

Maximize Your Income

Simple Ways to Invest In Real Estate

&

My Promise to the Investor

My Goal is to Help! You Get the

Best!

Return on Your Investment

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WHAT IS REAL ESTATE INVESTING?

Real estate investing involves an exchange of real estate with the goal of gaining some type of benefit in exchange for that exchange. This exchange can be in the form of a purchase, ownership, management, rental and/or sale. Improvement is also a form of real estate investing and is generally considered to be a sub-specialty of real estate investing called real estate development. Flipping is another form of real estate investing and profits come from either buying properties low and selling them high; this practice often occurs in a rapidly rising market. Another form of flipping is buying a house that needs repair and fixing it up before reselling it for a profit, also known as "fix and flip".

Investment can be very risky and may result in a "flop" should the investor not understand the science behind the real estate investing process. The primary cause of real estate investment failure is that the investor goes into negative cash flow for a period of time. This negative cash flow is unsustainable, therefore, causing the investor to have to resell the property at a loss, go into foreclosure or go into insolvency.

A real estate investor must be careful to evaluate the real estate market and purchases property with the intention of building wealth. A real estate investor should never become emotionally attached to the investment property or this will cause the investor to operate based on his/her feelings rather than logic and intellect.

BENEFITS OF INVESTING IN REAL ESTATE

Investing in real estate involves taking a chance and believing for the best outcome; it's one of the best ways to build wealth over the long-haul –this is the overall desire of the real estate investor. Below, you will find the top ways that you can earn a return on your real estate investment.

Cash Flow or Rate of Return

One of the greatest benefits of real estate investment is positive cash flow. Positive cash flow is what is left over after you collect the rent and pay your mortgage, taxes, insurance and any repairs. These payments are considered expenses. However, the extra money that is left after all the bills have been paid positive cash flow can provide ongoing passive monthly.

Paying Down the Principal

When you buy a rental property using a mortgage loan, your tenant is actually the one paying the mortgage payment! This arrangement increases your net worth each month.

Appreciation

While the loan is being paid down by your tenants, the value of real estate, generally, goes up- over time. This is appreciation- your real estate investment going up in value over time.

Recession is the opposite of appreciation. Unfortunately, does occur. This happens when an investor buys at the wrong time for the wrong

reasons and the value of their property decreases. This is why, me as your realtor, I will provide you with a market analysis to help you determine the best time to invest and what type of property to invest.

Federal Tax Benefits

There is a wonderful thing called depreciation. Depreciation is a reduction in the value of an asset, over time, because of wear and tear. Because of this, you, as a real estate investor, are allowed to deduct a portion of your property value from your income. If you have enough depreciation and work full time as a real estate professional, depreciation comes in real handy.

Additionally, rental income is considered passive income. This means that rental income is not subject to self employment taxes. This is awesome!

Leverage of OPM

OPN stands for “Other People’s Money”. When investing in real estate, using other people’s money is commonplace. Understand this very clearly, you can structure your investment deals so no money comes out of your pocket, yet you still reap financially.

MY PROMISE TO THE REAL ESTATE INVESTOR

Developing a mutually beneficial relationship with a real estate agent can yield many profitable benefits for real estate investors. A real estate agent can help you negotiate with banks, find valuable information and open doors to opportunities.

Working with real estate agents can be a challenge if the agent you've selected isn't aware of your needs in acquiring property. They're accustomed to selling at retail and any deviation from what they consider normal can jeopardize what could otherwise be a great working relationship. The good news is that you have the power to provide the education – if you're willing to take the time. Here's how you can do your part.

Know the basics. The investor market is all about efficiency. Margins are compressed and commissions are frequently squeezed in the process. This isn't the market for agents who need a lot of handholding, or for those who take a lot of time at each point of the transaction to get it right. You should come into the game already knowing how to block, tackle, throw and catch.

Know the language. Investors speak a different language than folks in the conventional residential real estate world, where you're marketing houses to owner-occupants. You need to understand terms like "hurdle rate," "cap rate," "internal rate of return" and "income vs. capital gains," and have a solid understanding of how 1031 exchanges work. Your knowledge of real estate math has to be deeper than just a mortgage calculator.

Speed. Time is money. Investor clients want answers quickly and they want their paperwork done quickly. You should have the bandwidth available to get the paperwork done fast, or have the staff available to do a first rate job.

Limit the scope of the engagement on the front end. The best investors probably don't need you to send them MLS listings—they're beating the streets to find properties and motivated buyers before they come up on the MLS! For this reason, some investors will just need to hand you the football for the offer process. Since your front-end work is reduced, it may make sense to give up something in commissions.

Don't give away the store just to get an investor deal, though. Get something in return. If you give up commission percentage in order to get a deal, make sure to get a commitment to represent the investor on the other side when he or she lists the house.

Prequalify the investor. Where is the money coming from? Do they have their own money? Are they preapproved? It's best to have a business meeting up front. You don't have to be too nosy, but you do have the right to ensure that you won't get caught doing a lot of legwork for nothing because they can't get financing for the properties they bid on.

Leverage your E&O policy. Don't forget that you have a card to play, too. Whether they realize it or not, sellers benefit from your errors and omissions insurance policy. That policy doesn't just protect you; it also protects the owners you work with. If nothing else, that coverage is worth a percent or two. It can be a powerful argument against a seller who is flirting with the idea of a for-sale-by-owner approach. Owners looking to circumvent using a licensed real estate professional may pocket the commission—but they are taking on all of the liability, too.

Make sure you're working with mature individuals—not just some yahoos who want to alienate the market by making ridiculously low-ball offers on property after property, hoping to find a desperate seller by pure luck. They may succeed, but only by making you go through a lot of time and hassle on the front end, and possibly souring the market—not just for them, but for you as well, because you become associated with low-balling clients.

Ask: “How, exactly, can I help?” An investor client may have some tasks in mind that are quite different than your traditional role. He may want to handle offers and have you strictly handling paperwork. He may want your broker's license to handle renting and leasing. He may just want you as a consultant—especially if he's a new investor. It may be something different altogether. It's much better to establish the scope of the engagement at the beginning of the process than at the end of it. Concentrate on finding sustainable, win-win solutions up front. The best investors want that, too, and will appreciate finding a reliable partner in their real estate practice.

Present listings the proper way. Don't give an investor client the same glossy presentation binder you give to everyone else. They'll throw it in the trash. Those things are designed for the retail buyer, not the investor who buys wholesale. Investors would rather work things out on the back of a bar napkin with someone who “gets it” than receive a 30-page, glossy computer-generated “proposal” on the agency's house software program with someone who doesn't.