FEBRUARY 2023

Peak Possibilities

Your Monthly Guide to Informed Real Estate Decisions

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

6795 E. Tennessee Avenue
Suite 401
Denver, CO 80224
970-682-4267
icorockies.com

Table of Contents

Here's How You Will Be Affected by The Housing Correction

By Lindsay Frankel

The housing correction favors no one, but some will be hurt more than others. The rapid price boom many housing markets experienced during the pandemic is slowing down, and many economists expect a housing market correction. The good news is that the housing market isn't expected to crash. The bad news is that the housing market is entering a new era that isn't likely to benefit anyone specific.

Homes listed in 2023 may stay on the market longer, and sellers may not realize the same profits they could have six months ago. Meanwhile, even if buyers can snag a lower price on a home in some markets, high interest rates are hurting affordability. Agents are already hurting from the slowdown in selling activity, and investors will need to adapt to new conditions that are making some investment strategies impractical. No one wins. However, everyone can be mindful of housing forecasts and adjust their plans to capture the best possible outcomes in a difficult situation. (contiued below) The Impact on Sellers

Join ICOR, February 7-9th, for "How You Will Be Affected by The Housing Correction": A Seasoned Colorado Investor Panel

The Market Is Already Shifting

Sellers may be aware that listing now will mean a longer process and higher mortgage payments on a new home, but people still need to move. Inventory has begun increasing, leading to less competition, although inventory is still tight relative to pre-pandemic levels. The sale-to-list price ratio is dropping as well—gone are the days of multiple offers above-asking. And the median number of days a home stays on the market has been increasing since June. While trends in individual markets vary, many are shifting into the hands of the buyer.

Sellers Are Still Poised to Earn Profits

Existing home prices skyrocketed during the pandemic. Between December 2019 and June 2022, home prices rose 45%, the biggest jump since the U.S. national home price index was developed. The markets that saw the most rapid increases are slowing down the fastest, but even the most dire housing forecasts predict a drop of up to 30% in the most overvalued markets—not enough to wipe away the equity gains most homeowners experienced, though some individuals could lose money to bad timing.

Some families could stand to earn up to $1 million in untaxed capital gains if the More Homes on the Market Act, which the National Association of Realtors endorses, passes. The legislation would double the threshold for the capital gains exclusion, which is now $250,000 for single filers and $500,000 for married couples. The law may encourage previously hesitant homeowners to downsize, the NAR says.

But it's a difficult time for growing families to move to a larger home. Sellers who bought their homes during the homebuying boom, when interest rates were low, may face unaffordable mortgage payments if they try to trade up. The monthly payment on a 30-year fixed mortgage for a median-priced home has more than doubled since the second quarter of 2020, based on new mortgage rates and elevated prices.

Timing Is Everything

A variety of firms, including Morgan Stanley, Moody's Analytics, and Capital Economics, have revised their 2023 housing forecasts to predict even steeper drops than they originally estimated. The most optimistic

Continued on page 3

February @ ICOR

"How Will You Be Affected by The Housing Correction?": A Seasoned Colorado Investor Panel

In May of 2022, the market began its correction from a sellers' market to a more balanced market. Plus, movement from the FED led to high mortgage rates, squeezing the margins of investment deals for investors who rely on financing.

- High mortgage rates leave less room for vacancy problems, maintenance issues, and other things that can go wrong with an investment property. Unless investors have the reserves to buy properties in cash, they'll be looking at a narrower segment of properties that can achieve the return they're looking for.
- To get the best outcomes from your real estate transaction, you'll need to pay attention to the changing market and adapt accordingly. That's true for buyers, sellers, agents, and investors.
- With the right strategy and patience, anyone can weather the housing correction—there may be opportunities to profit from it.

In February, we are bringing to the table a panel of seasoned investors for each market, Colorado Springs (2.7), Denver (2.8), & Northern Colorado (2.9), to discuss the changes they have made over the past year AND WHY? Our Goal this month is to talk not only about what is working but, more importantly, what isn't working and why you should avoid making those costly mistakes!

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

Colorado Springs
Tuesday, February 7th
Hyatt Place Colorado Springs
503 Garden of the Gods Rd West
Colorado Springs, CO 80907

Denver
Wednesday, February 8th
Lakewood Cultural Center
470 South Allison Parkway
Lakewood, CO 80226-3123

Northern Colorado / Fort Collins
Thursday, February 9th
Chicago Title of Colorado
4645 Ziegler Road Ste 220
Fort Collins, CO 80528-9601

Save the Date for ICOR's February Meetings

ICOR – Colorado Springs	ICOR – Denver	ICOR – Northern Colorado / Fort Collins
In Person Tuesday, February 7th, 6 PM-9 PM (MDT) *Special Location for February	**In Person** Wednesday, February 9th, 6 PM-9 PM (MDT)	**In Person** Thursday, February 10th, 6 PM-9 PM (MDT)

