

Invest in Oklahoma City



15 Years to \$2 Million Net Worth

By Professional Investor and Broker, Gary Lieber

Do you know of an investment that can give you a 100% return the 1st year? Real Estate can.

But what kind of investor gets 100% return?
What kind of investments are they buying?
And where can you find deals like that?

Would you believe me if I said it was a Landlord?
Not a flipper, not a rehabber, not a commercial developer,
just a plain ole landlord.

This guide will show you how being a landlord can create a \$2 million net worth and \$100,000+ per year income for life, in as little as 15 years.

This is not a get rich quick scheme, but a calculated investment strategy over time. After all, time is your biggest ally for building wealth.

Ask any experienced investor what their plan for success is, and you will get vastly different answers. Although there are many ways to be a successful real estate investor, this guide will only look at being a landlord.

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About this Guide

There are many types of real estate investments, and many different strategies to help you build financial freedom in real estate. This guide focuses on one sensible way to invest in real estate, becoming a landlord.

In this guide you will find a sensible plan for acquiring and holding rental property to create a \$2 million net worth in as little as 15 years. The information contained herein was independently gathered and researched by the author from years of personal experience in conjunction with various outside sources, such as County records, and other public information.

This guide will help you understand that you do not have to be a real estate mogul to invest in real estate and create long term wealth. This is a practical, self paced plan that can help determine your financial future. It is designed so that anyone with the desire and motivation, can truly build financial freedom or retirement from Real Estate Investing.

Let's take a look at what this guide will cover. All of these areas will be discussed to help you understand how being a landlord can create wealth:

- Truth about Real Estate Investing
- A sensible plan to Invest in Real Estate
- Golden Rules for Investing
- 20 Properties—The Magic Number
- 90/10 Financing

This guide talks about a 15 year PLAN for investing only. This guide does NOT cover:

- OKC Property Markets
- OKC Investment Markets
- Tax Values
- Property Values
- Resale Comps
- Rental Values

Information you can find in our other guides:

- How to use financing to buy for CASH
- Anatomy of OKC Residential Property
- Anatomy of OKC Residential Investment Market
- How to buy REO Property

The Truth about Real Estate Investing

Regardless of what you may read in all the “No Money Down” real estate investing courses, not every technique works in every area, or for every person. And some of them don’t work much at all, at least in my experience.

Example: You can try all the “No Money Down Techniques” you want it Edmond or Nichols Hills, and I’ll bet you don’t have much luck at all with that strategy.

Example: Some people buy pre foreclosures. But you may not be the kind of person who can call distraught homeowners and convince them to give you their equity.

Many courses are designed simply to help sell the material. This guide will show you a sensible plan of how it is really done. No fluff, no hype, just the facts. It was designed to help you buy rental property

To Invest in Real Estate you need:

- **Education**
- **Investment Plan**
- **Time**
- **Money**
- **Perseverance**

Real Estate investing is like any other investment in that, it’s about investing smart and managing your risk. Anyone can do it if they are willing to commit to it.

I view landlords as the “Mutual Funds” of real estate investors, and here’s why. They buy property on a continual basis until they reach their goals. They have preferred target areas of interest, but are likely to be diversified in rental markets around the Metro area. They have up years, and down years, but they steadily gain value over time and eventually reach a point that the value of their assets far exceeds their contributions. Basically that means that the investment has grown large enough to replace their income for life. And that, obviously, is all of our goal for retirement.

Mutual funds and other investments can do the same thing if they are managed well. But the difference between Stocks & Mutual Funds and being a Landlord, is the fact that you can use leverage to invest. Any time you borrow money against Real Estate, that is Leverage. Let’s look at some examples to help you understand why I believe real estate is the best invest-

Let's say you spend the next 3 years putting \$100,000 into mutual funds and then stop contributing. Let's say your mutual funds average a 12% annual return, which, over time, is pretty good. After 12 years you will have about \$400,000 and an annual income of \$48,000 if you decide to take the interest it earns at that point. Keep in mind that once you retire, if the stock market slips and your return goes down, so does your income. How can this help you if the entire stock market falls like it did after 911? It can't!! What kind of income will you have from your investments if this happens again? Little to none. Doesn't sound very secure does it?

