

# Cash Flow

EXPRESS

No. 2 / Vol. 1, 2013

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# Publisher's Note

By Linda Pliagas, investor & agent



Welcome to another phenomenal edition of *CashFlow Express*. This newspaper is a part of our expanding *Realty411* family, which now also includes a digital-only magazine, *REI Wealth Monthly* (see our advertisement on page 5). *REI Wealth Monthly* is published in partnership with Net Planet Media, LLC, a San Diego-based company started by entrepreneur Noland Araracap. I was honored to be approached by him a few months ago when he asked me to consider being involved in *REI Wealth Monthly*. I jumped at the chance to expand, even though it was unplanned. Sometimes opportunities come when you least expect them, so get ready!

Of course, in addition to our print and online publications, we also produce and host complimentary expos and mixers throughout California and out of state. We've been hosting complimentary events since 2008 because I enjoy meeting our readers and getting to know them. We've had the opportunity to meet thousands of our fans in person.

It's interesting to observe that many of our long-term readers have completely changed their lives over the years, and I've seen their transformation firsthand. They've evolved from being newbie investors to sophisticated landlords owning numerous rentals under their belts. Some graduate from owning single family homes to managing large multifamily complexes. Others advance to more sophisticated types of investments, such as trust deeds, tax liens, private lending, self storage and syndications.

I'm amazed at how quickly some of our fans begin to change their lives simply by applying the techniques and strategies they learn from reading our publications and attending our events. It's exciting to see such progress.

Yet, sometimes I know, it's not as easy as we wish it would be. For example, right now it's difficult to find solid deals in today's competitive marketplace. Everyone has a ton of cash on hand and many are willing to pay far more than a property is worth. It's important not to get caught up in the emotional frenzy of the day. It's better to wait for another property to come along rather than to buy something with a small margin or pay more than what a property is really worth.

Far too many investors rush in when they have not done proper due diligence on a property and/or on the company that is selling the investment opportunity. Don't rush in. Wait until you are sure the numbers presented are accurate. Be sure to visit the area and the property. Don't you DARE buy it sight unseen!!

It's also important to do research on the company selling the property. How long have they've been in the industry? Do they have any lawsuits, bankruptcies or judgements against them? Also, make sure they are licensed with their state's Department of Real Estate and have a squeaky clean record. Take the time to call any references given, and spend the money to do a basic background check.

Everyone wants to have financial freedom, but the reality is, there are no easy shortcuts. My advice is simple: Find your true passion so you won't mind working hard, read some solid books on investing, and live frugally so you can save as much money as possible to buy solid assets. I also recommend being diversified and having multiple streams of income - *very important for cashflow*.

Yes, it's basic, but in all honesty, wealth creation *really* is simple and basic. Is it easy? No, but it is a simple. So forget the get-rich-quick pitches and secret success formulas. Just keep reading, learning and networking. Most importantly, plan for success by investing time to learn how to grow your money wisely.

Best Regards,

*Linda Pliagas*

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# Ca\$hFlow EXPRESS

## contents

- |  |                                |
|--|--------------------------------|
| 1, 8, 9 COVER FEATURE:<br>Gaining Financial Momentum | 8 Smart Self Directed IRA Tips |
| 2 Publisher's Welcome Note                           | 11 Generate \$ with Raw Land   |
| 5 Investor Tips by Ginger Macias                     | 12 Why Jason Loves Hotels      |
| 6 Learn from a Legend: "Fixer Jay"                   | 13 Chief Stock Trader, Dinger  |
| 6 A Legal Edge with Philip Boesch                    | 14 Arizona Market Update       |
| 7 Industry Profile of USAROI                         | 15 Missy, A Master Rehabber    |
|  | 16 US Cashflow Property        |
|  | 18 Beware of Subject-To Deals  |

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# Before you JUMP...

By Ginger Macias, RealEstateInsiders.co

*“This place [America] allows more people to dream than any other place in the world. All that matters is how big do you want to dream and how hard do you want to work?”*

(From “Men Who Built America”)

-Carly Fiorina, Former CEO, Hewlett-Packard

I love this quote. If you haven’t seen the series “Men Who Built America” I highly suggest you watch it. It’s amazing what these men accomplished; especially when the chips were stacked against them. Today we still have an opportunity to make our own mark in this world; creating a new destiny for our families and our communities. It’s easy to get excited and be ready to jump into real estate with both feet. But before you jump it’s important to know what you’re doing.

A couple of weeks ago there was a video posted on Facebook about a certain real estate internet marketer. The journalist interviewed past attendees and showed all the excited would-be real estate investors attending the weekend seminar. And when I say excited I mean EXCITED—they were beating on drums and jumping and dancing around. They were ready to make an instant million dollars by investing in real estate.

They also interviewed someone who had attended a seminar and he claimed they scammed him out of a million dollars. In all fairness to this marketer, I have purchased a couple of his home study courses and the information was solid. You just need to know how apply it correctly. Unfortunately this man jumped into purchasing several small out of state apartments without conducting any due diligence and ended up with bad investments that will cost him.

It’s good to get excited about purchasing real estate but you need to temper this with caution and common sense. So let’s run through some important steps you should consider before buying a property.

## BECOME FAMILIAR WITH THE AREA

I’m sure you’ve heard the expression “Location, location, location.” In real estate when you’re trying to get a feel of an area it’s important to know the location, or specific neighborhood in which the property is located. In Los Angeles, for example, there are many neighborhoods within the city each with its different buyers and demographics. This can change even within a couple of streets or if the property is located at the top of the hill or at the bottom.

If you’re buying a property that is out of your area it’s especially important that you find a few agents in the area who are active in that specific community. A resource we use in our office is Yelp.com. We only call the top rated agents listed for a specific area and ask questions about the area and property we are considering buying. While we have them on the phone we also ask them if they have any distressed properties they can show us—might as well pick up some more properties and help that agent



get a commission for helping with some information. Another source of information is the city. You can call the Building and Safety department and see if that area has any restrictions on the type of property you’re buying. For example, we wanted to buy a large lot and possibly build an assisted living facility. After speaking with the city we found that the zoning couldn’t be changed since the city was planning on expanding the freeway and it would take away about

15 feet along the northern part of the lot. We thought we had a great deal but after learning this we cancelled our contract. If you’re buying an apartment building it might also be a good idea to check with the police department to see if there has been any trouble at or near the property.

## Inspections /Appraisers

An invaluable part of your research is to hire inspectors and appraisers to take a look at your property. A great inspector will take pictures and write up a detailed report on the property’s major systems. These inspectors are someone that you hire to give you a third party objective review. A

resource you can use is to visit ASHI.org or ask for referrals from other investors. You might also want to hire an appraiser. They can write up a report of the current market as-is value of the property and to also give you an After Repair Value if you plan on doing any major improvements. This helps you decide if you’re overpaying for the property.

Keep in mind that it will cost \$400-\$600 for each inspection/appraisal, sometimes more depending on the type of property. However, it’s always better to spend that money upfront than to lose your whole investment and end up with a property you won’t be able to sell.

*Continued on pg. 12*

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# Become the FIRST MILLIONAIRE on Your Block!

Folks who've read my books, newsletters or attended my Investor Training Seminars already know something about my background and experiences as an investor. I'm pretty much a two career guy who worked more than 20 years for the phone company, then spent the rest of my life up till now as a full-time investor. I began investing in real estate while still in my 20's – and basically “moonlighted”, fixing up junky houses nights and weekends

while splicing telephone wires during my day job.

After 50 years investing, a good number of successful “money-making strategies” have rubbed off – and without trying to toot my own horn too loudly, they've made me financially independent. That said, there's one strategy in particular I want you to know about! Pay close attention here because what I'm about to show you is the best one I've ever found for regular everyday investors without a suitcase full of money to start with. I will promise you this much – if you'll take what I tell you seriously and learn the ropes, financial independence can

be yours as well!

It took me 20 long years of my investing life to make the switch over to properties like Cherry Street, and during most of that period, my bank hov-

with big mortgage payments, take way too many years before there's hardly a whiff of cash flow! Friends, Cherry Street is 100 times better, and I'm about to show ya why!



**MY MILLION DOLLAR VEHICLE**  
Cherry Street (not real name) was not any different than hundreds of other small multi-unit rental properties you'll find in almost every decent size town or city in my state (California). In fact, you can find Cherry Street properties in just about every state in towns or communities with populations of 4,500 or more. Many newbies, or start-out investors claim they have great difficulty finding these small multi-unit proper-

ered around “almost empty”! All the while, I desperately tried to make my single family houses cash flow! Suddenly one day I finally figured out that highly leveraged single family houses,

*Continued on pg. 17*

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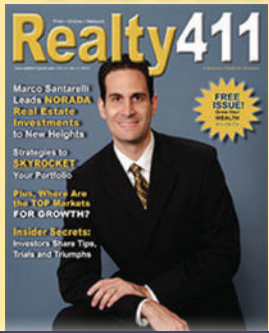
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Realty411 began in 2007 and was founded by a real estate sales agent in California. At the time, the publisher was selling and referring millions in transactions to brokers around the country. The 16-page newsletter quickly evolved into a quarterly glossy filled with tips and techniques. Realty411 now showcases an alternate cover and website as well. Real Estate Wealth, the alternate brand was started as a way to meet the high demand for cover features and to market this title to accredited investors. Realty411 now also publishes CashFlow Express and co-publishes REI Wealth Monthly, an online-only publication.



