

AUGUST
2024

Peak Possibilities

Your Monthly Guide to Informed Real Estate Decisions



Investment Community of the Rockies
— COLORADO REAL ESTATE INVESTORS ASSOCIATION —

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A Nationwide Legislative Update from National REIA

By Charles Tassel, Legislative Affairs Liaison

Squatter's Rights

With the viral video of an illegal or otherwise undocumented alien airing a TikTok this past spring, the pushback has been strong. In some states, legislation was augmented either addressing adverse possessions or specifically targeted as "anti-squatter". With U.S. Sen John Fetterman (D-PA), a former Mayor himself, weighing in about squatters not having "rights" to housing, a careful but bipartisan legislative push grew. While some of the changes were in the police and judicial realms, even those were definitively anti-squatter. So that while there isn't a single, clear definition of "anti-squatting laws" across the United States, there is a growing trend of states passing legislation that makes it easier for property owners to evict squatters.

In August at ICOR, New Trends are Emerging and how we did business in the past isn't working today. Join our hot seat experts to discuss ways to adapt!

Two key areas of concern being addressed:

- **Expedited Eviction Processes:** Some states are passing laws that streamline the eviction process for squatters. This might involve reducing the time needed for court proceedings or allowing law enforcement to remove squatters without a court order under certain circumstances.
- **Criminalization of Squatting:** A few states are making squatting a crime, which could lead to arrest and prosecution.

It's important to note that most states have existing laws on adverse possession. These laws allow squatters to gain ownership of a property under specific conditions like occupying it for an extended period of time (usually several years) and meeting certain requirements. Tightening those regulations also helps. Redefining service and requiring proof of written leases between the authentic property owner and the tenant has also been a growing concern. This

latter issue has been a growing problem due to fraud over the past 15 years. Itinerant criminal bands move through areas with the trick of "leasing" one rental unit to up to a dozen people, taking their deposits and first month's rent checks before absconding with the money. The ersatz renters show up ready to move in, only to realize they have been duped and the owner is often left stuck with a short-term mess.

While Tennessee recently joined the ranks of Florida, Louisiana, Georgia, Alabama, West Virginia, and most recently Tennessee, there are several

other states working on their own legislation. We have been following this issue closely online at RealEstateInvestingToday.com.

Here are summaries of the approved bills from these states and/or their last actions:

Florida: This bill enhances the protections for property owners against unauthorized occupants of residential properties. It enables property owners or their authorized agents to request immediate removal of unauthorized occupants from a residential dwelling under specified conditions. This includes unauthorized occupants who have unlawfully entered and continue to reside on the property. The sheriff is authorized to serve these notices, and can charge a reasonable hourly rate for their services.

The bill also criminalizes intentional damage to a residential dwelling by trespassers who cause damages exceeding \$1,000. Furthermore, the act provides criminal penalties for those who knowingly and willfully present a false document, such as a lease agreement or deed, purporting to convey real property rights.

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AUGUST MEETING INFORMATION

August @ ICOR

Denver Chapter Meeting | Tuesday, August 20th
Fort Collins Chapter Meeting | Thursday, August 15th
Colorado Springs Chapter Meeting | Tuesday, August 20th

The real estate market in Colorado has been closely monitored, with varying performance across different regions such as Denver, Northern Colorado, and Colorado Springs. The following summary compares reality and projections for each of these markets.

Denver Market

- **Home Prices:** Slight increase in home prices, though at a slower rate compared to previous years.
- **Inventory:** Low inventory levels, leading to a competitive market.
- **Sales Volume:** Decrease in the number of homes sold due to affordability issues and rising mortgage rates.
- **Buyer Demand:** Strong, but tempered by economic uncertainties and interest rate hikes.

Northern Colorado Market

- **Home Prices:** Moderate increase in home prices, with some areas seeing significant growth.
- **Inventory:** Low to moderate inventory, with some new developments slightly easing the shortage.
- **Sales Volume:** Steady sales volume, with notable activity in suburban and rural areas.

- **Buyer Demand:** High demand driven by desirability of suburban living and telecommuting trends.

Colorado Springs Market

- **Home Prices:** Significant increase in home prices, outpacing state averages.
- **Inventory:** Extremely low inventory, contributing to intense competition among buyers.
- **Sales Volume:** Slight decline in sales volume due to affordability issues and limited listings.
- **Buyer Demand:** Very high demand, bolstered by military presence and economic growth in the area.

Across Denver, Northern Colorado, and Colorado Springs, the real estate market exhibits a trend of increasing home prices and tight inventory, though the pace and intensity vary by region. Denver experiences a modest increase in prices with low inventory, Northern Colorado sees moderate growth with improving inventory, and Colorado Springs witnesses sharp price increases and extremely low inventory. Despite challenges like rising interest rates and affordability issues, buyer demand remains strong across all markets, driven by factors such as relocation, economic growth, and telecommuting trends. Projections suggest continued, albeit moderated, growth in prices and sustained demand, with slight variations in inventory and sales volume stability.

