



BECOMING FINANCIALLY SECURE: **THE REAL ESTATE ROADMAP**

YOUR REAL ESTATE PLANNING GUIDE

A Prudent Approach to Personal Real Estate Planning

Dear Real Estate Consumer,

The purpose of this Real Estate Planning GuideSM is to enable you to better plan for your real estate future.

We believe the process of carefully planning your real estate goals with a real estate professional before you decide to buy, sell, or invest in real estate, is of vital importance.

The absence of a Real Estate Planning GuideSM might explain why there are millions of consumers who regret not having purchased more real estate, why many people do not have the significant net worth that real estate ownership can provide, and why individuals miss out on a variety of real estate opportunities.

Experience has taught that the planning stages of a real estate purchase are, all too often, conducted without the knowledgeable assistance of a real estate professional. Instead, in many cases, financial planners, accountants, attorneys and other advisors make real estate recommendations without a thorough understanding of the dynamics of the real estate industry or current and detailed market information. Moreover, some advisors, in their desire to counsel their clients to invest in a financial product which they more directly represent, are sometimes unwilling to present real estate in its proper perspective.

This Real Estate Planning GuideSM is offered to you by your real estate professional as a self-help guide, designed to allow you to more seriously consider where real estate planning fits, or might fit, into your overall personal financial picture. It is not intended to suggest that we, or the real estate professional presenting our system, are financial planners or real estate financial planners. Your real estate professional, however, will help you implement any and all real estate decisions, now or in the future, which may result from your Real Estate Planning GuideSM.

Warmly,

A handwritten signature in black ink that reads 'Sandy'.



While financial planning is designed to assist individuals in creating financial success through a well-balanced money management and investment strategy, all too often, both long-term and short-term financial strategies place inadequate emphasis on real estate to achieve financial strength.

This Real Estate Planning GuideSM was created to assist individuals who would like to:

- Increase net worth
- Enhance their lifestyle
- Improve their tax situation

Over the years, real estate has helped countless numbers of individuals achieve substantial financial security.

“Real estate is the basis of most wealth.”
– THEODORE ROOSEVELT

“Ninety-nine percent of all millionaires become so by owning real estate.” – ANDREW CARNEGIE

“Real estate is the best way to become wealthy.” – MARSHALL FIELD

“The American home nurtures fortunes as well as families.” – NEW YORK TIMES

This Real Estate Planning GuideSM can help you:

- Establish your priorities concerning real estate
- Plan for increasing the worth of your present property
- Formulate a real estate action plan
- Determine appropriate financing
- Serve as a record keeping system for financial information





How the Real Estate Planning GuideSM Works



Our self-help system is a step by step process.

- **Step One** will help you examine your real estate and financial personality.
- **Step Two** will help you determine your net worth and the role that real estate plays or can play in your overall financial picture.
- **Step Three** will help you review your real estate options.
- **Step Four** will help you formulate your real estate goals.
- **Step Five** will help you set forth a plan of short range and long-range action.

STEP ONE: Your Real Estate Personality

This exercise is intended to help you examine how real estate oriented you are. Using the scale below, write down the number which best describes you on the left and, if you have a spouse or partner, write their number on the right.

Agree = 3 Undecided = 2 Disagree = 1

- The best investment I ever made was my home.
- I've often regretted that I didn't purchase more real estate.
- I was very excited about purchasing my first home.
- I like to keep myself informed about the real estate market.
- I think real estate is the best hedge against inflation.
- I'd like to own more real estate.
- It's beneficial to review my real estate goals annually.
- I plan to buy a second or retirement home.
- Owning real estate is the best way to obtain tax relief.
- The idea of having tenants appeals to me.



TOTAL

If your score was 21–30, you are strongly real estate oriented. If your score was 14–20, you are moderately real estate oriented. If your score was 13 or less, you are doubtful about the role real estate plays in your financial future.

STEP TWO: Determining Net Worth*

1. Primary Residence _____

Rooms _____ Sq. Ft. _____
 # Baths _____ ½ Baths _____
 # Car Gar. _____ Lot Size _____
 Taxes \$ _____
 Year Purchased _____
 Orig. Cost \$ _____
 Fair Mrkt. Value \$ _____
 Current Mortgage Bal \$ _____
 All other Liens \$ _____
 Monthly Principal & Interest Payments \$ _____
 **EQUITY \$ _____

2. Other Real Estate _____

Rooms _____ Sq. Ft. _____
 # Baths _____ ½ Baths _____
 # Car Gar. _____ Lot Size _____
 Taxes \$ _____
 Year Purchased _____
 Orig. Cost \$ _____
 Fair Mrkt. Value \$ _____
 Current Mortgage Bal \$ _____
 All other Liens \$ _____
 Monthly Principal & Interest Payments \$ _____
 **EQUITY \$ _____

