THE AZREIA ADVANTAGE
ARIZONA REAL ESTATE INVESTORS ASSOCIATION NEWSLETTER
"AZ Real as it Gets"
JUNE 2023

Contents

ARIZONA REAL ESTATE INVESTORS ASSOCIATION

4527 N 16th St #105
Phoenix, AZ 85016

480.990.7092
www.azreia.org

Investing in Multifamily for Passive Income

by Jose Miller
Geocentric Investments

You've decided that real estate is the right investment for you. You've likely settled on one or maybe two different ways to earn money with real estate. It's how you're going to secure your retirement, fund your children's college education, and even create generational wealth. Unfortunately, there are only so many hours in the day, so you're not able to capitalize on new ways of investing in real estate.

But there is another way to invest in real estate that requires no extra time from you and is truly passive. It's time to seriously consider investing in multifamily properties or apartment buildings.

Why invest in multifamily properties?

Multifamily rental properties offer a variety of advantages over single-family rental properties. A multifamily asset has the advantage of scale. For example, an asset with seventy units will likely have on-site management, on-site maintenance, a single pool, and less square footage per person for roofs and common areas. All of these lead to lower costs per unit. On-site management and maintenance mean better customer service, greater control over the property, lower risks, and quicker response times. All of these equate to less turnover and, thus, lower vacancies.

Unlike a single-family home (SFH) that is valued based on "comps," large multifamily properties are considered commercial real estate and are valued based on their net operating income (NOI) - the total income minus expenses before the cost of debt. Just like an SFH, it makes sense to reduce vacancy and expenses and increase rents. Aside from market trends that you don't control, the only thing that will increase the value of your property is how much your neighbors care about their property.

Multifamily properties can appreciate through Forced Appreciation. Forced Appreciation happens when you force the value of the property to increase, possibly because your expenses decrease through better management, renegotiated contracts, etc., or your rents increase through natural market trends or by upgrading units. In Phoenix, it's common to find current Capitalization Rates (Cap Rates) around 6%. By increasing the NOI of a single unit by $200 and scaling that to our 70-unit property size example above, the value of this property would increase by $2.8M.

Who is involved in a multifamily asset?

There are primarily two roles when it comes to investing in multifamily properties: General Partner (GP) and Limited Partner (LP). A general partner, also referred to as a syndicator, a sponsor, or an operator, is part of the management team. They do all of the work and make all decisions regarding

Continued on page 9

Phoenix Monthly Meeting
Monday, June 12 – 5:15 pm

- *Market Update and Trends*
- *Surprisingly Simple Steps to Owning Large Multifamily Properties with Jose Miller*
- *Networking and Trade Show*

Tucson Monthly Meeting
Tuesday, June 13 – 5:45 pm

- *Market Update & Market News*
- *Surprisingly Simple Steps to Owning Large Multifamily Properties with Jose Miller*
- *Haves and Wants*

EXECUTIVE DIRECTOR'S MESSAGE

Real Estate Trends and Developments of the Past Decade

Over the past decade, the world of real estate investing in the United States has seen significant changes and developments. Here are a few key trends and events that have shaped the industry:

1. **The rise of online real estate investing:** The growth of technology has led to the emergence of online platforms that allow investors to participate in real estate deals remotely without having to physically visit properties or engage directly with real estate agents. These platforms have made it easier and more affordable for individuals to invest in real estate, particularly in areas outside of their immediate geographic location.

2. **Affordable housing:** One of the most pressing issues in the U.S. real estate market has been the lack of affordable housing, particularly in major cities where housing costs have soared in recent years. In response, many cities and states have introduced policies aimed at increasing the supply of affordable housing, such as offering tax incentives for developers who build affordable units and providing funding for housing assistance programs.

3. **Changes in government regulations:** The U.S. government has introduced a number of changes to the tax code that have impacted real estate investors over the past decade. For example, the Tax Cuts and Jobs Act of 2017 introduced several changes that affected real estate investors, such as reducing the corporate tax rate and limiting deductions for state and local taxes. Additionally, there has been increased attention on the issue of real estate market transparency, particularly in the wake of the 2008 financial crisis. For example, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 introduced many provisions aimed at increasing transparency in the real estate market and improving consumer protections.

4. **Increased foreign investment:** Real estate has become an increasingly attractive asset class for foreign investors in the United States. Foreign investment can bring significant capital to local markets and drive-up prices, but it can also create concerns about housing affordability for local residents. To address this, some cities and states have introduced taxes on foreign buyers to discourage speculative investment.

5. **The impact of COVID-19:** The global pandemic significantly impacted the U.S. real estate market. In the early stages of the pandemic, many property values plummeted, but the market has since rebounded in many areas. However, the pandemic has also led to changes in consumer behavior, with many people moving away from urban areas and towards suburbs and smaller cities, creating new opportunities and challenges for real estate investors.

6. **The rise of co-living and co-working spaces:** In recent years, there has been a growing trend towards co-living and co-working spaces, particularly among younger generations. This has created new opportunities for real estate investors to develop and invest in properties that cater to this trend, such as shared living spaces and flexible workspaces.

7. **The impact of climate change:** With a growing awareness of the impact of climate change, many real estate investors in the United States are prioritizing sustainability and environmental responsibility in their investment decisions. This has led to a rise in green buildings and sustainable real estate projects, as well as a focus on properties that are less vulnerable to natural disasters such as flooding and wildfires. As climate change continues to be a pressing issue, sustainable real estate investment will likely become even more important in the years to come.

Overall, the past decade has seen significant changes in the world of real estate investing in the United States, driven by technological advances, government policies, and shifting market dynamics.

As the world of real estate investing continues to evolve, staying informed about the latest trends and developments is crucial for investors seeking success in Arizona. The Arizona Real Estate Investors Association plays a vital role in this pursuit by offering educational resources, networking opportunities, and timely information about regulations, market shifts, and emerging investment avenues. By leveraging the knowledge provided by AZREIA, investors can make informed decisions, adapt to the changing landscape, and seize lucrative opportunities in the dynamic realm of real estate investing.

