

REAL ESTATE: BUY IT AND KEEP IT
Turning Phantom Money Into Real Money
by July Ono (www.julyono.com)

This is the ultimate trick, isn't it? Yet why do so few people do it? One of my most popular e-Reports "*How To Turn Your House Into A Money Making Machine: legally morally and ethically*" describes how to do this in detail. Let me use a recent example of how I turned phantom money into real money.

My father is ultra conservative when it comes to investing. After 35 years in a union job, he retired with a company pension, old age security and the government pension. The mortgage on his house is almost paid off and the spike in real estate has seen tremendous appreciation in property valuations. Basically, my parents have been sitting on half a million dollars of equity that is doing absolutely nothing.

Equity is the net value of a property (or the Fair Market Value of the property) minus the liabilities. In this case, the home appraised at \$575,000 less the outstanding mortgage of \$55,000 equals \$520,000. This equity is phantom money. It's not real cash. However it can be borrowed and used to acquire other investments.

On April 23rd, my father lost the feeling in his legs and fell. He has not been able to walk since. He was subsequently diagnosed with tumors in his spine; a form of prostate cancer that metastasized before symptoms became apparent. He now faces long term care as a paraplegic. His health benefits have a cap which means he must subsidize the rest of his health care needs. His fixed income is not sufficient to pay for the home care support. This means he goes without and does the best he can on his own or find more money.

This is the real power behind real estate. Equity gives you instant collateral with the banks. Although my parents have few assets, the bank approved a 65LTV HELOC. This is a 65% loan-to-value ratio for a home equity line of credit. In other words, a 65% secured line of credit. They now have access to over \$300,000 of capital to invest. The key is to find an investment that returns more than the interest on the outstanding loan.

Fortunately, the timing was perfect. As one of eighteen shareholders in the purchase of our 76 unit apartment, he will receive an additional \$7000 per year income versus nil. Even better, in April 2007 he will be able to deduct the \$5352 of loan interest from his investment earnings freeing up more cash. The interest on money borrowed for the purpose of investing is tax deductible. As opportunities arise, my father now has a choice to invest the unused equity. He had no viable options in the first scenario. He was seriously considering a reverse mortgage but that choice would have placed him in more debt.

It took disease and disability for my father to realize the benefits of investing in real estate. Living in his comfort zone was a recipe for retirement disaster. You can turn your phantoms into a lifestyle haven.

If you would like more hands-on learning, you are invited to attend a free upcoming seminar. Check out my website at www.OnTheBeachEducation.com for event details.

July Ono is a real estate investor, educator and mentor. She is the President of On The Beach Education Corporation and the Founder of the Real Estate Network Group, an ongoing mentoring and coaching program designed to take the fear out of real estate investing and to help their members leverage proven systems to create their freedom day sooner than later. Since 2006, her students purchased over \$38 million of investment properties. The Power of Real Estate Program is the best of her experience and expertise that have helped investors grasp the foundation of real estate investing skills and tools to create financial independence for themselves.

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