

S.C.A.R.E.I.A.

Sandusky County Area Real Estate Investors Association –
serving all of Sandusky County and surrounding areas

NEXT MEETING

Monday,
August 17, 2009
7:00 p.m.
Fort Stephenson
House
600 W. State St.
Fremont

Inside Stories

*Self-Directed IRA's –
What Your Banker
and Broker Hope
You Never Learn*

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Negotiation Tactics*

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*Pre-Paying Your
Mortgage – The Best
Guaranteed Return
Investment There Is*

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*Thank You to Last
Month's Speaker*

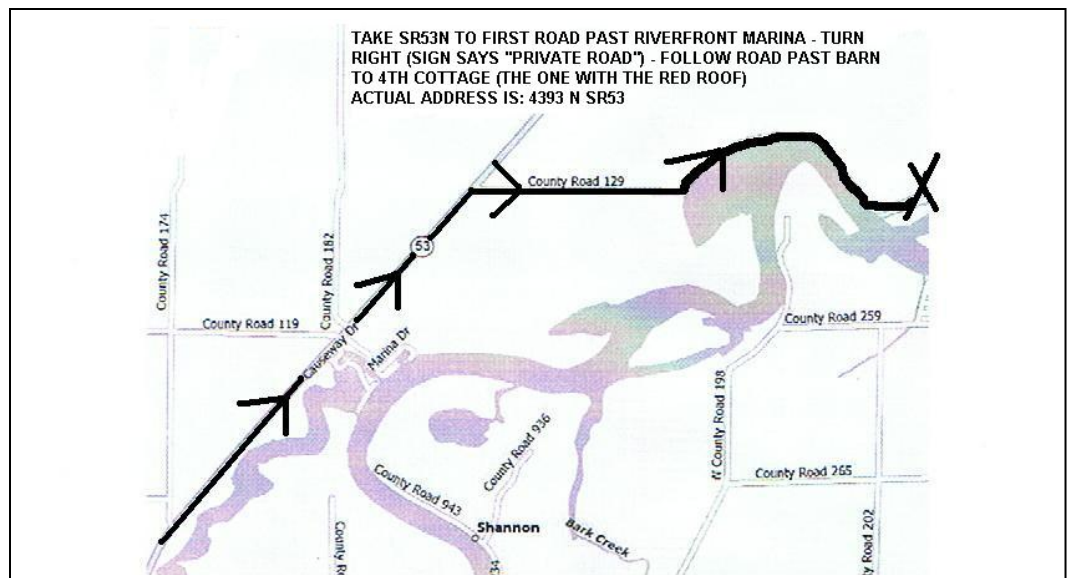
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SUMMER FAMILY POTLUCK MONDAY JULY 20th

*** NOTE TIME AND VENUE CHANGE FOR THIS MEETING
ONLY

6:00pm at
**Mark Damschroder's cottage
along the Sandusky River**
(see map below for directions)

Please bring along a covered dish to share, and some of your best/ worst real estate tales. SCAREIA will provide table service and non-alcoholic beverages (BYOB if you'd like something "stronger"). Mark Damschroder will be fixing some of his special "Root's Poultry" for our dining pleasure.



Feel free to bring the family, a friend, or a guest along
to join in the fun!

Self-Directed IRAs - What Your Banker and Broker Hope You Never Learn

It's coming.

Retirement, that is.

Whether you are one of the countless young adults who have watched the stock market wipe out their budding nest egg, or one of the millions of baby boomers about to hit age 65, retirement is coming. And with pensions disappearing, Social Security becoming less of a sure thing, and an unreliable stock market, Americans are more concerned than ever about their retirement accounts.

Thankfully, there's a great, but little-understood alternative: the **self-directed IRA**.

Why Self-Direct?

There are two primary reasons people choose to self-direct their retirement accounts. First, they want control over their investment decisions rather than relying on someone else to decide what is best for their retirement account. As we often say, **no one** watches your money like **you** watch your money!

Second, they want to tap into higher rates of return often available through nonstandard investments. The fact is, people are tired of settling for single-digit returns in low-yielding bonds and Certificates of Deposit (CDs). On the other hand, they're also tired of sleepless nights of worrying about the ups and downs of the stock market.

What Can You Put in a Self-directed IRA?