We invite you to also visit:  
[REWEALTHMAG.COM](http://REWEALTHMAG.COM)

## Legal Edge

Having access to solid legal counsel is important for every business. Sound advice can, first of all, prevent small issues from developing into full-blown legal woes. Recently, our staff had a chance to interview Philip W. Boesch, founder of the Boesch Law Group, one of the leading legal firms in the country. Boesch and his firm won a landmark case for the Anna Nicole Smith estate and successfully obtained judgments of \$475 million and \$89 million for tort and estate-related litigation involving her late billionaire husband.



they are unavoidable.

**Q: Can I share ownership of a Property Easily?**

A: Sure. You can own property in a corporation, in a limited liability company, in a partnership and among individuals. Corporations can be in joint ventures and partnerships too. Then there are different types of co-ownership: tenancy in common, tenancy by entirety, and joint tenancy. Tenancy in common, the most popular of the three, is where several persons or entities each possess a portion of the entire property, and each is entitled to use of the property. Owners in this type of ownership may sell their interest or transfer it to another person as they please.

Tenancy by entirety, commonly used in marriage, states that each owner has an equal interest and right to own the whole property. Should one owner pass away, the other owner will be accorded full possession of the property.

Joint tenancy is almost the same as tenancy by entirety, however many other individuals (besides spouses) can hold title. Joint tenants also have equal right to own the whole property.

**Q: when Can I sue For Fraud?**

A: "Any time after another party has misrepresented the state or status of the property or transaction to you, and has caused financial and/or material damages as a result, you have the right to seek not only compensation, but possibly even punitive damages," according to Benjamin C. Johnson, an attorney with the Boesch Law Group. Further, depending on your contract, you may be entitled to attorneys' fees.

For more information on Philip W. Boesch or his firm, visit: <http://www.boeschlawgroup.com/>

**Q: when do I need an Attorney For My Real Estate Dealings?**

A: You should speak with an attorney to set up your ownership rights and as soon as you learn of a possible dispute. So that the positions can be investigated and negotiated to achieve the client's goals, early consultation with an attorney is smart in any case, from partnership disputes to ownership issues to construction to commercial property purchases to claims against lenders or disputes among investors.

**Q: why does IT seem There are There More Problems and Lawsuits Than There used To Be?**

A: The recent downturn in the economy changed the thinking of borrowers, owners and lenders. Tight money and difficult circumstance left contracts breached and debts unpaid. Endless types of misconduct were the subject of negotiation and litigation, and now, as the markets come back, people are wary and worried — correctly so. The professionals at the Boesch Law Group are well equipped to avoid problems, and to work through them when

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# MAXIMIZE Your ROI

**K**im Hill, director of USAROI, wanted to understand the mindset of out of state investor, so she became one. For over 18 months, Hill managed a portfolio of more than 40 homes in Memphis from Irvine, Calif. The Memphis native had not only an urge to savor the Southern California lifestyle, but also to experience what it would be like to manage from afar. "I have been professionally investing in Memphis for over 15 years, but I loved Irvine." Hill states, adding: "I certainly met a lot of investors there and I was able to understand their needs and challenges. Living in Southern California was a wonderful experience and I hope to return soon." We recently spoke with Hill by phone so she could share with our readers some of her most successful real estate tips and techniques.

**Q: TELL US ABOUT WHAT'S GOING ON IN THE MEMPHIS MARKET?**

A. Memphis is a city with a metro area of 1.3 million residents and growing. An up-and-



coming tier two market, Memphis is best known for Graceland, is home to FedEx, and is also commonly known as America's Distribution Center. The city is located on the Mississippi River, has favorable weather, and no state income tax. Memphis has a low cost of living and a low cost of doing business. The city has consistently attracted new employers and residents. Memphis fared well through the housing crisis and has very strong rents. A typical \$100,000 home leases for around \$1,200 per month.

**Q: HOW DO YOU CHOOSE WHAT AREA TO INVEST IN?**

A: USAROI.COM targets neighborhoods that are in close proximity to major employers and in close proximity to big-box retailers. We follow population growth projections and choose areas with below-average crime rates located in primarily owner-occupied pockets. We look for deals that are located in high-quality neighborhoods and that are in demand by both tenants and homeowners. These homes are usually newer and attract tenants with stable incomes, leaving you with less maintenance, fewer headaches, and higher net returns.

*Continued on pg. 21*



Kim Hill with usaROI

## The Side Benefits to Using a Land Trust

By Randy Hughes, Mr. Land Trust

**F**ew (if any) benefits to owning investment real estate in your own name exist. In fact, there are many reasons NOT to own investment real estate in your personal name. Here is a real life case in point.

I control ten condominiums (in one complex) via ten separate Land Trusts. Each property is held in a separate Land Trust with the beneficiary of each Trust being a Limited Liability Company. All ten units are rented out to tenants.

Every now-and-then trouble would arise at this complex and the tenants would start arguing with each other which oftentimes resulted in the police getting involved. Upon further investigation I found that one of my tenants was always at the center of the trouble. In fact, it appeared that she was the source of all discontent!

When it came time to renew the leases at my complex I decided not to renew Ms. Troublemaker's lease. She had rented from me for years and was VERY unhappy that we were "kicking her out." Of course, she wanted an explanation as to why I was not renewing her lease and I simply told her that the "owner" (the Trustee of the Land Trust) was not happy with her involvement with the other tenants and therefore, her lease would not be renewed. Well, this explanation was not good enough for Ms. Troublemaker. A few days after my conversation with Ms. T. I received a call from my attorney's secretary (my attorney was serving as my Trustee). The secretary said there was a lady at their office demanding to speak to the "owner" of the property she lived in.

Ms. Troublemaker had gone online to the local recorder's office website and determined who



"take a hike" and she never did have a conversation with my attorney. Can you imagine someone having the nerve to do this? Yes, I can.

If you read between the lines of this scenario you can see the many benefits to not being the "owner" of record. As the property manager, I was just doing my job to not renew Ms. Troublemaker's lease. I

could not be held accountable. As the

Trustee of the Land Trust, my attorney was just doing his job in representing the Beneficiary's instructions to not renew the lease. And, since the Beneficiary of a Land Trust is not public information, Ms. Troublemaker was checkmated! Ms. Troublemaker had no choice but to move out peacefully and I have not heard from her since. Incidentally, there has been peace at the condo complex ever since she moved out.

the owner of record was for her condo. Then, she looked the owner up in the phone book and stormed down to his office to demand an explanation of why her lease was not renewed!

My attorney's secretary told Ms. Troublemaker to

*P.S. If you would like to learn about the many benefits to using a Land Trust send me an email and I will forward to you my booklet titled, "50 Reasons to Use a Land Trust." My email is: randy@mrlandtrust.net*



# GAINING MOMENTUM

## Standing OUT in a Crowded FLIP Market

*By Robb Magley, staff writer*

**A**ndrew Cordle is more aware than most of how dense the “buy, fix and sell” market has become recently; yet Cordle and his company Financial Momentum successfully complete between 80 and 100 full-scale “flips” every year — each with a \$30,000 to \$60,000 budget, and each in markets no one would consider “hot.”

“I’m in northwest Indiana,” laughed Cordle. “It’s not like I do my investing in a beautiful Seattle, or a San Francisco, or a New York — I’m not selling houses because of a hot market, I’m selling houses because of the quality of my product.”

Right now, according to Cordle, of the 38 houses in its pipeline, Financial Momentum has 20 on the market, and 18 of them are under contract; those all went under contract within 14 days, and are all being sold above asking price and mostly above market value. It’s an impressive record, especially for a company that divides its time between education and investing — and it’s attracting attention.

“Home Depot flew executives up from Atlanta to see our flips and how we do them,” said Cordle. They were interested to see how we’re doing so much work in our little, bitty area here.” Days later Cordle said he was scheduled for a meeting with the company’s president — specifically, six hours on a golf course — so he could learn more about how they accomplish so much with so little elbow room.

So what’s the recipe for success in the post-bubble flip market? According to Cordle, Financial Momentum’s philosophies and systems make all the difference — making sure you’re selling a house people want to buy, and ensuring you can deliver that house without getting lost in a sea of decision-making in the process.

“When we go to a property, there are methods we always, always use,”







*A Financial Momentum kitchen stands out.*

said Cordle. “One of the mistakes investors make is that they’re so focused on their bottom line that they’re never able to connect with a buyer, or build their own brand. When we look at it, we remember that even though we might not make as much money on each particular deal, we can do something instead that will build our business brand — and that has a longer lasting value.”

