



## BUILDING WEALTH THROUGH INVESTMENT PROPERTIES

1



Being  
Rich  
vs  
Being  
Wealthy

4

"...being rich is having a lot of *money*, while being wealthy is having a lot of assets that *produce* money for you".  
Robert Kiyosaki.

- Rich people have a lot of money, while wealthy people have a lot of assets.
- Rich people often have to work hard to maintain their lifestyle, while wealthy people can afford to relax and enjoy their lives.
- The key to becoming wealthy is to focus on building assets, not liabilities.
- Time is the most valuable asset of all.

**Wealth is quiet.  
Rich is loud.  
Poor is flashy.**

5



6

### Typical conversations with investors



**Investor:** "I want a property that cash flows. Can you help me find one?"

**Investor:** "I'm interested in the property at 1234 Main Street. At that purchase price I need it to rent for \$2,900/mo."

**Investor:** "I want to create passive income."

**Investor:** "I can't seem to make this property that we went and toured 'Pencil out'."

7

### The Cash Flow Math

Income		Expenses	
Purchase	\$760,000	Prop Tax	\$309
Cash to Close	\$152,000	Ins.	\$166
Mortgage	\$608,000	*Mortgage Pmt	\$4,045
@7% =	\$4,045	Prop. Mgmt	\$453
Monthly Rent	\$5,900	Vacancy	\$236
		Maint/Repairs	\$340
		Total Exp.	\$5,549
	$\$5,900 - \$5,549 =$		
	\$351		
Cashflow/month			
= \$4,212/year			
$\$4,212/\text{yr} / \$152k = 2.8\%$ Return on my cash invested (cash on cash return)			

10

## Cash Flow is NOT everything

Example;

Purchase Price = \$400 Million

Down Payment = \$400 Million

Monthly Rent = \$100,000

Yearly Rent = \$1,200,000

**3/1,000% Return on Investment**



**You can make anything cash flow....  
if the down payment is big enough**

11

## 4 ways to make money in Real Estate Investing

- Cash Flow
- Appreciation
- Depreciation (Tax Savings)
- Equity Build-up through mortgage Pay-down

12

## Definitions

**Net Operating Income (NOI)**

**Cap Rate**

**Cash Flow**

**Cash-on-Cash Return (CoC)**

**Gross Operating Income**

**Gross Rent Multiplier (GRM)**

**Internal Rate of Return (IRR)**

**Capital Gains Tax**

**Leverage**

**CapEx**

**1031 Exchange**

**Appreciation**

**Depreciation**

**Equity**

**Total Return On Investment (ROI)**



13

## Definitions

**\$**

**Net Operating Income (NOI)**

– How the property performs –  
Rental income minus monthly recurring expenses  
Mortgage payment is not considered

**%**

**Cap Rate (ie. Return or yield)**

Return of the investment – Assumes property purchased with all cash – no loan.

**\$**

**Cash Flow**

– How your Down Payment performs –  
Rental income minus recurring expenses minus loan payment

**%**

**Cash on Cash Return**

Return of Cash invested – How your Down Payment performs



**How the Property performs**



**How the Cash invested performs  
(down payment)**

14



## Net Operating Income (NOI) & CAP Rate

Income		Expenses	
Purchase	\$760,000	Prop Tax	\$309
Cash to Close	\$760,000	Ins.	\$166
Mortgage	\$0	*Mortgage Pmt	\$0
@7% =	\$0	Prop. Mgmt	\$453
Monthly Rent	\$5,900	Vacancy	\$236
		Maint/Repairs	\$340
		Total Exp.	\$1,504
	$\$5,900 - \$1,504 =$ $\$4,396$ Cashflow/month $= \$52,752/\text{year}$		

How did the Property perform?  
 NOI = \$52,752  
 CAP = (NOI / Purchase Price) or  $\$52,752 / \$760,000 = 6.9\%$

15

## Cash Flow & Cash On Cash Return

Income		Expenses	
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$\$4,212/\text{yr} / \$152k = 2.8\%$  Return on my cash invested  
 (cash on cash return)

16

# Definitions

1% Rule  
Cash Flow

Gross Operating Income  
Gross Rent Multiplier (GRM)  
Net Operating Income (NOI)  
Cap Rate

Internal Rate of Return (IRR)  
Capital Gains Tax  
Leverage  
CapEx  
1031 Exchange

**Cash Flow**  
**Appreciation**  
**Depreciation**  
**Mortgage Pay-down (by your tenants)**  
**= Total Return On Investment (ROI)**



