REMOTE CONTROL RETIREMENT RICHES

AUGUST 2019

RECESSION COMING?

HOW WOULD IT AFFECT OUR SINGLE FAMILY RENTALS?

TITLE ISSUES IN A 1031 EXCHANGE

LIFE 201: ADIEL'S NEW PUBLIC TELEVISION SPECIAL

Real Estate Investments and
Adiel Gorel Presents

Saturday, September 7, 2019

ICG REAL ESTATE 1-DAY EXPO WITH ADIEL GOREL

EXPERT GUEST SPEAKERS

JOE MERANTE
VP of Business Development
National Credit Care

JOSH COOPER
CPA at
An Accountancy Corporation

JUSTIN FARIAN
CISP® Senior Retail
Sales Representative

FOR MORE INFO OR TO REGISTER, GO TO WWW.ICGRE.COM/EVENTS

On The Upcoming ICG 1-DAY EXPO

We are excited about our 1-Day Expo upcoming on Saturday 9/7/2019. That is just around the corner. As always, we will have several top notch experts to teach us subjects of interest. This time it will be on taxes, credit, and self-directed IRAs.

As always, there will be a lot of Q&A, and plenty of opportunities to learn from others' questions.

The market teams from the various markets from across the US will present updates about each of their markets. They will be available to interact with you all day. Of course they all make sure to bring great property sheets with them so we can see what is available. Property managers will be present as well. I will teach a beginner's section, the lenders will be there to discuss regular loans, loans for bigger investors, and loans for foreigners.

If you can attend, we are looking forward to seeing you. Contact us to register at info@icgre.com. If you can't make it, we will be available to discuss the highlights afterwards.

RECESSION COMING?

HOW WOULD IT AFFECT OUR SINGLE FAMILY RENTALS?

I have included an article on a possible recession in our July newsletter. However since then, every newspaper and media outlet screams "recession" so I am addressing it in this newsletter as well, from a different angle.

The "Topic of the day" in almost every media outlet has been predictions of an impending recession, domestically and worldwide.

One of the metrics mentioned is the "Inverted Yield Curve", where short-maturity bonds have a higher yield than long-maturity bonds. We are currently experiencing it.

In the past, this metric preceded a recession seven out of nine times (since the 1960's). Thus it is not a "surefire" predictor, but a pretty good one.

Even the presence of an inverted yield curve has to do with investors' perception regarding short term risk vs. long term risk.

Perception plays a major part in both recessions and booms.

The media tends to amplify the people's perception since it has to generate attractive headlines. Right now headlines discussing recession are very attractive.

It should also be mentioned that, leading to an election, the occupants of the White House strive to maintain a good economy, whereas their opponents would actually benefit (politically) from an economic downturn. These forces are likely in play right now, as, again, the media's voice affects perception and can actually dictate the way things end up turning. This is not new, and has always been the case before elections.

The occupants of the White House have a bit of an edge in the sense that they wield more power in creating positive scenarios. However the power of the media should not be underestimated.

So where does it leave us? Well, there could be a recession (most economists seem to think that if one occurs, it will come in the next year and a half or so).

If a recession does occur, the likelihood of it being anything closer to the recession that started in 2008 is very slim. Many safeguards were put in place in the aftermath of that big recession, including far stringer lending criteria (Dodd Frank as one example).

So if a recession happens, it may be quite a bit less severe than the last one.

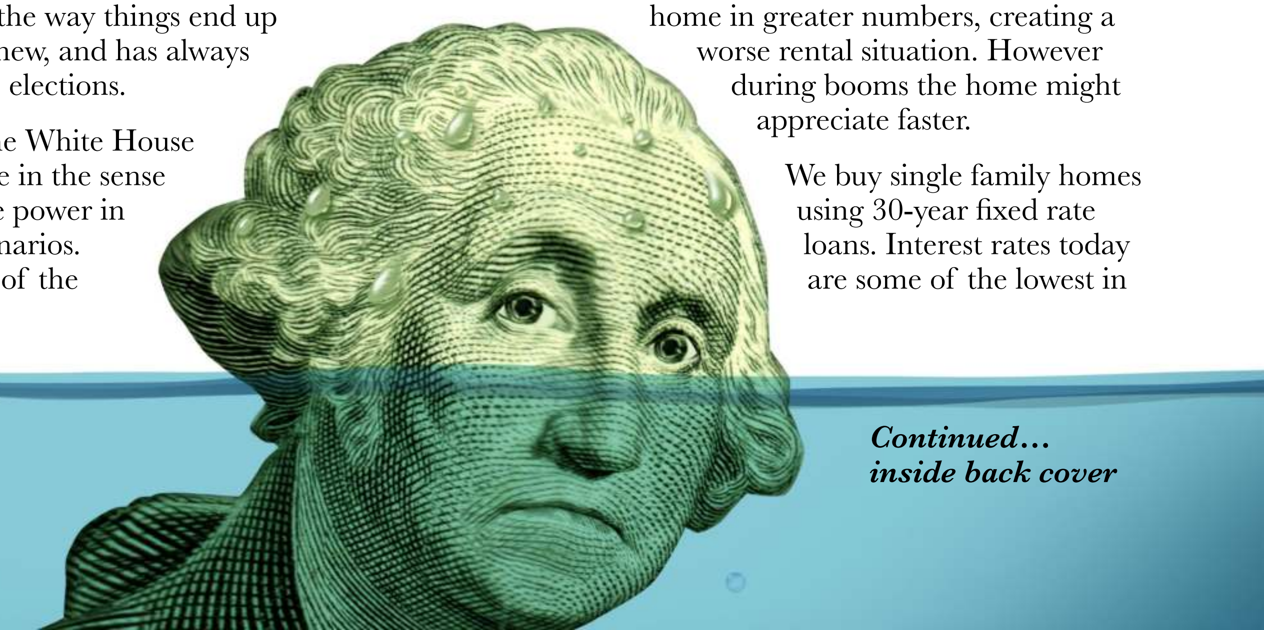
I have been through a few recessions and the 2008 one was the strongest I have seen by far.

