



## **A great way to build wealth & why...**

Of all the things I have done.

- Imported T-shirts from Hawaii to Denmark.
- Produced and sold TV commercials.
- Flown and instructed as a professional pilot
- Co-founded a Psychotherapy practice.
- Owned two carpet cleaning operations.
- Running a successful coaching business
- Been a realtor and managed 3 family-owned rentals (17 years +)

...If I were to go back 20 years and this time focus ONLY on building wealth most efficiently, I would continue Investing in rental property because it is one of the best wealth-building tactics that at the same time is one of the most accessible.

Maybe not as fun or adventurous, but I would have built wealth much faster.

The secret is Leverage, Appreciation, Tax deductions, and Equity build.

### **LEVERAGE:**

If you purchase a \$300,000 property with 20% down (\$60,000) and that property appreciates 3% (\$9,000) the first year - the "levered" appreciation is  $(9/60 \times 100)$  15% because you get the full \$9,000 dollars for an asset that you only invested \$60,000 to buy.

## APPRECIATION (with an upside)

Real estate historically appreciates at the rate of inflation because it is a hard asset. It takes concrete, man-hours, lumber, cobber, fuel, and a host of other materials including raw land (which they apparently don't make more of).

With some research on your side, looking at trends and guidance on when and where to buy, you can significantly increase your odds of beating the appreciation offered by inflation only. (Imagine a 10% appreciation "levered up")

## TAX DEDUCTIONS:

A rental property is a business unit and there are generous tax write-offs ranging from the depreciation of the asset itself (counter-intuitive ..I know) to deductions for management, repairs, insurance, mortgage interest, and even rental loss allowances of up to \$25,000 dollars if you actively participate in the management (a strategy used by many high earners).

## EQUITY BUILD

Even if the rent checks leave no positive cash flow after all expenses - you will continue to build wealth behind the curtain by having the property's mortgage serviced as part of the expenses.

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If you are hungry for more on this topic let me know you'd be interested in a PART TWO and I will share hard-earned (but clever) strategies on how to be successful and profitable on the actual business side of managing and dealing with tenants. [Tom@NielsenFC.com](mailto:Tom@NielsenFC.com))

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