

## Real Estate Investment Property

Many people have looked to the Real Estate market as a place to invest for the future long before the stock market had its wild ride. The idea of having someone else make the payments on your property so that you gain equity is very appealing.

One of the ways to become a landlord, is to buy a new home for yourself and keep your existing home as a rental property. As with any method, you must analyze what best meets your specific needs. In our current “Buyer’s” market, where there are more homes for sale than there are buyers, this has real appeal. You can take advantage of being a buyer without the disadvantage of selling in the current market.

The first consideration is whether or not your current home would make a good rental. If the property is in the lower to middle price range in an area, it may be a good rental. Conversely, a higher priced custom home will not bring in the same proportion of rent to value as the lower valued house.

Advantages to this method of acquiring property can include an easier move, better financing, knowledge of the physical condition of the rental property and a way to move up in house and build long term wealth. Since you would be purchasing a new home to live in, the timing and moving is under your control and since you are already very familiar with the home, you know potential physical problems that you would have to deal with.

Financing can be an advantage because it can be more cost effective to use the equity in your current property, which can be taken out at a lower interest rate. Instead of needing to save up a large cash down payment, the current home can be refinanced at today's low interest rates. Then, when you purchase the new home (with the down payment from the old one) you get another attractive loan as an owner-occupant.

Another important consideration is the management of the property. Decide carefully between finding a tenant yourself and hiring a professional to manage the property for you. You may save some money up front, but if you are not careful, doing it yourself can cost more in the long run. Your retirement account can also own real estate, not just stocks or mutual funds, so for some people, this can be a good way to diversify a portfolio. There are specific rules pertaining to this and not all account managers are set up for it, but it may be worth consideration.

Your Realtor can be of great help in starting you on the right path by looking at your specific needs and desires, as well as educating you on what you don't know. Owning real estate has been one of the great ways of building long term wealth that our country offers.