17

# DeFUNitions



18

20

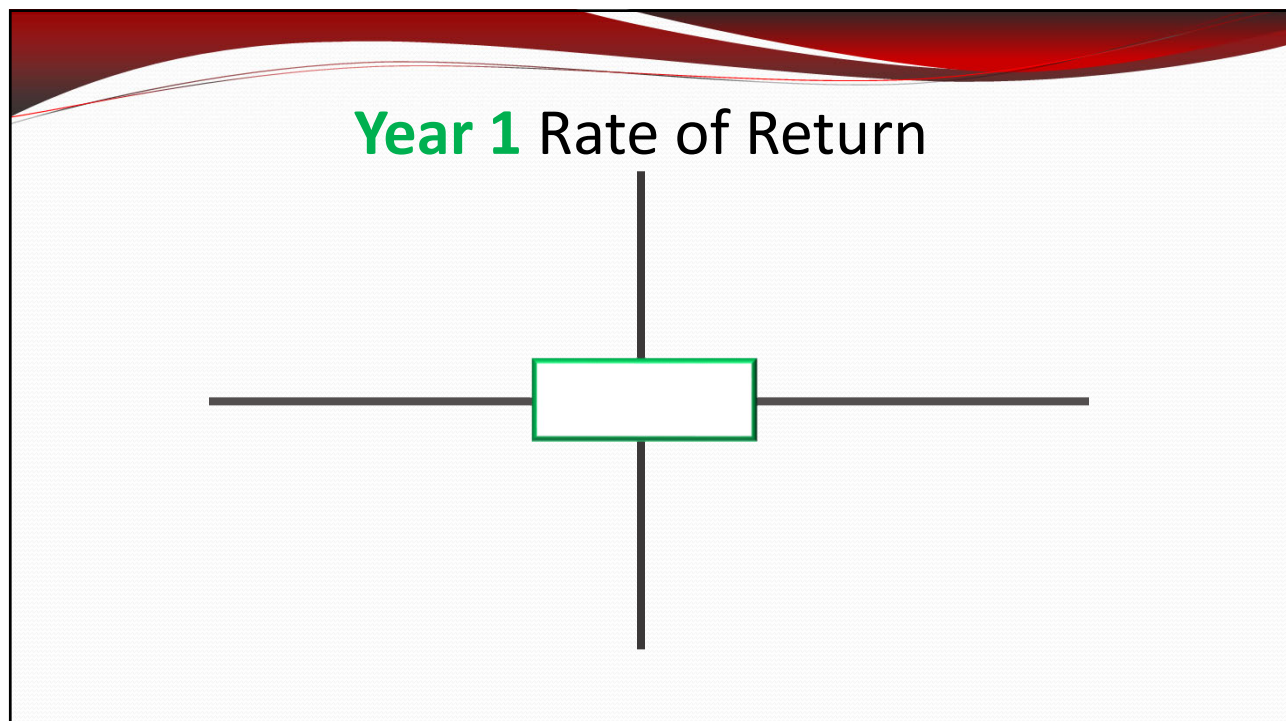




Fourplex  
Market Rent: \$5,900  
Year Built: 1958  
Purchase Price: \$760,000

A woman with long brown hair, wearing a white button-down shirt, is giving a thumbs up. To her right is a tilted rectangular frame containing a photograph of a fourplex building. The building is a long, single-story structure with light-colored horizontal siding and dark trim around the windows and doors. It has a gabled roof. In the background, there are trees and mountains under a blue sky with some clouds. The entire slide has a red and white wavy decorative border at the bottom.

21



22

## The Cash Flow Math

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	Cashflow/month		
	= \$4,212/year		
$\$4,212/\text{yr} / \$152\text{k} = 2.8\%$ Return on my cash invested (cash on cash return)			

23

## Year 1 Rate of Return

Cash Flow

2.8%

$\$4,212 / \$152,000$   
(Annual CF / Cash Invested)

2.8%

24

# Depreciation

## Assumptions

\$95,000/yr  
18% Tax Bracket

For residential properties we depreciate over **27.5 years**

Purchase Price: \$760,000

Land Value 15% / Building Value = 85%

\$646,000 / 27.5 yrs = **\$23,490.00**

18% tax on \$95,000/yr = **\$17,100**

[Adjusted Income] \$95,000 - \$23,490 = **\$71,510**

18% tax on \$71,510/yr = **\$12,871**

**Total Tax Savings = \$4,229**

**\$4,229/\$152,000**

**(Tax Savings/ Cash Invested) = 2.8%**



25

## Year 1 Rate of Return

**Cash Flow**

2.8%

\$4,212/\$152,000  
(Annual CF / Cash Invested)

**Depreciation**

2.8%

\$4,229/\$152,000  
(Tax payment savings / Cash Invested)

**5.6%**

26

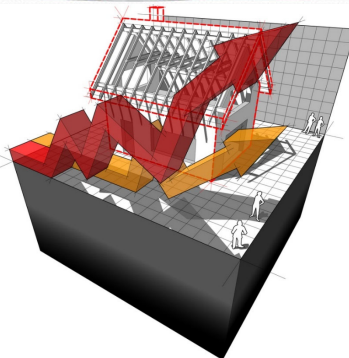
## Appreciation

- Purchase Price    \$760,000
- 4% appreciation    \$30,400

Value @ purchase = \$760,000

Value after YEAR 1 (4%) = \$790,400

Profit = \$30,400



**If the PROPERTY went up by 4% (or \$30,000),  
What did that do to the value of my \$152,000 CASH invested?**

$\$30,400 / \$152,000$   
(Appreciation (effect on cash) / Cash Invested) = 20%

27

## Year 1 Rate of Return

### Cash Flow

2.8%

$\$4,212 / \$152,000$   
(Annual CF / Cash Invested)

### Appreciation

20%

$\$30,400 / \$152,000$   
(Appreciation / Cash Invested)

**25.6%**

### Depreciation

2.8%

$\$4,229 / \$152,000$   
(Tax payment savings / Cash Invested)

28



## Equity - Mortgage Reduction

- \$608,000 Loan @ 7% • Monthly Payment = \$4,045 [Annual Payment = \$48,540]



Year	Interest	Principal
Year 1	\$42,364	<b>\$6,176</b>
Year 2	\$41,917	\$6,622
Year 3	\$41,439	\$7,101
Year 4	\$40,926	\$7,614
Year 5	\$40,375	\$8,165
Year 10	\$36,965	\$11,575
Year 15	\$32,131	\$16,409
Year 20	\$25,278	\$23,262
Year 25	\$15,563	\$32,976
Year 30	\$1,791	\$46,749

**Year 1, \$6,176**

Principle paid per year

Yr. 1: **\$6,176 / \$152K = 4.1%**

Yr. 5: \$8,165 / \$152K = 5.4%

Yr. 10: \$11,575 / \$152K = 7.6%

Yr. 20: \$23,262 / \$152K = 15.3%

Yr. 25: \$32,976 / \$152K = 21.7%

Yr. 30: \$46,749 / \$152K = 30.8%

Purchase \$760,000  
Loan \$608,000

Sold after Year 1

Purchase \$760,000  
Loan \$601,824

Down Pmt \$152,000  
Net Loan \$6,176

29

## Year 1 Rate of Return

### Cash Flow

\$4,212 / \$152,000  
(Annual CF / Cash Invested)

2.8%

### Appreciation

\$30,400 / \$152,000  
(Appreciation / Cash Invested)

20%

**29.7%**

### Depreciation

\$4,229 / \$152,000  
(Tax payment savings / Cash Invested)

2.8%

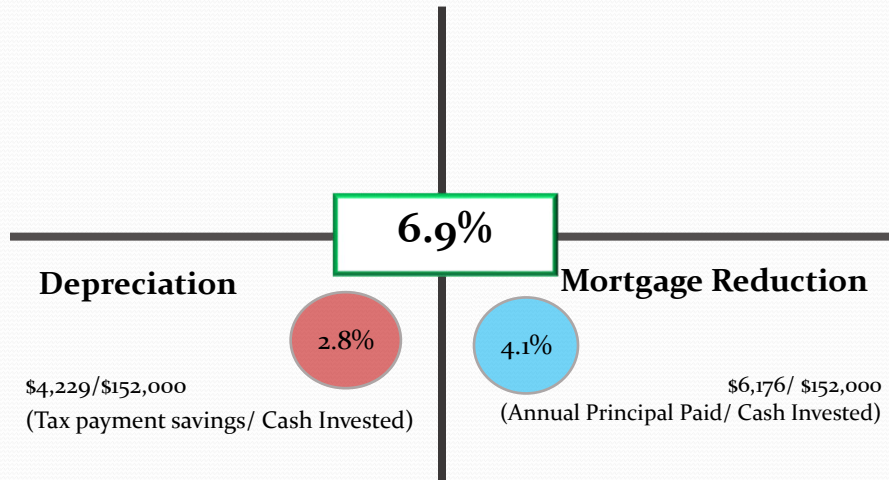
### Mortgage Reduction

\$6,176 / \$152,000  
(Annual Principal Paid / Cash Invested)

