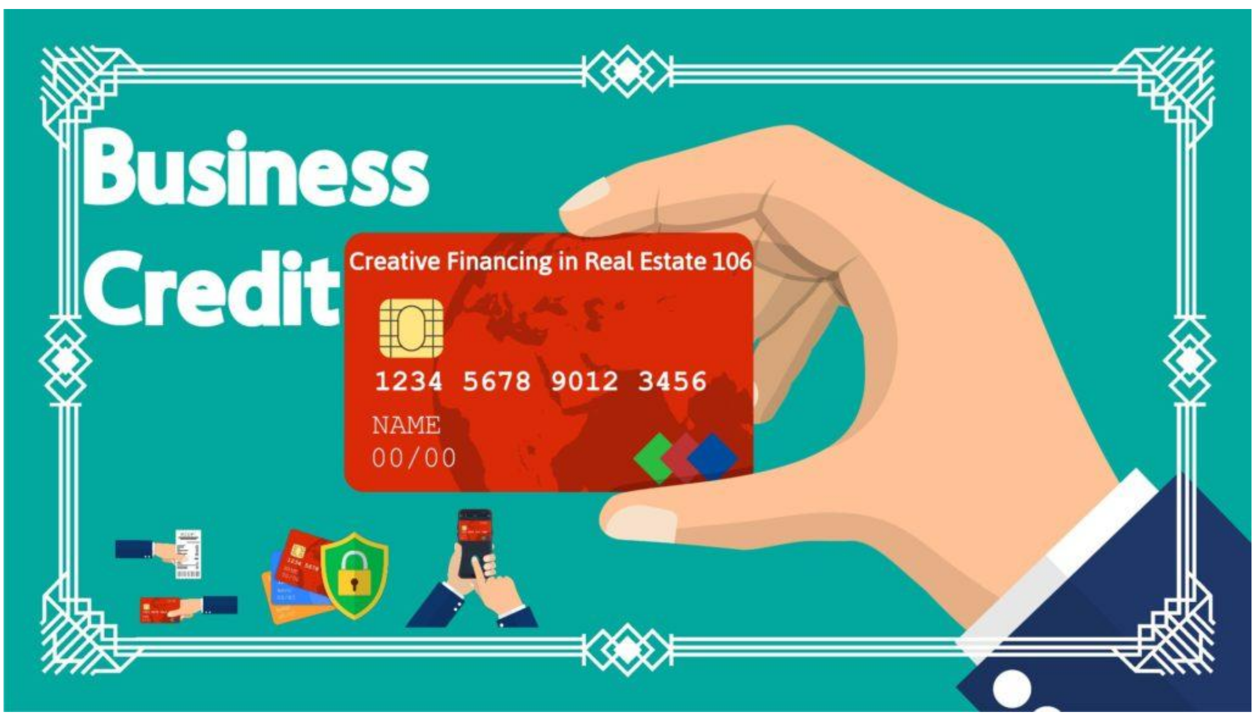
Although the hard money lender is basing his investment thesis on the new property, they still want to ensure you are a quality person with whom to invest. Anyone can turn an excellent future investment into garbage; therefore, trust is vital.

So there you have it for hard money, it is there if you need it. I was never a fan of fix and flips because its usefulness rests solely on capital gains. I am not a capital gains investor; I invest for income.

Hard money is probably something that I would consider. If I found a fantastic deal, I would attempt to pool private money or partner with another individual investor. However, it is good to know that hard money is out there.

I can see myself becoming more of a hard money lender over time. That way, somebody is doing all the hard work of finding deals, and I just want to fund the investments. Hard money can be a great source of passive income.

What do you think about hard money lending? Is it something you would consider in the future? Do you envision yourself as a flix and flip investor? Whatever the case, my job is to inform you of all options regarding investment money. Good Luck!



19 Creative Financing in Real Estate 106: Business Credit

Another day, another financing idea. The purpose of the Creative Financing in Real Estate Series (101, 102, 103, 104, 105) is to brainstorm methods for us to buy properties. The real estate market is at its top, and every penny we can leverage is invaluable.

Today, we will talk about business credit lines. I do not want to step on the toes of my other article, "Establish Business Credit Now," so I will attempt to focus more on the real estate side of the house. Please read that article because it is full of juicy details on how to obtain business credit.

In a nutshell, there are three levels of business credit that you will want to work through. They are business credit cards, business lines of credit, and business loans. They will all require that you have a corporation and display good money habits to the bank.

So how can we leverage business credit in our pursuit of higher rental income? Well, it depends on the type of properties that you are aiming to buy. According to the book "Zero Down," which goes into depth about this topic, there are different techniques for each type of business credit.

Business Credit Cards are where you will start your business credit history. You can use these cards for making minimal down payments. In the book, the author says you can probably get your card up to a $100,000 credit limit in a couple of years.

So you can use this to buy a tiny home perhaps. You will need to run the math on anything major purchase and ensure that you can fully cover the debt service with rental income. For example, if you buy a tiny home for $50,000 on a business credit card, ensure you can make the payments from the rents you receive.

However, I wouldn't want to have a home purchase on my business credit for an extended time. Most people can refinance out of a home and lower the payments—this would be hard to do with a tiny house. Don't trap yourself in this type of situation.

Think of your business credit as quick liquidity. You find a good deal and need to make a quick move; however, you will need to find a permanent solution in the long term.

Business lines of credit. In Creative Financing in Real Estate 105, we talked about hard money loans. Business lines of credit go hand in hand with these loans. Depending on what market you are in, you may be able to purchase a home with your business line of credit. Say you are in a small town, and you can buy a house for $70,000.

As with hard money loans, the idea here is to fix and flip, refinance, and move on to the next home. You do not want to keep your rental on credit with high-interest rates. The good thing about lines of credit versus hard money is that you do not have to interact with anyone on these lines of credit. It does take patience to work your way up to a business line of credit with a bank.

Business loans. The granddaddy of all business credit is business loans. It may take 3-4 years of consistent business performance to reach the level where the bank trusts you. However, once you get to this point, you are almost a "made man" or "made woman."

You will present your plan to buy each real estate property as it is its own business. You can show the cash flow and cash-on-cash return. Banks love to lend money to people they trust. Again, it may take 5-7 years to get to this point where you can walk into the bank and walk out with a loan to buy a home or commercial real estate.

However, if you are serious about becoming a real estate mogul, you will need to get big banks on your side. It will be worth the time and effort to work your way up the business credits ranks to diversify your options for each rental property you purchase.

Other business ideas. There are a few more uses for business credit. You can use your different business lines to assist with smaller items as well. If you are a serious real estate investor, having even a small business line of credit will be invaluable.

Minor repairs will come up from time to time. If you have already taken a hard money loan, you do not want to keep coming back for $5,000 to $10,000. Business lines can help you close the gap and also keep your personal expenses separate from the business.

Renovations. It may be a good idea to fund the purchase of the house through various means. However, you can support the actual home renovations with business credit cards or lines of credit. This way, you are not asking for too much money from a private lender or hard money lender.

Supplies are vital to any project or renovation. There may be times that you underestimate the costs of supplies, and you will have to use some form of liquidity to keep the project moving forward. Business credit will be a godsend in these situations.

Conclusion. Business credit is great to have available to you at all times. Please go back and read the article "Establish Business Credit Now" and the book "Zero Down" to get the particulars on how to leverage business credit to the best of its ability.

Each property you buy will have its own story to tell, and it may not be as cut and dry as it seems. You may have to use a form of private money, hard money, business credit, and personal loans to get the job done. That's life in the real estate world.

The rising cost of real estate is why I created the Creative Financing in Real Estate series, to help you obtain real estate where others have failed. Real Estate is a fantastic wealth generator because of leverage and taxes. Learn how to get yourself into the game. Good Luck!

REAL ESTATE LIFESTYLES

20 RE Lifestyles 1: Rentals vs. REITs

No matter how you feel about real estate, it is the best wealth generator for the average person. However, there are multiple ways to get involved with real estate; we just need to find the ones that suit our tastes best.

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Today, I begin the Real Estate Lifestyles series, comparing real estate versus other professions and asset classes. Some bizarre comparisons are coming your way, but they may help you envision different paths that you may not see now.

The first comparison is owning rentals versus buying real estate investments trusts (REITs). I own rentals, and I own REITs, so comparing them will help you evaluate the differences. Since we are all at different points of our lives, I will put parameters in place to try to compare assets over time. Let's begin.

Don't Gamble with Retirement 3 + 4

Parameters. For this comparison, I will give us a 20-year time horizon, starting from zero. We are 30 years old and have a job that pays us $80,000/year. We aim to retire at age 50, move overseas with a $10,000/month passive income. We will assume that we are knowledgeable in REITs and real estate by reading books and following articles.

Rentals. There are many, many ways to achieve success in real estate over a 20-year time horizon. You can build an army of single-family residences or an ocean of multi-family properties. But, I will have that comparison for an episode of RE Lifestyles.

Today, we will do it the safest way possible, by house-hacking our way to freedom. The goal of house-hacking is to live for free in your primary residence as someone else pays your mortgage. You can accomplish this in many ways: roommates, Airbnb, or buying a duplex (or triplex).

At age 30, and as a first-time homebuyers, we qualify for multiple types of loan assistance. These loans include FHA, USDA, Fannie Mae, Freddie Mac, and VA Loans. I cover all of these in my article "Maximum Leverage."

This first house is the most important purchase of our entire career. We will choose the room-rental route (because I personally use this method). So, for our first home, we need a 3 or 4 bathroom home. Yes, bathroom (not bedrooms).

Real Estate is a Mindset (Advanced)

Over the years of renting rooms, I have learned that guests don't want to share bathrooms. We only want to rent rooms that have access to a single bathroom. The rooms don't have master bedrooms or on-suites; they just need access to one bathroom per roommate.

Let's say we use our loan assistance to buy a 2,500 square-foot, four-bedroom, four-bathroom home. We now get to work finding **QUALITY** roommates. The keyword being "**quality.**" We can charge a great rate for each room with quality roommates and not have many tenant issues.

The goal will be to achieve "Mortgage Positive," which will be easy with three roommates. Next, we will want to pay off the mortgage in ten years altogether. This will be highly possible to accomplish, especially if you control your personal spending habits. For the sake of this article, we don't have a family. However, I am living proof that you can become very successful at this game with a family.

After you pay off the first house, we will move on to the next place. With no mortgage and four roommates, the first house should yield you all kinds of income. For instance, if you had four roommates living in my area of Florida, you could charge $800/month at today's rent levels. That is $3,200/month.

I'm Too Serious

Our next home would have to be close to our first home to manage our properties. Ideally, we would want to locate ourselves near a military base or college. With the right mindset (remember "Real Estate is a Mindset"), we can pay off three homes in 20 years—quickly.

Now for the tricky part. When we move overseas, we will need to have someone manage our properties. As we age, we can start to see the writing on the wall. Hopefully, we can begin to prepare one of our long-term tenants to become our property manager in exchange for free room and board. We can call this a residential manager.

In the article "Don't Fear Delegation," I discuss why leadership is vital to our automated business. If we can groom a residential manager, we can make this real estate method work in the long run. I would start grooming someone at the ten-year mark of our journey.

Yes, don't get me wrong, having 10-12 tenants will be a pain in the rear-end—there is no doubt about the "suckiness" of being a landlord. But, to pay off three houses in twenty years is unheard of in America. Creating $10,000/month in rental income over 20 years should not be difficult—again, with the right mindset.

What Limiting Beliefs Do You Have About Money?

Real Estate Investments Trusts (REITs). Now, let's switch gears to a more passive method of accumulating wealth. Dividends are the most passive of passive income. However, it takes a lot of self-education and money to get vast amounts of cash from the stock market.

There are many types of REITs, and we need to know every single type if we are going to maximize our income. First, however, we need to prepare ourselves to invest 50% or more of our income. Also, we will need to start some side hustles or automated businesses, to increase our revenue.

I would like us to contribute at least $100,000/year by the tenth year. Again, with the right mindset, we should be able to achieve this goal. If we know our mission is to live overseas via REITs in twenty years, we can document our journey via YouTube or a blog. This content would give us a reason to research daily and leverage everything we learn.

