AUGUST
2021

Peak Possibilities

Your Monthly Guide to Informed Real Estate Decisions

ICOR™
Investment Community of the Rockies
COLORADO'S REAL ESTATE INVESTORS ASSOCIATION

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Table of Contents

REAL ESTATE HYPNOSIS: Diagnosing the Three Biggest Lies of Real Estate Investing

By Chris McClatchey

hyp·no·sis (hp-nss) n. pl. hyp·no·ses (-sz) 1. An artificially induced altered state of consciousness. Real Estate Hypnosis is the artificial induction of believing the "rules" of real estate don't change – that well established principles of real estate must be followed or you risk failure. Real Estate Hypnosis is an industry wide belief that success can only come by doing what other successful investors have done in the past. In other words, Real Estate Hypnosis is teaching all investors to do the same thing. It's setting forth artificial guidelines that must be followed and therefore, we as investors lose the very essence of what makes investing in real estate so great. Creativity!

Throughout the course of history, the people that are remembered, are the people that did things differently. They diagnosed the hypnosis society was imposing upon them and did things their way, despite the potential backlash.

Do you often wonder why you haven't done a real estate deal. Do you want more deals? Are you frustrated because there is so much competition? How would you like to find deals other investors don't know about? If you answered "yes" to any of these questions, you have to get rid of your Real Estate Hypnosis and start doing things differently.

Let's start from the beginning. Have you heard other investors tell these "Lies"? 1) "You make money when you buy"; 2) "You need money to make money"; 3) It's all in the numbers. Let's dismantle these Lies.

Join ICOR August 9th - 11th from 6-8:45 pm
"Adjusting Your Investing Strategy": a panel discussion on today's strategies, inflation, interest rates, cryptocurrency, and more

Lie #1: "You make money when you buy" – I can't tell you how often I hear this outdated cliché. When I first started investing, every "guru" I heard was teaching techniques on how to get the seller down on his price. "Beat the Seller Up", "Low Ball the Seller" and/or "Make the Seller give you their price first". They even teach the "Offer Formula". You know the one where they tell you to offer the seller 65% of the ARV (after repair value) minus the repairs. I hate this formula and I hated "beating up" the sellers on their asking price. Frankly, the reason most of you aren't doing more deals is because you are following this archaic formula.

Truth #1: "Price is irrelevant" –What if I told you that you could offer MORE than asking price and still be massively profitable. Most people look at price and the single most important item when deciding to buy or sell a home. I could care less about the price. I want the seller focused on the price, so that I can focus on what I want. Terms!

Lie #2: **"You need money to make money"** – This is the most powerful hypnotic lie for most investors. For most investors this is the biggest barrier they need to break down. This is the single most powerful belief preventing your success. I know. I believed it for a very long time myself. I thought, if I don't have money to invest, how am I going to buy a house or rental property. However, I am living proof that you don't need money to make money. I had no money when I first started. When I say no money, I mean no money. In fact, my very first deal I didn't have the $4,000 in closing costs needed to close the deal. I took out a cash advance credit card

Continued on page 4

AUGUST MEETING INFORMATION

August @ ICOR

Monthly Meeting | August 9-11th | 6:00 - 8:45 pm

Adjusting Your Investing Strategy: *a panel discussion on today's strategies, inflation, interest rates, cryptocurrency, and more*

In a recent conversation, Troy Miller, Executive Director of ICOR, talked with Larry Kendall, Co-Found of The Group Real Estate in Northern Colorado and Colorado Business Hall of Fame Inductee. In his forty-five-year career in Colorado real estate, Larry was asked if he has ever seen a market like the one we are currently in. In short, his answer was a resounding, "NO!"

Larry went on to talk about "change" not necessarily related to real estate but stated there are various types of change that we experience:

- **Slow change:** What we would typically allude to a real estate cycle slowly changing over time and is or has been cyclical
- **Fast change:** What we experienced at the beginning of the pandemic. Overnight, lenders stopped lending, showings stopped, and the market stood still momentarily as we discovered what we were dealing with and how to navigate it
- **Structural change:** When the rules as we knew it are done, and suddenly the market operates and responds differently, and we must learn what the new rules are.