4.1%

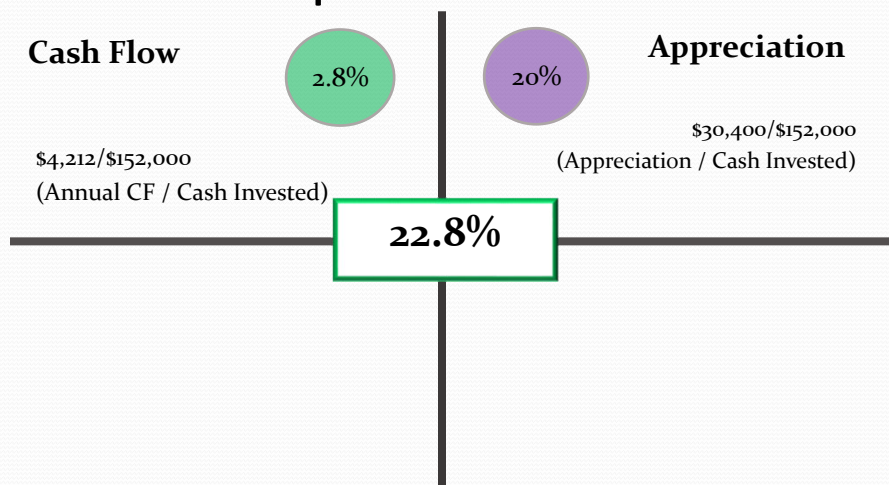
30

## Year 1 Fixed/Certain Returns

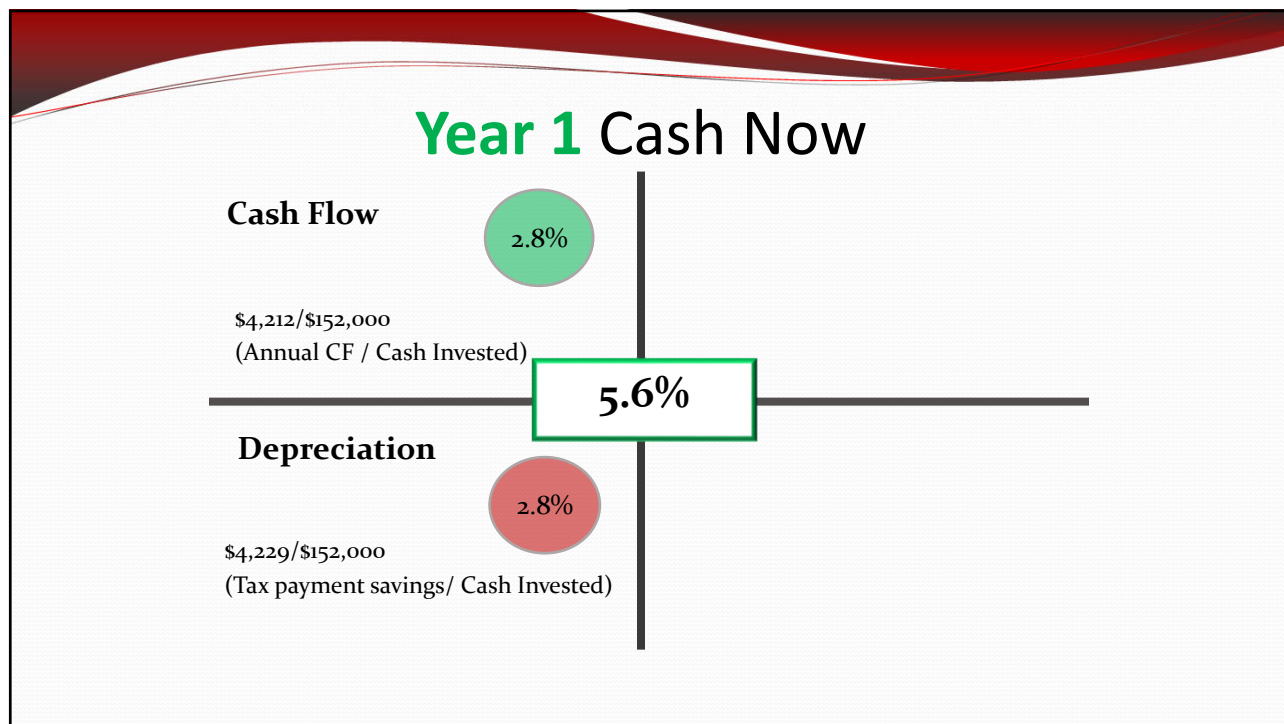


31

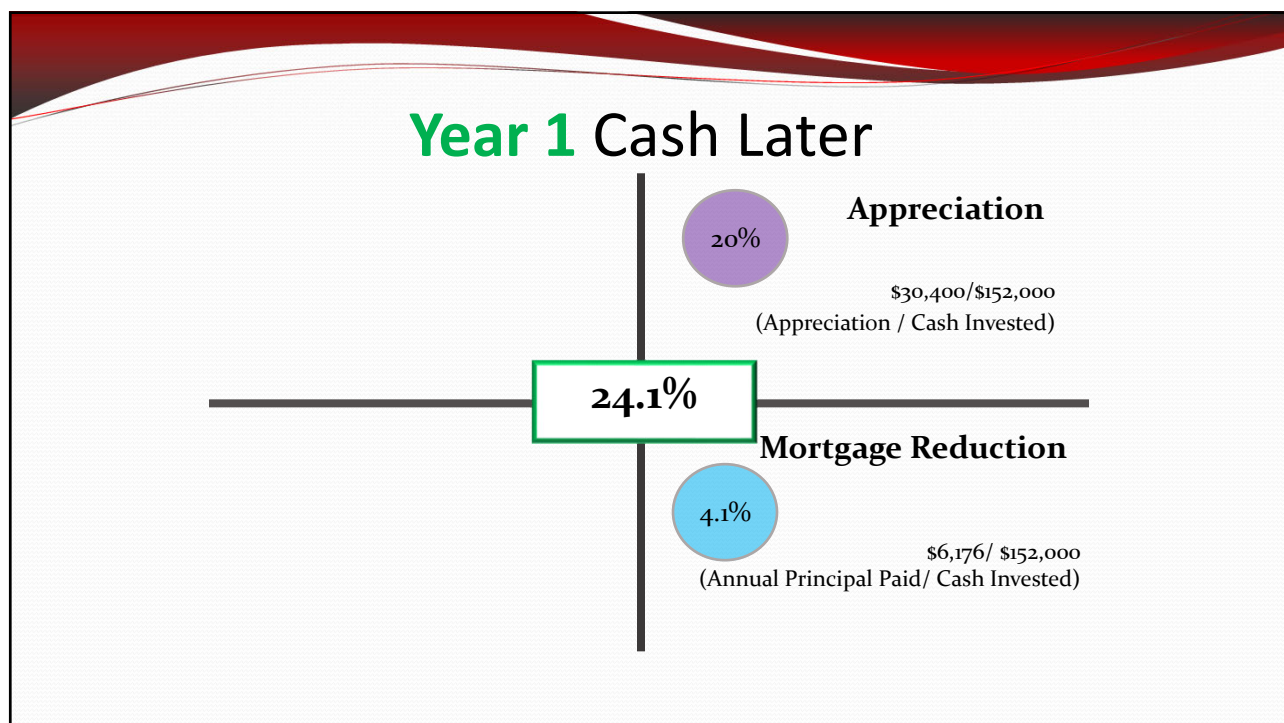