How does this affect us as buyers of single family homes to hold as rentals for the long term, using 30-year fixed rate loans?

During every recession I have been a part of, the effect on rentals has been as follows: If tenants living in a house had been saving up and planning on buying their own home, those plans usually are put on hold during a recession. The reason usually is that people are concerned they might lose their job, or that their small business may falter. Thus during times of recessions, they remain as tenants. This phenomenon, occurring on a large scale, creates better rentals, lower vacancies and overall a stable rental situation for the landlord.

During booms, the effect is usually the reverse, optimism causes people to buy their own home in greater numbers, creating a worse rental situation. However during booms the home might appreciate faster.

We buy single family homes using 30-year fixed rate loans. Interest rates today are some of the lowest in



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TITLE ISSUES IN A 1031 EXCHANGE

By Weiming Peng

Section 1031 of the Internal Revenue Code allows investors to defer taxes on the capital gains realized upon the sale of an investment property. When investors think of 1031 exchanges, they think of selling investment real estate and buying other investment real estate. For others, it may be the number. How much can I potentially sell my property for, and how much do I need to spend in order to defer 100% of my tax liability. Although investors should definitely be attentive to these points, many fail to realize one of the biggest underlying issues with doing a 1031 exchange: how title should be transferred to the replacement property.

For any 1031 exchange, the tax payer who sells the relinquished property must take title to the replacement property. If tax payer #1 sells an investment property as the sole owner on title, then tax payer #1 may purchase under his/her name, under a single member (or two if they are married) LLC that is set up as a pass through entity, or a revocable trust.

Issues arise when there are multiple owners of a single property. Investors may have chosen to take title to their relinquished property as

There is really no good way to split an asset and do a 1031 exchange.

tenants in common (TIC), under a single LLC (multiple members in the LLC), or a revocable trust with trustees that are not married to each other. This is not an issue if the members choose to exchange together, but the complications become evident when they may wish to go their separate ways.

There is really no good way to split an asset and do a 1031 exchange. This is because of a technicality. If a multi member LLC has owned and rented out a property for many years, then the owner of the property is the LLC. The LLC is eligible to do a 1031 exchange when it sells the investment property. Should the members of the LLC decide to part ways, they will need to dissolve the LLC and take title in their names or respective pass through entities. When each member has taken title in their names individually, they have not owned the property long enough to have established it as an investment property. The LLC qualifies for an exchange, but they do not because of the short hold period. In order to mitigate this problem, we would advise the client to establish a longer hold period, ideally a year or longer, before selling the relinquished property. If they do not or cannot establish a hold period of at least a year before executing a 1031 exchange, this will a drop and swap: dropping out of an entity and taking title shortly prior to doing a 1031 exchange and swapping into a replacement property. A drop and swap is an aggressive move for a 1031 exchange, and if audited, have a much higher chance of being disqualified for an exchange by the California Franchise Tax Board.

Title issues may not just occur on the relinquished property, but also on the replacement property. Many investors choose to include business partners when purchasing replacement properties and thereby adding them onto title. This may add an additional layer of complexity to the exchange. Please contact your Qualified Intermediary and consult with them on how to better proceed with transaction to make it a successful exchange.

Weiming Peng is a 1031 Tax Deferred Exchange Specialist

why it's time to buy RALEIGH-DURHAM

This section has been provided by Jan Wynns and Tonya Debnam.

The Research Triangle Region (Raleigh-Durham-Chapel Hill and surrounding towns) offers rare opportunities for real estate investors to experience appreciation and stability in an area of extraordinary growth. The three main drivers of this area's economic success are Technology, Medicine and Education.

