REMOTE CONTROL RETIREMENT RICHES

JUNE 2019

EVIDENCE:
AGE BIAS IN HIRING

CHOOSING THE RIGHT MARKET

BENEFITS OF USING IRA TO INVEST IN REAL ESTATE

WITH JUSTIN FARIAN

Thinking back on the MAY EXPO

Our last ICG 1-Day Expo took place on Saturday May 18th

It was a well-attended event.

The attendees comprised various levels of experience. There were people in the room who already own multiple rental homes, as well as many beginners.

The amount of Q&A throughout the day was great, and the questions (and hopefully the answers) were illuminating.

We had the main market teams present, and some of the property managers were there. The Atlanta market was reintroduced after a break of many years, and the Atlanta team enjoyed being at the big, lively event and interacting with investors all day, as well as presenting from the stage. 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. The loan terms seem to keep improving, and were a bit better than what Scott had presented at our March event.

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.

People also joined the Membership area on our website. The Membership area is constantly populated with podcasts, FAQ's (Frequently Asked Questions), and other useful information. There are also webinars on specific subjects offered, as well as special one-on-one "Connect For Success" meetings with me. For more details, please email us at info@icgre.com. You can also see information on our website www.icgre.com/MEMBERS.

The attendees enjoyed our guest expert speakers: attorney Brett Lytle, Esq. spoke about the mistakes of rushing to create LLCs too soon, especially when living in the state of California. He explained how to protect our assets in various ways and at what stage LLCs can fit in. Weiming Peng explained 1031 tax-deferred exchanges and reverse exchanges, and how they can benefit investors. Mary Jo Lafaye talked about how reverse mortgages have become quite different than the previous impression we used to have about them, and how they can play a solid role in people's retirement plans.

Many of the attendees have registered to the next 1-Day Expo, on Saturday September 7th. We will host the most relevant markets, have a new set of expert speakers, and of course lots of updates and Q&As.

NEW EVIDENCE: AGE BIAS IN HIRING

In an article in the San Francisco Chronicle on June 7, 2019, by Patricia Cohen titled "New evidence of age bias in hiring, and a push to fight it", examples of age discrimination against workers as young as their 40's, let alone 50's, 60's and above.

It makes little sense that while so many employers are complaining about shortage of highly qualified employees, they tend to reject some of the employees, with vast experience. In addition, older people statistically are stable, reliable and diligent.

It is quite alarming to see the many examples of age discrimination, which is, of course, illegal.

When reading the stories of people who suddenly cannot support their families due to hardship in trying to secure employment in their 50's, for example, one can only imagine the frustration and fear.

What we do at ICG, is change financial futures for the long term, which can take us out of the vicious reality of relying on someone giving us a job when we're older (but not old enough to be on Medicare or collect Social Security – which we also know to be struggling financially to meet growing demand).

We discuss ways people can change this possible future situation by investing in good single-family homes in large metropolitan areas in the Sunbelt states, by putting a down payment and financing the balance with the 30-year fixed rate loan, in which neither the monthly payment nor the remaining balance, ever keep up with the cost of living. This can change our future. We don't have to wait for 30 years, as after 14 or 16 years the loan usually looks very small, as a percentage of the home value (the house with the cost of living, the loan didn't). At that point, much equity has usually accumulated. Then, one home can be sold to pay off a few remaining loans on other homes, making them free and clear. That is only one example of how to utilize equity as it has grown.

The bottom line is, that investing in single-family homes the right way, can take someone out of reliance on whether they will get a job or not. It creates more freedom, and less vulnerability.

I have seen many people who have bought a number of homes, actually not desire to work after a certain number of years, and being able to act on that desire.

Sad as it is to read about age discrimination, and hoping this ugly practice is eradicated, it is a reminder that it's our own responsibility to take control of our future.

THE BENEFITS OF USING AN IRA TO INVEST IN REAL ESTATE

Justin Farian

Did you know that you can use your retirement dollars to invest in real estate? Since 1974, investors have been able to use self-directed IRAs to hold alternative assets – essentially, non-traditional assets such as precious metals, private equity and investment property. But even after 20 years, many investors still don't know that this option exists.

It's understandable that this strategy tends to fly under the radar. For one thing, the average investor is unaccustomed to investing in alternatives. Even the name "alternatives" conjures up images of risky, complicated investments that only an institution would touch. Which is why many people are pleasantly surprised to discover that they can use a self-directed IRA to invest in an alternative asset they're already very familiar with – real estate.

Real estate investments can provide returns in two ways: capital gains and rental income. When you hold an investment property in an IRA, you can defer taxes on any gains in value as well as any rental income earned until you begin to take distributions from the account. There are a few rules and considerations to be aware of – for example, the property must be for investment purposes only (no personal use allowed). Other rules can be found on the pensco.com website or in the IRS' Publication 590-A.