## Year 1 Speculative Return



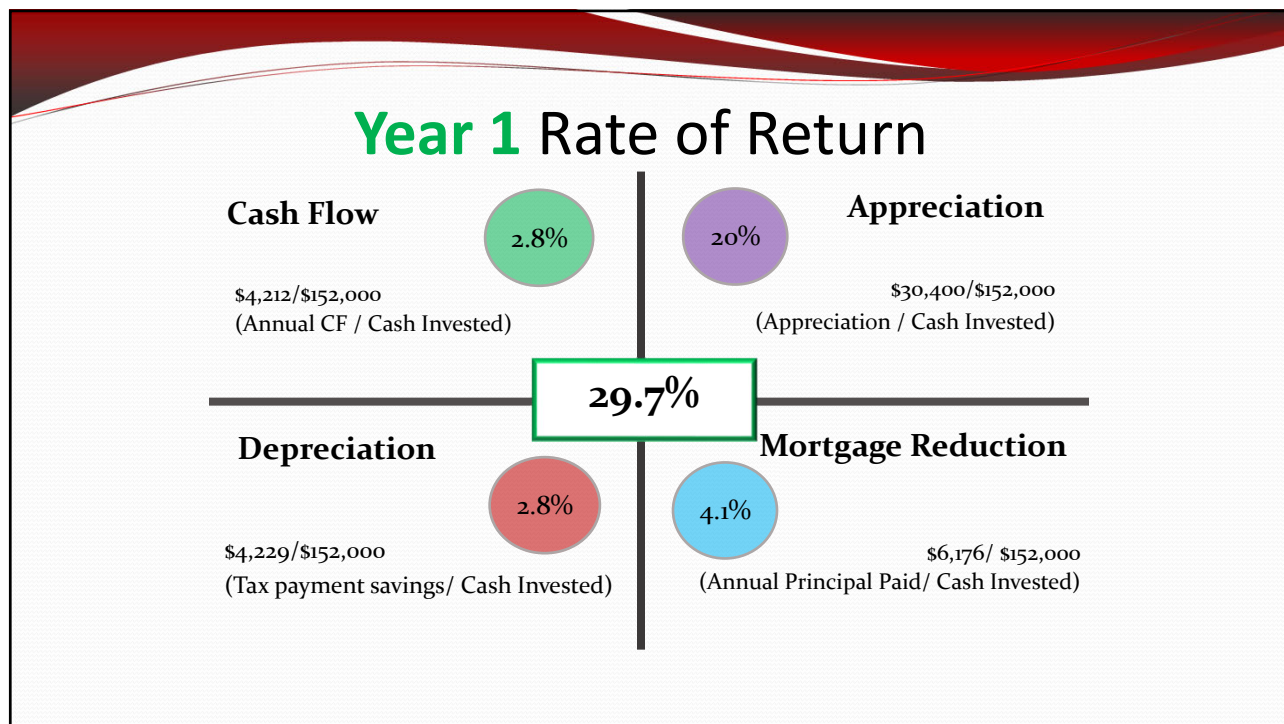
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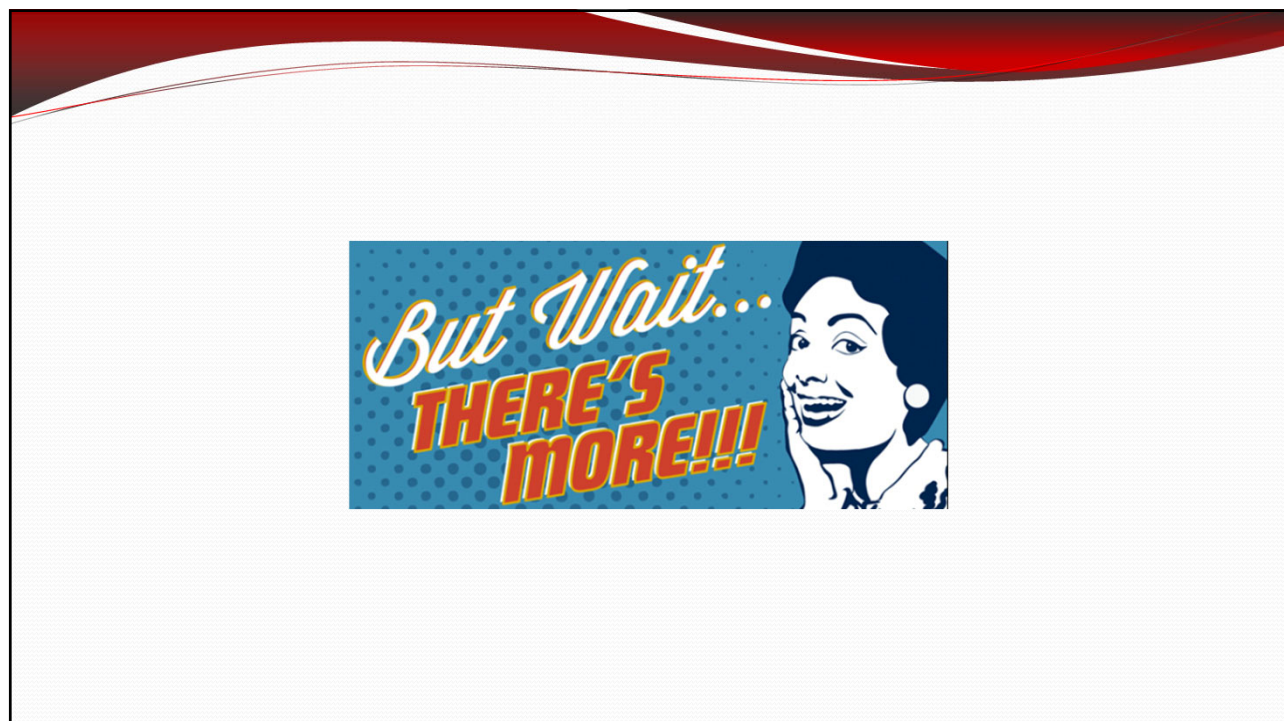
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34