Now let's look at the Landlord. A Landlord is not susceptible to a down stock market. When the economy is slow, fewer people buy homes, and MORE people rent. That sounds like a more secure investment to me. Here is how I look at it. If the economy ever gets so bad that you lose all the value in your real estate, then the bottom will already be out of the stock market and we America would be busted. Since that has never happened, I don't expect it to happen anytime in the future. Even through the Great Depression, America still bounced back and people continued to make millions in real estate.

The stock market has crashed again and again, people have lost fortunes, companies have folded and stolen pension funds, and left employees holding an empty bag. We have seen it all. Did you ever hear of anyone stealing a pension from a landlord? No, of course not, because a landlord OWNS and CONTROLS his own pension fund.

If you make a poor investment in the stock market, do you think it is likely to correct itself over time? Maybe or maybe not. Real estate can and does. The day you buy a rental property should be the lowest cash flow you ever get from it. Rents go up and your mortgage goes down, so it only gets better over time. That's just another reason why Real Estate, in my opinion, is the best investment on earth.

Over 60% of the world's millionaires use Real Estate to get there. Why can't you? You can, and you should!! If you want to own a piece of the American Dream, it only makes sense to buy real estate and own a piece of America itself. Real estate is unique because you can borrow money to buy it.

Try going to your bank and ask to borrow money to invest in the stock market. What do you think they will say? You may never know, because chances are, you will leave the bank before they ever stop laughing!! But no one laughs when you ask to borrow money to buy real estate. They will even get you a cup of coffee while they process your application! That really says something, don't you agree?

15 Years to \$2 Million Net Worth

Real estate investing is safe, secure, and insured against catastrophe or loss. No other investment in the world can be leveraged the way real estate can. Why is leverage so important? What if you could buy \$1 million worth of stocks or mutual funds for only \$100,000. The stock goes up only 10% and is now worth \$1,100,000. You have doubled the money you invested. That would be great wouldn't it?

That is EXACTLY what you do with real estate. When you buy a \$100,000 property, you don't have to put up the full \$100,000. Usually you will only have to come up with 10-20% or less, depending on your financing situation. So that puts the odds in your favor 10 to 1. It's like picking a winning race horse day after day. This is the power of leverage. It is very important to understand the power of leverage because it is a key to creating wealth in real estate.

There are short term and long term benefits of using leverage to invest in real estate. Is it better than buying using all of your cash? Absolutely it is, because you can buy MORE property, that is a short term benefit. And the property goes up based on the value of the property itself, not the amount of money you actually invested, that is a long term benefit.

Yes you are paying interest on your mortgages, but still, the ability to buy more property FAR out ways the cost of borrowing the money. Lets refer back to the RULE OF 72.

The national average appreciation is about 6%. Divide that into 72, and you see that it will take 12 years for your property value to double at that rate. Not only 12 years, but EVERY 12 years. That means that a \$50,000 property purchased 24 years ago is likely worth \$200,000, and will be worth \$400,000 in another 12 years. What did the property have to do to gain all this value? Nothing, simply exist.

I spend a great deal of time researching county records on property. You can't always get a valuation for previous years but you can see the tax bills in Oklahoma county, and they just so happen to go back exactly 12 years. Tax valuations are based off of property values so the tax valuations generally increase at about the same rate as the property values.

I encourage you to go through the county records online and try this. You will find out very quickly that I am right on target with what I am telling you. All of the tax valuations I see from 12 years ago are usually less than 1/2 of what they are today. That means that the property has doubled in value over the past 12 years. You may find some increases to be much higher in desirable areas or due to dramatic improvements to the property itself, but over all it is pretty accurate to use 6% when looking at Oklahoma City growth.

