



BuyCashFlowProperties



SEPTEMBER

Newsletter

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Storm Front



What an interesting summer. We've just come off the heels of Hurricane Irene and the Federal Government's raising of the debt ceiling. Two different kinds of storms that will impact the people in this country. The funny money printing machine will have a far greater impact on this nation than Hurricane Irene. Certainly we are in unusual times as the American people find themselves thrown into another recession. The truth is, forget about the statistics that determine whether we are going into a recession or not, I don't think we ever made it out of the last one!

We talk with people from all walks of life and it is easy to make distinctions on how folks are reacting to these turbulent financial times. Certainly, "the times, they are a changing."

The one thing in life that is constant is change.

A lot of well intended real estate investors that got financially hurt from the bubble bursting have gone onto different jobs and careers. An entire new set of investors is on the scene throughout the country scarfing up as many properties as they can. You see, people react differently to adversity.

As soon as adversity hits, some people simply close down. For some investors, they hoard their money because they are

scared, unsure and don't want to make a mistake. This is in part some of the same thinking that led up to the Great Depression.

Other investors and entrepreneurs reinvent themselves and their business operations. You have to be able to adapt to changing circumstances in a changing world in order to succeed in business. Business is like real estate- and it moves in cycles.

Heck, look at the stock market. It moves up and down every day and sometimes big swings don't even have a logical reason behind them. When you follow the electronic heard you can get electrocuted. Everything happens so fast in the financial markets with the click of a mouse. Gutsy day traders that use margin to increase their profits can get wiped out with one bad swing in the market.

We've become immune to the Wall Street shenanigans that line the pockets of some while sacrificing the herd. There simply is not much control buying stocks and we live in a day and age that forces you to be more involved with your money making decisions. Assimilate what you read but use common sense when making a final decision.

More and more people are clamoring for control of their financial destiny and not

wanting to leave it in the hands of some stock broker that drives a Kia. Never trust your money to someone that doesn't have any. If they haven't amassed any wealth how can they appreciate how hard you worked to get yours?

How can they even begin to respect your money when they don't have any?



The biggest distinction we see people making with their money- **they want to control** and direct their investments. The only advice I could add here is that people should invest in what they know. And who doesn't know about houses? We all live in them.

Let's just review some information that we know deep down in our hearts is true. While we don't need to live it and breathe it every day, we should be cognizant of this information. And look, you don't have to agree with me, just consider some of the thoughts that haunt many Americans today:

1. **Social Security is broke.** Sorry folks, this one is true. We ran out of money so our government manufactures it – non-stop. The impact of people living longer and less money coming into Social Security will absolutely cause changes in the system. Don't plan on this money, and if you do, realize they will change the rules. They will change the age guidelines, tax our benefits and ultimately reduce our benefits of the system we paid into.

Oh, we will get checks but unfortunately, because of the discounted value of the dollar, the money we eventually receive might not buy toilet paper. And that would be a drag because I've really gotten used to using it.

2. **United States currency is losing worldwide value.** Oops... this is true too. There is simply no denying that the funny money we've printed to fund wars, bailouts and social programs has had a huge impact on how the rest of the world views the United States. Actions have consequences and our currency is being ravaged by impudent government theatrics and inflation. The recent downgrade of America could cost us in terms of increased interest on the debt, further hurting our ability to float the government boat.

3. **Income tax changes are coming.** Oh, yeah, this is true too. You would have to live in a cave to not realize this. The only way we can possibly pay our debt is to tax more, and remove deductions and loopholes. It's always unpopular to do this but it's also unfortunate to cut off someone's arm when they have gangrene to save the rest of the body. That's what we have to do here in the United States.

4. **Cutting social programs and entitlement.** Crap, this is true too. Let's be serious. Politicians buy votes by promising programs to their constituents. It is impossible to provide healthcare for everybody. Where does it say in our constitution that if you are an American citizen that we will take care of you from the cradle to the grave?

The world is passing us by as many citizens are satisfied collecting government checks, eating government food and getting great housing and government provided medical attention.

We have created a welfare mentality in this country and in part, it is bankrupting the country.

5. **Inflation.** Are you kidding? All you have to do is keep track of what you pay for things you use every day: milk, eggs, gasoline, vegetables... The price of oil will continue to go up until we exploit our own resources. Oil is used in so many products and it is particularly important to the housing industry. It's in the plastic, in the asphalt, and used to transport everything involved with building a house.

The cost to build a new home in the future as a result of "impact fees" will go through the roof- no pun intended. Impact fees are the fees for permits to develop and build properties.

