APRIL
2023

Peak Possibilities

Your Monthly Guide to Informed Real Estate Decisions

ICOR™
Investment Community of the Rockies
COLORADO'S REAL ESTATE INVESTORS ASSOCIATION

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Table of Contents

Why Subject-To's, Why Now?

By Lindsey Jensen

Subject-to deal structures are just one of the tools you are going to need in your tool box for the market we are currently in and also the market we are headed into.

Six years ago, I started learning creative deal structuring. I went to every class I could on the topic and then would structure a deal based on seller circumstances. Doing this helped me to close more deals because I was able to help more sellers. I was able to come to the table with more than just one solution for the seller. This helped because they felt that I was actually solving their problems instead of sitting down and telling them how things were going to have to go. I was also able to help people that other investors and real estate agents just could not help. This helped me build a $10M portfolio in only 6 years.

Join ICOR, April 11-13th, for Learn Subject-To Deals in today's market with Colorado Investor, Lindsey Jensen

There are many tools you will need to learn to become a great creative deal structurer but learning and mastering one at a time is a great way to go! Subject-to financing just happens to be one of the creative financing tools that you will need in today's market conditions.

Over the last several years we have seen a real estate market like nothing we have ever seen before. Values appreciated at rates we have never seen before and we had the lowest rates we have ever seen as well. Now, we are back to a more normalized market. What does that mean to you? Well, there are going to be a lot of people that purchased their home in 2022 and later that may have purchased for more than asking, and were looking for the appreciation we had seen in years past and since the market could not go on like that forever, these people have not seen the kind of appreciation they were hoping for. This means, if they try to sell in the next few years, they may have almost no equity to do so. This eliminates a lot of possibilities for these homeowners and they may end up stuck and desparate, with no one able to offer them a solution.

This is where a subject-to strategy will come in handy! See, subject-to means you are buying a house while leaving the current mortgage in place. You don't assume the loan, you pay the sellers current mortgage for them. This will allow you to pay more for a home than other people. You will be able to take over mortgages that have 2-3% interest rates that allow you to rent out a home for an affordable amount. This would not be possible if you paid what the seller owes and got a loan at the current interest rates. The payment will most likely be to high for the renter.

There are other reasons subject-to will help you become an investor not only in today's market but in any market. It will allow you to buy houses without cash or credit! That means you can start buying today. You don't have to wait until you have a certain amount to put down on a house or until you get a good credit score.

You will be able to help people that need to sell quickly. You don't have to wait on financing to close on these houses. That means as long as the title company can accommodate your purchase, many times you can close inside of a week if that is what the seller needs. Or you can close on the date they choose. Being flexible on closing dates becomes a very important piece of the puzzle to desparate sellers.

This new market that we are entering into is showing signs of "hard times" for many people. Banks are failing, people are losing jobs, small businesses are going out of business, and inflation is squeezing us all.

Continued on page 3

APRIL @ ICOR

Learn Subject-To Deals in today's market with Colorado Investor, Lindsey Jensen

You're going to have to learn new skills to adapt to this new market. This new market is screaming for Creative Deal Makers! Subject-To Deals happen to be a favorite creative deals tool.

Subject-To investing allows you to Invest in Real Estate without using your own money, and without having to go to the bank. You can build a portfolio you can retire from, just with this ONE investing technique.

Why is Subject-to a great way to build a portfolio?

- You can buy an unlimited number of properties without cash OR credit! It is in my opinion one of the best ways to build a portfolio of income-producing real estate. The following are great reasons to learn this technique.
- Lower barrier to entry. You don't have to come up with 20% down
- You can start investing even with poor credit
- Close more deals because you are helping people "other" investors can't or won't
- You will have little to no competition on many of the sellers that will benefit from this structure
- You can close quickly because you don't have to wait on a bank to get you a loan
- You can pay more for a property
- You will get better interest rates than a loan you would get yourself
- Getting a loan several years into payments — less interest more prin
- Cash flow and equity — gives buyers a chance to cash flow on properties that would not cash flow had they received a new loan
- BUYER gets to write off depreciation on their taxes. This can help with the amount of taxes you have to pay on your earnings.