There are several compelling reasons to consider adding real estate to your retirement portfolio. For one thing, it can provide some much-needed diversification to your existing investments. According to the Investment Company Institute, as of 12/2018, Americans held $8.8 trillion in their IRAs,

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and the vast majority of that money was invested in stocks, bond and mutual funds. And in the last financial crisis, all three of these investment types lost value at the same time – leaving a lot of investors to play catch up with their nest eggs.

For some investors, real estate is just an investment they're more comfortable with than traditional stocks and bonds. Like any retirement account, the success of your self-directed IRA is a function of how well the investments do. If you're more comfortable choosing investment properties than evaluating securities, that can translate to greater confidence in your IRA's prospects.

And many people prefer real estate investing because it's something tangible that they can literally see and touch. Owning a physical entity in an IRA gives them more comfort than, say, not knowing exactly how their mutual fund or stock works and what's causing it to gain or lose money. Many investors like the fact that they can drive by a piece of property and say "Hey, that's one of my long term investments."

To learn more about investing in real estate with your IRA, check out PENSCO's website where you can download the guide Tax-Advantaged Real Estate Investing (www.pensco.com/self-directed-iras/investing-options/real-estate).

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Featured Market: Central Florida and the Space Coast

By Jean Gillen

Central Florida seems to be on steroids!

Ten thousand people move to central Florida every week, at an average age of 37. They are NOT coming to work at Disney or the other 19 parks. Opportunities with major corporations is the attraction. Forty-six of the top Fortune 500 companies are headquartered in Florida. The I-95 Corridor "Space Coast" and the I-4 corridor Daytona to Orlando to Tampa are exploding. Four International airports serve the I-4 corridors.

Central Florida is the top tourist destination in the world, bringing in 75 million people in 2018. It has one of the largest convention centers in the world. Florida has some of the largest 55+ communities in the country, with the average home price of $250,000, for a four bedrooms, two bath and two car garage, with a pool. Sun City (Tampa), Villages (Wildwood) and Margaritaville (Daytona) are just few examples.

It is the #1 choice of Baby-boomer and Millennials to live and work. No State income tax, "cheap and cheerful" and affordable with the cost of living lower than the national average.

Tampa-Orlando with over eight million people is becoming the largest metropolitan area in the Southeast.

The "Space Coast", the only place in the U.S. that can send a human into space, is exploding. UCF (Orlando) is the largest university in the U.S. and produces a large number of engineers for the space sector. Some say this is the new Silicon Valley.

As of 2018, 21 firms have signed deals to move to Space Coast bringing thousands of high-paying jobs. Over 350 others have moved in, in exchange, the state has offered subsidies to build up infrastructure making "Florida the place for space".

Central Florida has appreciation and cash flow - a great combo. Forbes predicts 35% appreciation by 2021.

Retirement Riches Testimonials

Joan M.

"I bought 5 houses in Phoenix through you in the 1990s. I still have 2. Your program worked well for me. Thanks!"

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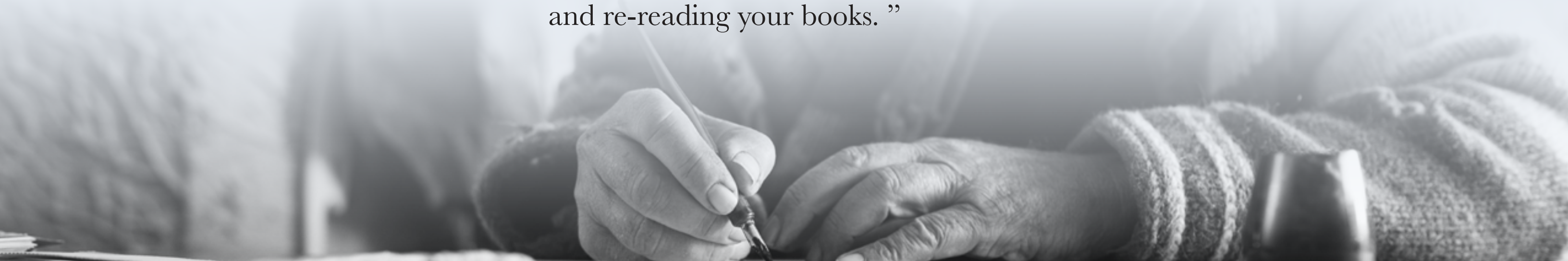
Judy C

"Thank you for having the Expo, last Saturday, 18 May, 2019, which I found very informative and brought new ideas to consider. Without your PBS documentary, which started all this for me, I would not have the knowledge to invest in rental houses. This was my second Expo, the first, last December. I've learned a great deal between the Expos and reading and re-reading your books. "

"I had a dilemma regarding the loan, and I so appreciate you calling me from an airport to help me. Your advice was invaluable and created a great outcome for me. Most impressive for me was that you took the time to call me while traveling."

