

Wake-Up Money Example: 850 S. Overland Trail #8

Here's your example of how "Wake-Up Money" may work for you!

17-Jan-12

\$169,500.00	Price
\$33,900.00	20% Down Payment
\$38,138.00	Initial Investment (assumes 2.5% closing costs)
\$135,600.00	Loan @ 4.25% ; 30 year; fixed rate
(\$667.07)	Monthly principal and interest payments
(\$98.50)	Monthly taxes and insurance payments
(\$165.00)	Monthly HOA fees (if any)
(\$50.00)	Monthly maintenance, repairs, prop mgmt, utilities
\$1,100.00	Monthly rental income
(\$980.57)	Total monthly expenses
<u>\$119.43</u>	Monthly cash flow

Here are the 5 Major Benefits of owning this "Wake-Up Money" property.

1. Cash Flow:

\$1,433.15 per year Return on Investment: \$1,433.15 / \$38,138.00 = 3.76%

2. Leverage:

You own real estate worth: \$169,500.00
with a cash investment of: \$38,138.00

3. Debt Reduction:

\$2,286.03 in principal reduction the first year. In essence the tenant is buying you the property and giving it to you at the end of the loan.

Return on Investment: \$2,286.03 / \$38,138.00 = 5.99%

4. Tax Savings:

\$5,336.11 approximate depreciation per year (assume 85% depreciable and 27 year straight line depreciation). This means that your income from this property may not be subject to tax.

5. Appreciation:

If your property goes up 2.0% in value this year, it will increase \$3390.00

Return on Investment: \$3,390.00 / \$38,138.00 = 8.89%

Possible Total Return on Initial Investment (after first year):

3.76%	From Cash Flow
5.99%	From Principal Reduction
8.89%	From Appreciation
<u>18.64%</u>	Total Return on Investment

When this property is free and clear, you will have nearly \$13,200.00 a year in 'Wake-Up' money. Of course, by then the rents (and the "Wake-Up") money will probably be a lot higher, as will the property's value.

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