

MAY  
2024

# Peak Possibilities

Your Monthly Guide to Informed Real Estate Decisions



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

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ICOR Business Member Directory

## Corporate Transparency Act: What You Need to Know

By Jeffery S. Watson

The Corporate Transparency Act (CTA) is here and now in full force and effect. In 2021, Congress passed this legislation that was signed into law by President Biden but did not become official and enforceable until January 1, 2024. This is the most broad, overreaching, and invasive federal reporting statute in the history of our government that squarely and directly impacts every small business owner, entrepreneur, and real estate investor you know.

If you are a real estate investor, agent, broker, operator, or anyone else who owns a business, here is what you need to know.

- Which of your entities are considered "reporting entities" under the CTA?
- Who are the beneficial owners of each entity?
- What disclosure information is required?

Using that information, you are now required to timely file your disclosures with the Financial Crimes Enforcement Network (FinCEN). The regulators at FinCEN changed and expanded the timeframe for a newly-formed 2024 company to report. They have 90 days. If a company formed in 2024 makes any changes to its ownership structure, such as adding or losing a member or someone different having substantial control, it is still a 30-day reporting window for that. Entities that existed before the January 1, 2024 effective date are required to report within one year of the effective date.

Let's start with what entities are considered to be "reporting" companies under the CTA. The types of entities that must report include C-corporations, Sub-S corporations, LLCs taxed as corporations or partnerships, and LLCs treated as disregarded or pass-through entities.

There is a minimum threshold for the entity of owning, possessing, or controlling \$1,000 or more in assets. This means if you have an entity, for example an LLC, that has only been filed with the Secretary of State but does not yet have a tax ID number and does not yet own or control anything, that entity is not considered to be a reporting company yet.

When that entity does get a tax ID number and has control or ownership of \$1,000 or more of assets, whether directly or indirectly, that entity will then need to report.

What must be reported? Any person who has either substantial control of or an ownership interest of 25% or more in an entity must be disclosed.

You do not report what is owned by the entity, you report who owns the entity. "Ownership interest" as defined under the CTA is incredibly broad and covers all sorts of arrangements, including, but not limited to, equity, certificates, interest in joint ventures, convertible interest, and bearer shares. Any individual who owns or controls an ownership interest through various means such as trusts, beneficiaries, grantors, intermediaries, or blocker MUST be reported.

Under the CTA, the definition of substantial control is distinct from other federal statutes defining that term, such as securities laws. Under the CTA, an individual is deemed to exercise substantial control if any of the following are true:

- they serve as a senior officer or manager of the entity that must report beneficial ownership information to FinCEN,
- they have authority over senior officer appointments,
- they have authority over a majority of the board of directors, or

**In May at ICOR,  
A look at community  
planning and its impact  
on real estate investors**

**May 9th – Co. Springs  
May 16th – Fort Collins  
May 21st – Denver**

*Continued on page 3*



## MAY MEETING INFORMATION

### May @ ICOR

**Colorado Springs | May 9th: Hot seat interview with Colorado Springs Investor Bill McAfee**

**Fort Collins | May 16th: Planning & Development Update from the City of Fort Collins**

**Denver | May 21st: Planning & Development Update from the City of Fort Collins**

Our presentation offers a comprehensive overview of how recent developments in city planning can serve as a strategic compass for real estate investors, aiding them in pinpointing promising ventures and maximizing returns.

**Understanding Urban Dynamics:** We delve into the latest trends shaping urban development, including infrastructure projects, zoning regulations, and revitalization initiatives. By grasping the evolving dynamics of urban areas, investors can anticipate shifts in demand and capitalize on emerging opportunities.

**Analyzing Growth Patterns:** Through data-driven analysis, we illustrate how city planning initiatives influence growth patterns and property values. By identifying areas earmarked for development or undergoing gentrification, investors can make informed decisions to capitalize on potential appreciation.

**Assessing Investment Risks:** We explore how city planning updates can mitigate investment risks by providing insights into potential challenges such as environmental concerns, regulatory hurdles, and market saturation. By conducting thorough due diligence informed by city plans, investors can mitigate risks and safeguard their investments.

**Spotting Untapped Markets:** Our presentation highlights how city planning updates unveil hidden gems in the real estate market. By identifying overlooked neighborhoods poised for transformation or areas with untapped potential, investors can position themselves ahead of the curve and unlock value.

**Strategic Partnerships:** We emphasize the importance of forging strategic partnerships with local authorities, developers, and urban planners to gain insider knowledge and access to exclusive opportunities. Collaborating with key stakeholders enhances investors' ability to navigate the market landscape effectively.

