WHY REAL ESTATE INVESTING MAKES SENSE FOR YOU

An Exclusive Special Report
From the nerve centre at the REIN Research Institute
WHY REAL ESTATE INVESTING MAKES SENSE FOR YOU

In this day and age, information is swirling across the internet, newspapers and television faster and in greater volume than ever before. Headlines speak of turmoil across the globe, crashing job markets and the latest celebrity gossip and all while trying to report on real news and issues that matter to you. And as you are most likely aware, real estate is one of the hottest topics to find its way into this mix.

How can you possibly stay on top of life, work and family amidst an information overload that shows no signs of slowing? And what about those questions in the back of your mind? The ones about retirement, when you’ll actually be able to, and whether or not you’ll have enough money to do it comfortably and on your terms.

If you’ve ever put serious thought into where you and your family will be financially in the next 5, 10 or even 25 years, it’s very likely that real estate investing has come to mind as a means to achieving your goals. You’re an intelligent individual – you care about issues that affect society and those around you; you want to put your children (or future children) through college so they can better themselves; you want to have the freedom to work because you WANT to, not because you NEED to.

Real estate investing is a vehicle that can help you move towards those larger goals. So why should you consider real estate as an investment? And why have so many other people chosen to create financial certainty through real estate? Because it’s proven, it works and it gives you the power to be your own boss. And who doesn’t want to call the shots when it comes to their money?

When people invest in real estate, they are making an individual decision based on two general criteria – emotional reasons and financial reasons. Throughout these pages you will discover that emotions may drive your decision to invest in real estate, but they must not drive your DECISIONS in real estate investing. Financial factors will also drive your decision to invest in real estate, but they must be carefully monitored when making decisions about your portfolio.

The how-to’s of real estate investing are more clear-cut when it comes to mapping out your plan, following through on the steps and finally making it to the end goal. It’s the “Why” of investing in real estate that can be puzzling for some. This report will answer the question that is lingering in your mind: “Why should I invest in real estate?”

Real Estate Investing Is Not For Everyone

Investing in Real Estate has been around forever - Buying properties, holding them over a long period of time and paying down the mortgage and collecting cash flow through the rent that tenants pay. It is a tried and true method of building wealth that stands the test of time. Know this fact – real estate investing is not for everyone. Neither is stock investing, neither is bond investing, neither is investing in mutual funds. People need to be very selective in what they do with their money and that applies to all investing classes.

Many people get involved in real estate investing (or other forms of investing) and start chasing big dollar signs. The problem with that is those people are immediately on the money treadmill and are on a perpetual chase for those dollar signs. Building a large real estate portfolio is a very real goal and one that
Why Real Estate Investing Makes Sense For You

is attainable; however, the building process is slow – healthy, but slow. Holding a stock portfolio or a mortgage portfolio alongside your real estate is a great way to diversify, but the key distinction is that you must have great knowledge to support the decisions you are going to make in any investment class. One of the biggest mistakes people make when looking to grow wealth is making decisions without knowledge – these decisions, more often than not, prove to be very costly. Liken that to throwing money out the window of a speeding vehicle.

The great thing about real estate is that being a hard asset, hard facts are available to support your growing knowledge. You have the ability to pick the geographic areas that suit your portfolio best and you can then become a specialist in those areas. You are able to have a direct impact on the performance of your investment asset by using your skill set to maximize profit and minimize risk. If you purchase Apple or Google stock, you have no way of personally affecting those assets – you are at the mercy of the market. In real estate investing, you are at the helm of the knowledge you gain and the decisions you make based on that knowledge. You get to impact the income it creates, the capital gain that it grows at and the value of your portfolio. That is truly powerful.

People Believe They Don’t Have A Choice

It is an alarming fact, but many people truly believe that they don’t have a choice when it comes to investing and growing their money. One of the most common investment strategies looks something like this:

1. Save large chunk of money.
2. Go to your bank of choice.
3. Deposit large chunk of money into recommended mutual fund.
4. Hope for the best.

Sounds promising, doesn’t it? But again, you’re an intelligent individual – you know that can’t be the most proactive way of doing things. And you would be correct. Our population is aging and many people are starting to look at their finances to determine the best way to accelerate the growth process. Retirement is the long-term goal that many are striving for and finding the best and shortest path to get there is the holy grail. One of the “problems” of getting their as fast as possible is that no such ‘Get Rich Quick’ scheme truly exists. The reality is clear that becoming wealthy is a long-term process and smart folks like you have come to terms with that and are willing to create a system and a plan to get you there.