Webinars & Workshops

Beginner Investor Subgroup Webinar Saturday, Februray 11th	**Land Investing: Starting From A Flipping/Owner Financing Perspective** Webinar Wednesday, February 15th	**Finding Deals in In-State & Out-of-State Markets** Webinar Tuesday, February 21th
The TrueNorth Planner Group Session Webinar Saturday, February 11th	**Tenant Proofing Your Rentals Workshop: Covering Rentals from Acquisition, Rehabbing, Marketing, & Management** Workshop Saturday, February 18th	**Investing with Your Retirement Account** Webinar Wednesday, March 15th

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

Continued from page 1

experts only expect a modest increase in prices—for example, NAR Chief Economist Lawrence Yun says prices could rise 1% across all markets next year. The timing of falling prices and housing market recovery is still unpredictable. Yet, it could make the difference between meager profits and huge capital gains for sellers.

Selling now means facing less affordable payments on a new home. But waiting until late 2023 could leave sellers in a worse situation—mortgage rates might stay elevated, while housing prices could drop. Holding out until late 2025 or 2026 is likely the best option, especially for sellers with fixed-rate mortgages, since most experts expect the market to rebound by then. But not everyone will have the option of waiting.

The Impact on Buyers

Affordability Pressure in Today's Market

Prospective homebuyers face several challenges in today's market. Thanks to inflation, incomes are stretched thin. Prices at the grocery store and rents that are expected to continue to climb through 2023 are making it difficult for people to save. The median-priced home, which is now $454,900, has become out of reach for median-income households. Mortgage rates have come down slightly but are unlikely to drop further and may even go up since the Fed's fight to tame inflation is ongoing. At current rates, the mortgage payments on a median-priced home would eat up 38% of a median-income household's monthly earnings.

A Housing Correction Could Provide Limited Relief

If prices fall as many economists expect, buyers may be able to capture better deals in 2023 or 2024 and realize appreciation gains in 2025 or 2026. But predictions aren't exact, and experts disagree on when prices will hit bottom. And it's difficult to determine when mortgage rates will come down. Inflation has been stubborn to the Fed's efforts.

Even with moderate price relief, affordability will remain a problem for prospective homebuyers. In order for mortgage payments to return to 18% of household income, which has been typical for homebuyers historically, prices would have to drop 39%, The Washington Post reports. That's a larger price correction than anyone is expecting.

Financing Strategies Are Evolving

In 2021, applying for a traditional 30-year fixed-rate mortgage was a no-brainer. Buyers could benefit from historically low rates. Now, a traditional mortgage means getting locked into a higher interest rate. Now that buyers are counting on refinancing once interest rates come down, they're pursuing financing strategies they may have been deemed too risky in the past.

For example, adjustable-rate mortgages are becoming more popular, even though they come with unpredictable monthly payments once the fixed-rate period ends. That uncertainty may have deterred mortgage applicants in the past, but ARMs made up 12.8% of home loan applications as of the second week in October, up from only 3.1% at the start of the year. ARM rates haven't risen quite as much as fixed mortgage rates, allowing homebuyers to access lower monthly mortgage payments, at least during the fixed-interest phase of the loan.

There may also be opportunities for buyers to use other creative financing options that might not have made sense or been available in a different market. For example, sellers may be willing to offer owner financing, which may be more accessible to low-income buyers with a low down payment or those with poor credit. With owner or seller financing, the seller becomes the lender, holding onto the deed until the buyer has paid for the home with interest. Seller financing can be risky because it's not subject to the same consumer protections as a traditional mortgage, but it can often result in more flexible terms and cost savings over time.

The Impact on Agents

Not Enough Business

In 2021, over 47 million Americans left their jobs voluntarily. Many felt trapped in low-paying jobs without opportunities for advancement. It's now being called The Great Resignation, and while stimulus checks during the pandemic may have been a motivating factor for people to find new careers, some experts say the trend has been ongoing for a decade. People are seeking better ways to live and make money in jobs that provide better pay and more flexibility. That trend collided with high demand in the housing industry, causing more people to become real estate agents.

The number of U.S. real estate agents peaked in 2021, and now there isn't enough business to go around. Selling activity is down almost 30%. Agents have gone from fielding too many phone calls from prospective clients to knocking on the doors of homeowners facing foreclosure, hoping to acquire new listings and earn commissions.

Differentiating and Expanding to Survive

Widespread layoffs in the housing industry and decreased selling activity have led many real estate agents to pursue side hustles until selling activity rebounds. Those who hope to stay in the game will need to adapt. More competition among agents requires more aggressive marketing strategies, including social media marketing. Real estate agents may also need to expand the area or price point they work in or even move to a new market altogether where there's more demand. Real estate consulting work may be an option for some, while others with less experience may drop out of the industry entirely. Agents can also take advantage of our Featured Agent program for consistent investor leads!