**For full details or to register visit [www.icorockies.com/events](http://www.icorockies.com/events)**

### Save the Date for ICOR's May Meetings

#### ICOR - Colorado Springs

Thursday, May 9th,  
6 PM-9 PM (MDT)  
*2nd Thursday of Every Month*

#### ICOR - Denver

Tuesday, May 21st,  
6 PM-9 PM (MDT)  
*3rd Tuesday of Every Month*

#### ICOR - Northern Colorado / Fort Collins

Thursday, May 16th,  
6 PM-9 PM (MDT)  
*3rd Thursday of Every Month*

### Upcoming Webinars & Workshops

#### Lindsey Jensen's Power Play With Master Leasing

##### In Person

Saturday, May 4th

Join Lindsey Jensen, your guide to mastering the art of Master Leasing in Colorado & beyond! In this empowering workshop, Lindsey will unravel the secrets of Master Leasing, providing you with the tools and knowledge to transform your investment game. Whether you're a budding investor or a seasoned pro, Lindsey's expertise will open new doors and opportunities for you in the dynamic Colorado market.

#### "Introduction To Infinite Banking" Presented By Unbridled Wealth

##### In Person

Thursday, May 16th

What if you could be the bank? The Infinite Banking Concept is a time tested investment strategy. Join Jason Powers for an hour to get a great overview of Infinite Banking and learn how you can apply it in your financial life.

#### The Quest EXPO "Discover the World of Alternative Investing through SDIRA"

##### In Person

Thursday- Saturday  
Dallas, TX  
June 27th - 29th

Are you ready to explore the exciting realm of alternative investing? Join us at the Quest Expo where industry experts and seasoned investors will unravel the secrets to diversifying your portfolio and maximizing returns.

Find out more and register online at [www.ICOROCKIES.com/events](http://www.ICOROCKIES.com/events)



ICOR | COLORADO'S REIA

**MAY 4, 2024**

**REAL ESTATE MASTERY UNLEASHED:**

## **LINDSEY JENSEN'S POWER PLAY WITH MASTER LEASES!**

Lindsey will unravel the secrets of Master Leasing, providing you with the tools and knowledge to transform your investment game. Whether you're a budding investor or a seasoned pro, Lindsey's expertise will open new doors and opportunities for you in the dynamic Colorado market.



**Lindsey Jensen**  
Master Leasing Expert

**Register at [www.icorockies.com/events/masterleasingwksp5424](https://www.icorockies.com/events/masterleasingwksp5424)**

## **Corporate Transparency Act: What You Need to Know**

*Continued from page 1*

- they influence important decisions, including those related to business operations, asset transactions, equity issuance, borrowing money, entering into contracts, and governance documents.

In the CTA, there is a non-exhaustive list of examples wherein an individual may exercise substantial control, but the foregoing list should give you an idea as to how wide open and subject to interpretation the term "substantial control" is as it relates to business operations, asset transactions and equity issuance.

I know what some of you are thinking. "Well, Jeff, I'll never own more than 24%, and I'll stay under that 25% threshold." That's fine, as long as you don't have any substantial control. Without having substantial control, however, how are you going to be able to have that entity do what you want it to do? For example, in a small LLC that buys, fixes, and resells houses, those who make the decisions on what houses to buy, how much to spend, how to do the rehab, what contractors to hire, where to borrow the money, and when to sell the property and for how much, would all have substantial control.

Reporting is done through FinCEN's website. I want to remind you of the importance of having good identity theft insurance in place because it's more likely than ever that your identity will now be exposed. You need to make sure that identity theft insurance covers the family-owned businesses you may operate and control.

I understand that Congress set forth requirements regarding the cyber security for FinCEN's website, and they are saying it has been given the highest non-classified cyber protection possible; but I also know that there is a history of even classified websites in our federal government being hacked by foreign operatives. That information will be stolen some

way, somehow. I don't know when or by whom or how, but I'm preparing for it now, and I recommend you do the same.

The CTA may also impact the way entities are formed. The CTA places a significant responsibility on the applicant to verify the accuracy and authenticity of the information being used to file a new entity. With the significant responsibilities and potential penalties being assessed on the person who actually goes online to submit the information with a Secretary of State office or tribal authority, individuals like attorneys or accountants will be less likely to want to take on that task on behalf of someone else.

The burden of determining what "substantial control" is, given the vague and broad language used in the statute and the uncertainties of the ever-changing rules and regulations, has caused certain advisory groups for accountants to say that accountants should not be doing this as a service to their clients going forward. I tend to agree. I anticipate that in the near future, and probably for some time to come, those who are very careful about their craft are going to insist that any new LLC be established by either the actual owners themselves or by an actual lawyer (not a paralegal) advising or representing the owners and/or the new entity. The extra burdens and responsibilities will most certainly affect the cost of having an attorney assist with establishing an entity.

I suggest the following plan of action:

- Identify every LLC and corporation in which you have an ownership interest or with which you have an affiliation.
- Verify that each entity has its own taxpayer identification number.
- Every entity that has \$1,000 or more of assets that it owns or controls must report in 2024.
- Make sure you have purchased identity theft insurance.





**SELF-DIRECTED IRA EXPERT**

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

# What You Need to Know About Excess Contributions

Learn what it means when you have an excess contribution in your IRA and what steps you can take to correct it.