Smarter Investing,
Mike Del Prete
Executive Director

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The Ties That Bind: Your Legal Relationship with Vendors

by Michel J. McGirr

Michael J. McGirr, Esq.
Attorney at Law

Phocus Law

Phone: (602) 457-2191

Mick@
phocuscompanies.com

phocuslaw.biz

In the complex ballet of real estate investment, a charming cast of characters sweeps across the stage: buyers, sellers, agents, tenants, and contractors. And then there's the often overlooked, yet equally significant, set of players – the vendors. Their roles may appear less glamorous than their co-stars, but as any savvy investor knows, they're indispensable. It's high time we tip our legal caps to these unsung heroes.

Vendor relations often resemble a precarious juggling act. On the one hand, you want to create long-lasting, fruitful partnerships with your vendors. On the other, it's a business relationship, and you must protect your interests by maintaining strict timelines, firm and beneficial negotiations, etc. It's like walking a legal tightrope while juggling burning torches - all part of the real estate investment circus.

Now, maintaining amicable relationships with your vendors is not just an exercise in charm school etiquette; it's also a matter of legal significance. As the law looks on, with an equally charming (yet stern) gaze, you want to ensure every contract, every agreement, and every handshake (literal or virtual) passes muster.

Contractual agreements with vendors are the bedrock of these relationships. As with any contract, both parties must clearly understand the terms. If you've ever tried reading a contract while drinking your coffee, eating a bagel, and texting, you'll know it's a feat worthy of the Cirque du Soleil. So - take your time, scrutinize the fine print, and when in doubt, seek legal counsel. Many of you have heard my favorite phrase: an ounce of legal prevention is worth a pound of litigation cure.

Additionally, let's talk about payment terms. We know discussing money can be as nerve-wracking as a root canal without anesthesia, but it's a necessary evil. Establish clear payment terms upfront to avoid the toothache of financial disputes down the line. It's not about being miserly. Rather, it's about establishing a sense of trust and respect with your vendors - akin to the admiration you have for your dentist after a particularly difficult extraction well done.

In real estate investment, conflicts with vendors can occasionally sprout like unwelcome weeds. When they do, respond promptly and professionally and always keep the lines of communication open. Resolving issues early can prevent them from blooming into full-fledged legal thorny blackberry bushes.

They say an apple a day keeps the doctor away. Similarly, consistent vendor communication can keep the lawyer at bay.

So, dear investors, while executing your grand pirouettes in the bustling ballet of real estate, spare a thought (and a contract clause) for your hard-working vendors. They're not just vendors; they're partners. Treat them with the legal respect and business decorum they deserve.

And remember, we're here to lend a hand whenever needed. It's always a pleasure adding a dash of humor to the serious business of law, but don't forget - the real joke is a contractual agreement without a proper legal review!

The Phocus Law team is here to assist with all your contractual needs. If we can be of service, please don't hesitate to reach out at Mick@PhocusCompanies.com or by phone at 602-457-2191.

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AZREIA ADVANTAGE: LENDING EXPERT

Hello!

Success in business requires the ability to adapt, evolve, and seize opportunities when they arise. It's not about waiting for the perfect moment; it's about recognizing and capitalizing on the right moment to make a transformative leap forward. With that, it brings me great excitement to announce that I've joined the Neighborhood Loans Family. This choice was not one taken lightly as I hold client service as my utmost priority - aligning perfectly with Neighborhood's values.

This transition brings immense confidence to continue to exceed your expectations and provide top-level service for each and every transaction. Our complete in-house team ensures all loan and marketing operations work is streamlined and efficient - offering competitive rates, record turn-times, and unmatched communication along the way.

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Thank you, Neighbor.

Andrew Augustyniak

Area Sales Manager

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Single Family vs. Multi-Family – An Intimate Difference

by Nicholas Tsontakis

Nicholas Tsontakis
Dwell Boldly
Phone: (602) 370-3502
nicholas@dwellboldly.com
8767 E. Via de Ventura, Ste 195
Scottsdale, AZ 85258
www.dwellboldly.com

Real estate investors often focus either on single-family homes or multi-family residences to meet their investment goals. From the architectural perspective, the major difference between the two is the degree of intimacy for those living there. A single-family home is more private, while an apartment or condo complex addresses the communal aspect of living.

Single-family homes, as the name suggests, are designed specifically for a person, couple, or one family. The best custom homes are the ones that most precisely express the lifestyle of the owners. Although investors do not build for specific clients, it makes sense to create the profile of the person or family that might live in the home. Therefore, getting specific about the family's desires, habits, and interests will help focus the design and lead to better design decisions. One can imagine the different space layout and exterior look of a home designed for a young family close to South Scottsdale and a home for a retired couple in Fountain Hills. Researching existing neighborhoods will offer clues as to who will likely live in the new home, and using a specific homeowner as a guide to design a single-family home can ensure that an investor builds something that sells or rents appropriately. While these homes are focused on an individual, couple, or family and look mostly to them for design inspiration, a multi-family living situation must address more.

Multi-family design is similar in that you should imagine who the inhabitant might be and design for them, but there is an added layer of community in denser housing situations. This needs to be addressed by the building design. Creating spaces for interaction and others for privacy becomes a complex challenge that, when dealt with in a creative way, can elevate a project from just another apartment building to a model for communal living. The architecture of the building, meaning the space layout and the exterior expression, can create interior and exterior spaces that either benefit an individual unit or the entire community - or the best are spaces that improve both. Having a private exterior balcony can satisfy the individual need of a unit, but if that same balcony helps frame a covered space below for the communal lawn, the balcony becomes much more meaningful. Juggling individual and community needs becomes the opportunity in multi-family dwellings to improve living. If designed correctly, a multi-family complex can meet or exceed the projected rent or sale numbers defined by the investor or developer.

Both single and multi-family developments have people at the core of the building design, but the style of living is what differentiates them – single-family is highly private, and multi-family addresses the communal aspects of living. Architects who focus on the difference in living between the two can help investors create special spaces that command appropriate rent or sale pricing.

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Bridget Pruss

As a new investor, Derek took the time to ensure I understood the process and provided me with key learnings/ considerations that I didn't have to ask. I value this since "I don't know what I don't know." I consider Derek/Gila to be my go-forward partner.