The Impact on Investors

Cash Is King

High mortgage rates are squeezing the margins of investment deals for investors who rely on financing. If interest rates were still at 3.25%, investors would be able to get nearly 40% more cash flow on a median-priced rental property that achieves the 1% rule—one that can capture 1% of the purchase price in monthly rent. High mortgage rates leave less room for vacancy problems, maintenance issues, and other things that can go wrong with an investment property. Unless investors have the reserves to buy properties in cash, they'll be looking at a narrower segment of properties that can achieve the return they're looking for.

Continued on page 4

Continued from page 3

The Right Timing Can Maximize Your Returns

As with any investment, it's best to buy property when prices are at their lowest and sell when prices are high. Home values in 2023 aren't predictable but are likely to fall, reaching a bottom in 2024 or 2025. Sometimes, investors can use the expectation of lower prices to their advantage. With buyer competition waning, homes are sitting on the market longer. It's no longer unreasonable to offer a price below asking, especially in markets where price cuts are common.

However, the uncertainty of future home values also makes certain investment strategies risky. A successful fix-and-flip deal requires a quick renovation. But the real estate market is already losing steam. Investors who acquire a fixer property now could bFe looking at lower home values when they try to resell in a few months.

Choosing the Right Strategy Is More Important than Ever

Real estate is still a great investment, but certain strategies are becoming less viable. It's becoming cheaper to rent than buy in most markets, which makes it difficult for investors to get positive cash flow from a long-term rental. Just as agents need to adapt by looking at other markets, investors may need to pursue long-distance investing if they're hoping for the stability of a long-term rental.

Meanwhile, the short-term rental market is becoming saturated. In 2021, the demand for Airbnb rentals was high, encouraging investors to enter the market as hosts. The number of available rentals on the platform surged 23.2% over the course of the year ending in September 2022. Now, there's a massive oversupply of Airbnb properties relative to consumer demand, causing occupancy rates to fall.

But a rising number of digital nomads may create demand for medium-term rentals in some markets. With a medium-term rental, the investor furnishes the property, pays the utilities, and rents out the unit for one to six months at a time. The medium-term rental is the Goldilocks of real estate investment strategies—it offers greater stability than a short-term rental and higher cash flow potential than a long-term rental. However, it only works in the right market. A hot urban area that is also home to employers that use traveling professionals will likely provide the most opportunities for investors.

Everyone Must Adapt

To get the best outcomes from your real estate transaction, you'll need to pay attention to the changing market and adapt accordingly. That's true for buyers, sellers, agents, and investors. With the right strategy and some patience, anyone can weather the predicted housing correction—there may even be opportunities to profit from it.

**This article was originally published at www.biggerpockets.com/blog/how-the-housing-correction-will-affect-everyone, and is reposted with the expressed written permission of the author*

***Note By ICOR: These are opinions written by the author and do not necessarily represent the opinions of ICOR.*

3 Essential Strategies For Protecting Your Family's Assets

Asset protection planning isn't something you can put off until something happens. Once you are under threat of a lawsuit, it's likely too late to protect your assets. While you should meet with us, to determine the asset protection strategies that are best suited for your particular asset profile and family situation, here are three essential strategies to consider for safeguarding your family's most valuable assets.

1. Invest In Insurance

Insurance is always the first line of defense when it comes to asset protection. Anyone can file a lawsuit against you at any time—and basically for any reason. And whether you are ultimately found at fault or not, defending yourself in court can be extremely costly. The insurance coverage you purchase should not only pay damages if a lawsuit against you is successful, the policy should also cover the cost of hiring a lawyer to defend you in court, whether you win or lose your case. And because a large judgment could exceed your policies' coverage limits, you should also seriously consider buying umbrella insurance.

2. Take Advantage Of Statutory Exemptions

Another way to protect your family's assets is by taking full advantage of federal and state laws that make certain types of assets "exempt" from creditor claims and judgments. For example, federal and state laws also classify many retirement plans, such as 401(k)s and IRAs, as exempt assets. Additionally, some states offer significant, or complete, exemptions for life insurance policies and annuities, as well.

3. Put The Proper Estate Planning In Place

Although each of the above scenarios are mere possibilities, there is one certainty in life—death. It's coming for all of us, and given this fact, your eventual death—or your potential incapacity from a serious accident or illness before you pass away—is the biggest risk to your family's assets. If you become incapacitated or die without proper estate planning in place, your assets and family will face a number of potentially tragic outcomes. Without the proper planning, your assets will get stuck in the court system, which could result in those assets passing to family members you would never want inheriting them, or if the assets eventually do pass to the loved ones you would want inheriting them, those assets could be seriously depleted or even lost. To this end, planning in advance for the inevitability of death is one of the greatest gifts you can give those you love most.

You work way too hard to leave your family's assets at risk. If you've been putting off creating your estate plan—or if you haven't updated your existing plan recently—now is the time to get it handled.

