

**Real Estate Investing: Build Wealth Representing Investors and Becoming One Yourself  
Timed Outline**

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## Suggested Timing

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Introduction.....	10 min
1: Why Invest in Real Estate?.....	30 min
2: Making the Purchase Decision .....	80 min
3: Working with Investor Clients.....	50 min
4: Financing Options and Tax Issues.....	75 min
5: Owning the Property .....	75 min
6: Investing as a Real Estate Professional .....	40 min
Exam .....	60 min

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## Suggested Schedule

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Introduction .....	8:30 am – 8:40 am
1.....	8:40 am – 9:10 am
2.....	9:10 am – 10:00 am
Break.....	10:00 am – 10:15 am
3.....	10:15 am – 11:35 am
4.....	11:35 am – 12:00 pm
Lunch.....	12:00 pm – 1:00 pm
4.....	1:00 pm - 1:50 pm
5.....	1:50 pm – 2:30 pm
Break.....	2:30 pm – 2:45 pm
5.....	2:45 pm – 3:20 pm
6.....	3:20 pm –4:00 pm
Exam .....	4:00 pm – 5:00 pm

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<b>Introduction</b>	
Course Goal and Learning Objectives .....	2 min
Test Your Investment Real Estate IQ .....	8 min
<b>Total</b>	<b>10 min</b>

<b>1. Why Invest in Real Estate?</b>	
Why Work With Investors .....	5 min
Fast Facts About the U.S. Real Estate Investment Market .....	5 min
Skills and Knowledge for Working with Investors.....	5 min
Advantages of Investing in Real Estate .....	5 min
Disadvantages of Investing in Real Estate .....	5 min
Investing as a Real Estate Professional .....	5 min
<b>Total</b>	<b>30 min</b>

<b>2. Making the Purchase Decision</b>	
Location—the Big Picture, Location—the Close-Up Picture .....	10 min
Absorption Rate .....	5 min
Choosing a Property Type .....	5 min
Market Value, Highest and Best Use .....	5 min
Investment Value .....	5 min
Using Cap Rate to Estimate Market Value .....	10 min
Cash Flow and Net Operating Income .....	5 min
RPR® Tools for Investors and Appraisers .....	5 min
The REALTOR® Code of Ethics, SEC Guidelines on Investment Advice.....	5 min
Making an Offer .....	5 min
Contingencies.....	5 min
Exercise: Neighborhood Analysis .....	15 min
<b>Total</b>	<b>80 min</b>

<b>3. Working with Investor Clients</b>	
Characteristics of Investors, Fast Facts About the Typical Real Estate Investors .....	5 min
Prospecting for Investor Clients, Fast Facts About International Real Estate Investors..	5 min
First Meetings with Clients .....	5 min
Goal Setting for Real Estate Investors.....	5 min
Understanding and Managing Risk .....	5 min
Exercise: Determining Investor Goals and Risk Tolerance .....	10 min

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Building a Team.....	5 min
Exercise: Role Playing Prospective Investors .....	10 min
<b>Total</b>	<b>50 min</b>

<b>4. Financing Options and Tax Issues</b>	
Forms of Ownership	5 min
Financing an Investment Property, Fast Facts About Investment Financing and Rentals	5 min
Qualifying For a Loan	5 min
Leverage	10 min
Tax Considerations for Real Estate Investors	5 min
Income Classification	5 min
Income Tax Deductions	5 min
Cost Recovery (Depreciation)	5 min
Capital Gains Taxes	5 min
Tax-Deferred 1031 Exchanges, Basic Rules for Tax-Deferred 1031 Exchanges	5 min
Foreign Investor, Foreign Investment in Real Property Tax Act (FIRPTA)	5 min
Exercise: Putting It All Together	15 min
<b>Total</b>	<b>75 min</b>

<b>5 Owning the Property</b>	
Management tasks	5 min
Property Management: Self-Managers	5 min
Property Management: Property Manager	5 min
Property Management for Others	5 min
Property Maintenance	5 min
Risk Management	5 min
Setting Rents	5 min
Screening and Selecting Tenants	5 min
Tenant's Rights and Responsibilities	5 min
Landlord's Responsibilities and Rights	5 min
Fair Housing and ADA Compliance	5 min
Exit Strategy	5 min
Exercise: Tenant Selection	15 min
<b>Total</b>	<b>75 min</b>

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<b>6. Investing as a Real Estate Professional</b>	
Invest In the Product You Believe In	5 min
Consider Your Goals	5 min
Strategy—Short-Term or Long-Term?	5 min
Use the Tools You Already Have	5 min
Managing Your Properties	5 min
Real Estate Professionals—Material Participants	5 min
Complying with the REALTOR® Code of Ethics	5 min
Avoiding Bad Deals and Conflicts of Interest	5 min
<b>Total</b>	<b>40 min</b>

<b>Exam .....</b>	<b>60 min</b>
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## **Real Estate Investing: Build Wealth Representing Investors and Becoming One Yourself**

### **Course Description and Topic Outline**

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#### **Course Goal and Learning Objectives**

**Real Estate Investing: Build Wealth Representing Investors and Becoming One Yourself** covers the fundamentals of real estate investment that practitioners need to know to expand their business services. The one-day course looks at how practitioners can adapt core real estate skills and learn new skills to serve clients who want to invest in single family homes, condos, townhomes, and small multifamily properties. You will learn how to work with investors as they goal set, plan, evaluate, and acquire properties as well as manage them. You will also learn how to “walk the talk” and become a real estate investor yourself.