35



36



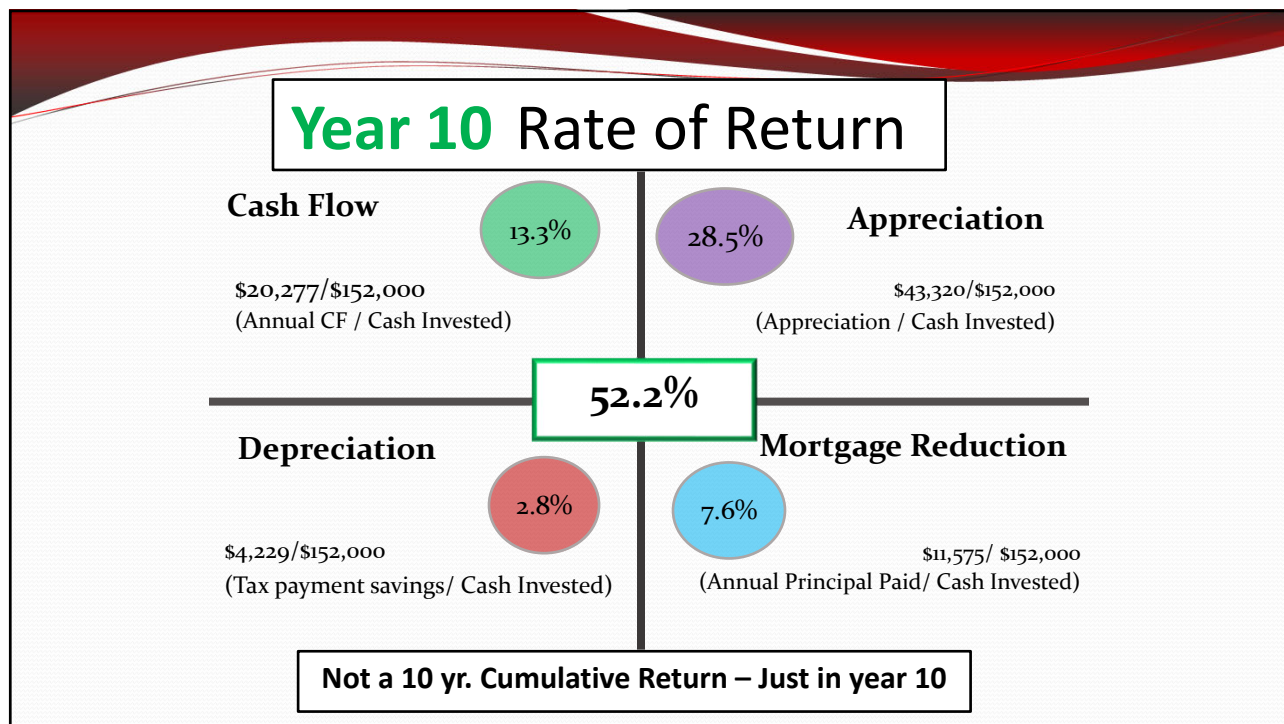


37

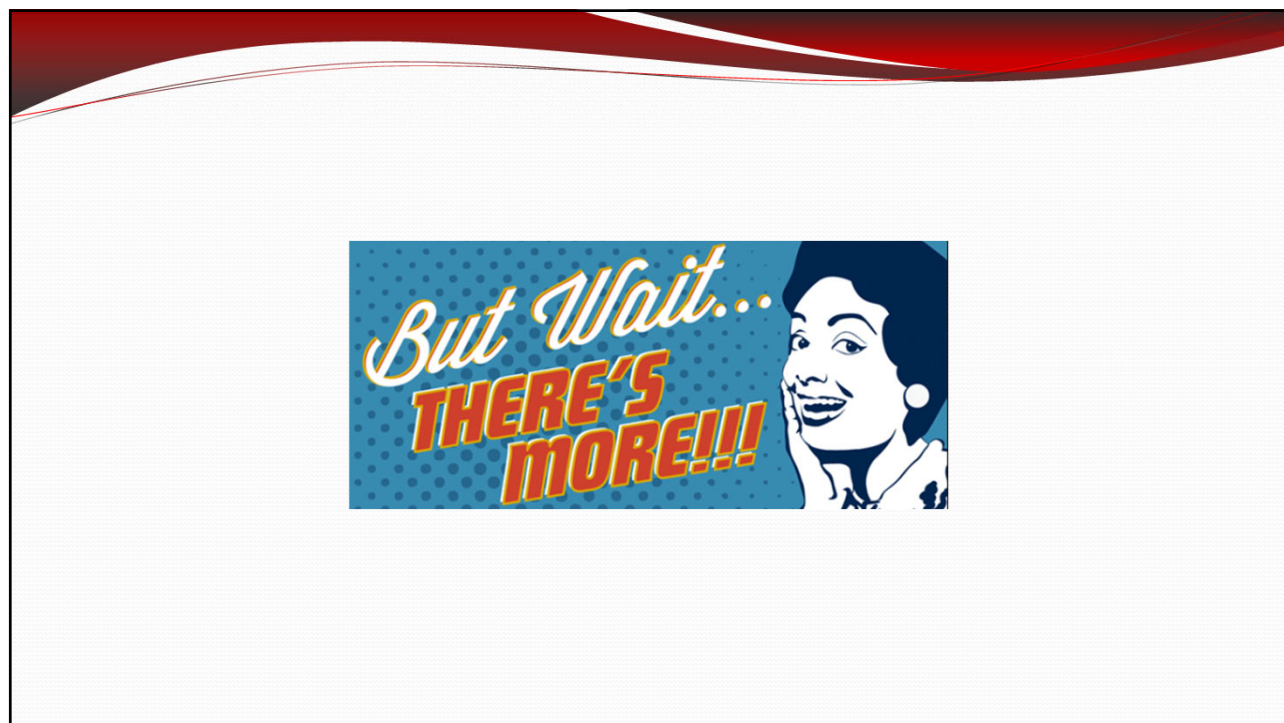
INCOME										
4.00%	Sale Price	\$ 790,400	\$ 822,016	\$ 854,897	\$ 889,093	\$ 924,656	\$ 961,642	\$ 1,000,108	\$ 1,040,112	\$ 1,081,717
	Sale Price OVERRIDE									
	Cumulative Cash Flow	\$ 4,202	\$ 9,986	\$ 17,400	\$ 26,493	\$ 37,315	\$ 49,917	\$ 64,354	\$ 80,680	\$ 98,952
\$ -	Ending Reserve Account	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	Extension Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENSES										
	1st Loan Amount	\$ 601,824	\$ 595,201	\$ 588,100	\$ 580,485	\$ 572,320	\$ 563,565	\$ 554,176	\$ 544,109	\$ 533,314
	2nd Loan Amount	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Initial Investment	\$ 152,000	\$ 152,000	\$ 152,000	\$ 152,000	\$ 152,000	\$ 152,000	\$ 152,000	\$ 152,000	\$ 152,000
	Option Fee Credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
0.00%	Sales Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ROI (w/out Cash Flow from Depreciation)										
	Total Profit	\$ 40,778	\$ 84,801	\$ 132,197	\$ 183,100	\$ 237,651	\$ 295,995	\$ 358,286	\$ 424,683	\$ 495,355
	ROI	26.83%	55.79%	86.97%	120.46%	156.35%	194.73%	235.71%	279.40%	325.89%
	Annualized ROI	26.83%	27.90%	28.99%	30.12%	31.27%	32.46%	33.67%	34.92%	36.21%
	Compound ROI	26.83%	24.82%	23.19%	21.85%	20.72%	19.74%	18.89%	18.14%	17.47%
	IRR		25.09%	23.71%	22.58%	21.64%	20.84%	20.15%	19.55%	19.03%
ROI (Return on Investment)										
	Appreciation	20.0%	20.8%	21.6%	22.5%	23.4%	24.3%	25.3%	26.3%	27.4%
	Cash Flow	2.8%	3.8%	4.9%	6.0%	7.1%	8.3%	9.5%	10.7%	12.0%
	Debt Paydown	4.1%	4.4%	4.7%	5.0%	5.4%	5.8%	6.2%	6.6%	7.1%
	Cash Flow from Depreciation	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
	Total ROI	29.6%	31.7%	34.0%	36.3%	38.7%	41.2%	43.8%	46.5%	49.3%
ROE (Return on Equity)										
	Appreciation	16.1%	13.9%	12.3%	11.1%	10.1%	9.3%	8.6%	8.1%	7.6%
	Cash Flow	2.2%	2.6%	2.8%	2.9%	3.1%	3.2%	3.3%	3.3%	3.4%
	Debt Paydown	3.3%	2.9%	2.7%	2.5%	2.3%	2.2%	2.1%	2.0%	1.9%
	Cash Flow from Depreciation	2.2%	1.9%	1.6%	1.4%	1.2%	1.1%	0.9%	0.8%	0.7%
	Total ROE	23.9%	21.3%	19.3%	17.9%	16.7%	15.7%	14.9%	14.2%	13.2%

**Year 10**  
Rate of  
