

# THE ONLY REAL ESTATE INVESTING FOR BEGINNERS BOOK YOU'LL EVER NEED

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CLOSE YOUR FIRST DEAL IN 7 SIMPLE STEPS EVEN IF  
YOU'RE BROKE & HAVE ZERO EXPERIENCE

ANDREW & COURTNEY JAMES



## INTRODUCTION: WHY YOU ARE HERE

Do you crave freedom? Do you want the ability to do what you want, when you want, without worrying if you have enough money or if your boss will let you take time off work?

I know what you're going through because I've also been there, like many others. I used to dread clocking in not one minute later than 8 AM to my job, catching up on emails regarding problems I didn't actually care about, sitting in on what seemed like the same meeting over and over again, and waiting in agony for my coveted lunch hour. And even after this hour of freedom, I'd go back to my desk and watch the time tick by as slowly as possible as if it were mocking me and waiting for the most exciting part of my day, which was clocking out without any forced post-work gatherings to take up the rest of the evening. Then I'd peel out of the parking lot so I could complete a few necessary life tasks and, hopefully, still have time and energy at the end of the day to do something I enjoyed. But let's be honest. The day drained me so much that I usually ended up being too tired to do anything. Most of the time, I ended up cracking a few beers and watching Netflix before going to bed and doing it all over again.

If any of this resonates with you, you are reading the right book,

and there is a way out. If you want to leave your 9-to-5 job and finally be free to pursue the life of your dreams, it IS possible!

Imagine being able to book a flight on a moment's notice in the middle of the week, take your spouse on a two-hour lunch date on a Tuesday, or spend the 40+ hours you usually work and commute with your kids without having to worry about making ends meet or upper management breathing down your neck. This lifestyle IS possible, even for the person who feels utterly stuck or far behind!

The best way to do this is by building passive income and generating wealth through real estate investing. I know this because I used to loathe my life as an employee. Now I am a full-time real estate and business investor living the life of my dreams, and I want to help you live yours.

So, if you want to dive into the world and endless possibilities of real estate investing, let's buckle up and get started!

## HOW REAL ESTATE INVESTING CAN MAKE ORDINARY PEOPLE EXTRAORDINARILY WEALTHY

*The major fortunes in America have been made in land.*

— JOHN D. ROCKEFELLER

**D**id you know that real estate investing has created 90% of the world's millionaires, and most started as beginners like you?

The secret is that regular people are getting richer than ever using real estate investing, and you can, too.

You might wonder, "If this is true, why don't more people invest in real estate?"

Well, there are many answers to that question. Some common reasons are that they don't think they can invest in real estate or know how to. However, the biggest reason seems to be that they believe they need tons of money, connections, or skills to get started.

The good news is this couldn't be further from the truth! Anyone can build a wealth-generating real estate portfolio with the correct knowledge and the drive to do so.

What is real estate investing anyway? Simply put, it's the purchase, management, or sale of real estate (homes, buildings, land, etc.) for a profit. There are many different types of real estate investments and just as many, if not more, ways to make money. This makes it a very flexible asset class to invest in that is also relatively easy to get started in. The average person can start with just one small investment and scale an extensive portfolio. They can do this relatively quickly or build it slowly over time, depending on their goals. The sky really is the limit!

So, how does real estate investing work? There are many ways that real estate investing can be done to generate wealth, but let's introduce the most common ways first.

To start, there's rental property investing. This is where someone buys a property, commonly with a down payment and a bank loan, and manages it while tenants rent it out and pay down the mortgage for them. Not only is the mortgage being paid down by other people, but hopefully, there is extra money left over from the rent payment after paying expenses to put in the investor's pocket every month. Most likely, the property is also increasing in value over time, making the investor even more of a return down the line. Imagine having 10s or 100s of these properties all operating at the same time! Probably the other most common way to build wealth through real estate is buying a property at or below its value, drastically renovating it to increase its value, and then selling it at a much higher price than what you bought it for and what you put into fixing it up.

These are just two high-level examples of hundreds of ways to build wealth through real estate investing. While real estate can significantly increase your wealth, this is not some "get rich quick" scheme; it can take several years. You have to come into the real estate business with the mindset that it's a long-term strategy. This often involves commitment, patience, and being hungry to learn anything you can about real estate to become a better investor.

Real estate investing has many other benefits beyond just wealth creation. Let's dive in to learn more!

## THE SECRET SAUCE OF REAL ESTATE INVESTING

While there are many benefits to real estate investing, there are four key elements to amassing significant wealth. All four of them, working together, are what make real estate a unique and powerful investment.