There are always other factors that will deter or increase growth rate, and careful choice of your market will help stack those in your favor. I think OKC is poised for great things over the next 10-20 years. Our city is growing, revitalizing, and improving the quality of life by all the expansion projects that create new jobs and attract new business, like Bricktown, the River Parks Projects, and the relocation of I-40 still to come. It's a great place to be and a great place to invest.

Investing Plan

.I am going to give you one of my plans for successful investing. It is important for you to do your own research and determine the best investment plan for YOU.

Here are some of the criteria I require for my rental properties:

- 2-3 bedroom homes at least 1000 SF
- Average or better neighborhood
- Prefer brick or masonry construction
- Minimum rental of \$600 per month
- No more than \$50K invested per property
- Minimum repaired value of \$60K

Why so specific? Why not 1 bed homes? Apartments? Duplexes? Those do not fit into my target market (demographic).

Here are some reasons why:

- 1 bed homes are harder to rent or sell
- Apartments and Duplexes will only sell to Investors
- Apartments require much more maintenance
- Single family homes are easier to finance
- Tenant turnover is lower for single family homes
- You can sell single family homes to your tenants on terms, or quickly to investors

I want the flexibility to sell any of my properties if I have the need. This can be done quickly and easily if you own property that appeals to the largest segment of buyers. The largest segment of buyers are looking for 2-3 bedroom homes in good neighborhoods. Owning this type of property gives you the quickest exit plan should your situation change, should you need to relocate, or for any other reason, if you need to sell your property.

Improvements you do the single family homes will generally net you more profit in the end than those same upgrades to apartments or duplexes. Keep in mind that investors are the ones buying apartments and duplexes, and as investors, we always look at the bottom line. Unlike homebuyers, there is nothing emotional about our purchases. A homebuyer will buy a property if they like the neighborhood, the schools, the kitchen, the back yard, or for many other reasons that appeal to their family living. Investors don't really care that you have improved the property if you have not improved the cash flow to match. If you improve an apartment built in a lesser neighborhood, you may not be able to increase your rents enough to offset the cost of the improvements. An investor will not pay you what the improvements are worth when you go to sell, if the cash flow is not there to support it.

Don't get me wrong, apartments and duplexes can be great investments. People make money with them every day. That is just not MY market. I think that single family homes are the bread and butter of this business. You have a lot more selection to choose from, and can usually find good deals in the neighborhoods you desire to be in, if you are patient.

Here is the advice that I give all of my clients. Spend some serious time driving neighborhoods that you think you may want to invest in. Take an atlas of the city with you and use colored pens, markers, or highlighters to outline the areas you like. As you drive around, you will quickly start setting boundaries for areas you like or don't like. Mark them down on your map. Put a large map on your wall at home to transfer your notes after each trip.

20 Properties, the Magic Number

20 Properties is the Magic Number. Now let's start breaking this down so you can see how it all works. Remember my criteria. I don't want to invest more than \$50,000 per property. That means that I can buy 20 properties for \$1 million. Hold onto them for 12 years and their value will double at 6% appreciation. So if it takes you 3 years to acquire them, and you hold them for 12 years, then you will have reached a property value of \$2,000,000 in just 15 years. This is all the property that you will need to buy to meet this goal. Not 100 properties, just 20.

As your tenants pay you rent, you pay your mortgages, and the balances go down over time. I recommend that you finance your properties for 15 years and use your extra cash flow to pay them off early if you are planning for retirement. You should use tax deferred vehicles to hold your investments such as trusts or IRA's. You can use 1031 exchanges to keep your tax deferred status and upgrade your investments. Once you have your 20 properties, you can certainly use your position to upgrade to larger investments, or increase your portfolio with more property, if you so choose.

Numbers

It's time to look at some numbers now so you can visualize how this investment strategy will play out over time. This scenario assumes that you will use 90/10 financing, which is a fairly common product. This means that you will have to put up 10% of the money. That is a factor of 10X your investment. That means that if you use \$100,000, you can buy \$1,000,000 worth of real estate. This equates to 20 properties at \$50,000 each.

