

Ten Secrets to Become a Millionaire

By John V. Kamin

Wouldn't you like to know the tested methods that work? Wouldn't it be fine to go to sleep each night knowing that your property was increasing in value yearly, monthly, and sometimes even weekly? Here are methods that your economist has tested for 4 decades. Also see the chapter in the book How to Make Money Fast Speculating in Distressed Property on "Drawing Your Map; Where to Search".

1. One strategy that I have tested and that works is searching for old houses on acreage with potential commercial frontage. My motto is: "Buy by the acre, sell by the foot". How much acreage? Usually at least 1 acre, up to 5 or more. We're not seeking to buy 300 acres, 800 acres, typing up lots of vacant (taxable) land.

The idea is to not tie up excess money in huge amounts of acreage.

2. Narrow the search to: Commuting distance of job centers. I suggest you look for properties within maximum 45 min. to one hour commute of major job centers. If it's one and a half hours away to jobs, most people won't commute that far, growth will be slow to stifled. You don't want to buy property 50 miles or 100 miles from Death Valley just because it's cheap.

3. You need commercial high traffic frontage on the highway, the main drag. It's O.K. to be a few blocks away, or even a couple of miles away from large encroaching developments. But in terms of development you need more than the Lone Ranger gas station or the Rats Nest motel 40 miles from nowhere. That's an insufficient growth area. Got it? Quite simple in your search. I look for new hotels going in within a mile or so max, more growth than isolated tiny strip malls five miles away.

FINANCING: BUY WITH LITTLE OR NO MONEY DOWN

4. Financing can be the key to big profits, leverage.

A) If the land has a rentable house or rentable building on it, you can get a 15-year Fixed Rate Mortgage at 5¼% to 6% interest for 80% to 90% of appraised value. Maybe you'll pay a little more interest on a commercial or apartment development. But vacant land itself is harder to finance, so it should have at least 1 building in rentable condition, preferably more.

B) Sometimes you can buy foreclosed properties from the VA, FHA; or even an estate sale; with no money down. How about low down payments such as 5% or 10%? For those without money, recent graduates, people just starting out, that's great! Offer 10% below outdated appraisal on VA, FHA, estate sales.

C) Also look for seller financing. If it's a Mom & Pop sale, and they can only earn 1% interest down at the bank or on T-bills, they might be very glad to carry your note for the down payment at 6% interest. Maybe they'll even want to carry your main mortgage too. And if they're anxious to move to Florida, Arizona, or some other place, to be nearer the kids and grandkids, so much the better for you. They need to be reassured that you'll indeed take good care of "their old place" and make payments to them promptly. Use OPM (Other People's Money) to buy. Be especially nice to sellers who might "carry your paper".

5. Near freeway exits is better, within one mile, rather than far away.

6. This rule is very important. You want to buy at "house prices" but resell at commercial prices. So, if you're buying an old breezy Victorian house with a couple of acres on the noisy highway, you're paying what the house is worth, maybe a little more for the extra land. But if you're reselling that property five to 10 years later to a car dealer, you're reselling it at so much per sq. ft. and buyers get the house FREE, commercial land prices. The house may become a "teardown". Nearby development on either side is good, because then you have an easier time getting it rezoned, or at least a zoning variance (from residential/agricultural zoning to commercial zoning).

FLOW CASH TO COVER PROPERTY-HOLDING EXPENSES+

7. You increase rents yearly to market. You keep the property rented for cash flow, and to

cover holding costs (taxes, insurance). Rented out is better, to change a cash-eating alligator into a no-cost holding asset. Also, a place that is rented is less likely to be vandalized, burnt or attract vagrants. It's easier to get insurance on an occupied house than a vacant one.

8. What to AVOID: undeveloped areas, remote boondocks, landlocked parcels, lots off the main drag, residential parcels, and non-frontage.

FISH WHERE THE FISH ARE

9. RESELLING: very important. Deal with a developer broker, not a house-sales broker. They're vastly different; they talk to different kinds of customers, and advertise differently to different prospects.

If you're going to buy by the acre and sell by the sq. ft., you may be giving that house away and it may be of lesser importance than the location, location, location of the commercial land.

One selling tool I use is when I tell the broker or prospect, "You pay for the commercial land and you get the house and other buildings free." Remember our maxim, to ask yourself before buying and before you put up dollar one, "To whom will I resell?"

10. How long since you've paid a visit to your County Planning Department? Never? That's too long!

VALUABLE TIP: Your county has wonderful development maps that you can get for free or buy for a few dollars outlining everything going on and planned in your particular prospective area. Visit County Planning Departments before you buy. Check their maps. Counties may be issuing zoning variances or building permits that almost no ones knows about. This gives you an advantage when buying and also an advantage when selling. Visit and make friends every year – even after you buy the property. A simple visit and map check may change your mind on how, when and where you buy and sell.

John Kamin is a Consulting Economist and publisher of The Forecaster, 19623 Ventura Blvd., Tarzana, CA 91356, (818) 345-4421. \$180 per year. For more money making ideas, order his latest book Active Money Strategies & Hidden Wealth Builder Secrets For Young Adults: What They Were Afraid To Teach You In School. If They Ever Knew! \$20 + \$4 s & h Add \$1.65 tax. 95 pages.

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