#### **1. Why Invest in Real Estate?**

- Recognize the advantages of expanding business services for clients and customers to include investment real estate.
- Adapt core real estate business skills to work with investor clients and customers.
- Describe to clients and customers the pros and cons and risk/reward potential of investing in real estate.

#### **2. Making the Purchase Decision**

- Help investors identify and evaluate property types and locations and other value considerations and select those that meet investment goals.
- Comply with the REALTOR® Code of Ethics and SEC guidelines for providing advice to clients and customers.
- Use comparable sales data and other methods to help clients and customers evaluate financial aspects of a property investment.

#### **3. Working with Investor Clients**

- Use statistical data on investor profiles and preferences to plan business strategy.
- Identify and make contacts with clients and customers who need investment real estate services and help them refine their investment goals.
- Identify other professionals who can provide ancillary services for purchasing, managing, and maintaining real estate investment properties.

#### **4. Financing Options and Tax Issues**

- Help clients and customers find sources for financing and choose appropriate financing for achieving investment goals.
- Describe the measurement and impact of positive and negative leverage on real estate investment.

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- Alert investors to tax considerations for various investment strategies and transactions, and recommend that they seek advice from tax experts.

#### 5. Owning the Property

- Help investors consider pros and cons of managing their own investment properties or hiring a property manager.
- Describe techniques for selecting tenants and managing tenant relationships.
- Suggest exit strategies for owners who want to divest of investment properties.

#### 6. Investing as a Real Estate Professional

- Apply investment techniques presented in the course to build your own portfolio of real estate investments.
- Take advantage of favorable tax treatment for real estate professionals who invest in real estate properties.
- Avoid conflicts of interest between your own real estate investment activities and those of your clients and customers.

## **Introduction**

- A. Course Goal and Learning Objectives
  - 1. Why Invest in Real Estate?
  - 2. Working with Investor Clients
  - 3. Making the Purchase Decision
  - 4. Financing Options and Tax Issues
  - 5. Owning the Property
  - 6. Investing as a Real Estate Professional
- B. Exam
- C. Test Your Investment Real Estate IQ

## **I. Why Invest in Real Estate?**

- A. Why Work With Investors?
- B. Fast Facts About the U.S. Real Estate Investment Market
- C. Skills and Knowledge for Working with Investors
  - 1. Product and Market Knowledge
  - 2. Understand Financing
  - 3. Negotiation
  - 4. Reputation
  - 5. Communication and Listening
  - 6. Patience
  - 7. Client Service
  - 8. Mindset
  - 9. Regulatory Knowledge
  - 10. Types of Ownership
  - 11. Representation Duties
  - 12. Tax Issues

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- D. Advantages of Investing in Real Estate
- E. Disadvantages of Investing in Real Estate
- F. Investing as a Real Estate Professional
- G. Practitioner Perspective: Vince Malta

**II. Making the Purchase Decision**

- A. Location—the Big Picture
- B. Location—the Close-Up Picture
- C. Absorption Rate
- D. Choosing a Property Type
  - 1. Single-Family Homes
  - 2. Condominiums and Townhomes
  - 3. Multifamily Housing
  - 4. Vacation Properties and Short Term Rentals
  - 5. Short-Term Rentals—What Investors Need to Know
  - 6. Foreclosures and Short sales
- E. Market Value
  - 1. 3 Rules-of-Thumb for Selecting Comps
- F. Highest and Best Use
  - 1. Automated Valuation Models
- G. Investment Value
  - 1. Gross Rent Multiplier (GRM)
  - 2. Cash on Cash (\$/\$%)
  - 3. Return on Investment (ROI)
  - 4. Cap Rate
  - 5. Cap Rate Information Sources
- H. Using Cap Rate to Estimate Market Value
- I. Cash Flow and Net Operating Income
- J. RPR® Tools for Investors and Appraisers



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- 1. Realtors Property Resource® Valuation Workbook
- K. The REALTOR® Code of Ethics
- L. SEC Guidelines on Investment Advice
- M. Making an Offer
  - 1. Negotiating a Foreclosures/REO Transaction
- N. Contingencies
- O. Practitioner Perspective: Vicky Silvano
- P. Exercise: Neighborhood Analysis