Return

38



39



40

◆ Equity Capture

◆ Sweat Equity

&

◆ Hedge Against Inflation

41

Equity Capture

YOU MAKE YOUR MONEY

WHEN YOU BUY

Sold Price: \$780,000

Original List Price: \$800,000

DOM: 38

Entry Date: 07/22/2024

Time Under Contract: 31

Crossed/Under: \$10,000

Status: SOLD

Contract Date: 08/19/2024

Sold Date: 08/19/2024

Sold Terms: Conventional

NS/EW: 1530 N / 75 W

City: Sunset, UT 84015

County: Davis

Prop/Subdiv:

Tax ID: 13-101-0001

Zoning:

HOA Contact:

Short Term Rental: No

School Dist: Davis

Sr High: Clearfield

Type: Fourplex

Year Built: 1958

Tot Units: 4

Acres: 0.38

Back: 0.0

Water Share: 0.00

Garage: 0

Gas: \$0.00

Garbage: \$0.00

Other: \$0.00

Access Fee:

Additional Info: Sop, Air Conditioning; Sop, Gas Motors; Sop, Power Motors; Sop, Water Heaters

Amenities: Electric Dryer Hookup; Laundry; Hookups

Animals:

Has Solar?: No

Driveway:

Exterior: Brick

Exterior Feat: Porch: Open

Floor: Vinyl (LVP)

Garage/Park: Parking: Covered

Heating: Forced Air; Gas: Central

Utilities: Gas: Connected; Power: Connected; Sewer: Connected; Sewer: Public; Water: Connected

Inclusions: Microwave; Range; Refrigerator; Window Coverings

Exclusions:

Interior Feat: Dishwasher; Built-In; Disposal; Kitchen: Updated; Range/Oven; Free Stng

Landscaping: Full; Mature Trees

Lot Facts: Corner Lot; Curb & Gutter; Forced; Part; Sidewalks; Sprinkler; Auto-Fill; View: Mountain

Pool Feat:

Roof: Asphalt Shingles

Storage:

Tot Comm:

Terms: Cash; Conventional

Water: Cullinary


Window Cov: Blinds

Zoning: Multi-Family

Driving Dir:

Remarks: Check out this cash cow that has had most items updated - 4 ground level units with separate forced in backyards and covered parking under the carport. Updates include new LVP, new paint, new lights and fixtures, new doors, painted kitchen cabinets (new cabinets on unit D), new furnaces and 3 out of the 4 units have new AC units, new water heaters on 2 of the units, new base and case and doors. We have had great tenants over the years and these units have been easy to rent out. Great location close to Hill Air Force Base and easy freeway access. Buyer to verify all info!