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

Save the Date for ICOR's August Meetings

ICOR - Colorado Springs

Tuesday, August 15th
 6 PM-9 PM (MDT)

ICOR - Denver

Tuesday, August 20th
 6 PM-9 PM (MDT)

ICOR - Northern Colorado / Fort Collins

Thursday, August 22nd
 6 PM-9 PM (MDT)

Upcoming Webinars & Workshops

ICOR X REIA Of NYC Joint Fractional Ownership & Deal Finding Mastermind

Virtual

Monday, August 5th

ICOR is collaborating with our sister chapter, REIA of NYC, to develop a deal-finding, out-of-state investing, and fractional ownership mastermind where members of each organization get to discuss, share, and create opportunities for each other while facing similar challenges in our local markets.

"Introduction To Infinite Banking" Presented By Unbridled Wealth

Virtual

Thursday, August 15th

What if you could be the bank? The Infinite Banking Concept is a time-tested investment strategy. Join Jason Powers for an hour to get a great overview of Infinite Banking and learn how you can apply it in your financial life.

Colorado RECON 2024: Emerging Trends in Real Estate

In Person

Special Event

Saturday, September 21st

The dust has settled, and we have all gotten comfortable with what is now the "new normal." The question for many of us is, how do we make this market work for us?

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A Nationwide Legislative Update from National REIA

Continued from page 1

The bill even prohibits listing or advertising for sale, or renting or leasing, residential real property when the person doing so knows they have no lawful ownership or leasehold interest in the property. Any acts in violation of these provisions result in respective penalties. The intended effect of this bill is to secure the rights of property owners and deter unlawful property occupation or presentation of false property rights. The bill will take effect on July 1, 2024.

Louisiana: This bill amends the Louisiana law on simple burglary. It expands the definition of simple burglary to include the unauthorized entry of any dwelling or structure with the intent to temporarily or permanently deprive the owner, lessee, or tenant of the full use of the property or to assert any right of ownership or use over the property. Additionally, it imposes liability for any damage that results from this type of unauthorized entry. The bill also provides a new title for this legislation, "The Louisiana Squatter Prevention Act." The new law will take effect on August 1, 2024.

Georgia: This bill, known as the Georgia Squatter Reform Act, amends various sections of the Official Code of Georgia to address unlawful squatting violations. The Act defines unlawful squatting as when an individual resides on another's land or premises without their knowledge or permission. Violators will receive a citation, giving them three business days to present proof such as a lease or rental agreement confirming their authorization to be on the premises. If they cannot provide such proof, they are subject to arrest and could face misdemeanor charges. The bill also extends the jurisdiction of magistrates to include these violations and modifies procedures against intruders. The reform provides a streamlined process for ejecting squatters, including a submission of property affidavit, setting a time frame for eviction, and provisions for the use of monetary relief. The bill appeals all conflicting laws and was signed into law at the end of April.

Alabama: This bill, introduced in the Alabama state legislature, outlines comprehensive measures meant to protect the ownership rights of property owners and combat the issue of squatting, or unauthorized entry and remaining in a dwelling. The bill elaborates on the existing definition of burglary and perjury by including conditions explicitly related to squatting. It also introduces a new criminal act termed fraudulent sale or lease of residential real property. Furthermore, this bill allows property owners or their agents to request the removal of unauthorized individuals from the property by submitting a sworn affidavit to a law enforcement agency. The process followed by law enforcement agencies to verify ownership and serve eviction notices is detailed, as are the legal repercussions for providing false information in the affidavit. Additionally, the bill defines the term 'squatter' and stipulates that their occupancy does not warrant an eviction process. The law took effect June 1, 2024.

West Virginia: This bill amends the Code of West Virginia to address the issue of squatting. Squatting is defined as the unlawful occupation of a property without the consent of the owner or tenant. The bill clarifies that squatters are not considered tenants and thus, do not enjoy any legal protections or rights that tenants typically have. The legislation makes squatting synonymous with trespassing, a criminal act. The bill further stipulates that courts in the state should not require property owners to use eviction or similar procedures to remove squatters. Instead, the appropriate response to squatting, according to this bill, is arrest for trespass. The bill was still pending at the time of this publication.

Tennessee: This bill removes ambiguous language and clarifies that a transfer of a possibility of reverter or right of entry by a holder other than the original grantor is invalid unless the validity of the future interest was determined by a final judgment in a judicial proceeding or by a settlement among interested parties prior to July 1, 2015. The bill also adds a new section to Tennessee Code Annotated, Title 29, Chapter 18, which provides a limited alternative remedy for property owners to quickly remove unauthorized persons from residential real property under certain conditions, such as the property not being open to the public and the unauthorized person not being a current or former tenant or an immediate family member of the property owner. The law will take effect July 1, 2024.

Around the US: Presently, at least 5 other states are considering anti-squatter specific language, including Ohio, New Jersey, New York, Pennsylvania, and South Carolina. These bills are all new but are similarly focused to an Oklahoma bill addressing this issue raised over the past several years, and introduced by Rep. Ross Ford.

The wave of anti-squatter efforts is also catalyzing anti-eviction advocates to claim that the squatter crisis is a myth, citing a lack of data, claiming this is an anti-renter issue and that renters need better eviction protection. However, even a cursory reading of the bills reflects a clear delineation by legislators between the protected lease-relationship of a renter and housing provider and contrasts that very clearly with the illegal, unwanted and unwarranted occupation of property. Even clarifying the distinction between a trespasser (squatter) and a holdover tenant who has stayed beyond their lessor rights, thereby deserving of the legal due process referred to as eviction.