## Excess Contributions

Making annual contributions to your IRA is one of the most important ways to ensure your account is growing each year, but sometimes it's hard to keep up with how much you are putting into your accounts. What happens if you accidentally put too much money into your IRA or contribute more than your earned income? What if you contribute regularly to a Roth IRA, but now discover you no longer qualify because of your income level? As nice as it would be to put as much money as you'd like into your retirement accounts, the IRS has rules surrounding these limits and can penalize you if not followed or corrected in a timely manner.

## What Is an Excess Contribution?

Generally, an excess or ineligible contribution is one that exceeds the stated IRA contribution limit, though there are many other ways an excess contribution can occur in an IRA. Reasons they can occur include:

- Making a contribution that exceeds the annual contribution limit.
- Making a contribution to a Traditional IRA after age 73.
- Making a contribution to a Roth IRA when your Modified Adjusted Gross Income (MAGI) exceeds the income limit. (See current MAGI limits for single individuals and married couples filing joint returns.)
- Making a contribution that is more than your taxable compensation.
- Making a contribution on behalf of an individual after date of death.
- Making ineligible or improper rollover contributions.
- Rolling over required minimum distributions.

It's important to understand if you've made excess contributions because if it's not corrected, they are taxed at 6% per year for each year the excess amount stays in the account. That means if you don't fix the contribution, you'll owe the penalty tax each year when you file your yearly income tax return.

## How Can I Correct Excess Contributions to My IRAs?

The good news is there are solutions if you find you've made a mistake. If you discover that you've contributed excess funds, you have a few options.

## Remove the Contribution

You can distribute the contribution and any income it has earned before the tax filing deadline (including extensions) to avoid the 6% penalty. To do this at Quest, you would complete a Distribution Form by Adobe Sign or completing the PDF. You can find these forms on the Quest webpage Downloadable Forms under Account Management. If you have any questions about the process, you can email [Distributions@QuestTrust.com](mailto:Distributions@QuestTrust.com).

Please note the distribution of earnings may have tax implications, so we recommend talking to your accountant or tax advisor to discuss the best course of action. For example, you can withdraw contributions from a Roth IRA at any time tax and penalty free, however, the earnings part of the distribution might expose you to an early-distribution penalty, if you are not 59-1/2 or the Roth was not open for 5 years.

## Recharacterize the Contribution

If you've discovered that your MAGI is too high to contribute to a Roth, you can move the contribution and its earnings to a Traditional IRA since this account does not have an income limit to contribute. This is called a recharacterized contribution and is basically a trustee-to-trustee transfer of the contribution from one type of IRA to another. At Quest you can recharacterize cash contributions if you do it before the tax filing deadline. (Quest cannot recharacterize an asset.) To do this, complete a Recharacterization Re-designation of Contribution form.

## Apply the Contribution to Next Year

If you find that you've contributed too much after the October 15 extended deadline, you can typically carry the excess contributions forward as a contribution for the subsequent year, although you would still need to pay the 6% penalty tax for the year of the excess contribution. Just be sure to reduce your contribution the following tax year by the amount you carried forward, or you might exceed the annual limit again. A tax professional can guide you through this process.

For more information about contributions, including excess contributions to your IRA, see IRS Publication 590-A. If you are interested in opening a retirement account or have questions about contribution limits, we can help. Schedule your free consultation with an IRA Specialist today.





QUEST TRUST  
C O M P A N Y

# Quest Expo 2024

Irving Convention Center  
Las Colinas, Texas

June 27-29, 2024

OPENING

**27 Jun**

## Attendee Welcome Networking Reception

- ✓ **Sponsor Setup | 10am - 8:00pm**  
*All Sponsor Booths must be setup by 8pm. No setup allowed after*
- ✓ **Welcome Networking Reception | 3:30pm - 6:30pm**  
*Start off the event with a warm welcome at our lively opening reception!*
- ✓ **VIP Bonus Presentation | 4pm - 5pm**  
*Join us for exclusive VIP only content!*

DAY 1

**28 Jun**

## Event Begins & VIP Reception

- ✓ **Doors Open | 8am**
- ✓ **Event Sessions | 9am - 6pm**  
*Engage in insightful sessions and valuable networking opportunities that will fuel your growth and connections.*
- ✓ **VIP Only Reception | 6:30pm - 9pm**  
*Join us for an exclusive VIP access only networking reception with live entertainment at The Ranch at Las Colinas!*

DAY 2

**29 Jun**

## Sessions Continue & Event Concludes

- ✓ **Doors Open | 8am**
- ✓ **Event Sessions | 9am - 5:15pm**  
*Engage in insightful sessions and valuable networking opportunities that will fuel your growth and connections.*
- ✓ **Event Concludes!**



**INSURANCE EXPERT**

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

# Insurance for Multi-Family Properties

Real estate investors are always hunting for their next investment property, but as I network with many landlords, I often hear that their main goal is to acquire multi-family buildings. As I am not a full-time real estate investor myself, enough so to explain the reason why investors should want to get into the multi-family market, I am an insurance industry expert and I can provide expert level information regarding the available insurance options for such properties.