Financial Security vs. Financial Freedom

Now, where we make our money is buying when our REITs are out-of-favor. That means buying during a bear market, a correction, or a market downturn. Being "greedy while others are fearful, and fearful while others are greedy” is the best advice that Warren Buffet gave to the investing community.

We will have to understand each sector, each REIT, and the overall investing thesis of interest rates, Federal Reserve, Treasury bonds, and the housing market. An excellent place to start is by joining the mailing list of Hoya Capital Real Estate. I read their articles weekly to get a good grasp on the world of REITs.

For example, mall REITS and office REITS suffered the most during the pandemic. How will they recover? Taking the time to get to know each sector will pay off in spades. So how much money will it take to retire with $10,000/month passive income?

Over-Budgeting: You Can Only Cut So Much Before...

I believe, by using the proper investing techniques, leveraging information, and buying when REITs are cheap, we can achieve an 8% dividend yield (on cost). An 8% yield is double what I usually try to achieve, and you shouldn’t take it lightly.

With an 8% yield on cost, we would need $1.5 million in our REIT portfolio. Is that possible? Yes, yes it is—if, at 30 years old, you are mentally ready for the challenge. Investing during the pandemic could have doubled your fortune alone.

The best part of dividend investing is that it is passive. Yes, you have to read and keep up with your investments and the market, but that is super fun. When you head overseas, all you will need is your fantastic Chromebook. Besides becoming a writer, dividends take a while to get going but will give you the most freedom over time. (Or do both!)

Conclusion. So which way is better? Well, I am going to cheat a little. My answer is a combination of both. You see, once you pay off your first home and still have three roommates, you are making so much money, it will be insane.

Let’s say you pay off your first four-bedroom home, and you keep your three roommates (as you should). You should be clearing at least $2,000/month of rental income, plus living for free and no home payment.

The Woman’s Guide to Investing

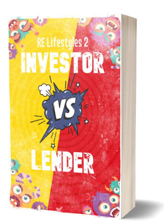
At that point, you can stop buying homes and jump into the REIT game. With your job, rental income, and a blog, you will be unstoppable. Then when you move overseas, you can replace yourself in the home with a residential manager.

If you plan correctly, you could have (at least) $2,000/month rental income, $10,000/month in dividends from REITs, and income from your blog—all with minimal fuss from tenants and customers. Now, that is what I call a rich life.

The key to getting this lifestyle is [being obsessed] with the idea of passive income and achieving your goals. People (especially your family and friends) don't want to see you doing well. Find like-minded people and move in those circles. You are a sum of the five people whom you spend the most time. With that, good luck, and see you in the next episode of RE Lifestyles!

21 RE Lifestyles 2: Investor vs. Lender

Investing in real estate is one of the fastest and easiest ways to grow your wealth. One of the main contributing factors to the speed of wealth creation is the use of leverage. Leverage is the ability to use OPM or Other People's Money.



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There are two sides to leverage—the investor who asks for the loan and the lender who has to analyze the investor and the project. You may start as an investor but move into the world of lending over time.

Welcome back to the **Real Estate Lifestyles series** (part 1), where we compare various real estate and investing worlds in getting an idea of what may suit us best. Today will be a good read for those who want to avoid construction, property management, and closings. Becoming a lender may be something that is more up your alley.

HENRY- High Earner Not Rich Yet

Real Estate Investor. The real estate investor gets a bad reputation sometimes. We always see them when they are busy dealing with clients, agents, lenders, contractors, and property managers. However, today I want to look at a more typical scenario where the investor owns and operates 2-4 properties.

I gave the book "Buy, Rehab, Rent, Refinance, Repeat" the highest recommendation for real estate investing. Although our investor today only owns four homes, we will still have to deal with the top four principal team members—property manager, lender, general contractor, and agent.

The real estate investor is always trying to increase his return on investment (ROI), as he should. Let's look at how our small investor of four homes interacts with these team members.

Property Manager. With four homes, the investor may decide to do his own property management. Be warned that doing your own property management can tax your mind, body, and soul. It is a time-intensive endeavor. Becoming a landlord is not something he should take lightly. He should read "The Book on Managing Properties" before he makes this decision.

Lender. Although you deal with a lender when you first get a home, you will want to perform multiple refinances to maximize your profits. A Cash-out refinance can help you tap into your equity and use that money to leverage for other rentals, investments, and college.

Don't Gamble Your Retirement Away 4

General Contractor. If you only have four homes, you will mainly deal with a handyperson. However, you may want to add value to your property by changing floors, adding rooms, or changing the landscaping. Knowing a good, trustworthy general contractor is a must.

Agent. An investor should always have a good real estate investor at his side. He may even want to sign up to be a real estate agent. Agents can help you find lenders, contractors, wholesalers, and property managers. They can also give you a comparative market analysis to ascertain the relative value of your properties. Agents know what is happening in the world around you.

As you can see, the investor has a lot going on at all times, even with four homes. There is always more value to extract from your properties, and your job is to find those ways. Being a real estate investor takes a lot of leadership and relationships. Let's take a look at lenders.

Real Estate Lender. A real estate lender is more of a background support person to the investor. However, the lender is also an investor; she is just not at the forefront of the retail cycle. It makes sense that the lender was a real estate investor at one time. I want to look at three types of lenders today—professional lender, hard money lender, and private money lender.

Real Estate is a Mindset (Beginner)

Professional lender. The experienced lender works for a bank, credit union, or portfolio lender to review and approve loans. She has to learn how to screen, review, and question loan applications, credit reports, and project proposals. If you plan to get into the private lending business, being a professional lender wouldn't be a bad idea.

Hard Money Lender. A hard money lender is a lender using their small company's money to make short-term loans. A hard money lender bases her decisions on the project proposals. Investors usually use hard money lending when they are performing fix-and-flips or BRRRR investments. The interest rates on hard money loans are very high.

Private Money Lender. A private money lender bases her loans on the value, credibility, and reputation of the investor. She is usually in the investor's inner circle. Private money may want a piece of the debt (loan) or equity (returns) of a real estate deal.

Real Estate Investor vs. Lender. Now that we have a general rundown of the two real estate individuals let's compare lifestyles. The real estate investor is probably on the grind upwards. They may be trying to establish a nice stream of passive income from rental properties. They are constantly looking for the next deal or improvement to increase their ROI or NOI (net operating income or profit).

21 Passive Income Ideas

The lender is usually more seasoned; they should already have a pile of money. Deals come to them; they don't have to search for them. Lenders can set up assistants to review prospective agreements beforehand and only keep the potential winners.

A real estate investor accumulates properties to build rental income. A lender gathers loans to make interest income. They both have to do their due diligence, but the investor is more of a mover and a shaker, and the lender is more of an office-based individual.

Getting started. Anyone can be a real estate investor, but it takes hard and soft skills. Being a people person is one of the soft skills it requires most. You will be dealing with professionals, and the only way they will assist you is to bring value.

A lender needs money to get started. You may need upwards of $1 million to become a hard money lender. As a private money lender, you may need much less. For example, your brother or sister needs a loan to finance a down payment on a property—that makes you a private money lender.

You'll Need $20,000/Month Passive Income

Conclusion. Most of us won't have the money to become a lender right out of the gate. Also, it is never a bad idea to have a portfolio of 2-4 physical real estate properties. Real estate helps us protect against inflation and recessions.

As we grow and age, we may want to wind down our days of real estate investing. Dealing with tenants can be tiresome. Transitioning some of our wealth into the lending business gives us a return on our cash without being in the stock market.

We can have a small portfolio of rental homes (2-4) and have a small private money lending business. We can make our personal money lending circle just between family and close friends.

There is always a budding real estate investor that we can mentor and help finance. They can go out into the world and build up their real estate portfolio. We can sit back and enjoy getting interest on our loans or taking part in our equity stake's rental income.

What do you think about real estate investing and lending? There is room for a mature investor to take part in both avenues. Becoming a diversified investor is a hallmark of building generational wealth. Thanks for reading. Please follow us on Twitter for more free passive income PDFs. Enjoy and Happy Investing.

22 RE Lifestyles 3: Renovate & Rent VS. Fix & Flip

So you find a distressed property at a great deal, what do you do? You can buy it, renovate it, and then keep it as a rental. Or, you can buy it, renovate it, and sell it at the increased value. There are pros and cons to both techniques; you'll just have to figure out what suits you best.

[Free 41-Page PDF Download ($2.99 Value)]

Welcome back to the Real Estate Lifestyles series (Part 1, Part 2), where I put two heavyweights against each other. Today will be an instant classic because it follows in the mold of capital gains vs. dividends.

Research. I have been conducting a lot of research on the topic of real estate over the past year. When I retire from the military, I know I don't want to work a formal job again, so real estate will help me earn some nice passive income.

Become a Private Money Lender

We currently own three properties, all of which have tenants. Our primary residence is our biggest wealth generator because of Mortgage Positive and House Hacking. We manage two properties ourselves, and we have a property manager for our home in Arizona.

The best book on the topic of renovation and rent is "Buy, Renovate, Rent, Refinance, Repeat." Luckily, Brandon Turner also covers flix and flip in the book as well. These are both complex worlds where you need teams of people even to get started. I highly recommend you check this book out if you are interested in buying and renovating distressed properties.

Your goals. As with most of my articles, you will have to start with your goals. You can't go anywhere in life without creating a detailed plan. Your plan may go to crap, but you can at least adjust it on the fly.

When it comes to real estate, you have to be laser-focused on your outcome. If not, the slight dips in the road will stop you in your tracks. My wife and I just got an $800 bill for our air conditioner in our primary residence. Crap happens all the time.

You need to ask yourself; am I looking for a recurring income for the long term? Am I looking to convert my real estate earnings into another investment opportunity? How much free time do I have to handle my real estate affairs?

What is a Sales Funnel?

You may be a HENRY (High Earner Not Rich Yet) who decides to work 5-10 more years in the workforce. You understand that you will need 10-20 properties to provide you with the rental income and lifestyle you need for early retirement. Having a solid plan like this can help you achieve your life goals.

Getting started. One of the reasons I write so many articles is to help you visualize your goals. You don't have to have all the answers up front; you'll need to ask yourself the critical questions.

Buying distressed properties is much more complicated than purchasing retail homes. By retail homes, I mean homes on an MLS service, such as Realtor.com or Zillow.com. When you buy retail, you are most likely getting a turnkey residence, but the opportunity to profit is much lower.

You make your profit when you buy, in all investments. For both renovate & rent and fix & flip, you'll need to crunch the numbers using the **After Repair Value (ARV)**. Estimating the ARV is no easy task because you'll need someone to give you a solid price for the damages and repairs, the renovation, and then the new appraisal.

How Do You Define Being Rich?

If you haven't guessed, you'll need a team of highly qualified professionals to succeed at this business. In the book BRRRR, the author states you need these top four professionals; lender, property manager, real estate agent, and general contractor.

Each of your top four serves an essential role on the path to real estate wealth. That's why you need to know your goals and where you are heading in life. You can't take this career path lightly. There is a lot of work, research, human connections, networking, etc., that goes on to find buy, renovate, refinance, rent, and sell these properties.

But I will not go into too many details about the lifestyle; let's look at the outcomes. Again, read the BRRRR book for a deep look inside the world of a real estate tycoon. The book will change your perspective on what it's like to be in the mix of real estate professionals.

Rent vs. Sell. So the age-old debate of rent versus sell comes back to rechallenge our mindset. Once you have worked with your team to buy and renovate a distressed "moth" property and turn it into a beautiful "butterfly" home—then what? You have two main options; you can rent it or sell it for capital gains.

Creative Financing in Real Estate 103: Home Equity

Renting your home. Using the Buy, Renovate, Rent, Refinance, and Repeat method, you will perform a cash-out refinance as you rent the property. This way, you can extract your cash from the property to buy more homes and receive some rental income.

You must work with a property manager and real estate agent "before" you buy and renovate to ensure your rent values are realistic. You don't want to be upside down on your mortgage during the rental phase. Let's look at a basic scenario of a "renovate and rent."

You buy a distressed property for $100,000 and spend $50,000 to renovate it to become a lovely rental home. You spent $150,000 (cash) total on the property, and the final appraisal gives you a value of $250,000. Nice work.

You can then extract 75% of the value through a cash-out refinance, which puts $187,500 back into your pocket for the next home. Now it's time to rent the house. Your mortgage on the property is $1,100, and the place rents for $1,400.