For full details or to register visit www.icorockies.com/events

Colorado Springs
Tuesday, April 11th
Hyatt Place Colorado Springs
503 Garden of the Gods Rd West
Colorado Springs, CO 80907

Denver
Wednesday, April 12th
Lakewood Cultural Center
470 South Allison Parkway
Lakewood, CO 80226-3123

Northern Colorado / Fort Collins
Thursday, April 13th
First American Title
2950 E Harmony Rd, Suite 399
Fort Collins, CO 80528

Save the Date for ICOR's April Meetings

ICOR – Colorado Springs	ICOR – Denver	ICOR – Northern Colorado / Fort Collins
In Person Tuesday, April 11th, 6 PM-9 PM (MDT)	**In Person** Wednesday, April 12th, 6 PM-9 PM (MDT)	**In Person** Thursday, April 13th, 6 PM-9 PM (MDT) NEW location starting in April

Webinars & Workshops

What To Expect With Your Insurance Rates In 2023 Webinar **Webinar** Wednesday, April 5th **TrueNorth Group Planning Session** **Webinar** Saturday, April 8th	**State of the Rental Market & Legislative Update** **Webinar** Wednesday, April 19th	**Subject To - THE Tool You Need to Make Millions In This Next Housing Market** **Workshop** Wednesday, Mar 29th Please join ICOR member, Lindsey Jensen as she teaches you what a subject-to mortgage is, different ways to structure a sub-to deal, deal examples, how to get funding for your deals, and pitfalls to avoid!

Find out more and register online at www.ICOROCKIES.com/events

Why Subject-To's, Why Now? *Continued from page 1*

People purchased homes in 2021, and 2022, because they got amazing interest rates and payments they could afford. Many had to go to the highest end of the payment they qualified for just so they could bid enough to win the house they wanted. What they didn't see coming was just how much everything else in their life was going to go up. So for people that moved into these houses thinking that they were going to appreciate, and they were easily going to afford their mortgage, many are now, one hot water heater failure away from not being able to pay their bills. An article from NPR states that we have gone from a Nation of "record savings" to "record debt" in only 2 years. Another article states that more consumers are using their credit cards to afford items like food and rent, and that households are nearing a breaking point.

So as these new homeowners reach their breaking point, they are going to need people that can help them out of the trouble they have gotten themselves into. These are not situations that are all going to look the same and they are not going to be solved by walking in and offering the seller 70-80% of the ARV on their home. Investors are going to have to come to the table with problem solving skills. People will be looking for someone they trust to help them and if you can give a seller several options to pick from, so they can CHOOSE what is best for them, you are going to be able to build a portfolio quicker than the investor that only offers one option.

I really believe that Subject-to helps a segment of sellers that most solutions can't or won't. This is a tool you can use to make your dreams come true. You can build a portfolio you can retire from and this tool allows you to start now.

1. *https://www.npr.org/2023/03/08/1161407261/how-we-went-from-near-record-savings-to-record-debt-in-just-two-years*
2. *https://www.cnbc.com/2023/03/09/as-credit-card-debt-hits-new-high-households-near-a-breaking-point.html#:~:text=More%20consumers%20are%20leaning%20on,latest%20quarterly%20report%20by%20TransUnion.*

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Tools for Building Wealth: 1031 Exchange & Delaware Statutory Trust

As you likely know, the Section 1031 tax-deferred, like-kind exchange is one of the greatest wealth-building mechanisms for real estate investors.

With Section 1031, you can avoid paying taxes on your property, the upgrades you've made during your lifetime as well, and then ultimately pass the property to your heirs when you die. The heirs receive the property with a step-up to fair market value, and they can likely sell the property and pay no taxes.

But what if you want to get off the landlord bandwagon? Are you stuck paying tax on all the appreciation to date, unravelling the use of the 1031 exchange to begin with? There are options. For example:

- You could use an UPREIT.
- You could invest in an opportunity zone fund.
- You could invest in a Delaware statutory trust as we explain here.

1031 Exchange Overview

The 1031 exchange, or like-kind exchange, has been around since the Revenue Act of 1921. Its purpose is simple: allowing you to swap a business asset without there being a taxable event, because your economic position hasn't really changed.

The basics of a 1031 exchange are pretty straightforward:

- Before you sell the old asset, you must begin the exchange by contracting with a qualified intermediary.
- You may list up to three potential replacement assets within 45 days of the sale of your qualified asset.
- You must close on at least one of those three identified assets within 180 days of the sale.
- For the exchange to be fully tax-free, you must acquire a new asset of greater value than the one you're selling. If you don't trade up, you'll likely have some taxable gain.