Cordle said the materials you use are what ultimately what will sell your property — because those are the choices that reflect what a buyer’s got in mind, or not. “For me to be successful, I have to understand what that buyer wants,” said Cordle. “They have a picture in their brain already, how they think their kitchen should look, or how they think their bathroom should look. When they come to my house, if it looks like what’s in their head, I can sell them my house.”

Most investors want to paint the house beige, put in beige carpet, beige tile and dark cabinetry — and Cordle insists that type of product won’t sell in this market. “They do it because they’re only thinking about their bottom line, in that they think ‘I’ll spend less money and therefore make more profit.’ That thought process is simply inaccurate in this market.”

If you want to know what buyers want, Cordle said, watch television — not the real estate shows, but the designing shows. “That’s what they want, what they

see when someone comes in to re-do a kitchen or a bathroom,” said Cordle. “All I have to do is figure out how to give that to them.”

That’s where the systems come into play. Cordle’s company has methods — and sticks to them, no matter what. “When we do a house, we don’t question whether or not we’re going to take out a kitchen, or re-do a bathroom,” said Cordle. “We know we are, because it’s part of our method and it makes us money. My methods are pre-set.”

In fact, it’s the adherence to those methods that enables Cordle and Financial Momentum to handle so many complex deals at the same time. “Many investors struggle with even one deal, because they don’t even know the decisions they’ll have to make each time, much less what choices they should make to be successful,” said Cordle. “We allow the systems to make most of the choices for us.”

Cordle tells the story of buying his project manager a hand-held clicker counter. “I told him to count — as best he could — every decision he made during a single rehab.” It turned out the manager made more than 2,000 decisions on that project alone.

“Now, without a system to help automate those decisions, there’s no way for an investor to grow their business,” said Cordle, “When someone else does a flip, they have to make 2,000 decisions. When I do a

flip, I make maybe 200 — because my systems handle the rest.”

One of Financial Momentum’s most successful tools has been a Home Depot-specific “SKU Sheet” they’ve developed over time. It’s basically a spreadsheet list of everything they know needs to be re-designed and replaced in a property, laid out with the SKU numbers for their favorite designs that are sold at Home Depot.

“When we go through a property, we can just plug in the quantities the contractor tells us we need — how many square feet of shower tile, for example,” said Cordle. “With this SKU Sheet we can walk through a house and determine in about 3 hours what material we’re going to need and how much it’s going to cost; then we just take that sheet to the Pro Desk at Home Depot, they pull everything for us and ship it all out to the job site.”

It’s a powerful tool, and illustrates how much time and money can be saved. “The market is changing so fast, that if investors don’t change with it, they’re going to be left behind,” said Cordle.

*For more information on Financial Momentum’s “methods and materials” -- and to get a free copy of their latest custom designed Home Depot SKU Sheet, visit the website: <http://Financialmomentum.com/CFE>*



# The Benefits of Self Direction

## A Q-n-A with IRA Services Trust Company

*Our most urgent Self Direction questions answered by Agatha Javellana of IRA Services Trust Company. Read and learn.*

**Q: when did self direction become an option for investors?**

A: Self-direction has always been an option for investors per Internal Revenue Code Section 408, as long as there was an IRA custodian who allowed them to self-direct their investments. Most of the “mainstream” IRA custodians out there (the Fidelitys, Charles Schwabs, Morgan Stanleys of the world, etc.) do not offer their investors a chance to invest in alternative investment vehicles, and choose instead to offer their own investment products, most of them solely focusing on investments in mutual funds and/or the stock market. This is perhaps the main reason why not many investors know about self-direction; a majority of financial advisors are only trained to promote the investment products offered by the company for which they represent. For investors interested in self-direction, the key is finding the right IRA custodian to work with.

**Q: What are some benefits to self-directing an IRA?**

A: The main advantage of a self-directed IRA is that it allows you to fully take control of your retirement savings by allowing you to completely diversify your portfolio. Many investors have opted to go the self-

well as third party facilitators have specialized in assisting investors with setting up IRA LLCs.

**Q: what are some unique aspects to IRA SERVICES TRUsT that differentiate your company from other organizations in the marketplace?**

A: We have several aspects that separate us from the rest. First and foremost, we are a “true” Custodian of self-directed IRAs because we are regulated by the State (South Dakota Division of Banking to be exact) to operate as a trust company. This means that if we were to go out of business for whatever reason, all of our investors’ investment holdings would stay intact and the State would take over our operations. There are many third party administrators in the marketplace who are purely administrators who are not regulated trust company.

Secondly, what sets us apart is the opportunity we provide for “true” portfolio diversification. There are Custodians and Administrators who allow only certain assets. There are some that only specialize in precious metals, some that do not allow “traditional” assets, others that do not allow IRA LLCs, and there are those that do not have the experience to handle real estate and trust deeds. At IRA Services Trust Company, we will accommodate nearly all investments as long as they are administratively feasible and within IRS guidelines.

Thirdly, we have been providing retirement program services since 1979. We currently custody over 35,000

**Question: has any new legislation passed regarding self direction?**

Answer: Although no new legislation has been passed directly affecting self-directed IRA investing recently, the recent JOBS Act legislation is making an impact in the self-directed IRA industry. The JOBS Act will not only make way for general advertising to be allowed for private investment offerings (hence making private equity investments more known to the general public), but it will also allow unaccredited investors to participate in online equity crowdfunding. The SEC is still currently working on establishing and fine tuning the regulations for these provisions, but once the rulings have been finalized, we expect a lot of exciting buzz in our industry.

**Q: are there any negatives to be aware of?**

A: It is imperative that all investors become aware and familiarize themselves with Prohibited Transaction statutes when going the self-directed route, as inadvertently (or advertently) participating in such a transaction can potentially result in hefty penalties.

Internal Revenue Code Section 4975 does not outline what an IRA can invest in, but rather, it describes what it cannot invest in. The provisions outlined in IRC Section 4975 have been written to promote the growth of the IRA account to benefit the investor at the age of retirement, and prevent investors from taking advantage of its tax benefits before the age of retirement.

Some of these provisions are, unfortunately, open to interpretation, so we highly recommend that investors consult with a tax advisor or attorney when first venturing into the world of self-direction to get comprehensive advice about what constitutes Prohibited Transactions, and whether or not their unique tax and investment situations run the risk of violating these provisions.

**Q: Can you explain what a SEP IRA is and how they are different than other IRAs?**

A: The SEP IRA allows employers to contribute to traditional IRAs set up for themselves and their employees. Employers are allowed to contribute up to 25% of an employee’s pay (within certain limitations), and the employee is always 100% vested, or has full ownership of all the money in the SEP IRA.

Although available to any size business, the SEP IRA is popular among self-employed individuals. It follows the same investment, distribution and rollover rules as the Traditional IRA, however, the contribution limit is approximately nine times higher than that of the Traditional IRA (for 2013, the SEP IRA contribution limit is \$51,000 for individuals up to 50 years old, and \$53,500 for individuals over 50).

**Q: do you have any tips or suggestions for investors in regards to opening or funding an IRA?**

A: When deciding to open a self-directed IRA, we highly recommend that you choose suitable professionals (accountants, tax advisors and attorneys) to assist you with your investment decisions. Because the Custodian does not assume responsibility for any investment decision, it is wise to partner with an investment advisor, CPA or attorney with advisory expertise in the investment sector who can provide valuable advice and guidance as to your choice of alternative investments.

*To learn more about us, please visit our website at [www.IRAServices.com](http://www.IRAServices.com). Click on “Events & Education” to find out about any webinars or events we will be participating in. You can also call us at 1-800-248-8447 to talk to one of our self-directed IRA specialists about opening an account today!*



directed route because they want to invest in alternative assets which they believe will yield higher returns. These higher returns combined with the tax-sheltered nature of a self-directed IRA promote greater investment income.

**Q: have you seen any new trends or developments with regards to investors utilizing their IRAs?**

A: In recent years, due to the collapse of the housing market, there has been an increased trend in real estate investments as housing prices reached new lows. Moreover, the economic recession that followed led to major fluctuations in the stock market, resulting in increased resentment among investors regarding their stock portfolios; we saw more and more investors pull their money out of the stock market and invest in precious metals. The private LLC (or IRA LLC) structure has also become a popular asset class, allowing investors to gain better control of their retirement funds. Due to its popularity in recent years, a multitude of attorneys as

accounts invested in over \$4 billion of assets. Our staff provides the experience and expertise you will need to navigate through the perceived intricacies of self-directed IRAs. We offer very reasonable service response times and are able to reasonably accommodate most time-sensitive requests.

And last but not least, we offer a very competitive and fair fee structure. A large majority of Custodians choose to charge their custodial fees based on the value of a client’s portfolio. We do not follow this model! As we do not (and cannot) provide investment advice and we do not play any role in an investment’s performance, we do not believe in taking advantage of well-performing portfolios and taking a “cut” of an investor’s ROI. Our approach is to relate our fees to actual transactions: our account maintenance fees are based on the number (not the value) and type of assets held, and our transaction fees are based on the effort required to complete a transaction.