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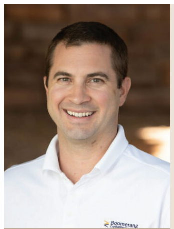

by
Andrew
Bang

Andrew Bang
Boomerang Capital Partners

2152 S. Vineyard #105
Mesa, AZ 85210

Office: 480.779.9779
www. boomerangcapital.com

As many of you already know, we lend to fix and flippers, and we also do or have done plenty of projects on our own. All of which means we spend much of our days and nights thinking and talking about real estate. With all of the changes and issues going on in the market, we thought we'd collect and share some thoughts on things we are seeing right now. In compiling and reflecting on this list, it has seemed a bit like these are pretty basic, but as Michael Jordan reminded us: "Get the fundamentals down, and the level of everything you do will rise." (Yes, this is a basketball quote, and yes, we are still bummed the Suns are out of the hunt).

Here are the six things we are seeing lately among flippers across the board that contribute to a winning game:

Budget: Basically Useful
Speaking of basics, it really doesn't get more basic than a budget, but it remains a top issue to save headaches and heartaches. And we have been reminded that the more specific a budget is (within reason), the easier it is to measure progress and variance. You can go overboard with too much detail (like how many screws you plan to use), but broad categories like "I'll spend $40,000 on the kitchen" will not provide enough detail when it comes time to make decisions and order materials. What you're looking for is balance: a well-researched budget with sufficient detail and completeness, including timing, that you then monitor and stick to.

And of course, don't forget your permits. Thankfully, we are hearing fewer problems here.

Team: Vet your players and then coach them
Just like in any title-winning team, the success of the game rests on the skill of the players. This holds true for the team you assemble to help you get the flipping done. Francisco Vallecillos, VP of Lending, points out, "Your team needs to be vetted and ready to go. Shopping for contractor services post-purchase can be costly, for both time and resources." Then you, as the GM of this project, get backed into a bit of a corner and end up going with the fastest option, which in many cases is not the best priced or has other issues. This may also mean you resort to using a second or third choice, as the top pick is committed elsewhere (and the best service providers are still fully booked out a few months in advance). The same can be said for the realtor that will be selling your project upon completion and any of the subs or other service providers that you use. Putting time and effort into vetting your "players" before it's crunch time will save you a mad scramble at the end.

Once that team is chosen, it needs monitoring and coaching. This simple factor is key to staying in front of problems and heading them off before they become real issues. Check-in with them on a regular basis to make sure everything is going to plan and that small issues do not become big issues.

Taking Advice from your _________.
Yes, that space is left blank intentionally because, in various stories, it is filled in by "contractor," "realtor," or even "spouse or significant other," any and all of which can be problematic.

Everyone has an opinion! When things don't go to plan or are difficult, it is certainly natural to reach out for help and advice, but that usually is a mixed bag at best. Once the project is budgeted and ready to go, it's frequently unhelpful to ask for opinions. Most of those 'helpful' suggestions are going to involve an upgrade of one sort or another. These can come from a well-intended but inexperienced friend walking the property with you or a self-interested contractor. You might hear things like: "This is a nice kitchen, but you really should do new cabinets," or "You should open up this space." You may also be tempted as you wander around a project and think, "A bit more landscaping might really make this place pop." Remind yourself frequently: if it's not in the plan, it's not in the plan. Simply put, don't take advice from armchair enthusiasts!

Some time ago, we had a borrower that had a new girlfriend that was a realtor. At the end of one of his projects, she took it upon herself to blue tape the project to make it more 'sellable,' and when she was done, the property was covered in blue tape. For example, a refinished bathtub needed complete replacement, more can lights and landscaping plants, etc. The outcome was budget overruns because of unnecessary replacements and re-work, ruined subcontractor relationships, and an ex-girlfriend. That borrower learned his lesson and had a new girlfriend, and while she is also in the business, they don't share 'insights' into one another's projects (and have been together for a few years now).

Chasing the Next 'New Thing' vs. Home Court Advantage
When troubles come around, there is a strong temptation to throw out everything and do it some 'easier' way, like maybe finding homes in a new area, trying out a new concept, etc. While certainly all of these are good ideas, the flippers we see being successful are working harder in areas they already know. And no one yet has found anything easier elsewhere, but we have seen quite a few borrowers that were very good in Glendale or Peoria struggle chasing the redevelopment near Loop 303. Tadd Jones, VP of Lending, points out that in the event you expand or go to a new area, your crews and other support may not follow. And anyone who thought Queen Creek was going to be easy is now cursing as they sit in traffic trying to get in or out of there.
There is something to be said about the home-court advantage. It's not enough on its own, but it certainly helps, and if you can choose your court, you are more likely to win. And when you are the number one seed and your stadium is a mile high, it is a significant advantage.

Overpricing: Stay in the Ballpark
I know we're mixing analogies here, but in this case, the "ballpark" is where the most successful flips are sold. Pricing is certainly tricky right now, and no wonder people are having issues. Certainly, the return of spring and the seasonal uptick in both prices and volumes have helped stabilize prices and increased volumes, but it is nowhere near back to normal, let alone the levels of last year at this time.

It may be useful to remember that the way most flippers make money is not by holding out for the absolute highest price on a single project but rather by doing more projects. Andrew Bang, VP of Lending, shares that he was going through the numbers at the end of a project with a seasoned borrower, and it was clear that the project was going to result in a loss. As the borrower optimistically shared: "To win the game, you gotta stay in the game." This is a good insight, and we are happy to report that his next project is progressing profitably.

And yes: we are looking forward to the Diamondbacks!

Mistakes to Avoid in Managing Rental Properties

by
Ellis Tran

Ellis Tran
PadSplit

Office: (408) 714-9193
ellis@PadSplit.com
PadSplit.com

Most rental property owners have the best intentions: they want to provide a good experience for their tenants while also turning a profit for themselves. But things don't always go as planned. Whether you're new to managing rental properties or a seasoned veteran, here are a few mistakes you should avoid.

1. **Failing to account for seasonality.**

   Even in cities where the weather is pleasant all year, there's a definite fluctuation in the rental market. If you're listing a home in the late fall or winter, you can improve your chances of finding a renter by pricing more aggressively. In the spring and summer, you may be able to charge more. Expect all leasing activity to be slower in the winter, especially over the holidays.