Let's get started with how insurance defines multi-Family buildings. Whether it is a duplex or a large apartment complex, insurance would classify the risk as a multifamily property. In other words, if there are more than one family living in the property with each unit having different entrances, bedrooms, kitchen and bathroom, it is a multifamily property for the insurance carrier.

Depending on the carrier and the number of units under the same structure, some multifamily properties have the option to be insured as a personal or commercial policy. In general, duplexes, triplexes, and four-plexes could be insured as a personal policy with the personal name of the insured or the entity. However, in my experience ensuring many investors in Colorado, I always like to compare coverage and premium between the personal and commercial policies for my clients and give them the option to choose.

Commercial policies are designed to cover more than four-unit structures to large apartment complexes and town homes. These policies would include more built-in coverage than the average personal policy. A few insurance carriers are flexible and include duplexes and triplexes in a commercial policy. However, the carrier's underwriter may ask for additional requirements to make them eligible for submission.

Carriers for commercial multifamily policies would have some underwriting concerns regarding the building and its safety for the tenants. Some of the information investors would be asked are:

- Age of the building
- When was the wiring, plumbing, heating and roof last updated or inspected?
- Are there any security cameras?
- Are there smoke detectors, sprinkler system and fire extinguishers?

It is important to be transparent about conditions and updates of the building with your agent to avoid any changes to the policy after the carrier completes the inspection.

Coverage for multifamily properties is not only a priority for the landlord but also for the lenders. During the loan applications, lenders are requiring the building(s) to be insured with the following endorsement:

- Replacement Cost value
- Loss of Rents with a minimum of twelve months of rents
- Liability coverage for one million dollars minimum per occurrence.

In addition, since the recent condominium collapse in Florida, more lenders are requiring adequate Building Ordinance coverage for codes updates and debris removal for larger properties.

The deductibles for multifamily commercial policies are usually higher for wind and hail in Colorado. The two types of deductibles for wind and hail losses are:

- Percentage deductible which is based on the building amount.
- Flat deductible.

Overall, whether your multifamily investment is insured with a personal or commercial policy, it is important to know your options. Insurance policies should be customized to fit the property's conditions, occupancy and the investor's preferences. If there are any questions regarding multifamily insurance, you could contact your agent or you could reach me for additional information.



**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

970.217.8019

eve.dstansfield@farmersagency.com  
www.eveinsurancecolorado.com





# From Fractional Banking to Freedom:

## How the Infinite Banking Concept Counters Conventional Banking Flaws

To understand the unique approach of the Infinite Banking Concept (IBC), it's essential to first delve into the foundational practices of the modern U.S. banking system — particularly, fractional reserve banking. This system, where banks are required to keep only a fraction of their total deposits in reserve and are free to lend out the remainder, is a cornerstone of contemporary finance. While the theory is that it fosters economic growth through increased lending (and most certainly enables banks to generate significant profits), it also introduces significant risks such as bank runs, asset bubbles and destabilization of the financial system at large, as we've seen time and time again.

Fractional reserve banking effectively creates money out of thin air. For every dollar deposited, only a fraction is kept on hand, and the rest can be used for loans. Before 1992, banks were required to keep 12% of deposited amounts on reserve. This meant they could loan out the remaining 88%. In 1992, that reserve was lowered to 10%. This now meant that 90% could be loaned out. In March of 2020, following the shockwave of COVID-19, the Federal Reserve lowered that requirement to an unprecedented 0% (Zero Percent), where it has remained to date. We all know what this means.

This can lead to a multiplicative effect in money supply creation, potentially leading to inflation if not carefully managed. Through the lens of Austrian Economic theory, we would argue that it leads to unsustainable credit expansion that can cause economic bubbles and crashes. Austrian economists advocate for a banking system based on sound money principles — where money supply expansion is tightly controlled and closely tied to real assets like gold, thereby promoting economic stability and reducing inflation risks.

### Transitioning to Infinite Banking Concept

Against the backdrop of these potential instabilities inherent in fractional reserve banking, R. Nelson Nash introduced the Infinite Banking Concept. Nash proposed that individuals could become their own bankers, thus sidestepping some of the systemic risks posed by traditional banking practices. By utilizing dividend-paying whole life insurance policies as financial tools, individuals can build a personal banking system. This system allows policyholders to borrow against the cash values of their policies rather than depending on commercial banks for loans.

Here's how it works: a policyholder pays into a properly structured whole life insurance policy designed specifically for the purposes of Infinite Banking, which over time accumulates a cash value. This cash value grows at a guaranteed rate and also earns dividends. Policyholders can then borrow against this cash value for personal (or business) financing needs — whether for buying a car, investing in real estate, or funding a child's education — without having to go through a traditional bank. Now you,

the policy holder, is in control of the banking function in your life. Imagine a life without the bank.

The beauty of this system lies in its simplicity and control. Loans taken against a life insurance policy come with no mandatory repayment schedule, and the interest rates are typically lower than those of bank loans. Moreover, since the policyholder is borrowing against their own savings, they are essentially paying themselves back, thus keeping the money within their personal economy.