As the rules for adverse possession and methodologies to cure range greatly by state, make sure that you are working with a knowledgeable real estate attorney familiar with the process — a mistake could end up being a very expensive problem!



TITLE EXPERT

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Hidden Pitfalls: Why Reading Title Exceptions is Essential for Real Estate Investors

As a real estate investor, it's crucial to be thorough and diligent when reviewing all documents related to a property transaction. One often overlooked but critical document is the title commitment; specifically, the section detailing exceptions. Ignoring this section can lead to costly and frustrating issues down the line. Within this article, I discuss the importance of understanding title exceptions and illustrate it with a real-life example of an investor who learned this lesson the hard way.

Understanding Title Commitments and Exceptions

A title commitment is a document issued by a title company that outlines the terms under which it will provide title insurance. It consists of several sections, including the schedule of exceptions. These exceptions are specific items not covered by the title insurance policy, meaning the title company will not protect the buyer against claims related to these items.

The Importance of Reading Title Exceptions

Many investors, particularly those new to real estate, may skim over or ignore the exceptions section, believing it to be less pertinent to the closing process. However, these exceptions can contain critical information about restrictions, easements, and rights that affect the property. Failing to review these details can result in significant financial and operational setbacks.

A Real-Life Example: The Dangers of Ignoring Title Exceptions

Consider the case of John, a seasoned real estate investor. John found a promising property with the potential for a lucrative lot split. Eager to move forward, he quickly reviewed the title commitment but did not thoroughly read the exceptions, dismissing them as irrelevant to his immediate goal of closing the deal.

Among the exceptions was a clause concerning ditch rights. Ditch rights refer to the legal right of a property owner to use water from a ditch, often for irrigation or drainage. These rights can also include the maintenance and access rights of the ditch owner, which can significantly affect property usage and development.

The Problem

After closing the deal, John proceeded with his plans to split the lot, only to discover that the property's ditch rights made the lot split unfeasible. The ditch rights allowed the ditch owner access to parts of the property that John intended to divide, rendering his plans impossible without infringing on those rights.

The Claim and Denial

Frustrated, John filed a claim with the title insurance underwriter, seeking compensation for his inability to split the lot. However, his claim was denied. The reason? The title company had clearly listed the ditch

rights as an exception in the title commitment. Since these rights were explicitly excluded from coverage, the title insurance did not apply to this issue.

Lessons Learned

John's experience underscores the vital importance of thoroughly reading and understanding the exceptions listed in a title commitment. Here are key takeaways for real estate investors:

1. Identify Potential Issues Early: By carefully reviewing the exceptions, you can identify potential issues that might affect your plans for the property, such as easements, restrictive covenants, or in John's case, ditch rights.

2. Seek Clarification: If you encounter terms or items you don't understand, seek clarification from your title company or legal advisor. Understanding the full implications of these exceptions can save you from future headaches.

3. Adjust Your Plans Accordingly: Knowing about exceptions beforehand allows you to adjust your investment strategy. You might negotiate with the seller to resolve certain issues before closing or decide not to proceed with the purchase if the exceptions significantly hinder your intended use of the property.

4. Protect Your Investment: Being aware of and addressing potential title issues before closing ensures that your investment is protected and aligns with your business objectives.

Conclusion

Reading the exceptions on a title commitment is not just a formality; it is a crucial step in safeguarding your real estate investments. Ignoring these details can lead to significant financial loss and operational setbacks, as illustrated by John's unfortunate experience. As a diligent investor, always take the time to thoroughly review and understand all aspects of the title commitment, especially the exceptions, to ensure a smooth and successful investment process. Elevated Title is here to guide you every step of the way, ensuring your investments are protected and your real estate transactions are successful.



How to Make More Money in Real Estate: Three Tips to Mastering Deal Acquisition

As a seasoned broker and real estate investor who has brokered around a billion dollars in transactions with my team, I've identified patterns and strategies that can help you succeed in the competitive real estate market. Here are three tips to mastering deal acquisition:

1. Leverage Seasonal Trends

Did you know that July is actually a slow time for real estate in Denver? Contrary to popular belief, the summer is not always a hot market. Buyers can capitalize on this by purchasing properties when deals are "on sale." During July, sellers often become anxious if their homes sit on the market without much interest, making them more open to negotiating lower prices.

The market also tends to slow down around the holidays. However, July offers an advantage with more homes available than in the winter months. Understanding these seasonal trends can give you a strategic edge in acquiring properties at better prices.

2. Understand the Path of Development

Knowing the path of development is crucial. Take Colfax in Denver and Aurora, for example. Many people don't consider Colfax to be prime real estate, but significant capital investments have begun to transform the area. Over the past decade, billions of dollars were poured

into the Anschutz Medical Campus, which attracted new restaurants and new class A housing, raising property values around that area significantly. Homes we previously purchased for our clients at \$120k are now worth \$450k or more.

By learning where the city is investing money and building, you can learn the path of future development as projects are approved. These patterns are predictable and can create substantial wealth for investors. By identifying areas slated for development and investing early, you can benefit from the appreciation that follows. A rising tide lifts all boats.

