

How it works!

Every possession is either an asset or a liability. The simplest definition of each is; an asset puts money in your wallet, while a liability takes money out of your wallet.

A car –with rare exceptions- is a liability. Furthermore, it's a depreciating liability. Real Estate, on the other hand, can be an asset if it cash flows. For the first time in many years, California Real Estate is cash flowing, making this type of transactions possible. It truly is an exciting time.

The bottom line is **having your assets pay for your liabilities**.

For a better explanation let's see a sample deal using real properties and cars. Let's dissect and see how you can get a free dream car. In this case a 1997 Porsche Twin Turbo currently on Autotrader (**AT Car ID: AT-E8B49F8**) on the market for \$59,900 and an attached home currently for sale in the San Diego area listed on the Sandicor MLS system MLS# **080038892**.

Porsche		Investment Property	
Price:	\$59,900		\$120,000
Down:	<u>\$11,800</u>		<u>\$24,000</u>
Loan:	\$48,100		\$96,000
Pmt:	\$671.00 (10yrs)		\$700.00 (30yrs Fixed. Includes Taxes/ Insurance)
Income:	0		<u>\$1,400</u>
Cash flow:	0		\$630.00 (including minus 10% for expenses)

Future Value:	Unknown (it's a car)	\$367,000 (previous sales price)
Gain:	Unknown	\$247,000

From here we take the monthly income from the investment and use it to pay the liabilities payment.

Car Payment:	\$671.00
Income:	<u>\$630.00</u>
Deficit:	\$41.00 (in essence your monthly payment per month for your dream car)

Now, here's how you get a free car.

Your total out of pocket expenses for both purchases are:

Porsche:	\$11,800
Pmt Deficit:	\$4,920
Property:	<u>\$24,000</u>
Total:	\$40,720

The property purchased will eventually surpass it previous sales price of \$367,000. Prices have always rebound and will continue to rebound. Cycles take anywhere from 7 to 10 years. When the real estate market rebounds you can do one of two things.

1. Refinance or pull an equity line to pay off car and recoup costs
2. Sell.

How selling looks:

Sales price of:	\$350,000
Loan:	\$80,000 (remainder of principal, approx)
Initial Investment:	\$40,720 (including car and house)
Costs:	<u>\$28,000</u> (Escrow, title, commissions, etc, approx)

Profit before tax: \$201,280

In essence you have just received a free car PLUS \$201,280. It's not easy nor is it fast, but it's also not impossible. Please call to arrange a consultation.

Javier Varon
760.481.5212