In total, you walk away with $37,500 (tax-free) and cash flowing $150 after property management fees. Obviously, this is the ideal situation, but you can succeed if you can run the numbers correctly (and realistically).

Retirement Planning in Your 50s

The goal of BRRRR is to keep repeating this process while you build your rental property pension. Real estate can lead to financial independence, probably more than any other asset class.

Selling the home. We can use the same numbers for selling the home. You are into the house for $150,000 cash, and the place appraises for $250,000. You decide to sell the property. You walk away with $100,000, right? Not so fast.

You have to pay taxes at the short-term capital gains rate, which is usually your ordinary tax rate—you receive no preferred status. Let's call your tax rate 30%. Now you are down to $70,000. Not too bad, right?

Ha! I got you again. You'll need to pay real estate agent fees and other fees for selling the home. Those will come out to 10% (minimum). And that is 10% of the total, not of your profit. So, in this case, 10% of the $250,000. Yikes, that's another $25,000. (Sidenote—You can save on some of these fees by becoming a real estate agent—read the book "Sold.")

Can You Achieve Work-Life Balance 2

So, you'll walk away from the sale with $45,000. Wow, that was a lot of work for $45,000. However, there may be some cases where selling is more appropriate than holding. Things like a market shift can change your investment thesis throughout the process.

What we learned. When we kept the property, we walked away with $37,000 cash, plus we kept it to rent. When we sold, we walked away with $45,000 cash and no home. Why the massive disconnect?

As Robert Kiyosaki teaches us in "Unfair Advantage," you don't pay taxes on debt. Learning how to use debt and leverage are primary ways to become wealthy. As he writes, "Is it faster to save $1 million or to borrow it?" There is good debt and bad debt, and you'll need to study these methods to become wealthy and use real estate as your wealth generator.

Taking out a home equity loan prevents you from paying taxes on selling the property and the real estate fees. Eventually, rents and property value will increase, and you can leverage another cash-out refinance or TAP your home equity.

How to Buy Homes Today

Conclusion. Yes, holding rental properties for the long term can be a pain in the rear-end, I know from personal experience. But, if you want to build a fortune, holding something long-term is the only way.

I am a dividends-style investor, buy & hold—the same with properties. Once you get over the initial stress of dealing with tenants and housing issues, you'll just accept that it's a part of life. You'll settle in for the long term and build significant wealth.

Having many properties to harvest cash-out refinances will be a boon to your net worth and investment opportunities. Once you get enough rental properties, you can diversify into stocks, cryptos, and business.

Anyone who has read my articles knows which side I was going to fall on. Hopefully, I gave you a little more detail on why holding properties is vital to long-term health, wealth, and success. If you like this content, please follow me on Twitter and my Facebook Page. Enjoy and Happy Investing.

23 RE Lifestyles 4: Single-Family Vs. Multi-Family

What are your passive income goals for the long term? How many different sources of passive income do you want in your ecosystem? These questions are vital because they will help you determine what level of real estate ventures you pursue.

Welcome back to the Real Estate Lifestyles series (Part 1, Part 2, Part 3), where I compare various parts of the real estate world to assist us in decision-making. Today I will talk about the difference between building a collection of single-family residences or multi-family buildings.

[Free 36-Page PDF Download ($2.99 Value)]

Definitions. Before I jump into the comparison, let's define multi-family residences. According to the banking system, properties with four or fewer units are considered single-family residences. Why is this important? Because, when you buy a property with four units or less, you will use your personal credit report and score. When you buy a property with five or more units, banks consider it a commercial property, and you need business credit for the purchase.

How to Retire in California

For this article, I will define multi-family as five units and above commercial real estate. This essentially means apartment buildings. I will make another comparison between single-unit and multi-unit properties in the future. Now, let's jump into the mix.

Books to read. As always, I recommend some deep reading before you choose a career path in real estate. I own three single-family residences (SFR), so my experiences are from that perspective. Luckily, I read a lot, and I can gain perspective from other successful real estate investors.

For overall starting real estate guidance, I recommend "The ABCs of Real Estate Investing." This book was one of the first books I read and gave me definitions of things like Net Operating Income and Cash-on-Cash return.

For single-family residences, the book "Build a Rental Property Empire" is a great read. In the book, the author talks about owning 15+ single-family homes.

For multi-family residences, the book "Zero Down" goes deeper into the world of establishing business credit and then using said credit to qualify for an apartment complex.

Passive Income: What Gets Rewarded Gets Repeated

The Differences. Personal (single-family) and commercial (multi-family) real estate are vastly different beasts to tame. First, it starts with the valuation phase. Single-family residences need an appraisal to determine a price. The appraiser uses the comparison method to find comparable properties surrounding the home in question.

Multi-family commercial properties use cash flow (income) to determine the value of the home. The bank will require the financial history books to determine the property's net operating income (NOI). NOI is the profit after the owner accounts for all expenses.

Once they determine the NOI, there are many ways to determine the value of the home. That is outside the scope of this article, but here is a breakdown I found online. Just know that it is in your best interest to maximize profits in your apartment building.

Why I Subscribed to Kindle Unlimited as a Content Creator

Increasing income. This brings up a great advantage of owning an apartment building—the ability to increase revenue. There are more ways to increase income with an apartment versus a single-family residence.

For a single-family home, you can perform a renovation to increase income. The community of your home limits the amount you can charge for rent. There isn't much you can do except for time.

For a multi-family apartment building, there is almost too much to list. First, you can start by slowly renovating the rooms and charging more for rent as tenants turnover. Then you can add features like washing and dryers to the rooms to charge more.

Then you can start adding more options like better parking, upgraded facilities, playgrounds, etc., thus raising the overall value (and rent) of your property. You can even add luxury appliances that tenants can rent from you for short periods. Items include expensive vacuum cleaners, carpet cleaners, cappuccino machines, blenders, etc.

For more ways to increase your NOI, please read "40 Ways to Increase the Net Operating Income of Your Rental Property." The more income and profit you extract from your apartment, the more the building is worth. An apartment building is a business.

Build Wealth Slowly

Property Management. Now we come to my favorite topic—property management. That was a joke. Finding a good property manager is the hardest part of becoming a real estate investor and holder.

If you have five or fewer single-family homes, you can probably manage your own properties. This can be especially effective if you are not working a full-time job. So if you or your spouse is staying home, being a property manager can be a great way to save money and stay busy.

For apartments, you will need a property manager. Unless you decide to move onto the property and become the full-time manager, you'll need to hire someone you can trust. Again, that is the hardest part of real estate. I wouldn't buy an apartment building without having a great property manager on deck already.

Income. You will make tons more money buying apartments than single-family residences, especially after the pandemic housing price boom. Say you purchased an SFR and receive a $500/month profit (which would be amazing). Then you bought a 10-unit apartment complex where you make $200/month per unit. That would be $2,000/month cash flow.

The Magic of a Military Pension

So why isn't everyone buying apartment complexes? Because it requires financial sophistication to buy an apartment. You need to be creative in financing every apartment you purchase. That is why I wrote the Creative Financing in Real Estate series.

There are many ways to buy an apartment building; however, you'll need to that an apartment building is a business. You'll need investors, a business plan, and a property manager to even start the process. It's a huge undertaking, but one that the average person can accomplish.

Your goals. So it circles back to your overall goals. How much income do you want to achieve? Personally, I will have a military retirement in a few years—that will be the base of my passive income throughout retirement.

If I didn't have a military retirement, I would need, say, $10,000/month of stable income. I would like to have at least three to four apartment buildings around my town. Apartments are a great way to build a pension-like portfolio of passive income.

Standard Employee by Day, Passive Income Hero by Night

I would consider single-family residences as supplemental income to other passive income sources. Now, after 30 years of owning a rental property, things start to look better. You could hold the house free and clear and be making some serious cash flow. If you have multiple income streams, single-family would be an excellent way to profit from real estate. Plus, you can harvest your equity to juice your returns.

Conclusion. I could keep going because it is a great topic. Many people think that owning an apartment is out of reach, but it is very achievable. However, it all starts with your goals. If you want to make $2,000/month in rental income, buying a home and paying off the mortgage may be your best avenue.

Real estate gives you multiple options to achieve your goals; however, you will have to discover these options. Here are ten real estate books that will help you on your journey. If you need to build an empire of rental income, apartments are the way to proceed. If you aim to supplement existing income, SFR is best.

Please join my Facebook Group if you want the latest articles and free books delivered to your news feed. Also, you can contact me inside the group and ask questions. I also have a Facebook Page where you can see my latest articles.

REAL ESTATE IDEAS

24 Run a Property Management Business

Life is good, isn't it, especially when you have money? Even though my wife and I have our financial act together, we are always on the hunt for ways to add additional income streams to our portfolio.

I just finished a book on opening a business in the physical world called "How to Start a Microbrewery." Opening a physical business requires a lot of work, time, and money. Therefore, I still prefer companies that I can start and run from home.

Before my brewery book, I completed a book titled "The Book on Managing Rental Properties." This book is the ultimate guide on starting and running a property management firm from your home. It is genuinely a standard operating procedures manual that you can use to form 75-85% of your property management business.

But is running a property management business right for you? Some personality traits will not perform well inside this field. Outside of those, I think that anyone who can manage themselves, stay organized, and deal with tenants can start an excellent property management business. Let's get into the article.

Two traits that can fail. Let's start with the two kinds of personality traits that I believe will have a hard time coping with being a property manager—unorganized and timid. Property management is paperwork intensive, so you will have a hard time if you can't organize yourself and others. Tenants can be ruthless, especially if you are timid, so you have to be firm and fair at all times. You have to be able to enforce the rules no matter the scenario.

If you can overcome those two traits or do not have an issue with them, you can be a great property manager. The business is truly about having detailed forms, procedures, and enforcement. Those who have served in the military will find this business right up their alley.

Getting started in property management. You need to get started two things: to know what you are doing and property to manage. Before you do anything about property management, read the book I mentioned earlier—it will overwhelm you with information. The book also has many starter forms, management ideas, and resources.

Now you need to find a property. You can start your business by renting out rooms or spaces on your property. I wouldn't incorporate a business, but this could be an excellent way to begin dealing with tenants and getting practice with paperwork.

Also, this will allow you to tell prospective clients that you manage properties because you now have properties and tenants that you manage. My wife and I have been renting rooms for over two years, and you will learn a lot about people while you do this. Renting spaces on your property is a great way to find out if you will be a good landlord.

I think the best way to find clients is to keep your ears to the ground around your neighborhood or work. Someone is always looking to rent a property or knows someone who is trying to rent. Also, listen to people who are looking to sell. Many times they wouldn't mind renting if they knew a good property manager. Of course, this is where you conveniently pop into the picture.

You can also publish and release some business flyers and walk around your neighborhood. For me, I am not trying to become a huge business owner. I would attempt to keep all my properties near the home where I reside.

Before you start issuing flyers, please read the book "The Non-Designer's Design Book." Yes, you could pay someone to do the work for you, but the idea of starting a small business is to get involved in your own business. Not only will you get a sense of pride, but people will begin to recognize your designs around town. You will be designing many flyers during your time as a property manager, so you may as well start creating now.

Getting started with your first property. The most important thing is understanding the laws of the land. You have fair housing laws at the federal and state levels, and even local groups—understand these.

Next, you will need to have all of your procedures and forms in place. The book does a great job of getting you going in a straight line when it comes to all the documents. You will want to have everything set up before you start advertising and dealing with prospective tenants.

There is a lot to do here, but nothing is complicated about the process. The hardest part is staying organized and filing your paperwork. Nothing about being a property manager is difficult; if you can manage yourself, all you have to do is manage others.

I don't want to get into too much of the day-to-day grind of getting started or managing properties. I want to do a ten-part series covering all of this if there is an appetite from my audience. Since most people with the proper motivation can succeed as property managers, I want to look at some of the other essential parts of the business: required time and possible income.

Time. You can streamline your time requirements as a property manager, especially if you remain small. If you stay under ten doors (10 places), you can have an abundance of time and still bring some good passive income.

The book gives a fantastic tip on managing your time when explaining that you can set your business hours within your tenants' inbrief. For example, I can set my business hours from Monday to Friday 0830-1400. If calling during these times, I give them my Google Voice number. I can put my Google Voice to provide an office outside these hours.

