REMOTE CONTROL RETIREMENT RICHES

MAY 2019

WHICH MARKET APPRECIATES MORE?

USA HOME OWNERSHIP RATE DECLINES

GETTING REAL ABOUT RETIREMENT

WITH MARY JO LAFAYE

Thinking back on the MARCH EXPO

The March 9th 2019 1-Day Expo included many KQED donors, as well as many current investors at various experience levels. This is what makes the Q&A sessions so useful. Since the questions come from investors with differing levels of experience, the questions cover a lot of useful information for the event attendees.

The March 9th event included 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.

During the March 9th 2019 1-Day Expo, we introduced a new Membership Area on our website.

We officially launched the Membership Area on May 1st, 2019, with great content.

A lot of content has been generated and is populating the membership area, and more content is being created all the time.

The Membership Area on our website is becoming an ever-more exciting treasure trove of information, in two tiers. The membership area is populated with podcasts, FAQ's (Frequently Asked Questions), and other useful information. I am working hard, with other experts, to continue populating the members' area with great content. Our first webinar for members was on May 1st. We are also creating another live webinar to be aired during our next 1-Day Expo on May 18th. That webinar one will be about the subject of lending, and the various loans available for all types of investors. I will be interviewing a loan expert. There will be upcoming webinars on specific subjects offered, as well as special one-on-one "Connect for Success" meetings with me to plan your path. These meetings go beyond the regular meetings I have, and focus on your overall future building strategies via quality rental homes.

We invited people to already join the membership area at a discounted rate before the official launch date of May 1st. We have also decided to enable people to still join at a discount during the May 18th 1-Day Expo.

For more details, email us at info@icgre.com. You can also see information on our website www.icgre.com/MEMBERS

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.

WHICH MARKET WILL APPRECIATE MORE?

Many conversations I have with investor contain the projections, by the investors talking to me on the phone, about which market is likely to appreciate more in the future.

That guess is usually derived from the past behavior of said market. Typically, if a market had a surge of appreciation in the past, it is assumed it will repeat that behavior.

Of course, past behavior is no indication of future behavior. In fact, some markets which have gone up a lot in the past seven years, have become too expensive (i.e. price is too high vs rent), to buy in, and are good to sell in instead. Examples of these markets are Phoenix, Las Vegas, Austin, Dallas, Houston, Nashville, and others.

Some markets which have not gone up very much yet (which is part of the reason they are attractive destination for purchasing homes right now), may in fact have a better chance to appreciate, as they "catch up" to the rest of the country. This is especially true for markets with a strong economy and low unemployment. These markets will be presenting at our May 18th event, since I invite only markets which are relevant to the savvy buyer.

I sometimes see investors go to a market where the ratio between rent and price is not quite favorable, claiming that "it will appreciate more".

None of us ever know the future. It is very hard to guess which city will appreciate more.

I remember, when I was buying in Phone ix starting in 1989, I never considered Phoenix a market possible of strong appreciation, yet the market in Phoenix "surprised" me by almost doubling during the 2004-2206 boom. Of course, it paid a heavy price by tanking mightily during the recession. However, since 2012 the Phoenix market has gone up about 150% (while rents only went up about 15% or so). It is an example of how it is unclear which market will appreciate more, and trying to guess those things.

What REALLY matters is the fundamentals: buying new homes in good areas in a big metro area in the Sunbelt States, where the numbers work (meaning a decent ratio between rents and prices), then getting the heart of all this strategy , which is the the 30-year fixed-rate loan, using a small down payment. This is followed by doing nothing at all. Preferably for over 10 years. Even 15. THEN the houses usually have a lot of equity, the loans, which never changed with the cost of living, look small, and lives are changed.

In fact, these favorable results happen even if there was not much "appreciation". Historically, almost all real estate markets go up about 1.5% the rate of inflation. Even with no intrinsic appreciation, the amount of dollars needed to buy the same goods goes up with time. Thus after 15 years (say), there will be a lot more dollars needed to buy the house. Likely double the amount. However the loan has not only stayed fixed, it paid principal down for 15 years (in this example). The result is usually a big chunk of equity.

