

NEXT MEETING

Monday,
April 19, 2010
6:30 p.m.

**FOOD
AVAILABLE!!**
Fort Stephenson
House
600 W. State St.
Fremont



Inside Stories

*3 Steps to Take Today
to Sell your Business
for Top Dollar
Tomorrow*

Pg. 2

*Reduce Your Taxes
by Investing in Real
Estate*

Pg. 3

Quote of the Month

Pg. 3

Read Before You Sign

Pg. 4

*10 Techniques to
Blow through
Procrastination*

Pg. 5

*Thank You to Last
Month's Speaker*

Pg. 5

GET THE LEAD OUT!

LEARN ABOUT THE NEW RULES ON LEAD PAINT REMOVAL STARTING IN APRIL. DON'T BE UNINFORMED AND SET YOURSELF UP FOR A HUGE FINE. THESE RULES WILL ABSOLUTELY AFFECT THE WAY YOU DO REPAIRS AND REMODELING.

Tom Johnson, of Cleaner & Dryer, will be speaking at this month's SCAREIA meeting, **Monday, March 15th at 6:30 p.m.**

Tom has owned his own restoration business with his wife, Brenda, for 15 years. He is certified in restoration services for water, flood, fire, smoke and mold and is currently studying the new laws and certifications for lead. He has a construction back ground and teaches inner city boys at a camp that he and his wife started in 2001 named Camp Dylan. They teach the basics in plumbing, carpentry, mechanics, and electrical trades. He also teaches a deaf Sunday school class at his church; and he and Brenda both interpret for the deaf with American Sign Language. They have 6 kids and 6 grand kids.

Tom's tentative agenda consists of the following:

1. Why is there lead in paint?
2. What are the dangers?
3. What are the new laws and regulations?
4. How does that affect a landlord or property owner?
5. What is required now to renovate a rented property?
6. Q & A

Please plan to attend this very informative meeting, and find out just what is required of all property owners with all of the new laws and regulations.



Special thanks to Tom for sponsoring last month's SCAREIA pizza supper as well!!

The 3 Steps to Take Today to Sell Your Business for Top Dollar Tomorrow

The most important question you can ask yourself is this: " *What can I do today to prepare to sell my business two to three years from now?* "

Here are three concrete steps to follow as you prepare now to sell later.

Step 1: Determine what your business is currently worth.

How do you find out what your business is currently worth?

You can look to industry or association sources for the most common valuation methods for your type of business.

You can hire a valuation firm, work with an investment banker, or even hire a CPA experienced in your industry and type of business.

Even more important is understanding how companies in your industry and business category are valued by the market. What formula is most commonly used? What is the current range of business multipliers and how can you command the top end of that range? Find out!

Step 2: Do a "buyer's audit."

Put yourself in the shoes of a potential buyer and take a hard, long look at your business.

Which elements give it value in an outsider's eyes?

What major risks do you see that scare you?

What are the most attractive parts of buying this specific business versus one of its competitors?

What are the least attractive parts of buying it?

If you could change only three things to make it more attractive as an acquisition, what three specific things would you change over the coming 12 months?

Step 3: Mitigate risks and enhance value.

Once you've identified key risks and specific elements that create value, take preemptive action to lessen the buyer's risks and enhance your business's value.

The more you mitigate risks and enhance value in the eyes of a future buyer, the more your company will be worth when you sell it.



Reduce Your Taxes by Investing in Real Estate

by Attorney William Bronchick

Taxes are your biggest expense in your lifetime, so choose your source of income wisely! Real estate has some of the BEST TAX BREAKS of any investment in America!

The more you earn through your job, the more you get taxed, and the system is setup that way to punish hard workers and reward investors. Have you looked at the bottom stub of your paycheck lately and seen how much the government steals from you? Wage income not only requires work, it gets taxed at a very high rate, plus the government takes FICA, which is put into a system that may be bankrupt when you retire.

Real estate has so many tax advantages over wage income:

1. Capital Gains Rates

The maximum federal tax rate on capital gains is 15%, whereas wage income is taxed at 35%. There are state taxes, too, and some states offer further discounts on capital gains income. Remember, capital gains requires that you hold a property for 12 months or more before selling and that it was held for productive use (i.e., as a rental, not a long-term fix and flip).

2. Exemption for Principal Residence

If you sell your residence, the first \$250,000 is exempt from gain or \$500,000 if you are married. Remember, this requires that the residence was used as such for two of the last five years.

3. 1031 Exchanges

Under IRC Sec 1031, you can roll your profits from a rental property into more real estate and defer paying taxes altogether. Your tax basis rolls into the next property. The rules are rather stringent, in that the exchange must be completed with 180 days and the exchange property must be indentified with 45 days of the sale of the relinquished property (more info at www.1031x.com).

4. Interest Deduction

You get to deduct interest you pay on debt you have used to acquire your real estate.

5. Depreciation

For rental properties, you get a tax deduction for the “wear and tear” on the structure, even if the property increases in value! Thus, you can actually break even or make money, but on paper show a loss to offset other income.

