

Tax Lien Certificates - A Nice Niche for Real Estate Investors **by Robert Ratliff**

Investing in tax lien certificates is not new, but it is a growing business for the savvy real estate investor. With interest rates from 8% to 50% a year, for many investors, tax lien investing is becoming a growing alternative to certificates of deposit and the stock market.

Let's face the facts. In every state in the United States when property owners fail to pay their property taxes they are charged a penalty by the county. These penalties are usually in the form of interest charged to the owner of the property. These interest charges range from 8% on the low side to 18% on the high side and are applied every six months; that's 36% a year. In some states, like Texas, the interest penalty charged can be as high as 25% every six months.

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As a tax lien investor, I know that I can attend an auction, pay the taxes owed on a specific property to the county and the county will then place a lien on that property in my name. At this point, I become the tax lien holder on record. When the property owner does decide to pay the taxes plus the interest, the county will then send me a check for the amount of the property taxes that I paid plus the interest penalty it accrued.

As an example: Let's suppose that Joe (the property owner) owes \$2,000 in back taxes in a county where the interest penalty is 18%. If I were to pay the taxes and become the tax lien holder on record for Joe's property, then when Joe goes to the county to pay that \$2,000 a year later, he will also have to pay an additional 18% interest, or in this example an extra \$360.00. The county will then send me a check for \$2,360.00. At this point, the tax lien will have been redeemed relieving the property owner of his debt for that particular year and I will have made 18% on my investment.

When you compare an average 24% return by the county and a one year CD paying 4%, you will note that as a tax lien investor, you would be earning 600% more with tax lien interest than you would if you left your money in a bank receiving interest on a CD.

Many investors are starting to open their eyes to this form of investing and finding the results very lucrative. The truth is this form of investing is one of the oldest forms of investing in the country. In fact, one tax lien investor found record of a tax lien certificate sold in Brooklyn, New York back in 1698. Many banks, investment firms and life insurance companies have been investing using this strategy for more than a century!

The interest is great you say, but what about your security? This is where this strategy in my opinion receives the highest security rating of any investment strategy available in the United States. Let's say that Joe never goes to the county to pay the property tax plus the interest owed. If Joe fails to pay his property taxes to the county in the time allowed by the county and I am the tax lien holder on record, in most counties (at least those I invest in) I will have the opportunity to protect my investment by foreclosing on the property.

If the property owner still will not pay the property taxes by the end of the redemption period allotted by the county, the property will be auctioned at the next tax auction held by the county. At this point, other investors will have the opportunity to pay all of the back taxes plus the interest rate to the county and the county will then send me a check for the amount of my investment plus my interest rate. If no one comes forward either during the foreclosure process, or at the county's auction, the county will send me as the tax lien holder on record, a deed to the property and any other encumbrances that are on that property, including the mortgage, will be eliminated.

Even if I, as a tax lien investor, never receive the deed to the property, the down side of this investing strategy for me and thousand of other tax lien investors is the fact that we have only earned 18% interest on our money. Wouldn't you agree that in today's economy 18% interest backed by state mandate and the real estate itself is great return?

Below are amounts in dollars of what your retirement accounts would be worth if you invested only \$5,000 and let it grow tax deferred for 30 years.

High Yielding Certificate of Deposit - 6%	\$5,000 @ 06% for 30 years = \$29,541.00
Arizona Tax Liens earn 16%	\$5,000 @ 16% for 30 years = \$429,249.00
New Jersey Tax Liens earn 18%	\$5,000 @ 18% for 30 years = \$716,853.00
Texas at Tax Liens earn 25%	\$5,000 @ 25% for 30 years = \$4,038,967.00

As you can see, for many, tax lien investing has become a great alternative to placing your investment monies into certificates of deposit, or even many mutual funds. This world of tax lien investing is becoming more and more competitive but with 5,013 counties in the United States each having thousands of tax liens available to invest in, there are plenty of tax liens available for any investor who wants to get in the game.

This investing opportunity is just one of 21 secrets revealed in a new book written by Jay W. Mitton MBA, JD titled 21 Secrets of Real Estate Millionaires as Revealed by Their Attorney. This book is forwarded by the very popular co-author of the best seller The Millionaire Next Door and covers investment strategies from billboards to tax liens. There has never been a book like this that reveals to its readers so much good and useful investing strategies.

You can purchase a copy of 21 Secrets of Real Estate Millionaires and receive a bonus FREE DVD for only \$19.95 plus shipping and handling. For more information, or to purchase the book, please visit www.MyFinancialUniversity.com today.

Robert Ratliff is a licensed real estate agent who began investing in real estate at age 23. He has introduced thousands nationally to tax lien certificate investing. 2006. All Rights Reserved©.