If there is intrinsic appreciation, that is a bonus.

GETTING REAL ABOUT RETIREMENT

Mary Jo Lafaye is going to be a featured speaker at our May 18th 1-Day Expo

Americans are reaching retirement age at the rate of about 10,000 per day and will do so for the decade to come. About 95% of the Boomers and Seniors who reach this stage of life having accumulated some wealth hold, on average, 70% of their net worth in the form of Housing Wealth.

According to recent polls, one of the hardest adjustments we must make when moving from our earning years to our retirement years is to move from Saving for Retirement to Spending down our Retirement Assets.

If you have a reasonable standard of living, and plan to continue doing so, and having some fun, when you retire one day, you'll need to plan how to turn the wealth you have created during your working years into money you can spend when the paychecks stop.

With pensions mostly a thing of the past, everything has changed. To win the retirement game today, and make sure we have "enough," we must find a way to turn each of our assets into spendable (liquid) form without forfeiting too much of our net worth to Uncle Sam.

So what is the solution to a long, stress-free retirement? As usual, knowledge is power, and understanding how and when to spend down each retirement asset it key to what retirement planning experts call Cash Flow Survival, a.k.a. "not running out of money."

Current academic research demonstrates that best financial outcomes are reached by retirees who examine each of their retirement assets, annually or quarterly, to see which one is best to draw from for their next distribution.

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Most retirees have a combination of accumulated retirement assets: 401k, IRA, ROTH IRA, Pension, Social Security, Housing Wealth, Life Insurance, CD's, investment properties, and other investments. Some of these assets require annual draws, others do not. Some are taxable, others are not.

It happens that America's largest retirement asset, Housing Wealth, can often be turned into tax-free* spendable cash for retirement:

without any required annual draw,

without creating a taxable event (*consult your tax advisor), and

without giving up use of the whole asset.

Many retirees (age 62 and over) can receive 40-80% of their home value,

continue benefiting from future appreciation to potentially grow their estate,

continue living in 100% of the home,

add a second unit to the home to create even more income and more value, and

still leave their home to their heirs.

This new breed of what was formerly called a reverse mortgage, can even be used to purchase a new home or an income-producing investment property. Many borrowers were turned off from the FHA's Home Equity Conversion Mortgage (HECM) years ago by the high fees. Now, the new HomeSafe loans are accessible without high MIP fees or origination fees.

To learn more about these loans and how retirement experts recommend they be utilized, call Mary Jo Lafaye 415-259-4979. A complimentary analysis and free brainstorming session is available upon request.

market update

Tulsa is the second largest city in Oklahoma with a metro population now at 1 million residents. Like Oklahoma City Tulsa is very affordable, has a great housing market, and we are allied with high quality local builders. Tulsa has 2 Fortune 500 companies, and the 33rd largest private company in the US. Tulsa has the largest American Airlines maintenance hub, and a new 2.5 million square feet Amazon fulfillment center. Just outside of Tulsa there is a multi billion dollar Google media center.

Other accolades per Forbes: Tulsa is in the top five as the most affordable metro area at 1 million or more, a population that has increased 3.75% per year for the last 5 years, a cost of living 10% below the national average, a millennial population that is ¼ of the city. GoBankRates.com declared Tulsa the No. 1 city where incomes are growing the fastest.

Tulsa is also known for great innovations that improve the city and quality of life. Recently Tulsa was featured on the CBS Sunday Morning Show for it remote worker program where workers from across the US are given $10,000 and free community workspace if they move to Tulsa. Also the largest synagogue in Tulsa is offering the same type of program to Jewish youth to come live in Tulsa to help build the community. Finally Tulsa just passed an over $500 million bond issue for multiple projects to improve the city.

Tulsa is the perfect new place to invest in real estate. With high quality representation, a property management company in business for 70 years, and a low inventory of rental property this should be a place to invest to help build a great quality rental home portfolio.

FOCUS ON ECONOMICS

USA Home Ownership Rate Declines

It is reported that, for the first time in two years, the percentage of homeowners in the US has declined, after increasing since 2012 in the aftermath of the recession.

