# REMOTE CONTROL RETIREMENT RICHES

OCTOBER 2019

## WEALTH PRESERVATION, ENTITY MISTAKES, AND HOW TO AVOID THEM

## PUBLIC TV SPECIAL "LIFE 201"

## EXIT STRATEGY: WHEN TO SELL?


## September 7 Event Recap

# EXPO RECAP

Our last ICG 1-Day Expo took place on Saturday, September 7th.

It was gratifying to meet so many of you, from all the spectrum of expertise.

We also had many guests who had received tickets to the Expo based on their pledge to KQED.

We had a lot of Q&A throughout the day. The questions (and hopefully the answers) were informative and educational.

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 4.7% or even better, which, for investors, is a very 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 are better than what Scott had presented at our May 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 new 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: Josh Cooper, Justin Farian, and Joe Merante. CPA Joshua Cooper , as always, was very informative in his tax presentation. Justin Farian explained how to go about buying rental homes from a self-directed IRA. Joe Merante from National Credit Care went into the details of credit scores, their effect on people, and ways to optimize them. Many of the attendees pre-registered to our next 1-Day Expo, on Saturday, December 7th. I will host the most relevant markets, three new expert speakers, and of course lots of updates and Q&As.

To register for our next 1-Day Expo, on Saturday, December 7th, please email us at info@icgre.com. We look forward to seeing you there.

# THE CREATION OF THE PUBLIC TELEVISION SPECIAL "LIFE 201"

We have discussed how the idea for Life201 was borne out of our ICG Quarterly events.

At our big ICG events, I teach a lot from the stage, we invite the market teams from the relevant markets, and we also invite experts such as lawyers, CPAs, insurance experts, 1031 exchange specialists, and so on.

These events gave me the idea to tap into the great experts I know in the areas of life I have always been passionate about: wellness, health, food, supplementation, mobility etc.

Thus the television special "Life 201" was conceived.

The television special will host eight experts in the fields of FUEL, FEEL, and FUND. Thus we bring the expertise of medical experts who teach us how to eat to stave off dementia, to stay healthy etc. We learn what supplements to use and what mistakes we make in supplementation, as well as how to correct them. We learn about the toxins we are surrounded by, not only in our food but in water and even the air we breathe, and of course, EMFs (Electro Magnetic Fields). We also get practical tips on how to reduce the toxin load in our lives.

We learn yoga movements that can done at home, breathing techniques and centering tips. We learn how to use NeuroMovement to improve our mobility and vitality. Also, we learn about financial planning for the future, including rental home investments, but also about life insurance usage, retirement distribution analysis, etc.

Life201 will start to air by many public television stations in the beginning of December 2019.

The Arkansas Public Television station : AETN, will air the show first, with me live on the air on Saturday, November 16, 2019 at 3:30 PM local Arkansas time. If you have friends in Arkansas, I am confident they will benefit from watching this treasure-trove of information. In many other markets (like San Francisco, LA, San Diego, Atlanta, Baltimore/DC, and quite a few others), I hope you will also watch the show as it airs from the beginning of December 2019. Our website will have the program schedule posted. You can see the Life201 program schedule on our website. WWW.ICGRE.COM under the EVENTS tab.

# WEALTH PRESERVATION, ENTITY MISTAKES, AND HOW TO AVOID THEM

***by Sophia Cizmarik, Esq. and Brett Lytle, Esq.***

Wealth Preservation planning preserves your life's work and legacy. It's a series of tools for conducting businesses, estate planning and family planning. If proper steps are taken, you can protect your assets from future liabilities by putting them behind legitimate legal obstacles. The more obstacles, the greater the protection. Wealth Preservation also plans for future liabilities not past liabilities and includes the protection of future transfers of wealth to younger generations.

## Wealth Preservation Tools

Some of the tools we can use are: liability insurance, umbrella liability insurance, trusts revocable and irrevocable, forming entities, gifting plans, retirement plans (under ERISA), and knowledge. Wealth Preservation is designed so you can control your property and assets for your own benefit and future generations. Your individual strategy may be one or multiple tools. Through use of these tools and strategies, you can come up with creative solutions that are catered to your assets and family.

*Through use of these tools and strategies, you can come up with creative solutions that are catered to your assets and family.*

## Entity Formation

Entity formation is something that can be used to segregate personal and business assets. Just having entities does not mean that your assets are not reachable. In some cases, Courts are piercing corporation as well as limited liability entities for personal liability. Disregarding "entity formalities" is the primary reason for Courts to pierce the entity veil. The entity shield stays in place so long as the entity observes the appropriate formalities, and separation of assets.

