

Golden Rules

By Professional Investor and Broker, Gary Lieber

These are some golden rules that I live by when investing in real estate. Please fill in the blanks BEFORE you read the answers at the bottom of the page, then go back and see how you did.

- 1 Know the Rule of _____.
- 2 You make money when you _____ real estate.
- 3 When you sell property, you _____ assets for cash.
- 4 You acquire the _____ when you purchase the property.
- 5 You increase the _____ by putting your plan into action.
- 6 You sell or lease your property for _____.
- 7 Ways to increase value are _____, _____, _____.

Now let's talk about these one by one. There are no right or wrong answers.

- 1 Know the Rule of **72**. If you want to know how long it takes your money to double, divide the interest rate into 72, and that will give you the number of years it takes.
- 2 You make money when you **BUY** real estate. Most people think you make your profit when you sell. That is absolutely NOT true. Here me out here because I want to try and change the way you think just a little bit. You do NOT make your profit when you sell the property, you simply realize it.
- 3 When you sell property you **EXCHANGE** assets for cash. You already owned the assets. The assets have value, and you simply exchange that value for cash when you sell.
- 4 You acquired the **EQUITY** when you purchased the property. The equity, or potential equity, was already there when you purchased the property.
- 5 You increase the **VALUE** by putting your plan into action. You don't buy investment real estate just to own it. You have a plan to increase the value.
- 6 You sell or lease the property for a **PROFIT**.
- 7 Ways you can increase the value of your rental properties are **DO IMPROVEMENTS, INCREASE RENT**, or get a **BETTER TENANT**.

Let's say you purchased a rental property that was under rented, or in poor condition, how do you turn it around? You are going to do improvements, raise the rent, or maybe both. Whether it's a new AC system, higher rents or a better tenant, they all increase the value of your investment.

You notice I didn't say increase the value of your PROPERTY? Although it's likely that a new AC system may increase the value of the property, a new tenant wont. But they both increase the value of your INVESTMENT. It's important to understand the difference.

I believe that anyone can manage 20 rental properties as long as they are willing to treat it like a business. Because that is what it is, YOUR investing business. And it simply can't be done while sitting in your lazy boy. You have to commit a lot of time and energy to be successful in any business, and real estate investing is no different.

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