### Infinite Banking as a Sound Money Solution

From an Austrian Economic perspective, the Infinite Banking Concept resonates strongly with the theory's core principles. Austrian Economics favors systems that minimize the risk of inflation and promote fiscal conservatism. By encouraging individuals to save and build their wealth within a life insurance policy — a historically stable and non-volatile asset — IBC promotes financial self-reliance and stability.

Moreover, by reducing reliance on traditional banks and their loan products, individuals using the Infinite Banking Concept mitigate the risk of being adversely affected by broader economic downturns or banking crises. They create a buffer against economic uncertainty by leveraging their life insurance policies to fund their borrowing needs.

In conclusion, while fractional reserve banking has facilitated economic expansion and prosperity on a massive scale, it is not without significant risks — risks that are amplified by the very nature of the banking practice as critiqued by Austrian Economics. The Infinite Banking Concept offers a compelling alternative that not only aligns with Austrian principles of sound money but also empowers individuals by making them their own financial managers. By building wealth in a controlled, self-sustained banking system, individuals can achieve greater financial security and independence, making the Infinite Banking Concept a prudent choice in an uncertain economic landscape.

### WHAT'S STOPPING YOU?

Your real estate strategy may be missing this game changer

SCHEDULE A CALL

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## Investing with Purpose: The Game-Changer in Investment Success

Whether you're new to real estate or a seasoned investor, you understand the drill: crunching numbers, analyzing markets, and plotting your next move. But here's what we often miss: why are we in this game in the first place? Imagine a seller demanding an answer to that before handing over the keys. Would you have a solid response?

Let's call it your purpose, your blueprint, or your vision — it all boils down to knowing what you're aiming for and, more importantly, why you're aiming for it. While we get wrapped up in the what and how, the why tends to get pushed aside, even though it's crucial.

### Why bother uncovering your why?

- **Motivation:** Your why is like fuel, keeping you going when the going gets tough.
- **Focus:** It's your guiding light, keeping you on track when distractions pop up.
- **Passion:** Understanding your why connects you with what drives you, making your efforts more authentic and effective.
- **Ownership:** Without a clear why, you're just drifting. Knowing your purpose puts you back in control.
- **Branding:** In business, a strong why attracts like-minded individuals, fostering loyalty and setting you apart.

Without a solid why, you're just spinning your wheels, both personally and professionally. Ever wonder why some people seem to excel while you're stuck in neutral? It might be time to dive deep and clarify your investor identity.

### Take a few minutes to craft your statement

So, how do you craft your why statement? Think "To \_\_\_\_\_ so that \_\_\_\_\_" as advocated by Simon Sinek, author of *Start With Why*. Fill in the blanks with what motivates you and what you aim to achieve. For example: "To achieve financial freedom so that I can ditch the 9-to-5, erase debt, secure my family's future, support causes I believe in, and live a life filled with travel and quality time."

### Finding your why takes some soul-searching

Ask yourself:

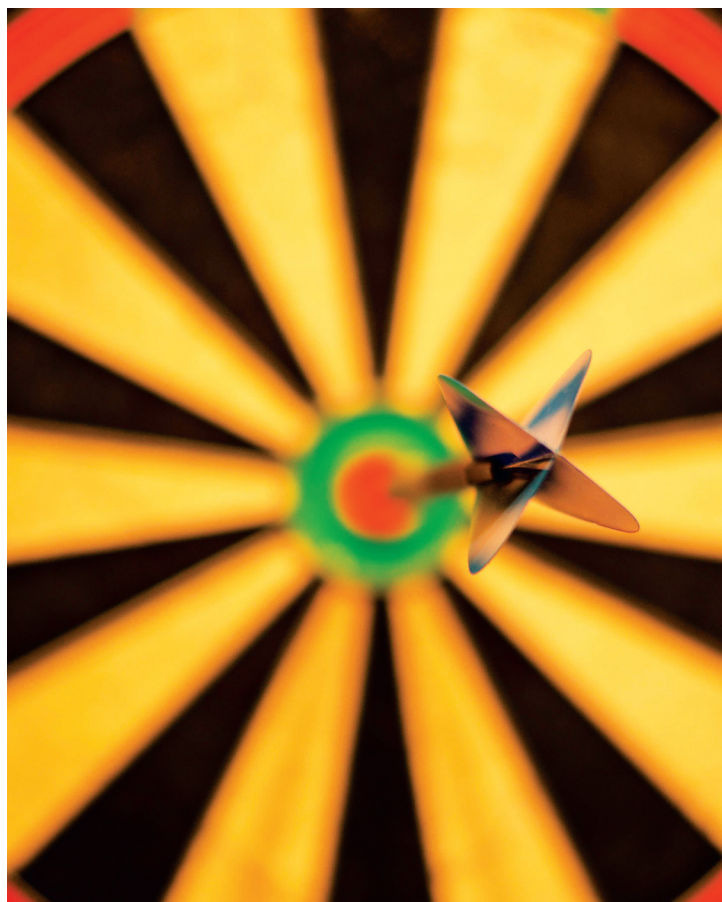
- What sets your soul on fire?
- Where do you shine?
- What obstacles have you conquered?
- What change do you want to create?
- Who inspires you?