This has been reported in various places, but I am looking at a WSJ article from April 26, 2019 by Laura Kusisto called "Homeownership Rate Declines".

Homeownership rate fell to 64.2% in the first quarter of 2019, from 64.8% in the last quarter of 2018.

The reasons have to do with declining affordability. Millennials are still more inclined to rent than to own relative to the rest of the population (Even the group aged 35-44 is at 60.3% home ownership, down from 61.1% in the last quarter of 2018. Millennials, who are now entering their early to mid-thirties, should be lower still).

Whichever way we look at it, nearly 36% of the population in the US are renters. As owners of rental homes, this statistic is meaningful. It means there are over 110,000,000 potential renters in the US. For us, this is a good situation, and indeed we see a low average vacancy across our markets. Having a large supply of tenants is part of the reason we can hold on to our rental homes for a long time, while inflation erodes the real value of the 30-year fixed rate loan.

As Millennials grow older and start more families, there will likely be an increase in home ownership in that group, but it may take some time to match the rest of the population.

We will discuss this and other issues at our upcoming May 18th 1-Day Expo.

Retirement Riches Testimonials

Jay

"Thanks Adiel. I finished reading both your books which I got from PBS. Just finished the second one tonight. I must say I learned a lot in the past 2 months I spent reading your books. I wish I had read them 10 years earlier! So I pulled the trigger and signed the contract for my first home. So Excited"

Glenn

"My wife and I have bought a couple of properties in one of your main Sun Belt states market. My wife is on board to buy more investment properties, but wants to wait until the student loans are gone. We have set up a budget and learning how to do a zero based budget. We are using the "You Need a Budget" section from your book, and it's been life changing. Maybe something you could consider doing a presentation on that subject. Thank you for your help."

Peter

"At age 60, I had zero hope for the future and felt I was at a dead end. Investing in single family homes has saved my life. Had I not done this, I would be living in poverty now. Instead, I'm asset rich and have enough income to support my needs for years to come. I owe my peace of mind all to one man: Adiel Gorel. I have enormous respect for him. "

EXPERT ARTICLE FOR JUNE:

Self-Directed IRAs

ADIEL'S *corner*

Q: What do you think pf buying vacation rentals and perhaps using Airbnb to get them rented?

A: If your historical horizon does not extend further than 2012, it is possible to think that the economy is great and may find it hard to think it could falter. However, for those who have been through a recession (or two, or three…), the same phenomenon occurs every time during a recession: vacation rentals tend to stand vacant. During a recession, many people give up on taking vacations, seen as a luxury, in favor of being more conservative.

During recessions, these vacation rentals may be vacant, but they still require association payments, property taxes, and possibly a mortgage payment. These are the times that vacation rentals may go back to the bank in foreclosure.

By contrast, regular single-family rental homes, typically occupied by families with kids, will likely not stand vacant, since the family needs a place to live.

Single family homes are more stable, consistent, and safe4r in the face of downturns.

Q: How do I close on a property in another state? Do I have to travel for it?

A: If you bought properties in your own area, you usually drive to the title company to get the closing documents signed, notarized as needed by the notary at the title company, and then the title company put the papers in a file and uses them, together with the seller's set of closing documents, to close the transaction.

When you buy out of state, the closing process is the same, but there is no need to travel to another state just to sign documents. The title company will typically email you the closing documents, and include a FEDEX label for their return, You print the closing documents, sign as needed, notarize the required pages (at your local bank, Mail Boxes Etc. or any other location with a notary). You then use the enclosed Fedex (or other such service) label, to send the docs back to the title company. A good idea is to photocopy the signed and notarized docs to keep for your records until closing.

Q: Do I need to find insurance agents myself?

A: You can if you want , but the whole idea of Remote Control, is that the local broker will connect you to the local insurance agent that our investors normally use. You don't have to use that insurance agent, but it is convenient to be connected to an agent who is very familiar with the kind of rental homes we buy. I recommend discussing coverage with the agent, and usually I also recommend going for a higher liability coverage than the norm, if possible.