NOVEMBER
2023

Peak Possibilities

Your Monthly Guide to Informed Real Estate Decisions

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

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The Top 10 Do's and Don'ts for Airbnb Short-Stay Landlords

By Al Williamson

I don't want to be a buzz kill... but there's too much mushy thinking in the Airbnb, VRBO, and short-stay space. So much so that I see short-stay landlords acting like home-sharers—and having a lot of fun doing so.

Join ICOR & 230+ Real Estate nvestors on Wednesday, November 15th for our final "Real Estate Market Movers' Happy Hour" of 2023

However, if you check their bottom lines, you'll see they aren't doing much better than passive landlords. And doing extra work without capturing extra income is not the way to run a forprofit business. As a foaming-at-the-mouth Airbnb-er since 2011, one who is both a provider and user with stays all over the United States, let me offer a bit of structure.

Three Short-stay Business Models

You need to be crystal clear about which type of short-stay business you're operating. The table below summarizes the financial goals of the three models

Business Model	Personal	Business	Measure of Success
Home Sharer	X		Defray cost of your personal home
Vacation Rental	X		Defray cost of the home you periodically use
Short-stay Provider/Landlord		X	Exceed a typical passive landlord's profit

Each business model has its own unique mode of operation, expected level of service, and acceptable rate of return. You'll notice, however, that only short-stay landlords have profit as a goal.

So, if you're a home sharer or vacation rental provider, you can stop reading here. What follows is not intended for you (although you might find it interesting—so keep reading). If you're a landlord considering a short-stay business, you should follow these "do's" and "don'ts" to avoid costly mistakes and become more profitable than a typical landlord. The following is for rental owners that choose to provide short-stay housing instead of traditional long-term rentals. It is intended for those who want to maximize the yield on both their time and money.

Do's

1. Comply with local ordinances and pay your lodging taxes—if any.
Short-stay rentals are going mainstream. Just like with eBay and Amazon, you're not going to be able to avoid taxes. More and more cities (sometimes states) are requiring lodging taxes for stays of 30 days or less. Run a legitimate operation. Read your city ordinances carefully. And read the exceptions three or four times—opportunities hide in the exceptions. (HINT: Monthly stays and longer are typically excluded from short-term rental ordinances).

2. Prioritize your start up expenditures.
Spend your first investment dollars on installing items that'll help your guests feel secure. Start with upgrading your locks, bed bug proofing your beds, removing any and all odors, etc. Spend your last dollars on Martha Stewart-ing; decorating comes last. Buzz kill — right? It's just that spending your budget in this order will reduce your chance of wipeout.

3. Compete with extended stay hotels.
Consider the world of "long-shorts," where managers and cleaning costs don't eat up your profit. Compete for travelers who would otherwise opt for extended stay hotels. These folks want more privacy and homey-ness than a hotel can offer. If you're near a hospital, university, or airport, you may have a golden ticket.

4. List your offering on multiple sites.
Start on one platform and add others over time.

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November @ ICOR

Tax Planning Unveiled & Navigating the Corporate Transparency Act with Peter McFarland

Join us for an exclusive event on Tax Planning for Investors, featuring the renowned tax expert, Peter McFarland of Fusion Legal & Tax. In this enlightening session, Peter will take the hot seat in a Q&A session to provide invaluable insights into the complex and often confusing world of tax planning.

Key Highlights:

- Corporate Transparency Act: Understand the implications of the soon to be implemented Corporate Transparency Act, which will sweep many investors (and small businesses) under its wings. Peter McFarland will delve into the important pieces of the Act, its purpose, and guide you on compliance.
- Q&A Hot Seat: Get your pressing legal and tax questions answered directly by Peter. Benefit from his extensive experience and gain personalized feedback.
- Tax Planning Strategies: Discover essential tax planning strategies tailored to investors, such as how to minimize tax liabilities, protect your assets, and ensure compliance—including perspectives on defending against IRS audits.

Why Attend:

Effective tax planning is a crucial aspect of financial success. Ignorance of tax laws and regulations can lead to costly mistakes and future headaches. Don't get caught flat-footed, leaving valuable profits on the table. By attending this event, you will:

- Get caught up on the latest changes in tax laws, including the Corporate Transparency Act.
- Gain practical insights on optimizing your tax strategies to maximize savings.
- Network with fellow investors and professionals, creating valuable connections for your financial journey.
- Equip yourself with the knowledge needed to avoid potential pitfalls and costly errors in tax planning. In other words, be compliant AND put more money in your pocket!