# 9 Ways to Generate CASH From RAW LAND Investing

By Mark Podolsky



As the owner of large and small tracts of land with the sole purpose of buying low, improving and then re-selling I have found a few ways to generate passive income on my properties. There are so many different ways to make money if you own land. If your goal is to create income using an existing asset, you might be surprised how creative you can get even with a small piece of land you own. Here are nine ideas.

**1. PAINTBALL:** You'd be amazed the passion people have for paintball wars, but it's hard for most groups to find a suitable place to play. Use this as one of the ways to make extra money each month. Try to section off all or part of your land. Allow groups to rent it for the day to have their wars. This is one of the best ways to make extra money for those that own land. You could easily charge \$40-\$50 per person, for a half day. Instead of just having your property sit idle and pay property taxes, in no time, you could have a great business, making lots of cash on the side. It is one of the most successful ways to make extra money.

**2. PASTURING ANIMALS:** If you have some fields, or even some wooded areas, you can use it as one of the ways to make extra money. Rent out the area to a local farmer. Advertise on Craigslist, there are tons of horse owners that need the space

for their animals. You can capitalize on this and use it as one the best ways to make money without having to do much of anything. You generally won't have to many problems finding people willing to rent your land for these purposes.

**3. HUNTING RIGHTS:** If you own land suitable for hunting, you can lease or rent your land out to hunters. This is one of the best ways to make your land more productive for income. If you have big deer in your area, there's a good chance you can charge a premium price for rights to your land during the season. Best of all, you can charge by the person or charge a flat fee. You are in control with this one, making it one of the effective ways to make extra money, while maintaining full use of your land during the off-season. If you have wildlife on your land, you'll have no problems finding someone to pay you to use it. "Duck season. No, Rabbit season..."

**4. STORAGE:** If you have a building on site, you won't have to invest a dime, making it one of the more lucrative ways to generate extra money. It may even be wise to develop a self storage unit. Have you noticed how many mini storage rentals there are in the market? Those with an old barn could store a four wheeler or boats during the off-season, making it one of the easiest ways to make extra cash using your land. People have lots of toys these days. Trailers, campers, snowmobiles, classic cars, just about anything you can think of. Best of all, nobody seems to have enough room to store their stuff, making it

one of the premier ways to make extra money.

**5. CAMPING:** You may be able to start a primitive campground with little or no start-up money, making it one of the simpler ways to make extra money. If you have a field, a few stakes to mark the sites, and a few campfire rings may be enough to begin. Place an ad in Craigslist and you're sure to get plenty of interest. You just may end up starting a legitimate business without much effort at all, making it one of the better passive income strategies to make extra money.

**6. LOGGING:** Chances are there are loggers in your area that will pay big bucks for the timber. They do all the work, and pay you when it's all said and done. This can be really lucrative for those with larger wooded chunks of land. You'll be surprised at just how much you can make this way without doing any work. Call the loggers in your area to gauge interested. Without much effort, you could get a check for thousands of dollars. Best of all, the trees will grow back on their own, making it a renewable source of income. Timberland is big business.

*Continued on pg. 12*

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## COMMERCIAL DEALS

# From Corporate Cubicle Employee to Hotel Mogul

By *stephanie B. Mojica*

When now-successful hotel entrepreneur Jason Schubert was working at a major corporation and his boss said he could not take time off to attend his grandfather's funeral, Schubert knew then it was time to make a major change.

"Family means everything to me," says Schubert, owner of the Texas-based RICH in Five.

After being denied the right to attend his grandfather's funeral, Schubert knew his days working 50 hours a week in a cubicle were numbered. He immediately began investing in real estate while still working full-time for Dell. In his first year, Schubert invested in 18 residential properties without spending any of his own money.

"I started my real estate career out of the spare bedroom of my house," says Schubert. "I worked from 8-6 every day and then came home and made calls in the evening."

He soon realized that the real

These days, Schubert takes his message to the road as a coach, consultant, author and speaker. His wife of 13 years and their three children often travel with him.

He says people from all walks of life can enjoy similar success even if they are just interested in buying, rehabbing, and flipping a few homes. But he emphasizes that the cash flow is much more generous in the hotel industry and that it is not necessary to have a lot of education or capital to get started. As

a mentor, Schubert walks clients through the exact steps necessary to make as much as \$15,000 in a month by investing in a hotel.

"I believe if you're going to go, then go big,"

says Schubert. "I knew that I was going to make mistakes, and I did, but I didn't let those mistakes bring me down or make me quit from achieving the goals that I set for me and my family."

John Sheldon recently attended one of Schubert's "Commercial



Secrets and Roadmap to Millions" boot camps.

"This was one of if not the best seminars I ever attended," says Sheldon. "I wouldn't have ever thought you could buy a hotel with no money of your own or on a lease option just like I've done with single-family residential for years."

Another client of RICH in Five, Sunita Bali, lauded Schubert for his no holds-barred teaching style.

Sandy Villetti, RICH in Five's director of sales and marketing, says to their knowledge no one else in the United States is showing

real estate investors how to generate cash flow through hotels.

"Real estate investing is a journey," says Schubert. "A journey with the right mentor and guidance can help you achieve what you really want. For me, it's the next best thing from being a movie star or a football player. You get all the freedom and financial benefits without having to deal with all the paparazzi and crowds."

*For more information about how you can learn Jason Schubert's "recession proof" hotel investing model, call 512-788-1710 or visit <http://www.richinfive.com>*



**RICH in Five**  
With Jason Schubert

*Before you Jump In, pg. 3*

**Contractors** After you have your inspection report you can create a scope of work that needs to be done on the property and start calling contractors to give you a bid on the cost to repair the property. I would suggest you have at least three bids. It's important to check for references and see previous work.

**Deal Analysis/Run the numbers** Once you have the cost of repairs in hand you'll be able to run your numbers and see if the property in question is a good investment. Your offer for the property will depend on several factors: 1) property type, 2) exit strategy: fix and flip, buy and hold, etc, and 3) financing: all cash, hard money, conventional loan, etc. Make sure you know how to analyze properties—even if it means taking a course, buying some real estate books, or hiring a mentor.



**Create Your Team** In addition to agents, inspectors, appraisers, and contractors you'll need to find property managers, lenders, escrow and title companies, and handymen. Your team will either make or break you so be sure the people who are on your team have extensive experience, have the resources to do what they say, and have great references. If you plan on expanding your real estate investments to different cities you'll need to build a team in each city. Your team should also include other successful investors. We all can learn from each other's experiences and gain valuable insight and get referrals. Networking at investment clubs and online real estate forums are great ways to find like-minded investors and even possibly find a mentor who can make you build a stronger foundation.

*Ginger Macias is an active investor and developer. Ginger is a popular speaker at investment clubs and mentors a number of new investors.*

*Generate Cash from Land, pg. 11*

**7. FLEA MARKETS:** Rent out your space and start-up a flea market business. All it takes is some ambition and effective marketing on social media. You can charge the vendors \$15 per table, per day. Do you know how many small tables you can fit on an acre of land? Tons of them to be sure, making it a great and low-cost way to make some extra cash on your parcel. Give it shot, it just may work in high traffic areas.

**8. CROPLAND:** If you have a field, there's a good chance a farmer would rent it from you to plant crops. You can expect to earn some cash this way, without too much trouble. If there are farmers in your area, and you have some tillable land, it's a surefire way to make extra money. Best of all, you don't have to be involved in much of anything other than cashing the checks.

**9. POWER LEASES:** I know what you're thinking... In this day of alternative energy couldn't I make several thousand dollars a month leasing my rural land to a wind generating company or alternative power company? Well, that's a more in-depth topic and I'll be discussing that in the near future. I like the way you're thinking though... Land is an asset for those who are creative and determined enough to invest the time and energy into getting something started.

Just be sure to do the proper research before you get commit to your project. Contact the County and find out if you need a license or permit and dot all your "i's" and cross all your "t's." This is just a sample of the myriad of ways you generate extra income from raw land investing.

*Mark Podolsky is the Managing Director of Frontier Equity Properties <http://www.frontierpropertiesusa.com> and is the foremost authority on buying and flipping land. He has bought and sold over 5,000 pieces of property and now coaches others how to create a passive income acquiring and flipping raw land. You can download for free his Passive Income blueprint at <http://www.thelandgeek.com>*





# The Power of Covered Calls

with Chief Trader Dinger

By Chief Trader Dinger

**W**riting covered calls is a very powerful cash flow generating strategy for both individual investors and professionals. It is a straightforward strategy that allows you to collect a premium when you sell someone the right to purchase your stock.

Typically, a covered call is executed with a one or two month time frame, but this can vary depending upon the investor's investment goal.

## COVERED CALLS DEFINED:

- The ability to sell a call option on a security you own.
- Give someone the right to buy your stock at an agreed price.
- Typically done with a 1 – 3 month time frame.
- You may be obligated to sell your stock if certain price points are hit.