2. **Being too strict with qualification criteria.**

   It's important to carefully screen your residents, especially since you want peace of mind that they will be able to pay their rent on time. But don't set your qualification criteria so high that you turn away what would be good tenants. There is no perfect applicant—but there are plenty of good ones.

3. **Bad photos or no curb appeal.**

   First impressions matter. We've seen different lease-up rates between identical properties based just on the quality of photos. Make an effort to get good photos and create a 3D tour to ensure applicants know you care.

   Prospective renters will often make a decision about whether they want to live in your property within the first couple minutes of their tour. Improving curb appeal can make a difference. Make sure the yard is well maintained, and the exterior home looks like someone cares about it—the neighbors will thank you, too.

4. **Pricing too aggressively.**

   Don't be tempted to squeeze every last dollar out of your property. It's not worth a home sitting empty because you priced it too high. When setting a price, take the time to do your research. Check out comparable properties in the neighborhood on listing sites. You should also look at what the average worker is earning in your market and try to price based on 33% of their gross income.

5. **Not giving good move-in instructions.**

   Start things off on the right foot, beginning on move-in day. Make move-in instructions clear and friendly and offer ways to decrease the stress on what can be a hectic day. Ensure the home looks and smells clean, have keys or key codes ready, and give clear instructions on where to park.

6. **Overlooking the value of co-living.**

   With a single-family rental in your portfolio, most property owners simply look for a single family to sign a lease. But you can actually make more money renting by the room. With PadSplit, we help owners of single-family rental properties convert homes into co-living spaces, giving you the opportunity to make more money and reduce reliance on the monthly payment of a single renter. Learn more about how PadSplit can help you double your income at padsplit.com.

Investing in Multifamily for Passive Income

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the asset. For example, they find the deal, analyze the property, determine the business plan, secure financing, raise investor capital, consider various exit strategies, and manage the asset. While the GPs manage every aspect of the business, from planning renovations to developing advertising strategies, the LPs are, by definition, limited in both liability and control. These limitations, however, have clear benefits. Aside from the obvious that you are only liable to the limit of your investment, your limited control means that you have no decisions to make. You don't worry about tenants, turnover, contractors, or even property management companies. The income is truly passive. But this is also why it is imperative to partner up with GPs that are knowledgeable, trustworthy, and have a proven track record. It's even beneficial to consider partnering with GPs that have similar values.

So, how do the partners make money?

A General Partner can make money in a few different ways: by collecting an upfront acquisition fee, collecting an asset management fee, sharing in profits, and sharing in any equity realized when the property is sold. The bulk of the GPs income comes from the sale of the property since the other fees are quite modest. On a typical asset that we operate, our business plan of improving the property, rehabbing units, and stabilizing rents is projected out over five years. This means that because we make very little profit for those five years, we are incentivized to perform because most of our profit is at the sale.

This is great for our Limited Partners. An LP makes money through preferred returns, typically paid monthly or quarterly, through tax savings due to depreciation of the asset, and from sharing in the bulk of the equity after a sale. Although most of the LP profits are also realized at the sale, a well-run asset can mean significant returns even before the sale occurs. The other benefit to our Limited Partners is that they have a preferred return, so they are paid before the GPs see any profits. This means that our goal, as GPs, of optimum performance and eventual profit, is perfectly aligned with your goal, as LPs, of maximizing the return on your investment.

And what kinds of returns are we talking about? We look for assets that will conservatively underwrite to an 8% Cash-on-Cash preferred return over a 5-year hold, and when coupled with the increase in equity, this translates to a 1.7-2.2x return on your investment over that period.

If you're interested in better understanding how you can invest in Multifamily real estate to diversify your investment portfolio, please reach out to me at jose@geocentricinvestments.com or 480-205-5735.

A Safe Haven Amidst Banks & Inflation

by
Jason K. Powers

Jason K. Powers
Wealth Strategist
Unbridled Wealth

Call or Text:
(303) 250-1755

jpowers@unbridled wealth.com
https://unbridledwealth.com/

The recent banking crisis has demonstrated the vulnerability of traditional banking systems. Multiple banks have collapsed, leaving their customers stranded and financially devastated. In such a volatile environment, is it wise for real estate investors to trust their hard-earned money in these unstable institutions? There is an alternative: the Infinite Banking Concept (IBC).

The IBC is a financial strategy that enables an individual to become their own banker. Instead of relying on traditional banks that can collapse or fail, IBC encourages individuals to utilize whole life insurance policies with cash values. These cash values can be borrowed against, ensuring your money remains within your control and providing a safety net against banking crises.

As you have seen, the United States is also currently experiencing unprecedented inflation levels, which can erode your real estate investment returns. When inflation rises, your purchasing power decreases, and the value of your money diminishes.

IBC can serve as an effective hedge against inflation. Cash values in whole life insurance policies grow on a tax-advantaged basis, providing a guaranteed, contractually ensured rate of return that is often higher than inflation rates. Unlike traditional banking, the value of your 'bank' in IBC is not directly tied to the economy's performance, thus offering protection against inflation's corrosive effects.

The beauty of IBC is that it is not a financial strategy reserved only for the wealthy. Regardless of your current financial status, you can use the IBC to fund your real estate investments and so many more things in life. Whether you're purchasing a property, renovating a rental unit, or expanding your portfolio, IBC provides a readily available source of funds.

Moreover, the death benefit associated with the insurance policy provides a financial safety net for your loved ones, adding an extra layer of security to your investments. And as your policy's cash value grows over time, so does your ability to invest and generate wealth.

In today's uncertain economic environment, the Infinite Banking Concept can provide real estate investors with a stable and secure financial strategy. It offers protection against banking crises and hedges against inflation, all while providing a powerful tool for real estate investment. Regardless of your financial status, the Infinite Banking Concept is an accessible and practical tool to harness.

The banking crisis and inflation serve as reminders of the inherent risks in traditional financial systems. By contrast, the IBC allows you to take control of your finances, mitigating risk and promoting growth. For real estate investors, it's a pathway to greater financial freedom and security.

Article by Jason K. Powers
Jason K. Powers is a Multi-Business Owner, Real Estate Investor, and an Authorized IBC Practitioner. Jason works with clients across the country, showing them how to achieve their financial goals by taking control of the banking function in their lives and creating financial velocity that can last for generations. Reach out to Jason today to see how the Infinite Banking Concept can work for you.