Section 1031(a) provides that no gain or loss is recognized on the exchange of a relinquished property as long as it is used in a trade or business or for investment and it is exchanged solely for a replacement property of a like kind that will also be used in a trade or business or for investment.

Such Section 1031 assets include, among others:

- Residential or commercial real estate held for investment, rental, or business use
- Raw land held for investment
- Tenant-in-common held real estate
- Delaware statutory trust interests

Assets that don't qualify for Section 1031 include:

- Securities, stocks, and bonds
- Partnership interests
- Assets held as inventory
- Personal-use real estate
- Foreign real estate

What Is a Delaware Statutory Trust?

The Delaware statutory trust property ownership structure allows you (as a smaller investor) to own a fractional interest in large, institutional-quality, and professionally managed commercial property along with other investors.

You are an owner, and it's that ownership interest that makes an investment in a Delaware statutory trust a qualifying replacement asset for purposes of a 1031 exchange. Revenue Ruling 2004-86 confirms the Delaware statutory trust ownership and its qualification for a 1031 exchange.

Some Thoughts on Delaware Statutory Trust Investments

Liquidity. Delaware statutory trusts do not have a secondary market. This means your money is locked up in this investment, perhaps for up to 10 years.

Minimum investment. In general, most Delaware statutory trusts require that you be an accredited investor. Such trusts do their own due diligence on your status, but in general you meet the requirements for classification as an accredited investor when:

- your income is $200,000 or more ($300,000 with your spouse) over the past two years, and you reasonably expect such income for the current year; or
- your net worth exceeds $1 million excluding the value of your primary residence.

Lack of control. Unlike with property you own yourself, you don't have control over the property in the Delaware statutory trust. Of course, you also don't have the day-to-day landlord headaches.

Leverage. You have heard the saying that you should use other people's money to increase your rate of return. In the real estate investment world, this is common—and it can work. But if you had no mortgage on your 1031 property, you should consider investing in a non-leveraged Delaware statutory trust to reduce the risk that you could lose your investment.

Backup for the 45-day rule. When you attempt a 1031 exchange, you have to identify up to three properties under the 45-day rule and then buy one of them within 180 days. This can be like playing with fire.

Consider naming two properties and using the Delaware statutory trust as a backup. Should the other properties fail, you would use the Delaware statutory trust to preserve your tax-deferred status and live to play the Section 1031 card another day.

Park your investment. If you think the market for buying property will be better seven to 10 years down the road, you could do a Section 1031 exchange into a Delaware statutory trust as a way to "park" your investment.

Have questions?

Whether you're new to real estate investing or simply haven't gone through the 1031 exchange process yet, you may have questions about all of this or need greater clarity. At Fusion Legal & Tax, our seasoned professionals are happy to assist in helping you gain a better understanding of this investment tool. Please don't hesitate to reach out to us to schedule a time to learn more, so you can decide whether this commonly-used wealth-building strategy is right for you.

SATURDAY, MAY 20, 2023 | DENVER, CO | 9:00 AM - 5:00 PM

Deal Profiles: Understanding Creative Financing Tools And When To Use Them

A day of non-stop deal structuring! This workshop is for the hands-on learner. Put creative financing tools to work, and beef up your investor tools box by applying...

- Seller Financing
- Subject To
- Options
- SDIRAs
- And more!
- Wrap Mortgages
- Lease Options
- Notes
- Private Lending

We will spend the day looking at REAL DEALS done by seasoned investors.

In Groups, you'll work with your team to make offers along side the other teams to see who and how to make offers stand out and stick!

What will be different is that after each case study is presented and offer are made, we will show you how the deal was done and ask the other presenters/investors what they might have done differently!

This way you will see the investment from different investors' perspectives. And then we will solicit ideas from your fellow attendees.

What we want to show you is how many of the more experienced investors "brainstorm" ideas to put deals together to find better solutions to the opportunities that present themselves.

As this volatile market starts to rock 'n roll, ALL CASH is no longer be the best answer AND by attending this workshop, you will learn to recognize other opportunities that might have passed you by!