3. Choose a 20-Year Market

Long-term market selection is another key strategy. Denver, for instance, is almost certain to be worth more in 20 years than it is now. When evaluating a market, consider the past 20 years of home appreciation. Look for diverse job opportunities and industries, as well as barriers to growth such as mountains, oceans, or strict zoning laws. These factors typically lead to higher appreciation compared to markets primarily driven by cash flow.

Choosing a market with strong long-term potential ensures that your investments will grow in value over time, providing substantial returns.



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VOTED BEST OF
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Understanding Waterfall Structures in Private Equity Real Estate Offerings

Waterfall structures are a critical component of private equity real estate offerings. They dictate how profits are distributed between the general partners (GPs) and limited partners (LPs). This distribution is often tiered, ensuring that LPs receive their preferred returns before GPs are rewarded with performance fees. Here's a deeper dive into the various waterfall structures commonly used in private equity real estate:

1. Simple Waterfall Structure

In its most basic form, a waterfall structure ensures that all capital is returned to investors before any profits are distributed. The sequence typically follows these steps:

Return of Capital: LPs receive their initial investment back.

Preferred Return: LPs receive a preferred return, often around 8%, before any additional profits are split.

Catch-Up Provision: The GPs receive a portion of profits to 'catch up' to a pre-agreed share of total profits, aligning their interests with the LPs.

Profit Split: Remaining profits are split between GPs and LPs according to an agreed ratio, typically 80/20 in favor of LPs.

2. European Waterfall Structure

The European waterfall, also known as the whole fund model, ensures that investors receive their returns on a fund-wide basis rather than on a deal-by-deal basis. This method typically favors LPs as it prioritizes the return of all invested capital across the fund before GPs receive their performance fees. The steps include:

Return of Capital: All invested capital across the entire fund is returned to LPs.

Preferred Return: LPs receive their preferred return on the entire fund.

GP Catch-Up: GPs receive a portion to catch up to their share of profits.

Profit Split: The remaining profits are distributed according to the pre-agreed split.

3. American Waterfall Structure

Contrary to the European model, the American waterfall, or deal-by-deal model, allocates profits from each individual deal as they are realized. This structure tends to favor GPs, as they can receive performance fees sooner if early deals perform well. The steps are:

Return of Capital: LPs receive their capital back from each deal.

Preferred Return: LPs receive their preferred return from each deal.

GP Catch-Up: GPs catch up to their profit share from each deal.

Profit Split: Remaining profits from each deal are split according to the agreed ratio.

4. Tiered Waterfall Structure

This structure introduces multiple tiers of profit distribution, often incorporating different preferred return rates and catch-up provisions at each tier. It is designed to incentivize GPs to exceed performance

benchmarks. The sequence typically involves:

Tier 1: Return of capital and a base preferred return to LPs.

Tier 2: A higher preferred return once Tier 1 thresholds are met.

Tier 3: Additional performance incentives and profit splits for GPs as higher return hurdles are achieved.

5. IRR-Based Waterfall Structure

An IRR-based (Internal Rate of Return) waterfall structure sets distribution thresholds based on achieving specific IRR benchmarks. This method aligns GPs' incentives with the overall performance of the investment. The steps include:

Return of Capital and Base IRR: LPs receive their capital and a base IRR.

Higher IRR Thresholds: As higher IRR thresholds are met, GPs receive increased portions of profits.

Profit Splits: At each IRR tier, the remaining profits are split according to pre-agreed ratios.

Key Considerations in Waterfall Structures

Alignment of Interests: Effective waterfall structures align the interests of GPs and LPs, ensuring that both parties are motivated to maximize the investment's performance.

Complexity and Transparency: While complex structures can finely tune incentives, they also require transparency and clear communication to ensure all parties understand the distribution mechanisms.

Market Practices: The choice of waterfall structure can be influenced by market norms and investor expectations, with different structures being more common in different regions or types of investments.

Conclusion

Waterfall structures in private equity real estate offerings are essential for defining how profits are distributed among investors. Whether adopting a simple, European, American, tiered, or IRR-based structure, the key is to align the incentives of all parties involved to ensure the successful performance of the investment. As the private equity real estate market continues to evolve, so too will the sophistication and customization of waterfall structures, reflecting the dynamic nature of this investment sector.

Our firm, 3 Pillars Law PLLC focuses on real estate entrepreneurs who are looking to scale their portfolio to larger investments while legally and ethically utilizing passive investor capital. If interested in learning more, please contact Byron Elliott at Byron@3pillarslaw.com.



The Science Behind Teamwork: Why Joining Forces Leads to Greater Success

"Lean on your neighbor. They're right next to you doing the same repetitions and will help you accomplish more than you could on your own. It's a scientific fact." These were the motivating words of my Body Pump class instructor today. And she was so right.

There's no chance I would have done as many squats, lunges, or lifted that bar over my head as many times if I had been in the gym by myself. There are familiar faces in my class. I have formed friendships. When I was out for weeks due to illness, they cheered for me when I walked back into the room. They all said, "Take it slow so you don't hurt yourself." They didn't care at all that I dove back in by lifting the smallest amount of weight of anyone in the room. They know my vulnerabilities, and they support my strength.

