SELLING SMART

A GUIDE For Landlords

- **Truly PASSIVE INCOME**
- **ELIMINATING Rental Headaches**
- **POSTPONING Or Even ELIMINATING Capital Gains Taxes**

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Introduction

Tip #1 Passive vs. Active Investor

If you are like most investors, you would like to have the most financial returns with the fewest dollars and least effort invested.

If you think of a teeter totter, generally the more passive the investment the lower the returns. The more active you are *(effort and often dollars)* the greater your returns.

Many people enamored of HGTV have found that being a “flipper” is very active. It’s like dancing with an 800 lb. gorilla … you dance till *They* are done.

On the other hand, rentals were supposed to be passive where money just flowed in month after month. In reality, most seasoned landlords will say that their bank accounts never quite equal what their pro forma spreadsheets say they should be netting.

And the checking account deficiencies don’t even take into account those unexpected late night tenant repair calls, excuses and “tenant sitting”.

What if you could get better cash flow and eliminate the headaches? Hmmm?

Tip #2 Truly Passive Income

In the previous chapter we discussed the differences between active and passive income.

What kind of business is truly passive? Think of banks!

Who does the tenant call to unplug the toilet, fix the AC or replace a broken window? The landlord? … or … the bank that holds the mortgage?

Does the bank pay for maintenance, repairs, taxes or insurance? – NO.

Does the bank expect payment every month, vacant or not? – Yes.

Could You be the bank … and … have someone pay You monthly? – Yes

You already know the property, could you feel comfortable as the bank? – Yes

TIP #3 Market Value

Market values have risen to all time highs.

If you're one of the 17 million people who own between one and five rentals, inflation has helped drive up your property value through appreciation.

If you sell at the top of the market what are you going to do now?

1. You could do a 1031 Exchange. However, you will also be buying at the top of the market and still have the tenants, toilets and aggravation.

2. You could list your property with a Realtor®. This would take varying amounts of time to sell and cost you commission fees.

   The Realtor® would also lead you directly down the path to get intimate with your *Silent Partner*, whom we will meet in the next chapter, who will reach into your pockets and extract far more than the commission.

3. You could sell your property and become the bank. As with most things, people don't know what they don't know. See Chapter 7.

Tip #4 Your Silent Partner

You've run the race. You battled through the repairs, maintenance, taxes and have heard more tenant excuses than a Vegas standup comedian could think of.

Ready to cash in? Right? Well your "Silent Partner" – Uncle Sam – wants to be paid too.

The increase in property value, appreciation over what you originally paid, will leave Uncle Sam smiling because his tax portion has also increased. This is *capital gains*.

Like most smart business owners, to get better cash flow over the years, you have also depreciated the property. Again, Uncle Sam will be first in line to get his share. This is *depreciation recapture*.

Who knew that riding off into the financial sunset would be so painful?

Tip #5   The Best Of All Worlds

Let's revisit why most investors became landlords. They were seeking;

1. A secure/safe place where they could put their money.
2. Ongoing regular cash flow with little involvement or headaches.
3. Tax advantages.

What if you could achieve all those benefits … AND …;

1. Have an investment that becomes more secure over time?
2. Typically gets better cash flow than rentals?
3. *DEFER* or possibly *ELIMINATE* Capital Gains Tax by using a well established *IRS loophole*?

How can you do that?   **SELL SMART**.   **Be the BANK**.

Tip #6 Added Bonus

The majority of this nations’ 17 million smaller landlords own their rentals in their own names. Often, without realizing it, they have placed all that they own and their family in great financial jeopardy. What if they were sued beyond their insurance coverage for a fire, gas leak or other injury?

Seller Financing shield’s the Bank (YOU) from that liability in case of a suit.

The laws have changed.

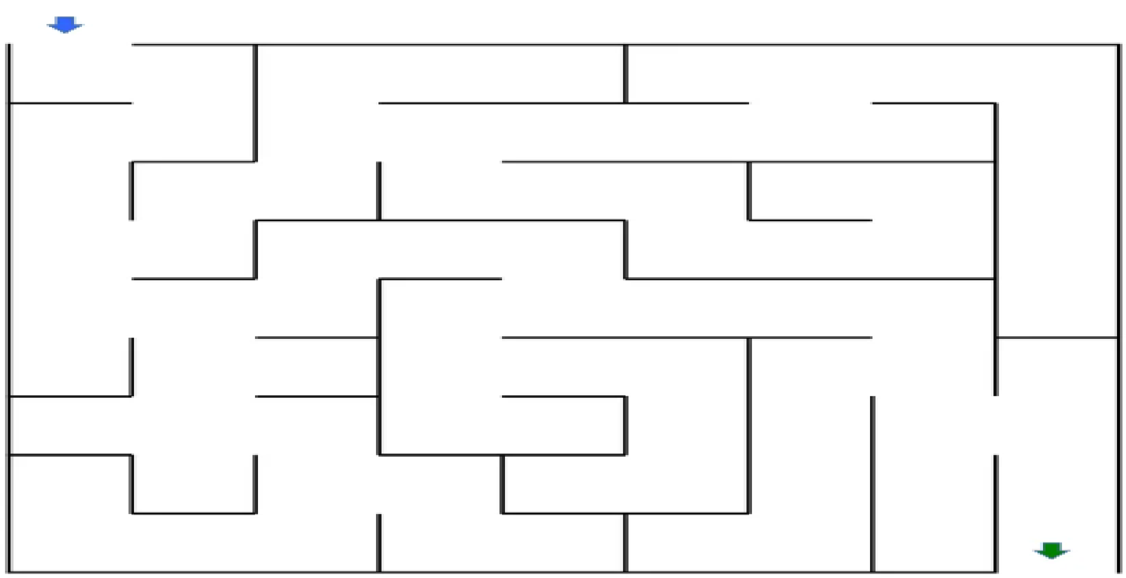
In selling to an owner occupant, there are a maze of criteria and government regulations that must be navigated.

Afterall, it’s not the landmines you see that are dangerous. It’s the one’s that you don’t see that can hurt you and your family.

Are you SAFE Act compliant? Are you following Dodd-Frank Guidelines? Do you need to hire an RMLO? Have you complied with the ATR of the buyer?

If not, the CFPB could force you to return all monies obtained for the past three years to the buyer who bought and lived in your former house.

Fortunately, selling to any entity, such as Anthem Homes, Inc., straightens that path and eliminates the governmental maze. Entities are exempt.



Tip #7 Double Bonus

Did you know that as the bank when you hold the Mortgage or Deed of Trust *(for our purposes, consider them the same)* that they are considered "personal property".

Personal property includes everything that is not real estate, i.e. "real property".

As such, you have the right to sell your personal property.

Over time, your goals, needs or desires may change.

Did you know that you could sell your ***entire mortgage*** balance (the note) or just ***part*** of it?

This gives you substantially more flexibility in the future vs. owning a rental.

What's not to like?

- better cash flow
- deferred or eliminated taxes
- strongly secured by a property you know
- no more rental or tenant headaches
- greater financial flexibility

CAPSTONE CAPITAL USA

Dave@CapstoneCapitalUSA.com

480 232 5477

www.Seller-Carry.com
www.CapstoneCapitalUSA.com