REGISTER AT: BIT.LY/40PKXBI

$125 for Members and

$175 for Non Members

PRIVATE BANKING SYSTEM EXPERT
OLIVIA McGRAW / OMCGRAW@UNBRIDLEDWEALTH.COM / UNBRIDLEDWEALTH.COM

Is the Infinite Banking Concept at Risk Like Silicon Valley Bank?

To adequately evaluate if the Infinite Banking Concept (IBC) is at risk like Silicon Valley Bank (SVB), we first need to understand what happened with SVB, and how banks operate.

When we introduce clients to IBC, the first step is to understand banking. It is impossible for us to discuss banking without highlighting the greatest problem with banks — their risky endeavors with fractional reserve lending. Quite simply, fractional lending means that for every $1 deposited, banks only need to keep .03 cents, or 0% as of March 2020, ready for a withdrawal. This system "banks" on depositors not all wanting to access their deposits at the same time. Lending your deposits at a marked-up rate is how banks make money. Now let's say that the bank specializes in lending risky start-ups. Then let's say a rumor spreads about the lack of liquidity, thanks to a drop in the stock market and some other factors, depositors become concerned and begin withdrawing their deposits. The rumor spreads about the lack of liquidity then the situation snowballs into a classic run on the bank. Until a few weeks ago, we often had to refer clients to the movie *It's a Wonderful Life*, to harken back to a time when runs on the bank were a regular event.

Unfortunately, most people live with the comfortable illusion that "this could never happen to me." But what if it did? Well, if you have less than $250,000 on deposit, your deposits are FDIC insured. Great. But what if your company or fix-n-flip biz needs a regular cash flow buffer in excess of this threshold? Now you have the SVB situation. However, this could actually happen to any bank at any time. The bigger question is how fast could you transfer your deposits elsewhere and are you confident you can beat your neighbor to the bank?

Without starting down the entire conversation of what is IBC and how does it work, let's simply examine the security element of IBC. IBC is a vehicle for savings and investments that utilizes a niche form of whole life insurance. That last sentence has plenty of buzz words that a google search will immediately claim is a bad idea. However, if done properly, it is a powerful vehicle for warehousing your wealth. Why? Because the insurance carriers we work with must keep liquid $1 in assets for every $1 in liabilities. What is their liability? Not that you want access to your "savings" or cash… rather that you die before anyone expects and they must now pay the death benefit.

By the nature of insurance, this death benefit must be larger than the cash you have stored with them. So if you're simply wanted your liquid cash, that is of far less concern than you prematurely expiring. That liquid cash can also go to any account with your name, or business name. If your current bank is in distress, find one that isn't, open an account, and make a transfer. (As side note, when banks were in peril during the great depression, it was not the government who came to their rescue. It was the insurance companies.)

If you're concerned about where our nation is headed economically, we need to have a conversation about IBC. The next time you need a loan for a property, you could borrow from yourself at a significantly less rate than your local bank or a hard money lender. Schedule a consultation today to explore your options.

EVE HOELZEL / EVE.DSTANSFIELD@FARMERSAGENCY.COM / EVEINSURANCECOLORADO.COM

Does Your Insurance Policy Cover Rental Income?

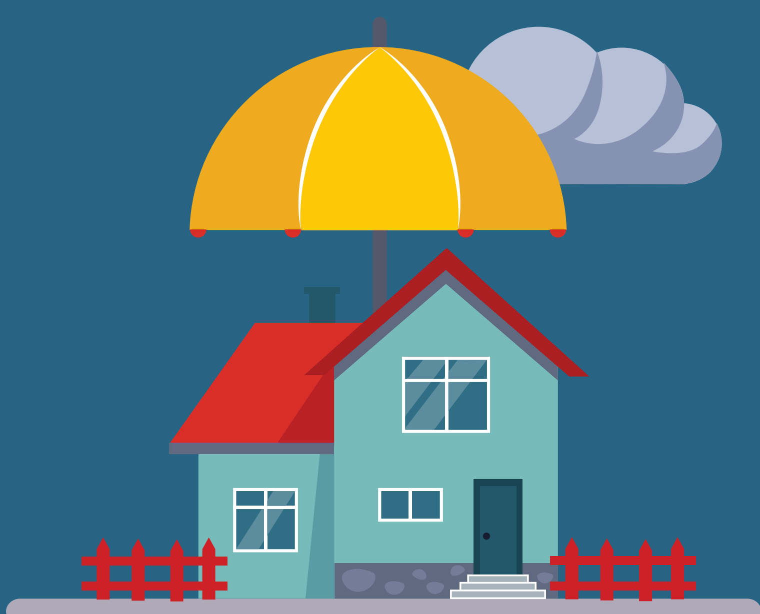
In general, insurance policies cover the property against potential damage such as fire, wind and hail, vandalism, and more. In addition to property coverage, real estate investors should also review whether there is enough coverage for *rental income or loss of rents* in the event the property is uninhabitable due to a covered loss when the tenant must move out while repairs take place. Most landlord policies include Fair Rental Value coverage to reimburse the property owner for the loss of rental income.

