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INVESTMENTS

10 REASONS WHY I LEFT THE TRADITIONAL INVESTMENT BUSINESS FOR MULTIFAMILY

A View from a CFA

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INTRODUCTION

As a Chartered Financial Analyst at traditional wealth management firms, my job was to help clients secure the best risk-adjusted returns in the market.

For nearly 25 years, I was on investment committees that would decide which securities to put in client portfolios. I was specifically tasked with finding income producing vehicles that would provide enough yield to give our clients peace of mind so they could enjoy their retirements.

It seemed like an impossible mission the last couple of years given the low interest rate environment. I scoured the market, trying to identify a product that would provide significant income without betting the farm. I can't express how relieved I was to find multifamily investing. Here is why....



Low Interest Rates Work for You

What? Low interest rates are good? That sounds counterintuitive especially if you have gone to a bank lately and checked out their rock bottom CD rates. Yes, interest rates are good because it keeps the mortgage rate low, which reduces the expenses on the property. Lower expenses mean more profit in your pocket.



Regular Income

You receive regular dividend payments at a fixed rate well above the prevailing Treasury rates. Money is collected every month. Importantly, your cash flow does not stop if one tenant does not pay. The risk is spread across units.



Capital Appreciation

Multifamily is valued by dividing the Net Operating Income by the cap rate. Every dollar can translate into thousands upon sale of the property. For example, if you increase rent by \$1 across 100 units in Year 2 at a cap rate of 7%, the property's value would increase by \$17,143 ($\$1,200/0.07$) that year and every subsequent year until the property is sold. Say you sell it five years later; your property value will have increased by \$100,858 ($\$17,143*6$) by that single dollar increase!





Low Risk Profile

Almost everyone has been burnt by choosing the wrong stock. Your entire investment can be wiped out by the wrong leadership, a bad management decision, an environmental disaster, or a hot market that has gone out of style. Your principal goes to ZERO! Not with multifamily. You actually own the underlying asset and your investments are secured by the cash flow. Additionally, hazard insurance covers the income the properties generate if disaster hits.



You Can Take Advantage of the Tax Benefits

Multifamily real estate has some huge tax advantages that create “tax-advantaged income”. Using depreciation, 1031 exchanges, and self-directed IRAs, you can have some of the most favorable income tax treatments of any asset class.



Costs are Low AND Transparent

Are you sometimes confused by the charges on your statement? Why is the underwriter charging you so much? Have you ever tried to figure out the fee structure of a mutual fund or annuity? What exactly are they doing to earn those fees? Multifamily investing has a very low fee structure. Moreover, the sponsors will tell you on Day 1 how much they will be earning and where that money will be allocated.



Profit Sharing

The sponsors are aligned with the investors. Most income-producing products keep the extra profits to themselves. Multifamily is different. Sponsors recognize that their investors are co-owners and distribute the profits over and above the regular income.





Strong Demand: The Need for Apartments Does Not Fluctuate with the Markets.

Most investments gyrate through business cycles. Not multifamily. People always need a place to live. It does not matter if the economy is booming or busting.



Diversification

You can still ensure that your portfolio will be diversified because you can select from a wide range of projects from large to small, high-end to low-end, risk to less risky, anywhere in the country.



Principal Paydown

Every month your tenants pay your rent, you pay down the mortgage loan and increase your equity in the property.

CONCLUSION



After reviewing these ten benefits, it became a no brainer why I should leave what I had been doing for nearly 25 years and switch into multifamily investing.

Go to our website at www.eastlightinvest.com to find out more!

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