We have found a "sweet spot" in the Raleigh MSA housing market. The Clayton market is only 18 miles from the heart of Raleigh and is a community that is experiencing strong economic growth, the homes are still modestly priced and there is a strong demand for housing.

It is also an exciting time for growth in Clayton. The Novo Nordisk pharmaceutical plant completes their two billion dollar expansion in 2020 doubling the size of their facility and work force. Earlier this year, Grifols pharmaceuticals announced a $210M expansion that will be complete 2022 bringing even more jobs. Between the Grifols and Novo Nordisk facilities, there are over 3,000 (and growing) pharmaceutical-related jobs in a town of 21,500 people!!

We have recently sent six new properties to ICG, that are ready for review in the area all priced from $199,900 to $239,900. We have a great contractor whose homes are well built, modestly priced and in great locations. We expect them to be quite popular with our investors due to the prices, locations, and values.

The Triangle was ranked the 2nd "Most Highly Educated" area in the country according to Forbes, October 2017 and the surrounding areas continue to be ranked as one of the "Best Places to Live" by Money Magazine, 2018.

It's no wonder that the Raleigh metro region is projected to be the fastest-growing in the U.S. over the coming decade.

Invest where you would want to live. Invest in the Research Triangle Region.

LIFE 201: ADIEL'S NEW PUBLIC TELEVISION SPECIAL

As many of you know, when I talk to you one-on-one, I share not only investment experience, but also wellness experience. True wealth is having great results not just in our investments, but also in our health, the way we eat, supplementation, brain care, and physical and emotional well-being.

The idea for Life 201 came to life about 15 years ago. In our big Expos, I invite various experts to teach us from the stage about investment issues. I envisioned creating events that will address investments as well as wellness.

I have just recorded a new Public Television Special. It's called Life 201 (like moving on from college 101 courses, to the more advanced 201 courses, the idea is to move to a more advanced life).

I have invited seven other experts: doctors, scientist, experts in movement , nutrition, getting rid of toxins, creating a healthy brain, and investing well. I added my advice on single family home investments. The materials from all eight experts were presented by me on the Public Television stage.

The show will start to air in December of 2019. Right now we are working on creating a 300-page book titled "Life 201", where each expert is contributing a chapter. We are also creating an entire pledge (donation) package for Public Television, the book being part of it. There will also be booklets with all 8 experts' material for easy summaries for people to take on the road when traveling. We will also have video segments from each expert.

It will be a very compelling and useful package available for the Public Television donors. We hope it raises substantial donations to support Public Television.

In the San Francisco Bay Area it will be shown on KQED, but it will also be shown in other cities nationwide. The exact name of the show is "Life 201 with Adiel Gorel". I hope you enjoy it.

RECESSION COMING?

Continued…

history, and the Fed is talking about further lowering rates.

Thus during a recession, even a strong one, all an owner of a rental single family home has to do is the hardest action for a human being: nothing!

Doing nothing is even harder in the face of a media onslaught talking about how things are down during a recession.

A lesson learned from past recessions is: Owners of single family homes ,, which were bought brand-new, and financed with a fixed 30-year loans, just have to stay put. Just letting the loans get eroded slowly by the cost of living, while principal paydown occurs (also slowly), is a slow and sure way to build equity and wealth for the future. Couple that with a more stable rental market during downturns, and the message is yet again: just hold. Be patient! Do nothing!

Invariably recessions are followed by an upturn . A recovery.