## OPTION BASICS:

There are two types of options, CALL and PUT options. Covered calls involves the use of CALL options, but instead of buying calls, the focus will be on selling calls. When you sell a call option, someone has the right to buy your stock at a set price on or before a set date (expiration date).

When doing a covered call, we sell the right to another investor to buy the stock we own for a pre-determined price.

**COVERED CALLS** – A powerful cash flow strategy used to generate income on stocks we own. When entering a covered call, we are paid in advanced by the markets. The other investor is someone we'll never know or meet. It is like having someone write you a check for the opportunity

to own your property.

Think of covered calls as a lease on a house. Suppose you find a house for sale for \$300,000. You ask the owner if you can give him \$10,000 right now for the right to buy his house sometime between now and the next six months. He agrees, and you give him a check for \$10,000. In this example, the homeowner is like the "covered call writer"...he owns the house and is willing to sell his property for a fixed price (\$300,000) on or before an expiration date (6 months), and in exchange for giving the investor the right to buy his house sometime in the future at this fixed price, the investor pays him a premium (\$10,000).

Let's say the home goes up in value prior to the 6-month expiration date – and it increases in value to \$350,000. The investor has the right now to buy the property for \$300,000...why? Because he had paid a premium earlier that set the contract giving him the right to purchase the property for \$300,000. He just made \$50,000 minus his initial investment of \$10,000. Not too bad.

The owner is OK with this deal too – because he originally wanted to sell it for \$300,000 and he also took in an extra \$10,000 for giving the investor the right to buy his property between the date of the contract and 6 months.

If the property value would have languished around \$290,000 at expiration, chances are the investor would not have bought the property, but the homeowner would have still made \$10,000 on the deal for just giving the investor the opportunity.

This is the basis of a covered call. Let's bring it back to the stock market. Say you own a stock and are willing to sell it, but rather than sell it right away, you decide you want to generate some cash flow. You can sell a call option to an options market maker, which gives him the right to buy your stock in the future at a set price. In exchange for this contract, an options market maker will pay you a premium, cash money.

If the stock goes up, the market maker will likely buy your stock at the set price (strike). If your stock

## THE STOCK MARKET



stays flat or even pulls down a bit the market maker may not buy the stock and you would keep your stock AND the premium. Either way, you make a profit on the stock or on the option premium.

## DETERMINE YOUR STRATEGY FOR WRITING COVERED CALLS

When selling a covered call, you can use it as a strategy to sell your stock or keep your stock and receive a monthly premium.

To help in timing the selling point of the call option, you will likely refer to technical analysis. These are covered in greater detail in the Mentorship Program or Advanced Technical Analysis.

If the goal is to keep your stock and generate cash flow each month, then the time to sell the call option is when the stock is just about to take a breath to the downside and drop in value.

## COVERED CALLS IN ACTION

As an example, let's say you purchased 1,000 shares of stock ABC at \$24.00 per share and now it is trading at \$29.01. You see it made an attempt to rally to \$30 but failed with the demonstrated exhaustive wick. You decide to write a covered call on the stock, allowing the market maker the right to purchase your stock at a higher price (\$30) – as you choose the OCT 30 CALL.

In our example, when you sell the OCT 30 CALL against your stock position, the market pays you \$1.16

Continued on pg. 21

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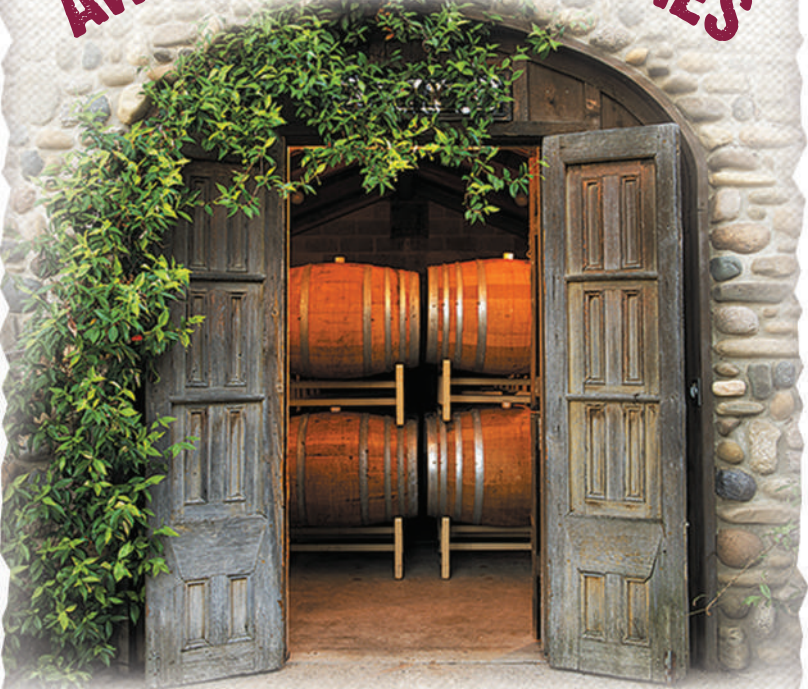
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## PHOENIX MARKET UPDATE:

### *Is it all about supply or demand?*

By RL Brown and Greg Burger,  
the most authoritative providers of  
housing market data in the region

**P**rospective homebuyers and housing investors alike have the same questions about the current Phoenix housing market, both for new homes and for resale properties.

The resale market in the Metropolitan area continues to be generally flat, with 8432 resale transactions (we count both broker assisted and for sale by owner transactions) vs. an almost identical number of 8404 from June 2012.

Year to date the resale numbers are also almost identical with 48,530 homes sold across the Metro area this year to date vs. 48,917 sold during the same timeframe last year.

Resale insiders continue to tell us that the resale market is being dramatically hampered by a shortage of homes for sale in popular neighborhoods and resale agents are becoming more and more focused on the opportunities offered by the new home market place for their clients. However, the market continues to be tilted dramatically in favor of preowned homes versus new homes. In June, of the 9288 total homes sold in the Metropolitan Phoenix area, 9.22% of those homes were new homes.

The median resale price increased from \$140,000 in one year ago to \$178,500 in June 2013. That's a \$38,500 increase and a 27.5% hike in just one year and a 2% increase from last month. One year ago the median price of a new home was \$216,166, which calculates to an increase of

\$51,335 in just one year. That's a 23.75% increase in the median new home price in this market in one year. Are investors happy....you bet!

Do you get our Phoenix Housing Market Letter? See the special savings for *Realty411* members at the bottom of this article!

That's great news for previously underwater homeowners and equally great news for housing investors who purchased more than a year ago. It's not so great news for those investors or home buyers who stood on the sidelines as the market began to heat up... and it continues to do so.

So, is a Phoenix housing market all



about supply or is it all about demand? It looks from our vantage point that the market today is largely about supply, or rather the shortage of supply!... and that the demand for both new and resale homes is being artificially slowed or distorted because of a lack of available inventory of either existing homes or new homes. The rapid uptake of prices supports that conclusion in spades.

At the same time prices are increasing so are mortgage interest rates which impact those "normal" owner occupant buyers of both existing and new homes.

Another factor we feel is worth considering is that while tradition-

*Continued on pg. 16*

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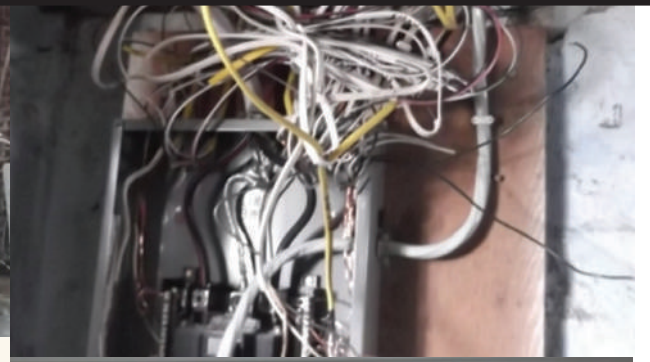
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## ANALYZE THE DEAL



# Missy's Rehab Deal

**M**any women are leaving an influential imprint on the real estate industry and Missy McCall Hammonds is one of them. In just a mere 11 years, Missy has purchased and rehabbed over 600 houses. She also currently owns 150 rentals and manages about 200 more rental homes for her clients. Following is a sample deal recently completed by Missy's team.



plumbing, updating electric, new flooring and kitchen. The bath was the only room that wasn't replaced! It is now basically a new house in an old frame.

### MANAGEMENT

*Q: How long was the property held?*

A: We held the property about 4 months to complete the rehab and 30 days during the sales process.

### EXIT STRATEGY

*Q: Please tell us specifics of the exit strategy as well as what you learned from this deal?*

We sold the property to an investor, then assisted them in the management. Our profit on the property was about \$15,000.

### RETURN ON INVESTMENT (ROI)

*Q: What returns did the investor make?*

A: The investor will receive approximately a 21% cash on cash return for his investment.

