REMOTE CONTROL RETIREMENT RICHES

MARCH 2019

TIME TO BUY ATLANTA

EFFICIENT & EFFECTIVE REAL ESTATE ACQUISITION

THE 1% RULE: STILL SOLID THINKING?

by Adiel Gorel

March 9, 2019

EVENT RECAP

Our ICG 1-Day Expo took place on Saturday March 9th.

Throughout the day we had about 750 attendees, with over 550 people in the main room at the same time.

Some of the attendees were KQED donors, who got tickets as part of the Remote Control Retirement Riches Master Package.

There was a good mix between brand new investors, very experienced investors, and everything in between.

The questions were excellent and I enjoyed taking them.

We had the main market teams present, and some of the property managers were there. Scott Webster from All Western Mortgage described regular FNMA 30-year fixed loans (some at just under 5%, which, for investors, is a low rate). Scott also described loans available to people who can't get the FNMA loans, by virtue of owning more than the FNMA limit. He also outlined loans available to foreign investors.

Many new investors joined our QUICK LIST, to whom we send property sheets when we get them from the various markets, as well as event invitations and updates.

We also introduced the Membership Area on our website. This will be an exciting treasure trove of information, in three tiers. The membership area will be fully populated with podcasts, blog entries, FAQ's (Frequently Asked Questions), and other useful information. There will also be webinars on specific subjects offered, as well as special one on one "Connect For Success" meetings with me. We enabled people to already join the membership area at a discounted rate, and will only count their year subscription starting on May 1st. 2019. For more details, as us at info@icgre.com. You can also see information on our website www.icgre.com/MEMBERS.

The attendees enjoyed the expert speakers: CPA Joshua Cooper talked about the Opportunity Zone and other tax issues. Joyce Feldman talked about using insurance as the first and probably most important line of defense, and Lucia Ioja talked about optimizing real estate investing in the larger context of financial planning.

Many of the attendees have registered to the next 1-Day Expo, on Saturday May 18th. We will have a new market, a new set of expert speakers, and of course lots of updates and Q&As.

WHAT ABOUT THE "1% RULE" I HEARD AT AN INVESTMENT CLUB MEETING?

In the 1970's and 1980's it was popular quote the "1% rule". The so-called rule states that you should buy houses where the monthly rent is at least 1% of the home price. This even was thought in the 1990's for some time.

There are a few problems with that way of thinking. Prices in 2019 are generally far higher than they were in the 1980's. Rents are also higher, but rents have not kept up with home prices historically and the rate of rent growth is slower that that of home price growth.

For new homes in good areas, it was challenging even in the 1980's and 1990's to get rents of 1% of the home price. when the home sold for $80,000 and the rent was a bit under $800/month (or perhaps $700), it was considered "close enough". Nowadays a good home in a good area could go for anywhere between $160K and $230K in the good Sun Belt Metro Areas. The corresponding rents are likely to be from $1300/month to perhaps $1950/month (there are variations, of course). These are not quite at the "1% level:, but surprisingly not that far off.

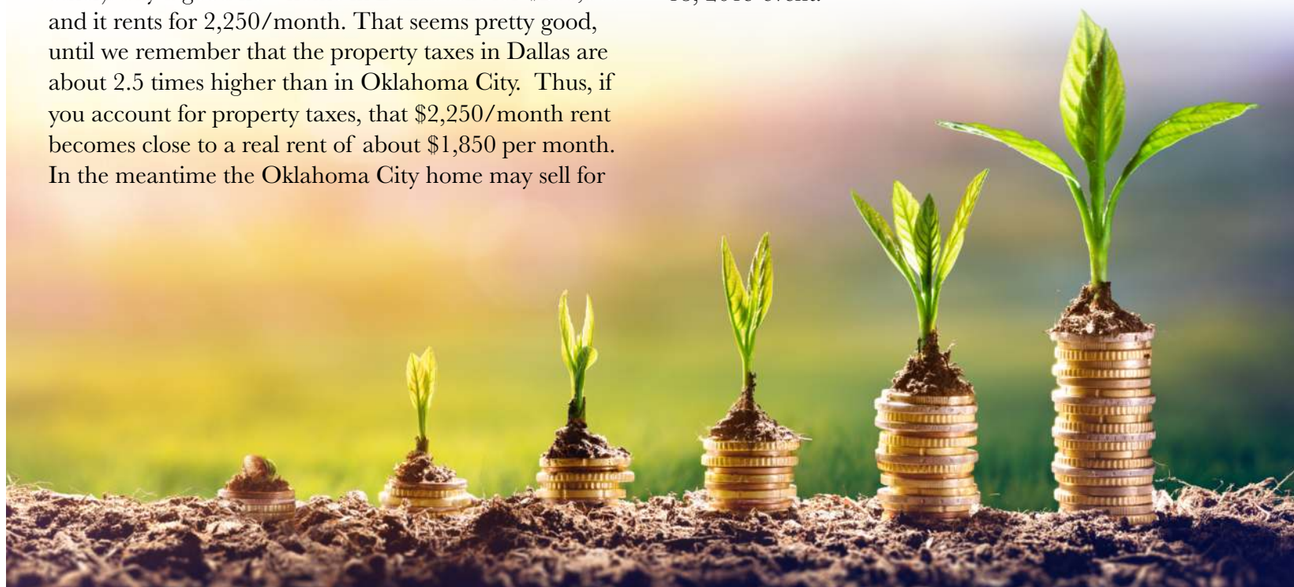
However the "formula" neglects property taxes. Let's take two homes, for example: one in Dallas, and one in Oklahoma City, for example (they are fairly close to each other). Say a good new home in Dallas sells for $260,000 and it rents for 2,250/month. That seems pretty good, until we remember that the property taxes in Dallas are about 2.5 times higher than in Oklahoma City. Thus, if you account for property taxes, that $2,250/month rent becomes close to a real rent of about $1,850 per month. In the meantime the Oklahoma City home may sell for $180K and rent for $1,750/month, a much better ratio.