I then define what an emergency situation is during the tenant's inbrief. I set up another Google Voice number and gave them this number for emergencies only. The book said in all of their years; they very rarely had people call with emergencies, if ever.

So for the people who think that they will be receiving calls all the time, this is a way to mitigate this madness. This scenario was an eye-opener for me and a great reminder of why I read so much.

Other than phone calls, your job is mostly upfront in finding, screening, and managing tenants. When they have a maintenance request, they can fill out a form online. This way, you can track the maintenance and the tenants, all in one place.

There are many ways to collect rent, but mostly everything is moving to online payments. There is also a way for tenants to pay their rent through a system at stores like Walmart. When they pay, the system instantly deposits the money into your account. This system is for tenants without online banking.

Your income. Ah, to my favorite part, the revenue. Once you get set up and run a reputable property management business, the income can be very passive. If you are handling ten doors, you may have tenant turnover once a month, but probably a lot less than that.

Property managers charge somewhere between 8-12% per door. Plus, they have an initial advertising/ finders fee per new tenant. There are also more ways to monetize other business areas such as late fees, coin laundry, etc. It can be a very lucrative business, especially looking at your time requirements.

Let's run an example using our ten doors scenario. We have ten single-family residences for our example, and they each rent for $2,000/month. Doing the math, you will be earning $2,000/month in passive income from your ten homes.

Yes, they will require some work, but they should each be on one-year leases. The tenants should not be giving you too many headaches if you perform your screening correctly. So what are you doing throughout each day? Maybe doing some drive-bys and managing your paperwork is all you consistently have to do daily.

Property management can be a good business for stay-at-home parents and other employees that work from home. The hardest part is during the changeover of tenants; however, most things can be handled online and pre-screen many prospective tenants through phone calls.

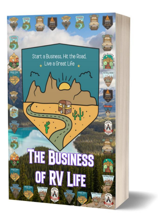
Conclusion. I give property management my stamp of certified passive income. Once you are up and running, the hardest part is screening good tenants. Once you have that down, your day-to-day job is relatively passive.

If you are good at handling paperwork **AND** good at managing people, this could be a very passive and lucrative business for you to start from home. Being able to control the phone calls is a godsend and something I would have never thought of on my own.

Give "The Book on Managing Rental Properties" a good, long read if you are interested. I would recommend any homeowner to read this book as well. You may find yourself in a situation where you may need to rent out your home. Knowing how property management works will be great for everyone to know. Good Luck!

25 The Business of RV Life

Do you dream of one day cruising around the countryside in an RV, visiting national parks and museums? Well, there has never been a better time to become an RV person or family. Not only are housing prices growing out of control, but the pandemic has shown that the ability to travel independently will be valuable moving forward.



[The Business of RV Life]

However, RVs are expensive, so we will need to use everything we learned about taxes (in Taxes 102) to compensate us for our travels. That's right; we will brainstorm ideas on using business and taxes to subsidize our trips to get maximum enjoyment out of being an RV family. (Here is a list of RV Jargon, courtesy of Campersinn)

Stationary ideas. First, let's review some of the concepts discussed in the article "Start a Luxury Vehicle Business." RVs are like tiny homes, and some cost even more than homes; therefore, we can rent them like homes.

How to Create a Never-Ending Stream of Content

Airbnb has special hosts that rent RVs out for the night. When people rent from Airbnb, they do not drive the RV around. This is an excellent idea for an Airbnb business if you have a nice-sized property and you can give your RV some good environmental ambiance.

In the article "Become a Land Millionaire," we learned how to obtain land for cheap. Since that article, real estate, in general, has blown up in prices. Buying land is still an option; however, you will probably be far from city centers.

Lucky for you, RVers love to drive to the middle of nowhere. **Dry Camping**, or boondocking, refers to camping without hookup or other "luxuries." If you have land, you can set up a gravel road and a concrete pad and allow RVers to host themselves.

RVers are always looking for safe places to park and spend time. Some also like to be away from other RVers because human nature needs some time away from others. Having some **land and pads** throughout the countryside can make for some high passive income and an excellent way to let your land appreciate.

I love renting rooms as a source of high passive income. However, it may be a little too close to home for most people. How about renting your RV. If you are waiting a few years before becoming a full-time RVer, you may want to have someone else pay your RV mortgage.

Maximum Leverage 2: Buy Homes with Nothing Out-of-Pocket

My wife and I rent two master suites in our home for $800/month apiece. We could easily buy an RV and build out hookups and get the same amount for renting it out. Truthfully, we could probably get even more due to people wanting privacy.

I envision, if you get a nice white picket fence, put a garden inside, a place for a hammock, people would flock to your RV land to rent. It is all about the details. I am more of a tiny home or mobile home person, but many people are looking for alternative forms of housing.

Let's do some math–because MATH. If our RV cost $30,000, we would pay $600/month over 5 years (at 7%). Therefore, renting our RV for $800-900, we could have someone completely pay it off for us before taking off on our RV life.

Mothers as Entrepreneurs

Mobile ideas. Now, let's talk about ideas where our RVs are on the road. RVezy is a website where people can come to find RV rentals for the road. What does that mean for our business?

Using this website allows us to buy multiple RVs and start a business. If you have the land, you can have your company purchase the RVs and use websites like this to rent your RVs out.

You could even use this in conjunction with Airbnb and have little camp areas to have some stationary rentals as well. This business would be capital-intensive upfront (expensive) but could become more passive as you automate it through management.

Again, these ideas are for people that genuinely love RVs. If you are a fair-weather RV person, you may not want to get too far into the business aspect of life.

RV driving school. Another great idea for people who love RVs is to become an RV driving instructor. You can start a school to teach people how to drive RVs. Remember, more people than ever want to become RVers, but they are coming from city life.

They will need people to assist them in not only driving but learning the life. Do you know how to hook up the connections and change propane tanks? They probably don't. This is a good place to use your lifelong knowledge of RV life to teach others.

From your driving school, you can set up a referral network with RV dealers. Once people trust you, they will ask you for places to buy RVs and equipment. Be honest, and let them know you will be receiving a commission for referring them. There is a lot of money in referrals, especially of $75,000-$200,000 RVs.

The Velocity of Money

Online business. Starting an online business is still one of the best ways to make cash in today's society. As an RVer, you have a lot of inherent knowledge that most ordinary folks do not have.

Most people want to learn about RV life, so there is still a huge appetite for new voices to be heard. I even follow an RV blog about a couple retiring on dividends and living the RV life.

I would start with **a blog**. If you are 5-10 years out from an RV retirement, then you can begin your journey from there. Everything you learn, someone else will have to learn as well. You can start to build your audience well before you get on the road.

The blog can lead to an **ebook series** because blogs are hard to navigate after years of writing. You will want your readers to be able to catch up in a straight line. Ebooks are a simple way to get your blog out in front of many new readers and followers.

Big Money in Tiny Homes

Next would be a **YouTube channel** as you start to hit the road. People would love to experience your travels with you. Remember, you have built a small following from blogging, and they will want to see more of you, especially on the road.

From YouTube, the sky's the limit. You can create **online courses** to teach people basic and advanced RV techniques and lifestyle adjustments. **Affiliate marketing** is huge in the RV space. There is always a new solar set up, radio, TVs, and other gadgets to make people's RV lives more enjoyable.

If your audience knows, likes, and trusts you, you may as well be the one making a small commission on their purchases. Don't forget about **printables and merchandising**. Any kind of logbook or journal you create to log in mileage, dividends, day to the road, campsites, etc., can be made into blank printables to sell on Etsy.

Automation Can't Replace Creativity

When you brand your RV school or online business, you can create merchandise as your own business. You can sell shirts and mugs and more RV-centric items like flashlights or tents. Again, the sky's the limit when it comes to merchandising.

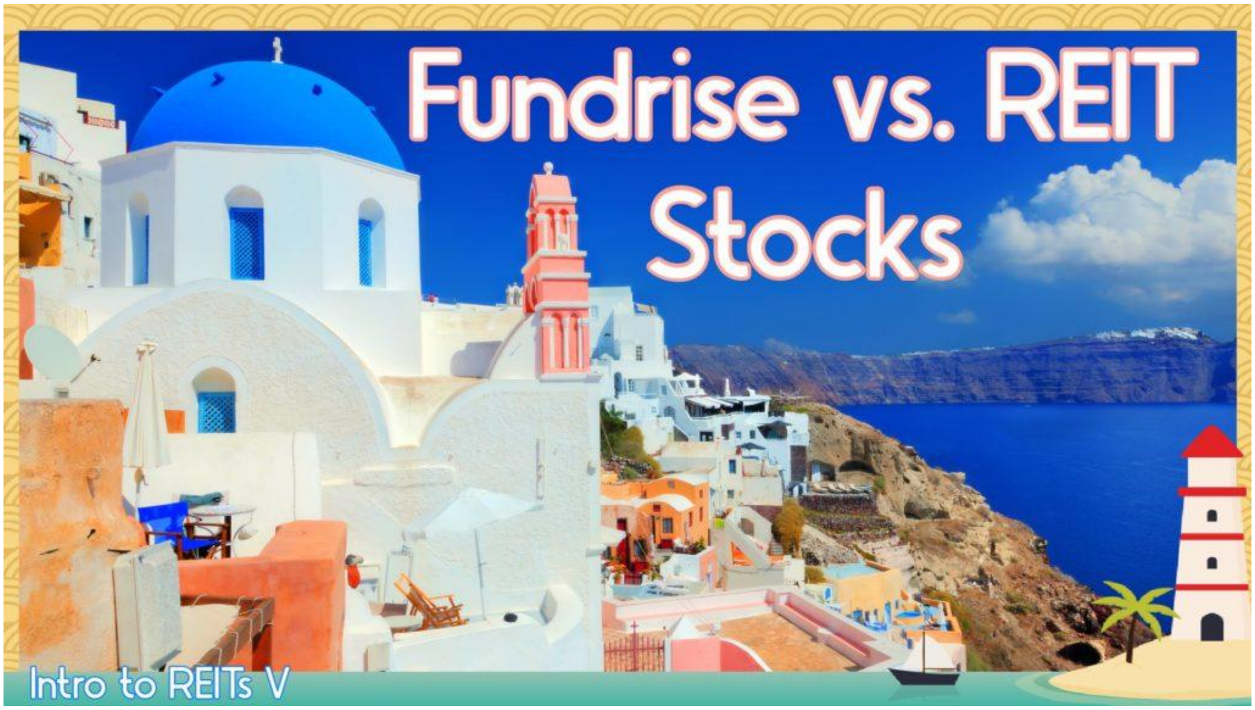
Conclusion. There are many ways to start a business around your love of RV life. From everything, I have learned over the last year of blogging and publishing books, having a blog is the best way to wrap everything together.

A blog is an online glue to let everyone stay abreast of everything happening in your RV life. I have learned that building an audience on someone else's platform can make you a follower, not a leader.

So, build a blog and an email list, and go from there. People will want to follow your RV life as long as you are consistent. Again, there has never been a better time to get into RV life. Even if you are a beginner, what you are learning is precisely the information other people need to know as well.

Some of my most popular books are ones on how to become a writer. I just decided to write for passive income, and now, here I am. But people are very interested in my journey. The hardest part of writing is putting your work in front of other eyeballs.

It will be the same with your journey, but don't have a scarcity mindset. There is room for you and your journey to succeed in the world. Good luck and Happy Investing!



26 Intro to REITs V: Fundrise vs. REIT Stocks

Having a backup is necessary if we want to prevent disaster. This mindset also applies to our investments in the stock market. We like to diversify our stock portfolio to ensure we hedge against possible downturns.

However, it is also a great idea to diversify our portfolio to assets that are not on the stock market. Some of these investments are treasury bonds, high yield savings accounts, and physical real estate. Another possible option is to invest some of our cash into Fundrise—a REIT that does not trade on the stock market.