### RESEARCH PHASE

*Q: How did you land your latest rehab deal?*

We purchased our property from the local sheriff's sale. When purchasing from the sheriff's sale, you have to look at a lot of properties and then many times only buy one or less a week. The properties are not open to view, so you have to only imagine what the interior of the property looks like. We often depend on the "nosey neighbors" to give us insight on the property.

### ACQUISITION PHASE

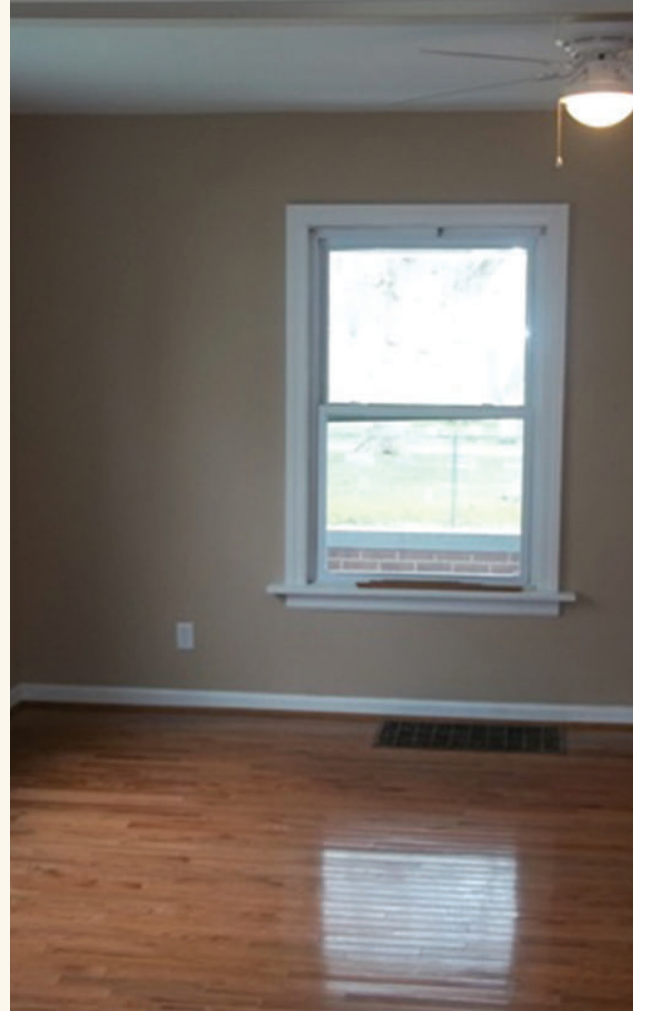
*Q: What were the terms of the sale?*

A: The sheriff's sale requires 10% down the day of the sale and the total proceed to the sheriff at the confirmation of the sale, usually in about 30 days.

### REHAB/MAINTENANCE

*Q: Was the property rehabbed or was it a light cosmetic fixer?*

A: The property was a total rehab. It included replacing the windows, furnace, roof, all new



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# US Cash Flow Makes Investors a #1 Priority

By Lori Peebles, staff writer

**A**t US Cashflow Property, their #1 Priority is their investor, according to owner Kyle Wine. “We are a business dedicated solely to the customer satisfaction and increased Earning Potential for each of our real estate Investors,” he says, adding: “By providing fully rented and completely renovated turn-key real estate investment properties, our investors are able to achieve unmatched investment returns.”

US Casflow Property not only believes in providing the best possible Real estate investment experience for all of their investors, but they also believe in building a long-lasting relationship with their client base through



*US Cashflow Property offers properties in strategically located Markets throughout the United States.*

trust, honesty and integrity.

Cash Flowing Properties in strategically located markets throughout the United States is what US Cashflow specializes in. Over the years and through countless hours of research, their team has strategically mapped out the United States to a select few markets across the country. The result? A diverse and dynamic Real Estate Investment opportunity that is second to none.

We interviewed Wine recently to discover what makes US Cashflow Property different.

**PROFIT:** “We only invest in properties that create substantial Cash Flow Returns for our investors. Our strategically located markets are the best of any in the US, and provide the highest Return on Investment of any Real Estate Investment in the country.”

**KNOWLEDGE:** “With a combined experience of over 50 years in the industry, we are experts in the field of real estate investment. We have intimate knowledge of the neighbor-

hoods and homes we specialize in.”

**SAFETY:** “We protect every one of our investors from day one. All funds are wired directly to our Title Company’s Trust Account”

**SECURITY:** “Each property is professionally cared for by one of our trusted property management companies. A quality renovation, warranty guarantee, diligent tenant screening, and precise building inspections are just a few of the key priorities for your investment.”

**AFTER SALE SUPPORT:** “Our job doesn’t just stop after the sale, we will guide your investment through until the very end, and then some! Whether it’s helping you with the sale of your property, refinancing your investments, or diversifying your portfolio, our specialists are here to help. We understand the need for trust and transparency in an investment relationship; we want to exceed your expectations.”

For information about US CashFlow Property, call 888-909-6290 or visit online [www.USCashflowProperty.com](http://www.USCashflowProperty.com)

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## Phoenix Market update, pg. 14

ally in this overall Metropolitan Phoenix housing market existing homes have captured 60 to 65% of the housing market activity. That equation has been dramatically changed during the recession and the recovery to date of the marketplace, with the market share capture of new homes falling below 10% currently. A significant portion of that decline in capture by new homes can be attributed both to the extreme price differential between existing homes and new homes and the failure of builders to produce spec inventory in the face of the uncertainty of the recovery.

Judging by the current level of permit activity for new homes in the region, it does not appear that the new home producers are currently able to fill the new home supply need, keeping inventory pressures on the local existing home market including continuing upward price pressures. It remains to be seen if existing home sellers will flock to the market with the rapid increase in potential selling prices.

While all of the above seems simple, the market equation and opportunity is greatly complicated by the fact that the demand that is being demonstrated by both owner occupants and by investors has clearly been spotty when viewed geographically within the region. While critical shortages of inventory of both existing and new homes exist in preferred neighborhoods, no shortage exists in neighbor-

hoods that have been and continue to be “rejected” by current prospective buyers.

This presents probably the greatest danger that exists currently in the local housing market, especially for investor buyers. The real estate investor in Phoenix today continues to enjoy solid positive cash flow and really exceptional asset appreciation in those neighborhoods where the consumer has already demonstrated his preferences lie.

Whether this opportunity exists today or will exist over the midterm in those neighborhoods that the consumer has clearly “passed over” remains to be seen and represents the challenge for real estate investors and for owner occupant prospective buyers.

To date in this recovery there is not the kind of buying frenzy that will make all opportunities “good” ones. So, the mantra is to be very careful out there!

For additional insight and market data call Greg Burger at 480-614-0211 or visit our website at [www.RLBrownreports.com](http://www.RLBrownreports.com). Take advantage of our special Realty411 coupon discount on our Phoenix Housing Market Letter! Go to the RL Brown reports at <http://www.rlbrownreports.com/our-report/electronic-monthly-report/> and click Purchase Report, Get a 6 month subscription or a single edition and use code Realty411 upon checkout to receive your 20% discount! Offer expires soon, so don't delay.



ties – however; I’ve found the main reason is because their sights are generally set on finding single family bargains rather than small multiple unit properties like Cherry Street. If your goals as an investors are anything like mine – that is, you’d like to “speed up” your cash flow earnings and start making profits in a much shorter period of time – pay very close attention to what I’m about to tell you next. It’s what I call my millionaire strategy for Mom & Pop investors!

### CHERRY STREET – MILLIONAIRE MAKER

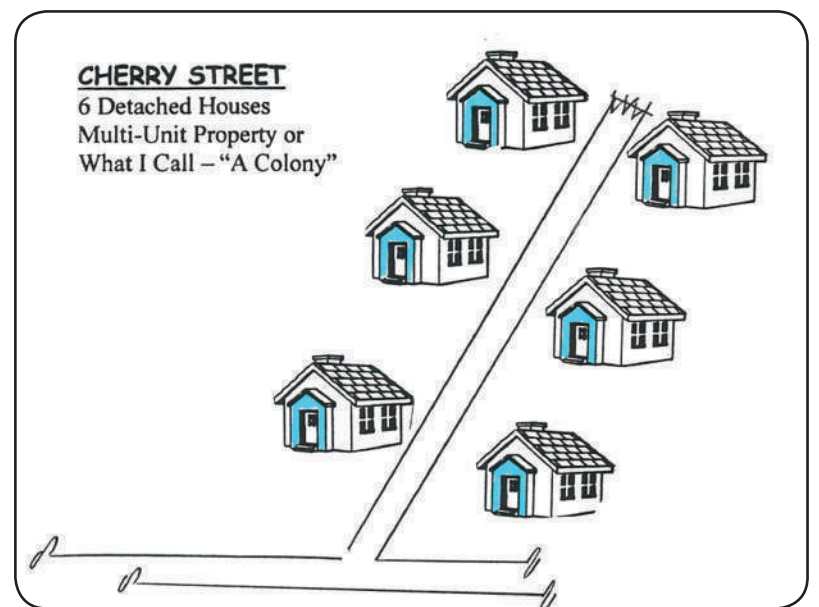
My first real up close look at six older houses all snuggled together on an oversized city lot with a skinny dirt driveway running down through the middle sorta reminded me of an old Norman Rockwell painting with the paint all smeared together! About sixty years old I’m guessing – each house had two small bedrooms and a single bath! They were pretty much typical of the smaller homes built during the late ‘50s and early ‘60s. Small “cottage style” houses like Cherry Street, are an excellent find for investors like myself because they are extremely easy to rent – and they’re affordable for most of my customers (tenants). Purchased at the right price, I can easily afford to spend a few bucks to spiffy ‘em up, making them very attractive for my rental customers! Best of all, I can still make a decent profit for myself.

