



FREE Real Estate Investor Strategy Guide

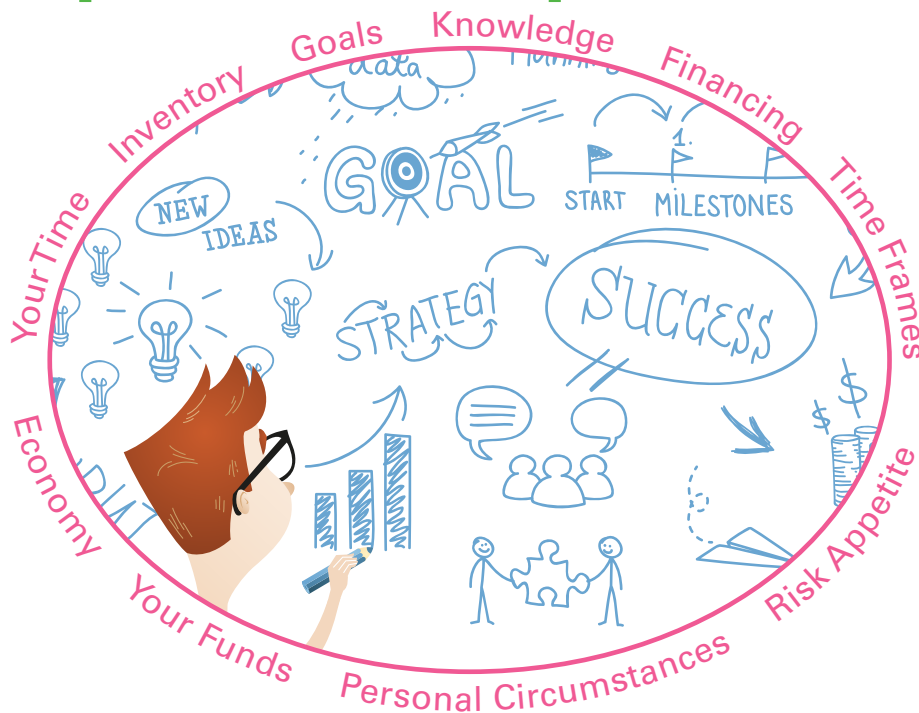
The strategies and options available to an investor will range depending on your individual situation and current market conditions.

Think in terms of things you control and things you don't

The things you control are the goals you set, your ability to get financing, the actual funds you have to invest, the time you have to research and execute your strategy, and your appetite for risk. Your own knowledge and skills will be a driver too, so get educated and keep learning.

The things that you can't control like the availability of inventory at reasonable prices, low-cost financing and interest rates, rent prices, vacancy rates and other economic factors. What you are looking for are properties undervalued where you can buy and flip, or where the ratio of purchase price relative to rent is favorable in decent neighborhoods to buy and hold. Below is a depiction of some of these influencing factors.

What Impacts Your Options





There are only four steps to Strategy Selection...

Step 1

Define your
goals and
constraints



You need to understand what will influence your strategy by determining your goals and constraints and writing them down.

Step 2

Select a
strategy



Understand the four basic strategies available to real estate investors; flipping, wholesaling, owning the note, or buying and holding. Once you've picked a strategy then you can look at how to make it work for YOU.

Step 3

Personalize
your
strategy



Make it personal. You can start by understanding how different situations have impacted what and where other investors have bought and decide what will influence your strategy.

Step 4

Make
it happen



Make it happen. Decide how involved you can and want to be. Are you able to be hands-on, passive, or somewhere in the middle?

Step One: Define Your Goals and Constraints

Have your goals written down and let them drive your decisions. One great way to set your goals is to evaluate your monthly lifestyle expenses and define what actual monthly cash flow you need to live on and make sure you cut out all the stuff you could live without. This will be an ultimate stretch target. Now select a small portion of this monthly target as a starting point – say 10% of that number and define a timeframe to get there - say 12-18 months. You also need to define your constraints such as how much you have to invest and your ability to get financing. Finally as part of this first step try to get a simple read on some of the macro trends around market conditions.