The biggest danger with the "1% rule" is that in seeking that elusive 1%, people tend to buy junk properties in junk areas in cities that are not so great economically. ON PAPER it may appear to be rented high relative to the price, but in reality, an older junky home in a bad area is nothing but a recipe for disaster. Better not to have bought anything. I encounter this a lot in foreign countries, where the foreign investors seek the "high yield" and, not understanding cities and areas, tend to be attracted to terrible properties.

Sadly, I have seen foreign operators attract investors with "high yield" junk properties, which almost never pan out, and are certainly not likely to change the financial future for most people.

Buy new homes in good areas in the right cities, and your overall rate of return over the years will be far superior, it can change your financial future, and holding the home will very likely be less eventful with less stress.

We have discussed this at our March 9, 2019 event, and will most likely get into more detail at out upcoming May 18, 2019 event.



EFFICIENT AND EFFECTIVE REAL ESTATE ACQUISITION

With other people's money of course, having rents pay taxes, insurance and mortgages is an ideal position. Creating great wealth takes thinking outside of the proverbial conventional BOX to come up with the best strategies.

I'm going to ask you to consider a certain route, using what I call the velocity of money concept in your personal finances. Think carefully through this idea, it is a very efficient and effective way to create wealth.

Ideally mortgaging 100% of real property and having the renters pay for the costs would be a perfect situation yet you must come up with the down payment. This usually comes from your pocket but what if it didn't have to? What if you could have assets growing and use those assets for a down payment? Using money in a multidimensional way and multiple times rather than just once?

How do you do that and what benefits would you derive? By moving money in a different direction first and from there into real estate.

That's the idea!

Acquire real property through Permanent Life Insurance (Guaranteed Whole Life specifically). Running the money through these types of contracts first and moving it out through collateralization keeping both the property and the Permanent Insurance for the rest of your life.

How would this benefit you?

First, you acquire a very large life insurance benefit. Its Income Tax Free to your beneficiaries. The Insurance covers the mortgage(s) on the real estate properties, protecting your assets, giving your estate capital to pay off the mortgages.

Second, if you become permanently disabled the company will fund the premiums for you while still being able to use the money accumulated in the policy.

Third, the life insurance policy is tax advantaged with no taxes being paid as it accumulates or distributes over your lifetime.

Fourth, the cash accumulation can be used as collateral for loans, both from the insurance company or from other banks. For example, if $200,000 of cash builds up, the insurance company will loan you money collateralizing the policy. This is not to be confused with borrowing your own money because you're not. You're acquiring money from the insurance company using the policy as collateral. In a whole life policy, they will credit you cash value and dividends as if you never touched the policy. Loans rates range between 4.4% to 7.4% in today's world. The loan provision is not designed on any payback schedule, you design it. You can pay nothing, interest only, annually or monthly, designed at your discretion unlike a bank loan where missing a payment means a report to the credit agencies.

This is one way to get the best of both worlds. Acquire and keep the life insurance and the real estate for your lifetime, cut the tax man out of the picture and have provisions for death, disability and lawsuits.