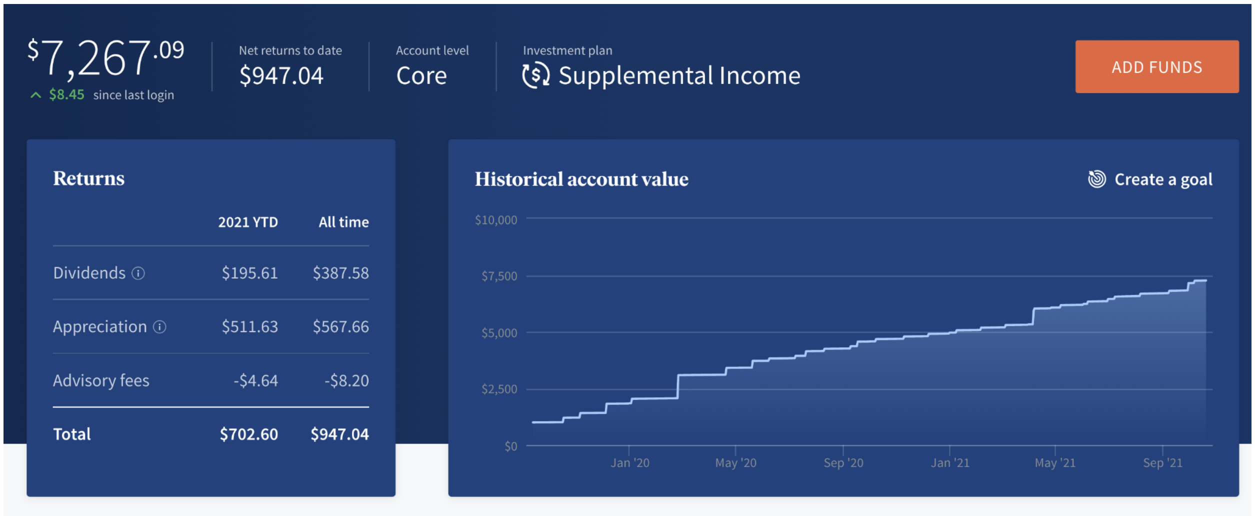
Welcome back to the Introduction to R.E.I.T.s series (part I, part II, part III, part IV). It has been over eight months since I updated this series, so I am excited to get back into the fray. Let's jump back to our coverage of Fundrise.

Will You Make a Good Landlord?

What is Fundrise? From Nerdwallet, "Fundrise is an online real estate company that gives investors access to private real estate deals, but be wary of underlying costs."

If you want a deeper understanding of Fundrise, please read the above article. I want to focus on my experience and how Fundrise reacts to market forces versus some of the REITs I have on the stock market.

My Fundrise Experience. I started my Fundrise account in September 2019 with a $1,000 investment. At the time, $1,000 was a large sum of money compared to my overall portfolio, but I was hellbent to diversify my exposure to the stock market.



Over the last two years, Fundrise has been extremely good to me. I don't have any complaints. As you can see from the picture above, my account didn't react adversely during the 2020 stock market crash.

Even better, since Fundrise owns physical properties, we all benefited from the bull market in real estate. In October 2021, I received a dividend of $71. On an annual basis, that is close to a 5% yield on costs. I am pleased with this number because finding a solid yield is hard without being on the stock market.

[Why Do I Need to Invest in the Stock Market?]

Fundrise vs. the Stock Market. Speaking of the stock market, this isn't a review of Fundrise; it is a comparison of Fundrise vs. REITs I own on the stock market. Let's identify some of the stocks I own on the stock market first. Also, my rate of return (minus dividends).

1) AGNC (**AGNC**). A mortgage REIT and one of my largest holdings overall. (-2.10%)
2) Annaly (**NLY**). Also, a mortgage REIT. (+2.61%)
3) Iron Mountain (**IRM**). A storage REIT. (+73.34%)
4) Public Storage (**PSA**). A storage REIT with a decent amount of growth. (+26.61%)
5) Independent Realty Trust (**IRT**). An apartment REIT. (+55.51%)
6) Gladstone (**LAND**). A farmland REIT (+28.36%)
7) Medical Properties (**MPW**). A Medical Building REIT (-0.76%)
8) Vanguard REIT Index (**VNQ**). An ETF that holds mostly REITs. (+17.76%)
9) **Fundrise 13.2%**

As you can see, I have a good selection of REITs scattered across my portfolio. My market performance varied wildly, mainly based on when I purchased the underlying stocks.

It is essential to realize that I purchased most of my stock market REITs right after the downturn ripped through their share prices. That is one of the benefits of leveraging the stock market; you can find good discounts if you know how to shop.

Performance. From a performance standpoint, I believe Fundrise holds its ground against my stock market REITs. The REITs on the stock market bounced back from a rough 2020 and saw terrific gains. Fundrise was able to continue to grow consistently, no crash necessary.

Liquidity. The main difference between these REITs is that Fundrise is not as liquid as the stocks on the market. This means that you can't sell out of your position as quickly as on the stock market. If the stock market is open, I can sell all of my REITs in 10 minutes and have my cash in 48 hours.

Fundrise is working to increase its liquidity. However, they are straightforward in telling investors that they can lock you out of your money during a panic event. You see, panic selling during a downturn causes REITs to sell their physical properties, usually at a loss or not at reasonable prices. This causes the Net Asset Value (NAV) to decrease, which isn't good.

Fundrise tries to prevent investors from harming themselves and others by locking investors out of their cash during times of trouble. I wholeheartedly agree and understand their methods.

So only invest in Fundrise what you can afford to lose. Real Estate is a long-term investment, and you are investing in physical properties with Fundrise. Don't expect to jump in and out of assets like the stock market.

Conclusion. Overall, I love having Fundrise sit outside of my stock market investments, ensuring its own asset class. I love the updates on new properties and investments. It keeps investors up-to-date with the happenings in the REIT.

I invest $100/month in Fundrise. I plan on investing in Fundrise for the long term because I see great things in the future. I highly recommend this as a real estate substitute if you can't afford to get into physical real estate yet.

However, I would still invest in a couple of REITs on the stock market. You can find great deals on the stock market if you know how to shop.

Thanks for reading the Intro to REITs series; I will continue my coverage of REITs moving forward. Please follow me on Twitter and my Facebook Page. Enjoy and Happy Investing.

PAY FOR COLLEGE WITH REAL ESTATE

27 Pay for College with Real Estate 101: Real Estate vs. 529 Plan

College costs are skyrocketing every year, and there is nowhere to hide. Sure, your kid may get a full scholarship, but chances are they will have to pay some costs out of pocket. As parents, we have to also worry about our retirements and college for our children.

This financial situation is tough to put on anyone, let alone new parents. But we only have two options: cry about it or solve the problem. I have been sitting on this article series for over two months because I wanted to finish the Creative Financing in Real Estate Series(101, 102, 103, 104, 105, 106) first.

I did this because I can already hear the chatter, "But Josh, I can't afford to buy real estate, blah, blah, blah." I already solved that problem for you; read those articles. Now that we can find a way to pay for our real estate let's decide if we actually need to.

The Magic of Rents: Consistent Wealth

The primary vehicle for saving for college is the 529 savings plan. The 529 program offers some decent tax benefits and ways to transfer to other beneficiaries if necessary. So let's take a look. For a deep dive on 529 plans, go to the Savingforcollege website.

1) Your money goes into the 529 after taxes, similar to a Roth IRA. Your cash also will grow tax-free and can be withdrawn 100% tax-free if used for **qualified** educational expenses. The caveat being the word qualified. Under this definition, plans may not cover some things like transportation and health insurance.

2) There are lifetime limits for your contributions ($235,000-$529,000) but not on the capital gains. This means that you could fund the account rather quickly if you need to. Faster than the $6,000/year of a Roth IRA.

3) You can change beneficiaries as required. So you are not locked into one child; you can change who receives the money. However, it has to be used for higher education or K-12 private schooling. Parents can even give the money to themselves and fund their own higher education.

4) You can withdraw the money at any time; however, there is a penalty for it. First, your capital gains will be taxed at the ordinary tax rate, not the long-term capital gains rate. This tax hit could be a difference between paying 15% or 33%, depending on your bracket. Second, the money you invested will not be taxed again, only your gains.

You will also pay a 10% penalty for withdrawing your money. This penalty only applies to the capital gains as well. So there is a stiff penalty (totaling 35-45%) for removing money outside of educational expenses.

Can real estate provide better options? That is the million-dollar question and one I intend to answer throughout this series. But, first, we need to make some assumptions. In the military, we make assumptions to continue with the planning process—or else we would be caught in a never-ending loop of planning.

So let's assume a few things: we will get a 15-year mortgage, the home will be a rental, and the child will attend an in-state college.

Our goal will be to get $150,000 in time for the child's first year of college. Most of us are already older and thus have older children; however, this is a perfect time to plan our grandkid's college costs. Okay, so here are the scenarios that I will cover in the series. I may add more as time progresses.

102: Buy and Sell Method. In this method, we will buy a house to sell it ultimately to fund the college costs.

103: Home Equity Loan. Here, we will pay off the home entirely by the time our child starts college, but we will take a home equity loan out instead of selling.

104: Rental/Airbnb Method. The home is paid off for this method, and we will use it as a full-time rental.

105: Bachelor pad Method. Here, our child will move in and get roommates to fund his/her college.

106: Overseas College Method. In this method, we can use the most affordable way available to fund a cheaper school overseas.

So we have a lot to discuss throughout the series. Sit back and relax. I know most people do not want to talk about numbers or the future, but we have to get ahead of the game at some point. I'll see you for the next one. Good Luck!

28 Pay for College with Real Estate 102: Buy a House, Sell a House

Good day, and welcome back to the Pay for College with Real Estate Series (101). Today, we will start our technical analysis of ways to leverage real estate to cover the escalating prices of college.

Let's review our assumptions: we will need $150,000 profit, our child is going to an in-state school, the house will be a rental, and we will pay for the house via a 15-year mortgage. For today's scenario, we will be buying a home the day our child is born, with the intent of selling the house entirely upon them entering or graduating college. Let's dive in.

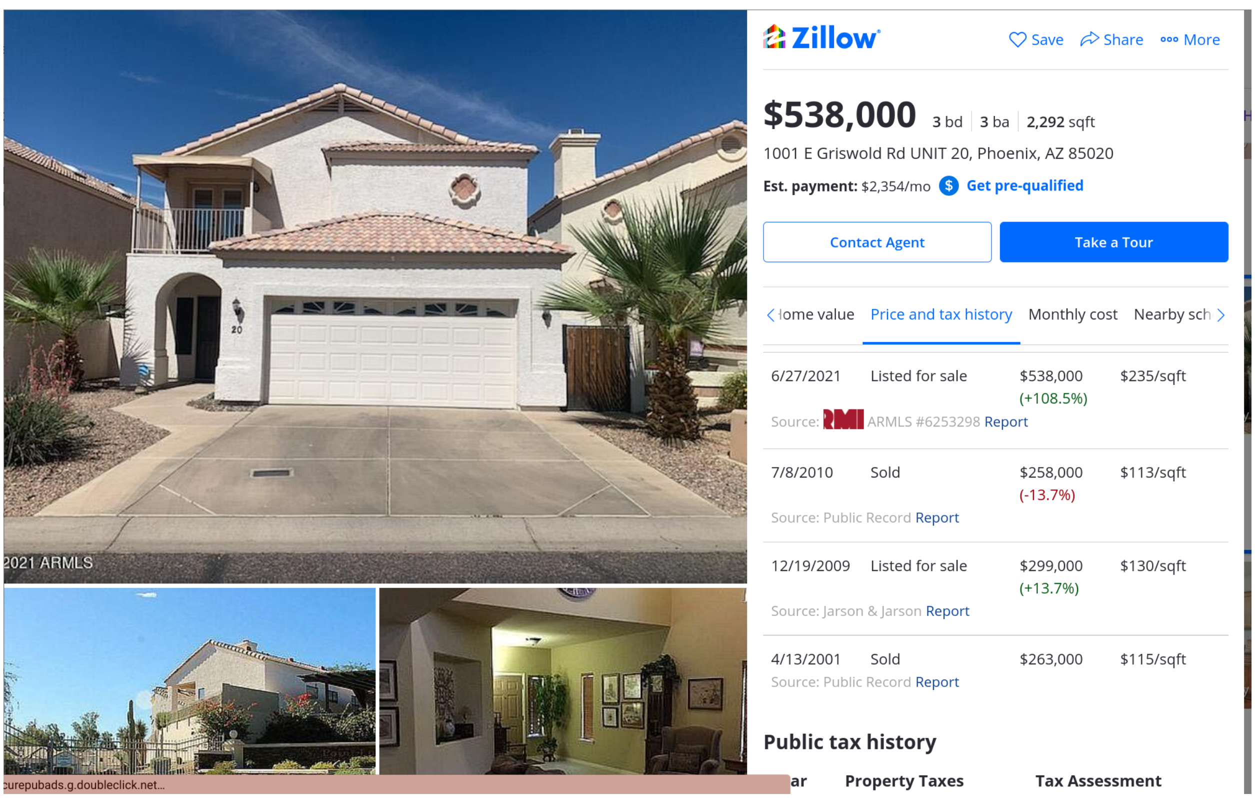
The most crucial part of buying a home to pay for college is how we acquire the home. If we overpay in the beginning, we reduce our chances of coming out on top later. So, let's review some ideas from the Creative Financing in Real Estate Series (101, 102, 103, 104, 105, 106) or Maximum Leverage 1 and 2.