SARAH SHELLAM / SARAH.SHELLAM@QUESTTRUST.COM / QUESTTRUSTCOMPANY.COM

The Syndication Shift: Here's How Self-Direction is Changing Real Estate Syndications

It's no secret that real estate is a hot market, but there's been a shift in the way people invest into that market. There is no doubt that a change has occurred. It has always been common practice for the average investor to invest their money into single-family homes by doing deals like fix-and-flips, rentals, or contracts such as options or wholesales. These deals often required the investor to provide a lot of hard or physical labor just to get the return on their investment. Now, investors are able to get the same returns without the hard and physical labor often associated with tenants and contractors.

So, why the change? What we are seeing is that more and more people are seeking out passive investments. People are discovering the power of real estate syndications and the ability to invest their Self-Directed IRA money passively.

What Are Syndications?

A syndication is a type of strategy commonly used by real estate investors that allows multiple people to pool their resources and invest in large real estate projects. This process of pooling resources with other investors to invest in a large property or real estate project can often been seen with investments such as an apartment complex or a commercial retail development. Syndications can also be for raising capital for a multitude of other investment projects such as storage, mobile home parks, oil and gas, and more.

Real estate syndication is not just the process of pooling financial resources, though. The definition also extends to pooling intellectual resources in order to make educated decisions about the properties you and your partners invest in. In a syndicated relationship, one party may invest the money, while another invests labor and time to find the property and run the day to day operations.

There are different roles that investors hold when getting involved in syndications. Some of the key roles that come together to make a real estate syndication happen are the general partners or sponsors, key principals, the passive investors, and the lender and broker. The party investing the labor in the property is called the sponsor. Typically, the general partners include both the deal sponsor and the operator – but it's important to note that sometimes these can be the same person. Sponsors usually still invest some money, but the amount is much smaller than what the passive investors put in. Often, you'll see syndicated partnerships structured as an LLC.

Pros and Cons of Syndications

There are numerous benefits that syndications offer, and one of the biggest ones is accessibility. While single-family property may be more difficult to locate, there are still a ton of syndications — many that are happy to pull funds from Self-Directed IRAs, which we will address momentarily. Real estate syndications are a great way to be passive and if you want to be more hands-off, and self-directed multifamily investors don't have to deal with management or the hustle and bustle of the local market. With real estate syndications, after the initial funding, self-directed accounts grow over time. When the investment has reached the point when it's time to exit, the deal sponsors will liquidate that investment, and you see a lump sum of dividends return to your self-directed account!

Another benefit is the possibility of generating a big profit, larger than the average single-family investment. Most syndications give their investors double-digit returns. The last benefit of real estate syndications is the ability to quickly get projects off the ground is also a big benefit. If you have a property that you are interested in, syndication is one of the best ways to get the investment going fast!

You may be wondering how much is typically needed to get into one of these syndications, and the answer varies. There is no set number for syndications because every syndication is different, but on average, one can expect to contribute around $50,000 to $100,000. For some, this could be seen as a downside because not everyone has this amount to put towards a real estate syndication, but this is not unreasonable for real estate syndications and is still easier than producing the total amount of capital needed for this level of investment. Some say that if you're looking to invest in large real estate projects but don't have the funds to get a project started on your own, real estate syndications can be a great way to get your foot in the door.

Arguably one of the biggest downsides, though, is that you cannot leverage your credit to get into one of these types of investments. For example, with a fix-and-flip a lender can provide a loan to help out with the project, meaning you can begin doing deals with as little as $10,000 to $30,000.

Getting Involved in Syndications with Self-Directed IRAs

This is where Self-Directed IRAs come into play. While some may have larger amounts of personal cash available for investments, other Americans simply don't have extra personal money in the amounts needed to get involved in real estate syndications. So, where do you have that type of capital? The answer is: your retirement accounts, like a Self-Directed IRA. On average, people have more money in old 401Ks or IRAs than they do inside of their own personal checking accounts. Custodians like Quest Trust Company allow individuals to use those funds and invest in all the same deals that one would already be considering. Syndications have become much easier to participate in in recent years, as investors and sponsors can easily connect online and at marketing events that happen all over the country. Being able to use Self-Directed IRAs to pool money together has made doing real estate syndications much more accessible for the average person, because you can contribute relatively small amounts of investment or retirement money to a real estate project that is interesting to you and reap the benefits accordingly.

Adding Self-Directed IRAs to your investing strategies will not only allow you to create money for the future, but will help you today, too. If you are interested in doing real estate syndications, Quest representatives would love to speak with you. You can talk to the expert team at Quest Trust Company, or view any of the numerous other resources Quest offers, like videos, blogs, and educational events. We're here to help educate and provide flexible investment account options designed to meet the needs of modern investors, so give us a call today at (855) 386-4727 to start your passive investing journey with real estate syndications.