Step Two: Select a Strategy

Common Investment Strategies

- **Flipping:** a great investment with high and quick returns
- **Wholesaling:** quick way to make profits without fixing or managing tenants
- **Owning the Note:** be the bank, not the owner and earn the interest
- **Buying and Holding:** long-term growth with appreciation and cash flow

Flipping (Or Buy and Flip)

With flipping you typically use either your money or credit (or someone else's money or credit) to acquire properties that you will fix and sell quickly for a profit. These properties need anything from cosmetic upgrades (paint, flooring) to more in-depth fixes (mold, plumbing, new roof). This is a high-risk strategy with quick and high returns for those that have the time, experience and right market conditions. This isn't for everyone.

Wholesaling

This is a strategy for people to get into the real estate market without using their own money. The investor (buyer) will purchase or put a property under contract and assigns or resells the property to another investor or buyer. Essentially you operate as a broker and must be a top-notch middleman, with undisputable skills in sourcing undervalued properties while being proficient in sales and marketing to sell them fast. This isn't for everyone.

Note Buying

Does anyone want to be a bank? Remember being the banker in Monopoly™? Banks and other investors don't like the expensive, lengthy foreclosure process so they will sometimes sell the note at a steep discount. The investor who buys the note essentially becomes the new "bank" so he or she can either negotiate a new loan with the borrower or foreclose on the property. You are not a landlord with all the associated expenses and risks, but you do run the risk of going through the foreclosure process.

Buy and Hold

Similar to the buy and flip strategy, you use your own or someone else's money or credit to acquire a property you will hold onto for a period of time. The goal is to generate a positive return from your monthly cash flow. Profits will vary and will be based on a number of factors, including but not limited to market value for the area, condition of property, taxes and property management fees. Right now there is an opportunity to buy in high cash-flow regions and pick up double-digit cap rate properties by financing to get an even higher cash-on-cash return.

Step Three: Personalize Your Strategy



Your goals may not be like anyone else's but they're still your goals. The strategy you select can change and evolve. You may start with a simple buy and hold strategy and move onto flipping as your knowledge and confidence grows. Alternatively you may start in wholesaling to gain some purchasing power to move toward a buy and hold path creating constant cash flow and financial independence. Let's look at a couple of simple scenarios as to who bought what, where and why.



Jenn & Jim's First Duplex

- **Married with young children**
- **Looking for first investment**

Meet Jennifer and Jim. They're a young couple with two children and are ready to purchase their first investment property. So far, they have \$35,000 set aside for their first investment and want to leverage as much as possible, putting as little down as lenders will allow. At the end of five years, their goal is to have \$2,000 per month in pas-

sive income from three rental properties. They determine that Las Vegas is an ideal market for them and begin looking there first.

| | |
|-----------|--|
| Goal | Sizable cash flow and long-term appreciation |
| Resources | Good credit and \$35,000 in cash |
| Strategy | Approach: Buy and Hold Type: Multi-family Location: Las Vegas (annual trip) |
| Economics | Purchase duplex \$110,000 with 25% deposit (\$29k) Annual cash flow \$4,859 Cash on Cash 17% |

Their search leads them to a duplex and their offer of \$110,000 is accepted. They put the minimum 25 percent down and finance the property over 30 years, which keeps the monthly payments as low as possible. Their new monthly payment with a 5 percent loan on \$88,000 and other expenses leaves them with a monthly cash flow of \$405. To keep this simple Jenn and Jim didn't share their maintenance and vacancy rate.

| | |
|------------------------------------|--------------|
| Mortgage (principal & interest) | \$427 |
| Taxes | \$73 |
| Insurance | \$45 |
| <u>PITI</u> | <u>\$545</u> |
| Rent (2x) | \$950 |
| <u>Cash Flow</u> | <u>\$405</u> |

To meet their goal of \$2,000 per month passive income in five years with three properties, their next two acquisitions must net \$806 each.