I see the exact same dynamic play out in the Real Estate Investor Mastermind groups I lead in collaboration with ICOR. Each member creates goals and action plans and shares them with one another, creating a sense of accountability. Regular check-ins and progress reports ensure that members stay on track with their commitments. Members maintain momentum and avoid procrastination.

Real estate investing can also be stressful and isolating, particularly when things don't go as planned. Having a community where people can feel safe in letting down their guard and be vulnerable helps them stay resilient in the face of setbacks. The group helps them come back to center, revisit their goals, figure out how to pivot when needed and feel safe to ask for feedback and support. The openness of the group and sense of belonging and understanding is a powerful motivator. This openness fosters a sense of camaraderie and mutual support.

The Scientific Evidence on Community Support and Goal Accomplishment

Working within a community isn't just a feel-good strategy; it's backed by solid scientific evidence. Research consistently shows that individuals who engage in group efforts are more successful in accomplishing difficult goals compared to those who work alone. This phenomenon can be attributed to several psychological and physiological factors.

Enhanced Motivation and Persistence

Research has consistently shown that social support enhances motivation and persistence in pursuing goals. A study published in the *National Institutes of Health* found that individuals who received encouragement and support from others were more likely to stay committed to their goals and show greater persistence in the face of challenges.

Increased Accountability

Being part of a community creates a sense of accountability. When

individuals share their goals with others they respect, they feel a greater sense of responsibility to follow through. A study in the *Journal of Applied Psychology* demonstrated that people who set goals in a group setting were more likely to achieve them compared to those who set goals individually. The social pressure and expectation from the group can serve as powerful motivators.

Emotional Support and Stress Reduction

Emotional support from a community can significantly reduce stress and improve overall well-being. According to the American Psychological Association, individuals with strong social support networks experience lower levels of stress and are better equipped to handle difficult situations. This emotional resilience can be crucial in maintaining focus and determination when working towards challenging goals.

Shared Knowledge and Collective Problem-Solving

Communities provide access to a wealth of shared knowledge and collective problem-solving capabilities. A study in the *Harvard Business Review* found that teams often outperform individuals in solving complex problems and generating innovative ideas. The diverse perspectives in environments where people feel psychologically safe lead to more effective strategies and solutions, enhancing individual and group success.





INSURANCE EXPERT

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Weather Impacts on Property Insurance Rates: A Rising Concern

As climate change continues to alter weather patterns, its impact on various sectors becomes increasingly evident. One industry particularly affected by these changes is insurance. The frequency and intensity of extreme weather events are causing a significant rise in insurance rates and eligibility, posing challenges for both insurers and policyholders.

A Surge in Natural Disasters

In recent years, there has been a notable increase in the occurrence of natural disasters such as hurricanes, wildfires, floods, and severe hailstorms. These events not only cause substantial damage to properties and infrastructure but also lead to skyrocketing insurance claims. According to a report from the National Oceanic and Atmospheric Administration (NOAA), 2023 saw a record number of billion-dollar weather disasters in the United States, with total losses exceeding \$200 billion.

Rising Costs for Insurers

The surge in claims has forced insurance companies to reassess their risk models and pricing strategies. To mitigate their financial exposure, insurers are raising premiums, especially in areas prone to extreme weather. For instance, homeowners in coastal regions vulnerable to hurricanes are seeing their insurance costs double or even triple. This escalation in material costs directly impacts the expenses associated with rebuilding and repairing damaged properties. Similarly, properties in wildfire-prone areas of California are facing steep premium hikes or, in some cases, outright denial of coverage.

Impact on Policyholders

The rising insurance rates are putting a strain on policyholders, many of whom are already grappling with the economic effects of the pandemic. Homeowners are particularly affected, as they must balance the need for adequate coverage with the burden of higher premiums and higher deductibles. In some instances, people are being forced to choose between paying for insurance and other essential expenses, or, in extreme cases, foregoing insurance altogether. The increase in premiums leaves policyholders more financially vulnerable in the event of a disaster, emphasizing the urgent need for solutions to manage rising insurance costs.

Insurers' Response

In response to the escalating risks and costs, insurance companies are exploring various strategies. Some are investing in advanced technology and data analytics to better predict and manage weather-related risks. Others are advocating for stronger building codes and land-use policies to reduce vulnerability to natural disasters. Additionally, there is a growing emphasis on promoting resilience and encouraging policyholders to take preventive measures, such as reinforcing roofs,

installing fire-resistant materials, implementing flood mitigation strategies, installing home security systems and creating defensible spaces around properties.

The Role of Government

Governments at federal, state, and local levels also play a crucial role in addressing the challenges posed by changing weather patterns. This includes investing in infrastructure improvements, supporting community resilience programs, and providing financial assistance to those affected by disasters. Furthermore, there is a need for comprehensive climate policies aimed at mitigating the root causes of climate change and reducing the frequency and severity of extreme weather events.

Looking Ahead

As the climate continues to change, the intersection of weather and insurance will remain a critical issue. Insurers, policyholders, and governments must collaborate to develop innovative solutions that balance the need for financial protection with the reality of a changing environment. By doing so, they can help ensure that communities are better prepared to withstand the impacts of extreme weather and recover more quickly in the aftermath.