Don't miss this opportunity to engage with an experienced real estate investing tax strategist Join us in November to safeguard your financial future. Register now to secure your spot at this exclusive ICOR event.

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

Save the Date for ICOR's November Meetings

ICOR – Colorado Springs	ICOR – Denver	ICOR – Northern Colorado / Fort Collins
Thursday, November 9th, 6 PM-9 PM (MDT) *2nd Thursday of Every Month*	Wednesday, November 15th, 6 PM-9 PM (MDT) *3rd Tuesday of Every Month*	Thursday, November 16th, 6 PM-9 PM (MDT) *3rd Thursday of Every Month*

Upcoming Webinars & Workshops

Mid-Term Rental Arbitrage: What Colorado Investors Can Learn From Marriott

Virtual

Wednesday, November 8th

The corporate housing industry has been around for years. But just recently, with the rise of online travel agencies, nearly any entrepreneur has the ability to make money off another landlord's rental. Tune in for a lively discussion on rental arbitrage and uncover the money-making opportunities that surround you.

Special Event ICOR's Real Estate Market Movers' Happy Hour

In Person

Wednesday, November 15th

5:00 pm: Doors & Bar Open
6:30 pm: Special Session: "How to Create a Profitable Extended Stay Airbnb within 30 Days Using NONE of your Own Money!"
7:30 pm: Special Session: Tackling Rising Insurance Rates for Investors & Landlords
8:00 pm: Special Session: Tax & Legal for RE Entrepreneurs
9:00 pm: Program End

Understanding Mid-Term Rentals & Arbitrage Investing Workshop

In Person

Saturday, November 18th

Discover How to Measure the Extended Stay Rental Strength of a Local Market so You Can gauge its Potential to Give You Economic Freedom. See How to Pick a Monthly Extended Stay Rental Rate So You Know Your Earning Potential No Matter If You Have 1b, 3b, or 4bd! Hear How to Market to Make Your Extended Stay Rentals Generate Nearly Risk-Free Profits

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

SATURDAY, NOVEMBER 18, 2023
9:00 AM - 4:00 PM • DENVER, CO

Understanding Mid Term Rentals & Arbitrage Investing Workshop

How to Create a Profitable Extended Stay Airbnb in 30 Days Using None of Your Own Money

1. Discover how to instantly know if your market is suitable for making a fortune with extended stay rentals.
2. Uncover the secret to securing a "workforce rental" and furnishing it with/without using your own money.
3. Hear how to make a furnished rental more findable so you can maintain a 95% occupancy all year-round.

$125 for members, $175 for Non Members
https://www.icorockies.com/events/midtermrentals1123

Consider listing with the big three commissionbased sites: Airbnb, HomeAway, and TripAdvisor. Then sync the calendars so you only get inquires for available dates. It's smart to cast a wide net to increase your exposure and minimize your vacancies. Don't limit your platforms until you've had a chance to determine the pros and cons for yourself.

5. Go after employer-sponsored business travelers.
There's a HUGE difference between travelers who pay out of pocket and those who get reimbursed by their employers. Many traveling consultants (like myself) get a stipend to cover housing expenses. Often, the allowance is based on Government Services Administration guidelines. So be mindful not to disqualify yourself by spiking your rates. From a net income perspective, these guests just might be the most lucrative long-term and frequently repeating clients you can find.

Don'ts

1. Don't compete with the home sharers on one and two-night stays.
Fast turns, what I call "short-shorts," are games that home sharers can win. Cleaning and providing day-to-day management are their jobs. To make any money with short-shorts, you would need to pass along your full cost of cleaning. And large cleaning fees are a major turn off to price savvy guests. That's why you really need to set a minimum stay that pencils — and that might be four nights or more.

2. Don't rely on landlord best practices — many don't apply.
If you are a seasoned landlord, you will need to change out your mental framework to be a good short-stay provider. For example:

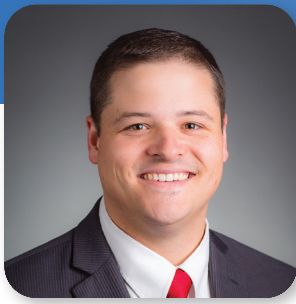
• Fair housing laws aren't valid in this peer-to-peer economy. You look at people's peer reviews for quick go/no-go decisions.
• Credit checks aren't relevant since money is collected in advance.
• So, whereas having a lot of landlording experience is useful, don't assume it's sufficient in the short-stay world.