3. Other Real Estate _____

Rooms _____ Sq. Ft. _____
 # Baths _____ ½ Baths _____
 # Car Gar. _____ Lot Size _____
 Taxes \$ _____
 Year Purchased _____
 Orig. Cost \$ _____
 Fair Mrkt. Value \$ _____
 Current Mortgage Bal \$ _____
 All other Liens \$ _____
 Monthly Principal & Interest Payments \$ _____
 **EQUITY \$ _____

4. Other Real Estate _____

Rooms _____ Sq. Ft. _____
 # Baths _____ ½ Baths _____
 # Car Gar. _____ Lot Size _____
 Taxes \$ _____
 Year Purchased _____
 Orig. Cost \$ _____
 Fair Mrkt. Value \$ _____
 Current Mortgage Bal \$ _____
 All other Liens \$ _____
 Monthly Principal & Interest Payments \$ _____
 **EQUITY \$ _____

5. Other Real Estate _____

Rooms _____ Sq. Ft. _____
 # Baths _____ ½ Baths _____
 # Car Gar. _____ Lot Size _____
 Taxes \$ _____
 Year Purchased _____
 Orig. Cost \$ _____
 Fair Mrkt. Value \$ _____
 Current Mortgage Bal \$ _____
 All other Liens \$ _____
 Monthly Principal & Interest Payments \$ _____
 **EQUITY \$ _____

6. Other Real Estate _____

Rooms _____ Sq. Ft. _____
 # Baths _____ ½ Baths _____
 # Car Gar. _____ Lot Size _____
 Taxes \$ _____
 Year Purchased _____
 Orig. Cost \$ _____
 Fair Mrkt. Value \$ _____
 Current Mortgage Bal \$ _____
 All other Liens \$ _____
 Monthly Principal & Interest Payments \$ _____
 **EQUITY \$ _____

TOTAL EQUITY IN REAL ESTATE \$ _____

*For help in determining more of this information, see your attorney/lawyer, tax preparer/chartered accountant, or Certified Financial Planner.

**Equity is determined by taking the estimated fair market value and subtracting the current mortgage balance and all the other liens.

Additional Sources of Income

Income	THIS YEAR	LAST YEAR
Gross Income	_____	_____
Interest & Dividends	_____	_____
Investment Income	_____	_____
Other Income	_____	_____
TOTAL	_____	_____
Subtract Taxes: Federal/State/City (Provincial Taxes)	_____	_____
Social Security (Pension Contributions) Disposable Income	_____	_____
Annual	_____	_____
Monthly	_____	_____
Annual Uses of Income		
Housing (mortg or rent)	_____	_____
Property Taxes	_____	_____
Medical/Dental	_____	_____
Transportation	_____	_____
Utilities	_____	_____
Telephone	_____	_____
Home Repairs/Maint.	_____	_____
Insurance	_____	_____
Debt Repayment	_____	_____
Car Payment	_____	_____
Food	_____	_____
Clothing	_____	_____
Cleaners/Laundry	_____	_____
Travel/Entertainment	_____	_____
Personal Allowance	_____	_____
Education	_____	_____
Décor/Furnishings	_____	_____
Gift/Contributions	_____	_____
Alimony/Child Support	_____	_____
Vacations/Camp/Clubs	_____	_____
Miscellaneous	_____	_____
Other	_____	_____
TOTAL EXPENSES	_____	_____
NET INCOME	_____	_____
ANNUAL	_____	_____
MONTHLY	_____	_____

If a high percentage of your assets or net worth is attributable to real estate, you are in good company. If you are not yet a homeowner, this Step Two exercise may help you plan for a real estate purchase. However, the first section of Step Three may be designed especially for you, as it is entitled, "Renting vs. Buying" and is a guide to decision-making for renters. Provincial Taxes, G.I.C.'s, R.R.S.P. not applicable in the United States.

