

Book Every Real Estate Investor Will Love

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By Ilyce R. Glink

A recent survey showed more young Americans are saving for retirement. Where are they putting their hard-earned dollars?

Some are funding their 401(k) plans at work to the max, and others are piling cash into Roth IRA accounts.

Young Americans are increasingly plowing retirement dollars into investment property — sometimes even before they buy a home as a primary residence.

In fact, a growing number of Americans, of all ages, have figured out that owning investment property not only acts as a hedge against inflation, but over time can dramatically increase one's net worth.

It's not surprising that a number of book publishers have jumped on the bandwagon, offering books that tell readers how to get rich by buying, selling, flipping, fixing up and renting investment property.

If you've decided to take the plunge, here's a quick look at some recent titles that may prove helpful as you begin your search for the right investment property.

One of the more interesting books that came out in 2003 is *Buy Low, Rent Smart, Sell High* (Dearborn, \$18.95), by Scott Frank and Andy Heller. Frank and Heller have full-time jobs as executives of huge companies, but together, have bought, rented and sold more than 100 homes, worth over \$10 million, in investment real estate.

What I like about the book is that Frank and Heller take a reasonable approach toward investment property. While they propose you buy your property for a low price, their experience has led them to finding deals from lenders rather than trying to browbeat a desperate seller.

When they tell you to ³rent smart,² they mean find solid citizens who are willing to do a longer-term rental, or a lease/purchase for your property. Likewise, ³sell high² doesn't mean you should aim for a sky-high price, but for one that is achievable and will turn a profit.

Frank and Heller apply six profit sources to each purchase: purchase a house for 10 to 20 percent below fair market value; generate a positive monthly cash flow; take the appropriate write-offs on tax returns; pay down the mortgage each month; if the renter on a lease/purchase needs more time, use it as an opportunity to raise the sales price; and,

pocket the lease/purchase option cash, if the renter decides not to go forward with the purchase.

If you're the kind of person who likes to fix things up, you might enjoy *Renovate to Riches* (Wiley, \$19.95). Mike Dulworth and Teresa Goodwin are married with separate, full-time careers. But they have earned hundreds of thousands of dollars in profit by buying homes, fixing them up, and selling them quickly to new buyers.

My favorite part of the book is the math. Dulworth and Goodwin suggest you buy a home, put between 10 to 20 percent of the purchase price into fixing it up, and then sell it at least twenty-four months after you purchase it so you can take up to \$250,000 or \$500,000 in profits tax free.

Over a five year period, a home purchased for \$225,000, renovated for \$25,000, would then be sold for \$415,000, for a profit of \$240,000. A home bought for \$315,000, renovated for \$66,000, would then sell for \$655,000 and a home purchased for \$380,000, renovated for \$88,000 would sell for \$897,000.

Perhaps this would be your experience, too, though it's worth noting that Dulworth and Goodwin live in Chicago, a city that has experienced average annual home value appreciation in excess of 5 percent per year since the early 1990s.

Dulworth and Goodwin do walk you through all the steps necessary to achieve your profit, from choosing the renovation that will pay back the most cash to landscaping your way to profitability. While it doesn't all work, there's enough here to keep a handyman or handywoman thinking about the next project.

Finally, Vernon Hoven, a certified public accountant (CPA) with a master's degree in Taxation, updated his classic book *The Real Estate Investor's Tax Guide: What Every Investor Needs to Know to Maximize Profits* (Dearborn, \$32).

The book takes an in depth look at many of the issues that come up when real estate investors buy and sell real estate, including 1031 like-kind exchanges (also known as Starker Trusts), passive loss rules, depreciation, office-in-home rules, and the tax implications of foreclosure.

Hoven loads up the book with easy-to-follow examples that illustrate the finer points of real estate tax, including how real estate depreciation recapture works.

The book, which is available at a substantial discount from Amazon.com, is a must-have for all real estate investors.

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