For many years, I have advocated for the creation of a dedicated hail insurance program. This program would be separate from standard homeowners' insurance and would function similarly to the National Flood Insurance Program (NFIP) in the United States. Such a program would enable targeted risk assessment and more precise pricing.

In conclusion, the increasing impact of weather on insurance rates highlights the need for proactive measures and collaborative efforts to manage climate risks. As we navigate this new reality, prioritizing resilience and sustainability is essential to protect both lives and livelihoods.

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Revenue from Mineral Rights Ownership

Mineral rights ownership can offer greater returns than just equity appreciation from typical real estate ownership. By directly owning the rights to depletable natural resources such as oil, coal, and natural gas, you can earn royalties without the need for a hands-on approach. With proper due diligence and careful consideration of market conditions, mineral rights can be an attractive asset to own. However, mineral rights ownership is not always as simple as it appears. This article will help educate you on many of the details involved in mineral rights ownership.

Key Takeaways

At the end of this article, you will:

- Better understand mineral rights ownership opportunities.
- Appreciate the advantages and potential risks presented by mineral rights ownership.
- Gain a better understanding of how mineral rights ownership compares to other asset classes out there.

How do Mineral Rights work?

In the United States, mineral rights owners have legal possession and control over minerals underneath their property. These rights give the owners the authority to extract any of the minerals listed on the original deed. Some of these minerals include oil, natural gas, and coal. However, the mineral rights do not include air and water rights.

Many people assume that mineral rights naturally come with a real estate purchase, but it's very common for U.S. properties to have severed mineral rights. Sometimes, a property can have two separate owners because previous property owners sold their mineral rights or sold their surface property while keeping the mineral rights. A sticky situation may occur when surface and mineral rights owners don't know the other exists.

Mineral Rights Industry Background

Although mineral rights ownership can be lucrative, the process can stymie the uninitiated with its unique language, rules, classifications, and negotiation protocols. Also, mineral rights laws vary from state to state. Even the process of finding out whether a property has mineral rights and ascertaining its value requires a mineral rights consultant, attorney, or broker.

Eckard Enterprises has more than 35 years of experience in the U.S. oil and gas industry. Eckard focuses on educating qualified individuals on direct ownership of energy assets in the oil and gas space.

Mineral Rights Classification

Whether sedentary or fluid, the industry classifies natural minerals by characteristics and functions. Each mineral rights classification comes

with a separate set of contracts, tax implications, and conditions. The official government mineral right classifications are:

- Locatable: Metallic and non-metallic minerals like gold, silver, hard rock, and feldspar
- Leasable: Energy minerals like oil, gas, and coal
- Salable: Minerals (sand, gravel, and dirt) sold in bulk at low unit prices
- Meteorites/ New mineral discoveries: These minerals can be more valuable than precious metals

Owners must acquire mineral rights according to these classifications. If you purchase mineral rights, you should make sure you understand all of the tax and regulatory requirements of the minerals' classifications.

Mineral Right Royalties

The task of excavating and extracting minerals from the earth requires a lot of money, time, equipment, and expertise. Even the exploration phase is a difficult, intensive project that requires a company with a proven track record in the exploration and mining of minerals. For this reason, the easiest and most efficient opportunity is typically to sell or lease the rights to a company that can extract said minerals. In return, mineral owners receive compensation in the form of monthly royalty checks from the mineral rights sale or income based on a lease or royalty agreement.

The most popular option is to sell the rights to a mineral rights broker or a reputable company that mines the types of minerals on your property. With this arrangement, you can either sell your property outright or sell the mineral rights and keep the surface property. If you decide to keep the surface property, make sure the company's plans for the property don't conflict with yours.

For owners who want to enjoy assets that generate monthly royalty checks and also maintain ownership of their mineral rights, leasing the underground property to an established mining company is a good option. This arrangement yields income from lease payments and royalties from the yield of extracted minerals. The leasing contract establishes specific time frames, the royalty agreement, and other conditions. Also, if you own both mineral and surface rights, an oil company may pay you a flat rate to retain future rights to drill on the land.

Although mineral rights ownership offers many beneficial opportunities, it also has other positive and negative features to be aware of. Here are some important factors to consider before delving into mineral rights ownership:



Revenue from Mineral Rights Ownership

Benefits

Mineral rights ownership has advantages that other asset classes don't have. Mineral rights ownership provides flexibility, granting you the options to:

- Sell the rights for a lump sum.
- Generate cash flow without managing laborers, assuming liabilities, or incurring big expenses.
- Sell all or part of the royalty agreement while maintaining ownership of the mineral rights.
- Receive a "lease bonus" by leasing the mineral rights to an oil company.
- Disperse your income.

Risks

Most of the risks in mineral rights ownership involve the element of the unknown. For instance, if the leasing company doesn't find minerals on your property, you don't get royalties. There is also the remote possibility of buying mineral rights that are being developed by a subpar exploration and production company. This type of arrangement can bring about negative financial and legal repercussions.

Royalty rates for minerals like oil and gas depend on current demand. As a result, a major drop in commodity prices will negatively impact the value of your mineral rights. However, you can considerably reduce the risks in mineral rights ownership through education and thorough due diligence.

Want To Learn More?

With the proper due diligence and professional help, direct ownership of mineral rights can provide consistent royalties. These royalty-generating assets can serve as a reliable source of long-term income in the form of monthly checks.

