How To Turn Your House

Into A Money-Making Machine

Legally

Morally

Ethically

by July Ono

June 2005

Get Paid To Live In Your House

Turn Your House Into A Money-Making Machine so it pays the mortgage, property taxes and utilities

Most of us were brought up to believe that our house is an asset.

In a standard net worth statement as shown below, there's a blank space for your house as a line item under the asset column. Actually, it's the equity in the house that is the asset portion. The equity belongs to you. If you carry a mortgage on your house, the property is technically the bank's asset.

Net Worth Statement

As of ________________________(date)

ASSETS

Current Liquid Assets

Cash on Hand	$______________
Checking Account	$______________
Savings Account	$______________
Certificates	$______________
Money Owed You	$______________
Tax Refund Due	$______________
Cash Value-Life Ins.	$______________
Stocks/Bonds	$______________
Mutual Fund Shares	$______________
Other ___________________________	$______________
Total Current Assets	$______________

Fixed Assets

Automobiles	$______________
Home	$______________
Personal Property	$______________
Other __________________________	$______________
Total Fixed Assets	$______________

Deferred Assets

Retirement Plan	$______________
I.R.A.	$______________
Other ___________________________	$______________
Total Deferred Assets	$______________
Total Assets	$______________

LIABILITIES

Current Liabilities

Auto Loan	$______________
Installment Debt	$______________
Personal Loan	$______________
Charge Accounts	$______________
Credit Cards	$______________
Mortgage Loan	$______________
Insurance Due	$______________
Taxes Due	$______________
Other ___________________________	$______________
Total Current Liabilities	$______________

Long-Term Liabilities

Auto Loan	$______________
Installment Loan	$______________
Personal Loan	$______________
Mortgage Loan	$______________
Other ___________________________	$______________
Total Long-Term Liabilities	$______________
Total Liabilities	$______________

NET WORTH	$______________

Current Ratio (current assets ÷ current liabilities)	$______________
Debt Load (total liabilities ÷ total assets)	$______________

In the Rich Dad world, (Robert T. Kiyosaki #1 Best Selling Author of *Rich Dad Poor Dad*), your house is considered a liability because even if you own the property mortgage free, there are still expenses associated with the house such as property taxes, utilities, maintenance. These expenses take money out of your pocket.

Assets	vs	**Liabilities**
Something that puts money into your pocket		Something that takes money out of your pocket

It's not until you sell your house and realize the capital gains (convert the equity into cash) that your house becomes a true asset.

In the OnTheBeachEducation.com world, your house can become a true asset. You can make your house earn a living, pay the expenses and even make part of the mortgage payments.

Here's how.

IN THE IDEAL SCENARIO …

This requires cash.

Purchase your home outright without a mortgage or pay off your existing mortgage.

However there are still property taxes and utilities to pay. Most people would simply continue to pay these expenses, happy that they have no more mortgage payments to make.

But why not leverage the value of the house (the equity) to pay for these expenses?

You can secure a Line Of Credit very inexpensively these days at around 4.25%. Most banks will loan up to 75% of the equity in your house. Put this money to work in higher yielding investments such as second mortgages, real estate investments or oil & gas trusts.

The difference is your profit.

For example, the Return On Investment (ROI) for our oil & gas trusts is 14% minus the 4.25% interest-only payments. This leaves a 9.75% profit.

Oil & Gas Trusts	Line of Credit	Profit
14%	4.25%	9.75%

What does this look like in the real world?

We purchased our townhouse for $378,000. We withdrew the money in the oil and gas trusts to buy our residence free and clear. This left no money in our brokerage account.

The bank agreed to secure a 4.25% interest-only Line Of Credit up to 75% of the purchase price ($378,000 x 75%) which equals $283,500.

We then borrowed $100,000 on a 5.75% interest-only unsecured Line of Credit giving us a total of $383,500.

We deposited the $383,500 back into our brokerage account and invested the money back into the oil & gas trusts. These investment vehicles are considered to be relatively low risk. Essentially the oil companies are selling you the oil or natural gas they already have in the ground. You are giving them the capital to explore, extract, and to purchase more oil and gas producing properties. They are independently audited and have to report to government regulatory bodies on a regular basis.

The interest-only payments come to approximately $17,798.75 per year.

The trusts return on average $39,690 per year.

$39,690 minus $17,798 = $21,892 investment income per year.