Before moving on, I want you to underline those last two sentences and never-ever forget them! They contain 38 words that are the essence of making a million dollars in the income property business. Let me say this one more time so it’s perfectly clear! Investors

who are willing to step outside the box – learn a few new investment skills, can acquire these properties – rent them at affordable rates and earn very respectable profits while the tenants are paying off the mortgages and all the expenses along the way.

When you compare my results to investing in single family homes or flipping properties, you’ll be absolutely amazed at my huge profit advantage. Naturally, you must keep the properties and manage them, but in the end they’ll make you a wealthy investor. If becoming a financially self-made millionaire is your goal – stay tuned! I’ll show you exactly how it’s done. Take a close look at my Cherry Street property showing the actual dollar numbers my six little houses produced! I think you’ll be thoroughly convinced that my multiple unit strategy is the best game in town! Before I show you Cherry Street, let me make something clear – I love all income-producing real estate, including single rental houses. However, it’s the order of buying where I’m different than most other teachers.

I believe small-time beginners need to develop dependable cash flow or monthly income first! Cash flow is what keeps the doors open! Once you have money coming in every month that you can count on - then buying good solid break-even houses is just fine! To accomplish this goal – buy Cherry Street properties first.



### Purchased Many Years Ago With The Following Terms:

- Purchase Price \$145,000
- Down Payment \$20,000
- Seller Carryback \$125,000
- Terms: 15 Years – Seller Financing

I operated the property for 26 years, then, I sold with the following terms:

- Selling Price \$650,000
- Down Payment Received \$50,000
- I Carried Back A Note \$600,000

For 20 Years With The Following Terms:

- Payments to Jay \$3,250 Per Month
- Interest Only 6.5%
- With Principal Of \$600,000 – All Due In 20 Years.

*Continued on pg. 21*



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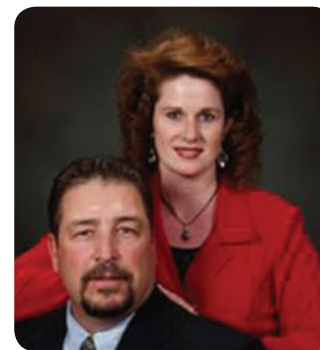


# Thinking of Doing Lease-Options...or other forms of Sub-To or Seller Carry Financing?



**You'd better think again, or you could be very sorry!**

By Scott L. Moyes, owner/CEO of "TheSmartREI" and Full Price Offer Guy!



or not and the payments, which all or part apply against the purchase price, but has not yet received the deed." In other words, if it smells like a duck, walks like a duck... Notice they did not talk about whether the Lease/Rental Agree-

**S**ubject-To, Seller Carry, Lease Purchase Options, as taught by the self-proclaimed late night infomercial gurus among others and are not all they're cracked up to be. With a non-refundable "Option Deposit" upfront and a portion of the rent payment ("Rent Credit") applied to a future purchase price, it's like a ticking financial time bomb just waiting to go off on unsuspecting Realtors, home owners and wannabe real estate investors.

How dangerous can these inherently dangerous methods be, specifically Lease Options?

The City of Cincinnati has just passed an Anti-Predatory Lease Option Law and as of September of 2007 the state of Texas has outlawed Lease Options, in their tradition form altogether. Texas now requires that the Tenant/Buyer be placed on the deed to the property. What a horrible mistake that could be. These laws are partially based on Arizona legislation that has been in place for years.

According to the Arizona legislation, there are five things that violate the law and will cause the

court to classify the transaction as a "SALE" from the moment of inception, NOT when the "Option" or "Right" is exercised.

1. Collection of more than 1.5 times the monthly rent as an "Option Deposit".
2. Collection of an "Option Deposit" or "Rent Credit" to be credited to a Purchase or to Discount the Purchase, as in a Down Payment.
3. Pre-Determining an end Purchase Price as in delaying or disguising a sale.
4. The Lessee also holding an Option on the same property in which they are leasing, regardless if it is one document or two separate documents.
5. The Lessee being responsible for maintaining the property.

Even the IRS has determined that Lease Options, or "Rent-to-Own" is nothing but a "Delayed" or "Disguised" sale. "When a Lease/Rent w/Option is a masked land sales contract, the Tenant with a purchase Option becomes an owner of the property with equitable ownership in the property! [McClellan v Lewis, (1917) 35 CA64]

A "masked land sales contract?" What is that? According to the IRS, a masked land sales contract occurs when, "the Tenant is in possession of the property and makes an "Option Deposit", refundable

ment was separate from the Option Agreement or, if they were dated at different times or, even that they were offered by different parties.

This determination has widespread and potentially disastrous consequences for any party involved in the Lease Option or Rent-to-Own process, including home owners, real estate agents, and mortgage brokers, attorneys or anyone else who suggests or constructs such a scheme.

This means, among other things, the financial, legal and tax problems of the Tenant, a person whose financial issues are already of a magnitude, in many cases, that prevent him from buying a house, could affect the title of the home being Leased/Rented (Your Home); since he is now considered an owner, according to the IRS.

In other words, any of your Tenant's financial problems are now Your Financial Problems. A claim against your Tenant in a divorce, bankruptcy or judgment against your Tenant may be attached to your property as could any IRS liens. Now, while you may in fact covet his wife, you may not want her as your partner, when she inherits her share of your house upon his death or as a result of a divorce.

*Continued on pg. 20*

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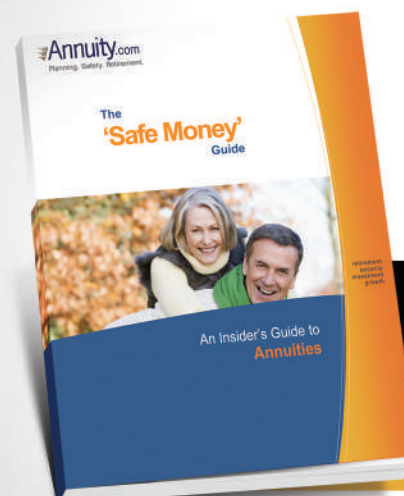
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Seriously, your house could be tied up in the divorce or probate of his estate for months, if not years. So are you sure your prospective lessee has no IRS, legal or financial problems and is in good health?

The best laid plans of mice and men have been known to fall short, right? What if your Tenant is laid off or cannot make his payments in a timely fashion? Or, as happens in 86% of Seller Carry type arrangements, such as Lease Options, the Tenant, for whatever reason, cannot or does not qualify to buy the property as agreed by the end of the specified term? In any case... you want him out! I'm sure your contract clearly spells out that he forfeits his upfront deposit, if he doesn't buy, doesn't it?

If he knows his rights or has an attorney that does, you may have Battle Royale on your hands! The judge must say, "Sorry, this man is not a Tenant, He is "an Owner" of the property and the only way to get him out is to bring a foreclosure suit against him!"

A foreclosure means attorney fees, time, a year or more in most cases, during which time you will probably not receive a dime in rent. Once you have foreclosed his ownership, you may have to bring an unlawful detainer and ejection action to get him out of the property and then file a "Quiet Title" action, to clean the property's title! Did I mention you will have to make all the property's payments during this time or face foreclosure yourself?

Those are just the highlights (or lowlights, if you will)! We haven't said anything about potential IRS problems you could incur for taking tax write offs against a property you did not own, or potential problems with State Usury laws! The monthly payments that you bumped up with the intention of crediting some against the purchase price, when redefined as mortgage payments, could be high enough to exceed your state's usury laws.

Also, you have inadvertently given your bank the right to "Call

Your Loan Due", simply because you granted someone an Option to buy! (See the Federal Depository Regulations Act of 1982), more commonly known as "The Garn - St. Germain Act".

In true American style, several National Law Firms have begun advertising for the sole purpose of representing Lease with Option Tenants against Landlords, Realtors, Lenders, Investors and other Attorneys for wrongfully suggesting, advising or placing their clients into Lease Purchase/Options and or Rent-to-Own arrangements. Many major brokerages now prohibit their agents from being involved in Lease Options and most forms of Seller Assisted or Carry Financing Schemes.