Assets	THIS YEAR	LAST YEAR
CASH & SECURITIES	_____	_____
Cash on hand	_____	_____
& in Checking	_____	_____
Cash in Savings / CD's / G.I.C.'s	_____	_____
Life Insurance Value	_____	_____
Stock/Mutual Funds	_____	_____
Bonds/Securities	_____	_____
Other	_____	_____
Total Cash /Securities	_____	_____
REAL ESTATE		
Primary Residence	_____	_____
Other Real Estate	_____	_____
Total Real Estate	_____	_____
OTHER ASSETS		
Automobiles	_____	_____
Furnishings	_____	_____
Art/Antiques/ Collectables	_____	_____
Jewelry	_____	_____
Other	_____	_____
Pension/IRA/ Keogh/RRSP	_____	_____
Business Equity	_____	_____
Other	_____	_____
Total Other Assets	_____	_____
TOTAL ASSETS		
Assets attributable to real estate	_____	_____%
LIABILITIES		
Misc. Accts. Payable	_____	_____
Mtg Payable Primary Residences	_____	_____
Other	_____	_____
Other Loans	_____	_____
Automobiles	_____	_____
Home improvement	_____	_____
Education	_____	_____
Other	_____	_____
TOTAL LIABILITIES		
NET WORTH	_____	_____
(Assets minus liabilities) Percentage of net worth attributable to real estate	_____	_____%

STEP THREE: Your Real Estate Options

Being fully aware of your real estate options, and their potential benefits, is important. Most people find it helpful to review their real estate options annually. What is not possible this year may be possible, and highly beneficial, next year.

Renting vs Buying

If you are not yet a homeowner, or are wondering whether selling your home and renting might be beneficial to you, this section will be particularly helpful. The following quiz is designed to help you decide whether to rent or to buy a home.

1. **Has the price of housing in your area increased 25% or more in the past five years?** If it has, score five points.
2. **Do you plan to move to another area within five years?** If so, score one point.
3. **Can you obtain enough money for a down payment and closing expenses to reach at least 10% of the price of a typical home in your area?** If you can, score three points.
4. **Are you willing to put in the time and energy to mow the grass, repair the plumbing, put up the storm windows, and other similar homeowner chores?** If you are, score three points.
5. **Do you expect to be in the 15% or greater tax bracket this year?*** If yes, score one point.
6. **Did you contribute at least 10% of your income this year to tax-deferred savings plans such as 401Ks and Keoghs to compensate for the lack of a mortgage deduction? *** If yes, score three points.
7. **Is it difficult to find attractive, inexpensive rental units in your area?** If yes, score three points.
8. **Is your credit good enough to allow you to borrow \$20,000 or more without using a house as collateral?** If yes, score five points.
9. **Is your combined yearly income more than 35% of the purchase price of the typical home in your area?** If yes, score three points.

Add up your points: \$ _____

If your score totaled 20 or more, you should seriously consider purchasing a primary residence. If you scored 13 or less, you might need to plan carefully in order to purchase a home.

*The appreciation of both housing and investments is not guaranteed. The figures placed in this exercise are purely for the purpose of illustrating the potential differences between renting and buying. Your real estate professional can help you determine the mortgage rate, principal and interest, annual investment and real estate taxes.

Your quiz score may be low or high, but it doesn't tell the whole story. Using the worksheet below, compare the costs and benefits over time of both renting and buying.

Housing Needs & Wants

Whether you are renting or buying, you might find it helpful to look at your housing needs and wants before considering any of your Real Estate options.

What I like best about my present home:

What I like least about my present home:



Moving Up

Over the years, millions of individuals and families have benefited both quantitatively and qualitatively by moving up.

For most people, moving up means purchasing a home which is larger and more expensive than their present home, and historically, this method of building net worth is extremely effective.

Moving up, however, can also mean purchasing a home in the same price range, perhaps in the same community, and getting many more of the features you want in a home. Another way to move up in the same price range is to purchase a home in an area where appreciation is higher than where you live now.

Homeownership is the last bastion of tax relief for many individuals and people sometimes move up for the tax advantages alone.

Demographic studies show that people are moving more often than in the past. The dynamics of many areas are essentially “move up” market dynamics.

The decision to move up is highly personal. Job transfers and corporate relocations may force the issue for some, but most people decide to move up only after carefully weighing the pros and cons as well as becoming knowledgeable about the current real estate market.

This Real Estate Planning GuideSM was designed to help homeowners evaluate their real estate options in all market conditions.

Although many people, in virtually all markets, move up every year, thousands more regret not taking advantage of past real estate opportunities.

Perhaps you’ve heard people say, “We could have bought that property when it cost half as much.” But they did not. Why didn’t they? One reason why people don’t take advantage of opportunities which arise is that they are not fully aware of how such purchases can be accomplished. Another reason is that the benefits of doing so are unclear.

This Real Estate Planning GuideSM was created to assist you in examining the positive and negative implications of a real estate purchase and to be able to take advantage of real estate opportunities when they arise. Your real estate professional will help you by providing accurate and timely market information.





INCREASING THE VALUE OF YOUR HOME

Before you consider purchasing additional real estate, you might first examine how you could increase the value of your present residence.

