1164 – Five Reasons Why Investing in Real Estate is the Best Investment

Hosted by: Joe McCall

Joe: Hey, what's up, ladies and fellows? Joe McCall here. Real Estate Investing Mastery Podcast REI in your car. Sitting in the car right now waiting for my daughter to finish a math lesson. I wanted to do a quick little, what do you call it? Podcast. Thank you. I want to do a quick one, just kind of summarizing the advantages of owning real estate and the advantages of owning rental properties specifically. And I'm bringing this up because it's easy to forget sometimes. You know, we're so deep into the weeds, we forget kind of why we're doing what we're doing and we forget some of the advantages of what we're doing. And sometimes this is helpful to be reminded of so that when you are looking for, you know, when you're talking to your family or friends or relatives about what you do and why you do it, and they have questions about what you do. And, you know, they'll talk to you about, hey, I want to get started in the real estate. You know, maybe you're talking to a private lender and you want to talk about, you know, why what you do is so awesome, why? You know what I'm saying? Right. So here are five reasons why you can make money and how you can make money owning real estate, specifically rental properties.

Joe: Okay. Number one, I'm going to just list them out right now for you and then kind of maybe explain a little bit more. Number one is appreciation. Number two is cash flow. Number three is tax benefits. And then number four is equity build up through, you know, paying off your mortgage. And number five, and this has become kind of more important as we've been through the economy. What's going on now is creating a hedge against inflation. All right. So properties, number one, appreciation know properties don't always go up, but they generally do. And if you look at the long term history of things, you know, over the last 50 or 100 years or whatever, real estate will go up. Now, it's it's it's based on the kind of neighborhood it's kind of based on what it's based on the market specific. And some areas appreciate more than others, but it's something that you can't ignore. So properties do appreciate over time. That's number one appreciation. And if you hold a property long enough, it'll be fine. It is still whether the ups and downs number two is cash flow. Now, not every property. Cash flows. But guess what? Rents go up. Mortgage payments don't. So it may not cash flow now, but over time it will cash flow more and more. You know, and if you kind of a lot depends on the type of property that you own in the neighborhood that it's in. But cash flow is super important. And one of the things I always look at is cash on cash return. I want to know how much cash I put into the deal, how much return am I going to get in the first year on that? And, you know, for general, like rule of thumb, you know, you want to you want a cash flow, at least a couple hundred to $300 a month, net net cash

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flow. You want to have at least, you know, maybe 10%, maybe 8%, depending on the neighborhood, the area, maybe 12, 15% cash on cash return in your first year. So cash flow is really important and you need to know your numbers. You need to look at net net net cash flow like net. What are you getting after? Taxes, insurance, maintenance, property management, repairs, you know, future capital expenditures. And when you do get cash flow, you need to be setting aside that money in savings for unexpected things that are going to come up and repairs and things like that. All right. But cash flow is important. And, you know, obviously, as soon as you pay off that loan, the sooner you pay it off, the more and better your cash flow will be.

Joe: So the goal, in my opinion, should be to get as many free and clear rental properties as soon as you can. I don't believe that you should refi till you die, as some people say. I believe it's important to have is free and clear. I'd rather have a small portfolio of free and clear rental properties than, you know, 100 or 200 leveraged rental properties. I know some people would argue with me on that, but that's my opinion. All right. Tax benefits, right? You can write off general expenses, anything that's going on with the property, you can write that off. Right. There's a lot of tax benefits, you know, depreciation perceived, quote unquote, losses on the property. So sometimes you can if you have enough rental properties, you can you don't pay any money in taxes because of all of the tax benefits of that. So I'm not a tax expert, but definitely I don't there is really I don't think there is a better investment vehicle. They give you better tax benefits and write offs than real estate. All right. The third or fourth one is equity building through mortgage payoff. And guess who's paying your mortgage payment? When you have rental properties, the tenants are right. So every month your mortgage payments are reducing the principal on your loan. It's reducing the your balance, loan balance and giving you more and more equity. And that's the one of the most powerful things about owning rental properties if somebody else is making your debt payments. It's for you. And this is why it's also so important, because you have the debt to make sure you have reserves so that when the property is vacant, you know, you have money and set aside to make your mortgage payments because the bank giveth and the bank taketh away. They will happily lend you money on a good deal and they'll happily take it back if you stop making the mortgage payments. So just remember that final one hedge against inflation. You know, make sure when you get leverage or loans on your properties, you get a fixed rate. Because with a fixed rate, the property values are going to increase over time and the rents are going to increase over time. But your mortgage payment will stay the same. All right. So anyway, we check the door, make sure it's closed. All right. I got to get going. Appreciate you all. I don't have anything else to tell you. I got to get going. But number one, appreciation number two. Cash flow. Number three, the tax benefits. Number four, building up equity through paying off down your

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mortgage. And number five, hedging against inflation. All five, really good reasons why you need to be in real estate. And yeah, that's it. I'll see you guys. Bye.

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