3. Don't try to earn more than 5 stars.
Once you get going, you can add some razzle dazzle. But if you're a gadget person, stifle yourself. Don't buy whiz bang UNLESS you can estimate a reasonable break even date. Will that gadget really help you get more bookings at higher rates and with better reviews? Hmmm... buying a holographic TV is cool, but it won't help you get a 10-star review when only 5 stars are possible.

4. Don't lose track of the climbing baseline.
Rents are escalating. It's possible your local market rents could be higher at the end of the year than they were at the beginning. Rents can swing the other way too, so you have to check local conditions a few times a year. If the baseline exceeds your short-stay income, then sell off your furnishings and switch back to traditional landlording. There is no shame in pivoting. After all, you're in the short-stay business to net more income than a traditional landlord — not less.

5. Don't be a jerk.
Your reviews are everything in this peer-to-peer economy. Your guests will, in general, be laid back folks who want to do business directly with other nice people. So be fair, but if you need to "get someone told," then get the resolution center involved. Airbnb has intermediaries to help you navigate crucial conversations with their referred guests. So, when needed, let Airbnb facilitate. But whatever the case, be a generous. Your reviews equate to your wealth in the collaborative economy. The more good reviews you have, the more others are willing to do business with you. So, keep your future opportunities in mind — keep your cool.

The Big Takeaway
Although there are three categories of short-stay rentals, only one of them has a profitability threshold. And following these do's and don'ts will give you a fast track towards netting more than a traditional landlord would. These principles are training wheels to keep you from bruising losses. Keep them on until your balance sheet shows you're proficient. Then go on to create offerings that are nearly impossible for others to compete against. And from that position, you'll be able to maximize your asset's cash flow.



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Be the Mortgage Bank Instead of the Landlord: Unlocking Passive Income Potential

Are you tired of the day-to-day hassles of being a landlord? Repairs, tenant issues, and the constant upkeep of rental properties can be a source of stress for many real estate investors. But what if there was a way to generate passive income without the headaches of traditional property ownership? Enter the world of hard money funds.

Investing in a hard money fund offers the opportunity to be the mortgage bank, rather than the landlord. These funds have gained popularity in recent years due to their attractive returns and low maintenance requirements, making them an excellent choice for investors seeking passive income, or what some like to call "mailbox money."

The Power of Passive Income: Earning 7-10% Returns

One of the most compelling aspects of hard money funds is the potential for robust returns. While traditional "passive" real estate investments may yield returns in the range of 3-6%, hard money funds typically offer returns of 7-10% or more. This means that your money can grow significantly faster when invested in these funds.

Let's illustrate the power of this strategy with a simple example. If you were to invest $100,000 in a hard money fund offering a 9% annual return, your initial investment would double in value by the end of the 8th year. By year 13, it would triple. But here's where it gets exciting – due to the magic of compounding interest, by year 20, you would have six times your initial investment, and 10x by year 26. That's the extraordinary power of compound interest in action, and it can be a game-changer for your financial future.

Diversification and Risk Mitigation

Diversification is a crucial aspect of any investment strategy. When you invest in a hard money fund, your money is typically spread across a variety of real estate loans, reducing the risk associated with owning a single property or dealing with a single tenant's issues. Diversification can help protect your investment and enhance the overall stability of your portfolio.

Investor Accessibility

One of the most appealing aspects of hard money funds is their accessibility. They are available to a broad range of investors, whether you're just starting your investment journey or you're an experienced investor looking to diversify your holdings. The flexibility and accessibility of hard money funds make them a versatile tool for building passive income.

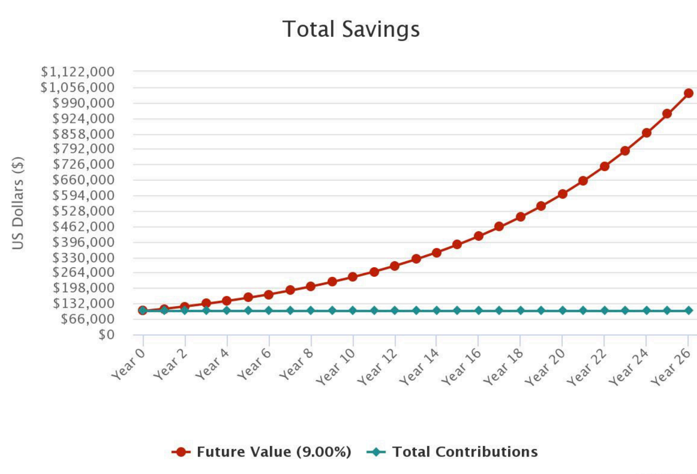
What's more, hard money funds offer a unique advantage in terms of "partial" liquidity. Since loans within the fund typically have relatively short durations, with payoffs occurring in about 4-9 months, liquidity is often available within approximately 90 days of requesting funds. This feature provides a level of flexibility that is not commonly found in traditional real estate investments, where your capital may be tied up for several years. The ability to access your funds relatively quickly when needed can be a valuable safety net for investors, offering both growth potential and peace of mind.