Larry stated that we are experiencing structural change, and we are slowly learning the market indicators and how to weigh them into our investing and adjust our real estate strategy.

In August, Join ICOR for a conversation on the new or updated market indicators, including interest rates, inflation, 1031 exchanges & estate tax change, the political-economic landscape, and even cryptocurrencies!

For full details or to register visit www.icorockies.com/events

Northern Colorado / Fort Collins

Monday, August 9th
The Group Classroom
2803 E Harmony Rd
Fort Collins, CO 80528

Colorado Springs

Tuesday, August 10th
Hyatt Place Colorado Springs
503 Garden of the Gods Rd West
Colorado Springs, CO 80907

Denver

Wednesday, August 11th
South Metro Denver REALTOR Association
6436 S Racine Cir
Centennial, CO 80111

SATURDAY, AUGUST 22ND | 9AM—4PM | DENVER, IN-PERSON

Deal Structuring & Creative Financing

The Post- Pandemic Investor's Toolbox

WITH
CHRIS McCLATCHEY

How will you pivot?

You know how tight supply is. You heard Troy Miller ask the question **"Where is inventory going to come from?"**

During this event, Chris McClatchey will show you:

- an entirely forgotten source of supply,
- how to source this supply,
- how to contact the owner
- unique ways of structuring deals specifically for this source of investment housing

So, are you tired of a lack of inventory? Tired of using the same marketing as every-one else? Tired of being in multiple-offer situations?

Are You...

- Tired of not getting any Deals?
- Tired of a lack of inventory on the MLS?
- Tired of being in Multiple-Offer Situations?

Real Estate investing is supposed to lead to extra cash, provide you with extra time and create massive amounts of wealth to free you from the financial pressures of everyday life.

The challenge is you don't have any leads...you're not doing any deals...and you're frus-trated with all of the competition from other investors.

Chris prides himself on the ability to build multi-million dollar real estate portfolios using creative financing techniques, private lenders, partnerships and retirement accounts.

Chris will cover:

- How you can find deals with "No Money Down."
- How you will find leads other investors can't.
- How to Create your Avatar Seller
- Learn to Look for Sellers not Properties
- How you can put thousands of dollars in your pock-et at closing.
- The strategies that will get you properties FREE & CLEAR in a few years.
- How you can communicate with sellers so they give you seller financing.
- The skills you need to influence sellers to sell their property to you at 0% interest.
- How to get the sellers from a No to a YES by utiliz-ing a 7 Touch Approach
- How you can double and triple the number of deals you are doing now. Giving the seller what they NEED, so you can get what you WANT.

Chris has been a Real Estate Investor and a licensed Attorney since 1997. As an Attorney, he practiced Corpo-rate and In-surance Litigation for the first five (5) years of his prac-tice while residing in Ohio. Having moved to Florida in 2003, he became a licensed Attorney in Florida as well as a licensed Realtor. His law practice shifted to the area of Real Estate and he continues his practice focused on Real Es-tate Invest-ment Companies and Partnerships.

REGISTER AT
www.icorockies.com/events

$99 for Members
$149 for Non Members

Registration opens at 8:30

ICOR Business Member Directory

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Contractor	Vern Robinson | Ridge Construction	303.881.1169	vern@ridgeconstructioninc.com
Contractor	Robert Groll	720.490.5770	rob.clearviewenterprises@gmail.com
Cost Segragation	Brad Weed | NoCo Invest	970.294.1509	Brad@NOCOInvest.com
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Lender	David | Neilson | Boomerang Capital Partners	480.779.9779	David@boomerangcapital.com
Property Management	Cory Rasmussen | Atlas Real Estate	303.242.8980	info@realatlas.com
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Rehabber	Craig Dillion	719.661.8848	craigdillion@me.com
Tax Planning	Stone CPA & Advisors	970.668.0772	info@coloradotaxcoach.com
Title	Bill McAfee | Empire Title, Colorado Springs	719.499.0968	bill@etcos.com
Title	Debbie Myers | First American Title	970.658.4702	DMyers@firstam.com
Turnkey Real Estate	Travis Abbott | Invest 1 Properties	303.649.1607	Travis@Invest1Properties.com
Wholesale	Kyle Rutherford | Networth Realty	720.379.4920	kyle@networthco.com
Wholesale	Paul Strange | Lincoln Commerical	303.419.2180	paul@lincolncommercial.com

Diagnosing the Three Biggest Lies of Real Estate Investing

Continued from page 1

loan to pay for it. Yet today, I am a well established millionaire. You can be too. You just have to disregard the belief that you need money to invest.