## Mistakes that Entities Make

While these mistakes are not exhaustive, they are important considerations when partaking a new venture.

1. Not Knowing Tax Consequences Choosing certain business entities does not guarantee reducing your tax liability. Getting advice from an attorney or tax profession is always advised.

2. Ignoring Formal Business Entities If your business is a sole proprietorship or general partnership, your personal assets are at risk. Forming business entities, such as a corporation or LLC, protects your personal assets by legally separating the business from your personal accounts.

3. Thinking Business Entity Equals Protection The primary reason for forming a business entity is to separate personal assets from lawsuits against a business. While protective frameworks are offered with business entities, such as insurance policies, they do not guard against all lawsuits or detrimental and unforeseen circumstances.

A well planned and detailed plan using the appropriate tools can help preserve your assets, and your legacy.

*Brett Lytle, Esq. is an Attorney of McDowall Cotter Attorneys At Law*

# why it's time to buy OKLAHOMA CITY

This is an article by Joe Pryor, a long-time resident of Oklahoma City, and the head of our Oklahoma City team.

Since 1993 Oklahoma City has allocated a 1-cent sales tax to enhance our infrastructure without debt and almost $3 billion has been devoted to enhancing our quality of life.

We are about to vote on the Oklahoma City MAPS 4 Project, which comprises several subprojects. In the past three projects, everything has been built within budget. Some of the new projects also show the humanity of our city with $50 million being devoted to housing the homeless, millions for senior wellness centers, and sidewalks for lower income neighborhoods to enhance their quality of life.

Funds are also allocated for a new large fairgrounds arena because we are the No. 1 city in the US for horse shows, and to build a downtown outdoor multipurpose arena to attract MLS soccer to complement our NBA Thunder. More projects are onboard like $38 million for an animal shelter and a building to honor the civil rights struggle.

Every park we have in the city is being improved, new bike paths created, and the Chesapeake Arena enhanced. You can read about many more projects in the $978 million MAPS 4 by going to https://www.okc.gov/government/maps-4/projects.

I am proud to be a part of a city on the rise and the model city about creating growth without debt, and making Oklahoma City a great place to live, and for you an ideal city to invest in real estate.

## ARE THERE ENOUGH TENANTS?

From looking at the census information (census.gov), we see that the percentage of homeowners in the United States has declined from its peak in 2005 (69.1%), to as low as 62.9% in 2016. Currently the homeownership rate is 64.1%. Of course that means that 39.9% of the US population (which is over 329,800,000 as of 10.23.2019). A quick calculations shows us over 131,590.200 renters in the United States these days.

As we discussed before, many renters choose to rent. Millennials have been known to eschew home ownership, in many cases, even after they get married.

We have discussed before that some people rent to maintain flexibility to move whenever they want. Some people look at a mortgage as a "ball and chain", while we look at the 30-year fixed mortgage as a financial boon.

There are people who are not interested in saving up for a down payment. There are visiting professionals in a market for just a few years. Many other segments of the population rent instead of buying.

The renter pool has been growing.

Since we invest in large metropolitan areas in the Sun Belt states, which are usually growth metropolitan areas, the supply of renters has been very good.

## *Retirement Riches Testimonials*

### Marge

"Adiel, we started investing 20 years ago. We appreciate you still being available to us on strategic planning 20 years later."

### Mohit

"I have been an investor with you for about 10 years and you have been a great help to me and my family in reaching our goals."

### Ken

"Having studied and listened to Mr. Gorel's work, I believe this is now a seminal moment in my life where I can use once again the education and knowledge available to me to pave the way for a better future for myself and my family. "

# EXIT STRATEGY: WHEN TO SELL?

A frequent question I get is "when do I sell my home? Is there an exit strategy?".

There are many benefits reflecting the power of rental single family homes financed by 30-year fixed rate loans.

After the loan has been eroded by inflation over years, in addition to slow principal paydowns, it is possible to find yourself owning a home where the loan is only 20% or even as low as 15% of the total value of the home.

That means a lot of equity.

## What do you do to use this equity?

One possible scenario is: never sell. Simply let the loan pay down to zero, aided by inflation, and then own the home free and clear, as it serves as a building block for your life-long income. There will be ever-growing rent income (rents do keep up with the cost of living, on average). There will also be repairs and vacancies. Of course you'd still have to pay property taxes , insurance, property management and other incidentals. Nevertheless, with the mortgage paid off, a typical home may be good for about $10,000 per year AFTER all expenses. This $10,000 (an approximate figure used as an example. Actual numbers will vary by home, city and state), keeps up with inflation. In addition to the income , you also have the equity in the house, which is free and clear. If you keep the home until you pass away, the home transfer to your heirs on a "step-up-basis", meaning they won't have to pay taxes on the appreciation of the home. This is not a bad strategy and I know numerous investors who simply hold on to their homes.