Oil & Gas Trusts	**Line of Credit**	**Profit**
$39,690	$17,798	$21,892

There are 2,080 work hours based on an 8 hour day over 52 weeks.
$21,892 ÷ 2,080= $10.52 per hour. Our house is making $10.52 net after interest payments.

As an additional bonus, the interest of $17,798 per year is tax deductible.

Why?

When you borrow money for investment purposes, the government acknowledges the interest as the cost of doing business. So on your tax return, you claim the profit and deduct the interest payments.

Add back the $17,798 deductible interest and you get $39,690 ÷ 2,080 hours = $19 per hour gross. That’s a pretty decent wage for a house don’t you think.

And get this: in Canada, your parents can gift you money tax free.

Please consult with your professional tax advisor or a Chartered Accountant.

In summary, what we did was:

1. Set up a self-directed brokerage account (not with a bank)
2. Transferred money into brokerage account from our rental income account (a checking account set up for direct deposits).
3. Purchased stocks.
4. Spent a year looking for a suitable home.
5. Offer to Purchase on townhouse accepted.
6. Withdrew money from brokerage account.
7. Transferred to Realtor’s account “in trust”.
8. Paid list price in cash (no mortgage).
9. Subjects removed and closed sale.
10. Took out $383,500 line of credit.
11. Transferred money back into brokerage account.
12. Purchase stocks.
13. Interest on line of credit at 4.25% and 5.75%
14. Return on investment in portfolio at 14%
15. The spread is 9.75%

Caveat: One must have a clear understanding of leverage investing to maximize your return on investment. Be diligent and watch for interest rates going up or your ROI (return on investment) will go down.

It is also important to understand the difference between portfolio income and passive income. Portfolio income requires your active involvement and ongoing monitoring even if you have a stock broker or a financial planner.

Even passive income requires a minimal degree of maintenance.

WHAT IF YOU STILL HAVE A MORTGAGE ON YOUR HOUSE?

The question to ask is this:

How much equity do you have in your house?

The average home owner will not touch the equity in their house. They were brought up to believe that you pay your mortgage off as fast as you can. But what then?

These home owners have hundreds of thousands of dollars of equity tied up in their house.

Equity that's just sitting there.

Equity that could be working for them.

Equity that could be making money for them.

Equity that could be the difference between:

- still having to work in order to make the monthly expense payments

  or

- RETIRING NOW.

Here's how I helped my mom retire…

SUMIKO'S STORY…

Sumiko was 68 years old in 2004. She bought her 4 Bedroom, 3 Bathroom house for $134,000 in 1987. She has lived in this house for 18 years and it's almost paid off. She lives in a community where the demand for homes is greater than the supply. The nearest comparable is valued at $589,000. She receives a $320 government pension every month. She has accumulated substantial savings in the bank. Yet, she could not retire.

My mom is a cleaning lady. She has always been self-employed. She was forced to continue cleaning other people's homes in her retirement years because she couldn't afford her monthly expenses.

On paper she was certainly wealthy but in reality she had to keep working because she had no cash flow.

Finally, on one particular day, I realized that her complaints were really a plea for help. My mom likes being active and busy but work was becoming very tiresome. So I took a look at her financial statements and my jaw dropped in shock when I saw them.

All of her savings were invested in low interest-bearing term deposits giving her a return ranging from 1% to 4%. The 4% yield was locked in for 7 years. The worst account offered her 0.05%. I had to look at this number several times just to make sure I was reading it correctly. It wasn't a half percent return but a five one-hundredth percent return. Seeing that made me really angry. I consider that stealing.

I sat down with her and spent 20 minutes explaining the 6 profit centers of real estate and how she would never have to work again.

Fortunately the timing was perfect. There were shares available in an upcoming investment project, a 66-unit apartment building. Sumiko took $72,000 out of her term deposits and purchased one share. She converted her term deposit interest income of $1,440 per year (interest paid annually) into $8,160 passive income ($680 investment income paid monthly).

There was one glitch that almost stopped this transaction. It was my mom's well-intentioned bank manager. When she went to withdraw her money from her term deposits, he explained to her that investing in real estate was very risky. He advised her to leave her money in the bank where it was safe. My mom came home without the money.

