

How to Make Money Multiply

By Rob Minton

Broker, Consultant & Author

*How many poor people do you know
who own real estate as an investment?*

I'm excited to show you a proven real estate investment method that consistently creates massive wealth and cash flow with minimal investment of time and money. I will outline the system and show you how starting with one beautiful single-family home could potentially compound into 24 homes in less than seven short years without you having to invest any additional money out of your pocket. And if that doesn't sound great enough, the best news is you'll only need a minimal amount of money to begin – as little as \$5,000 (or less) is common! This proven system has not only worked well for me personally, but it has helped hundreds of my clients create wealth as well. This investing approach has led many of us from living paycheck to paycheck to achieving financial freedom in a very short time. Furthermore, many more beginners are well on their way to the same results.

First off, I have personally invested in commercial properties, multi-family properties, mobile homes and single-family homes. I also am a Real Estate Broker and specialize in helping investors acquire wealth. Over the years, I perfected a simple system for profiting from nice single-family homes. In fact, my clients who follow this simple system, lock in average profits of \$28,071 on each nice single-family home they acquire. You can find out more about my actual system online at www.QuitWorkSomeDay.com.

The secret to creating real wealth, income and cash flow in real estate is to learn how to increase the demand for a property. In none of the other investments that I have made personally (commercial properties, multi-family properties, etc.), have I been able to increase the demand as well as I have for single-family homes. As you already know, the more demand there is for something, the more people will pay for it. Just think of Donald Trump. He creates massive demand for his properties. He is a billionaire. Notice the correlation? Massive demand for your single-family homes can make you very wealthy in a short period of time.

Investing Approaches

There are basically two approaches to real estate investing: the “buy and hold” strategy and the “rehab and flip” strategy. The buy-and-hold investor typically buys a property and holds it forever. He or she profits mainly from the appreciation of the property over time and the tax benefits of ownership. The main drawback to this approach is the limited cash flow. Home prices have increased, and the monthly rents received sometimes barely cover the monthly mortgage, taxes and insurance costs under

the buy and hold strategy. Another drawback is the drain on your time – when you buy and hold, you are a landlord for as long as you hold. When a toilet clogs in the middle of the the night, the phone call is coming to you.

The rehab and flip strategy, if successful, provides large paydays without any continuous monthly cash flow. There are also risks of unplanned, expensive repairs and the cost of paying the mortgage, taxes and insurance on the property throughout the rehab process and until the house sells. In a down housing market, even a beautiful rehabbed house can sit unsold for months and months.

I have figured out a way to maximize the benefits of both real estate investing approaches while eliminating all of the ugly drawbacks of each. This blended approach creates both short-term and long-term returns by using Rent to Own Programs.

Creating Demand

Here is an outline of how I use Rent to Own Programs to create more demand, increase cash flow and get large paydays: I buy a nice single-family home in a nice area and offer this home on a “Rent to Own Program.” The nice home in the nice area is a very important concept, which I can’t explain in this brief chapter. However, you definitely want to look for homes that a renter would really want to own, not just rent. This may require that you pay more for your investment properties. Let me put it this way:



The main reason that I like to offer my single-family homes on Rent to Own Programs is to increase demand for my homes dramatically. The National Association of Realtors compiled a survey in 2003 that noted that 82% of all buyers purchased their homes simply because “they wanted to own their own homes.” Americans have a dream of home ownership. When you combine this dream of home ownership with lenders telling renters that they do not qualify to buy a home, magic happens. You as an investor can put yourself in a position of selling food to a starving crowd. Many renters have issues with their credit scores that prevent them from qualifying to buy their own homes. If they do qualify, the lenders require 20 percent or 30 percent down. The majority of renters cannot afford a 20-percent down payment on a home. However, they can afford to pay \$5,000 to \$10,000 up front for a home with a Rent to Own Program. Here is where the real demand kicks in:



When you offer on a Rent to Own program a home that a tenant really would love to own, demand skyrockets. In some situations, renters will literally fight over a Rent to

Own home. High demand puts me in a position to collect large non-refundable up-front payments from my new tenants, whom I refer to as Rent to Own Buyers. A few weeks ago, we were offering a client's investment property on a Rent to Own Program and received \$9,000 up front. My client received a check for \$9,000 before the tenant even moved into his property. Large non-refundable up-front payments are pure cash flow.