Att Remarks: Please give 24 hour notice to view all units. 2 of the units are vacant and easy to show but may be filled within the week



Elm: Sunset

Other Sct:

Style: Side By Side

Possession:

Tot Sq Ft: 3,234

Frontage: 0.0

Irregular: No

Gross Op Income: \$0.00

Carport: 4

Elec: \$0.00

Maintain: \$0.00

Jr High: Sunset

Const Status: Btl/Standing

Tot Beds/Baths: 8 / 4

Side: 0.0

Yearly Occup: 0%

Gross Sched Income: \$0.00

Pkg Sp: 0

Water: \$0.00

Insurance: \$0.00

42

19

## Equity Capture

### YOU MAKE YOUR MONEY WHEN YOU BUY

- Property Value               \$800,000
- Your price                    -\$760,000
- Instant Equity               \$40,000

$\$40,000 / \$152,000 = \text{instant equity of } 26\% \text{ on cash invested.}$

### Why would anyone sell at a discount?

Divorce  
Death  
Job relocation  
Out of control owner  
Out of state owner  
Soured investor  
Too much debt

43

## Sweat Equity

100's of upgrades you can make to a property to improve the value

### First Impressions Count

- Create Another Bedroom
- Add a Bathroom
- Refresh Landscaping
- Upgrade Appliances
- Upgrade Windows
- Upgrade Kitchen & Bath
- Adding Storage/Shed
- Add a Fence (for pet friendly homes)
- Pressure Wash Exterior
- Knock Down a few Walls
- Covered Parking
- Add Parking
- LVP Flooring
- Paint
- Upgrade Lighting
- Upgrade HVAC
- Flexible Pet Policy
- Change Management
- Add Smart Home Technology
- Maximize under-stair space

44



# Hedge against Inflation

10 year inflation

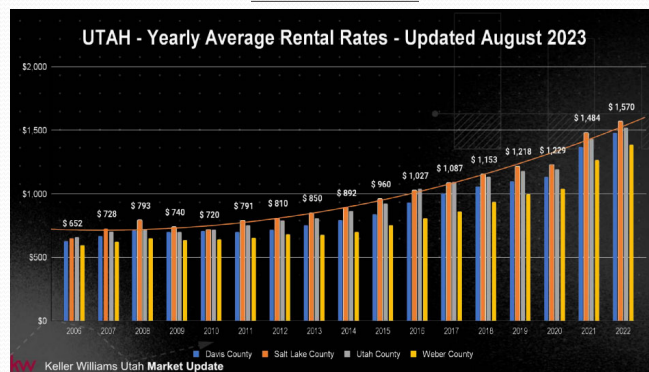


10 year avg. = 2.32% per year

45

# Hedge against Inflation

Annual rental increase rates over the same time period



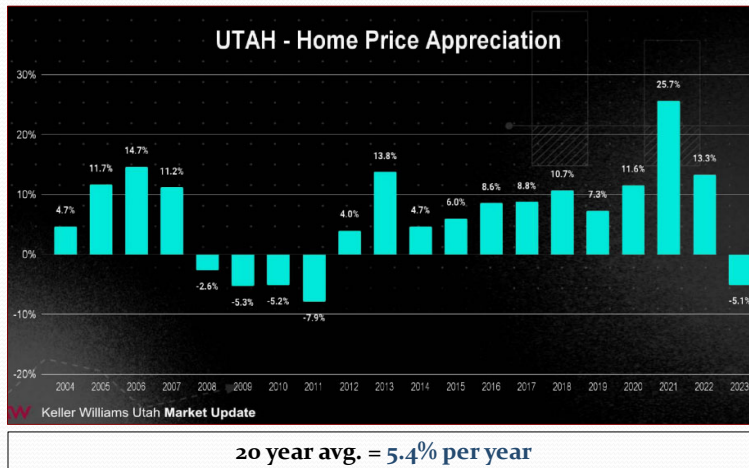
10 year avg. = 6.9% per year

15 year avg. = 5.2% per year

46

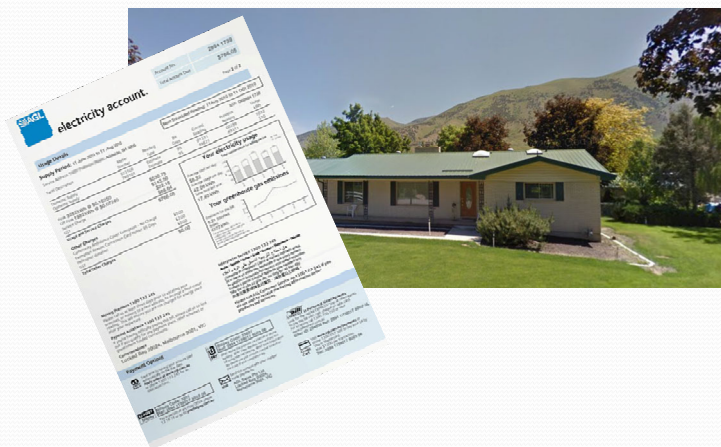
# Hedge against Inflation

30 Yr - Property Value Appreciation



47

# Hedge against Inflation



48

# What to do next?

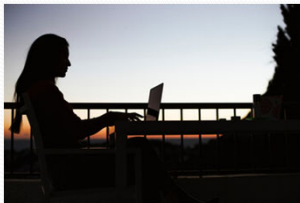
49

# 1

**Start Searching TODAY**

♦ **100** ♦ **10** ♦ **3** ♦ **1** ♦  
**Rule**

**Look at 100  
properties**



**To find 10 that you  
would like to offer on**



**To make offers on 3**



**To close on 1**



50

## Where to Search

Networking  
     Build your professional network  
     NU REIA  
     SLC REIA  
     UT REIA  
 Digital Marketing  
 Driving for Dollars /Door Knocking / Phone Prospecting  
     FSBO's  
 Real Estate Agents (That knows investments)  
 Browse Expired Listings  
 Online Databases  
 Other Investors  
 Probate Agents  
 Auction Sales  
 Search Public Records for Foreclosures  
 Wholesalers  
 Direct Mail Marketing  
 Start With Your Own Home or Family Member Home

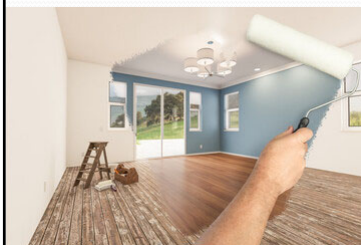
## Where to Finance

Conventional Mortgage  
 Seller Finance  
 Private Money  
 Hard Money  
 Tapping Home Equity  
 Cross Collateralization  
 Joint Venture Partnership  
     (working partner | money partner)  
 Lease Option/Purchase  
 Self-Directed IRA  
 Crowdfunding