Once you've nailed down your why, integrate it into everything you do. Align your goals and values, tweak your plans if needed, and track your progress. Your why isn't fixed — it'll evolve with you. So keep asking yourself: why?

### Life gets busy — how to stick with it

Sticking with new habits can be tough. You start with all this energy and determination, but life has a way of throwing curveballs that can derail your plans. That's where accountability comes in. It's like having a gentle nudge to keep you on track when you start to stray.

The ICOR Mastermind Program, in partnership with Investors Network Community (INC), is designed to provide just that. Think of it as your personal "Board of Directors," supporting you and holding you accountable every step of the way. In small groups of 5-7 members, you'll meet regularly to practice and integrate success habits into your life, set goals, create action plans, and share resources. Most importantly, you'll keep each other focused and motivated. If you're interested in learning more about how the Mastermind Program can supercharge your progress, schedule a chat with Troy Miller. He'll walk you through all the details and help you decide if it's the right fit for you.







# How to Build Wealth in Real Estate Through House Hacking Your Property

Are you considering purchasing your first home? In a market like Denver, where prices and interest rates are high, the decision can be challenging. You may be wondering if there is a way to control your costs and avoid being priced out of your city. As a real estate broker and investor, I can offer some insights into how to make your home work for you.

## House Hacking: A Strategic Approach

When I wanted to move to Seattle for a year, I rented out my home on a mid-term basis to generate cash flow and cover my living expenses while away. Though the idea of someone else sleeping in my bed and having to stage my home like a hotel was unconventional, the financial benefits outweighed the inconvenience. My home earned approximately \$60,000 annually, more than enough to pay for itself and the home I was renting in Washington.

My decision to retain ownership of my home allowed me to benefit from its significant appreciation over time. Had I sold my home when I moved, I would have missed out on this opportunity. This strategy of renting out your home when you are away, also known as house hacking, can be a smart way to generate income and keep your home as an investment.

## Mentoring the Next Generation of House Hackers

Currently, I am mentoring a house hacker and guiding him through the purchase of his first home. He will live in a property that needs some renovation and share it with roommates. Their rent will help cover the costs of upgrading the house, making it more affordable for him to maintain the property. This approach allows him to build "sweat equity" by improving the property, which could lead to substantial equity gains over time.

By the age of 25, he will have hundreds of thousands of dollars in equity. Eventually, he can continue to rent out part (or all of his home when away like I did) to expedite the payoff process. This method not only helps him financially but also provides him with valuable experience in property management and investment.

## Partnering with Atlas Real Estate

At Atlas Real Estate, we not only manage properties but also offer brokerage services. This allows me to assist my mentee with contractors and property management when needed. Our goal is to empower individuals to achieve financial success through real estate investment and ownership.

## Don't Let High Prices Hold You Back

Denver's real estate market may seem intimidating due to high prices and interest rates, but there is still potential for prices to rise significantly in the future. If you look at cities like Los Angeles and Seattle,

you can see how real estate can continue to rise and people can still afford to live there. If you have equity in a home and can freeze inflation, it is much easier to have options to live where you want. Renters have little control of costs and have to move when the owner decides to sell. Your own home can still offer the same freedoms of renting, and pay for itself through house hacking.

## Join Me for Real Estate Investing Workshops

I also host real estate investing workshops, where you can learn more about building wealth through real estate. Join my Meetup group Real Estate Ambitions (<https://www.meetup.com/real-estate-ambitions/>) to connect with me and other like-minded individuals interested in real estate investment opportunities. It's a great chance to gain insights and strategies to help you navigate the real estate market successfully. We meet locally in Denver once a month and we also have webinars.

## Let's Invest in Real Estate Together

Call me at 303-514-8491 to discuss your real estate ambitions and how we can work together to achieve your goals. Whether you are just starting out or looking to expand your real estate portfolio, I am here to guide you every step of the way.

Let's invest in real estate together. I can help!



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## ESTATE PLANNING EXPERT

PAMELA MAASS, ESQ. / PAM@LAWMOTHER.COM / LAWMOTHER.COM

# How DIY Wills and Trusts Offer a False Sense of Security ... and May Leave Your Family With an Expensive Mess

If you've been traveling around the sun for a while, you've no doubt heard of a Will, a document that says what happens to your money and belongings after you die. You may even have a Will, or know you should get one. And maybe you've heard of a Trust and wondered what it is and how it works. You may have even done research on Google about how to do your own Will or Trust. In fact, it's hard to poke around the internet and not find do-it-yourself ("DIY") Wills and Trusts services. Legal Zoom, TrustandWill.com, and even media personalities Dave Ramsey and Suze Orman offer cheap DIY documents. Heck, you. Heck, you can even create your own Will or Trust for free by downloading a few forms. What these websites won't do, however, is explain the potential consequences that can happen if you use one of their services.