LONG-TERM FINANCING EXPERT
NEIL SHEA / NSHEA@LENDINGONE.COM / ICOROCKIES.COM/INVESTOR-RESOURCE

Is Your Loan App Ready for Submittal

Investors hit the ground running at the beginning of 2023 as loan originations are up sharply on the investor front. This is primarily due to investors finally getting their heads wrapped around the new normal for interest rates and accepting that these rates may be here to stay for most of 2023. But, with likely only 1 more Fed rate hike. That being said, the competition is starting to heat up for finding new deals. Is your application ready?

When you do find that next deal, you'll want to be able to move quickly so your lender can get everything into processing quickly. Here is a brief list of the documentation/information your lender will likely need:

- 2 most recent bank statements (Business/Personal). Make sure you have enough reserves to cover not only your down payment, but enough left over to cover your potential mortgage payment for up to 12 months (most applicable to DSCR loans).
- REO schedule detailing your most recent fix & flips & current rental properties owned (this is how private lenders verify your experience).
- Is your credit in good standing? Remember, you can get copies of all 3 credit bureau reports free once a year. However, there are several free FICO score monitoring sites that serve as a great gauge to see where your overall score is.
- If you're purchasing a fix-up property, have your detailed budget ready to go with as much detail for each line item as possible. This will help ensure you get the highest ARV valuation as possible by the appraiser/BPO agent/lender internal valuation team, and thus improve your chance for getting the highest LTV (less money out of your pocket).
- If you are asking your seller to contribute monies towards closing costs, verify with your lender how much Seller Concessions are allowed per lender guidelines.

Having these items ready will ensure a smooth underwriting and get you to closing as quickly as possible (sellers love that!)

TAX PLANNING EXPERT
PETER MCFARLAND / INFO@FUSIONTAXLAW.COM / FUSIONTAXLAW.COM

Quitting a Job to Pursue Real Estate

Through years of experience working with real estate investors and agents, I've advised a lot of people as they made the transition from a corporate job to pursuing real estate full-time. In addition to the typical questions about LLCs and other concerns, there are a lot of questions about how to approach it from a tax perspective.

The tax code has many legal loopholes. One such loophole revolves around real estate professional status. This is a very powerful election you can make on your tax return to supercharge depreciation and other paper losses, in order to offset the income you earn.

In order to qualify, you need to show the following:

1) You spend more than half of your time in real property trades or businesses;

2) You spend more than 750 hours per year pursuing real property trades or businesses in which you materially participate.

These qualifications require a little bit of unpacking, but suffice it to say that real estate needs to be your primary job, and you need to keep detailed and careful records of how you're spending your time. If you can show that you qualify for real estate professional status, you can take advantage of this very powerful tax election and reap immediate tax benefits to help ease your transition from your current job to pursuing a career in real estate, full-time.

Thinking about taking the plunge? Congratulations! But first, I recommend speaking with a tax expert who has experience in this area of the tax code. If you're looking for a team who can help, please don't hesitate to reach out to us at Fusion Legal & Tax. We'd love to help you navigate this exciting but sometimes tricky transition to your best tax advantage. Cheers to bright futures and bigger profits!

FINANCE EXPERT
TADD JONES / TADD@BOOMERANGCAPITAL.COM / BOOMERANGCAPITAL.COM

Budgeting Benefits

A budget is a critical tool for any fix and flip project, as it allows you to plan for and track the costs associated with the renovation and sale of a property. It is also a vital component when looking to secure financing. You probably already know this, but let's review and explore a few reasons why a budget is important for a fix and flip project:

1. Planning and forecasting: The obvious is that a budget allows you to estimate the costs of the renovation project, including materials, labor, and other expenses. This can help you to plan for the project and make sure that you have the necessary funds available to complete it. But most importantly this will make sure the project works as financially feasible and worth your efforts.

2. Tracking expenses: A budget can help you to track your actual expenses during the project and compare them to your estimates. This can help you to identify areas where you are overspending and make adjustments to stay within your budget. If you have outside backers (or if you ever want outside backers, either debt or equity), this can be the way you make sure everyone (yourself included) is fairly compensated - and that you are reimbursed for materials. And of course the tax guy is interested. You (obviously) want to make sure that you are not paying excessive taxes, rather only on the difference in all-in costs and the final sales price. But as any accountant will tell you (including the ones that work at the IRS): without a receipt or other documentation, the expense does not exist and cannot reduce your cost basis, so you'll be paying more taxes. Spreadsheets can track these expenses and help reduce taxes.

3. Staying profitable: Keeping track as you go will help to ensure that you will be able to make a profit on the sale of the property at the end. Because bottom-line, that's why you're doing the project. All of those little change orders or upgrades can really add up and it's a nasty surprise to be unaware until the end. Think of this as the Costco-shopping-cart-problem: adding all of those little "great" deals to your cart can lead to quite a shock when you only intended to get a couple things and ended up with a $300 tab.

