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The Millionaire Real Estate Investor

Tips for increasing your income and your net worth, based on Gary Keller's "anyone can do it" bestselling how-to guide, *The Millionaire Real Estate Investor*

Part three of a three-part series

In parts one and two of this series, we introduced the first two of The Millionaire Real Estate Investor's four stages for entering and flourishing in the real estate investment market. We covered the importance of terms, criteria and network, explained why modeling best practices is the best way to produce optimal results in your investing career, and explored why Stage #1, Think Like a Millionaire, is critical before moving into action. From there, we covered Stage #2, which is the Buy Like a Millionaire stage, highlighting the best practice models that Millionaire Real Estate Investors use to ensure that they're not gambling with their real estate acquisitions. To read parts I and II, simply visit www.mortgageplanneruniversity.com/advisor.

In part three and the conclusion of our three-part series, we will discuss the way to 'Own a Million' and 'Receive a Million' from your real estate investments, according to *The Millionaire Real Estate Investor*.

Stage #3: Own a Million

The third stage of the Millionaire Real Estate Investor formula requires a shift in thinking from the previous focus of "buying it right," which focuses on the tried-and-true acquisition strategies of the Millionaire Real Estate Investors interviewed for Keller's book, to the long-term intention of "growing it right" which focuses more on ownership and operational strategies.

There are five principle areas that will require direct action for growing and maximizing your real estate investments. Those five are Criteria, Terms, Network, Money and You.

Criteria

As stringent as your criteria for evaluating and buying properties have been to this point, you'll need to define them even more. Your experience will demonstrate the way different criteria impact the results of your investments. Make sound adjustments as you see fit.

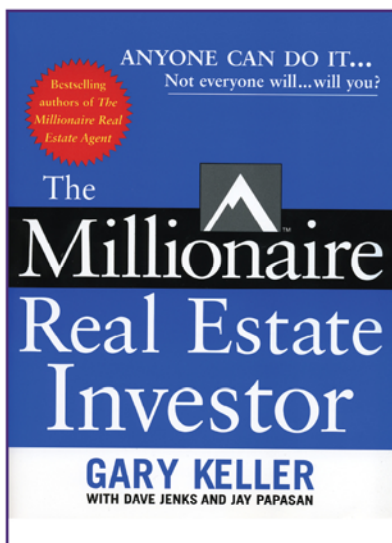
When you refine the requirements you provide to your Lead Network, you'll also shorten the time it takes to sort out prospects from suspects.

Keller strongly advises to stick with what's working. Don't let greed or the desire for novelty lead you astray. "Pick a niche and get rich," he advises. "Learn the niche, master the niche and eventually own the niche." If your niche gets maxed out, consider your switch carefully. Avoid knee-jerk reactions and be willing to learn before taking action. Never make an uneducated move. When evaluating criteria, remember to think in units. Since each building will require both property management and leasing services, it's more efficient to have more units under one roof. Handling one 100-unit building will be much easier than handling 100 single family houses.

Terms

Although your criteria are important for finding the right properties, your long term success as a real estate investor will be hinged upon your ability to understand and secure the right terms for the deal. Terms are what make a deal worth doing. Controlling the deal, getting into the deal for a more optimal price, generating greater cash flow and getting a maximum return when you sell are critical to your success. In real estate investing, there are three types of terms: acquisition terms, operating terms and disposition terms. Because the key to long term wealth is in the "buy and hold" strategy, it's imperative that you understand and master the model for this methodology.

Buying, operating and selling are interconnected, so actions in one area will inevitably affect the other two. For this reason, it's a good idea to create a standard property ownership model to use as a baseline for comparison. The Millionaire Real Estate Investor uses a standard model based on a current market value of \$100,000, 10 percent discounted purchase price, 20 percent down payment, 5 percent annual appreciation in market value,



5 percent appreciation in market rents, initial monthly rents of 0.8 percent of market value, expenses and vacancy rates at 40 percent of rental income and a 30-year loan at 7.43 percent. Use your standard model to project annual cash flow and annual return on investment not only in year one, but in subsequent years as well. By adjusting the variables you'll see how different terms impact your bottom line financial standing.

In order to maximize their cash flow and ROI, Millionaire Real Estate Investors who own \$1 million or more in real estate holdings outside of their primary residence place their focus on controlling the property and negotiating everything, taking full advantage of creative financing, maximizing their net operating income, and knowing their options for disposition. Understanding all of your options in each of these categories will help you to structure deals in a way that's most favorable to you.