Michael F.



How Do I Know Which Market to Choose?

A question I hear a lot is "I went to the Expo, met with the market teams, and now I don't know how to choose a market."

Actually, as long as the market you choose is part of a group of markets that fulfill the general guidelines I use (large metro area, Sun Belt states, numbers in the right range), it is of secondary importance which market you choose.

Of primary importance is buying new homes in one of these markets, and financing it with one of the greatest financial gifts I know: the 30-year fixed rate loan. Inflation becomes your "best friend" by constantly eroding the real buying power of your payment and your remaining balance. This is the heart of the program.

Since the market you choose is of secondary importance, subjective criteria is fine. If you liked talking to the market team from market X, that is not a bad reason to go with that market. If you have relatives living near market Y, that would be a good enough reason to choose that market.

If you have an unease about a state, a city or a region – that too would be an OK reason not to invest there.

As long as you don't get stuck in paralysis analysis, and actually end up owning homes with these fixed rate loans, you should be fine in the long term.

Of course, my long-standing recommendation to physically visit the markets can also help you choose. Once you are actually "in the field", you will learn and understand much more about the market(s) you visit, which will assist in narrowing your choice down.

FOCUS ON ECONOMICS

Selecting From Many Service Providers?

I recently saw an email from an investor who had just gotten into escrow for the purchase of a new home.

The investor was requesting to get a list of property managers, so he can choose his favorite one.

There is nothing wrong with evaluating several service providers and choosing one. That is true in any circumstance regarding any product.

However, this investor forgot one of the key ideas behind "Remote Control".

We prefer working with one management firm in each market. We try them out at first, then get comfortable with their performance and give them more business. In some markets we have bought well over 1,000 homes.

Clearly the property managers with whom we manage many homes, are eager to please us. That means they are also eager to please our investors. This gives the investor (even if they just bought one home), the "pull" or "clout" of the entire group. The managers know that if the investor is unhappy, we will hear about it, and they risk losing many hundreds of homes.

Wanting to "choose between managers" is a good thought in principle. However, only the main management firm we use will have the volume of business from all investors. Only that company will feel beholden to ICG and myself, if we contact them of behalf of an investor.

The investor is always free to choose anyone they wish, but they could be giving up this clout, which can make a difference in their future.

Having this clout doesn't make the universe perfect. Humans are still humans and imperfections or issues could always arise. However it is easier when we can call the manager, with the many homes we had already given them, and the potential of many more in the future. A call like this on behalf of an investor creates more power, and could be more helpful for the investor.

EXPERT ARTICLE FOR JULY:

Is there really a huge benefit of a Roth 401k over the traditional 401k?

By Lucian Ioja

ADIEL'S corner

Q: Do the property sheets sent by the brokers reflect all expenses, or, if they leave some out, why?

A: Brokers started sending us property sheets over 30 years ago. At first, they included all the KNOWN expenses, and also added the UNKNOWN expenses, such as repairs and vacancies.

Many of our investors said something to the effect of "Please only put down what is KNOWN. Please don't guess on my behalf as to repairs and vacancies. For brand new homes, repairs are minimal anyway. Let ME do my own guessing".

Thus, a couple of decades ago, our brokers not including their guesses as to repairs and vacancies. They do include the property taxes projected, the insurance projected, the Homeowners Association Fee (if any) projected, the expected management fee etc.

For brand new homes in good markets, my personal unscientific formula is to take about $150/month for the unexpected expenses. These also include the leasing fee portion of the management expenses, which is usually only charged when a vacant property gets rented. Sometimes it is not charged for years, as long as the tenant is in the property.

Q: What are the management fees charged?

A: The management fees vary from market to market. They typically (but not always) are comprised of two components: one is the management fee, which is ongoing and is expressed as a percentage of the rent (a typical one is 8% of the rent. For homes under $250K, the usual management fee is closer to 10% nationwide, but we reduce it a bit, usually, based on the volume of business we give the managers). The other component is called a leasing fee. The leasing fee covers marketing the home, showing it to prospective tenants, pulling credit reports on prospective tenants, running employment verifications, rental history etc. It also covers a commission paid to an agent who may have brought the tenant in certain cases. Typically the leasing fee is only charged upon filling a vacant home, so if a family with kids stay for several years, then the leasing fee will only be charged at the beginning of the lease and then not be charged for several years. Some management firms also charge a small renewal fee for existing tenants, which typically covers going over the property with a check list, negotiating a new lease amount etc.

I personally pay the management and leasing fees quite willingly. They are the reason I can own all the homes I do and be a "remote control" owner, live my life and not be burdened by a lot of the day-to-day issues. When a faucet breaks at 2AM, I don't get called, nor do I have to be involved in vetting the tenants (although I can be if I so choose).