

Slow and Steady Wins the Race

Equity Build Up

One often overlooked aspect of Real Estate investing is **equity build up**. It is that initially insignificant amount of the monthly mortgage payment that goes to reducing the principal balance of a loan. Come on, who can get excited over a \$395 reduction on the first payment of a \$ 250,000 8.5% 25 yr. loan?

A real constant, conservative investor might! An investor who doesn't feel he has to "beat the market", only requires a break-even cash flow or is looking for

low risk and low management properties.

Consider this hypothetical investor: at 30 years old, he wants to keep his day job, and develop a reasonable retirement. Let's say he buys a property a year that 'breaks even', not figuring in tax savings or appreciation. The investor buys one property a year with a \$ 250k mortgage, and retires at 55. He'll own one property free and clear each year until he reaches 80. If he were to live off the rents only, at 80 he'd be worth \$6,250,000, from equity build up alone. If at 80, he decides to sell at a 5% interest rate he'd earn \$312,500 PER YEAR!

Not a bad retirement for a conservative, "keeping the day job" venture.

Sure, anyone can "shoot holes" in this scenario with 'yeah but', or 'what if's'. The simple answer to that is all the 'what if's' are more than covered by appreciation and tax savings, which are additional benefits of owning real estate.

Slow and steady wins the race. Winners in real estate are the investors. People who sit on the sidelines waiting for that perfect investment might never get into the game at all.

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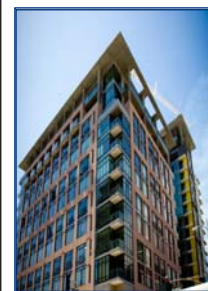
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