These four elements are: tax benefits, appreciation, cash flow, and leverage. I like to refer to them as the secret sauce of real estate investing. Let's take a closer look at each.

### *UNDERSTANDING TAX BENEFITS*

Let's begin with property tax deductions. I'm starting with these because these tend to be some of the most expensive taxes a real estate investor will have. However, they are often tax deductible, which means you can reduce them on your tax bill. Plus, if you already own your primary residence (the house you live in), you can deduct a part of your property taxes, too.

Another tax benefit is mortgage interest deduction, where you can deduct your mortgage interest payments. So, all the interest you pay on your mortgage can be taken out of your tax bill. This is great because, most of the time, you will be taking out mortgages to purchase your properties. It might not seem like much, but this is considerable savings, especially when you start your career as a real estate investor and when your interest payments are higher.

But perhaps one of the best tax benefits of real estate investing is depreciation. You can deduct the cost of acquiring a rental property over a certain period, which is usually 27.5 years or 39 years for residential and commercial property, respectively. This means that the depreciation expense can counterbalance your rental income, which reduces your tax bill.

Then there's the 1031 exchange, also called the tax-deferred exchange. This is more of a strategy where you can defer capital gains on a property when you sell if you use that money to invest in a similar property. The capital gains tax is a tax on the profit from the sale of real estate. For instance, if you sell a one-bedroom

property and buy another one, any capital gains you've made with the sale can be deferred. This is a great way to continue to expand your real estate portfolio without a large tax bill. But more importantly, over a long period of time, the 1031 exchange can save you a lot of money.

Besides the 1031 exchange, there's another way you can save on your tax bill with capital gains. When you sell a property, any profit you make is taxable under capital gains, but the tax rate for long-term capital gains, which is usually more than one year, tends to be lower than the regular income tax rate.

It's important you understand and take advantage of these tax benefits once you start investing because they can really enhance your profitability. However, even if you know all of this, nothing replaces a qualified tax professional to oversee your business and point out any issues or more tax benefits that you can leverage. This professional can also ensure that you stay within the law—not that you'd ever be breaking it on purpose, but because it can accidentally happen if you don't fully understand what you're doing.

## *APPRECIATION*

Let's now have a closer look at what property appreciation entails. This is one of the best ways for you to generate wealth with property investments. Because of that, it's vital that you understand exactly how it works and how you can take advantage of it, especially if you want to build long-term financial stability.

So, what exactly is appreciation? There are two types of appreciation – natural and forced. Natural appreciation is simply that—the natural tendency for prices to rise over time. While the price of everything goes up over time, you can also do your best to lean into natural appreciation by purchasing real estate in ideal locations. By choosing a property in a location that is or will soon be in an amazing neighborhood where there are good schools, a low crime rate, and great public transportation, the value of the property will tend to increase faster than others. But the market conditions, which are completely irrelevant to the property itself, are

also an important factor. If the area of the property is prospering—that is, if the population, the economy, and job opportunities are growing—this will also influence the appreciation of the property.

Forced appreciation, on the other hand, is the concept of improving a property to increase its value. For example, taking a three-bedroom, one-and-a-half-bath and turning it into a four-bedroom, two-bath will immediately increase its value. This is incredibly powerful for the average investor because they can directly improve their investment and make more money rather than banking on external factors they can't control (like they would in, say, the stock market).

But why else does property appreciation matter so much for your real estate investments? Well, for one, it builds equity. This is because, as your properties appreciate, the discrepancy between the current market value and the amount you owe on your mortgage forms equity. You can use this equity by selling the property or remortgaging it. Either way, it provides you with the funds necessary for future investments. In other words, this appreciation can create leverage from your existing assets to acquire more properties. You can then use this higher equity in your properties as a down payment for new properties.

As time passes, property appreciation can significantly increase your net worth. This is huge! Do the work once, and watch your wealth grow over time.

### *CASH FLOW & GENERATING PASSIVE INCOME*

In simple terms, cash flow is the amount of income left in your business after all the expenses like your mortgage, insurance, repairs, etc. have been paid. It is the lifeblood of any rental property business and vital for success.

Having a positive cash flow can also allow you to scale your business, meaning that for every property that you buy and rent out, this income increases—and due to inflation, it continues to increase while you pay the same mortgage (if you still have one). In turn, this means that your profit margins increase, as does your

purchasing power. For example, if you have placed your money in a savings account, your purchasing power tends to decrease because, even though there's interest associated with the account, this interest is usually lower than the rate of inflation.