Whether you have a long-term or short-term strategy, mineral rights ownership can be profitable. To learn more about opportunities for direct ownership of mineral rights and other oil and gas assets, contact Eckard today.



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The Infinite Banking Concept: A Game Changer for Real Estate Investors Through Private Money Lending

Private money lending involves lending capital to real estate investors, typically secured by real estate assets. This form of lending offers higher returns compared to traditional savings or investment vehicles and provides real estate investors with quick and flexible financing options. When combined with IBC, private money lending becomes an even more potent tool for wealth creation and financial control.

Leveraging IBC for Private Money Lending

The foundation of IBC is the accumulation of cash value within a whole life insurance policy. Real estate investors can systematically fund their policies, allowing the cash value to grow over time. This cash value acts as a reservoir of funds that can be accessed for investment opportunities.

When a real estate opportunity arises, investors can take a policy loan against their whole life insurance policy's cash value. This loan can be used to fund private money lending deals. The beauty of this approach is that the loan does not disrupt the growth of the policy's cash value, which continues to compound uninterrupted.

One of the significant advantages of using policy loans is the flexibility in repayment. Unlike traditional loans, which require strict monthly payments, policy loans can be repaid on the investor's terms. This flexibility is particularly beneficial for real estate investors whose income might fluctuate based on investment cycles. Policy loans are also not considered taxable income, providing additional tax efficiency for real estate investors.

Practical Application: A Detailed Case Study

Consider a real estate investor, Alex, who has been funding his whole life insurance policy which now has a cash value of \$200,000. He identifies a lucrative private money lending opportunity requiring \$100,000, offering a loan at 10% plus 2 points. Let's compare how Alex can approach this investment using cash versus using IBC.

Option 1: Using Cash

Alex uses \$100,000 of his liquid cash savings to fund the private money loan. He lends the \$100,000 to another real estate investor, securing the loan with a property. The private money loan rate is 10% plus 2 points, resulting in \$10,000 interest and a \$2,000 fee income. Over the next year, Alex earns \$12,000 (\$10,000 interest + \$2,000 fee) from the private money loan, resulting in a 12% return on his investment.

However, by using his cash savings, Alex loses the opportunity to earn any interest or growth on that \$100,000 during the loan period. Additionally, if any unexpected expenses arise, his cash reserves are now \$100,000 lower.

Option 2: Using IBC

Alex instead takes a \$100,000 policy loan against his whole life insurance policy's cash value. The loan process is quick and does not require a credit check. The policy loan interest rate is 4%, so Alex incurs a \$4,000 interest cost over the year. Alex lends the \$100,000 to another real estate investor, securing the loan with a property. The private money loan rate is 10% plus 2 points, resulting in \$10,000 interest and a \$2,000 fee income.

Over the next year, Alex earns \$12,000 (\$10,000 interest + \$2,000 fee) from the private money loan. In this scenario, the \$200,000 in Alex's whole life policy continues to grow, earning dividends and interest, typically around 3-6%. Assuming a 4% growth rate, the policy's cash value grows by \$8,000 over the same period, not factoring in the guaranteed growth component of the policy as well, which we will leave out for this.

Comparing the Two Approaches

Cash Approach:

Interest and Fee Earned: \$12,000
Opportunity Cost: Loss of potential growth on \$100,000
Total Growth: \$12,000

IBC Approach:

Interest and Fee Earned: \$12,000
Policy Growth: \$8,000 (4% of \$200,000)
Loan Interest Cost: \$4,000 (4% of \$100,000)
Net Growth: \$16,000 (\$12,000 interest and fee earned + \$8,000 policy growth - \$4,000 loan interest)

In the IBC approach, Alex benefits from an additional \$4,000 in net growth compared to using cash directly. Moreover, he retains the liquidity and flexibility provided by the whole life policy, which continues to grow and compound over time.

The Infinite Banking Concept, when integrated with private money lending, provides real estate investors with unparalleled financial flexibility and control. By leveraging the cash value of whole life insurance policies, investors can seize lucrative opportunities without disrupting their long-term wealth accumulation. This strategy not only enhances liquidity but also offers tax advantages and repayment flexibility, making it a compelling approach for savvy real estate investors.



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Practical Steps to Integrate Health and Estate Planning

You may already know that taking care of your health allows you to prolong your life and enhance your quality of life. But have you given serious thought to how your health directly impacts your future? Your legacy? The ones you love the most?

What we're talking about here is estate planning, and it's every bit as important as your physical health. I know, I know, it could sound weird to equate health with estate planning, but hear me out. By the end of the article, the connection will be clear.

The Link Between Your Health and Estate Planning

Estate planning often brings to mind wills, trusts, and other legal paperwork, and in fact, that's maybe what you initially thought when you read the title of this article. However, I want to challenge that assumption with this: the documents are merely the byproduct of estate planning. You may be thinking, *How are documents the "byproduct" of estate planning?* Here's what I mean.

Estate planning is all about ensuring your wishes are honored if you become incapacitated so you can live and die with dignity. It's also about ensuring that the people you love most will know you loved them, that they're cared for when you're gone in a way you cared for them while you lived, and that you've removed all the pain, potential conflict and expense they will have to endure if you have no plan in place. Estate planning supports your loved ones to grieve in peace rather than face a long, expensive court process or confusion regarding how to find your assets or understand what to do when you are gone.

