

What Your Parents Forgot To Tell You About Real Estate

By



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What is Real Estate Investing?

The question, "What is real estate investing?" cannot be answered without considering first, it's textbook definition and then it's conceptual definition.

The Academic Definition

Real estate has been defined as land (or immovable property) along with anything permanently affixed to the land such as buildings, and investment is the act of using the money to purchase property for the sole purpose of holding or leasing for income. It is safe to say then (combining both definitions) that real estate investing involves the acquisition of real estate (or investment in real estate) for purposes of generating income, making a profit, and acquiring wealth.

The Conceptual Definition

Leverage In contrast to stock investments (which usually require more equity from the investor), it is possible to leverage a real estate investment (heavily). With a real estate investment, you can use other people's money to magnify your rate of return and control a much larger investment otherwise not possible.

Tax Shelter Real estate investing provides tax benefits. There are yields on annual after-tax cash flows, equity buildup through appreciation of the asset, and cash flow after tax upon sale.

Non-Monetary Returns Real estate investment provides pride of ownership, the security that you control ownership, and portfolio diversification.

Real estate investing is not a bed of roses, though. Real estate investment does require capital, there are risks, and rental property can be management-intensive. On the other hand, the car you drive required capital, it involves risk driving, and it certainly requires management. The difference is that a car is not a source of wealth.

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Types of Real Estate Investment Opportunities

Here are ten types of real estate, and various methods to invest in them. The most beneficial choice for you is one thing only you are able to determine based on your unique requirements. To assist you to accomplish that, I listed a couple of good things and negative things for each type of property.

1. Leasing single family homes. Good: A simpler method of getting started, and excellent long-term return on your investment. Negative: Becoming a property manager just isn't a lot of fun, and also you generally wait a while for that large payday. Also, you lose your entire cash flow every time the home is empty.

2. Fixer-uppers. Good: Quick return for your investment decision, and it may be more imaginative work. Negative: Much more risk, and you also acquire more taxes from capital gains.

3. Low-income property. Good: Much like every other rental property, however with larger cashflow. Negative: Much like every other rental property, but with a lot more maintenance and renter issues.

4. Offering rent-to-own homes. Good: If you purchase, and then sell on the rent-to-own arrangement, you receive increased rent payments, as well as the buyer, is generally accountable for upkeep. Negative: Accounting could be difficult, and a lot of renters do not complete the purchase of the property. This is often a benefit. However, it entails much more work for you.

5. Commercial or business properties. Good: Multi-year triple-net rents or leases mean very little managing and higher returns. Negative: A difficult marketplace to enter, and you could lose revenue on empty storefronts for a year each time.

6. Vacant land divided and sold again. Good: A lot easier than some real estate investing, with the potential for excellent profits. Negative: It's rather a slow procedure, plus you've got costs, yet no income as you wait.

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7. Boarding homes. Good: You are going to produce much more income renting a home by the room, specifically in a university community. Negative: You are going to produce more problems renting a home by the room, particularly in a university town.

8. Invest cash, offer with terms. Good: A higher rate of return may be possible if you are paying cash to acquire a good price, and selling with simple terms to obtain a higher price and higher interest. Negative: You require a lot of money, and you will tie up your investment capital for some time.

9. Make the investment, reside in it, sell it off. Good: The tax laws allows you to repair it, then sell it to get a large tax-free profit immediately after two years if you lived in it for that time, and then you can start the procedure yet again. Negative: You could become attached to the property, and you will have to move a great deal.

10. Nothing but speculation. Good: You possibly can make large profits purchasing property in a growing area and holding onto it till prices increase, and it's also a low-management investment. Negative: Rise in value is not always foreseeable, you've got costs without any income while you are waiting around, and transaction expenses can easily consume a large amount of the profits.

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The Pros and Cons of Selling Your House to a Real Estate Investor

Selling your house can be a stressful time in your life. Often, selling your house has other factors adding to the stress, i.e., a divorce, job transfer, inherited property, foreclosure. etc. One option to consider when you need to sell your house fast is to sell your house to a real estate investor. But what are the pros and cons of selling to an investor? Let's take a look.

Pros of Selling to an Investor

Quick Sale - An investor can close much faster than a traditional retail buyer. An investor will typically pay cash, so there is no waiting on a lender approval. This can cut the time to close down to as a little as a week.

No Repairs - Real estate investors will buy your house "as-is." You won't have to worry about making any repairs or landscaping the front of the house to increase its appeal. A retail buyer will be required to get a home inspection by their lender. Often, a home inspection turns up repair items that will need to be completed prior to the closing. And these can often be costly repairs.

No Fees/ Holding Costs - They do not charge a fee or a real estate commission when buying your house. Also, and many sellers forget about this, there will be holding costs to consider whether you are selling the house yourself or through an agent. The average time to sell a home is 150 days right now. During that five month period you will have to keep paying your mortgage and utilities, costs that you won't have when you sell your house fast to a real estate investor.