The amount of cash flow you can create largely depends on the property you have and the rental strategy you use. There are many different types of these strategies you can use, and you have to find the one that works best for you.

Short- and long-term are the most popular ones. Long-term leases happen when you rent out your property for more than six months, while short-term leases are usually for less time. While long-term rentals often involve renting the property to tenants, short-term rentals usually involve Airbnb'ing your property, especially if your property is in a location where there are plenty of tourist attractions. However, keep in mind that if you're going to rent out your property for short-term stays, doing so usually involves a lot more maintenance and upkeep than long-term leases. Even so, you can charge more, meaning your rental income is often higher.

Predicting the cash flow of a property can be difficult, but by using historical and industry data, you can get a realistic estimate of what it would be. We will get into the details of cash flow later in the book. However, if you can generate enough positive cash flow, you can reap the holy grail for most real estate investors: passive income.

Passive income is one of the most sought-after benefits of being a real estate investor and the central strategy of many. It refers to the income of money earned with almost no effort on your behalf, though it can provide you with financial security and freedom. I am telling you, there is almost nothing as satisfying as getting a check month after month while doing very little to no work.

As alluded to above, rental income is the main source of passive income in the real estate world. When you rent out a property, the rent paid by tenants comes every month. This is one of the most reliable sources of income in real estate because tenants have to pay rent if they want to live on the property. I cannot overstate

how life changing it is the first time you get paid rent rather than paying it or a mortgage.

## *LEVERAGE*

Leveraging debt to build wealth is a very attractive part of real estate investing and is a great tool that will allow you to increase your potential returns by using the money you borrow to acquire properties that produce more income. Let's have a closer look at it.

Leverage in the context of real estate investing is when you combine the capital you have and the funds that you borrow, usually in the form of a loan or a mortgage, to buy investment properties. The main goal here is to increase your returns. Leverage also means that you can utilize the power of other people's money (OPM) – most commonly, the bank's or that of private investors. This is done by securing financing from lenders where you use a small amount of your own money to do it, which in turn frees up more of your available capital to put into improving the property or for anything else that you want to invest in.

For example, let's say a property is priced at \$300,000 and the bank is willing to lend me up to 80% off the asking price. In this case, the bank will lend me \$240,000 in the form of a mortgage. This means that I only have to put \$60,000 of my own money for a down payment. Basically, I am paying \$60,000 to get a \$300,000 asset that will appreciate and be worth more in the future!

If you're thinking you could never come up with \$60,000 for a down payment, don't worry. This is just an example, and we'll be talking about ways to find and create little-to-no-money-down deals later in the book.

But the real benefit here is that you can significantly amplify your returns on your own investments. For easy math, let's say you have \$100,000 in cash to invest (again, please don't worry if you don't – this is an example). You could simply use that money to purchase a property that would cost \$100,000 right away. If in a year, that property appreciated by 5% , you would have \$5,000 more. But if

you leverage, instead of buying the property with all the money you have right away, you leverage that \$100,000 and use it for a down payment on a property that costs \$500,000. If within a year, that property appreciates the same 5% , you would have \$25,000 more! That's \$20,000 more by using the power of leverage!

There are some considerations you have to take into account when you're leveraging debt. While it's a great strategy to increase your wealth, it's not without risks. For instance, it's vital that you can cover the mortgage payments and other expenses related to the rental. You also can't forget about the interest on your borrowed money. Moreover, think about market volatility, as real estate markets can fluctuate, and in some cases, properties might not appreciate for some time. Leverage use can increase your returns, but they can also increase your risk. So, make sure that you have a diversified portfolio to help you mitigate some of that risk.

Leveraging debt is a wonderful long-term strategy to build wealth. As time passes, your properties appreciate, and with that, your rental income grows, so you can pay down the debt and accumulate significant wealth while your portfolio continues to produce income and stays diversified.

## KEY TAKEAWAYS

- Real estate investing has created 90% of the world's millionaires—and you could be one of them.
- There are major tax benefits to real estate investing. Many successful investors pay less in taxes than most Americans, even though they typically make more income.
- Real estate has been a proven and reliable investment class, in large part due to appreciation: the natural or forced increase in value of the asset over time.
- Cash flow is king and the lifeblood of any business, including real estate.
- Leveraging debt is a powerful tool that allows you to buy expensive assets for a fraction of the cost.
- Tax benefits + appreciation + cash flow + leverage = the secret sauce to wealth building with real estate.