Buying single family homes also affords you the ability to take it in smaller bites. If you plan on buying \$50K properties, you can do it for around \$5000 out of your pocket with a 90/10 loan. This keeps things in the perspective of one deal at a time, but you will have a lot of repetition. If you plan to acquire 20 properties over the next 3 years, you will have to buy at least 6 per year, or one property every other month. This is a pretty good pace but should give you the time you need to get the properties up and running.

It takes about 30 days to close on a property once you put it under contract. If you close on one this month, then you can be working on it and looking for a tenant at the same time you are looking for your next property. You will have 30 days to close once you find the next one, so you should be finished with the current property you are working on by then.

Please hear me when I tell you that this is a lot of hard work. You will have to deal with inspectors, contractors, agents, title companies, and tenants all at the same time. You should setup a home office and keep good records of every penny. If you are not an experienced accountant I do not recommend that you do your own taxes, especially if you have never filed business taxes before. There are simply too many laws and regulation changes, so leave that to a professional.

Buying

- **20 Properties at \$50,000 each = \$1,000,000**
- **6% appreciation will double value in 12 years**
- **\$2,000,000 property value after 12 years**
- **\$1,000,000 net increase in value**

The goal is to pay off your property in 15 years and have a \$2,000,000 net worth in investment real estate.

Financing

- **Using 90/10 Financing = 10% of Purchase**
- **\$5000 = 10% investment on \$50,000 property**
- **\$100,000 will buy \$1,000,000 property**

There are many other ways to finance your investments. Some other methods of using 100% financing to buy for all CASH are discussed on my guide, "Using Financing to buy for CASH." This will show you how you can invest using none of your own money, and still get CASH deals.

Analyzing your Investments

We offer a specially formulated investment calculator designed in Microsoft Excel to analyze potential investment properties. It incorporates standard yearly expenses for rental property, calculates down time, financing, values, cash flow, and more. If you have never had rental property then I recommend you use this to become familiar with the standard expenses you will with rental property. If someone is asking \$60,000 for a property that rents for \$600 per month, this is too high in my opinion. Although it is true that your cash flow increases over time, I do not believe in buying zero cash flow or negative cash flow properties. If you take your time you can find the deals you really want.

Cash Flow

My minimum cash flow requirement for a rental property is \$100 per month. I am talking about NET cash flow. That does not mean that my mortgage payment is \$500 and the rent is \$600. That does NOT equal \$100 per month cash flow. You have to deduct all of your standard expenses, mortgage payments, vacancy rate, management cost, taxes, insurance, book keeping, and etc., from the yearly gross rents and divide by 12 to get your net monthly cash flow. I will show you some examples on the next pages.

The bottom line is to generate \$100 per month cash flow from each rental property you own. When you have 20 rentals, your cash flow will be \$2,000 per month. Now lets say you spend the next 3 years and get 20 properties under your belt. You now have an income of \$2,000 per month that no one can ever take away from you. And it only gets better from there because rents will increase

Over time. Inflation goes up at a rate of 3-5% on average each year. If you follow this increase with your rent, then you will have a 15-20% increase in rent every 4 years. That means that a property you purchase and rent today for \$600 per month, will demand a rent of \$690 in 4 years. 4 years later it will go up to \$795, 4 years later \$925, you get the picture. So your rent will increase over time from \$600 to about \$900 in 12 years. This takes your cash flow from \$100 per month to nearly \$400 per month for each property you own. If you own 20 rentals today and cash flow \$2000 per month then in 12 years your cash flow will be about \$8,000 per month. Not bad considering all you have to do is maintain the property and keep it rented. What would you do with \$8,000 per month income? Quit your job? Buy a new house? The answer is, what ever you want to do, because now you have the freedom to do it.

Cash Flow Increase over Time

20 Properties at \$100 cash flow each = \$2000 per month today
4 years late with 15% rent increase = \$3,800 per month
8 year later with 15% rent increase = \$5,800 per month
12 years later with 15% rent increase = \$8,000 per month
15 years, 15% increase, mort payoff = \$16,000 per month

After 15 years, if you have paid off all of your properties, your income at that point will be over \$175,000 per year from your rental property. Keep in mind that rents will continue to go up over time and so will your income.