A fantastic source of capital to consider for your hard money fund investment is to move your IRA funds into a self-directed IRA. Self-directed IRAs offer investors greater control and flexibility over their retirement funds, allowing you to choose a wide range of investments, including hard money funds. By using a self-directed IRA, you can maximize the potential for growth, take advantage of the compelling returns of hard money funds, and enjoy the benefits of compounding interest while securing your financial future.

Conclusion

In today's real estate investment landscape, being the mortgage bank instead of the landlord is an attractive proposition. Hard money funds offer the potential for high returns, the power of compounding interest, and Security through Diversification. These features, combined with the reduced day-to-day management responsibilities, make hard money funds an excellent choice for investors seeking passive income.

As with any investment, it's important to conduct due diligence, understand the fund's structure, and assess the associated risks. However, if you're looking to take a step back from the landlord's role and enjoy "mailbox money," exploring hard money funds may be the key to unlocking your financial success and building a more prosperous future.



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How To Winterize Your Rentals and Vacant Properties

As temperatures begin dropping this Fall, it is important to winterize your real estate investments, to prevent costly damage and insurance claims. Whether you manage your own properties or hire a property management company, you should think about putting your winterizing procedures at the top of your priorities for your rentals, vacant-homes, and commercial buildings.

Winterizing is preparing your property's systems to handle the winter w eather conditions. In Colorado, we usually get our first snow fall in October. Therefore, landlords, property managers and homeowners usually start the winterization process during the first two weeks of October to avoid calls for burst pipes or broken tree branches after a snowstorm. Proactive planning saves owners and property managers both time and money in the long run. With that in mind, we will discuss some steps for the winterization of your property.

Normally, insurance policies cover against, fire, hail, snow, rain, wind, ice, frozen pipes, and mechanical breakdown. However, if you file a claim, you would be subject to a deductible. My suggestion is to have a list of maintenance and repairs to avoid having a claim filed under your property. Below is my list of recommendations to prepare your real estate investment from the winter temperatures:

1. Keep the heat on. It should be included in your lease agreement to have the minimum temperatures of 60 degrees when the tenant(s) are on vacation. It will prevent a claim or more expensive repairs.
2. Outdoor pipes shut off and sprinkler system blown out.
3. Cover outdoor plumbing and pipes with a foam pipe insulation.
4. Inspect your HVAC system with a professional to make sure they are running efficiently.
5. Replace caulking or sealant as needed for your windows and doors.
6. Shop for snow and ice removal services. Before the snow arrives, you should look for snow removal contractors to help you with your properties and avoid a liability claim.
7. Trim tree branches to prevent falling and damage your property, the tenant's, or the neighbor's. Frequently, I hear about claims from falling tree branches on vehicles or the neighbor's property.
8. Clean your chimneys. If you have a wood burning fireplace, it is recommended to hire a professional to clean and inspect the chimney for any signs of damage or obstruction.
9. Testing smoke and carbon monoxide detectors.
10. Inspect your vacant properties often during the winter. You may want to completely turn off the water supply, drain the pipes and toilets, and put non-toxic antifreeze in the toilet bowls.
11. If your dwelling is vacant: Be sure you've removed all food from your pantry before vacating the place, so pests don't have something to feed on if they do get inside.

Why should you winterize your properties if you have insurance?

As I mentioned above, insurance should cover water damage, snow, rain, ice and burst pipes. However, each policy has individual language. Some policies only cover the cost of the repairs, but not the damage surrounding the property while others may just be the opposite. Every insurance carrier requires the property owner to take appropriate steps to avoid potential problems.

No one wants to deal with the consequences, repairs, and cost of failing to prepare and winterize a real estate investment. If you have too many properties or you are an out of state investor, I highly suggest contacting a reputable property management company to help you with the winterization and maintenance. I also suggest contacting your insurance agent to understand the policy language regarding your coverage during the winter. If you need help understanding your policy, please contact me and I will be happy to explain the terms from the insurance and investing point of view.

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

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Should You Put Your Real Estate in an LLC or a Trust?