Truth #2: "The money is the easy part" – I say "If the deal is good enough, the money will find you." It's true. There is so much money out there. Just because you don't have money, doesn't mean the guy next you doesn't either. In fact, most of my students are amazed at how quickly the money comes to them when they send it out. You see, if you are analyzing your deals the right way. If you are writing your offers the right way and the deal works, the money is the easy part. I know that may be hard for some of you to believe, but I want you to really work on believing that that money will find you, once you have a good deal.

Lie #3: "It's all in the numbers" – Don't misread this! The numbers are very important. If your numbers are off, you can turn a good deal into a bad deal very quickly. The reason this is a real estate lie, is because "experts" teach you to: a) Find Leads; b) analyze the numbers; and c) write your offers. Again, these 3 steps are important steps, however they are missing the biggest piece. The communication piece. How are we negotiating. How are we overcoming the seller's objections. How are we getting them to a "yes" state. The numbers are important. Yet, if you are focusing on the numbers, it's the reasons you are not doing more deals.

Truth #3: "Communication is the key to success" – Every word you use. Every phrase you speak has an impact. That impact can be negative or positive. The words you use, the way you dress, how you hold your body language and the tone of your voice, will determine how many deals you do. You see, seller's want you to be the expert. They want you to be their problem solver. They called you to help them. To be the expert, you have to act like an expert. This may be challenging for someone who is new to the business or may not have a lot of experience. You need to know how to write contracts that deflect objections, the conscious filters, and develop rapport with a seller. If you do these things, you will be a master communicator and master communicators are the investors doing the most deals.

Join ICOR & Chris McClatchey for an in-person workshop, Saturday, August 21st, "Deal Structuring & Creative Financing: The Post- Pandemic Investor Toolbox. *Details on page 3*

INSURANCE EXPERT
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Insurance for Multi-Family Properties

Real estate investors are always hunting for their next investment property, but as I network with many landlords, I often hear that their main goal is to acquire multi-family buildings. As I am not a full-time real estate investor myself, enough so to explain the reason why investors should want to get into the multi-family market, I am an insurance industry expert and I can provide expert level information regarding the available insurance options for such properties.

Let's get started with how insurance defines multi-family buildings. Whether it is a duplex or a large apartment complex, insurance would classify the risk as a multifamily property. In other words, if there are more than one family living in the property with each unit having different entrances, bedrooms, kitchen and bathroom, it is a multifamily property for the insurance carrier.

Depending on the carrier and the number of units under the same structure, some multi-family properties have the option to be insured as a personal or commercial policy. In general, duplexes, triplexes, and fourplexes could be insured as a personal policy with the personal name of the insured or the entity. However, in my experience insuring many investors in Colorado, I always like to compare coverage and premium between the personal and commercial policies for my clients and give them the option to choose.

Commercial policies are designed to cover more than four-unit structures to large apartment complexes and townhouses. These policies would include more built-in coverage than the average personal policy. A few insurance carriers are flexible and include duplexes and triplexes in a commercial policy. However, the carrier's underwriter may ask for additional requirements to make them eligible for submission.

Carriers for commercial multifamily policies would have some underwriting concerns regarding the building and its safety for the tenants. Some of the information investors would be asked are:

- Age of the building
- When was the wiring, plumbing, heating and roof last updated or inspected?
- Are there any security cameras?
- Are there smoke detectors, sprinkler systems, and fire extinguishers?

It is important to be transparent about condition and updates to the building with your agent to avoid any changes to the policy after the carrier completes the inspection.