Rental income or Fair Rental Value coverage pays up to twelve months of loss of income, but some insurance carriers have the option to extend it for a longer period for an additional premium. Due to the delay in material supplies and building permits, it is highly recommended to increase your loss of income time limit to a minimum of 18 or 24 months. The amount that the property owner receives from the insurance carrier for loss of rents or income is determined based on the lease agreement with the tenant.

After a catastrophic event such as the Marshall Fire in Boulder County, which started on December 30th, 2021 and destroyed over 1,000 structures, building materials and contractors are difficult to be found, causing delays in reconstruction and extending the need for loss of income. Unfortunately, most of these homes are still under construction. An insurance policy that includes enough rental income protection can keep money coming in while the repairs are made, allowing property investors to make mortgage payments, cover unforeseen costs, and avoid foreclosure to the total loss of the property.

Insurance policies protect you, your investments and your future income. The amount included for Loss of Rents coverage can keep you afloat in the event your rental property becomes uninhabitable for an extended period. The insurance you carry on your rental property could make all the difference in your success as a landlord when the unexpected occurs. After the Marshall Fire, some property owners have found they were underinsured, not just on dwelling limits, but also on the loss of income coverage.

In my experience as an insurance agent for over a decade, I have seen policies from the competition with only $5,000 in Loss of Rents coverage or none. It is recommended that the client, real estate investor or property manager calculate the total annual rent to avoid any gaps in coverage. It is your responsibility to talk to your agent to review the limit amount for loss of income included in your rental policy. If you would like a second opinion about this topic or other endorsements, please contact me.



Sure, you have a roof over your head, but do your investments have the right coverage?

How can I help? Let's set up a time to review your policies!

Your Investment Insurance Specialist,
Eve Hoelzel, Licensed Agent Producer

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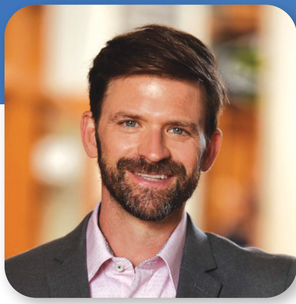

LONG-TERM FINANCING EXPERT

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Will the FED Finally Slow It's Role?

Following the Silvergate & Silicon Valley Bank fallouts, one thing that has been fresh on a lot of analysts' minds is if we are going to finally see an end to the Federal Reserve's rate hikes to tame inflation. The latest banking collapses are the latest fractures the Fed has caused in the financial system as a result of its aggressive rate hikes. In less than 2 weeks, rates plunged more than 60 bps, only to pop back up another 40 bps. We are in volatile times and fear is starting to surface in the financial markets.

As more consequences of the rate hike cycle become exposed, the more likely the Fed will be forced to slow future hikes. However, so long as inflation is high, the Fed won't stop completely. Don't count on rates falling dramatically any time soon. Those same high rates are partly responsible for low housing inventory. Many sellers are having a difficult time justifying selling a home with a mortgage locked at historically low rate, only to purchase a new home with a considerably high rate. Nonetheless, in high appreciation markets like Denver, homes that are priced right are selling in this tight inventory market. Rate buy downs fees are a popular seller concession both for new construction and resale alike. According to John Burns Real Estate Consulting's National Mortgage Trends, 17% of new home mortgages involve rate buy downs. If your investment strategy is new construction sales or fix and flip, be sure to budget at least 2% seller concessions if you want to remain competitive.