She explained to me what the bank manager told her. I sat down with her again and asked her this question: How much does the bank manager make? *I don't know*. Is he financially free? *I don't think so*. Well ask him. If he's financially free, then I would consider taking his counsel under advisement.

Be careful the advisors you take advice from. If your financial advisor is struggling with debt, how can they help you become financially free?

Today, Sumiko enjoys passive income. She is retired. She earns $680 per month from her real estate investment plus the $320 per month government pension.

And get this: we didn't even touch the equity in her house.

To learn more about the 7 Profit Centers of Real Estate, click here.

The crucial difference between the wealthy and the not so wealthy is cash flow.

The wealthy create passive income with their cash. Passive income is money that you earn whether you choose to work or not.

The not so wealthy spend their cash on doodads or invest in low-interest bearing, inflation-eroding GIC's (Guaranteed Investment Certificates) or term deposits.

Just to keep pace with inflation, your money must make a minimum of 2.4% per year. Otherwise your hard earned money loses purchasing power every year.

SELENA'S STORY…

Selena is a 34-year old Certified Management Accountant (CMA). By day she works in corporate management. In her spare time, she is a budding real estate investor.

She used the information and tools from the Fast Tack To Real Estate home study program to purchase a duplex at $25,000 below appraised value with positive cash flow in August 2004. She also negotiated an extra $5,000 off the purchase price using the inspection report strategy mentioned in the audio CD. In total, she saved $30,000 on this purchase.

How did she finance the property?

Selena sold her 2 properties in Hong Kong and immigrated to Canada in 1995. Six years later, she purchased her primary residence with the cash.

4 years later she accrued over $100,000 in equity. She went to the bank and took out a secured line of credit for the $100,000. Selena then refinanced her house and took out an extra $60,000 for a total of $160,000.

She bought 7 investment properties with this money: (2 condos, 3 townhouses, 1 duplex and 1 pre-sale condo yet to be built).

This is a creative example of taking money that is just sitting in equity and making it work for you.

Selena's next project will be using OPM – other people's money.

IN THE MORE COMMON SCENARIO …

If you own your home, have a mortgage and have equity, then this strategy can still apply to you.

Most people won't even consider leveraging the equity in their house for investment purposes. They think it's too risky to make money by borrowing money. But they will leverage it to purchase a home renovation, a vacation, a boat or to consolidate loans. Why make a boat payment when you could be making money to pay all or part of your mortgage?

The trap that most people fall into is this urge to pay off their debts. The key is in how you set up your cash flow to pay your debts. Understand that you want to pay bad debt off as fast as possible. It's incurring good debt that most people don't quite get.

Consider this scenario: you receive a lump sum cash amount from an inheritance, bonus at work, severance pay or a gift.

What do most people with debt do with this money?

They pay off their debts. It's simple mathematics. Eliminate debt and eliminate your loan payments. But this cash infusion is a one-time event. You will always have debt. Large amounts of capital, hard cash, are difficult to acquire.

What do the wealthy with debt do with this money?

They keep their existing debt and invest the cash to create passive income. This passive income pays them monthly which in turns pays the debt. This passive income continues to pay them every month even after the debt is paid off.

Why not leverage the value of the equity in your house and put them into higher yielding investments? Borrowing money today is inexpensive. Get paid to live in your house.

So the next question is…

HOW DO YOU KNOW WHERE TO INVEST YOUR MONEY?

You are the only one who cares about your money.

Passing the buck to a bank manager, financial planner or stock broker is not taking responsibility for your money. You are responsible for the performance of your money. These financial advisors deal with hundreds if not thousands of clients. It is up to you to tell them how to do their job with your money. It's time to take the driver's seat when it comes to your financial portfolio.

This requires financial literacy.

Your first commitment is to start educating yourself. You've already started by reading this report.

The Fast Track To Real Estate home study program can help you get started. To learn more about Fast Track To Real Estate, click here.

Join an investment club, subscribe to newsletters, attend workshops and seminars, start networking with investor-minded people. Get educated to know where to invest. To see if there is an event in your area, click here.

"July News" is how I stay in touch with my investor-minded community. You will also find resources to networking events and workshops, oftentimes for free, and news of upcoming investment opportunities.

My mission is to inspire and empower the world to live in hope and victory.

I hope this report gives you a window into what is possible but seldom done. You don't need to become a millionaire to be financially free. You just need to think like one.

May your life be filled with abundance and prosperity.

July Ono
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