Real estate investing can be an excellent strategy to build and pass on wealth to future generations. Your properties can generate rental income and serve as valuable assets for collateral in various wealth-building ventures. If you or your parents own a second home or commercial property, deciding how to handle these assets is crucial. Should you place your investment property into a trust, or consider something like an LLC? Let's break it down.

The Baseline Rule: Putting it in Trust
First and foremost, the fundamental guideline for managing any real estate you own, whether it's your primary residence or an investment property, is to put it in a trust. This approach helps you avoid probate, maximize the value of your estate, and ensure that your hard-earned money stays within the family. It's a practical choice that prevents your loved ones from dealing with hefty legal and court fees after you're gone.

Considering an LLC

You might be wondering about the option of using an LLC or an S-Corp. You might have heard that these entities offer creditor protection and might have questions about their impact on taxes. Well, if you're dealing with just a second home or one investment property and you're not on the path to building a massive real estate empire, sticking with a trust is usually your best bet.

Even if you have real estate, you're probably going to have a trust anyway to avoid probate, so why not use it for its intended purpose – holding assets to sidestep probate? Managing the property remains straightforward, much like when it's in your name alone. You can still sell it, refinance, or use it as collateral for loans. Your property and personal taxes won't undergo any major changes since it's still an asset you own. And if you're renting it out, consider hiring a property management company and investing in good liability insurance (a wise move, regardless of whether it's in your name, trust, or LLC). If the property is not generating income and is more of a vacation or family home, there's no need to complicate things with an LLC and the associated yearly costs.

Expanding Your Real Estate Empire

However, if you're dealing with multiple income-generating properties and building a real estate empire, it might be time to consider an LLC-type structure. You can then assign your ownership interest in the LLC to the trust to avoid probate upon your passing.

Handling Out-of-State Property

Now, what about out-of-state property? Let's say you have a trust in Colorado but also own property in Wyoming. You can place that Wyoming property into your Colorado trust, and that way, you won't have to worry about probate in either Colorado or Wyoming.

Putting Everything in Trust

In the grand scheme of things, it's a good practice to put everything into your trust – whether it's your primary home, second home, commercial property, or even the LLC that manages your real estate empire. Placing the LLC in the trust is a smart move, as the value of the LLC counts towards the probate threshold. Take it out of the equation, put it in the trust, and manage everything from there. It's not just how the rich folks do it; it's a strategy that works for us regular folks too.

Remember that every investor's situation is unique, so it's essential to work closely with estate planning professionals who can tailor a plan to your specific needs and goals. Your family's legacy is worth the effort. At Law Mother, Estate Planning is our focus. We are proud to be sponsors of ICOR and offer ICOR members a complimentary 15 minute call. To schedule your 15 minute call please visit our website: www.LawMother.com/go. Should You Put Your Real Estate in an LLC or a Trust?
By Attorney Pamela Maass Garrett, Law Mother LLC

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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!

COOPER RIFLE, LAW CLERK. / INFO@3PILLARSLAW.COM / 3PILLARSLAW.COM

3 PILLARS LAW

The Corporate Transparency Act:
What Real Estate Investors Need to Know

What is the Corporate Transparency Act (CTA)?

The CTA, effective on January 1, 2024, will require all "Reporting Companies" to report beneficial ownership information (BOI) to the U.S. Treasury's Financial Crimes and Enforcement Network (FinCEN). The essential function of the CTA is to combat the use of shell corporations to facilitate financial crimes (i.e. money laundering) and other illicit activities. The information contained in BOI reports is intended for government regulatory bodies and law enforcement and will not be publicly accessible.

"Reporting Companies:" who will be required to make BOI reports? Any corporation, limited liability company (LLC), or other similar entity (e.g. a limited partnership) that is created by filing a document with a secretary of state or similar office will be required to make a BOI report to FinCEN. While there are 23 exemptions from this definition and the accompanying reporting requirements, notably including "large operating companies," the average real estate investor will not fall under any of these categories. In other words, many real estate investors will likely be required to make BOI reports to FinCEN. Reporting Companies formed before January 1, 2024 must file a BOI report before January 1, 2025. Reporting Companies formed on or after January 1, 2024 must file a BOI report within 30 days of formation.

What's in a BOI report?