Jason K. Powers:jpowers@ unbridledwealth.com

Olivia McGraw:
omcgraw@unbridledwealth.com

Jack Carlson:
jcarlson@unbridledwealth.com

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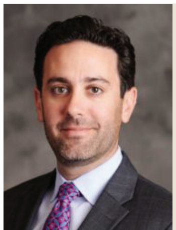

by Mark Zinman

Mark B. Zinman, Attorney
Zona Law Group P.C.
7701 E. Indian School Rd.
Suite J
Scottsdale, AZ 85251
Phone: (480) 949-1400
Fax: (480)-946-1211
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Many investors love to cover their bases in every way they can. However, sometimes having too many different types of provisions in a contract just sets the stage for litigation. This often occurs with investors who will combine a Lease with an option to purchase or a Lease with an Agreement for Sale. Arizona has separate statutory schemes to deal with different types of property interests and issues. For example, residential leases are governed by the Arizona Residential Landlord Tenant Act, while an agreement for sale has its own set of specific statutes setting forth the requirements, and the same applies to mortgages and deeds of trust. Make sure which laws you want to be governed by, and make sure your documents reflect that choice and do not accidentally incorporate other types of agreements.

Often, we see investors create their unique lease/option, agreement for sale, or lien agreement, by picking and choosing some of their favorite provisions from all different types of agreements. Rather than getting the benefit of all these different provisions, this practice typically has the reverse effect of confusing which statutes apply and places the agreement in the position of having to comply with numerous unrelated statutes and no clear route to addressing any defaults.

Imagine, for a second, going into a car dealership and wanting to buy a car. You get a contract that sets forth the 5-year car loan at a 0.9% rate, and you get excited that it's a good loan rate. In the fine print, you later find out that it says you need to return the car at the end of the 5 years. You know that leases don't usually last 5 years, but at the same time, you are confused that the writing requires you to return the car. The question then is, what type of contract did you really get? Obviously, this should never happen with a car dealership, but it all too often happens with real estate.

This most often occurs when a lease is coupled with an option to purchase. As a lease, the laws are pretty straightforward and allow an eviction when a default occurs. Now add the option complication, and suddenly you may have inadvertently removed your ability to file an eviction because the tenant has an equitable interest in the property. This may seem minor, but when you compare an eviction that takes less than a month and a few hundred dollars to a $30,000 quiet title two-year ejectment action, the problem becomes clear. To save a lot of time and money down the road, it is recommended that you have counsel assist in creating your forms and don't add or delete provisions without further legal advice.

We think of this as a spectrum of legal documents, with a lease being on one side and a completed sale being on the other. If a person is under a lease, you can do an eviction when they don't pay. If they have some type of equitable interest, such as buying the home over time, you may need to do an ejectment or forfeiture. If they bought the property, and you kept a seller carryback, you may need to do a foreclosure. Your remedy (and the associated cost and time) is controlled by how well you draft your document. Drafter beware.

Unlock a World of Tax-Free Real Estate Investing by Converting to a Self-Directed Roth IRA

by
J.P. Dahdah

J.P. Dahdah
Chief Executive Officer
Vantage Self-Directed Retirement Plans
www.VantageIRAs.com/AZREIA
20860 N. Tatum Blvd. #240
Phoenix, AZ 85050
Phone (480) 306-8404
Fax (480) 306-8408

A well-funded retirement is the ultimate goal for many investors, but with the ever-changing financial landscape, it's essential to adapt and make smart decisions to secure your financial future. One such decision is converting a Traditional Self-Directed IRA to a Roth Self-Directed IRA. This conversion can offer significant tax advantages and greater flexibility, ultimately enhancing your retirement savings strategy. In this article, we'll explore the compelling reasons why you should consider converting your Traditional Self-Directed IRA to a Roth Self-Directed IRA.

Tax-Free Growth and Withdrawals

Converting your Traditional Self-Directed IRA to a Roth Self-Directed IRA allows you to take advantage of tax-free growth and withdrawals. While Traditional IRA withdrawals are taxed as ordinary income during retirement, qualified Roth IRA withdrawals are entirely tax-free. Yes, this means that you could execute profitable real estate investing strategies and never have to pay taxes on any of the gains ever again. This tax-free feature can significantly improve your retirement income and help you preserve more of your hard-earned wealth.

No Required Minimum Distributions (RMDs)

One major advantage of converting to a Roth Self-Directed IRA is the elimination of Required Minimum Distributions (RMDs). Traditional IRAs mandate RMDs once you reach age 73, potentially forcing you to withdraw more than you need and pushing you into a higher tax bracket. With a Roth IRA, there are no RMDs, giving you the freedom to decide when and how much to withdraw, allowing your real estate investments to grow tax-free for a longer period creating yet another financial victory for yourself and your heirs.

Tax Diversification

Converting your Self-Directed Traditional IRA to a Self-Directed Roth IRA provides an opportunity for tax diversification during retirement. By strategically obtaining retirement income from various sources which are taxed differently, you can effectively manage your tax exposure, minimize taxes, and maximize your retirement income.

Potentially Lower Taxes in the Long Run

If you expect to be in a higher tax bracket during retirement or anticipate tax rates to rise in the future, converting to a Roth IRA can be a savvy move. By paying taxes on your conversion now, you can lock in your current tax rate and enjoy tax-free growth and withdrawals later. This strategy can potentially save you a significant amount in taxes over the long run. Many tax experts believe that our tax rates will continue to increase in the future, regardless of what political party is in control, so executing a Self-Directed Roth IRA conversion strategy now could be very timely and financially advantageous during your golden years.

Estate Planning Advantages

Converting your Traditional IRA to a Roth IRA can have substantial estate planning benefits. Since Roth IRAs don't have RMDs, your investments can continue to grow tax-free throughout your lifetime. Additionally, your beneficiaries can inherit your Roth IRA and enjoy tax-free withdrawals, making it a valuable legacy to pass on to future generations.

Continued Contributions

Traditional IRAs prohibit contributions once you reach age 73, even if you're still working. In contrast, Roth IRAs have no age restrictions on contributions as long as you have earned income. Converting to a Roth Self-Directed IRA allows you to keep contributing to your retirement savings, further enhancing your wealth-building potential.

