# REMOTE CONTROL RETIREMENT RICHES

NOVEMBER 2019

Life 201

## LIVE A YOUNGER LIFE LONGER!

## ASSET DIVISION IN A "SILVER DIVORCE"

ALSO: AIRBNB & OTHER SHORT-TERM RENTALS


# TUNE IN AS SEVEN EXPERTS JOIN ADIEL TO DISCUSS HOW TO LIVE A YOUNGER LIFE LONGER!

We hope you watch my new show, with seven other experts in the fields of health, wellness, nutrition, movement, and finances. It's a potentially life-changing Public Television Special: Life 201.

Life 201 will air on various Public Television Stations. Here are some highlights. We hope you share with friends/followers in those markets and that they watch and benefit.

**Baltimore/Washington DC on MPT**
**(Maryland Public Television)**

**Saturday November 30**
**at 11:30AM EST**

**Sunday December 1**
**at 2:00PM EST**

**Arkansas on AETN**

**Monday, December 2**
**at 5:30PM CST**

**San Francisco on KQED**

**Friday, December 6**
**at 8:00PM PST**

**Saturday, December 7**
**at 2:30PM PST**

**Sunday, December 8**
**at 9:30PM PST**

# AIRBNB & OTHER SHORT-TERM RENTALS

From time to time an investor asks me about investing in a short-term vacation rental, or using a property in a central location as an Airbnb rental.

On paper this may seem like an attractive proposition. The calculated numbers on paper may seem enticing.

Many of these aspiring short-term owners have a limited scope of time. They forget what happened in 2008-2011.

During a recession, vacation rentals dry up, hotel occupancy plummets, and Airbnb properties tend to stay vacant a lot more.

What looks attractive on paper now may be a formula for losing a property to foreclosure during a future recession.

By contract, single family homes in big city suburbs, typically rented to families with kids, don't display such a drop-off during a recession.

We have discussed, in a previous newsletter, that during a recession, single family home rental rates are actually BETTER, since would-be-home-buyers are scared to buy and remain as renters. These homes are not short-term rentals. These are not vacation rentals. These are long term rental of homes rented to families, typically with kids who go to school. These families need a place to live. These are not vacation rentals. Recessions do not make them empty.

It's a very important lesson to learn, with the perspective of looking back at how vacation and short-term rental perform during downturns.

I think that buying regular single-family homes and renting them to families is a tried and true strategy to building stable and strong future wealth.

There are other issues with Airbnb properties such as liability, insurance issues, and other dangers. Not too long ago there was a shooting at a party at an Airbnb rental in the San Francisco Bay Area. The lawsuits are just starting to form. If the owners didn't have commercial insurance covering short term rentals, they may lose more than just the home.

With single family homes rented long term, insurance is standard and the issues are clear.

As always, investors seek the buzzwords. Over the history of investing in rental homes, some of the favorite buzzwords were: "no money down", "motivated seller", "flip", "Airbnb", and many others. These buzzwords make investments sound a lot sexier than the simple, almost boring act of buying a brand-new home in a good area in a large metro area in the sunbelt, and financing it with a fixed-rate 30-year loan. Then having a local management firm lease it for you, and then doing nothing and letting inflation erode your fixed debt, while the tenants pay off the loan gradually. A simple, powerful and time-tested way to get wealthy over the long term.

## *Retirement Riches Testimonials*

I fell in love with Adiel's visionary business model I when saw it presented it on PBS for the first time. I could not believe my eyes---it's what I've been waiting for my whole life!!! I knew right away I would become a part of it. I've been a landlord on my own for 27 years before finding Adiel & I've spent an inordinate amount of time dealing with the exact same sort of things he talks about, so I know he knows exactly what he's talking about. His ecosystem, the way he' vetted all his people, it's almost too good to be true! Adiel has done the all the leg work for me, so now I can be a better version of my business self. I immediately bought the master package (a small investment in my future fortune, I figured). I showed it to everybody I thought might be interested so that they could reap the rewards of it too, but didn't get a lot of interest until I showed it to my financial adviser. She listened attentively as she could see that I was really excited by this opportunity. And when I saw her the next week, she said to me " Now you've got me thinking that I want to do what you are doing by investing in houses with this guy!" You know it's a smart money move when a financial adviser is interested in doing it too! I bought my first house in 4/19 & I will buy as many more as I can. This is my plan to outsmart life with never-ending, inflation proof cash flow (& with relatively small initial cash outlay, too). I know already I won't outlive my retirement money. Thank-you, thank-you, thank-you Adiel, I'll always be a big fan & proponent of yours!

**– Denise**

My wife and I have been dreaming of buying investment homes for years, but never pulled the trigger and didn't know how to go about it. we live in a city where the home prices are very expensive and we certainly didn't know how to buy well out of state. With Adiel's help we have now closed on the purchase of our first home, and the second home is due to close in January. Adiel has been available to guide us at all times. We plan to continue and build a killer portfolio for our later years.