Instead of putting money into an account and willing it to grow, you can use the bank in another way. Get them on your side to help you grow your money. Once you’ve purchased your property, you find fantastic tenants that will help you grow your money. It goes from hoping to actually doing – you are creating a scenario that you control. The choices are yours.

You want to be looking for those blue chip dividend-creating investments. People are looking everywhere for these right now, even in the stock world. You want to choose investments that have a very good chance of increasing in value and an incredibly good chance of providing you with steady income. You want your money to work harder than you do since you are already working your butt off. Staying in control is the best way to maximize your return. Every time you lose control, you lose a bit of potential return, and that can add up.
For the very conservative investor, you can buy a bank stock. They will pay you a four or five percent dividend every year and inevitably that stock will go up and down – the upward trajectory stays the same and your money continues to grow. In real estate, you pick the same strategy, only your leverage will be substantially greater. If you’ve done it right and bought that blue chip property in a blue chip area, the values will go up all while your tenant pays down your debt each and every month. Even if the values only go up three percent and you put 20 or 25 percent down on that property, your return is going to be 15 or 16 percent – not even counting the cash flow coming in!

Once you learn the actual math of real estate, your mindset will change from “How can this possibly work?” to “Where else can I possibly beat this?” The harder your money works for you now, the less you have to work in the future.

The World’s Most Lucrative Savings Plan

What is the largest amount of your income that you can realistically sock away into a savings plan each month? A few hundred dollars at best? This is the reality for the majority of the population and it can feel both stressful and depressing. How can you possibly climb your way out of the rat race by the time you’re 65 if you can only spare a little each month? You are probably starting to notice a trend – real estate investing is one answer to this predicament.

Follow this for a minute – the property that you’re looking to purchase has rental income and a potential for appreciation. Maybe the market that you’re investing in is growing two, three, four or five percent – it may even be flat at the moment. You have found great tenants that are paying down your mortgage. Now put some numbers behind this:

You purchase a property for $250,000.
You rent the property out for 20 years with the intention of paying it off (and you do!)
Over those 20 years, the market stays COMPLETELY flat and the value does not increase by even one cent.
The property is still valued at $250,000.
You have a created a $1,041 monthly savings plan spread out over 20 years!

How many people do you know that can set aside over a thousand dollars of after-tax income every month? Very few, if any. But you can – and you will – if you decide to harness the power of real estate, leverage and mortgage pay down. The greatest part about this savings plan – it’s not even your money. That’s one thousand dollars per month that your tenants have paid for you.

Even if the value of that piece of real estate does not increase, the market will move with inflation over a 10 or 20-year window. That means in 20 years, when it’s time to tap into that $250,000 that you’ve tucked away, the value of that money has inflated alongside the market and you have more than you had when you began down the path of real estate investing.

Make no bones about it – there is no magic formula that will completely eliminate the ups and downs, potential cash calls and interesting situations with tenants over that 20 year span. You will have to put in the work and it won’t always be a walk in the park. Look at your investments with as little emotion as possible. This isn’t the same as
Why Real Estate Investing Makes Sense For You

purchasing your dream home – the colour of the paint in the master bedroom and the type of countertops in the kitchen should not be deal breakers. You should not have an emotional attachment to your investment choice. However, you SHOULD have an emotional attachment to the yield that your choice is creating and, subsequently, the lifestyle that the yield is creating.

Real Estate Investing Is A Business – Treat Yours Like One

There is some misconception in the real estate world when it comes to how people classify their real estate investing portfolios. From the outside, the general population only sees a ‘landlord’, someone who owns a property with tenants who occupy it and pay them monthly rent. The reality is that every single real estate investor – whether they own one property or 100 – is a business owner, and each property is a stand-alone business that must be operated as such.

The beauty of real estate as a business is that, relative to other businesses (restaurants, retail, etc.), start-up costs are fairly low as the majority of those costs are going directly into the investment of that property. Technically speaking, you’re not required to have a formal education such as a degree, but surrounding yourself with experts in the specific areas of real estate will ensure that you have the knowledge and skill sets necessary to succeed.

But what about competition in the marketplace? You may be surprised by this. In Canada, only 4% of people in the country are involved in real estate investing. That is a very small piece of the pie.