We can't deny that life is different in America from when we grew up. It's actually different from last year, and for the average American, I think there is a loss of confidence as our economy is stagnated.

It's your reaction to the world around you that will determine your ability to sustain the changes that are coming and to make the distinctions on where to invest your money.

The advances of technology have made the world flat— everyone has instant information on the internet. Our children no longer compete with just classmates in their classrooms but with kids in Asia, India, and everywhere else in the world. They must become proficient in research and learn skills necessary to compete in a global economy.

We don't let the above reality, with a certain doom and gloom, impact our day to day lives. We accept the reality of "change" and look for ways to make lemonade out of these lemons.

As we all know, wherever there are losers, there are winners.



For more information on the Ten Worst Housing Markets with future declines coming their way, make sure to check our articles on Escape Artist.

Cash Flow Housing: The Truth Comes Out

The housing industry is in the crapper in most parts of the country. The sad sorry truth is that some areas will continue to plummet in value and only a few select areas will stabilize as the supply of houses gets absorbed.

No one is perfect in life and/or in business. We screwed up too!

When you make a mistake and you realize it, the best thing you can do is acknowledge it and make a course correction. So here it is!

In 2009, we bought bulk house packages all over the country. The prices seemed cheap enough and the cash flow looked good—at first. Embarrassingly, we bought houses in lousy neighborhoods, in declining markets that aren't coming back anytime soon. To our dismay, we found this information:

1. **Liberal eviction courts are in Detroit.** It cost a fortune to evict and can take over six months to get the courts to allow landlords to evict. The loss of rent, with high real estate taxes and insurance, destroy cash flow here. The tenants in Detroit are experienced with the court system. They know the courts insist on personal service for eviction, and you must try three times. The won't answer the door and you must continue to attempt to serve them which adds significant expense and time to an already bad situation. The only way to avoid this is simple: avoid Detroit.
2. **Mandatory home inspections in Michigan** – you can fix up a house very nicely only to have a county home inspector come in and tell you to rewire, replumb, and so much more. This has happened to several of our houses. The problem is these counties are broke and they charge fees and levy fines to produce revenue. Unfortunately, they drive out entrepreneurs by doing this.

3. **Excessive real estate taxes** – properties that we paid less than \$20,000 for had real estate taxes over \$4,000, and the city is broke and won't reduce them. We are, once again, writing about Motor City.
4. **Expensive homeowners insurance rates hurt** – In Detroit, they are over \$1000 a year because there are so many insurance claims. Heck, if I was an insurance company I would avoid this area like the plague.
5. **Old housing stock creates new problems** – It never ends when you buy houses over seventy years old. In fact, we won't buy anything that was built before 1978 due to the proliferation of lead based paint lawsuits.

The biggest problem with old housing stock besides lead paint are the problems you can't solve, for example the sewer and water lines to the house. Older cities like Buffalo, Cleveland, Pittsburgh and Detroit have sewer and water lines that are over 100 years old. These systems are broken down and leaking and the local governments don't have the money to fix them. Mark my words; in the years to come, people will move to warmer climates in the south for lower taxes, jobs, and lifestyle.

6. **Property management** - Clearly, the most important aspect of cash flow houses is the property management. It is difficult at best to manage from afar. We've had to calculate the cost to us to manage houses in twelve different states. The need for centralized management prompted us to move our property management team to Atlanta, which is the primary area that we buy houses for cash flow.
7. **Contractors** – this is part of property management and again, it is difficult to oversee rehabilitation in properties that are not within a one-hour drive from your office. You can always get contractors, but it is critical to your success to inspect their work prior to payment.

HOW WE'VE CHANGED:

Learn to live and grow as an investor not afraid to take risks



No one could have seen just how bad the market would get or the failed attempts by the federal government to stimulate the economy.

That's no excuse to hang onto houses in areas that will continue to die and perhaps never come back in our lifetime.

We are dumping houses in the Midwest and Northeast and taking what we can get and never going back there!

As a result of investing all over the country, we've settled in the Atlanta metropolitan area. There is enough information on our website to explain why we are here, but briefly:

- Low real estate taxes
- Low homeowners' insurance
- Pro-business state
- 75% of Fortune 1000 companies have operations there
- Transportation hub of the Southeast
- Baby boomers are coming
- Climate
- Newer houses in great areas
- High rentals
- Buy for a fraction of the cost to build

All this means that we are more likely to get safe, predictable cash flow here than anywhere else in the country.

We've moved our entire property management team there and have contractors at our disposal. We understand the area and find it easy to do business there with our plethora of sources to acquire houses.