BOI reports will provide information about the Reporting Company, such as (1) the name of the Reporting Company; (2) the address of the Reporting Company; (3) the state of formation of the Reporting Company; and (4) the Tax Identification Number (either TIN or EIN) of the Reporting Company. BOI reports will also identify a Reporting Company's "Beneficial Owners" and "Company Applicants" and will include information sufficient to identify those individuals. Beneficial Owners and Company Applicants will have to disclose identifying information in a BOI report, such as the full legal name of the individual; the date of birth of the individual; the current address of the individual; and a unique identifying government ID number (e.g. a passport or driver's license number).

Who are Beneficial Owners?

Beneficial Owners are individuals who, either directly or indirectly, exercise substantial control over the Reporting Company or own or control 25 percent or more of the Reporting Company's "ownership interests." "Ownership interests" is defined broadly (subject to limited exceptions), and includes equity and other types of interests, such as profit interests, convertible instruments, or options to acquire equity. An individual has "substantial control" over a Reporting Company if that individual (1) serves as a senior officer, (2) has authority over the appointment or removal of any senior officer or a majority of the board of directors (or similar body), or (3) can direct, determine, or has substantial influence over important decisions made by the reporting company. These definitions are expansive, and will likely include a large number of real estate investors as "Beneficial Owners," subjecting these individuals to the BOI reporting requirements of the CTA.

Who are Company Applicants?

A Company Applicant is any individual who (1) directly files a document that creates a domestic reporting company, (2) directly files a document that first registers a foreign reporting company, or (3) who is primarily responsible for directing such filing. Additionally, the individual that directs the filing or formation of a company is a Company Applicant. However, Company Applicants of entities created before January 1, 2024 do not need to be included in a BOI report. Under these definitions, employees or owners that file after January 1, 2024 for the formation of a Reporting Company will be Company Applicants and will have to disclose their information in a BOI Report. Additionally, registered agents, attorneys, and other businesses or professionals who form companies on behalf of clients will also be required to disclose their identifying information as Company Applicants.

What Should Real Estate Investors Do to Comply with the Requirements of the CTA?

These laws are new and constantly changing, and compliance with the CTA presents challenges and uncertainties for real estate investors and attorneys alike. Real estate investors should seek competent counsel from their attorneys and should ask any professionals that form their companies about how the CTA will affect them. For more information about the CTA, real estate investors can consult FinCEN's "Small Entity Compliance Guide."

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Doing Your Due Diligence to Protect Your IRA

Investing comes with countless benefits, many of which we have discussed in previous blogs, but it also comes with risks. Being able to understand what to look for before entering into a new investment can save you a lot of time and money when it comes to those investing risks. One of the best things anyone can do is perform proper due diligence on their new potential investment.

What is Due Diligence?

Due diligence is the step-by-step process an investor takes to help protect their IRA from fraud and to determine if it is the right investment for their retirement funds. Due diligence is what forces you to uncover the facts about the investment and any potential risks, so you can make an informed decision. There are two types of due diligence: that which is done on the investment itself and the other which involves thoroughly vetting the one offering the investment.It's crucial to not only look at the investment itself and determine if it is worth it, but to also consider who you may be entering into business with, as well. Sometimes you may be confident in the investment, but still have hesitations about the investor. If you are ever nervous, you should always investigate further.

Why is Due Diligence Important?

It is important to be more cautious when you are investing your IRA funds. Doing due diligence ensures that you don't make the wrong decision and jeopardize your future retirement. One bad investment could greatly affect your retirement savings.

With self-directed IRAs, you can invest in real estate, notes, private placements and more, so it is even more important to perform due diligence on these types of alternative investments. When you invest in a mutual fund, you can look at the prospectus and view the fund's history. When you invest in alternative assets, you are in the driver's seat. The IRA custodian is not allowed to provide tax, legal, or investment advice. You find the deal, usually through networking, and it's up to you to thoroughly vet the investment. You may be approached with an investment opportunity that sounds amazing, but what do you really know about this potential real estate investment or the sponsor that is pitching the deal to you?The reason investment fraud succeeds is because people are lured into emotional decisions by the scammer without first completing their due diligence. Investing in things you are familiar with and know very well can help lessen the risk of fraud, since you will be very aware of what to look out for. For example, if you are a real estate professional, you can use your experience to invest in rental properties.

Doing Due Diligence

The due diligence process begins with asking yourself broad general questions. It then narrows down to specific questions about the investment depending on the type. Asking yourself questions like, "does the investment offer make good business common sense?" or "how exactly does this investment strategy create above market returns?" If you can't explain it, there's a risk of fraud.