Finally, for the rental housing market, John Burns Real Estate Consulting noted solid rental demand for single family REITS in the 4th quarter of 2022, although rent increases moderated. If your strategy is long term or you are implementing the BRRR strategy be sure to underwrite conservatively at market rents. Look for loan options with short prepayment penalty periods. Rates might not come down much this year but limiting prepayment periods to 3 years or less will allow you to take advantage of lower rates in the future while limiting your costs. Stay focused and happy investing!

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Keep the Government and Lawsuit Happy Opportunists Away from Your Children's Inheritance

If you have a current estate plan, I'll bet you plan to leave your assets to your children outright and unprotected by age 35, or maybe a little later. Go take a look at your estate plan, and see what it does right now. And, if you don't have an estate plan, and you have kids or other people you care about, contact us today and let's get that handled for you.

If you do have a plan and it distributes your assets outright to your kids — even in stages, over time, some at 25, then half of what's left at 30, and balance at 35 (or something along those lines), you've overlooked an incredibly valuable gift you can give your children (and the rest of your descendants for generations); a gift that only you can give them. And a gift that, once you've died and left them their inheritance outright, is lost and cannot be reclaimed.

Leave your kids a nest egg protected from lawsuits, divorce, and estate taxes. While you may think to yourself, my kids' inheritance doesn't need to be protected. They aren't going to get sued. You may be right, but you may also be overlooking one of the most common "lawsuits" that causes inheritances to be lost everyday, and that's divorce. If you want to protect the money you are leaving to your children from their future divorces, even if you love their spouses nor or expect you will, in the future, you can easily do so using a protected trust.

And, if your child is ever involved in a lawsuit, for example, a simple car accident, or if a business transaction goes bad, what you leave to your child can be protected from all future lawsuits or claims against them. The best part is that if your child has their own taxable estate when they die, your planning now could save your family 40 cents on every dollar (or more) handed down from one generation to the next.

Save your family Up to 40 cents on every dollar — currently — at each generation. As of 2023, the current federal estate tax rate is 40% — meaning that every dollar passed on over the estate tax exemption rate is taxed at 40%. And it has been as high as 55%. On top of that, many states have estate taxes as well.

This all adds up fast, and can decimate your family's financial legacy, over time for every million dollars you leave outright to your children, if your children have a taxable estate when they die, could result in your grandchildren receiving only $550,000, with $450,000 going to the government … unnecessarily.

So, if you want to know that everything you've worked so hard to create will stay in your family for generations to come and not be lost to outsiders, leaving your assets to your children protected in a trust we call a Lifetime Asset Protection Trust, instead of outright is the way to go. And, it can be easily built in to your existing estate plan or trust, you just need to ask us to help you get a Lifetime Asset Protection Trust added to your plan.

But how will my kids get to use what I leave to them? Here's the best part about leaving your assets to your children in a Lifetime Asset Protection Trust. Not only is what you leave protected, but your children control what you leave them when you decide they are ready.

After your death, the assets you leave behind will pass to your children (and your grandchildren, great-grandchildren, and so on for successive generations) in a Trust that your child can control, as the Trustee of the Trust. You can decide when your child is mature enough to act as a Trustee.

As the Trustee of the Trust, your child decides how what you've left is invested and what to do with the Trust assets. And your child will even be able to determine the amount of control vs. the amount of asset protection he or she wants based on his or her specific circumstances.

Is this still important if I don't have much money? If you only leave your children a small amount of money, this is still incredibly valuable for protection, if you are leaving assets that will be invested and grown, and not just spent right away on consumables. Some might say it's even more important because your family has less to lose to taxes, lawsuits, and divorce each generation. And the impact of such losses is much greater.

A mere $10,000 protected now can become millions for the people you love for generations to come. Imagine that you leave just $10,000 to your child in a Lifetime Asset Protection Trust, and instead of spending that $10,000 or losing it in a divorce, they invest that $10,000 in creating their own business inside their trust, and then grow that business into a million dollar or multi-million dollar venture because of how you chose to leave your child that $10,000 gift … and it's fully protected for generations.

Secure the future of your family today by speaking to us. We ensure that all legalities are in place so generations can enjoy the benefits according to your wishes. Don't wait, get peace of mind now — contact us today to get started. Schedule a complimentary 15 minute call at Lawmother.com/go, by calling 720.706.0036 or by emailing info@lawmother.com (and mention this article).