To sum our feelings up on where to buy houses would be to state the following: "Buy where the demand for houses will continue to go up. There is no escaping the location of Atlanta, as being a premier place to buy cash flow houses." The late, great Jack Miller, the king of all seminar speakers in single family houses once said,

"The most money I made in real estate was due to appreciation."

Folks, that is what you need to know. Cash flow is great and provides a monthly income. Appreciation allows you to sell one day for a lot more than what you've paid for it.

Save a Fortune on Self-Directed IRA Custodians & Checkbook IRA or IRA LLC – Save a Fortune



It's no secret that self-directed IRA custodians make a tremendous profit on your business. There is no question that their service is invaluable to us as it gives us indirect control over our retirement accounts. But take a look at the typical fees they charge:

The typical fees are as follows:

1. Set up fee (\$250+)
2. Transaction fee (\$75)
3. Wire fee (\$30)
4. Notary fee (\$10)
5. Overnight fee (\$30)
6. Cashier check fee (\$30)
7. Annual valuation fee (up to \$1500 per account)

It's the annual valuation that kills me, as it is based on the value of your account. The more you make, the more they take. It feels like an estate tax imposed by the federal government. You work hard to make money, you are taxed through your life and then they tax you again if you've done well.

What most people forget is they also make a cash spread on your cash deposits.

How would you like to eliminate these unnecessary fees?

Of course you would. To have more money in your accounts, you need to make more money or pay less in expenses- just like a business. Let me introduce you to Joshua Sharp at CompleteIRA.com.



We did a webinar with Josh and once we understood exactly what he does we took action. CompleteIRA uses a self-directed IRA custodian that charges a flat annual fee of approximately \$250. That trumps anything you would get with the large custodians or administrators.

No one can get around the set up fees but that annual valuation fee is egregious and can be avoided by simply switching to CompleteIRA.

And it gets much better... read on:

You can eliminate all your transaction fees and keep any interest you might collect by using a checkbook IRA. But a checkbook IRA means setting up a complex IRA owned LLC, increasing the likelihood of a prohibited transaction. These LLCs can be hard to operate safely; not to mention, substantial annual fees charged in many states.

CompleteIRA, through their attorney Jay Douglas Swob, now offers the IRA Preservation Trust. It has the advantages of the LLC method with less risk and less cost. There are no state fees to pay or tax forms to file.

The IRA Preservation Trust will give your hand selected trustee checkbook control.

This is a cost saving, intelligent use of entities when buying houses or other income and growth producing assets in your IRA.

For more information, contact Josh directly at info@completeira.com or call him: (888) 252-5851.

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(continued from page 5) Josh and his team of experts have strategies you wouldn't have thought of!

Besides IRAs, they created solo 401(k)s, which absolutely give you- and I mean the owner of the account- checkbook control.

But what most people don't know are the tremendous benefits the 401(k) has over the IRA.

If saving your retirement dollars is important to you,

If increasing the value of your retirement account without paying exorbitant fees is important to you, Then give Josh a call or email today.

We hope you find this information useful.

Call me directly if I can clarify issues or you have a topic on real estate you would like to know more about.

Jim Case

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How do I know? We got crushed by a contractor in Charlotte, NC and one in Atlanta because we were not available to monitor their work, and they lied about finished items. This was an easy solve as we fall back on our old saying: "Don't expect what you don't inspect." Prior to payment, everything gets inspected.

8. **Values continue to decline** – In the Northeast and Midwest. Once you recognize something went wrong, you have to solve it. The best way to solve a bad house investment is to cut your losses **as fast as you can**.

The last person that told me they never made a mistake in real estate was a self-promoting guru that sells Turnkey houses in Las Vegas. He then told me about how he bought these "high end" properties way under value and was renting out the luxury suites by the week. Notice I said he *was*. He is not anymore as the city of Las Vegas created a moratorium on weekly rentals and he has to rent his luxury suites out for a minimum of one month at a time.

The only business people that never make a mistake are people that never do anything. And guess what? That's a mistake. Nothing ever happens without action. Being an entrepreneur means taking calculated risk. As entrepreneurs, we operate without a net and there is no one to pick us up when things go wrong except ourselves. The key to being a successful entrepreneur is to modify your business strategies and adapt to change. It doesn't matter what business you are in, the model continually changes.

Remember, it's a small line between entrepreneur and on to manure. Be safe and always analyze the downside and never get blinded by ROI that seems too good to be true. Use your common sense filter before investing.

9.

THANK YOU

For reading our newsletter and keeping up to date with us. If you have any questions or concerns or are interested in anything you read, our phone lines and inboxes are always open.

For more related articles on cash flow houses, retirement accounts, and asset protection, go to buycashflowproperties.escapeartist.com.

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