Converting your Traditional Self-Directed IRA to a Roth Self-Directed IRA can be a game-changer in securing a financially stable retirement. By taking advantage of tax-free growth, elimination of RMDs, and enhanced estate planning benefits, you can create a flexible and tax-efficient retirement strategy. AZREIA members seek to build wealth through real estate and investing, but adding a sound long-term tax strategy alongside your investing strategies will strengthen your overall retirement planning strategy. It's time to go from Roths to Riches!!

For more information about Self-Directed Real Estate IRAs, please visit www.VantageIRAs.com

AZREIA ADVANTAGE: MONTHLY MEETINGS

AZREIA Phoenix Meeting	**AZREIA Tucson Meeting**	**Phoenix Real Estate Club**
Monday, June 12	Tuesday, June 13	Tuesday, June 27
In-Person 5:15 pm	In-Person 5:45 pm	In-Person 6 pm
Venue 8600	Tucson Association of Realtors	AZREIA Office
8600 E Anderson Dr	2445 N Tucson Blvd	4527 N 16th St #105

We're in our peak season, and the market is proving to be resilient and consistently in favor of sellers.

Market Specialist Sarah Perkins will be joining us at our Phoenix Monthly Meeting this month to go into more detail about what we've seen and what we can expect. Then, Jose Miller will be joining us to show how we can take this time to scale our investing to greater heights by taking advantage of the smoking-hot multifamily market. Timely, market-driven information and education make these meetings a must-see. Don't miss it!

Phoenix – *Market Updates and Trends with Sarah Perkins*

The Market Update and Trends presentation will equip you with the necessary knowledge to stay ahead of the competition in the ever-changing world of real estate. Whether you're a seasoned investor or just starting out, this is information you cannot afford to miss. With our reliable data and expert analysis, you'll gain the confidence to make informed decisions that will help you maximize your profits and grow your business.

Phoenix Main Meeting – *Surprisingly Simple Steps to Owning Large Multifamily Properties - Success is Closer Than You Think*

Join multifamily professional Jose Miller for an eye-opening presentation on how you can scale your investing drastically with multifamily investing. Jose will cover essential topics that will help you understand the benefits of investing in multifamily properties and how to get started.

You'll learn the ins and outs of multifamily investing and discover how it can provide greater returns and opportunities than single-family investing. Jose will share his extensive knowledge and expertise in the field, helping you to avoid common pitfalls and potential hazards, including unscrupulous operators and investors.

Jose will also discuss how your existing investment strategies can translate into the multifamily space, including wholesaling, buy-and-hold investing, and flipping (value-add). He'll show you how to leverage the skills you already have and build the right team to maximize your returns and minimize your risks.

Don't miss this incredible opportunity to learn from an industry expert and gain valuable insights into the world of multifamily investing. Join us for an informative and engaging presentation that will change the way you think about real estate investing.

Jose has been leading the multifamily subgroup at AZREIA for several months and has been investing in multifamily in the Phoenix area for many years.

Tucson Monthly Meeting

We will be joining in person for all the great networking sessions, including Haves & Wants and a Market Update for the Tucson area, and a presentation by Jose Miller on Surprisingly Simple Steps to Owning Large Multifamily Properties - Success is Closer Than You Think.

See Phoenix Main Meeting

Phoenix Real Estate Club

This is some of the best real estate networking anywhere! Meet face-to-face with other investors to find out what your real estate investing business needs! Haves & Wants, structured networking activities, market discussion, and Member Deals. It all still happens!

Check www.azreia.org for the current schedule.

JUNE MEETINGS		
AZREIA – Phoenix *Monday, June 12*	**AZREIA – Tucson** *Tuesday, June 13*	**Phoenix Real Estate Club** *Tuesday, June 27*
JUNE SUBGROUPS – Join like-minded investors, share ideas, network, and learn in small group settings.		
• **Income Property Owners (Buy & Hold)** *Thursday, June 1* • **Cashflow 101 Board Game** *Saturday, June 3* • **South East Real Estate Club – In-Person & Online** *Saturday, June 3* • **Tucson New Investors – In-Person & Online** *Monday, June 5*	• **Prescott Subgroup** *Monday, June 5* • **AZ Women in Real Estate (AZWIRE)** *Tuesday, June 6* • **Beginning Investors** *Thursday, June 8* • **Burley's Tucson Raising Capital** *Wednesday, June 8* • **Tucson Cashflow 101 Board Game** *Saturday, June 10*	• **Burley's Raising Capital – In-Person & Online** *Tuesday, June 13* • **Notes Subgroup** *Monday, June 15* • **Multi-Family Subgroup** *Monday, June 19* • **Experienced Real Estate Investor Happy Hour** *Wednesday, June 21* • **Fix & Flip Subgroup** *Wednesday, June 28*
Multifamily Made Easy – Your Blueprint to Large-Scale Investing *Saturday, June 17, 2023 | 9:00 am – 5:00 pm* The truth is, most of the skills you need for multifamily investing are likely already in your wheelhouse if you've been investing in single-family properties, doing wholesaling of properties, or are a fix and flipper. With this class, you'll learn how to leverage those existing skills and apply them to multifamily investing to achieve even greater success. This is the perfect class for anyone who wants to take their investing to the next level with multifamily properties. With our expert guidance, you'll see just how easy it is to use the skills you already have to succeed in multifamily investing. Don't miss out on this incredible opportunity to develop your blueprint to success!		
UPDATED INFORMATION & REGISTRATION ONLINE AT WWW.AZREIA.ORG/CALENDAR		

Q: I have been approached by a vendor to add smart home features to my rental home. This will provide features including smart door locks, smart lights, and even leak detection. It usually costs $99, but they are offering it at $59 now if I sign up for a year contract. I am in the middle of the lease, but can I make the tenant pay that $59 fee since it isn't much money?

A: The general rule is that you can't charge a new fee during the term of a lease, as the tenant doesn't have a chance to reject it or move. That would be the "substantial modification," which is prohibited by Arizona law. There are a few statutory exceptions to that rule, but none would apply here (e.g., utility charges and taxes when those are in the lease and provided by law). The reality is that providing a new service and charging less than $100 isn't much, but if you could do that mid-lease, there would be nothing stopping a landlord from charging $1,000, and the tenant would be similarly stuck. Therefore, put it in the lease and charge it on new move-ins. For your current resident, you can offer it and try to get them to opt-in if they want the service and make them pay for it, but you can't force them to join mid-lease.