Real Estate Investing 102

We already own our primary residence, so now we need to buy a rental. Programs like the VA loan only work when acquiring a primary residence, so we may need to move into the new home. We can use our old primary as the rental. **We have to be creative**. Creativity is the difference between paying out of pocket for college or having someone else pay out of pocket for your child.

From the financing side of the house, we can leverage home equity from our primary residence to fund the down payment of our new house. If the price of our current mortgage goes up, we will need to find ways around this property to support the difference. Read Mortgage Zero for ideas on this front. We do not want to have out-of-pocket expenses. Someone else can pay the difference.

Remember, we will also be getting a 15-year mortgage, which will make it even more difficult to cash flow our rental property. Cash flow means having money left over after paying for all expenses on your rental property.



Let’s plug in some numbers for context. We are going to buy this expensive house in Phoenix, Arizona. The house price of $538,000 is a lot of money to me, but this is chump change in some areas. But look at the price appreciation between 2010 and 2021 (12 years)—$280,000. We need to get down on numbers like these.

[Use Real Estate as Your Wealth Generator]

First, we need to decide how to fund the $108,000 down payment. Looking at the rental estimate, we could probably get around $3,000/month in rent. This will help us decide if we need to pay the down payment or use the VA loan.

In this particular case, let’s use home equity in our current home to pay for the down payment in our new house. The market is absolutely crazy right now, but we have to get into the game. It is only going to get worse from here on out. That is why it is essential always to follow housing, stocks, business, and crypto trends.

With a $108,000 down payment and a 15-year mortgage, the total cost would be roughly $3,300 a month. So, we would not be cash flowing. But we must become a **TOTAL VISION** investor. Look at all of your assets and see if you are profiting somewhere else.

Remember, the goal isn’t to cash flow this home; it is to pay for college. If we take on a roommate in our primary residence for $1,000/month, and the new mortgage after the home equity line of credit goes up to $300/month, we cash flowing there $700/month. Do not get tunnel vision.

We want to make intelligent decisions that capture everything that we are doing in life in one complete picture. Now, it will be hard to repeat the type of home appreciation that we saw earlier. They bought the home at the bottom of the market (2009) and are selling at the top (2021). By my calculations, the house appreciated at a rate of over 9.3% a year for a total of 112% over 12 years. Just amazing.

[Real Estate Investing: Play Monopoly in Real Life]

However, we want to predict something more reasonable, perhaps 4% a year. 4% a year multiplied by 18 years will equal a 72% increase on top of our $540,000 home. That would give us $388,800 in estimated capital gains and a total home price of $928,800. Nice!

But we also will need to beat the taxman. We will need to consider moving into the home for two years before college. This will allow us to be eligible for the $250,000 tax break on the first $250,000 of profits. Also, our house will be entirely paid off as well. So, if we move in and get a roommate for $1,200/month (rents go up!), that is pure profit that we can put towards a college fund.

Keep in mind; college expenses will have gone up considerably. We may need to consider our child going to community college for the first two years to save a ton of money along the way.

[Buy Land, Start Farm]

It is not a bad way to use real estate because it helps us keep up with inflation in college prices. We will need to be creative to pay the house over 15 years, but with education comes excellent ideas. I know we can do it. The hardest part will be acquiring a place at these outrageous prices. However, we have to do it! Leverage is the name of the game.

The benefit of using this method is that we can make a clean break from home. Every decision that we make can be to sell the house. If we know this, then we may not have to invest as much in capital expenditures (renovations, etc.) as we would if we were keeping the home.

It is a simple, one-and-done transaction. Yes, we predicted the house going up 4% a year—the stock market could have higher returns. But real estate will give us much better options over the 18 years. If times are good, we may extract home equity, fund another home, etc.

I think that buying this home will give us infinitely more decision points than putting our money into a 529 plan. A 529 plan will require less education and less stress, but we are on this Earth to make the tough decisions. We are a sum of the hard choices we make throughout life.

I hope you enjoyed this first technical dive into Using Real Estate to Pay for College. It may seem unreasonable for us in our current situations, but we may be using these techniques for our grandchildren. In 103, we will cover using a home equity loan to pay for college. Until next time, Good Luck!

29 Pay for College with Real Estate 103: Leverage Home Equity Loans

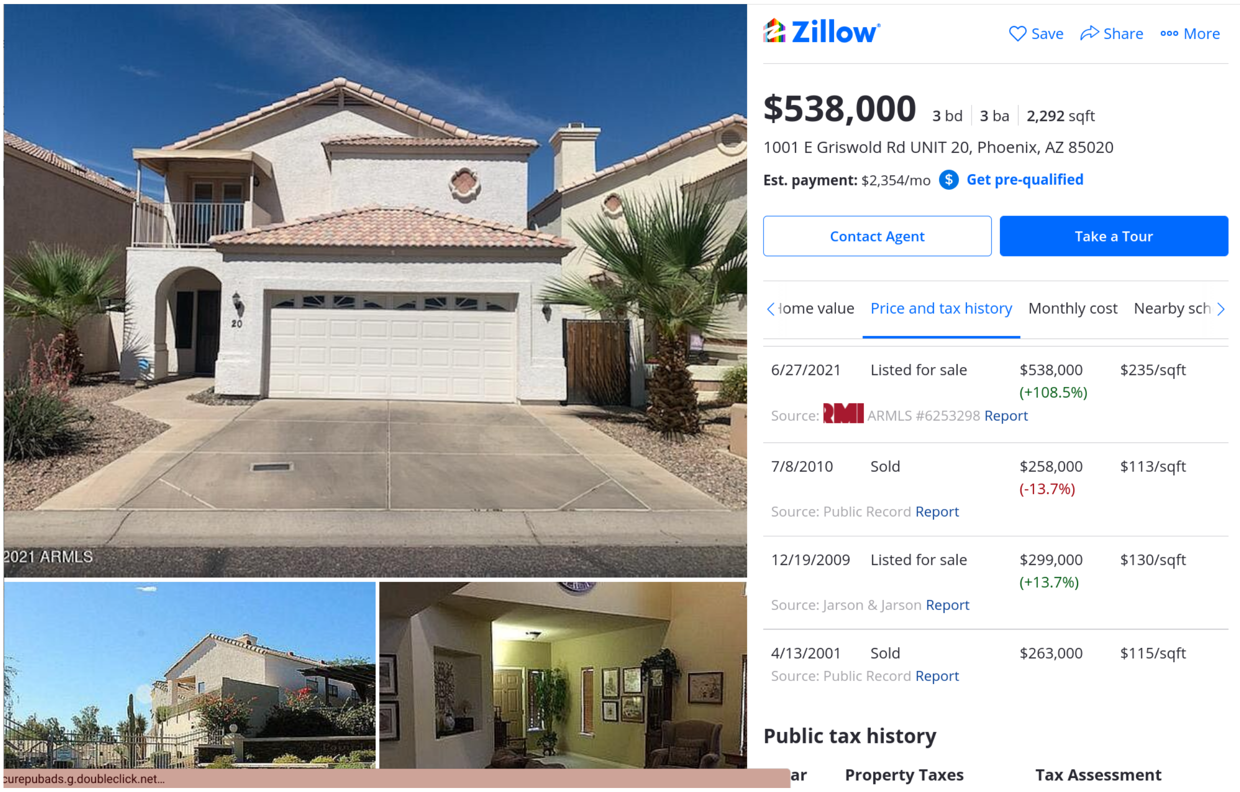
It's time to jump back into our Pay for College with Real Estate 101 Series (101, 102). Last time we covered the concept of buying a home and selling it to pay for college. This method offered a clean-cut experience with no residual stress from real estate.

But, you don't keep any residual cash flow from your rental property when you sell it. You also have to move into the home to take advantage of the $250,000 tax break you receive from selling your primary residence.

Depending on your situation, you may want to keep your home, because of its excellent rental income. Remember, we paid off the house in 15 years, so when our child turns 18, we'd have been collecting three years of mortgage-free rental income.

Real Estate Investing 102

At this point, leveraging home equity may be a powerful alternative to selling your home. Let's run the numbers and see if you can find a usable solution to keeping our home using home equity.



Let's use the numbers from our last article. We bought the home in Phoenix for $538,000, and in 18 years, we assume it will appreciate to the value of $928,800. Since our house will be paid off, that amount is all equity, making it usable for our home equity loan.

We will also assume we can receive $3,000/month in rent payments for this home. Now, the amount we want to have for college is $150,000 total for the four years. The rates on home equity loans vary, but let's assume it will be 7%, roughly double that of a standard mortgage.

[How to Become a Land Millionaire](#)

Using a simple loan calculator, we find a monthly payment of $1,740 on a $150,000 at 7% interest over ten years. Not too shabby. If you shop around, you can probably get this home equity loan down to 6%, making the payment $1,665.

One of the main concerns using this method would be that interest rates are unpredictable. What if inflation set in like in the 1970s and the interest rate was 12%? It could happen; that is why I am writing about all different kinds of scenarios and techniques. We will want to leverage the best one at the time of use.

Some other perks about this method are that our child could live in the home and collect the $3,000 in rent by hosting roommates. This will significantly lower their college receipts and set them up better for their futures.

Use Real Estate as a Wealth Generator

Don’t forget that we can use a home equity line of credit (HELOC) vice a home equity loan. The HELOC differs because you can continually draw cash as you pay it back, sort of like a credit card. We could use that if we had multiple children going to school over a short period.

There are some other options we could take advantage of with this method. Depending on how much we could receive for rental income, we may decide to withdraw more from our home equity loan.

This extra cash could be used as capital for other investments or businesses. Let’s say our child wanted to start a rental car business for extra income during college. How about converting the garage into a rental space. We can use the money to improve our current income situation better.

We could also take out some cash to put into a dividend portfolio. You would be borrowing money at 7%, so hopefully, you would attempt to get at least 8% annually in returns. But throughout your child’s lifetime, that investment at age 18 would have an immense effect on their wealth.

I like this method because I am a buy-and-hold style investor. I want to keep the chicken because it lays golden eggs. Because we did our due diligence, paid off our home in 15 years, and leveraged rental markets, we would be in a great position to not only pay for college but also tap other investment ideas.

What do you think of using home equity to pay for college? Compared to the other methods, 529 savings and selling your home, how do you like this idea?

Stay tuned for the next installment in the Pay for College with Real Estate 101 series, which will cover performing a cash-out refinance. It is similar to home equity, with some key differences as well. Enjoy and Happy Investing!

30 Pay for College with Real Estate 104: Cash-Out Refinance

Welcome back to the Pay for College with Real Estate series (101, 102, 103). Today is a good day because we will take advantage of low mortgage rates to refinance our house to pay for our kids' or grandkids' college.

Let's do a quick refresher. We bought a home in Yuma, Arizona, for $538,000, and over 18 years, we plan for it to appreciate to $928,000. We also assumed a 15-year mortgage that we will pay off before our kids go to college.

We have almost $1 million in equity, and we need $150,000 for our child's college. We have a ton of options. We decide to use a cash-out refinance vs. a home equity loan in this scenario. So, what is the difference between the two home equity products?

We Make $50/day in Passive Income

The main differences are that we can take out more money with a cash-out refinance and pay back (amortize) the loan over 30 years. This will give us the lowest possible payments and take out the most cash for other investments.