4. Identifying potential problems: A budget can help you to identify potential problems with the project before they occur. For example, if your budget indicates that the cost of materials will be higher than you anticipated, you can take steps to find ways to reduce other costs and stay within budget. Planning ahead can also help you make timely purchases which can mitigate last-minute up-charges for rush orders on forgotten materials, or shortages.

5. Help you to decide what to prioritize: A budget can help you to decide what to prioritize. During the process of building your budget you need to set priorities about where you can save money or where you need to put more money to make the renovation or restoration more profitable.

6. Get funding from potential investors: A budget can also be an important tool when seeking funding from potential investors (debt or equity). Demonstrating the feasibility and potential profitability of the project makes a new, potential project more attractive to investors. And being able to show past successful projects with real numbers will demonstrate your experience and show credibility.

7. Communicate with team members: A budget can also be used as a communication tool to share goals and expectations related to the renovation project with your team members. This ensures that everyone is on the same page and that you are all working towards the same goal of profitability.

Overall, a budget is an essential tool for any fix and flip project. It allows you to plan, track, and manage the costs associated with the renovation and sale of a property, and helps you to stay profitable by ensuring that your costs don't exceed your potential sale price. It also helps to identify problem areas and communicate with the team, so everyone is working together towards the same goal.

Now that you are reminded of the importance of budgets, how do you do those budgets? A spreadsheet can easily be used. What this does not need to be is overly complicated and involved; what it does need to do is keep track of revenues and expenses, as well as the timing of each of those. Those who have spreadsheet budgets usually are ones that take their efforts to the extremes: either not tracking anything or building an unwieldy mother-of-all-spreadsheets. In reality, you just need something that is use-able. We have one that we use here that has some handy shortcuts in it that I'd be happy to share and even walk through with you if you'd like.

Good luck in the new year! I am sure there are going to be plenty of real estate opportunities out there. Just remember to plan, budget, plan some more and then execute. That way you come out on top, not buried by the unexpected.

ELIJAH JENNINGS / ELIJAH.JENNINGS@REALATLAS.COM / REALATLAS.COM

Finding Your Ideal Tenant

At Atlas Real Estate, ‘finding your ideal tenant’ is always one of the first things we discuss with an owner who needs to fill a vacancy It is of foremost importance to understand who an ideal tenant for your vacancy is before starting the search. An owner needs to think about the topics listed below:

How long do you want this tenant in-place? Is this a temporary rental, or are you looking for long term tenancy?

These questions will get you thinking about who you want to target and which tenant applications deserve to be given the most weight. For example, a rental that will only be available for a year might be a better option for a young professional who has recently moved into your area. This tenant may be looking to purchase soon and could be a better option than the family who will not want to deal with moving again in a year.

What is your vacancy tolerance?

In a market where rents are increasing 5 percent a more a year, you must understand your rental goals and how they align with the market. Is it worth it to increase rents 5 percent or more and risk the vacancy loss, or does it work better for you to stay between a 2-3 percent increase and keep your tenant happy and in place? It’s important to determine your goals here beforehand so you can plan for financial success.

How much time and capital do you want to spend on advertising the vacancy?

If you aren’t using professional 3rd party property management, it can be overwhelming when deciding how you are going to advertise your rental, not to mention time-consuming. It’s important to think through a plan based on target audience, market strength, and messages that resonate with them before spending capital on advertisements. From there, you can execute. For example, in Colorado Springs you may benefit from looking for renters employed with the U.S. Military, and in this case, it may be beneficial for you to direct advertisements to communication platforms that military personnel use frequently.

What is the target time of year for a lease renewal?

In Colorado, we experience high seasonality in the rental market. At Atlas, we find that rents can be anywhere from 5-10 percent lower in the winter season. We find there is significantly less traffic for renters from November-March and rents sometimes need to be reduced to fill properties with the right tenants. Because of this, owners need to consider when their renewal period will occur. Signing a 6- or 18-month lease in December may be significantly beneficial for owners who want higher rents.

Having a solid plan in place will prepare you more effectively for finding the ideal tenant. Leasing is an imperfect art but thinking through these points will prepare you as you prepare to weather the rental market. `

EVE HOELZEL / EVE.DSTANSFIELD@FARMERSAGENCY.COM / EVEINSURANCECOLORADO.COM

Why Is My Investment Property Building Limit and Insurance Premium Increasing?

One of the most important things to know when you own a Home, or an Investment Property is making sure you have enough coverage on your building in the event of a total loss. Your Agent or Insurance carrier should prepare an annual replacement/reconstruction cost analysis to confirm you have enough coverage to rebuild your structure/building in the event of that catastrophic event, like a fire that results in a total loss. Reconstruction cost value is the cost to replace or rebuild a home to original or like standards at current material and labor costs. Over the last few years, we have experienced large increases in labor and material costs as well as a shortage of a skilled artisan contractors, all of this creates a large increase in the building coverage replacement cost analysis.