Top 10 warning signs of investment fraud:

1. It promises "guaranteed" returns;
2. It promises high returns for little or no risk;
3. It's being pitched by a leader in your community or a fellow group member, such as ethnic, racial, religious, or other groups;
4. It involves a reverse merger stock or your money has to be sent overseas;
5. It involves "break-through" technology;
6. It's tied to a current natural disaster;
7. It's unregistered, or it's being pitched by an unregistered adviser or salesperson;
8. It lacks documentation, such as prospectuses, offering statements, or financial reports;
9. It's difficult to understand; and/or
10. The pitch comes with high-pressure sales tactics that push you to purchase immediately.

Ask all of your questions and expect straightforward answers. Review financial records if applicable. If you are buying real estate, go to site and view it yourself. Do not let trust, friendship, or emotion get in the way. When you do not understand the investment, continue to ask questions until you do. This is your money, and you should feel comfortable with your investment decision.

Once you have evaluated the investment, it is then time to evaluate who you are entering business with. What is the track record of the person pitching the investment? Look into the performance of their other investments? Have they been honest and upfront about the risks of this investment. Have they thoroughly answered your questions, or tried to pressure you to act quickly? Look for any red flags and then take the time to investigate them thoroughly. If something sounds too good to be true, it probably is.It's true that all investments have risk and there is always a constant battle between risk and reward. If at any point during the process you find that the investment has too great a risk for the amount of return or has a high probability of fraud, then you should stop the process and move on to another investment. Prepare a due diligence checklist to ensure that you did not miss asking any important questions.

The more you know about the investment the better you will be able to judge whether the risks are balanced by the reward and whether investment fraud could be possible. If you ever have questions about doing your due diligence or investing in your self-directed IRA, give a Quest Trust Company a call at 855-FUN-IRAS.

Why You Should Get Going with Corporate Rentals

Landlords have always had the ability to woo business travelers to their rentals.

But now that online travel agencies such as Airbnb, HomeAway, and TripAdvisor have gone mainstream, it's easier than ever!

Let's define a corporate rental as dwelling that's lease directly to a company or a business traveler who has a housing allowance. If a company is paying for the rental, and not the tenant, then it's a corporate rental.

When a company pays their employees or contractors to work remotely, then that tenant: 1) Will behave and not embarrass their employer 2) Will have a binary attitude towards your rates. Either they are within their allowance or they aren't.

These two characteristics make business travelers the most lucrative and ideal people for your rentals.

The Opportunity

Business travelers find that with short-term corporate rentals, they are able to afford more home-like conveniences for less. They are able to cook healthier, have more privacy, and have a richer travel experience when they don't stay at a hotel.

That's why the trend in corporate housing is spiking. Especially when a traveler is on an assignment for 30 days or longer.

Extended stay business travelers actively search for houses and apartments to live in. Many want to live in neighborhoods and not off freeway offramps.

Now, is it possible that you could furnish a rental to accommodate corporate travelers? Could you earn hotel-size money instead of market rents? Most certainly!

How Much Can You Make

The Government Services Administrations (gsa.gov) maintains a list of daily hotel rates for various cities throughout the United States. Their website present per diem housing rates for each calendar month.
If you're trying to decide if a corporate rental would be profitable, then look up the GSA per diem rate for your city and work with that number. For example, the GSA per diem hotel/lodging rates for Sacramento, CA is $91.00 per night (assuming a 30-day stay). That's $2,730 per month. Assuming a 70% occupancy, if you have a one-bedroom corporate rental in Sacramento, you could reasonably expect to earn a maximum of $1,911 per month.

NOTE: My Sacramento corporate rentals actually rent for $1,860 per month. When I accept pets, and charge a $50/month pet fee, I'm still a more affordable choice.

The next step is to calculate the difference between your expected corporate rental earnings and your local market rent.

For example, the going rents for a one-bedroom apartment in Sacramento is $950 per month. This means that you could make $910 extra each month ($1,860 - $950) if you converted a traditional rental into a corporate rental. That's a LOT of money!

Of course, you'll need to pay for the electricity and other monthly expenses associated with a corporate rental, but even after paying those expenses, the additional net income is fantastic!

Help Making a Decision

Extended stay hotels have been around for decades. They a part of a mature industry. By focusing on extended stay, and not nightly stay, you can take month-to-month landlording to new heights.

Corporations behind Extended Stay America and Residence Inn by Marriott use a lot of sophisticated financial models and institutional knowledge to decide where to place their +$10M hotels. So, if there's an extend stay hotel is near you, then you should accept that as proof that your extended stay corporate rental will be wildly successful.