**– Greg**

# USING HOUSING WEALTH TO FACILITATE ASSET DIVISION IN "Silver Divorce"

**By Mary Jo Lafaye**

*Reverse Mortgage Agent & Licensed Home Equity Conversion Mortgage (HECM) Specialist with Retirement Funding Solutions*

Due to the doubling of the divorce rate among Americans aged 50 and older, and the fact that 1 in 10 Americans divorcing today is over age 65, it's more important than ever that Realtors, financial professionals, family law attorneys, and mature homeowners understand the Home Equity Conversion Mortgages (HECM) for divorcing couples in their 60's and older. The HECM and HECM for Purchase (H4P) can make a smooth transition out of what could otherwise be a financially devastating move later in life.

Two key factors differentiate senior divorcing couples from their much younger counterparts. Older couples tend to have much more accumulated wealth in the form of home equity and retirement savings (IRAs or 401k accounts). They are approaching or have arrived at retirement, so their retirement income plays a more significant role during asset division.

Home Equity Conversion Mortgages (HECMs) can play a significant role in addressing the economic concerns of retirement-aged divorcing couples, during asset division, and to optimize their housing outcomes as newly single people.

The HECM is simply a loan secured by the borrower's principal residence --or future principal residence, if using it as a home purchase tool (H4P).

The HECM enables retirees, living on fixed income, to easily qualify for a loan that also allows them to defer ALL loan repayment until they choose to permanently vacate the home. Each month the borrower will receive a mortgage statement, showing how much money they received, and how much interest accrued. If they are still working, or their investments are providing ample income, they can choose to make a payment towards the loan, of any amount, at any time.

However, if they are truly retired, perhaps a landlord, or perhaps just wanting to keep their money invested in other income-producing assets, they can choose to let the interest accrue indefinitely, until the loan becomes due. The HECM, whether used as a line of credit, or to purchase a primary residence, is by far the most flexible mortgage available today.

To illustrate how reverse mortgages work, let's look at Bill and Betty, a divorcing couple in their 70's. Their most significant asset is their home, which is community property and valued at $750,000. Their conventional mortgage balance was paid in full a year ago so they now own the home free and clear.

Betty loves her community, her home, and her garden. She wants to keep the home but she does not want to take on a mortgage payment in retirement to pay Bill for his share of the equity, which totals $375,000. She also does not want to give Bill $375,000 of her 401K since that would leave her without enough money to support herself.

Betty instead learns about the HECM refinance option, which allows her to borrow $397,000 from her current home to pay Bill the $375,000 for his half of the equity. This leaves her $22,000 to visit her grandchildren across the country and make some home improvements.

Since the HECM does not require Betty to make a monthly loan payment, as long as she occupies the home and pays her property charges, her financial position in life is still secure and comfortable.

Bill now has $375,000 in cash that he did not have before. He is worried about having to pay high rents or take on a mortgage payment in retirement. Instead, Bill opts to use the HECM for Purchase loan (H4P) to buy a new home, and like Betty, make no monthly mortgage payments for as long as he occupies the home and pays his property charges.

The HECM for Purchase loan is an alternative to cash and traditional financing that allows a home buyer over the age of 62 to make a one-time down payment (in this case, $360,000 for a $725,000 home) and let the federally-insured, non-recourse HECM cover the remainder of the purchase price. Bill now has $15,000 remaining for home improvements, buying furniture, or to invest in other ways. Qualifying for a HECM is much easier than for traditional financing, making it the perfect loan for retirees.

The Silver Lining: Bill and Betty are each enjoying homeowners. 2) they live in homes equal to the lifestyle they were accustomed 3) neither party pays rent or incurs future mortgage payment obligations; and 4) both have more cash than before the divorce occurred.

A HECM is a flexible financing tool that allows divorcing Americans to purchase and live in a home of the quality they would never have been able to purchase by paying cash obtained from net home sale

# CALIFORNIA & NEW YORK POPULATION LOSS: AFFECTING INVESTORS?

There are multiple news outlets reporting that California out-migration has been exceeding in-migration for the past seven years. One such outlet is NBCBayArea.com, but this news is everywhere.

People are leaving California primarily due to the high home prices, as well as very high state taxation. Heavy regulation is also cited as a reason.

New York State is reported to lose even more residents than California, in an article in bizjournals.com by Heather Hartel.  Again, it is no surprise. High home prices, high state taxation, and high regulation.

*The out-migration from New York and California is likely to continue and even accelerate.*

As more people migrate out of large expensive states like New York and California, the Sun Belt states are the beneficiaries. As of this year, Arizona, Nevada and Texas are quite popular. This is part of the reason the prices in those states have been climbing to the point that they don't make sense to buy rental homes in. The price vs. rent ratios in these three states are not friendly, and Texas also has very high property taxes.

Florida has also been a beneficiary, as well as Georgia and Oklahoma. These are states where the numbers are still reasonable and we are indeed buying rental homes in these states and they work well. North Carolina is also seeing good in-migration.

The effect of the migration from California and New York has multiple facets. People leaving NY and CA create more dynamism in the economies they move to. They also, in many cases, have funds they got from selling a home in their home state. In the context of their new home state, those sold homes are very expensive, so in many cases they come with a lot of available funds. That helps local prices in their destination city, as well as the overall economy.