Verisk Analytics which is a data and risk assessment recently reported a combined increase in reconstruction cost of 11.5 percent from 2021 to 2022. This inflation in reconstruction cost makes it particularly challenging for property insurers to maintain insurance-to-value. This is the result of a high demand market with an increase in building activity and supply shortages due to the pandemic since 2020.

Furthermore, contractors are incurring higher cost not calculated before such as increase cost of materials, delayed material deliveries, higher expenses for insurance premiums and shortages of employees due to covid exposure.

Reconstruction cost is also affected by each city's new requirements and expenses associated with updating the dwellings to meet current building ordinances. For example, in many counties in Colorado new building codes will require a class 4 asphalt shingle roof to protect the home against large hailstorms.

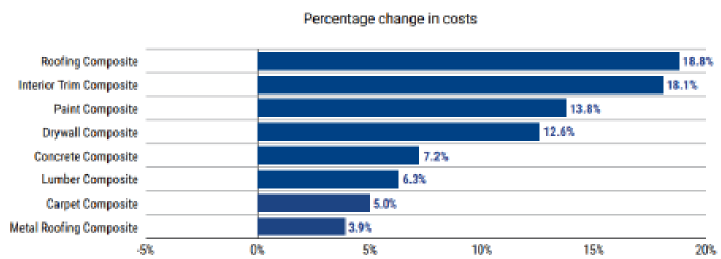
Climate change has also affected the property insurance market and the reconstruction cost with the several wildfires in the west coast that have burned millions of acres. In addition to the tornados and hailstorms in other parts of the country. The high demand to rebuild will be reflected on the cost of labor and materials nationwide.

Insurance companies must adjust to the new reconstruction rates year after year to calculate their premium and forecast their future claim's volume. Insurance carriers must first request approval from the state's Department of Insurance through a rate filing before announcing the rate increases to their insureds.

If you would like to have complete a reconstruction cost analysis and compare your premium with other carriers, contact a trusted insurance agent who understands the new reconstruction cost in your area. I can also prepare an updated insurance analysis for your investment properties and buildings.

Highlights:

- The home replacement cost is the amount it would take to rebuild your home with similar materials if it is damaged or destroyed.
- Insurance companies will use interior features, external features, types of flooring, roofing material, personal belongings, code changes, as parameters to calculate home replacement cost.
- Replacement cost or reconstruction cost are based on current cost of labor and materials & supply demand.
- Insurance companies are regulated by the Department of Insurance by each state when there is a rate increase.



**360Value Q4 2022 Quarterly Reconstruction Cost Analysis (verisk.com)*

JASON K. POWERS / JPOWERS@UNBRIDLEDWEALTH.COM / UNBRIDLEDWEALTH.COM

The Privatized Family Banking System Part III of IV-Part Series

**Read Part 1 here: http://bit.ly/3Wky3mF & Part 2 here: http://bit.ly/3Jiyrzt*

PART III.

It is advised you go back and read Part 1 before continuing below, to get the full context of what is going on. In the previous article, we talked about the best vehicle for Infinite Banking — properly structured, dividend paying whole life insurance, from a mutual carrier. Next, we will break down various details.

The intent behind what is outlined below is to help you see an alternative way to have your money flow, in contrast to what is generally taught in public circles, the traditional education system and the financial world as we see it from the publics side. It is also to help set up the next generation for greater financial success (or at least provide some financial relief), and to have the ability to utilize the Privatized Family Bank instead of traditional lenders.

This is the Infinite Banking Concept.

Unstructured Loans. Once one has a banking system, you are allowed to borrow against the cash value of the policy. Remember, when one borrows against the cash value of a whole life insurance policy, you are borrowing "against" the policy and not "from" the policy. Since you are borrowing against the policy, that means you are literally borrowing the insurance carriers' money. They care little how long you take to pay back a policy (cash value) loan, because in the end, they are collateralizing the death benefit amount of your policy — one way or another, they'll get paid back. Death is certain for 100% of its clients who have Whole Life policies for their whole life.

Since they are loaning out their money, they will charge an interest rate. Most carriers will send a bill one time per year for the amount that has accrued from the loan. This interest rate bill is unstructured — meaning — you decide if and when and how long you will take to pay it back. If you do not pay it back that year, the balance will compound (working against you) the next year, and that years interest will be on the new total amount due them. I always advise, where possible, at least pay the interest bill.

Working for us, what this means is that we have access to our cash value, as a loan, but we decide (1) how long we will take to pay it back, (2) how much we will pay and (3) how often we will pay. Now, that is owning and controlling your own policy.

Positive Arbitrage. Combining the two ideas (Uninterrupted Compounding & Unstructured Loans), let's see how growth can happen on all fronts.