With a cash-out refinance, we can take up to 78% loan to value from our house. Loan-to-value is the amount that we owe the bank versus what the home is worth. Put it this way; the bank wants to keep equity in your house. If something goes wrong with the loan, they want to have the option to sell your home at a profit. With that in mind, they will not loan you more money than the house is worth.

What does a 78% loan-to-value ratio mean for our $928,000 home? Using our maths skills, we will arrive at $723,840 of usable home equity. Obviously, we wouldn't want to maximize this amount unless we had multiple kids in college or had a great investment to jump into.

Now, let's talk about how we will pay back our loan—we need to run the numbers versus what we can collect for rents. First, we need to decide a good amount to take out, so let's take out $500,000. This withdrawal is much more than our home equity loan. We will need to do big things with this money.

Our payment on a $500,000 mortgage at a 3% interest rate will be $2,500/month. For the other articles in the series, we concluded that we could charge $3,000/month. It is always good to have someone else pay back your loans.

Our kids could either live in the home, have roommates, and collect $3,000/month or rent out the house entirely. Being a young person, I would assume it would be cooler to have your own home with friends.

But Land, Start Farm

The college costs will run us $150,000; what will we do with the remaining money? The most important thing is ensuring our money is working for us. The velocity of money states that the faster we get our money in and out of investments, the richer we become.

With $350,000 remaining, I would invest in a rental property in a small city, probably in the southern United States. I should still be able to find a decent property in Alabama, Mississippi, or western Florida.

Why would you buy another home? To keep the lifecycle of real estate going, each area we invest in becomes hyper-expensive, driving us to another location to make better profits. This cycle is how America keeps expanding.

Maximum Leverage: But Homes with No Money Down

The big cities become so expensive that suburbs start to grow larger and larger. Then the suburbs become big cities of their own, causing people to move to entirely different states. We need to get into that growth as early as possible.

If our 18-year-old has a home in a small city, we have pretty much guaranteed his cash flow retirement system. Whether he sells this home during retirement or rents for the entirety of his life, he will be set.

Not a bad plan, plus his renters will be paying for the mortgage in Yuma. I believe making that colossal investment at age 18 will be the main difference between a cash-out refinance and a home equity loan.

We can use the $350,000 for many other ideas, but we will have to align our own goals, personalities, risk tolerance, and knowledge to find the best investments.

Some other options are to build a considerable dividend portfolio for our son. We can max out his Roth IRA and squeeze together a combination of index funds, blue-chip stocks, and high-yield products to build a fantastic dividend portfolio. I always aim for 4% growth and 4% dividend yield for the course of the lifespan of our portfolio.

Creative Financing in Real Estate 105: Hard Money

Without adding a single penny past our initial $350,000 investment, and with an 8% annual return (reinvesting dividends) over 40 years (my son turns 58), that portfolio will be $7.6 million. Not too shabby if you ask me.

We can also invest in expanding our home in Yuma for more rental income. For example, finishing an attic or converting the garage to an Airbnb. We can start a rental car business, which would be great for a college environment.

We can also use leverage. Leverage is why real estate is the I.D.E.A.L. investment. Instead of buying one home in Alabama outright, we can drop 20% down payments on multiple homes. With a home price of $200,000, we would need $40,000 down to get the ball rolling per home.

We could purchase at least 4-5 homes using leverage. The remaining money can be used as our protection for renters. Also, we could start our property management business with some of the remaining funds.

We can make many choices as long as we use our brains and calculators to make decisions. Emotions can sweep over us from time to time; however, the calculator never lies.

Prepare for Inflation

Overall, this particular option path leads to college success and lifelong freedom because of investing the additional funds in robust investments. Our children will be lucky to have such great opportunities at age 18—with us supervising, of course.

Everything we have learned about a financial mindset, retirement planning, investing, cryptocurrencies, real estate, and business comes into play when we have excess cash. Whether we receive $4,000 or $400,000, we need to make that money work for us by using our knowledge and experience.

If you have no clue how to invest a lump sum of money, no matter the size, I implore you to start learning the ways of passive income. If we work hard and educate ourselves, we will find luck with money; however, it is our job to learn how to make our money work. Then, we have to continue to pay it forward by constantly teaching our children the same techniques.

I think I am partial to the cash-out refinance method thus far into the series. Having a considerable lump sum can assist our kids' towards a significant cash flow retirement. Next time, we will talk about using rental income to pay for college. Enjoy and Happy Investing.

31 Pay for College with Real Estate 105: Rental Wins

Welcome back to the Pay for College with Real Estate series (101, 102, 103, 104), where we use the capital appreciation of real estate to counteract rising college prices. Today, we are looking at keeping our home and using the rental income to pay for college.

Use Real Estate to Pay for College

Let’s do a quick refresher. We bought a home in Yuma, Arizona, for $538,000, and over 18 years, we plan to appreciate $928,000. We also assumed a 15-year mortgage that we will pay off before our kids go to college.

We will want to maximize rental income for today’s scenario by making key modifications to extract as much income as possible. Also, our child will be living in the home, where he can serve as the residential manager (or house boss).

How to Buy Homes Today

Remember, we paid off our home in 15 years, so we have three years of rental income before our child starts college. At $3,000/month, that gives us $108,000 to use towards renovations and upgrades. I want to make good use of this money by thinking strategically.

Our home was a three-bedroom, three-bathroom, 2,300 square foot house. Something tells me that there is a large area of unused space, perhaps a large den or gaming area. The first thing we want to do is ensure that we can convert that area into rentable space.

Also, I would want to add one more bathroom into the main space, giving us four bedrooms and four bathrooms. We can charge a lot more when each tenant has a private bathroom. I know the house I choose is in a neighborhood, but we want a home with some land in reality. This way, we don’t have to worry about parking, noise, and neighbors.

Finally, we will want to convert the garage into a substantial livable area. We can turn it into a one-bedroom place with separate living and sleeping areas. Then add its own air conditioning, bathroom, kitchenette, and entrance.

In total, our renovated home would have five bedrooms and five bathrooms, and the square footage would have jumped to 3,000 square feet. Not too bad, and now it’s time to get this baby on the market and see how much we can receive from rental income.

Start a Community Garden and U-Pick-It Farm

Our son would live in the smallest room in the home to collect as much from everyone else as possible. With each tenant having their own bathroom, we can charge a little more than the dorms.

Rental rooms 1 and 2 would be the smaller of the remaining three rooms in the main house. We would charge $1,200/month for these. Rental room three would be the master suite, which of course, would be more prominent and command a premium. It costs to live like a king. We would charge $1,500/month for the master.

Finally, the converted garage with its own entrance, bathroom, living room, air conditioner, kitchenette, and bedroom will command a considerable premium. It is basically its own apartment; thus, we can charge apartment prices. It will go for $2,000/month.

Let's do a quick tally of our rental income thus far, and yes, we are going to add even more income. We have rental room 1 ($1,200), rental room 2 ($1,200), master suite ($1,500), and converted garage ($2,000), for a grand total of $5,900/month. Now, let's try to maximize even more income out of the home.

I recently read a book titled "40 Ways to Increase the Net Income of Your Rental Property." which fits this scenario perfectly. The book brainstorms ideas to increase the income of your property by adding value to your tenants.

Inflation vs. Rents

We can start by adding a storage shed in the backyard. I wouldn't expect college kids to need storage space, but we can rent the converted garage to an older person. They love to use storage. Let's say we can collect $100/month from storage.

We can have bikes for rent for the tenants. The cool thing about this is that my son can handle the maintenance of the bike, which is a massive benefit to the others. Let's say we collect $100/month from bike rentals.

We can also rent a car for our housemates—this would be a perfect situation because of a lack of parking. We can create a shuttle-style schedule, where we leave for school simultaneously and return together. If the tenants needed to use the car for personal errands, they could pay for each use. They would save a ton of money by only paying on a case-by-case basis. We could collect $400/month from a house rental car.

Another option is to have high-end furniture and appliances for rent in the home. People like nice things but don't necessarily want to own them. We can get with our tenants and see what items they would like to see in the home. We can have high-end mixers, cappuccino machines, smoothies, etc. They could pay a monthly fee to access these items to collect $100/month for house items.

Lawsuit, Inheritance, Lottery: Is That How You Plan to Get Rich?

Adding a fitness center to the home would be a great way to add more income. If we had some land, we could add a pre-built barnhouse on the property. We would just need to have electricity and air conditioning, plus the gym equipment. I think we could be operational for $20,000. However, we could charge each tenant $20/month for gym use. This would also be saving us personal money for going to the gym as well. We can collect $100/month from our gym. We also can advertise the gym to local trainers who can come and use it with their clients. It'll be a lot cheaper for them than using a significant neighborhood gym. That would bring in $200/month.

We can run a little convenience store inside the home. Remember, these are college kids. We can keep things like beer, chips, salsa, dip, and candy in our store. Think about when you go to a Marriott hotel, and there is that little high-priced store they maintain in the lobby. Same thing here, and they can charge the items to the rent. We can make a good amount of income by tailoring the store to the personal taste of tenets. I predict $300/month for our convenience store.

[Happy Financial Independence Day]

Finally, we can have a gaming room. We can have high-end chairs, game consoles, and the newest games. Everyone wants to be a gamer, but it can be costly. Our son has a great sponsor, us, that can assist with purchasing these things. We would just charge a monthly fee to access the gaming room. We can make $200/month from gaming-related charges.

Let's tally up our side hustle income and see where we stand. Storage space ($100), bikes ($100), rental car ($400), high-end appliances ($100), gym ($100), gym trainers ($200), convenience store ($300), and game room ($200). This totals $1,500/month. Wow, it's like having another tenant.

Of course, we only can do what makes sense and what the tenants find valuable. Do not think that our son has to run everything by himself. We like to use the word **leverage**, meaning that if one tenant finds the use of these side hustles, you can put them in charge for discounted rates. For example, if they want to run the car business, they could pay half price for using it for errands. Some people want to get involved. Learn how to leverage people early, and it will multiply your productivity and income.

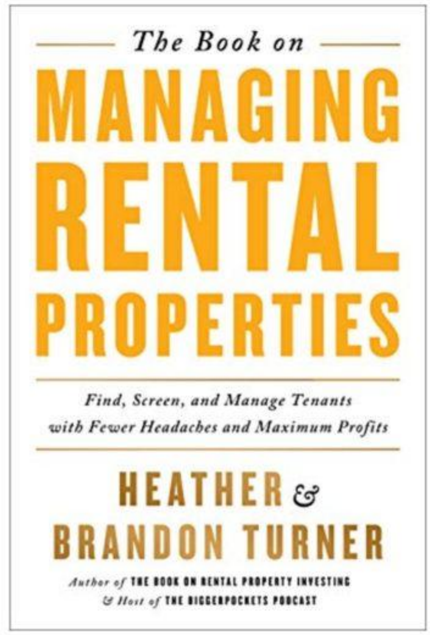
[Happiness Isn't Free]

Now, for the grand total of our rental home. The rental income is $5,900/month, plus the side hustles are $1,500/month, for a final tally of $7,400/month. Remember, we need $150,000 to pay for college.

We can do the math for four years of running this rental house at $7,400/month. The total is $355,000, which pays for our college twice over. It truly pays to read books and use leverage to extract as much income as we can from our property.

Again, we would want to have land to keep this madhouse away from other neighbors. Overall, I love this idea; however, it requires our son to be hyper mature at age 18. Handling tenants and businesses are things most adults can't do. That is why we start building our kids to have a responsibility mindset today. Life is easy when we understand what we are doing and, more importantly, why we are doing it. Thanks for reading the Pay for College with Real Estate Series; there will be more to come. Enjoy and Happy Investing.

REAL ESTATE BOOK TAKEAWAYS



32 “The Book on Managing Rental Properties”

Do you want to save a ton of money throughout your lifetime? Yeah, who doesn’t? Managing your own rental properties can save you thousands upon thousands of dollars over the course of your life. But is it something that you genuinely want to do?

“The Book on Managing Rental Properties” by Brandon and Heather Turner is a must-read if you are on the fence about becoming a landlord. This book is the bible of managing rental properties. I am a somewhat fast reader, and this book took me two weeks to complete.

Managing properties is not for everyone, and I hope that you realize where you sit on the decision. Some groups do not like confrontation, and others do not like dealing with people in general.