**III. Working with Investors**

- A. Characteristics of Investors
- B. Fast Facts About the Typical Real Estate Investor
- C. Prospecting for Investor Clients
  - 1. Investment Clubs and Groups
  - 2. Referrals
  - 3. Financial Planners and Estate Attorneys
  - 4. Real Estate Investment Seminars
- D. Fast Facts About International Real Estate Investors
  - 1. International Investors
- E. First Meetings with Clients
  - 1. Learning About the Client
  - 2. Shaping Expectations
  - 3. Financial Preparation
  - 4. Investment Games
- F. Goal Setting for Real Estate Investors
  - 1. Clarifying Goals
- G. Understanding and Managing Risk
- H. Exercise: Determining Investor Goals and Risk Tolerance
- I. Practitioner Perspective: Sher Powers

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- J. Building a Team
- K. Exercise: Role Playing Prospective Investors

**IV. Financing Options and Tax Issues**

- A. Forms of Ownership
  - 1. Sole Proprietorship
  - 2. General Partnership
  - 3. Limited Partnership
  - 4. Limited Liability Company (LLC)
  - 5. S-Corporation
  - 6. C Corporation
  - 7. Real Estate Investment Trusts (REITs)
- B. Fast Facts About Investment Financing and Rentals
- C. Financing an Investment Property
  - 1. Local Banks
  - 2. Seller Financing
  - 3. Private Mortgages
  - 4. Second Mortgage and Home Equity Loans
  - 5. Mortgage Brokers
  - 6. Cash Deals—Personal Savings and Inheritances
  - 7. Can an IRA Own Real Estate?
- D. Qualifying For a Loan
  - 1. Lender Perceptions
  - 2. Debt-to-Income Ratios—Front and Back
  - 3. Loan-To-Value Ratio (LTV)
  - 4. Effective Interest Rates
- E. Leverage
  - 1. Determining Leverage

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- 2. Loan Constant
- 3. Free-and-Clear or Leverage?
- F. Equations
- G. Prepayment Penalties
- H. Tax Considerations for Real Estate Investors
- I. Income Classification
  - 1. Passive Income
  - 2. Exemptions and Exceptions
- J. Income Tax Deductions
- K. Cost Recovery (Depreciation)
  - 1. Categorize Property Components
  - 2. Depreciation Recapture
  - 3. Consult a Tax Professional
- L. Capital Gains Taxes
  - 1. Basis
  - 2. Capital Improvements
  - 3. Calculating Capital Gains Tax
  - 4. Tax Due on Sale
- M. Tax-Deferred 1031 Exchanges
- N. Basic Rules for Tax-Deferred 1031 Exchanges
  - 1. Documenting the Intent to Exchange
- O. Foreign Investors
  - 1. Tax Treaties
  - 2. FATCA
- P. Foreign Investment in Real Property Tax Act (FIRPTA)
  - 1. Withholding Agents
  - 2. FIRPTA and Commercial Real Estate
- Q. Exercise: Putting It All Together

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R. Practitioner Perspective: Jay Rinehart

**V. Owning the Property**

A. Management tasks

1. Renting the property
2. Managing tenants
3. Maintenance
4. Insurance and risk management
5. Fiscal management

B. Property Management: Self-Managers

C. Property Management: Property Manager

1. Interviewing a Management Company
2. Management Company Best Practices

D. Property Management for Others

1. 9 Essential Qualities of a Property Manager

E. Property Maintenance

1. Property Inspections
2. Working with Contractors

F. Risk Management

1. Insurance
2. Renters Insurance

G. Setting Rents

1. Market Analysis
2. ROI Target

H. Screening and Selecting Tenants

1. HUD Guidance on Criminal Background Checks

I. Tenant's Rights and Responsibilities

1. Tenants' Responsibilities

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- J. Landlord's Responsibilities and Rights
  - 1. Landlord's Rights
  - 2. Collections
  - 3. Pay or Quit Notices
  - 4. Eviction
- K. Fair Housing and ADA Compliance
  - 1. Mrs. Murphy's Exemption
  - 2. Americans with Disabilities Act (ADA)
- L. Exit Strategy
  - 1. Sales Options
- M. Exercise: Tenant Selection
- N. Practitioner Perspective: Reveille Schaeffer

**VI. The Real Estate Professional as Investor**

- A. Invest In the Product You Believe In
  - 1. Build Your Future Financial Security
  - 2. Inflation—Preserve Value
  - 3. Play to Your Strengths
  - 4. Hang Out with Those Who Share Your Goals
  - 5. Work Your Networks
- B. Consider Your Goals
- C. Strategy—Short-Term or Long-Term?
  - 1. Short-Term: Fix and Flip?
  - 2. Long-Term Strategy: Portfolio Building
- D. Use the Tools You Already Have
  - 1. Clues—Know What to Look For
  - 2. Analysis Tools
- E. Managing Your Properties

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- F. Real Estate Professionals—Material Participants
  - 1. Material Participation
  - 2. Net Investment Income (NII) Tax
  - 3. Get Tax Help
  - 4. Property Flippers Beware
- G. Complying with the REALTOR® Code of Ethics
- H. Avoiding Bad Deals and Conflicts of Interest
  - 1. Bad Deals in Disguise?
  - 2. Conflicts of Interest
  - 3. Check your E&O coverage
  - 4. A Final Thought—Guard Your Reputation
- I. Practitioner Perspective: Kyle Killebrew