### Legal Documents Have Legal Consequences

The truth is that Trusts and Wills, and other documents that all adults should have in place, like a health care directive and power of attorney, are legal documents with legal consequences. They contain lots of legal language. Even if you think you understand the words, you likely don't fully understand the nuances in the terminology. There's a reason lawyers have to complete college, graduate from law school, then pass a bar exam before they can practice. It takes time and effort to learn the law, the legal terminology, the application of the law, and the potential consequences if something goes wrong.

Even then, many lawyers who don't specialize in estate planning, or Wills and Trusts, put in place legal documents that fail when you become incapacitated or die, for various reasons. And, yet, you may be getting sold on the idea that you can draft legal documents on your own, using an online website. The promise is you can save money, and completely protect yourself and your loved ones from expensive legal consequences of not having planning in place. Unfortunately, that promise is not true.

### A Real Life Cautionary Tale

Let's keep you from being fooled by illustrating what can happen when you draft legal documents on your own without understanding the consequences. What follows is a true story:

A woman passed away and her husband came into his lawyer's office to get legal advice on what to do next. The woman we'll call her "Jane" received an inheritance from her first husband (let's call him "John"). She was also close to her adult children and her grandchildren, and wanted to make sure they received what was left of her inheritance from their father. And while she intended to leave her second husband some money, she made it very clear to her family that she wanted to provide for her children and grandchildren.

Jane was frugal. She didn't want to spend money on an attorney. So she did some research on Google about Wills and Trusts, downloaded some forms, and wrote out her own documents. She learned from Google that a Trust can keep her family from going through a court process called probate, which would save them money and leave more for them to inherit. So she drafted her own Trust thinking that she'd achieve her goals and save money at the same time.

### You may already see where this is going...

When John's lawyer read Jane's DIY Trust, they realized that what Jane actually did was leave her entire inheritance to her second husband. Jane legally disinherited her children and grandchildren. Jane's DIY Trust was also subject to laws of a different U.S. State than the one she lived in, meaning that any legal process related to the Trust would be more complicated than it needed to be. Surely this was not the result Jane wanted. Jane not only disinherited her children, but she failed to transfer her house to the Trust, despite drafting and filing a deed on her own, and she left assets out of her Trust altogether. So while she thought she was doing the right thing, what she really did was leave her loved ones with a giant, expensive mess. Not surprisingly, the family ended up in court and years later, the matter still isn't resolved.

### You Don't Have to Make the Same Mistakes

Jane must have believed what she heard from well-meaning folks like Dave and Suze about doing a Will and Trust on her own. She probably thought she understood the legal documents she drafted and signed. She most definitely thought she was making things easy for her family and that she was giving her children money from their father. But Jane was fooled. Don't be Jane. If Jane had worked with a lawyer she would have created a plan that would accomplish her goals, and keep her family out of court and out of conflict. She would have saved her family years of heartache and pain, not to mention the expense. Jane's story teaches us that it's absolutely worth it to work with a lawyer whenever you're dealing with a legal document — including a Will or Trust. Don't "Trust" those (see what we did there?) who say you can do it cheaply or do it yourself. Don't be Jane.

### What to Do Instead

You owe it to your loved ones to take the time and put in the investment to do your estate planning right, and keep it up over time. In fact, it's the last and greatest gift you can leave them. Having your affairs buttoned up so they don't have a mess on their hands and are allowed to process their grief in peace is your final act of love. If you want to leave your family the gift of your love, we can help. At our firm, we don't merely dispense legal counsel or draft documents; we safeguard your family. We look at your specific family dynamics and your goals and then work with you to create a plan that ensures you and your loved ones avoid the stress, conflict, and chaos that comes from DIY documents.



# Navigating the Risks: Understanding Fraud and the Role of Title Insurance in Real Estate Investments

In the complex landscape of real estate investments, the specter of fraud looms large, representing a significant risk that can impact investors, lenders, and buyers. Given the large sums of money exchanged and the intricate nature of property transactions, the real estate sector is inherently susceptible to a variety of fraudulent schemes. Title insurance, however, stands out as a crucial safeguard, offering a layer of security and peace of mind in this high-stakes environment.

## The Spectrum of Real Estate Fraud

Real estate fraud can manifest in a myriad of forms, ranging from simple scams to complex schemes involving multiple parties. Title fraud, for example, occurs when fraudsters use forged documents to pose as the property owner, selling the property or encumbering it with mortgages without the true owner's knowledge. Forged documents can also involve the falsification of ownership papers, mortgage releases, or other legal documents critical to the property's title.

Another growing concern in the digital age is wire fraud, where criminals intercept or falsify emails to redirect the transfer of funds to their accounts. Additionally, identity theft has become a common tactic, with criminals assuming the identity of a property owner to secure loans or gain ownership without consent.

These fraudulent activities not only jeopardize the financial security of involved parties but can also lead to lengthy and costly legal battles to resolve disputes and reclaim property rights.

## The Protective Shield: Title Insurance

Title insurance is pivotal in mitigating the risks associated with real estate fraud. Unlike other types of insurance which protect against future events, title insurance provides coverage for risks that have already occurred but are discovered only after the transaction. Prior to issuing a policy, the title company conducts a thorough search of public records to trace the property's title history, identifying any discrepancies or legal issues that could signal potential fraud.