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The Synergy of Real Estate and Infinite Banking: A Summary Guide to Leveraging Whole Life Policies in Property Investment

The dynamic world of real estate offers myriad avenues for growth and profit. But as with all investments, funding and liquidity remain the lifeblood of success.

Enter the Infinite Banking Concept (IBC). At its core, the Infinite Banking Concept is about becoming one's own banker. By harnessing the cash value growth of a dividend-paying whole life insurance policy, investors have a reservoir they can tap into. This capital can be borrowed against and repaid at the policy owner's discretion, bypassing many of the hurdles of traditional bank financing. When integrated into a real estate portfolio, IBC can prove to be a powerful ally.

Swift Property Acquisition

Navigating the maze of traditional bank financing often presents challenges: extensive paperwork, approval delays, and rigorous credit evaluations. For many real estate investors, these hurdles can mean missed opportunities. With IBC, investors can directly borrow against their policy's cash value, cutting out the middleman. This means a swifter acquisition process, diminished fees, and a flexible repayment timeline that's tailored to the investor's unique needs.

Streamlined Rehabilitation & Improvements

For those in the world of Fix-N-Flips and Rehabs, securing external funding for such endeavors can be cumbersome, time-consuming, and sometimes expensive. Infinite Banking offers a solution. By allowing investors to borrow against their policy, funds can be accessed efficiently. Once the property is upgraded and either sold or refinanced, the policy loan can be repaid, keeping the investment cycle smooth and fluid.

Bridge the Gap with Bridge Financing

The real estate market is dynamic, with opportunities sometimes requiring immediate action. Traditional financing methods can be slow, making it challenging to capitalize on time-sensitive deals. The Infinite Banking model shines in these moments. As a rapid-response tool, it can act as a bridge loan, ensuring investors have the agility to secure promising deals. Then, once the property is refinanced or sold, the borrowed amount can be returned to the policy, ready for the next opportunity.

Strategic Land Purchases

Land is a foundational real estate investment. It offers potential long-term appreciation, especially in growing areas. However, immediate development isn't always feasible or strategic. Here's where the IBC becomes invaluable. Investors can tap into their policy's cash value to finance land purchases, holding onto these assets until market conditions are ripe for development or resale, thus ensuring they don't miss out on strategic land acquisitions. Remember the unstructured loan component? You're in charge!

The Cushion of Cash Flow Management

Consistent rental income is the necessary for most real estate investors. Still, reality (remember COVID?) often presents challenges like vacancy periods or unexpected major repairs. Such disruptions can strain cash flow, making it tough to meet financial obligations. With the IBC, investors have a financial cushion. They can draw from their policy's cash value to manage cash flow dips, ensuring that mortgages, property taxes, and other essential payments are met without a hitch.

Down Payments Made Easy

A sizable down payment can be a decisive factor in securing a lucrative property deal. However, arranging large sums quickly isn't always feasible. Cash value from your policy, offers a workaround. By allowing investors to borrow from their policy's cash value, they can swiftly arrange for down payments, often giving them a strategic edge in negotiations. This not only ensures quicker deal closures but also conserves other liquid assets for different opportunities.

Ready for Rainy Days

The unpredictability of the real estate market demands a well-prepared investor. Unexpected expenses, such as sudden repairs or unforeseen legal issues, can crop up, demanding immediate funds. The IBC serves as a financial safety net. Having access to the policy's cash value ensures that investors can manage unexpected costs without destabilizing their portfolio or resorting to high-interest emergency loans.

Stay Liquid in Lean Times

Economic downturns and market recessions are inevitable. During such times, traditional lenders often become risk-averse, like they are right now, making it hard for investors to access funds. However, those integrated with the Infinite Banking Concept have an edge. They can access their policy's cash value, ensuring liquidity even in lean times. This liquidity advantage allows them to capitalize on undervalued properties when others are cash-strapped, setting the stage for significant future gains.

Estate Planning with an Edge

Any robust real estate portfolio requires foresight, not just for current investments but also for future wealth transfers. The Infinite Banking Concept offers dual benefits in this regard. First, the death benefit of the insurance policy provides, usually, a tax-free wealth transfer mechanism. Second, the liquidity from the policy ensures that estate-related expenses or taxes can be managed without hastily liquidating properties, ensuring the legacy remains undisturbed. So, in the intricate dance of real estate investment, the Infinite Banking Concept can be a game-changer. By merging the liquidity and flexibility of IBC with real estate's potential, investors set the stage for sustained success. Reach out today, and let's see what the Infinite Banking Concept can do for you.

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