Now stop for a minute and let this sink in. I don't know many people that can't retire on \$16,000 per month income. This is not rocket science here people, this is a practical, reachable goal for buying investment property. I think anyone can do it that will commit to their goals. Even if you never buy another property after your first 20, you will still retire a millionaire and the means to take care of your needs and replace your income.

No one can steal your pension, no one can fire you or decide that your position is no longer needed, no one can ever dictate your future again. Doesn't that sound like a better deal than corporate America? You can do it if you are determined to be successful. You can get all of the hardest work done in the early years of your investments. Yes it takes a ton of work to buy, fix, and rent 20 properties over a 2-5 year period. But once you have them all up and running, the biggest part of the job is done. All you have to do then is manage your investments, maintain your properties, and keep your tenants happy. The real estate will take care of the rest.

I don't know about you, but I'm all for having my money work for me, instead of me working so hard for my money. This is something we would all like to have, and it is very attainable with real estate. Landlords are the Mutual Funds of Real Estate Investing.

Example Investments

Now its time to look at some investment examples. I use this as my template for success. If you use my calculator you can play around with all kinds of variables like interest rates, rent rates, property values, expenses, and etc. Here is my model property.

Idea Investment Property Calculator

Property Address	Asking Price	\$ 47,900.00
	123 Anywhere Street	
	SF Purchase Price	\$ 29.19

Property Data	Purchase Price	\$ 43,110.00
	Total Square Feet	1477
	Repair Cost per SF (\$5 for Rental \$10 for Rehab)	\$ 7.00
	Total Repair Costs	\$ 10,339.00
	Rent Rate	\$ 650.00
	Comparable Sales SF Price	\$ 48.00
	Taxes (per yr.)	\$ 278.00
	Holding Time/Down Time for Repairs (Months)	2
	Cost of Management (10% Average)	0.00%
	Real Estate Commissions to Sell (6% Average)	0.00%
	Mortgage Interest Rate %	8
	Mortgage Term in Months (30 years = 360)	180
	% Cash Invested (90/10 = 10%, 80/20 = 20%)	20.00%
	Current Market Value (Repaired)	\$70,896.00

Utilities & Expenses

Water/Sewer	\$ 35.00
Trash Removal and Cleanup	\$ 350.00
Advertising	\$ 200.00
Electricity	\$ 100.00
Gas	\$ 75.00
Lawncare	\$ 25.00
Other Expenses	\$ 25.00
Total Expenses	\$ 810.00

Rehab Cash	Profit	\$ 14,314.22
	Return	25.30%

Rehab Financed	Profit	\$ 12,227.62
	Overall Return	20.84%

Rental Cash	1st Year Monthly Cash Flow	\$ 450.02
	Monthly Cash Flow	\$ 517.52
	Rental ROI	11.51%

Rental Financed	1st Year Monthly Cash Flow	\$ (42.09)
	Monthly Cash Flow	\$ 95.71
	Rental ROI	10.41%

This property is a good investment for a basic landlord, in my opinion. It has criteria that I look for in rental property:

- It is in my demographic area
- It is in a average or upcoming neighborhood
- It has cash flow value of \$100 per month (after the 1st year)
- It has rehab potential at the end of its cycle and will realize profit if I sell
- It has equity or potential equity, which comes with the property
- Property values are increasing above average in the area
- It has great potential to sell to a tenant buyer on terms

Our calculator will help you take all the guess work out of looking at your investments. I have spent dozens of hours formulating and perfecting it so that it accurately reflects true life investments including all of your standard yearly expenses.

100% return in your First Year

How can this be possible? 100% return? Yes is it possible and Landlords get to enjoy this type of return every day when they purchase property. Here is how it can be realized. If you are a savvy investor then you are more than likely going to get some equity when you purchase the property. All of the property I sell usually has equity in it, unless you are strictly buying cash flows in lower resale areas. Let me show you a modest example.