Another possible scenario: Keep the home and refinance it. This is a reasonable strategy if interest rates are very low and you can get a very good loan (hopefully, again, 30-year fixed). You now have tax-free proceeds from the new loans to use as you see fit. The payments will likely rise (depending on interest rates), but hopefully you refinance knowing that the rent can cover the new payments and all other expenses.

Of course another exit strategy is to sell the home at some point. If you sell the home, it is probably best to do so during a "boom time". You can see that the market is hot, and many offers come in on every home that is put up for sale. 2006 was an excellent time to sell, but some markets, such as Phoenix, Vegas, Dallas, and Austin, could be good markets to sell in during 2019.

When you sell, there are two possibilities: you can either just sell the property, and then be subject to the tax you need to pay (capital gains, depreciation recapture), or you can opt to do a 1031 tax-deferred exchange and use the proceeds (according to the 1031 guidelines, using a qualified intermediary), to buy brand new properties. It is not uncommon to see a person sell one home, and use the proceeds to buy three brand-new homes using the 30-year fixed rate loans.

I am always happy to discuss strategy with you. You can contact our office to set up a call with me.

# DO TENANTS EVER HAVE TO BE EVICTED?

When we buy a brand new home in a good area in a large metropolitan area, the probability of eviction is low. Usually nice homes rent well to qualified tenants. I hear more about evictions when people buy in bad areas, with unqualified renters.

That being said, eviction is always a possibility.

Here is where the Sun Belt states differ from states like New York and California. In California, the landlord - tenant laws are skewed in favor of the tenant. Evictions can take a very long time (with some legal help over a year). New York is also not landlord friendly. Please understand, this is not me talking like a "mean person" who wants to evict, and evictions are also quite rare in good areas. However it's good to know what exists as far as the law.

In the Sun Belt states, where we invest, the landlord-tenant laws are more even and fair. These states are generally more business-friendly than New York and California. Thus an eviction might take only a few weeks. In fact, since tenants who may need to be evicted will likely know that the law will not coddle them, they sometimes simply leave on their own accord. That is another benefit of being an owner in the Sun Best states.

If an eviction has to happen, it is handled by the property managers, who know how to navigate the process. As a remote control owner, you do not have to initiate anything. The property manager will keep you updated.

Real Estate Investments and
Adiel Gorel Presents

# Saturday, December 7, 2019

## ICG REAL ESTATE 1-DAY EXPO WITH ADIEL GOREL

EXPERT GUEST SPEAKERS

**BRETT LYTLE**

ATTORNEY, ESQ. OF MCDOWALL COTTER ATTORNEYS AT LAW

**WEIMING PENG**

1031 TAX DEFERRED EXCHANGE SPECIALIST

**LUCIAN IOJA**

FOUNTAINHEAD ADVISORS, NEWPORT BEACH

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

## ADIEL'S corner

***Q: Are new homes more expensive than existing homes?***

A: Not necessarily. Some existing homes have grown trees and a "neighborhood" feeling and could cost just as much and even more. In addition, our brokers carry the "ICG clout " when negotiating with the builders. Builders have the ability to give special deals to buyers that go beyond what a regular seller can give. They realize we could mean serious business for them and sometimes are eager to give discounts and throw in extras. Builders can throw in extras like granite, or an appliance package, since their work force is already in the field and they get materials in bulk. New homes end up being at least as good a deal as older homes, and there are all the benefits of brand new systems, many of which under guarantee. New homes also have more modern floor plans, likely to be favored by tenants, as well as better energy efficiency, likely to lower tenant's utility bills.

***Q: If the 30-year fixed rate loan is such a "gift" for the borrowers, why are lenders giving it.***

A: There are historical and political reasons for the 30-year fixed rate loans, such as wanting Americans to have certainty about their payments. It will be a hard loan to back away from, as it's extremely popular.

The 30-year fixed rate loans usually get sold in the secondary market, facilitated by entities like FNMA. They get sold to Wall Street as securities in many cases. Investors in those securities appreciate the relatively low but very stable income the payments provide. Banks make upfront fees when making the loans, then they sell them away. Not a bad deal for them. In addition, banks have statistical models showing most people don't hold on to their loans more than a certain number of years (seven years, for example). Since the effects of inflation manifest after 12 or 15 years, these effects will not manifest as much if the borrower pays off the loan after say, seven years.