

Financial Planning through Real Estate

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8 Hour Course Outline

COURSE DESCRIPTION:

This course covers the general concepts of financial planning in terms of setting goals, objectives, timelines for achieving a necessary “nest egg,” making adjustments for projected inflation erosion of the dollar value, and recognizing the “lifestyle” possible during an uncertain retirement period. Retirement for this course is defined as occurring when the “retiree” lives off of the proceeds of the “nest egg” regardless of what age that might be.

The course will introduce attendees to advantages of using real estate investment as a means of achieving financial planning goals. Attendees will learn to determine how to purchase real properties at the right price with potential of producing the required financial planning outcomes.

The course will assist attendees in understanding the basic financial planning concerns sufficient to work along with clients’ own financial planner in suggesting real estate investment opportunities appropriate to financial planning strategies.

TEACHING TECHNIQUES:

L=Lecture, PP=PowerPoint slides, V=Video clips and GE=group exercises.

LL LEARNING OBJECTIVES

- 1 Attendees will describe investment opportunity alternatives
 - 1 Attendees will be made aware of basic investment market variables
 - 1 Attendees will demonstrate basic skills with the HP10b financial calculator
 - 2 Attendees will explain the importance of various federal tax laws impacting real estate
 - 1 Attendees will demonstrate ability to collect data and fill in the CCIM APOD form
 - 2 Attendees will learn how institutional investors measure risk and value
 - 2 Attendees will learn three basic skills in measuring market or value for real estate investment
 - 1 Attendees will demonstrate the use of the CCIM APOD sheet for taking listings, marketing, and preparation of offers to purchase for an informed real estate investor
 - 1 Attendees will become aware of essential financial planning techniques
 - 1 Attendees will demonstrate their own preliminary financial plan and be able to demonstrate how the purchase of appropriate real estate investments which meet financial planning criteria can help them meet their own financial planning goals
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General Introduction: Instructor, attendees and course objectives	10 minutes
I. Introduction	60 minutes
II. Basic Financial Planning Considerations	90 minutes
III. Key Questions for Financial Planning	30 minutes
IV. Introduction to Financial Planning Worksheets	90 minutes
V. Various Measures of Real Estate Investment Cash Flows	60 minutes
VI. Time Value of Money Concepts and Application	90 minutes
VII. Financial Planning Individual/Class Problem	50 minutes



General Introduction: Instructor, attendees and course objectives	10 minutes
I. Introduction	60 minutes
Some Market Basics	
Understanding Opportunity and Value in Dynamic Markets	
Using “social style” understanding in working with investors	
Rule of thumb for easy comparison of market for rental houses	
Calculating the value of a primary residence in achieving a “nest egg”	
Institutional and Seller Financing Alternatives	
Business Cycles	
The value of “diversification” of an investment portfolio	
Some Major Benefits from Real Estate Ownership	
Federal Tax Liabilities/ Benefits for Real Estate Investment: depreciation, capital gain deduction, recapture, stepped up basis, passive loss rules, installment sales reporting, tax-deferred exchanges, etc.	
II. Basic Financial Planning Considerations	90 minutes
Potential sources of investment and “nest-egg” income	
Financial Planning Obstacles: loss of pension income; inadequate accumulation of wealth for many Americans; credit debt; loss of real income during working years; beginning financial planning too late; reconsiderations of “safety net” for retirees; projected longer lives during retirement; etc.	

Six Steps for Financial Planning

- Establishing goals and objectives
- Gathering personal data regarding assets, etc.
- Processing and analyzing information for decision-making
- Embracing a comprehensive financial plan
- Implementing the financial plan
- On-going monitoring and revision of the financial plan

The power of compounding with an early investment start
Concept of the “nest-egg” and how its determined

III. Key Questions for Financial Planning

30 minutes

- Determine the number of years before “retirement”
- Project the number of years during “retirement”
- Project the average annual rate of return available to fund the “nest-egg”—before tax and after tax
- Project the average annual rate of return during “retirement” from “nest-egg”—before tax and after tax
- Acceptance of impact on “life-style” while accumulating “nest-egg”
- Projection of quality of “life-style” in “retirement” from “nest-egg” income
- Estimate a realistic “inflation rate” before “nest-egg” goal is reached
- Estimate a realistic “inflation rate” while living in “retirement”
- Guestimate the frequency and effect of recurring business cycles

IV. Introduction to Financial Planning Worksheets

90 minutes

- Future Dollars Goal—Today’s Dollars \times Years from Today
- Inventory of Current Sources for a One-Time Investment Today
- Inventory of Current Sources for Recurring Annual Investment
- Financial Planning Dollars Accumulation Surplus or Deficit

V. Various Measures of Real Estate Investment Cash Flows

60 minutes

- Discounting from Price
- Gross Rent Multiplier (Market)
- Cap Rate (Value)
- Return on Investment (Investment)
- CCIM Forms: APOD; 5-Year Cash Flow Analysis; Sales

VI. Time Value of Money Concepts and Application

90 minutes

- Limited Value of “Guesswork” in Problem Solving
- A dollar today is worth more than a dollar tomorrow
- Six Basic “Time Value of Money” Questions
- Illustration of Use of a “T-Bar” for investments over time
- Instruction if use of HP10b for basic solutions: mortgage payment, balloon payment, amortization, discounting, appreciation, etc.

VII. Financial Planning Individual/Class Problem

50 minutes

Individual Working through Financial Planning Worksheets

Selection from Instructor Provided Real Estate Investment Opportunities

Computation of Financial Planning Effects of Individual Investment Choices