John's First Wholesale Deal

- **Single, works in a Florida call center**
- **Wants to build wealth faster**

Meet John, he wants to aggressively build wealth through real estate but can't afford a down payment on his first investment property. His goal is to buy a duplex and live in one side and lease the other to cover his mortgage and start acquiring cash flow properties. He knows there are lots of foreclosures in Florida and decides to become a

wholesaler working with out-of-state investors.

He locates a single-family home foreclosure for \$65,000 and buys it paying a \$1,500 non-refundable deposit. He has 30 days to find a buyer and through his Web site that he built a few months back has talked to a handful of investors looking for a good deal. He puts together an investor pack of home price comparisons, local rental rates, photos, and an estimate for repairs needed by working with a local contractor. He creates a pro-forma return based on an investor buying the place and spending \$14,000 in renovation. With the expected rents it could produce a 10% cap rate and be worth around \$95,000.

| | |
|-----------|--|
| Goal | Create \$20,000 to buy first property |
| Resources | Good credit, has \$4,000 cash on hand |
| Strategy | Approach: Wholesaling foreclosures Type: Single-family and Condos Location: Jacksonville, Florida |
| Economics | Signs purchase agreement for \$65,000 with \$1,500 non-refundable deposit. Sells to investor in 20 days and makes \$3,500 commission. |

He finds an investor to buy his home for \$70,000 with a \$3,500 commission for him and some closing fees. The investor closes for all cash in 15 days with the following proposal:

| | |
|-------------------------|-----------------|
| Price | \$70,000 |
| Renovation | \$14,000 |
| Total Investment | \$84,000 |
| Rent | \$1,050 |
| PITI* | \$135 |
| Vacancy Expense | \$84 |
| Maintenance | \$50 |
| Property Mgmt. | \$105 |
| Total Expenses | \$374 |
| Cash Flow | \$676 |
| Cap Rate | 10% |

* PITI stands for principal, interest, taxes, insurance

Step Four: Make It Happen

You've defined your goals, both short and long term. You've selected a strategy and personalized your plan of attack and are ready to execute. Your approach can be a "hands on" and involved in everything or you can work passively and be more "hands off" with a turnkey operation.

Flipping Strategy with *Hands-On* Approach

You've defined your goals and selected a buy and flip strategy and established a team with a real estate agent, loan officer and general contractor. With your new team you're ready to go find a property that is under market and determine whether or not you can make money selling it.

Let's review the hands on approach for executing a your buy and flip

Hands On Approach with a Buy and Flip Strategy

Pros:

- Lowest purchase price
- Highest rate of return (ROI)
- Fast money if successful

Cons:

- Teams on the ground must be formed manually
- Big risk of rehab costing more than planned
- Length of wait time and paperwork if a foreclosure or short sale
- Fewer checks and balances on the purchase and renovation work due to time pressures
- Higher cost of materials than a hands on turnkey operation who bulk purchase

Buy & Hold Strategy with *Hands-Off* Approach

There are real estate investment firms that research, evaluate, rehab, sell and property management tenants for distressed properties. They do most of the heavy lifting and you need to evaluate the opportunity and the turnkey team. There's no need to quit your day job and is a way to get your toes wet so to speak investing in real estate. Let's review the hands off approach for executing a a buy and hold rental property.

Hands Off Approach with a Buy and Hold Strategy

Pros:

- You can buy a fully rehabbed property and get your own inspection report
- You receive immediate cash flow
- Tenants already in place so returns are based on actual income
- No work required outside of normal purchase due diligence
- Standardized materials make repairs less costly
- Quality of work can be checked thru other investors and owners
- Checks and balances increased by how many players are involved
- Teams already in place and proven

Cons:

- Higher purchase price than foreclosure
- Reduced rate of return (ROI) than foreclosure

Real estate investors really do have access to multiple ways to create short- and long-term wealth. The strategies described above are a great way for individual investors to begin building a real estate portfolio. Market timing, education, due diligence and the teams you work with are truly going to define how successful you can be.

GET STARTED NOW

**Discover how to capitalize on this
opportunity at [HowManyDoors.com](https://www.HowManyDoors.com)**

**No Fluff, just authentic, practical advice
and cool tools for beginners**

[HowManyDoors.com](https://www.HowManyDoors.com)