Title insurance offers significant protections: it covers the insured party for any legal costs incurred in defending the property's title against claims covered by the policy. This includes issues such as forged transfers or undisclosed heirs claiming ownership. Moreover, if a title defect is discovered after the purchase, title insurance compensates the policyholder up to the policy amount, safeguarding against financial loss.

## Real-Life Implications for Investors

For real estate investors, the consequences of fraud can be devastating, translating into substantial financial losses and potential reputational damage. Title insurance provides a critical layer of security, not only

protecting against financial loss but also facilitating smoother transactions by ensuring the legitimacy of the property title.

## Best Practices to Avoid Fraud

Although title insurance provides significant protection, investors should also engage in vigilant practices to minimize the risk of fraud. This includes utilizing secure methods for transferring funds, verify contact information independently, and remain cautious of changes in payment instructions, particularly those received via email. Furthermore, it is wise to work with reputable professionals such as Elevated Title to safely navigate the complexities of real estate transactions.

## Conclusion

The real estate industry, while offering lucrative opportunities, also presents significant risks, notably from fraud. Title insurance is an indispensable tool for investors, providing a safety net against the financial pitfalls associated with title discrepancies and fraudulent schemes. By integrating title insurance with careful practices, investors can safeguard their investments and navigate the real estate market with enhanced confidence and security.

The dangers of real estate fraud cannot be overstated, making the role of title insurance and diligent practices essential for any investor's security. At Elevated Title, we adhere to the highest standards and ALTA best practices to ensure that your real estate transactions are not only successful but also secure. If you have any questions or need assistance with your next transaction, do not hesitate to reach out. Our team is dedicated to providing you with the expertise and support needed to protect your investments and guide you safely through the complexities of the real estate market. Your peace of mind is our top priority, and we are here to help you every step of the way.

Elevated Title is dedicated to ensuring a seamless experience from commitment to closing. Offering a full suite of title agent services, we know many people are depending on us to ensure that every closing is performed correctly and efficiently. At Elevated Title, our team is ready and able to help you with your next real estate transaction.

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## 1031 Exchanges for Mineral Rights: Does It Work?

Can a Section 1031 tax exchange be used for mineral rights? Contrary to commonly held beliefs, yes—it can be used to exchange mineral rights in most cases. There are, however, a few things you should be aware of, especially time limits and the types of limitations that may render a mineral rights lease ineligible for a Section 1031 exchange. Read below to learn about Section 1031 exchanges as they relate to mineral rights.

### What is Section 1031?

Section 1031 is part of the IRS tax code. When real property is sold and a gain is received from the sale, you normally have to pay taxes on those gains. When using a 1031 exchange, however, investors can defer capital gains taxes by “exchanging” the property being sold for a like-kind asset of equal value, meaning that the proceeds are reinvested into similar assets.

The benefit of doing a Section 1031 exchange is that tax deferral. This allows you to change your investment vehicle without cashing out or creating a situation in which the IRS would require you to pay capital gains taxes.

### 1031 Exchanges for Mineral Rights

Broadly, the definition for 1031 exchanges covers things like real estate investments: raw land, homes, hotels, multifamily dwellings, commercial properties, retail properties, farmland, oil fields, and so on. This leads some to believe that 1031 exchanges cannot be used for mineral rights—but the 1031 exchange actually can be used for mineral rights.

Technically, leases on mineral rights are considered a real estate interest, which makes mineral rights eligible for the 1031 exchange. However, certain terms of a mineral lease might render it ineligible. In general, limitations on the amount of minerals allowed to be extracted through the mineral lease may affect whether mineral rights are eligible for a 1031 exchange.

### Nuances to Know

To successfully complete a 1031 exchange, there are a few nuances to be aware of. These exchanges are classified as “like-kind,” a phrase that can be misleading. In this instance, “like-kind” doesn’t necessarily mean that you must trade your investment for an exactly similar investment, like exchanging between land investments. Rather, this term applies to investment and business property, which means you can exchange rental property for retail property or exchange undeveloped land for a commercial building.

Another thing to understand about Section 1031 exchanges is that you can do them as many times as you like—but all gains that you make during the exchange must be rolled over into the new investment. In this way, your profits remain untaxed until you sell the investment for cash, at which point you’ll need to pay the one-time long-term capital gains tax.

### The Bottom Line for Your Money

Mineral rights are a great investment tool. If you’re interested in selling real estate so that you can invest some of your real estate portfolio in mineral rights, the 1031 exchange is an instrument to help you reinvest that money without paying taxes. Before you purchase mineral rights, however, it is wise to lay the initial groundwork for the future by ensuring that your mineral rights will be eligible for the 1031 exchange program. Here at Eckard Enterprises, our experts can use our considerable expertise to help you navigate this process as smoothly and effectively as possible.

Ready to learn more about investing in mineral rights? Contact Eckard Enterprises and we’ll be happy to walk you through your options and answer any questions you may have.



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