Coverage for multifamily properties is not only a priority for the landlord, but also for the lenders. During the loan applications, lenders are requiring the building(s) to be insured with the following endorsement:

- Replacement Cost value
- Loss of Rents with a minimum of twelve months of rents
- Liability coverage for one million dollars minimum per occurrence

In addition, since the recent condominium collapse in Florida, more lenders are requiring adequate Building Ordinance coverage for codes updates and debris removal for larger properties.

The deductibles for multifamily commercial policies are usually higher for wind and hail in Colorado. The two types of deductibles for wind and hail losses are:

- Percentage deductible which is based on the building amount.
- Flat deductible.

Overall, whether your multifamily investment is insured with a personal or commercial policy, it is important to know your options. Insurance policies should be customized to fit the property's conditions, occupancy, and the investor's preferences. If there are any questions regarding multifamily insurance, you could contact your agent, or you could reach me for additional information.

Sure, you have a roof over your head, but do your investments have the right coverage?

How can I help? Let's set up a time to review your policies!
Your Investment Insurance Specialist,
Eve Hoelzel, Licensed Agent Producer

970.217.8019
eve.dstansfield@farmersagency.com
www.eveinsurancecolorado.com

SELF DIRECTED IRA EXPERT

CHRIS TANNER / CTANNER@NDTCO.COM / NDTCO.COM

The 5 Billion Dollar Roth IRA

Recently, there has been a lot of news about Peter Thiel's 5 billion-dollar Roth IRA. Google the phrase "Billion Dollar Roth IRA" and you will get countless hits to investigate for yourself. It was recently revealed that Peter Thiel's Roth IRA is valued at over 5 billion dollars. Who is Peter Thiel, and more importantly how did he amass such a large amount of wealth in a retirement account? Peter Thiel is a Stanford Law graduate and is one of the founders of PayPal. In 1999 Peter made a $2,000 contribution to a Roth IRA, which was the maximum allowed at that time. Interestingly, he never made another contribution to his Roth IRA. Shortly after making that $2,000 Roth contribution, Mr. Thiel purchased 1.7 million shares of PayPal for $1,700 using his Roth IRA. The shares were sold to his Roth IRA for 0.001 per share, or 1/10 of a penny per share. When PayPal later went public at $50/share, Peter hit it big. $50/share x 1.7 million = $85,000,000. Peter followed up with similar investments in Facebook and Palantir before they became publicly traded companies.

Let us evaluate the strategy behind using a Roth IRA to invest in shares of a privately held company. First, a little history on the Roth IRA. In 1997, the late Senator William Roth Jr. championed legislation that created the Roth IRA. The Roth IRA has some unique characteristics, such as contributions are made after they are taxed, and account owners can take out the contributions and earnings TAX FREE as long as they are 59 1/2 and the account has been open for at least 5 years. In addition, the Roth IRA is NOT subject to required minimum distributions. Meaning distributions are BOTH tax free and optional. By using a Roth IRA Peter Thiel will never pay tax on this account, nor will his heirs. What if Mr. Thiel had used a traditional IRA for the exact same investment? A Traditional IRA allows for tax deferred contributions, but the contributions and earnings are subject to ordinary income when they are distributed or taken out. Distributions are required at the age of 72. That means Peter Thiel would have been subject to Federal income tax, and currently the highest tax bracket is 37%. In addition, he would have been subject to state income tax of 12.3% in California. Said another way, Mr. Thiel would have been paying just under a 50% tax on any distributions from a Traditional IRA. It is clear why Peter Thiel used a Roth IRA, and not a tax deferred retirement account. He can avoid paying a nearly 50% tax on distributions.

This must be illegal, right? How can someone possibly turn $2,000 into $5,000,000,000 in just 22 years? Interestingly, the IRS audited Peter Thiel in 2011 and found no inappropriate or prohibited activities. Truth is, Peter Thiel used a self-directed Roth IRA to invest in private equity which is allowed by the IRS as long as some basic guidelines are met. Nothing Mr. Thiel did was illegal, prohibited, or otherwise outside the IRS code. Peter followed the rules as set by the IRS code. Is Peter Thiel a villain who somehow figured out loopholes in the tax code and cheated the system, or did he play by the rules and leverage his knowledge of the tax code to find the best, most efficient way to invest? You decide! By the way, you have the exact same tool available to you. The self-directed Roth IRA.

