



Mendell Gosnell is the Founder/Owner of Centurion Real Estate Management, LLC, a local property management company serving the Willamette Valley Area in Oregon. He is an active investor in real estate and is a member of the North West Real Estate Investors Association (NWREIA). Mendell is also involved with the local Chamber of Commerce and is an Oregon State University Graduate. He has been a NARPM® member since June of 2009. Along with his interest in Real Estate, he enjoys helping others succeed with their real estate investment goals. For more information visit: www.crem.com or call Mendell 503-588-0940.

Why I Like It Real Estate

A farmer once told me that if you want to be successful in life, you need to make money while you are sleeping. There are many ways to accomplish this feat and a great one is through investing in real estate. Within the field of real estate there are numerous ways to make money; the particular way that I would like to look at for the purposes of this article is rental properties. Rental property or investment real estate could be anything from a rental house to a large multi-family complex. Investment real estate that is leased or rented out, such as apartments, provides what is deemed by Uncle Sam as passive income. The beauty of passive income is that it is taxed at a much lower rate than earned income (the most common type of earned income is the kind that you make from working a 9 to 5 job). As another great investor and mentor, Jeff Megy, once told me, "Look to minimize taxes – they are one of your greatest ongoing expenses." Investment real estate does a great job at minimizing taxes in several different ways, as we will see shortly. Let's

around 70%). Returns of 8 to 14% on cash are not uncommon in this industry, but the benefits don't stop there. Not only do you have an asset that you have a lot of control over, that is leveraged, and the returns are taxed at a discount – you also have the ability to expense or take a tax write off against any expenses that are used for the property. Did I mention that real estate also has some risk protection as well? If you finance the deal, your bank will require you to purchase insurance, which is great in that it protects your investment against several types of damage and loss. You also have the depreciation tax write off on the property that provides what is called in the industry "phantom cash flow." You also have the added benefit of tenants that are paying your monthly mortgage – part of which is going toward reducing the principal amount you owe and thereby increasing your overall equity in the property. The other part of the rent payment is paying the interest on the loan, which is also a tax write off. One of the last benefits that I will mention brings me to a piece of financial

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take a look at some of the other reasons that real estate makes for a great investment. Real estate is tangible and controllable. It is not an elusive electronic share in some far away company that you have little knowledge about and even less control. With real estate, you can choose the improvements that you want to do on your property and when to do them. You can do the improvements yourself or shop around to get the best deal. Also, you can even choose the tenants you rent to (assuming you follow the Fair Housing Guidelines and don't discriminate). And, you can also outsource all of the day-to-day cares to a professional property management company and still enjoy all the benefits.

Besides generating a decent return on your money (assuming you got a fair deal on the property you purchased), most real estate deals have the added benefit of using financial leverage. In plain terms, this means you can finance real estate deals by using the bank's money for a large portion of the deal (in many cases

wisdom that gets overlooked way too often, and that is inflation. I was taught early on to take into account inflation in any long-term financial projections, because inflation silently erodes wealth. But with investment real estate, you have yet another amazing benefit in that it provides a great hedge against inflation, since over time, rents historically go up. We have not even touched upon some of the more exciting topics of how you can use investment real estate to avoid taxes upon selling through what is called a 1031 exchange, which allows you to legally trade into another like-kind property and thereby avoid taxes indefinitely. As you can see, real estate provides a myriad of advantages and benefits and offers a wonderful investment strategy for short-and long-term wealth building – land is scarce. As they say, God only made so much of it. The best time to buy real estate is 20 years ago; the next best time is today. As T. Harv Eker wrote, "Don't wait to buy real estate, buy real estate and wait." 🏠