A simple, safe, legal and inexpensive way to virtually eliminate all the inherent risks and liabilities of such transactions exists. Have the Owner/Seller place their property into their own Properly Formed and Valid Title Holding Trust first. This legally prevents the title from passing to the Resident or Tenant/Buyer and protects the Owner/Seller's title, deed and property from further encumbrances as a result of legal actions against one of the parties. It also allows YOU (Home Owner, Investor, Real Estate Agent, Attorney or Other) to accomplish the same financial objectives as ANY other form of Subject-To or Seller Carry type arrangement, but without any of the potential Negative Risks or Liabilities associated with such Subject-To or Seller Carry Financing Scheme.

Doing so also allows the incoming "Resident Co-Beneficiary" to receive virtually all the benefits of fee simple real estate ownership, again without jeopardizing the Seller's title, deed or property.

The vesting of one's title to a Trustee of a valid and properly formed Title Holding Trust and naming Co-Beneficiaries is also vital to avoid the triggering the Lenders "Due-On-Sale" clause in your mortgage contract. In addition to avoiding problems, a valid Title Holding Trust can greatly increase the potential profitability of your transaction, doubling your positive cash flow and boosting your back end profits by more than 100% in some cases,

all while preserving the Seller's Title, Property and any remaining Equity in the property! A valid and properly formed Title Holding Trust can eliminate ALL the serious problems normally associated with a Lease Option or ANY OTHER form of Seller Assisted Financing Schemes including... Lease Purchase, Rent-To-Owns, All Inclusive Trust Deeds, WRAPS, Equity Shares, Contracts for Deed, Land Contracts, etc. There is never a reason to risk serious problems with your Subject-To or Seller Carry transactions.

Currently there is only one trademarked and patent pending process of valid Title Holding Trust documentation (The Equity Holding Trust Transfer™ System), that I know of, that is valid and complies and by all State and Federal Law.

The EHTrust™ is not an alternative to these inherently dangerous forms of Subject-To or Seller Carry Financing Arrangements; it is the way we do them. It is the safest and most effective way to "Control", not own, Income Producing Real Estate and in most cases for as little as \$10 per property.

So why should you consider using a Title Holding Trust as opposed to a standard Lease Option, Subject-To or other form of Seller Carry arrangement? Well, after several years and dozens of successful transactions, it happened. Yep, you guessed it, I got sued. The Tenant, who defaulted months earlier, filed a Claim of Eq-

uitable Interest which prevented me from simply evicting them. As a result, I ended up having to liquidate all my holding and options to pay off the original seller and the tenant. I decided right then and there, that Real Estate was not for me.

Thank goodness a fellow investor introduced me to Bill Gatten and the Equity Holding Trust Transfer™. Bill and his wife Gail have since become my good friends and mentors, for which I owe much of my success in this business.

If you'd like a copy of "My Personal Lease Option Horror Story", along with a transcript of my conversation with the Judge, just send me an email at TheSmartREI@gmail.com with "Lease Option Horror Story" in the subject line and I'd be happy to share it with you. I get several emails a year from Sellers, Buyers, Agents and Investors with similar stories, if not worse.

*Scott Moyes is an Active Mentor, Partner & Investor himself and Co-Founder of The Smart Real Estate Investor Clubs of America, President of the Utah & Wasatch Area Real Estate Investors Association and Former National Training Director for North American Realty Services, Inc., Creators of the Incredible PAC & EHTrust Transfer™ System, email him at TheSmartREI@gmail.com*

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**Cherry Street Box Score  
TOTAL OF ALL "GROSS"**

**MONIES RECEIVED BY JAY**

- Total Rents Received \$999,010
- Down Payment from Sale \$50,000
- Interest Income Seller Financing \$780,000
- Jay's Note Principal Payment \$600,000

(End of 20 Years)

**TOTALS – START TO FINISH  
\$2,429,010**

Pretty impressive earnings — wouldn't ya say? Some may argue that \$2,429,010 is indeed a lot of money, but its gross earnings! Fair enough — it is gross, and I paid mortgage payments as well as normal expenses along the way while I operated the property. Still, \$2,429,010 far exceeds all the money I ever spent on Cherry Street.

You also need to understand this — before I reached my seventh year of operation, I had all my fix-up expenses, plus my down payment money back in my pocket! In other words; I had none of my own money left in the deal – and here's the beauty. From the seventh year until I sold Cherry Street, my tenants paid for everything! They paid all my expenses — plus every single mortgage payment till they were all gone!

**FINANCIAL RESULTS –  
BENEFITS**

- \* Jay Earned Back His Initial Investment Down Payment of \$20,000 — 121 Times Over.
- \* For Every Year Jay Owned — And Financed The Property – Cherry Street Provided An Average Annual Income of \$53,000 - Average Rents During Jay's Ownership Less Than \$550 per Month per House.

**REASONS TO CONSIDER INVESTING IN MULTI-UNIT PROPERTIES  
REASONS TO CONSIDER INVESTING IN MULTI-UNIT PROPERTIES**

1. Investment not affected by an up & down economy — or recession.
2. Not dependent on bank financing.
3. Much easier to create your own employment.
4. Monthly income indexed to inflation.
5. Keep your money — no FUTA, FICA, state withholding.
6. Ideal family business – generous write-offs.
7. Easy to expand in any economy.
8. Many "high Profit" related benefits.
9. Rapid wealth builder for net worth.
10. Guaranteed retirement income.

Further diagrams, financing, fix-up items and cash flow details, for Cherry Street, are in the Jay's latest "How To" e-Book, LIVING THE DREAM (FREE) at: [bit.ly/cashflowexpress2](http://bit.ly/cashflowexpress2)

Jay P. DeCima, "Fixer Jay", lives in Northern California where he operates multiple rental properties. With nearly 50 years' experience, he's a street-wise landlord and best-selling real estate author. Jay's recession-proof, adding value techniques are ideally suited for small-time, Mom & Pop investors seeking faster paydays and financial security. Jay's self-help books, published by McGraw Hill, have been voted No. 1 by both the Los Angeles Times and Chicago Sun. They remain top selling real estate books on Amazon and Barnes & Noble lists.

**Q: WHAT DID YOU DISCOVER ABOUT LONG-DISTANCE PROPERTY MANAGEMENT WHEN YOU LIVED IN CALIFORNIA?**

A: I learned that the secret to many long distance investors' success is to offer excellent property management services. We help them fill vacancies, collect rent, make repairs and handle emergencies. USARO.com safeguards the investment of the long-distance investor.

**Q: WHAT IS YOUR GOAL WITH USARO?**

A: The goal of USARO.com is to teach both amateur and experienced real estate investors alike the keys to making money by purchasing Memphis rental properties and turning them into positive cash flow. By purchasing rental properties in the Memphis area, you will find incredible savings because the properties are undervalued and are selling for a lot less than they normally would.

**Q: PLEASE GIVE US AN OVERVIEW OF USARO.COM.**

A: USARO.com is a full-service real estate investing firm specializing in acquisition, renovation and management of residential properties for domestic and international clients. Many of USARO.com clients hold an investment portfolio with multiple properties, USARO.com has earned a reputation of creating wealth for his clients and offering exceptional customer service. USARO.com has a team of highly skilled professionals ready to help investors in every step of the process. USARO.com offers more services to investors than most, everything from private financing to management and from construction to sales.

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per share or \$1.16 X 1000 for a total of \$1,160.00 (minus commissions).

This money goes into your account immediately and can be taken out the next trading day to be used however you see fit. Keep in mind; the premium collected is yours to keep no matter what happens...this allows you to profit on the income from the CALL if the stock moves higher, sideways, or down\*.

\*In this example, if your stock trades below your chosen strike price of \$30 on the OCT expiration date, chances are that you will keep your stock and have the ability to write another covered call for the next available month. Covered Calls are a true cash flow generator.

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- Step 2: Determine the Market Forecast
- Step 3: Check the Options Chain
- Step 4: Calculate the Numbers
- Step 5: Sell the Call Options
- Step 6: Monitor the Position
- Step 7: Close Out the Trade if Necessary

**RISKS**

- \* There is a chance of selling your stock — so be willing to sell it
- \* You give up the opportunity to profit if the stock rises above your chosen strike price (the price you agreed to sell it for)

**ADVANTAGES**

- \* Allow you to generate monthly cash flow from stocks you own
- \* Serve as downside protection in the event the stock drops in value
- \* It can be a growth or income strategy

For more information about Bruce Dinger, CEO of Kensei Trading, please visit his website: <http://www.brucedinger.wix.com/tnt-trading-stocks>

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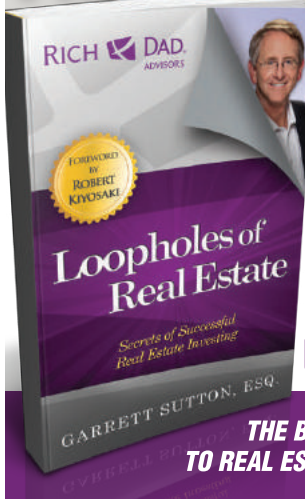


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