Traditional IRAs are limited to investments in stocks, bonds and mutual funds. Meanwhile, self-directed IRAs are specialized accounts that allow their holders to invest in anything except for:

- Works of Art
- Rugs
- Antiques
- Metals
- Stamps
- Coins
- Alcoholic Beverages
- Life Insurance



That means with a self-directed IRA you can invest in real estate, buy a business or franchise, invest in high-yield mortgages and notes, or even invest in tax liens. You can choose your own stocks, bonds, mutual funds, or virtually any investment allowed by IRS regulations. In short, the self-directed IRA lets you act as your own investment manager.

Selecting a Plan Administrator

Self-direction is a specialized field and there are only about a dozen or so companies offering this type of service. So why haven't your banker and broker ever told you about true self-directed IRAs? Because they will no longer make any money on your retirement account, that's why!

A search of the Internet will reveal custodians (also known as administrators) offering self-directed IRA services. Contact information for several of the well-known companies is provided on the following page:

If you are interested in tapping into a powerful investment tool for building wealth, investigate a self-

Self-Directed IRAs - What Your Banker and Broker Hope You Never Learn (cont.)

Entrust Administration, Inc.
Entrust Bank & Trust
www.iraplus.com
800-392-9653

Equity Trust Company
www.trustetc.com
888-382-4727

Fiserv Investment Services
www.fiserviss.com
800-525-2124

PENSCO Trust Company
www.pensco.com
800-969-4472

Sterling Trust Company
www.sterlingtrustcompany.com
800-955-3434

Supercharge Your Retirement

The average investor wonders how he or she will ever achieve a double-digit percent return when the stock market is tanking and banks are paying investors less than 3 percent on CDs. Fortunately, real estate investors know how to tap into double-digit and sometimes even triple-digit returns. These returns are magnified even further when they are put in a tax-deferred investment vehicle like an IRA.

If you are interested in tapping into a powerful investment tool for building wealth, investigate a self-directed IRA today. It will allow you to take control of your investment future, and make sure your investments are performing for YOU, not someone else.

Watch Out for These Negotiation Tactics

Whether you are buying or selling real estate you will, at some point, enter into negotiations. Many small landlords fear negotiating, but if you enter negotiations with knowledge of common tactics and strategies, you'll be more confident in your ability to get a good deal.

Two of the most common negotiating tactics are:

The Higher Authority

This tactic involves the buyer or seller agreeing to certain terms and then saying they must run the agreement by some higher authority (for example a boss, partner or parent) before they sign any contract. The higher authority then comes in and tries to get a better deal, not wanting their naive compatriot to be taken. To avoid this entire situation be sure you initially negotiate with the highest authority by asking your buyer or seller that all interested parties be present at the start of negotiations.

Good-Cop, Bad-Cop

This is the oldest strategy in the book. One negotiator demands strict terms and will not waiver, then the partner comes in and sweet talks you into accepting slightly better terms. They're so nice you figure they must be giving you a deal. Don't let this tactic intimidate you into an unfavorable contract; remain firm yourself and ask an impartial source to look over the contract from the good-guy to make sure you haven't been fooled by their sweet tone.

Prepaying Your Mortgage

The Best Guaranteed-Return Investment There Is!

Did you know that when you buy a home with a 30-year mortgage, you will pay for that loan almost three times? It's true. Just multiply whatever your monthly payment is by 360 (months) and you'll discover that the total amount you're paying the bank is nearly three times the amount you borrowed from them. Unbelievable, isn't it?

And what's so amazing is that everyone acts as if this is the way it should be. Your parents undoubtedly did it this way, and your friends and relatives likely do too. Even the banker (or mortgage broker) and real estate agent act as though borrowing this money and paying back nearly three times the amount is completely normal!

Inside the Numbers

If you buy a \$300,000 home, with a \$250,000, 7 percent mortgage, you'll end up paying \$598,769 in total payments over the life of the loan (not even including taxes and PMI). That's nearly \$600,000 to pay back a \$250,000 loan! And almost \$350,000 of that is interest!

It's likely that nobody has ever told you that if you would just cut back on a few things and pay the mortgage company an extra \$350/month that you would pay your mortgage off in 19 years instead of 30. It's true.

This technique is referred to as accelerating payments or prepaying your mortgage. And the amount of money you can save from this strategy is incredible

Objections You Will Likely Hear

Most people don't understand the power of prepaying their mortgage--and if you tell those close to you about it, you'll find that many will argue with you out of ignorance. Almost inevitably, it's the same two objections. Let's address them, shall we?