If a policy has a guaranteed growth rate of 4% year over year on the whole, and a loan costs you 5%, there is a plausibility that the true net cost was only 1%. Now, the money you borrowed went and made you 15% (be it a business venture, rental property, etc), you still net 14% in a particular year (15% - 1%).

However, if you loaned your business the money and charged your business the interest of the cost (5%), you just deducted 5% cost from that, and increased your net gain even more. In addition, suppose that particular year, the policy cash value also grew an additional 5% in dividends, so now you've jumped up to 19% net gain in (4% growth + 5% dividend growth + 15% business profit – 5% cost of loan = 19%).

This can get complex, but you can see how much advantage there is to doing something like this, instead of using the traditional bank. Not to mention, you have also decided the loan terms.

Instead of having to go to a traditional bank to get loans for cars, mortgages, college, business startups, once in a lifetime opportunities - you can go to your policy, or The Family Trust. Imaging how much money one can save in life, not using an outside bank again.

In the concluding article we'll bring it all home, and show you how one can set this up to work generationally.

ICOR™

Investment Community of the Rockies

2023 Deep Dive Five Workshops

All workshops individually are $125 for ICOR Members and $175 for Non-Members! DURING THE MONTH OF FEBRUARY, get 4 workshops for one low price of $240 for ICOR members and $460 for Non-Members. Register at www.icorockies.com/products/the-2023-deep-dive-five

FEBRUARY 18TH | 9 AM – 5PM | DENVER, CO

Tenant Proofing Your Rentals Workshop: Covering Rentals from Acquisition, Rehabbing, Marketing, and Management

With Atlas Real Estate

$125 – Members
$175 – Non-Member

MARCH 18TH | 9 AM – 4 PM | DENVER, CO

The Most Overlooked Investing Strategy—Closing Land Deals with Little Competition in this Ever-Changing Market

With Jonathan Haveles

$125 – Members
$175 – Non-Member

APRIL 22ND | 9 AM – 5 PM | DENVER, CO

Subject To Workshop—THE Tool You Need To Make Millions In This Next Housing Market

With Lindsey Jensen

$125 – Members
$175 – Non-Member

MAY 20TH | 9 AM – 5 PM | DENVER, CO

Deal Profiles: Understanding Creative Financing Tools and When to Use Them

With Lindsey Jensen

$125 – Members
$175 – Non-Member

Calling All Colorado Landlords and Rental Property Owners!

ICOR, in collaboration with the Colorado Landlord Legislative Coalition, has begun preparing for the next legislative session starting in January 2023.

As a Colorado Landlord & Housing Provider — your thoughts can impact the position brief we will share as we meet with your elected officials and participate in stakeholder meetings.

This survey will allow us to share your story and perspective and help them make informed decisions.

For More Information or to participate in our Colorado Landlord Survey, point your camera at the QR Code and click on the link

ICOR Business Member Directory

Service	Contact/Business	Phone	Email
Brokerage	Mor Zucker | Team Home Denver	303.874.1327	mor@teamhomesdenver.com
Contractor/GC	Vern Robinson | Ridge Construction	303.881.1169	vern@ridgeconstructioninc.com
Estate Planning	Pam Maass | Law Mother	702.706.0036	pam@lawmother.com
Financial Planning	Sarah Shelllman | Quest IRA	800-320-5950	Sarah.Shellam@questtrust.com
Financial Planning	Chris Tanner | New Direction Trust Company	877.742.1270	info@ndtco.com
Financial Planning	Jason Powers | Unbridled Wealth	303.957.9175	jpowers@unbridledwealth.com
Insurance	Eve Hoelzel | Farmers Insurance	970.970.8019	eve.dstansfield@farmersagency.com
Insurance	Isela Owens	719.219.8498	iselaj623@gmail.com
Lender	Tadd Jones | Boomerang Capital Partners	480.779.9779	David@boomerangcapital.com
Lender	Shelly Quintana | Northpointe Bank	720.314.4406	shelly.quintana@northpointe.com
Lender	Chuck Townsend | Forrest Financial	303.877.3221	chuck@forrestfinancial.com
Lender	Greg Osborne | Bridge Capital Resources, LLC	303.475.5873	gregosborne@bridgelending.com
Lender	Justin Cooper | Pine Financial	303.916.5366	justin@pinefinancialgroup.com
Lender	Tyler Ideker | Indicate Capital	303.567.6333	tyler@costfund.com
Property Mgmt	Eli Jennings | Atlas Real Estate	303.242.8980	info@realatlas.com
Property Evaluation	Benson Juarez | Privy	303.523.4490	benson@teamprivy.com
Title	Bill McAfee | Empire Title, Colorado Springs	719.499.0968	bill@etcos.com
Wholesaling	Chase Diamond | The Diamond Group	908.664.2593	chase@diamondgroupco.com
Wholesaling	Jose Sala | 5280 Haus	720.633.0617	jose@keygleehaus.com