– Mark B. Zinman, Attorney, Zona Law Group, P.C.

Information contained in this article is for informational purposes only and should not be considered legal advice. You should always contact an attorney for legal advice and not rely on information published here.

THE AZREIA SHOW

HOSTED BY MARCUS MALONEY & MICHAEL DEL PRETE

REAL ESTATE INVESTING STORIES, INSIGHTS & STRATEGIES FROM THOSE WHO'VE BEEN THERE

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Deal Finders Club

Real Estate dreams on hold?

With work, kids, and everything else going on, time is limited. You might feel like you've got the world on your shoulders and not to mention *you have a bad back.*

If you just had someone to lean on and push you in the right direction, you know things would happen much faster!

Then you might consider checking out the Deal Finders Club, a community of investors eager to sign more contracts, close more deals and get ahead in life. The DFC provides weekly coaching, a thriving online community, and all the education you need to be confident.

DFC is your fastest path to closing your first deal.

To learn more head over to azdfc.com

AZREIA MONTHLY MEETINGS AT A GLANCE

June 12th Phoenix Meeting

- **Market Update & Trends with Sarah Perkins** The Market Update and Trends presentation will equip you with the necessary knowledge to stay ahead of the competition in the ever-changing world of real estate. Whether you're a seasoned investor or just starting out, this is information you cannot afford to miss. With our reliable data and expert analysis, you'll gain the confidence to make informed decisions that will help you maximize your profits and grow your business.
- **Phoenix Main Meeting: Surprisingly Simple Steps to Owning Large Multifamily Properties - Success is Closer Than You Think** Join multifamily professional Jose Miller for an eye-opening presentation on how you can scale your investing drastically with multifamily investing. You'll learn the ins and outs of multifamily investing and discover how it can provide greater returns and opportunities than single-family investing. Jose will share his extensive knowledge and expertise in the field, helping you to avoid common pitfalls and potential hazards, including unscrupulous operators and investors. Jose will also discuss how your existing investment strategies can translate into the multifamily space, including wholesaling, buy-and-hold investing, and flipping (value-add). He'll show you how to leverage the skills you already have and build the right team to maximize your returns and minimize your risks.
- **Networking & Trade Show** Join us for investor-to-investor networking and an expo of our local investor-friendly Business Associates to help build your team and do more deals!

June 13th Tucson Meeting

- **Tucson Market Update**: The latest sales volume, pricing, supply, and demand numbers for both the Tucson market.
- **Tucson Main Meeting: Surprisingly Simple Steps to Owning Large Multifamily Properties - Success is Closer Than You Think** Join multifamily professional Jose Miller for an eye-opening presentation on how you can scale your investing drastically with multifamily investing. You'll learn the ins and outs of multifamily investing and discover how it can provide greater returns and opportunities than single-family investing. Jose will share his extensive knowledge and expertise in the field, helping you to avoid common pitfalls and potential hazards, including unscrupulous operators and investors. Jose will also discuss how your existing investment strategies can translate into the multifamily space, including wholesaling, buy-and-hold investing, and flipping (value-add). He'll show you how to leverage the skills you already have and build the right team to maximize your returns and minimize your risks.
- **Haves & Wants, Power Networking, and Deal Sharing:** Come prepared to listen, learn and share.

June 27th Phoenix Real Estate Club

- This is some of the best real estate networking anywhere! Meet face-to-face with other investors to find out what your real estate investing business needs! Haves & Wants, structured networking activities, market discussion, and Member Deals. It all still happens!

Don't Forget to Use AZREIA's Premier Business Associates!

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Heather Johnson
Heather@RentPerfect.com

PadSplit
Ellis Tran
Ellis@PadSplit.com

ZONA LAW GROUP
Mark Zinman
mark@wzplegal.com

MERCHANTS FUNDING AZ LLC
Mark Steinbeck
msteinbeck@merchantsfundingllc.com

HILTON FINANCIAL CORPORATION
Jack Hilton
jack@hiltoncorp.com

Gila Insurance Group LLC
Derek Kartchner
derek@gilainsurance.com

neighborhood loans — Your Neighborhood Lender
Andrew Augustyniak
Andrew@neighborhoodloans.com

Great American Title Agency, Inc.
Maria Brandenburg
mbrandenburg@azgat.com

VANTAGE
Self-Directed IRA's
Cicely Sapp
Csapp@VantageIRAs.com

Boomerang Capital Partners
Andrew Bang
andrew@boomerangcapital.com

UNBRIDLED WEALTH
Jack Carlson
jcarlson@unbridledwealth.com

PHOCUS LAW
Michael J. "Mick" McGirr
mick@phocuscompanies.com

Dwellboldly
Nicholas Tsontakis
nicholas@dwellboldly.com

PRO Ex REALTY management
Oggie Penev
info@phoenixpropertymanagementgroup.com

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Monthly Events	**Monthly Events**	**Monthly Events**
✓ AZREIA Chapter Meeting ($10/Meeting)	✓ AZREIA Chapter Meetings FREE	✓ AZREIA Chapter Meeting ($20/Meeting)
✓ Phoenix Real Estate Clubs ($10/Meeting)	✓ Phoenix Real Estate Club FREE	✓ Phoenix Real Estate Clubs ($20/Meeting)
✓ Subgroup Meetings ($5/Meeting)	✓ Subgroup Meetings FREE	✓ Subgroup Meetings ($20/Meeting)
The Home Depot Discounts	**The Home Depot Discounts**	**The Home Depot Discounts**
✓ The Home Depot Rebate	✓ The Home Depot Rebate	X The Home Depot Rebate
✓ The Home Depot Paint Discount	✓ The Home Depot Paint Discount	X The Home Depot Paint Discount
✓ The Home Depot Cabinet Discount	✓ The Home Depot Cabinet Discount	X The Home Depot Cabinet Discount
✓ The Home Depot Appliance Discount	✓ The Home Depot Appliance Discount	X The Home Depot Appliance Discount
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✓ Significant Member Only Discounts	✓ Significant Member Only Discounts	✓ Guest Pricing
✓ $30 Launch Pad	✓ $30 Launch Pad	✓ $100 Launch Pad
Additional Features	**Additional Features**	**Additional Features**
✓ Discounts from AZREIA Business Associates	✓ Discounts from AZREIA Business Associates	X Discounts from AZREIA Business Associates
✓ Access to Market Updates & News Charts	✓ Access to Market Updates & News Charts	X Access to Market Updates & News Charts
✓ AZREIA Newsletter & Blog	✓ AZREIA Newsletter & Blog	✓ AZREIA Newsletter & Blog