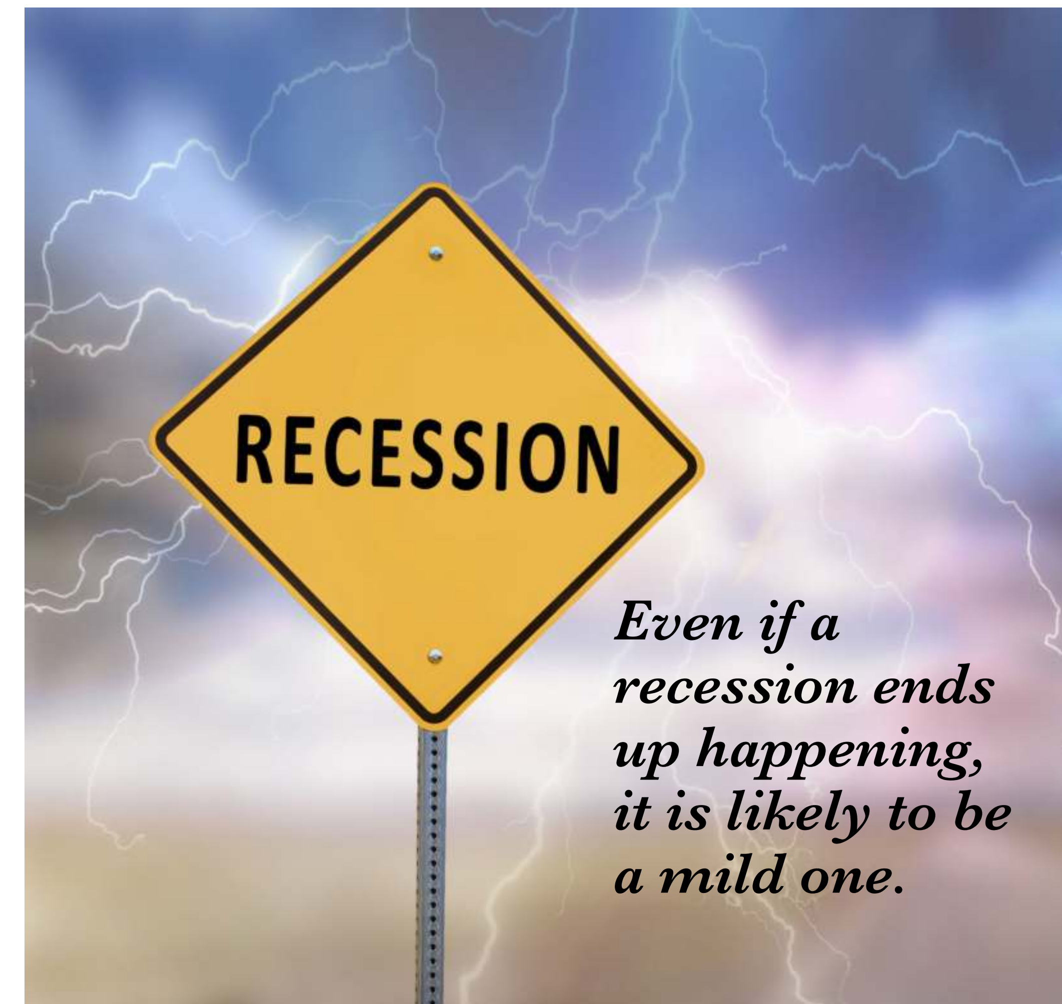
It took me a few cycles to fully internalize these lessons. I hope you can benefit from my experience.

Today we have very low loan rates. Jobs are very strong, in fact the unemployment rate is currently one of the lowest in history. Consumer spending has been strong even in the past month.

Thus even if a recession ends up happening, it is likely to be a mild one. Nothing to do if it happens. Just hold.

In addition, we are buying in markets where the prices are just a builder's margin over the building and lot costs. In such markets, recessions tend to have a moderate effect on prices, as opposed to markets where prices far exceed the costs of building and land (like Los Angeles, San investment which is likely to dramatically change your future. Especially if the recession is mild. The rental markets are stronger already due to a seeming preference on the part of millennials to be renters (percentage wise), as opposed to previous generations.

In short: no change in strategy is called for, regardless of what transpires next.



Retirement Riches Testimonials

Dawn S.

I watched your Public Television show in the Chicago area. This show could be life changing. They should show it everywhere. Thank you for making nit, and for being available to speak and consult with me.

Ron R.

I read your book in 2004 and bought 2 homes right away. I eventually bought 10 more homes in 2 markets. I feel I have already set my future up.

Sira P.

Looking forward to your October event in Columbia. My closing for the first property at Oklahoma is scheduled for a few weeks from now. Looking forward to it.

ADIEL'S *corner*

Q: Should I buy a property where I aim to retire?

A: Not necessarily. Your idea of when and where you wish to retire, or what kind of property you'd seek, may change over the years. I believe it's preferable to buy the best investment homes now. Later, when retirement is imminent, you can use the equity and wealth your investment homes have created, to fund a desirable retirement at the location which attractive to you at that time.

Q: I live in San Francisco, It makes me more comfortable investing in a place in California which is not too far from me, like Sacramento. Isn't that better?

A: No it is not. The logic used here is also useful for examples like this in the Los Angeles, New York, and other expensive cities. Yes, San Francisco is very expensive. Yes, Sacramento appears affordable relative to San Francisco. However Sacramento, as of August 2019, is completely out of whack. The prices are way too high relative to the rents. It would be much better to buy in a good market in the Sunbelt States, where the numbers work, like the markets we talk about these days. The price will be much lower, and the rent will be good relative to the price. You can buy a brand new home in a good area, which will be WAY too expensive in Sacramento. In addition, California is not a landlord friendly state, while the Sun Belt States we buy in are.

Q: My wife likes Tampa. Should we buy property in Tampa?

A: Much of Tampa itself is already too expensive relative to local rents, to make sense. However not far from Tampa (still in the larger metro area), are developments where the numbers still work. The same applies to Orlando. In fact, Tampa and Orlando are growing towards each other. We can connect you to our local teams for more detail, and perhaps a visit.