SARAH SHELLAM / SARAH.SHELLAM@QUESTTRUST.COM / QUESTTRUSTCOMPANY.COM

Yes, But What Does It Mean to Invest Passively?

Passive income has become a buzzword in recent years, and for a good reason. Building wealth through passive income streams using a Self-Directed IRA can provide financial security, freedom, and flexibility. Whether you are looking to build wealth for your future or are simply looking for an investment that isn't as demanding and active, there are countless passive income ideas that can help you achieve your financial goals. In this blog, we will explore five passive income ideas that might not be on your radar yet that are designed to help you build wealth and create a stable financial future.

Invest in a Private Fund

A private fund can be a good investment for building wealth long-term because of the many benefits it offers that can help you achieve your financial goals. Private funds are typically managed by experienced investment professionals who have a deep understanding of the market and can identify profitable investment opportunities that may not be available to individual investors. One key advantage of investing in a private fund is that it can provide diversification of your portfolio. Private funds often invest in a variety of asset classes, such as real estate or private equity, which can help reduce risk and increase returns over the long term.

Additionally, private funds typically have a long-term investment horizon, which means that they can hold investments for several years or more. This can help minimize the impact of short-term market volatility and provide consistent returns over time. Another benefit of investing in a private fund is the potential for higher returns. Private funds often have higher minimum investment requirements and may have more stringent regulations compared to traditional investment vehicles, such as mutual funds or exchange-traded funds. This can result in higher returns for investors who are willing to commit to the fund over the long term. A private fund can be a good investment option for building for retirement, especially for those who have a high risk tolerance and are willing to commit their capital to a professional management team with a proven track record of success.

Invest in Private Lending

Private lending has emerged as a popular investment option for building wealth, and for good reason. Private lending is an online platform that connects borrowers with individual lenders, cutting out the traditional banking intermediaries. Here are some reasons why private lending can be a good investment option for building wealth. As mentioned above, private lending can also offer diversification to your investment portfolio. As a self-directed IRA lender, you can position yourself in a place of safety by doing secured loans that can mitigate risks. Private lending is accessible to anyone with a self-directed IRA, making it an attractive option for individuals who may not have access to traditional investment options or who want to diversify their portfolio beyond stocks and bonds. Since the terms of the private loan are decided upon between the borrower and self-directed IRA lender, they can be done with small dollar IRAs, making it easy for individual investors to start investing with a relatively small amount of money.

Invest in Storage Space

Self-storage facilities provide a steady cash flow through rental income. The demand for storage space is generally consistent, regardless of economic conditions, which means that investors can count on a steady stream of rental income. They also generally have lower maintenance costs than other types of commercial properties, such as office buildings or retail spaces. This is because tenants are responsible for maintaining their own storage units, which reduces the need for landlords to spend money on maintenance, making this a great passive investment. Self-storage facilities often have high occupancy rates, particularly in areas with high population density or limited space for storage. This means that investors can expect a low vacancy rate and a steady stream of rental income. Plus, self-storage facilities can serve as a hedge against inflation because rental rates can be increased over time to keep up with rising costs and inflation. Self-storage investments also provide easy possibilities for scalability. Investors can scale their investment in self-storage facilities by purchasing multiple facilities or expanding existing facilities. This can help investors build wealth over time by increasing their cash flow and asset base.

Invest In a REIT (Real Estate Investment Trust)

REITs generate rental income from a diversified portfolio of properties, such as residential, commercial, and industrial properties, distributing a large portion of their income to shareholders in the form of dividends, which provides a steady cash flow to investors. REITs are professionally managed by experienced real estate professionals, who are responsible for acquiring, managing, and disposing of properties in the portfolio, which help provide comfort to you knowing that you are minimizing risk with a more secure investment opportunity. As with many of the other investments mentioned in this article, REITs have the potential for capital appreciation over the long term, as the value of the properties in the portfolio increases over time.