Estate planning is also about leaving a legacy. Contrary to what you may be thinking — that legacy is not only related to money and reserved for the wealthy and philanthropic — legacy is about the mark you make on those you hold most dear. It's about defining your humanity and what you stood for. Putting your affairs in order now so your loved ones don't have to deal with a mess later is a legacy, too. Making it clear that you loved your family is a legacy.

What about health? How does your health connect with estate planning? Your health plays a significant role in shaping your preparations for the future in general, and how you structure your estate plan in particular. I want to first say that while "health" can refer to mental health, emotional health and spiritual health, and all are important, we'll focus on physical health here.

So let's take a look at the direct link between your physical health and estate planning. You'll come to see that by prioritizing your physical health, you can not only enjoy life with more ease, but also avoid complications in your estate planning.

Longevity and Retirement Savings. Your physical health has a direct impact on your lifespan, which in turn affects how long your retirement savings need to last. If you maintain good physical health, you're likely to live longer (yay!) and will need a more extensive plan regarding your assets, for your longer life.

Healthcare Decisions. Consider the potential need for long-term care. Alzheimer's or dementia could require long-term care solutions that you may or may not choose. In your estate plan, it's crucial to not only make sure you're financially covered for these possibilities, but to also ensure you've made it clear how you want to be cared for, if you cannot make decisions for yourself. There comes a point in time at which it's too late for you to make your wishes known, and given that you are reading this ... now is the time to document what you would choose, if you could not choose.

This is why you need a healthcare power of attorney or a living will in your plan. These are documents that designate the person (or people) you choose to make medical decisions on your behalf if you're unable to do so. Your designated healthcare agent (or agents) will not only ensure that your healthcare preferences are respected but will also align your medical treatment with your personal wishes. Without these documents in place, a judge (i.e., a complete stranger) could appoint someone to act on your behalf. Maybe even someone you don't trust or wouldn't want making decisions for you. Or, in a worst case scenario, a judge could even appoint a professional conservator who could drain your estate financially.

Disability and Its Impact. Poor health can sometimes lead to disability, affecting your ability to manage your own affairs. Including a disability clause in your estate plan ensures that your assets are managed according to your wishes, even if you're not able to oversee them personally. A revocable living trust can be particularly useful here, as it allows your chosen person or entity to manage your affairs without the need for court intervention. Again, without a plan in place, a judge will make decisions for you, and those decisions may not be what you want.

Having gone through the potential consequences of not prioritizing your physical health and its direct link to your estate planning, let's turn to practical steps you can take now to make sure you and your family don't have to experience any negative consequences.

Practical Steps to Integrate Health and Estate Planning

Unless you're already incapacitated and can't make decisions for yourself, know that it's not too late to take action. It's not too early, either. Death and incapacity don't discriminate based on age. When you face that fact, and then plan accordingly, you can live life with more ease, more joy, and less stress. Truly.



So if you haven't planned for the future, here are some practical steps you can take now:

Schedule Regular Check-Ups. It may seem obvious, but regular medical examinations are vital. They not only help in detecting illnesses early but also provide a clear picture of your health, which, as we've discussed above, is crucial for accurate estate planning. If you discover a new health condition, you can plan accordingly when you've caught it in time. If not, it could be too late to get your plan in place.

Update Your Estate Plan Regularly: As your health changes, so should your estate plan. Make it a habit to review and update your plan on a regular basis or whenever there is a significant change in your health. As a Personal Family Lawyer®, I can not only help you get your initial plan in place, but with a unique process I use called Life & Legacy Planning®, I will always include a free review of your plan at least every three years. This ensures your plan works because it will be updated as your health, life and assets change over time. Without updates, your plan will fail, sending your family to court and increasing the probability of conflict.

Discuss Your Plans Openly: Talk with your family about your healthcare wishes and how they relate to your estate plan. Taking this courageous, and maybe uncomfortable, step, makes a big difference when it comes to decreasing the likelihood of conflict in your family. Make sure to discuss

your preferences for end-of-life care, which can create conflict in your family if you haven't clarified your wishes.

Consult A Professional Who Has Your Best Interests in Mind: I approach estate planning from a place of heart, always keeping your best interests, and by extension, your loved ones' best interests, in mind. I not only help you to get your plan in place, but also help you keep your family out of court and conflict so your legacy is one of love and care. I can also help you navigate difficult discussions with your family about your wishes, so you can feel confident knowing you've done all you can to preserve the family bonds.

How We Support You and Your Loved Ones

As a Personal Family Lawyer® Firm, we recognize the integral connection between your physical health and your estate planning needs. Our commitment goes beyond mere legal documentation; we aim to ensure your life's work and values are preserved with dignity and clarity. By understanding the specific challenges and opportunities that arise from your health, we tailor estate plans that not only protect your assets but also your well-being and your family's future.

Take a proactive step toward safeguarding your legacy and enhancing your peace of mind. Schedule a complimentary 15 minute call with our firm by visiting [Lawmother.com/go](https://www.lawmother.com/go) or calling 720.706.0036.



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