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Short-Term Rental Impact

Airbnb is one of the best-known short-term rental companies, and there has been a lot of research into how their prices affect the housing market around them. Airbnb frequently gets a bad rap from the neighbors, from the perception that it takes away from local culture to the idea that it destroys a sense of neighborhood and increases rent prices. All these issues are generally covered under the term the "Airbnb effect," which collectively refers to everything bad that happens because of Airbnb's short-term rentals. However, it is not immediately clear if that bad reputation is justified.

The 'bad boy' reputation is summarized in a report out of Los Angeles in 2014 suggests that when Airbnb rentals cluster in an area, the rent in that area generally increases faster than rent in the areas around it. Furthermore, many people who live in tourist destinations like London, Japan, and Barcelona have seen the uptick in tourists renting through Airbnb destroy the local shops and businesses that do not cater as heavily to tourists. Airbnb guests are also viewed as outsiders in communities of all types and not subject to the same consequences regular homeowners are. Airbnb guests are often much less accountable as they do not own the home and so can be noisy, messy, and generally bad neighbors. And some governments have looked at this and banned Airbnb rentals, forcing Airbnb to build a large legal team to deal with the new legal issues facing it.

Airbnb's side of the argument, however, seems equally convincing and provides a slew of benefits that are not considered. Obviously, homeowners rent their homes out voluntarily, which means that Airbnb is beneficial to at least one person in the relationship. Airbnb rentals help renters in a variety of ways, from helping to diversify rental incomes to helping them have a social life. Obviously, renters are also very happy about the arrangement, as having Airbnb as an option provides tourists and people looking for rental homes with a variety of options.

The kind of rentals that Airbnb makes easy are also helpful for people seeking supplemental incomes and can help those with extra space in their homes to make a little extra money on the side. While it is certainly true that rental and home prices have risen in areas where Airbnb prices have increased, the areas most affected are also areas where rent is rising anyway and that have faced similar issues before Airbnb and will likely face the same issues after Airbnb. The other issues attributed to Airbnb are similar. Airbnb and other short-term rental companies are often merely symptoms of an already existing issue. Before Airbnb existed and short-term rentals were as much a part of private business, there were still issues with places losing their native culture and neighborhoods to rentals and tourists. In many cases, the causal link between Airbnb and all the problems associated with it is flimsy at best. Plenty of the issues thrown at Airbnb are often common issues that have merely been contextualized in relation to Airbnb and rentals rather than caused by it.

So, what is the net effect? Current research concludes "Using a data set of Airbnb listings from the entire United States and an instrumental variables estimation strategy, we show that Airbnb has a positive impact on house prices and rents." However, continues to note "Airbnb listings leads to a 0.018% increase in rents and a 0.026% increase in house prices." In other words, it moves prices up but only a very

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Should You Do Your Own Books?

I am often asked by people starting a new business this question – should I do my own books? My answer is always the same. It depends. This is not just a quick answer to avoid providing any information. It is the true answer to your question.

Let's first address the better question. What do I need to do to know my numbers? As a business owner, you are accountable for knowing your numbers. As a fix/flip professional, you need to know your after-repair value (ARV). Your success depends on it. As a landlord, you need to know your key benchmarks – CAP RATE and CASH OVER CASH RETURN. Other numbers you should know are whatever Key Performance Indicators you create for your business activity. One I prefer is simply cash available in the bank. Knowing this information is critical to the success in your business.

What role does bookkeeping play in knowing this important information? Everything. Up-to-date bookkeeping will assist you in making better decisions. My rule in my business is that the books should be made current every day and promptly reconciled when statements are received so I have the most accurate information available. Accurate record-keeping is necessary for successful business activity.

As the owner of the business, you must make informed decisions on a timely basis. Without timely and accurate information, you are just speculating and gambling. Prior to deciding on who should keep the books, you should set your expectations for your record keeping.

- How often do you want your books updated – daily, weekly, monthly, quarterly, or annually?
- What performance indicators do you plan to monitor in developing your business?
- What accuracy level do you require in your bookkeeping?
- What expertise do you expect your bookkeeper will bring to your business?