Problem Solvers - Investors, are often problem solvers. They face sellers in a variety of different situations, and their experience helps resolve the situation to everyone's benefit. Whether it is divorce, bankruptcy, foreclosure or even title issues, real estate investors often have the expertise to navigate a resolution to these matters quickly.

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Flexible Options - While the typical investor purchase involves a cash offer, there are other options, depending on your situation. An investor can also purchase your home on terms. Those terms can be owner financing terms or a lease option purchase. In these two scenarios, an investor is able to make a higher offer on your house. This can be beneficial in this market with so many homeowners that have little or no equity in their houses.

Cons of Selling to a Real Estate Investor

Price - In most instances, unless you are willing to sell on terms, an investor will not pay full market value for your house. Investors have their own costs to deal with, and these are factored into the price that they will offer. They know the "strength" of an all-cash offer and the fact that they are buying your house "as-is" with no inspections.

No License Needed - A real estate investor does not need a license to operate. This opens the door to scam artists. Some investors will operate out of an entity, and some will operate as individuals. One way to avoid being scammed is to do your due diligence. Research the investor online. In addition, make sure any closings take place through a real estate attorney. You have the option of using their closing attorney or choosing your own. Either way, this will add a measure of protection to your transaction.

There are many things to consider when selling your house to a real estate investor. And it will not be the right option for everyone. Hopefully, this has shed some light on both the benefits and pitfalls associated with selling your house to an investor.

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Pros and Cons of Hiring a Real Estate Agent

When you decide to put your house up for sale, it is important that you acquire an in-depth knowledge of the whole process of selling before getting down in the field. It is indeed a very tiresome and endless job as a lot of research and evaluation is required since a lot of money is at stake. Hiring a real estate agent would, however, reduce stress and hard work on your part, but still, it is advisable to weigh all the pros and cons of hiring an agent before taking any decision.

Usually, when people think of selling their homes, the first thing they think of doing is to get in touch with a real estate agent and get going with the selling process with his help. Though you can very well sell the house yourself and save thousands of rupees by just understanding the market, people still opt for an agent to cut down on their efforts.

Since there is a lot of money at stake, any person would choose a professional real estate agent who has ample amount of experience and expertise in the area in which your property is located. These agents are trained and awarded with certifications in this field, and thus there is a sense of security and assurance that these agents will give you the best deal.

Their expertise and experience make their advice more objective and practical. The opinions of these agents are detached from the owner's point of view, and they analyze all the potential options to get the most profitable deal because it would fetch them a good commission too. If you take up the challenge of selling your house on your own, there is a chance that you may not be able to decide the market value/pricing of the house. An agent knows how to evaluate the value of the house. They take the full responsibility of selling your house at a good price and make sure all the potential buyers see your house and only the best deal gets finalized.

But the problem with hiring a real estate agent is that there are so many of them in the market that it becomes tough to find the right one. There are greedy unprofessional agents whose only aim is to dupe innocent people. Some agents

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charge a very high commission up to 6%. This can be very expensive. If an agent isn't genuine and his only aim is to earn his commission he would you're your property at a convenient price where it will be easier for him to get buyers.

Selling your home can be a daunting task, and not only is there lots of money at stake -- your financial and emotional well-being are on the line, too. That's why it's a good idea to educate yourself about the process of selling your home, and that includes figuring out whether or not you need to hire the services of an agent. So to paraphrase a great writer, "To agent, or not to agent? That is the question."

Reasons TO Agent

1. A Realtor takes training and receives certification about the process of buying and selling real estate, and you'll probably want to hire someone with good experience who knows your market.
2. Your agent is detached from the personal aspect of your sale and can give you advice based on their honest opinion.
3. Most agents can help you decide on the market value of your home, so you don't make fatal mistakes like pricing too high and driving away those buyers.
4. Realtors and their associates can show your home while you are away -- or because you don't want to show your home yourself.
5. Agents can give you some advice about the legal aspects of the sale.
6. Agents can handle negotiations on your behalf. Many people like having a third party in the process when they are dealing with a buyer.
7. A Realtor is a great resource during a difficult sale -- like when you are selling an estate or are relocating to another city.

Reasons NOT TO Agent

1. Agents that you contact may not have much experience or may not market your home as you want. For example, they may not want to take out a classified ad in your local paper, though you feel that this is very important.