Network

Millionaire Real Estate Investors know that teamwork is a fundamental aspect of all business operating principles and place top priority in associating with talented people. They work with people who excel at their work, do what they love and love what they do. It's the difference between a job that's done adequately and a job that exceeds expectations. It is important to continually cultivate your network of talented individuals. Keller's Millionaire Real Estate investors recognize that it's nearly impossible to do everything themselves and constantly elevate the level of the people they work with. They seek out the best and constantly raise the bar. This is how they leverage their networks. They find the best people to delegate to.

When dealing with your network of people, make sure to get everything in writing. This includes bids, proposals, work orders, and job descriptions. Get your documents signed by both parties, up front. It will save you a lot of time and headaches in the long run.

Finally, in dealing with your network, it's imperative that you operate in integrity. Your reputation is your most valuable asset. Protect it. As an investor, your reputation will be made and kept in the way that you make offers and conduct your transactions. According to Millionaire Real Estate Investor Bob Cook of Adairsville, Georgia, "The job of a real estate investor is not to buy

and sell real estate, but to solve people's real estate problems." Embark on win-win deals. Your reputation and your business depend upon it.

Money

Since the goal of the Own a Million strategy is to build equity, it makes sense to put that money to work. Think of your money as an employee and put it to work for you. Meticulously track your investments and expenses to have a clear idea of where things stand. It is only then that you'll be able to make sound adjustments if needed. Always, always hold your money accountable.

In addition to tracking their ROI and ROE, Millionaire Real Estate Investors work to minimize their tax exposure. They do this by keeping track of all their expenses, including the costs they incur in generating leads and evaluating properties. Get a great tax accountant that specializes in real estate investment as part of your close network. Your tax advisor can also help you reduce your capital gains taxes, which you can do through IRAs and 1031 exchanges. 1031 exchanges allow you to keep purchasing larger and more expensive properties without having to pay taxes on the properties you sell. Mind your money, hire a knowledgeable and experienced tax accountant and keep your money working for you.

You

You are the center of your operation. As such, you'll need to cultivate and manage your time and activities with deliberate attention. Your time is arguably your most valuable asset, so it is critical to make sure you value, protect and invest it wisely. One of the best ways to optimize your time is to hire people, like property managers, to take care of tasks that don't directly generate revenue. You'll also want to protect your assets, so it is also important to start entity and estate planning as early in your investment career as possible. It may seem like an unnecessary expense, but it can protect you from expensive mistakes early on.

As you push forward in your investing career, keep learning. Even the most veteran Millionaire Real Estate Investors know that learning from each deal results in more leverage in future deals. The more you learn, the more you'll earn. Also, be accountable with your time and actions. Meet with a mentor, coach, consultant or peer investor regularly to review your actions, evaluate your results and commit to your next action steps.

According to Keller, success is highly based on accountability — it's 10 percent having a clear and stated goal, 10 percent having an action plan, and 80 percent accountability.

As you review the five principle areas of the Own a Million investor, remember the big picture. Successful real estate investing comes down to getting in for less, maximizing cash flow, avoiding taxes and increasing return on investment.

Stage #4: Receive a Million

The final stage in The Millionaire Real Estate Investor program is positioning yourself to Receive a Million in annual pretax income. Keller asserts that it is very possible to move from the day-to-day work of investing into the ranks of these high-level investors if you follow the previous three stages of the Millionaire Real Estate Investor formula.

In order to achieve this goal, first determine what it will take to reach this level. Designate a specific time frame for reaching your goal. From there, you can get an idea of how much real estate it will take to produce your desired earnings in a specified amount of time. In his book, Keller details four distinct angles to achieving the Receive a Million goal, which show how your acquisition, holding and disposition strategies will affect your immediate and longer term income.

As you move closer toward this level, you'll need to start focusing more on refining your skills at leveraging people. You'll move from managing your own time to managing others, whether those individuals are your administrative personnel or your CEO. Hiring and managing the right people will allow you to engage in your life and enjoy the fruits of your labor.

"The path to Receive a Million ends when you decide to end it," Keller states. "Never put caps on your financial potential — your potential to buy, own, receive and even give all the wealth you can imagine."

As a final note, remember that philanthropy is one of the critical stages in the path of wealth. "Financial wealth is never truly owned," asserts Keller. Some choose to give back along the way while others wait until the later stages. Either way, charitable giving is a long-established and vital part of wealth. The highest levels of achievement occur in good stewardship and passing it on.



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To arrange a mortgage planning consultation on strategies discussed in this article, please give me a call.