You won’t be required to manage a large staff and you’ll be serving far fewer customers to get a nice return on your money. In fact, your property manager is in effect the person who would be managing your Tim Horton’s franchise, taking care of one or all the properties you’ve added to your portfolio. Your job is to manage that person to ensure things continue ticking along as they should.

As CEO of your own real estate investing business, your job is to control your processes and work to earn maximum revenue for your product in the marketplace. You also need to control your expenses, as any business must, with anything from heat to light to the mortgage that you carry. The lower your expenses and the larger the gap becomes between revenue and those expenses, the greater your profit and the greater your success.

Business ownership means you may also need to cut the cord at some point. If one of your properties isn’t profiting or doesn’t fit the model you’ve created, you might need to shut it down. That doesn’t mean you have failed, it
just means that you have become incredibly clear on your business goals for your portfolio and in order to continue creating maximum profit, that particular property no longer fits the bill.

**An All-Star Team To Get The Job Done**

Fact: The typical real estate investor is NOT a tax expert. Or an accounting expert. Or a property management expert. Or a legal expert. That being said, the people you surround yourself as your ‘All-Star Team’ are going to be experts in those fields. That’s one of the biggest oversights budding real estate investors make – they think they need to become an expert in all of those areas. Instead of taking the long route and trying to gain all the knowledge in the real estate world, why not hire an amazing lawyer, a brilliant property manager and a realtor who has great expertise in investment properties? That way you have more time for MANAGING your assets to perform exceptionally.

Taxes and accounting, as they pertain to real estate, can be incredibly confusing, especially if you’re not an accountant. You NEED to make sure the accountant you choose is real estate-specific – there’s a huge difference between filing tax returns for a part time job and going through the intricate details of a multi-property portfolio that carries operating expense, incomes and everything in between. Rules and regulations in the tax world are variables that close attention must be paid to as they seem to change constantly.

Ask your accountant this question: “So, Mister or Miss Accountant, how many investment properties do you own?” The secret in that question is that if they own real estate, you better believe they are paying close attention to all of the rules and regulations around the CRA, tax planning and tax changes. And if they’re paying close attention for their personal benefit, they’ll be able to transfer that information and care over to your portfolio. An obsessive accountant is the accountant you want on your team.

The same can be said about the lawyer you choose for your team. You have to go by the book because if you don’t, you can end up in hot water in a hurry. Don’t just hire your lawyer because he’s your brother’s uncle’s cousin – make sure they are real estate-specific and can guide you through the complexities of real estate investing.

**Emotions Can Be Your Reason For Investing**

It is nearly impossible to deny - people have an innate emotional attachment to property. They obsess over it, they analyze it and over-think it to death. If you’ve ever been part of a conversation around real estate, whether it’s a home or a rental property, everyone has an opinion. People have the ‘sky is falling’ mentality all too often. News headlines report markets that are down two or five percent and all of a sudden the feeling is, “Oh no, that’s the old stock market showing its true colours again.”

If you’re choosing to get into the real estate game, you have to understand that like any investment there are cycles. You can manage within those cycles, and that’s your job as an investor and business owner. You can flatten out the cycles by buying blue chip style properties in the right markets and managing those properties to give you top returns on your money. But one of the biggest things you can do is have a positive impact on your tenants, their families and their lives. If you have ever
rented property and been a tenant, you know
that there are very few good landlords out
there - people who treat their tenants like
the customers or clients that they are. You
can change these people’s lives by providing
them with a safe, secure, clean property at
a good price and treating them with respect.
It’s so easy to do!

How many of us have ever received a birthday
card from a landlord? How many have ever
received a welcome basket when we moved
in? All the simple things that you do with a
business you can do within the world of
real estate investing. People will say, “That
doesn’t mean anything. That doesn’t get me
any more money.” Those people are dead
wrong. It does matter, and it can translate
into more money. Your tenants have been
treated so incredibly well that they will (A) pay
a little bit more to stay there and (B) they are
going to compare their next potential landlord
against you and nobody out there will be able
to compete. Those tenants will stay longer
and in turn cost you less in turnover. A little
kindness and humanity goes a long way, for
you AND your tenants.