Others love the control and satisfaction of managing their own things. My wife and I have three properties and address each one differently. One property we out-source with a property management firm, the other we manage ourselves, and we finally rent out two rooms which fall somewhere in the middle.

This book will give you the information you need to start and grow your property management company if you so choose. Let’s get into my five takeaways.

1) Landlords have a ton of tasks to complete. We all consider rental income passive, but you have to understand that being a landlord can be busy. As you learn the ropes and make airtight standard operating procedures, your workload will stabilize.

2) Not everyone is meant to be a landlord. Running a property and tenants requires you to have discipline, firmness, initiative, and attention to detail. You also need to be a good records keeper and have a meticulous personality.

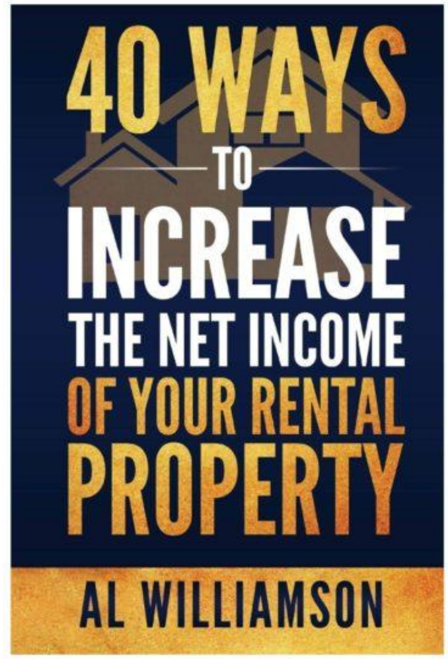
3) Knowing the laws for collecting a security deposit is vital. Each state has various rules on when to collect and how to store the security deposit. There is also a difference between a fee and a deposit—you have to return deposits.

4) Fair Housing Laws will be the thing that gets most landlords in trouble. Asking about a handicap, race, children, service dogs, etc., can lead to a lawsuit. Read and comprehend all federal and state fair housing laws. Most of them are common sense, but some will blow your mind, i.e., the rules about medical marijuana.

5) Screening potential applicants is where you make your money. If there is any task that you should spend the majority of your time on, it's this. You will need to perform background checks, eviction records, employment referrals, prior housing referrals, and credit checks. Finding a wonderful tenant will be a great thing for you and them.

After reading this book, I am somewhere in the middle of my decision to manage more properties as we obtain them. There is genuinely much work that goes into managing properties, but no one is better suited to do this than us. After 22 years in the Marines, managing stuff is all second nature.

“The Book on Managing Properties” is a must-read for EVERYONE who is even considering buying a home. Learning is never a bad thing, and if you find yourself suddenly as a landlord, you will have some prior knowledge on the topic. I feel as though I absorbed all their years of experience and can utilize this information as required. That is why I love reading. Go get this book.



33 “40 Ways to Increase the Net Income of Your Rental Property”

Man, I sure do love passive income! And the book “[40 Ways to Increase The Net Income of Your Rental Property]” by Al Williamson delivers on the promise to reveal ideas on ways to increase passive income sources.

The book is split up into multiple categories, each containing passive income ideas. It is mainly for owners of apartment buildings, but some of these ideas can be used in single-family residences. Adding multiple income streams is the best way to increase your passive money while not reinventing the wheel.

If you own land, you are also in luck. Many of the ideas involve using land to maximize income from things like farms and self-storage. This book is also short and to the point. It doesn't overextend its stay. You can most likely finish it in two hours of hardcore reading.

But enough of me talking, let’s review some of my favorite passive income ideas from the book.

1) **Fitness center.** I liked this idea because it was original. Instead of charging a gym membership, you would charge gym trainers to rent the space for their business ventures—a very unique idea and one that works well.

2) **Bamboo and Timber.** I do not have timber in my yard, but I have a ton of bamboo. There are ways to get a steady stream of income from bamboo. I can also plant rare bamboo to extract even more money. Yes!

3) **Parking.** Having three acres is fantastic, but we can actually make some money from it. If there are events nearby, we can use our land for parking access. There aren't too many events around our house now, but maybe as the town expands.

4) **Drop off laundry.** Instead of just offering a laundromat, offer to wash, fold, and deliver laundry to your residents. Many people would pay for this service, especially when they are busy. You can commission another resident to run it for you.

5) **Renting appliances or furnishings.** Your residents want nice things but may not like to purchase them. If you have a nice refrigerator to rent, say for $25/month on top of rent, you stand to make some good money.

These were just five of the forty ideas. The author also goes into more detail in some of the more robust passive income scenarios as well—overall, a great, short book. I have begun to value shorter books—direct, to the point, and lots of ideas and information. This book is a Win-Win-Win and a must-buy for passive income seekers.

[This link is to a physical product. The link above is to the digital book. Sorry. I get no credit for digital product links.]()

34 "Buy, Rehab, Rent, Refinance, Repeat"

"[Buy, Rehab, Rent, Refinance, Repeat]()" by David Greene is probably the best book I have read outside of Robert Kiyosaki's collection. It kept me on the edge of my seat for the entire 300+

page book. No, it's not a mystery; it is just a combination of investing, business, real estate, and talent management.

Of course, these are all things I am highly interested in researching and learning. The author breaks down each step of the process in immense detail—to the point that each section could be its own book.

The idea behind BRRRR is to buy your first home for cash, rehab it to increase its value, rent the property, and finally refinance and take your money out. If done correctly, you'll have a large sum of your money back (maybe all of it) and keep the cash-flowing property.

If you can do this enough, well, you'll be rich with cash flow. This book gives us all the processes to analyze deals, find fantastic team members, rent for the proper amounts, and get good lenders to refinance your loan.

I love this book because it is all about adding value. To become a top investor, you'll need to add value to your team members. Your big four consists of your real estate agent, contractor, lender, and property manager; they will add value to your investing platform. If you add value to them, they will add value to you. I am a huge fan of adding value all around. Let's get into my five takeaways.

1) **Buy.** You make your money when you buy, not when you sell. Analyzing your deal, running the numbers, and being honest are necessary to be successful. Take emotions out of the process.

2) **Rehab.** Asking for an itemized list of tasks from your contractor can save you tons of money. If you can see what job costs a specific amount of money, you can get second opinions or investigate the costs. Most investors ask for something like "Total Rehab will cost $30,000." By asking the contractor to go deeper and even purchasing the materials yourself, you stand to keep your rehab on budget and on track.

3) **Rent.** Finding the right property manager is vital to the renting phase of your investing career. Try to find a PM that is also an investor. You'll have to trust this person to have your back when it comes to maximizing rents.

4) **Refinance.** Know what your lender is looking for before you conduct your rehab. Some lenders are looking for single-family properties, and others are commercial. Align your investing pieces with a lender moving in the same direction as you.

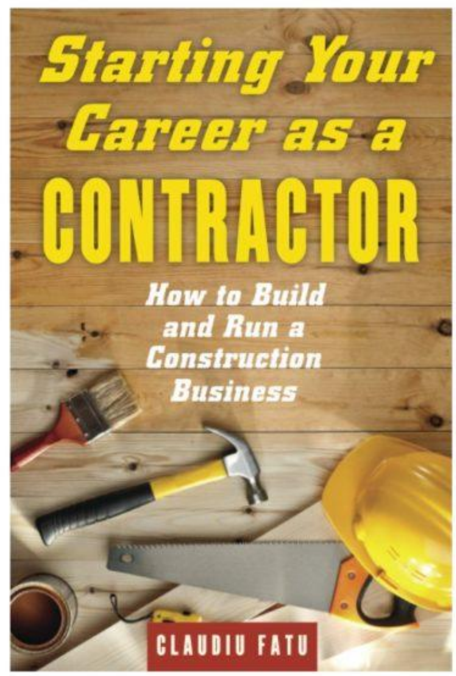
5) **Repeat.** My favorite, and something the military is good at, is creating systems for everyone to follow behind you. To become a great investor, you will need to offload tasks to others so that you can operate within your peak performance areas.

Again, I return to adding value. That is the general theme of the book. If you are an out-of-state investor, you will need to add value inside the new city before you can assemble an incredible team.

As entrepreneurs, we should understand that adding value, even in real estate investing, is the name of the game. If you can do that, choose great talent, and systemize your successes, you are well on your way to becoming a great investor. I highly recommend this book to anyone, entrepreneur, investor, real estate agent, etc.

This book has so much value; I cannot write it all in a short article. It also contains a subsection about renting rooms, which is my favorite path to wealth creation. Grab this book!

[This link is to a physical product. The link above is to the digital book. Sorry. I get no credit for digital product links.]



35 "Starting Your Career as a Contractor"

"[Starting Your Career as a Contractor]" by Claudiu Fatu fills an integral part of my knowledge of the world of real estate. As a real estate investor, there are four top professionals you will interact with to perform the best deals: lender, property manager, real estate agent, and general contractor.

I have already read books on all the other three professionals, so this book helped close my education gap in general contracting. To say I learned a lot would be an understatement. General contractors (GC) are entrepreneurs running their own big-time businesses.

They account for tools, materials, overhead, labor, and taxes. A lot is going on in the world of general contracting, and not everyone can survive life as a general contractor. After reading this book, I am confident I have the tools to pick an above-average general contractor out of a line-up. But first, let's get into my five takeaways.

1) Renovations can be a very lucrative business because a home is built once and renovated many times. Being a general contractor in this space allows you more freedom with less permitting and stress than building houses.

2) Although you can become a general contractor without needing construction skills, you should have valuable construction experience if you want to succeed. Your track record on other jobs is your credibility. Your credibility is your currency and what allows you to secure contracts and hire top talent.

3) It is on you to collect state taxes from your client. You charge them on top of your total costs and estimates. If you don't charge them, you will have to pay THEIR state taxes out of your pocket.

4) You are required to provide a lot of insurance for yourself, your workers, and the job site. Some of the insurance requirements are contractor's license, liability insurance, worker's compensation, and disability insurance.

5) Pick a great name and logo and use them everywhere, including business cards, websites, and letterhead. Also, having t-shirts made for your team is an invaluable way to advertise.

Accounting for overhead and your salary is vital to staying afloat and receiving your fair payments. Overhead consists of car insurance, loans payments, equipment maintenance, internet, phone bills, etc. You can choose your salary amount as well.

If you choose your salary to be $100,000, you will need to have enough revenue from jobs to cover this amount. You will account for overhead as either a weekly amount or a percentage of each job. Your salary comes as part of the labor costs per job. Never underbid a job and take a hit to your profit margins. You'll regret trying to complete a job but losing money.

Overall, this book gave me a deep insight into general contracting. I have no intention of being a contractor, but I will deal with them in the future. I have had good experiences with GC, but I have also had many bad ones.

Reading this book now shows me little details I can expect from an exceptional GC. Things like letterhead, estimates, t-shirts, timeliness, etc., add up to give a professional appearance. The chances are that if they look professional, talk professional, and act professional, they will be professional. I highly recommend this book to future general contractors and all real estate investors.

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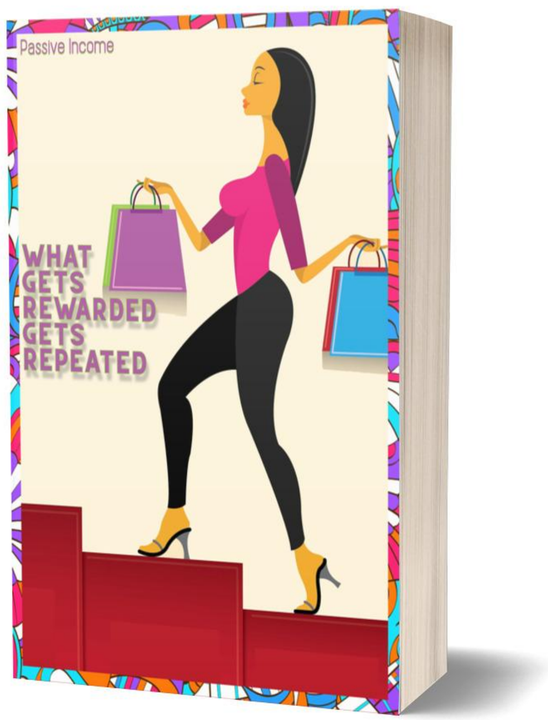

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How to Create
Passive
Income
For
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