51

# 2

## Find a Property with Value-add Potential

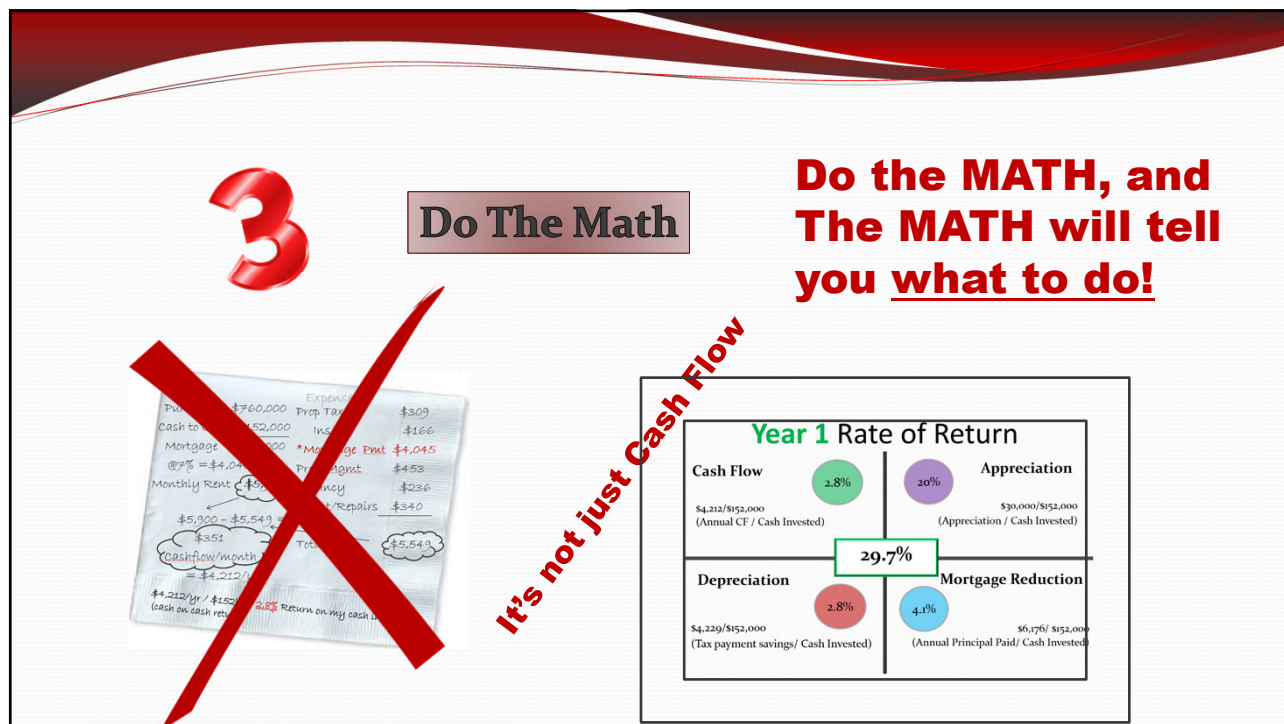


Get Creative in finding a  
Property With a Twist



52





53



54

## Review

- 1** Start Searching TODAY
- 2** Find a Property with Value-add Potential
- 3** Do The Math
- 4** Close
- 5** Repeat

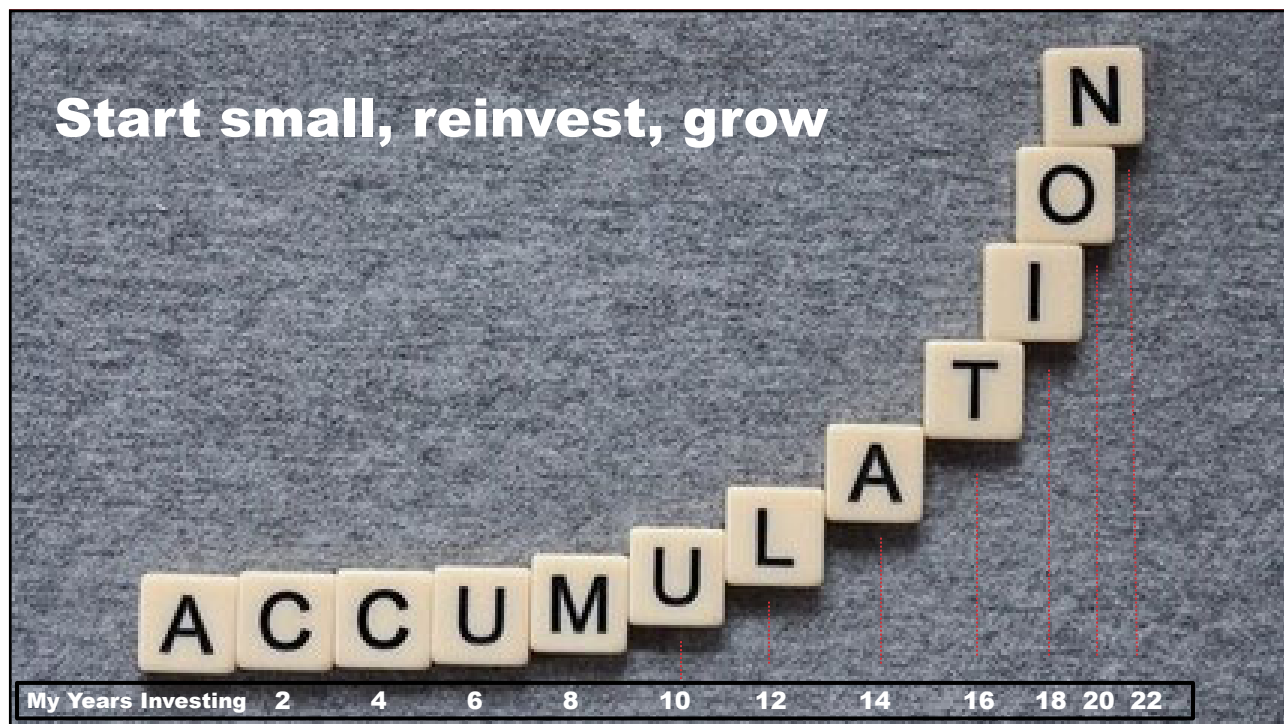
55

## Why Invest Now?

**Don't Wait to Buy Real Estate,  
Buy Real Estate and Wait**

The deal of the decade comes along about once a week.– Dolf De Roos

56



57

**Start small, reinvest, grow**  
It's a marathon, not a sprint

*Cody Reeder*  
435-770-9700

**Questions?**

58