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AZREIA

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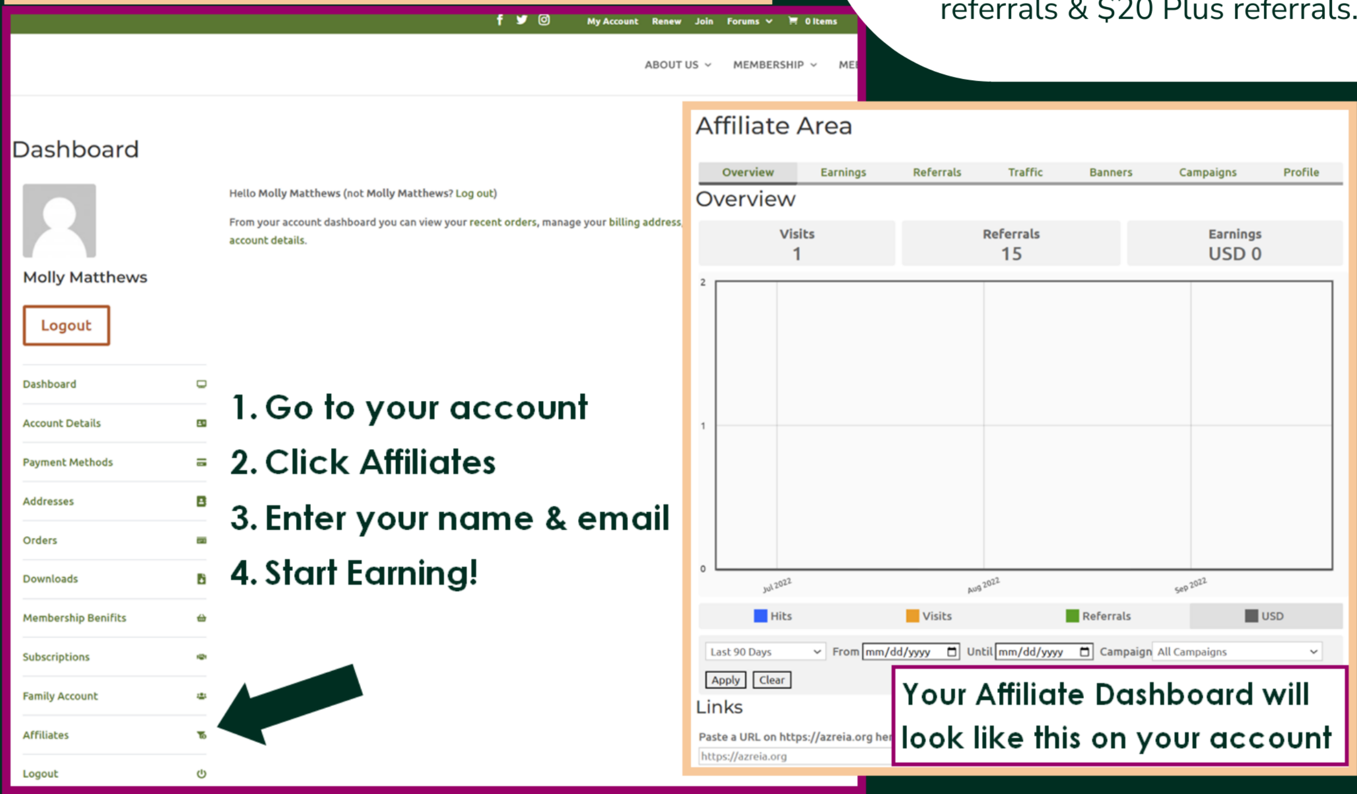

1. Go to your account
2. Click Affiliates
3. Enter your name & email
4. Start Earning!

Your Affiliate Dashboard will look like this on your account

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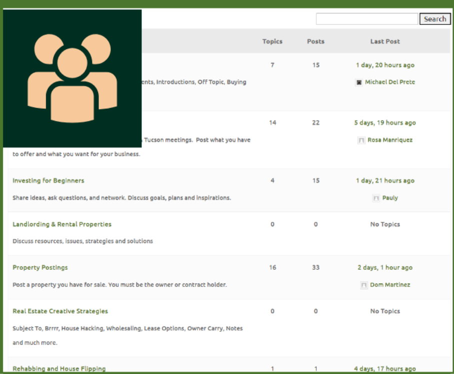
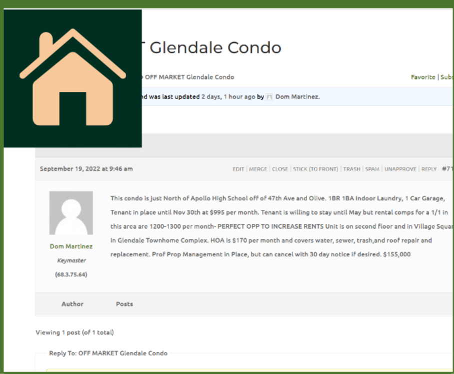
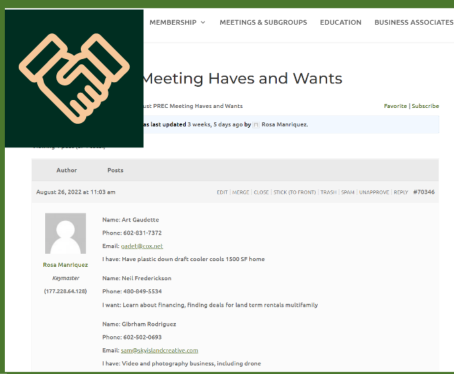


Network with Other Investors Online



Post Your Properties



Do Your Real Estate Deals

Get Networking Today!

CONTACT US IF YOU NEED HELP GETTING STARTED >>

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