A longer-term effect in the markets where we are buying is that prices get an upwards pressure due to this migration, and eventually the homes we bought for reasonable prices, may appreciate and help create more equity besides the loan-eroding inflation and regular on-going principal pay-downs on our loans. There could be a time when our current investment cities may become too expensive for us to buy in. That will be good for those who had bought. There are likely going to be other cities where the numbers will make sense. So far there has never been a time when there were no appropriate cities to buy in.

The out-migration from New York and California is likely to continue and even accelerate. Besides professionals and younger families seeking more affordable cities, the Baby Boomers are likely to seek retirement in less expensive states as well.



# ECONOMIC PICTURE BRIGHTENS, YIELD CURVE STRAIGHTENS, RECESSION FEARS SEEM TO ABATE

There is quite a bit of positive economic data. One article, as an example, is from the Wall Street Journal. It is an article by Akane Otani from November 17th titled "Cyclical Shares Propel Stock Market to Latest Milestone". In the article , Otani says "The Dow Jones Industrial Average topped 28000 in the very last minute of Friday's trading session, capping off an otherwise quiet week with its first thousand-point milestone since July", as well as "That rally, along with the relative underperformance of traditionally safe sectors like utilities and consumer staples, has suggested that money managers are turning more optimistic about the economic outlook." Otani goes on to report "Data over the past several weeks have largely reassured money managers. A Labor Department report at the start of the month showed the economy added 128,000 jobs in October, far more than analysts had expected given a now-concluded nationwide General Motors Co. strike that cut into manufacturing hiring. Retail sales rebounded in October after a surprising decline in September. Corporate earnings for the latest quarter have also been better than many analysts had feared. "In the article is also:" Next week, investors will get a look at minutes from the Federal Reserve's last policy meeting, as well as a gauge of consumer sentiment and manufacturing activity.

"I'm not going to say the economy's going to boom, but it should start to pick up," said Jay Hatfield, chief executive and portfolio manager at InfraCap, a company that manages exchange-traded funds and hedge funds.

Mr. Hatfield said his company has been betting that financial stocks, preferred stock and other generally risky investments will perform well, especially if weaker parts of the global economy, like Europe and parts of Asia, show signs of improvement.

"We think we're still far away from a recession," he said. Mr. Hatfield isn't alone."

The article also addresses the yield curve as follows: "As investors have grown less fearful of a downturn, one of the most persistent warning signs of a recession in the bond market—the yield curve—has also eased. Shorter-term bond yields have fallen below longer-term ones, reversing a pattern set earlier in the year that had worried some investors." However , Otani goes on to say " Still, money managers acknowledge that many of their bets could fall apart if the U.S. and China move away from a trade deal." He then goes on to say "But for now, there is no sign that investors are positioned for a sharp contraction." as well as "In another sign of investor confidence, bond yields have bounced off the multiyear lows they hit earlier in the year."

This is not the only article reporting these trends. The mood is considerably improved from a few months ago, and recession expectations seem to have abated. In fact, growth and moderate optimism seems to be the trend.

This also goes to tell us that there will always be some news predicting market movements. As single-family home investors, who have a long-time horizon, and know how to use the fixed rate loans which constantly get eroded by inflation, all we need to do is steadily invest, building our portfolios to affect a stronger financial future.

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## ADIEL'S *corner*

***Q: Are hurricanes getting worse every year?***

A: While there exists a real possibility that overall, hurricanes may get worse in the future, the facts for the past three years at least, tell a different story.

2019 was actually a light year for hurricanes. It was better than 2018. Also, 2018 was a lighter hurricane year than 2017. Thus, at least for the past few years, the actual trend year-to-year has been less hurricanes, not more. While this may not be the overarching long-term trend, we need to be careful not to be swept away in stories that are incorrect.

***Q: How involved should I be with the management of my property?***

A: The idea of us being "remote control owners" means there are local managers doing the job for us. Obviously, there is owner's feedback and issues the owner needs to know. Nevertheless, I try not to "micro manage" the property managers. In the management agreement there is an amount left open for when the owner needs to be notified if there is a repair that exceeds that amount. I usually put it at $500. If you put a small number, obviously you may get more calls from the managers. I believe in letting the professionals do what they know best. You get reports monthly, so you can see the status of the property. Micromanaging usually just adds noise and could just be a distraction. I will discuss this more at our events.

***Q: Can I use any management company I want?***

A: Yes, of course! One thing to keep in mind, though, is that the management company we use tries very hard to please ICG investors (that means you). They know the volume of business we had already given them, and they project more large volume coming from our investors in the future. They realize that even if one investor is unhappy with them, word will get to me, and if I am upset with them, they could lose all that future business, and perhaps a good portion of their existing management business as well. Thus, you have the "clout" of being a very large client, even if you own just one home. Yes, you own the home in your name and it's your home, but the service providers keep in mind that you are part of much more business they received from us. This "clout" doesn't solve all issues in the universe, but it's great to be a large client.