Invest in a Carwash

Compared to many other businesses, a carwash is a pretty unique investment that also has relatively low overhead costs. The primary expenses are the equipment, utilities, and employee salaries, which can be managed efficiently to maximize profits. For example, the carwash owner can install energy-efficient equipment to reduce utility bills or use automation to minimize the need for additional employees. Additionally, a carwash business can generate significant revenue from add-on services such as waxing, detailing, or engine cleaning, which can further increase profitability and reduce overhead costs. In some areas, there may be few carwash options, providing an opportunity for investors to fill a gap in the market and generate steady revenue. This is particularly true in areas with a growing population or a high concentration of vehicles. A carwash that offers high-quality services, competitive pricing, and a convenient location can quickly gain a loyal customer base and achieve a competitive advantage over other carwash businesses in the area.

A carwash business is relatively recession-resistant, too, as car owners will continue to require regular maintenance and cleaning services for their vehicles regardless of the economic conditions. In fact, during economic downturns, people may even be more inclined to keep their existing cars clean and well-maintained, rather than purchasing new ones. This means that a carwash business can provide investors with a steady stream of revenue and minimize the impact of economic fluctuations on the business.

Ready to Start Investing Passively?

Passive investing is a great approach for those looking to build wealth over the long term, because passive investors can benefit from market growth while avoiding the costs and risks associated with trying to beat the market through active investing. While it's important to understand the risks and limitations of passive investing, many investors have found success and achieved their financial goals using their self-directed IRA to passively invest! To learn more about how to use a self-directed IRA to invest in one or all of these passive investments, schedule your free consultation with an IRA Specialist today HERE.

FINANCE EXPERT

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How Does the Financial Market Drama Impact the Fix & Flip Industry?

You are the professionals at adding value and fix and flipping, and we look to you to understand what's going on in that world. We work together with you to create more opportunities. So if we want to know what's going on with concrete costs or permitting holdups or whatever, we call you, and in the same way, we're the 'money guys' so we thought we'd let you know what's going on in our world. We know lots of people who do what we do, and we have respect for a good chunk of them, so we will discuss the industry, rather than our specific situation. Of course, if you want to chat over our particular situation just give me a ring or we can grab a taco—I'm always up for that.

The finance world has been interesting. The first impact that probably comes to mind is the the Silicon Valley Bank and Signature Bank failures. These affect our world only indirectly. On the downside, spreads (the rate paid over the reference rate, which is usually SOFR) are likely to creep a bit wider, to accommodate an increase in the banks' cost of funds and as they try to make up a bit of lost ground. The upside is that the reference rate is likely to come down a bit, and indeed the 2 year is lower by nearly 1% over the last month. The net effect of the wider spreads and lower rates should be that the net rates should be the same for a while.

Digging deeper into the weeds but staying with the banks is CSFB, which is a large player in the world of structured finance. Structured finance, in our world, refers to bundling groups of loans and selling them to buyers who wouldn't otherwise be interested. Why would someone want a bunch of something they don't want singles of? Because a pool of assets can allow for some part of those assets to have issues and the pool still be ok. And you can create payout priorities so people that want less risk can stand at the front of the priority queue, for which they will accept less return, and allow others who want more risk (and return) to stand subordinate in the payment queue. Why does this matter? Since the Fed started raising rates, and then CSFB having issues, the structured market has done very little for the past 6-9 months. Many hard money lenders use this method to offload loans they make. If you've been at this a while and you have ever wondered why the person who services your loan isn't the one who made your loan, the answer is likely that your loan was sold into one of these pools. This has made hard money loans a bit tougher to come by.

And then, as you know, volumes have been lower. With tighter spreads and no one buying loans on the backside, there has been a contraction in the marketplace. Interestingly, it has hit the big guys and the small guys the hardest. The 'big guys' because they were dependent on the structured financing to keep their machines going. And the smaller guys that were actually brokers and acted as sellers to those big guys (they may have called themselves 'lenders'). New sources and models are being developed to address the opportunity.

Let me just make sure to reiterate this discusses the markets as a whole and no particular situation, ours or someone else's. We have a lot of respect for many of our competitors, even though their methods or models differ from ours. Yes, there are some bad apples too, but there are many talented lenders and 'money people' out there, who understand and serve the industry well, and we are (generally) happy to be in their midst.

What is the impact of all this? Not much at present in the short term, and moderate in the longer term. So why spend all this time discussing and covering the financial market drama when we could be discussing supply chain issues or challenges in acquiring foreclosure properties? Because there will be a lot of pressure over the next bit to worry about these things. Hopefully, this has helped you consider the impact and determined it as interesting, but no factor, and you can get back to doing what you do best: adding value.

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