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2. They charge a steep commission. Realtors usually charge up to 6% to sell your home. For the average homeowner, this is thousands of dollars and can represent a huge chunk of your equity.
3. An agent may want to list your home at a price they feel they can sell it at quickly, not at the "best" price you may be able to get.
4. Your agent may have a conflict of interest as they are working for their benefit as well as yours. And they may be working for the buyer's benefit, too.
5. Your agent may give you short notice for showings, which can be difficult for people with busy schedules.
6. You will probably not be dealing directly with the buyers during negotiations, which makes it very impersonal and focuses on the money aspect only -- not the personal side of a sale.
7. It is often not your agent showing the home, so the buyers may not be shown the best features or informed of all the benefits of your property.

These are just some of the most common factors to think about when you are making your choice. Remember that agents are working to make ends meet like everyone else. You need to decide whether you think an agent will be a benefit to your sale, or whether you'll resent the fee they charge!

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How You Can Use Social Media Influences Real Estate

Selling And Buying

If you are interested in using social media for your real estate business then you should try it. You will find there are many benefits to this type of marketing. It is a more personal approach for people who are searching online, and it can allow people to see a property up close and personal. This also can save from wasting anyone's time on looking at a property.

Using social media for your real estate business is a great idea because it creates a personal feel for your website. When people can see you talking, then they almost feel as if they know you personally. If you offer the ability for people to chat live with you, then it is even better because they get to meet you in person. Social media is a smarter approach because discussing real estate with people through email is not very personal. People are vulnerable when they are looking for a home because it is usually one of the biggest decisions people make in their lives. That is why the entire process should be made personal.

Another benefit to using social media for your real estate business is that you can give people the opportunity to see a home over the computer. If you have cameras setup, then you can offer virtual tours and have them online. This allows people to decide if they like a home or not. This means you will waste less time showing homes to people who are not interested. Each time you go to a home then the people are more serious about the buy. When you don't use social media and offer an opportunity for people to see a home for sale then they might absolutely love the outside of the home and have to get inside. Once they get inside the home they hate everything about it. This has probably happened to you a million times in the past, but you can really minimize situations like this by using social media for your real estate business.

Social media is also another way people are marketing their businesses today and you can too. It is proving to be true that people online are more interested in social

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media sites than those with plain text. If you offer something interactive for the user, then they are more apt to pay attention. Creativity is important. However, you should be sure to provide useful information that the viewers can benefit from with your business. Social media is also used to generate larger traffic to a business website and it really works.

There are many ways for using social media for your real estate business. You can create a more personal and up close feel for your business while prospects are about to make one of the biggest decisions of their lives. You can also give potential buyers the opportunity to view homes in advance, so you and the buyers save time. Also, social media can help improve your website and generate more traffic which could lead to more sales.

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The Risks of Real Estate Investing

Profits, Freedom, High Income, Being your own boss, are all those benefits which sometimes cloud the eyes of someone entering the world of real estate investing. Even though there is a great reward, you need to be aware of the risks, before they jump up and destroy your dreams.

By learning about the risks listed below, you can prepare emotionally, financially, and mentally for the possible challenges ahead. With knowledge comes the ability to respond quickly to minimize risk, and reduce the impact on your wealth.

The biggest risk would be the complete loss of your investment. If financial disaster strikes, and you are unable to meet mortgage obligations, to complete construction or many other worst case scenarios, you could risk losing everything you have invested. Most of these disastrous situations can be avoided with careful planning, proper budgeting, and sticking to your plans. Don't let this risk stop you from moving forward into real estate investing, just come with your eyes wide open to the possibility.

If you are entering real estate investing by flipping houses, you need to protect yourself and your property with adequate insurance. Insurance on the property, accident insurance for yourself, and a healthy amount of liability insurance to cover any potential accidents on the work site. This is one area which can go horribly wrong very quickly. One serious accident can wipe out all of your profits, and potentially the total investment, or more. Protect yourself carefully; insurance is inexpensive compared to the cost of major losses from one accident.

Market changes are another risk you cannot control. As has been seen in recent years, the market can change very rapidly, both upwards, and downwards. While you cannot control these changes, you can keep a watchful eye on trends, financial talk, and changes in the marketplace to help you predict when these changes are going to happen. By keeping track of the market, you can attempt to stay ahead of the trends, and invest when property prices are down, and take your profits

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towards the upper end of real estate cycles. Don't invest in a vacuum, stay aware of the real estate and financial world around you.

One of the most preventable risks can be conquered by always having a professional inspection done of any property you are planning to buy. Often investors try to cut costs and corners by doing their own inspection, only to be hit with major structural, electrical, or other issues. These new discoveries can cost thousands of dollars, and eliminate all profit from an investment overnight. The low cost of an inspection is always an investment worth every penny.

By being aware of these risks, and the other potential risks, in real estate investing, you can help to reduce or prevent their effects on your portfolio. It is always easier to take proactive, and quick actions to reduce risk than to wait for disaster to take you over. Don't allow these risks stop you from jumping into the real estate investing waters, just keep your eyes open as you leap.