Designing your life and looking at integrating assets in a multidimensional way is what the velocity of money concept is about. This is not about acquiring a product to create wealth, it's about how to use your money in an efficient and effective manner throughout your life.

Test and measure this idea, it has worked for generations for people and it will work for you if you have the right advisors with the right ideas around you.

Acquire real property through Permanent Life Insurance (Guaranteed Whole Life specifically).

Lucian Ioja is a partner at Fountainhead Advisors in Newport Beach, California. He has been in the financial services industry for 20 years. The main focus of his company is working with High Net Worth families, helping them design the blueprint of their financial life to, maximize their wealth, minimize their tax exposure and optimize their retirement income streams over their lifetime.

why it's time to buy ATLANTA

The third fastest-growing metro area in the nation, Atlanta metropolitan statistical area has gained nearly 90,000 residents in the past two years, bringing the total regional population to an estimated 5,884,736.

Atlanta is ranked third in the nation for year-over-year job growth, adding 56,000 jobs in 2016-2017 alone. Atlanta came in fourth in a forecast of projected 2018-2021 job growth by Moody's Analytics, with an expected increase of 96,000 jobs expected.

Surrounded by scenic beauty and a highly refined atmosphere, Metro Atlanta has influenced more than a dozen Fortune 500 companies to locate their business headquarters in the region.

One factor that influences major brands and businesses in the decision that Atlanta is the right base is the affordable commercial real estate prices.

Residential property affordability also makes the region the perfect place to relocate employees. When you move to Atlanta, GA, you can live the dream of home ownership.

Atlanta has become a cultural hub. It is a purveyor of the world's music and film scenes, and it is growing to be the American South's new foodie capital.

Atlanta is also a pro sport paradise between the Braves (baseball), the Falcons (football), the Hawks (basketball), and Atlanta United (soccer).

The cost of living 2% lower overall than the national average. For decades, Atlanta has been a market of constant growth, pulling in families from all over the South in addition to city-slickers from up North.

There are plenty of kid-friendly attractions, from the World of Coca Cola to water parks, aquariums,

Retirement Riches Testimonials

Isaac F.

Adiel, thanks for supporting and teaching me over quite a few years. All the 15 homes I own are fully paid now and I am satisfied with what I got. I have retired to Florida (I know.. a cliché').
Thank you so much for guiding me on this trip which changed my life.

Joan & Brian

The 1-Day expo was a very useful and likely profitable experience for us. Thank you for making it happen. And many thanks for "holding our hand". I'm amazed at your energy, intelligence and ability to give so much personal attention. We have already bought our first two rental homes and looking forward to continue. In Gratitude.

Dale

I Purchased two properties 8 years ago with ICG's help. It's been the best investment I've ever made! would like to get back on the mailing list (The QUICK LIST), to get properties so I can continue. Thanks for the support,

EXPERT ARTICLE FOR APRIL:

Tom Weclew, Owner Of Realty Medics, a property management firm:

Important things to know about property management

ADIEL'S *corner*

Q: what about condominiums?

A: While condos can appear to be less expensive than single family homes in certain instances, condos suffer from several flaws:

You can be a "good citizen" and pay the Homeowner's Dues regularly. However other owners may not be as diligent, and if the Homeowners' Association (HOA) does not bring in enough revenue, the entire complex can become a worse place to live, own and rent.

In addition, HOAs may sometimes impose a "special assessment" for some large needed repairs. These could be high, and spread over afe2w years, depending on the scope of the work.

HOA fees are also substantially higher for condos than they are for Single Family Homes. For new single-family homes there is usually a small HOA fee, to maintain a small common park, or just to watch over the neighborhood so it stays nice. However, the HOA fees for single family homes are usually quite minimal.

Condos usually don't attract families with kids. Kids become an "anchor" for the family, as they go to school and become enmeshed in the neighborhood. That creates longer and more stable tenancies. In general, condos don't have that.

Even financing can get tricky for condos, and some lenders look at the ratio between rental condos vs. homeowner condos before they lend.

Overall I recommend single family home over condos.

Q: Doesn't the new tax law limit my ability to deduct property taxes and interest expense on my rental homes?

A: No. The new tax law caps the maximum you can deduct on your own residence. Rental homes are not under this limitation. Even before the new tax law, much more could be deducted on rental homes than on ones residence. The new tax law made it more limited, as it manifests especially in expensive areas like the San Francisco Bay Area, New York City etc.

For people earning an Adjusted Gross Income (AGI) over a certain threshold, the deductions cannot be utilized in the year in which the AGI was over the threshold. However the deductions can carry forward, creating losses that can be used in the future.