6. No FICA Tax

Your income from real estate is general NOT subject to FICA tax withholding. Regular self employment income is subject to 15.3% tax on the first \$100,000 or so, and thereafter your earned income is subject to Medicare withholding (which you may never get back in your lifetime the way things are going!).

It's not just what you make, it's what you keep... plan wisely where your income comes from, and you will keep a lot more.

Quote of the Month

“If you think hiring a professional is expensive, wait till you hire an amateur”



"READ BEFORE YOU SIGN!"

Too many investors go to closing and sign documents without ever reading them, taking the word of the "professionals" involved in the closing. This is a huge mistake, unless that professional is your lawyer, and he or she has read and understood the loan documents. Don't presume that the lawyer you are paying represents you. Many banks have lawyers that represent them and charge that fee to the borrower.

Mortgage brokers and lenders are not by their nature dishonest but there are enough shady characters that try to slip things by on borrowers. In some cases, it is a mistake by the lender or a miscommunication between the mortgage broker and the lender, both of which result in the borrower getting a different loan than what was promised.

The most common things that are incorrect on a loan are:

Prepayment Penalty—The most common "hidden" clause is a prepayment penalty that the lender does not disclose or that was supposed to be omitted. The only way to know for sure is to read your mortgage note to see if there is a prepayment penalty clause. In some cases, a lender may say there is no prepayment penalty, but has inserted a "soft" prepayment penalty. In addition, read carefully how much the penalty is, and how long after the loan is originated the penalty applies.

Fixed versus Adjustable Rate—If you pay for a fixed-rate loan, you may end up with a surprise at closing in the form of an adjustable-rate loan that is fixed only for a certain time period, such as two years. In some cases, you may be promised a five-year fixed rate and end up with a three-year fixed rate. Moreover, read carefully about how the loan adjusts. Some ARM loans can only be adjusted twice a year, others can be adjusted monthly. Finally, look at the amount the loan can adjust each time, and the maximum rate the lender can charge over the life of the loan. All of this will be spelled out in the mortgage note. (Hint: if the note is titled, "Adjustable Rate Loan," it's a dead giveaway that you don't have a fixed-rate loan!)

Owner-Occupied Loan—If you apply for the loan as investor, the mortgage broker may submit it for approval as an owner-occupied loan, either by accident or on purpose. Read the documents carefully. Do not sign your name to any document saying that you promise to live in the property if you aren't actually going to do so. In most cases, the mortgage or deed of trust will have a rider (addendum) that says you do not intend to occupy the property as your principal residence.

The bottom line my friends, is **READ** before you sign. Once you sign, you are out of luck, because there's no three-day right of rescission for an investor loan!

10 Techniques to Blow through Procrastination

1. Get yourself to show up... just get started.
2. Go through the motions... (It's amazing what happens when you just get warmed up and DOING!)
3. Do it *imperfectly* (write a draft, take a stab at it, don't worry if it isn't perfect. In fact, set out to do it imperfectly so you lower the pressure on yourself.)
4. Do it now! Do it now! Do it now!
5. Get a "gym buddy", an "accountability partner" for your business.
6. Use your SCAREIA group and make a realistic commitment.
7. Set a cool reward.
8. Make it a game. (Set a countdown timer and see how much of project X you can finish in 30 minutes.)
9. Get clear on what you are really afraid of... accept that possibility and get on with your life...
10. Develop your integrity to the place that when you speak it you do it... Learn to become more committed to your integrity than to your comfort zone.



THANK YOU TO LAST MONTH'S GUEST SPEAKER:

Special thanks to Chuck Williams, who spoke last month about how to finance properties without bank assistance. Do you know the differences between a lease-option, land contract, and a lease-purchase? If you need more information on these, feel free to contact Chuck at 419-680-0395 and he will be more than happy to assist you.

ALSO OF IMPORTANCE

We received "Thank You" notes from the Sandusky County Food Pantry. "With sincere thanks for your \$50.00 donation. It was appreciated more than words can say." *AND* from Liberty Center of Sandusky County. "We appreciate your support! Your donation of \$225 will enable us to continue necessary services to homeless individuals and families." The SCAREIA sponsor day is: October 1, 2010.

2010 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: 800-322-6446

DISCLAIMER: The SCAREIA newsletter is published 12 times per year by the Sandusky County Area Real Estate Investors Association. First class postage paid. Copyright 2009 by the Sandusky County Area Real Estate Investors Association. All rights reserved.

Reproduction or dissemination in whole or in part, in any form whatsoever, is expressly prohibited. Printed in the USA. The information contained herein is believed accurate, but is not guaranteed or warranted in any manner by any party.

The information is provided with the understanding that neither the author(s), program speaker(s), nor the publisher (or its trustees, officers, employees, or agents) are engaged in rendering legal, accounting, or other professional advice. If legal, accounting or other professional assistance is required, the service of a competent professional person should be sought.

**SANDUSKY COUNTY AREA
REAL ESTATE
INVESTORS ASSOCIATION
600 W. STATE ST., BOX SCAREIA
FREMONT, OH 43420**