Let's say you buy a house for \$40,000 and put \$10,000 in repairs. You have only put up 10% or \$5000 of your own money. If the property has a current value of \$60,000 after repairs, then your \$5000 down payment has just bought you \$10,000 worth of equity. That is a 200% return on your cash investment. Let's break it down.

Purchase Price	\$40,000
Repairs	<u>\$10,000</u>
Total Investment	\$50,000
Property Value	\$60,000
Total Investment	<u>\$50,000</u>
Your Equity	\$10,000
Your Cash Investment	\$5,000
Divide by your Unrealized Equity	\$10,000
Your Unrealized Return	200%

You can see in the previous example that you can definitely get 100% of your investment back or more, in the way of equity when you purchase the property. Yes this is an unrealized return until you sell the property, but it is an asset just the same as cash. You will not make any money if you try to sell and get your equity right away because of commissions and closing costs. Instead, you just tuck it away and save it for a rainy day.

In just 6 years your property could be worth about \$90,000 and you can refinance and get access to your equity completely tax free in the form of a loan. In theory you could continue to do this with all of your properties every 5 to 10 years. The increase in rents will carry the increase in mortgage payments from the refinance. It would be as if you just purchased the property, except the fact that you may have pulled out \$25,000 or more equity from your property. You have the option to do it any time you need to get to your equity. Just think of it as a savings account for every property you own.

Now here is the reality. If you are a savvy investor and you only buy properties that have \$10,000 equity in them to start with, then you are out of the gate with a \$200,000 equity gain on 20 properties that you purchased using only \$100,000 of your own money. Do you see where this is going? You have made it all back the first year and more.

Now let's go back to the scenario of the 12 year investment. How much more do you think your property will be worth if you buy it and put it into service for \$50,000 and you have an immediate property value of \$60,000? Your initial equity will net you about an extra \$20,000 property value at the end of 12 years. You have to love Real Estate!! It is truly the best investment on earth

Now Let's Recap.

- **Spend the next 2-3 years acquiring 20 rental properties for \$50K each**
- **Buy them in a way that you have \$10,000 potential equity upfront**
- **Maintain your properties and keep them in good condition**
- **Rent them at market rates and take good care of your tenants**
- **Increase your rents with the pace of inflation 3-5%**
- **Try to pay them off in 15 years if possible**
- **Retire with a net property value of about \$2,400,000**
- **Retire with a monthly income of about \$16,000**
- **Enjoy your Retirement!!**

Now that you have a clear understanding of how it can be done, it's time to get out there and do it. If you have money in a 401K or IRA, you can use it to buy real estate. If you have a ROTH IRA, then you can do ALL of this completely tax free for the rest of your life, and your IRA will hold the property in trust. This method of property holding is untouchable by probate, and is an excellent way to hold property and shelter yourself from taxes. I will give you some references on the back page of people who can help you with all of your investment needs. Happy Hunting and Good Luck!!!!

In Closing

I hope that you have found this guide to be helpful. I tried to give you information in a way that is easy to understand and digest. If you are an investor in the Oklahoma City market, then I would like to help you reach your investing goals. Please feel free to contact me anytime for assistance. Thank you for your purchase of this guide. Please check the website regularly for live property deals.

www.okcinvestors.com

Investing Tools

Here is a list of people and websites that can help you with your investing career. Please take some time and check these out. You can also find these links on the website.

Web Tools

www.zillow.com

Property valuations & Maps

www.googlemaps.com

Property Maps & Satellite Images

www.mapquest.com

Property Maps

www.yahoo.com

Property Valuations & Comps

www.oklahomacounty.org

Oklahoma County Assessor

www.clevelandcountyassessor.org

Cleveland County Assessor

www.newsok.com/news/crime/

Crime Tracker

Financing

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Rose Rock Bank

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Bank Of America

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405-230-5910

Thanks again for your purchase. Please check the website regularly for updates and a new members area in 2007.