Your business – no matter what it is – requires you to create the most value for it and for those it serves. By developing your expectations prior to deciding about doing your own books, you can avoid mistakes that keep your business from growing. I work with someone who started their business doing fix/flips and fix/holds. Their first question was should I do my own books? The answer was it depends. They said they wanted to build a lifelong thriving business. My answer then became no, do not do your own books. You should focus on building the business, developing the cash flow, and having your own in-house bookkeeper who you can develop to track the information you need to be successful. You should know your numbers and know your deals. You should not waste your time putting numbers into a financial tracking system. Today, this client is no longer a fix/flip person. He has become a re-developer and is generating significant profits. He built a process and system which includes his own in-house bookkeeper, production team, and a construction crew.

Building your own process and system is one of the keys to creating a successful business. When deciding whether you should do your own books, first establish the standard you will require before making the decision. One of the biggest mistakes I see in a business decision is to over-rely on lowest cost. When you are purchasing materials such as lumber or paint, lowest price is often considered to be a good criterion. All things being equal, the lowest price is often a better choice. However, if you are purchasing value added services, you should look at the value being added rather than cost. You decide what value it adds before you decide to do your own books.

As a CPA, I will share with you I do not do my own books. Why? Bookkeeping really is not the best use of my time and does not add the most value to my business activity. Many bookkeepers offer the low prices but provide something different - something delivered in an untimely basis to use or loaded with mistakes. To have accurate information in your books, you need to develop an information gathering system to capture your documents in an easy manner so you can snap (Photo to PDF) and forget it. Next, the information should automatically go to the bookkeeper who, to my standards, would update your information daily. So, ultimately, the decision is yours to make, but I caution you that many business owners limit their success by deciding to do too many tasks which do not add the highest value to their business. Should you want to avoid this trap and really create that record keeping process for success, please email info@coloradotaxcoach.com.

OUT OF STATE INVESTING EXPERT
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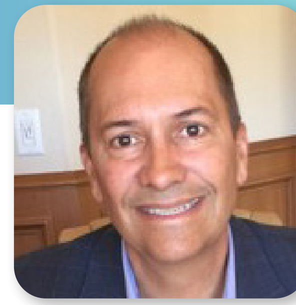

Out of State or… Out of Your Mind?

Yes, those were the exact words a prospective client said to me about a month ago on a Zoom call. I thought it was pretty funny considering I had just ran through the numbers with her showing her how we can take her from a 1.2% return that she currently was making on her Denver area property, to an approximately 9% return if she were to purchase a turn key property from us in one of our Midwest markets. Didn't matter, it wasn't for her. And that's the point, out of state investing isn't for everyone. So how do you know if out of state investing is for you? Ask yourself the following questions:

Do I need to physically drive by my properties? I actually have investors who tell me this. If that's you, then stick to investing in your own backyard. But remember, wherever the property is, it will still be there if and when you decide to visit it.

Do you prefer to manage your own properties? This one is tough. If you manage your own properties and enjoy that level of involvement, then out of state investing may not work for you. I have had several clients try to manage their out of state properties from their home base and it typically did not end well. Yes, if there is already a good tenant in the property, you will be fine initially. But once that tenant has maintenance issues or moves out and you need to rent to another tenant, you are at a huge disadvantage to any local property managers in terms of showing the property. I tell people, trust the system and let a local property manager handle property management for you.

Are you buying for appreciation or for cash flow? Typical investors who buy in CO or properties in western US markets are buying for appreciation and hoping to break even on cash flow, which is difficult in the current market. If the market corrects, even a little, your rents may go down and you may be in a negative cash flow position and find yourself writing a check every month to cover the difference on that "slam dunk" CO investment you thought you made. Personally, I cannot afford to write checks every month, especially if I own more than a couple of properties. If you are investing out of state on the other hand, I tell investors to buy for cash flow first because that will always carry you through, regardless of the ups and downs of the market. If you can get appreciation, so much the better. For example, right now in Kansas City, MO, one of our Midwest markets, we are seeing appreciation north of 12%. But we tell people not to plan on that, plan on more like a steady 3-4% appreciation per year and if you get more than that, great. Our belief is that you should expect your properties to deliver returns to you both in terms of strong positive net monthly cash flow as well as appreciation potential. We call those the "Twin Pillars of Real Estate Investing". If a property does not offer both, it's too risky an investment for me.