As you wade through those emotional
decisions, make sure that you are looking at
the numbers rather than the headlines and
the noise. You need to be able to sift through
the noise to find the true ‘signals’. If everyone
had paid attention to every talk show host,
newspaper headline and magazine ten years
ago, do you think they would have bought any
real estate? Would they be any further along
than ten years ago? Not likely. Those people
would still be sitting on the sidelines. Don’t let
yourself fall victim to the hype and noise - find
the signals and make the best decision you
can.

You Get Out What You Put In

We hear it all the time - people exclaiming,
“The banks won’t give me financing... I can’t
find any properties that cash flow... My
Realtor isn’t working hard enough for me...”
and on and on. Real estate investing is like
anything else - the amount of effort you put
in on one side equals the amount of results
you will see on the other side. The freedom of
real estate investing is in the work, in picking
that blue chip property. The freedom comes
from creating a cookie-cutter strategy, one
that allows you to buy one property at a
time, exactly the same way each and every
time to duplicate the profits that the last
one generated. Your real estate business
becomes like a manufacturing plant that
churns out widgets.

But then the financing rules change. And what
do you do? You don’t panic - you adjust your
manufacturing process so that you can adjust
to the bank. Then the economy changes - and
again you adjust to that because your real
estate portfolio is just another business that
is affected by changes in the marketplace.
Your job is to manage it expertly, to continue
profiting no matter what conditions you are
operating in.

Over the years, there have absolutely been
tough situations. For some people who
bought in smaller areas, vacancy rates were
up to 20 percent. But that doesn’t mean
you throw in the towel and quit just because
vacancy is up. As the CEO of your business,
you make the adjustments and you ramp up
your marketing to make sure that while other
people are sitting vacant and wondering what
to do next, you’re content knowing that your
properties are filled with great tenants who
have a great place to call home.

If you owned a coffee shop and a Starbucks
popped up down the street, would you look
at that as doomsday? Or would you see that
as an opportunity to step up your game to
compete?
Why Real Estate Investing Makes Sense For You

The workload in real estate is going to be higher on the front end as you learn new strategies, create your business plan and work through the numbers of your first properties. But once you’ve gone through the hard work and create those systems, replicating the system on each property that comes next will become like clockwork. It’s cliché, but it truly is short term pain for long term gain, if you do it the right way.

There are amazing stories of long-term REIN members attending their first ACRE Program 10 or 15 years ago. They tried to get into the real estate game, buying one or two properties. Those people had no idea what they were doing (at least that’s how they felt), but the reality was they were learning as they went, just like you will and already are. Fast forward that 10 or 15 years and those same people own properties that are free and clear, collecting pure cash flow and they are working towards a retirement goal, being able to put their kids through college and a host of other huge milestones.

Real Estate Investing Is Right For You - Right Now

Real estate investing isn’t for 100% of the people who read this paper, but chances are it is a very viable vehicle for you to create long-term wealth and financial certainty for you and your family. The important thing to understand is that whatever you choose to do, don’t get too entrenched in the belief that it is the only thing out there, because the truth is it’s not the only thing. Let’s be realistic - the internet will tell you that it’s either A or B. In our world, it is going to be A, B and C - you just want your money to work hardest for you no matter where that happens to be.

As you start down the path as a real estate investor, you may want to manage your first properties on your own to get a feel for it so that when you eventually pass those duties off to a property manager, you’re glad to pay that bill every month because you’ve gone through the work yourself. You may be the type of person who amasses a portfolio of hundreds of properties and manages them yourself because that’s what you love to do. If your goal is to have the funds to put your children through university, great! If you want to retire early, fantastic! If you want to retire on a beach in Thailand for the next 25 years, you can! You just need to follow through and start with the end in mind. If you don’t know where you’re headed, you won’t know if you’re creating the right plan to get you there.

Nine times out of ten, real estate is going to outperform other asset classes in both capital gains and income. Don’t you want to get involved in something as solid as that? When people seem fearful, use that as a signal for opportunity. If you can turn those fearful situations into opportunity, you are going to be ahead of the majority of the people around you. And won’t it feel good 20 years from now, tipping back a cold drink with an umbrella garnish, getting an email update from your child at university while you bask in the summer sun? You won’t know unless you adjust your mindset and plan for the future. Time is one of the only truly non-renewable resources we have, so choose how you spend it. Your future depends on it.
THE WORLD’S REAL ESTATE THOUGHT LEADERS

www.reincanada.com
1-888-824-7346