1. "If you pay off your mortgage sooner, you won't be able to get a tax deduction."

Technically this is true, but it's a ridiculous statement. Let's assume you're in the 28 percent tax bracket. Each dollar of interest you pay the mortgage company is deductible. This will save you 28 cents you would have otherwise paid to the IRS on that dollar as income tax. But think about that. You're giving up a dollar to save just 28 cents of federal income tax. On the other hand... if you pay off your mortgage, you will certainly have to pay 28 cents on each dollar not going to mortgage interest... but you're getting to keep the other 72 cents!

So while this objection is technically correct, they are, in essence, saying, "Keep on paying a dollar of interest to the bank in order to save 28 cents in taxes." Does that sound like good advice to you?

Oh, and don't forget: You still get the full mortgage interest tax deduction while you're paying off your loan... it only ends when your mortgage is paid off.

2. "If you invest that money instead, you'll be able to come out ahead."

Prepaying Your Mortgage (cont.)

Inevitably, someone will ask you why you don't just make the minimum payments on your mortgage and invest that extra money instead. After all, if you've got a 6.25 percent mortgage, and can earn 8 percent in the stock market, isn't this a wise trade-off?

No! On a typical monthly mortgage payment, 95 percent or more of the payment is interest each month. While the mortgage company made you feel as if you were getting a 6 or 7 percent mortgage, you're actually paying 92 to 98 percent of your money toward interest each month. (It would only be 6 or 7 percent if you paid the entire balance off the first year.) Look at any amortization schedule. You'll see that the loan is front-loaded with interest so that the bank can turn a profit quickly.

The other reason paying off your mortgage is a good idea is that paying off debt gives you a **guaranteed** return on investment equal to the debt's interest rate, so you must only compare paying off your mortgage loan with investments that would also **guarantee** their return.

Stocks, bonds, mutual funds, real estate investments, precious metals, and almost all types of securities DO NOT guarantee rates of return. So let's look at what type of investments DO guarantee their returns. The safest investments that guarantee their returns are U.S. Treasury bonds, and the bond market will always pay less than current mortgage interest rates cost.

Second, whatever you invest in, you will have to pay *capital gains tax* on. So depending on mortgage interest rates, you better earn at least 12 to 13 percent to even think about this strategy.

The fact is that prepaying any mortgages on your personal residence--along with your investment properties--will **always** give you a higher return than any comparable, guaranteed-return investment!



THANK YOU TO LAST MONTH'S GUEST SPEAKERS

A very special thank you to Michelle Wells, O.R.E.I.A. Government Affairs Director, and Jeff Wagner, State of Ohio Representative, for their information regarding legislation that is currently being discussed that could have a profound impact on our business as a landlord. Did you know that it took so much effort and time for a bill to be passed? We hope you realized the need to be involved in legislative decisions for the sake of your housing business. Again, thank you Michelle for your voice – and Jeff, for your support of our real estate association. If any member would like to contact Michelle, she may be reached at: (330) 824-0023, or via email at: OREIALegislative@embarqmail.com. To reach Jeff Wagner, he may be contacted via email at: district81@ohr.state.oh.us

2009 S.C.A.R.E.I.A. Board Members

President: Harry Aspacher
419-334-8846

V. President: Mark Damschroder
419-334-4096

Secretary: Radelle Karg
419-333-1000

Treasurer: Mary Methner
419-637-7631

Website: Allan Shaw
419-265-8274

Membership: Chuck Williams
419-547-8127

Social Director & OPHP Cert:
Kathy Burkin
419-334-9586

Newsletter: Mary Methner

Programs: Cindy Crispen &
Harry Aspacher

For further information,
you may contact
any of the
Board Members
at any time

About Our Organization...

SCAREIA was organized in October 2005. Our primary focus is to share information, to help educate and to motivate our members in their successful real estate endeavors.

Anyone interested in Real Estate Investing, whether you are just beginning or a seasoned investor, are welcome to join.

SCAREIA meets the 3rd Monday of every month at 7pm. Meetings are located in the basement of the Fort Stephenson House, 600 W. State St., Fremont, Ohio.

SPECIAL THANK YOU TO FIRST AMERICAN TITLE FOR PROVIDING THE MONTHLY EVICTION AND FORECLOSURE REPORTS



First American

First American Title Insurance Company
610 W. State Street
Fremont, Ohio 43420
Toll Free: 800-332-6446
Direct: 419-332-0313 Fax: 419-332-0713

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