Are you looking for a quick turn or profit? If this is the case, then out of state investing is definitely not for you. I had a guy a couple of years ago who said he wanted to buy 5 properties from us, hold them for 18 months, and then sell them for a quick profit. I told him we weren't a good fit because we recommend holding for a minimum of 5-7 years to really maximize return on your real estate investments. If you are going to the model he suggested, just call yourself a flipper and go that route. We are talking about long term buy and hold properties. They deliver steady positive cash flow month in and month out. Down the road, if you decide to sell, you should have made some solid appreciation on your property during the holding period.

In the end, the decision is always personal. There is no right or wrong answer. As my kids say, "you do you", and that really holds true with real estate. Ask yourself the questions I have outlined and think about what kind of an investor you are. If you are still interested in out of state investing or have additional questions, reach out to us; we would be happy to help.

RYAN BOYKIN / INFO@REALATLAS.COM / REALATLAS.COM

Retire Early with Real Estate Investing

According to a recent study by Northwest Mutual, 15 percent of millennials expect to retire early, particularly those who were gainfully employed during the pandemic when they spent less and saved more while working remotely. Although younger workers may be 'a little more optimistic,' millennials are almost twice as likely to be considering early retirement as Gen Z and almost three times as likely as Gen X, according to the survey.

The new wave of younger workers trying to take early retirement are sometimes adherents of the F.I.R.E. movement: 'Financial Independence, Retire Early.' The goal is to save and invest aggressively—somewhere between 50–75% of your income—so you can retire in your 30s or 40s. But how many people can realistically save half to three quarters of their income?

To build a solid foundation for all of your financial goals, such as retiring young, living comfortably, pursuing new ventures, traveling, providing for your family, etc., how you invest your savings is essential to achieving your goals. One of the best ways to build long-term wealth is to invest in real estate, and you don't have to be wealthy to get started. Through creative, informed investing, younger workers can pave a path to financial independence, hence early retirement, using the strategies below:

Be A Borrower

To start the process, you don't need to put a 20 percent down payment on a home. While 20 percent will increase your chances of getting approved for a mortgage at a great rate, you can put down less depending on the type of mortgage. Government loans help first-time buyers become homeowners; in fact, an FHA loan requires as little as 3.5% down. So, if you find a good property with investment potential, there's a good chance you do not need a huge savings account to buy it.

Live For Free by House Hacking

To ensure your monthly income exceeds your monthly expenses, consider house hacking, which works whether you own a home or plan to buy a home. In either case, rent out one or more bedrooms so that your rental income covers the cost of your mortgage each month. In essence, you'll be living mortgage-free in your own home while it builds equity.

Invest in a Rental Property

Another option is to invest in a rental property in order to increase your income. For instance, you could purchase a duplex or fourplex and rent out each of the units. Since you'd be renting out entire units rather than just rooms, your asking price can be a good deal higher. A long as the location is good, you would be making money each month by collecting more in rent than your monthly mortgage payment. Your rental property would be a steady source of passive income that builds equity; hence, your ROI will be significant when you sell it many years down the road.

Partner up

If you are financially strapped and cannot afford even a small down payment on a property, consider partnering with someone in a mutually beneficial manner; that way, you can both reap the benefits of your combined down payment. This scenario means you will have lower upfront fees and you can divide landlord responsibilities once you start renting the property. Your mortgage will be covered by tenant payments every month, and if you buy a property in a good location, you will likely be earning additional monthly income. You'll own the property jointly with a partner while building equity in it. Note that a trusted partner is absolutely essential to success.

These real estate investment strategies can help you achieve your financial goals, and ultimately, give you the freedom to retire early or pursue other interests, passions or business ventures, whatever they may be.

