MAXIM BAGINSKIY

REAL ESTATE BROKER/INVESTMENT ADVISOR

EMAIL: mbaginskiy@gmail.com
PHONE: (416) 832-8343,
FAX: (416) 981-7710
WWW.REMLIS.CA

Right at Home Realty Brokerage Inc., 905-695-7888

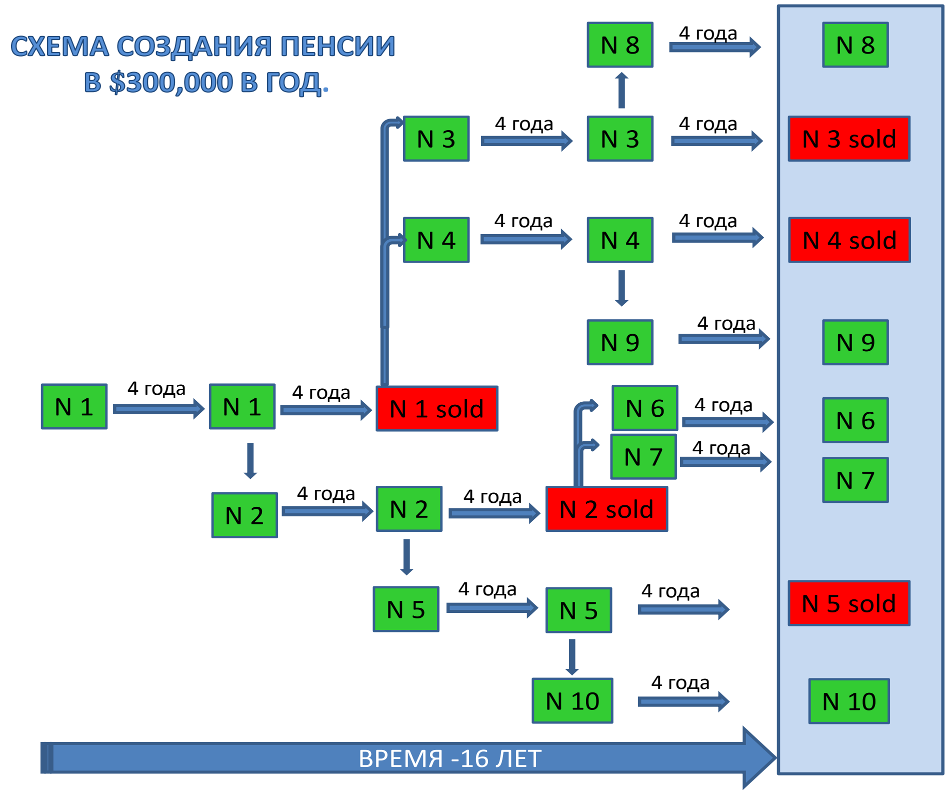
PENSION OF 300 THOUSAND DOLLARS ANNUALLY – THE AUTOPILOT TECHNIQUE

It is wonderful when you have a high pay and you have enough money but we all know that money is not easy to attain. We spend an ample amount of time on a daily basis to go to work to the point where we are finding that we do not have enough time for family, health, and simple joys that we would love to experience if only we had more time.

Furthermore, eventually we all age and if our job was our only source of income, we have to sufficiently reduce our spending. For many people the solution lies in selling their home and moving into a cheaper residence, although this would not be the case in the presence of a stable source of income. We often hear, "Once I retire I will have plenty of time to travel the world." However, everything requires money and so in order to maintain the lifestyle that you are used to, you must have a guaranteed income that is not less than the one you had at your job. Is this possible using pension plans and the like? The answer is no. If you are depending on the government pension system and all types of savings plans, you will have to reduce your expenses – in the best-case scenario. Generally, this leads you to move into a cheaper home and you should probably forget about vacations although the desire to bring your life-long plans to life is greater than ever. Is there a solution? Indeed, there is; in fact, it guarantees a pension many times greater than the income you received at your day-to-day job. For example, I have started properly investing in my future pension at the age of 30 and already by the age of 45, I earned a pension three times greater than the average income I was receiving. Is this accessible to anyone or is luck involved? Without a doubt, luck will come in handy but only in determining how soon you will achieve your goal: within 10, 15, or 20 years. This is why I advise my clients to start creating a passive income as early as possible; however, if you did not do this in time, it is never late to start. Consequently, the results will be more humble by the time you retire. Since in this article we are on the topic of creating a passive income via investments, let's set aside the so-called "flips" – purchases with the goal of a quick resale, "assignments" – reselling the developer's contract and other financial schemes which allow rapid income but do not create a passive income. We will also not be looking at schemes of purchasing standard homes for rent, homes for student residence, and multi-apartment homes since by investing in such real estate, you are going to have to deal with constant management. Essentially, you are buying yourself a business that will take up a significant chunk of your time. We are leaning on the fact that you are a working person and are tight with time. Accordingly, you need a strategy that will not be taking up your valued time. You need an autopilot that will provide you with a high guaranteed income over the span of several years. Such a strategy exists – investing in newly built apartments. So, where do we begin?