Psychology

Another key point for you to understand is the psychology of this program. If you are just renting your properties out to tenants, you are positioned as the landlord. However, when you sell your home to your Rent to Own Buyer, you are positioned as a Seller. When a tenant has a problem, whom do they give their problems to? The Landlord. When a buyer has a problem, whom do they give their problems to? Themselves. This simple shift has tremendous benefits to you as the investor. See the below:

Landlord/Tenant

1. Landlord has MORE risk because they are only receiving a small security deposit
2. Landlord is responsible for majority of repairs and maintenance
3. Tenant doesn't care about the property- their mindset is "*It's just a rental.*"
4. Tenant pays lower rent and moves more frequently. (Short-term leases)

Rent to Own Seller/Buyer

1. Seller has LESS risk because they are receiving large up-front payments
2. Seller is only responsible for certain repairs and maintenance
3. Buyer cares a great deal about the home - their mindset is "*This is my home!*"
4. Buyer pays a higher monthly rent & signs a longer-term lease with money to lose.

Hassle-Free Ownership

In fact, I strive to have my tenants manage the properties themselves. I don't want to manage my properties; it isn't a good use of time. The agreements we sign with our Rent to Own Buyers lay this out in detail by specifying that the buyer is responsible for making routine repairs to the property. Because we are investing in nice homes, we rarely have large repairs eating up our cash flow. (All of the contracts, forms and agreements we use are included in my investing system, which can be found at www.QuitWorkSomeDay.com/wealth)

Higher Cash Flow

With our Rent to Own Programs, we are able to charge higher monthly rents for our properties. Over the years, we have developed what I refer to as an "up-sell" strategy. Using this strategy, you can charge an extra \$150 to \$250 a month in rent. Right when the prospective tenant falls in love with the home, you ask them to pay a higher monthly rent. Every penny of this higher monthly rent is free cash flow to you because it is above and beyond the normal market value rent you would have received.

Real Life Example

Here's an example of a home my Income for Life Member of the year Joe Mercadante purchased:



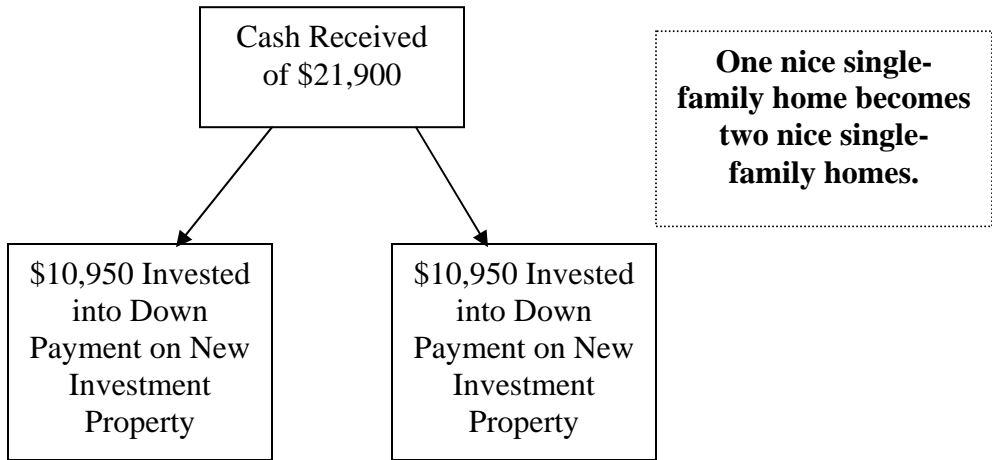
University Hts - Ohio

Joe Paid \$164,000 for the Property
Received \$9,000 Upfront Payment from Tenant
Positive Monthly Cash Flow of \$300 Per Month
Contract Sale Price to Tenant of \$194,900

Total Locked In Profit on Investment \$38,100

My Income for Life Members also have special access to a 5-percent down investment loan program. If you were to use this loan program to purchase this home, your down payment would be approximately \$8,200. Considering the payment received from the Rent to Own Buyer was \$9,000, and the down payment was \$8,200, you would have actually been paid \$800 to buy this home. In addition, you would receive a monthly positive cash flow of \$300 for two years, putting a total of \$7,200 in your pocket. If your Rent to Own Buyer bought out the home at the end of the Rent to Own Program, you would put an additional \$21,900 in your pocket. (\$194,900 less \$164,000 less the \$9,000 up-front payment)

Now here is where the real wealth is created. Most investors would take the \$21,900 of profit when the property sells to their Rent to Own Buyer and live off of it. They would either buy an expensive toy (new car, boat, motorcycle) or they would use it for their day-to-day living expenses. However, in my opinion, you should never take your money out of play. Once you have money invested into income-producing assets, always keep that money invested in income-producing assets. Live off of the cash flow from the properties, not the sales proceeds. I teach my Income for Life Members to use the sales proceeds for down payments on multiple properties. In the above property, Joe could take his proceeds and use them as a down payment on two more properties. Here is what this would look like:



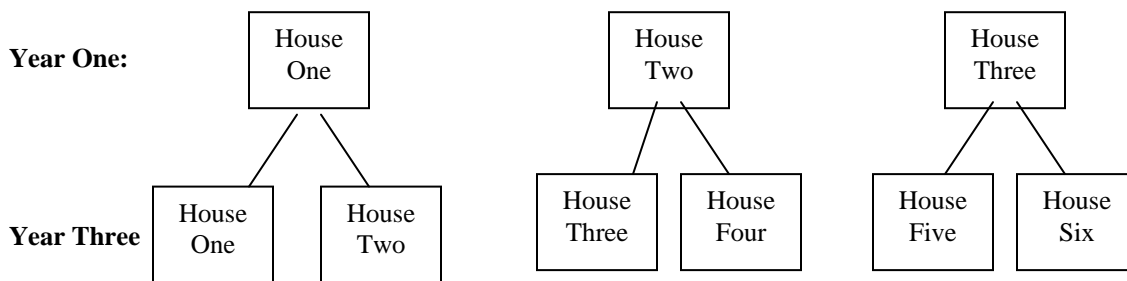
Offer these two new properties on “Rent to Own Programs” and collect two more up-front payments. Let’s say that you were to receive \$5,000 up front from both of the new investments; this would put an additional \$10,000 into your pocket. The cash flow from the first home was \$800 plus the \$7,200 for a total of \$8,000. Now, you are in a position to collect another \$10,000 of upfront payments plus the monthly cash flow on two new homes. Remember, you didn’t need to take money out of your pocket to buy these two new single-family homes. This is what I refer to as:

Houses Buying Houses

This is massive leverage. If each new home had a cash flow of \$300 a month, you would be doubling your cash flow without investing another penny out of your pocket. In addition, you would have two new homes with locked-in profit of \$25,000 each. The best investors I know get their money back from their investments as quickly as possible. Once they have recouped their original investment, they have nothing remaining at risk. Their money can be re-invested, compounding their overall returns at astonishing rates. In most of the investments that my Income for Life Members make, they have their entire investment back within the first 12 months.

I teach my Income for Life Members to make money multiply consistently, constantly and at will. If you had invested in the deal above, you would have invested \$8,200 out of your pocket. You would have received a check for \$9,000 shortly after you closed on the property. Use the \$9,000 received as a down payment on another nice home. In essence, multiply money. This is an extremely powerful skill for you to learn and apply.

Let’s take this just a little bit further to show you how powerful houses buying houses could be for you. Let’s assume that you purchase three nice single-family homes and sell them on two-year Rent to Own Programs. Here is what your real estate portfolio would look like at the end of Year 3 if you use your houses to buy houses:



Three homes became six homes without any additional money invested out of your pocket. The proceeds from the sale of the homes purchased in year one covered the down payments on the six new homes purchased. The six homes purchased in Year 3 would turn to 12 homes in Year 5. The 12 homes purchased in Year 5 would turn into 24 homes in Year 7. This is an incredible wealth-building machine!

This massive money machine could be started with three 5-percent down payments on only three homes. In fact, Joe Mercadante, mentioned above, purchased 20 homes. He collected a total of \$61,300 in up-front payments, created a monthly cash flow of \$4,363 and has buy-out profits locked in totaling \$580,442.

The Wealth Building Secret

Let me wrap up by sharing a wealth-building secret. There are only two ways to get wealthy:

- 1) People working for you
- 2) Money working for you

People working for you:

Think about having 24 Rent to Own Buyers that go to work each day to send you a large monthly rent check. Joe Mercadante has 20 Rent to Own Buyers who go to work for him every day. He could be surfing in Hawaii and 20 people are going to work to send him a check. The second part of the wealth secret is to have your money at work for you.

Money working for you:

In my example above, you will own 24 homes in seven years. If you paid \$120,000 for each home, you would own real estate worth \$2,880,000. If homes are appreciating at just 5 percent a year, your equity in these homes increases by \$144,000 each and every year. Your real estate is powerful, growing asset base that automatically builds wealth for you each and every year.

Clearly, the Rent to Own System captures both of these aspects. True financial leverage is awarded to those who have people and money working for them at the same time. Once the first step is taken and the machine is set in motion, the wealth-building begins. As wealth grows, we are led to financial freedom and ultimately true independence. It all starts with one small step!

Visit www.QuitWorkSomeDay.com to learn more about my Rent to Own system and programs.