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The Misunderstandings of Infinite Banking – Borrowing From Yourself

I could write a whole book on how many ways Whole Life Insurance gets misunderstood. Fortunately, others already have! Assuming you have a basic understanding of the fact that one can borrow against the cash value of a whole life policy, this discussion will make more sense. I would encourage the reader to go back and read previous articles on IBC and Whole Life either way.

Interrupted Growth & Paying Interest

Someone once said to me, "Why would I want to borrow my own money and pay interest on it?" Valid question. Answer: You wouldn't want to… necessarily. Fortunately, that is not really how it works inside a properly structured policy.

The Scenario. Maxwell calls his insurance carrier and asks them how much cash value he has available to borrow against. They look at his cash value and tell him he can borrow $188,000. Let's say in this instance he borrowed $20,000 against his policy and the carrier is going to charge him 5%. It is an unstructured loan, so they let you decide how much and how often you are going to pay that back. Now you think to yourself, "I can get a loan from Bob-The-Loan-Guy for 3% so why would I borrow from here?"

Defining the terms. Uninterrupted compounding is the basic principle where something (your money), and its gains, are growing continuously on top of each other over time. Contrast that with standard compound growth where each time you pull money out, or investment growth declines, that growth is interrupted. Inside of your policy, the cash value is growing uninterrupted. The insurance carrier is loaning you the money from their pile, not your pile. That's why we use the term 'borrow against' instead of 'borrow from' when talking about taking loans inside a life insurance policy. Since they are loaning you their money, yours will continue to grow uninterrupted.

Back to the story. Our friend, Maxwell, borrowed $20,000 against his policy. He was 8 years into the life of his policy, and it was projected to grow by $25,000 in cash value that year. In nearly all outside situations, qualified money included, when you borrow $20,000 from a pile of money, you have then interrupted that growth. It is only growing on what is left in the pot. Logically, it would only be growing off the remaining $168,000 in the policy, but in fact, it is growing from the original $188,000. Why? Because the insurance carrier is loaning you their money, not from your pile of money. In this scenario his policy grew from $188,000 to $215,000 that year ($27,000 growth!). He was paying a premium of $20,000 per year, so his net growth was $7,000.

Maxwell could have borrowed the entire $188,000 and his policy still would have had a net growth of $7,000 that year. This is the power of uninterrupted compounding. Also, it should be noted that the $7,000 in growth is not taxable by the IRS when structured property.

Maxwell made out in a few ways:

- He activated uninterrupted compound growth in his policy.
- He had income tax free growth happening inside of his policy
- He loaned his real estate investment business the money, thus was able to deduct the interest.
- He paid himself back instead of a bank & recaptured that money to be able to use over and over.
- He had an unstructured loan to himself and decided his own loan terms.
- He had a substantial death benefit tied to the policy that would pay everything back and plenty left over to leave a legacy.
- He will build up a large enough cash value to retire from his policy, instead of a qualified retirement account.

Where else can this be done? Let us show you how to set up your own private family banking system and create a legacy that can last for generations to come.

Investment Community of the Rockies
COLORADO'S REAL ESTATE INVESTORS ASSOCIATION

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MONTHLY MEETING INFORMATION

August Meetings

ICOR – Northern Colorado / Fort Collins
In Person
Monday, Aug 9, 6 PM-9 PM (MDT)

ICOR – Colorado Springs
In Person
Tuesday, Aug 10, 6 PM-9 PM (MDT)

ICOR – Denver
In Person
Wednesday, Aug 11, 6 PM-9 PM (MDT)

Subgroups

Join these topic-based communities of like-minded investors, share "Haves & Wants", network and learn in small groups.

TrueNorth Group Planner
Virtual
Saturday, Aug 14

Rental Property Subgroup
Virtual
Wednesday, Aug 18

Stone CPA Community Discussion- Q&A
Virtual
Thursday, Aug, 19

Summer Bash Investor Happy Hour
In Person
Friday, Aug 20

Fix&Flip Property Tour
In Person
Wednesday, Aug 26

Deal Structuring & Creative Financing: The Post- Pandemic Investor Toolbox
In Person
Saturday, Aug 21

Find out more and register online at www.ICOROCKIES.com/events