1) Decide on the investment capital that you have available today. This does not mean that this money has to be in your bank account. We are talking about credit money – in other words, you need to determine on what credit you can count on. Sources of credit can be: credit under your own home, credit lines, RRSP accounts, credit cards with a low interest rate, and so on. Try to obtain an amount of $100,000 that you will need to deposit in four segments over the next four years.

2) Look for a condo project in a developing area where in the next few years it will experience radical changes (building new offices, subway lines, hospitals, universities, and so on) and purchase an apartment there. It is important to purchase the best unit in the project while receiving the best possible discount. To achieve this, you need to work closely with brokers that have connections with the developer and will help you obtain a unit under VIP conditions before the project becomes open to the public. For today's prices, let's consider an apartment worth $500,000. In order to obtain such an apartment, you will need to deposit $100,000 (four payments of $25,000). Let's consider the most pessimistic scenario: upon completion of construction you obtain the apartment which has a market price of $625,000 (taking into ac-



count the average increase in price of real estate over the last 50 years of 6% annually and a discount of 5% from the sale price). The mortgage for the obtained real estate is $400,000 – monthly payments of $1,600, maintenance of $450 and $300 in taxes. In total, the apartment expenses come to $2,350. Renting such an apartment downtown today costs $2,700 and the expected price three years from now is $2,900. The first year after completion of construction we have a positive cash flow of $550*12 = $6,600 and a paid back credit of $9,000, thanks to the renter. The value of the real estate is $625,000 + 6% = $665,000; the remaining credit: $400,000 – ($6,600+$9,000) = $384,400.

3) We refinance real estate and leave 20% of the market price ($133,000) and for the remaining 80% we receive a mortgage of $532,000 with monthly payments of $2,100. This allows us to obtain a check worth $148,000 from the bank and use this money to obtain another apartment. The first apartment remains in the autopilot state; it does not bring us a monthly cash flow but in the next four years – due to the renters – will pay off $50,000 of the credit and will become more expensive by $187,000 (once again, we consider the average increase in prices over the past 50 years of 6% annually).

This way, four years after refinancing and eight after the start of your investing career we obtain the following picture: apartment #1 – is sold and we obtain $370,000 ($133,000 + $50,000 + $187,000) using which we are buying two apartments (#3 and #4) at the excavation stage. Apartment #2 – its construction is now complete, the first year of renting has passed and we refinance, thereby obtaining the necessary means for purchasing apartment #5. On the 12th year investing, apartment #2 is sold and on the obtained money we buy apartments #6 and 7.

Apartments 3, 4 and 5 are refinanced and on the obtained income we buy apartments 8, 9 and 10. On the 16th year of investing we sell three apartments – 3, 4 and 5 – and the obtained income is our pension. Apartments 8, 9 and 10 are refinanced and open the opportunity to buy the next three apartments. In this manner, starting from the 16th year, we have the ability to sell three apartments every four years. This means that every four years we receive approximately $1,200,000 of passive income. Congratulations, you earned $300,000 of the annual pension that you will receive for the rest of your life and your kids after you pass. Remember how everything started – you took a credit of $100,000 that requires a deposit of $350 per month. I will give you another piece of valuable advice: in order for the $350 to not significantly impact your family's budget, you can obtain a credit of $110,000 and immediately set aside $10,000 for the monthly payments.

Using this strategy, creating a profitable future will in no way impact your family's budget today. Over the many years that I worked with investments, I helped hundreds of people create a flow of passive income. If you care about your financial future and want to be able to leave financial means for your children, then you are ready to take the first step. We are waiting for you in our office in Richmond Hill to help you bring your dreams to life.