Becoming aware of trends in buyer preferences is an important way to protect and potentially increase the value of your home.

“Merchandising” your home to dovetail with buyer preferences in your area helps you “Add Value” to your property months or years before you are ready to market and sell your home.

With the assistance of your real estate professional, complete the following evaluation to determine whether you might benefit through Home Merchandising.



Home Merchandising Needs Assessment

MY HOME HAS AREAS THAT NEED ATTENTION

- | | |
|--------------------------------|---|
| 1. _____ Bedrooms _____ | <input type="checkbox"/> Open Spaces |
| 2. _____ Full Baths _____ | <input type="checkbox"/> Wood Floors |
| 3. _____ Half Baths _____ | <input type="checkbox"/> Fireplace |
| 4. _____ Luxury Baths _____ | <input type="checkbox"/> In-ground Pool |
| 5. _____ Sq. Ft. Kitchen _____ | <input type="checkbox"/> Deck |
| 6. _____ Car Garage _____ | |

Once you have identified where you might be able to add value to your dwelling with a major home improvement take a minute to think about the smaller, simpler and usually less expensive things you can do to make your home more valuable. To help you we have compiled a list of items you can do to give your home the widest appeal.



Add Value to Your Home

This commonsense checklist consists of steps to take to make your home not only nicer but also more valuable.

- Even though your home is not for sale, take a tour of your home pretending to be a potential buyer. Turn a critical eye to the small things you've learned to live with and make a list.
- Most people are well-aware of "problem" areas in their homes. Whether yours is a garage that needs organizing or bathroom tile that needs re-grouting, take care of it. Do the smaller items first.
- There are many excellent books and videos on how to make rooms look larger: effective lighting, easy window treatments and creating a strong visual appeal. Obtain some and analyze the impression your home makes on others.
- How much storage space do you have? Is it neat, well organized and uncluttered? If not, consider some of the easy and inexpensive do-it-yourself closet systems available today.
- Is the exterior of your dwelling all that it could be? If not, sometimes it is the little things that make a house look its best. Paint the trim, or just the front door. Add a bright new mailbox.
- Speak to your local paint or wallpaper supplier. They are often willing to provide helpful information on selection and how to do it yourself.
- Talk to your real estate professional about what buyers like and don't like about houses they see.
- Pay attention to the foundation, walls, steps, railings, ceilings and floors. If they need repair, it can create an impression, even if false, that the house is not structurally sound.
- Your yard is another area to look at critically. Are the plants overgrown? Cut them back. Is it bare? Most counties have agricultural offices that can offer advice on the best and quickest growing plants and trees for your climate.
- When you've done all the little things that help make your home its most appealing, decide if there are major improvements which will add value when you decide to sell.

STEP FOUR: Setting Your Real Estate Goals

If increasing your net worth or building long-term security is important to you, and you believe real estate will help you do so, then you will need to set goals in order to reach your objectives.

Our experience has taught us that without clear and well-defined goals backed by a thorough knowledge of both what is possible and how it can be achieved, people will allow opportunity to pass them by.

Assessing your financial picture in **Step Two** may have shown you are in a position to make some real estate decisions.

Whether you are ready now, or will be in the future, putting your goals in writing is a helpful first step toward attaining them.

REAL ESTATE FINANCIAL PLANNING GOALS

List all courses of real estate action you would like to take now or in the future (Moving Up, Home Merchandising, Purchase Vacation Home or Investment Property, and what kind, etc.)

Which of the above real estate actions could be accomplished immediately?

Which real estate actions could be accomplished in one year?

Which real estate actions could be accomplished in three years?

Which real estate actions could be accomplished in five years?

Which real estate actions will take more than five years to accomplish?

Your goals are now set, and it's probably clear to you at this point that your more immediate goals are likely to help you reach your longer-term goals.

There is only one thing left to do:

STEP FIVE: Take Action!

You must commit to taking action to perform the necessary steps and activities required to achieve your goals. Use our commitment sheet to list your actions and the date they will be accomplished.

TO ACHIEVE MY REAL ESTATE GOALS, I WILL TAKE THE FOLLOWING ACTIONS:

(Schedule a Market Analysis, Home Merchandising or Move Up Analysis, meet with a lender, look at the Available Properties, Purchase Investment Property, etc.)

To Meet Short-Range Goals (One Year or Less)

- 1.
- 2.
- 3.
- 4.
- 5.

To Meet Mid-Range Goals (2-5 Years)

- 1.
- 2.
- 3.
- 4.
- 5.

To Meet Long-Range Goals (6-20 Years)

- 1.
- 2.
- 3.
- 4.
- 5.

Real Estate Terms

Partially adapted from "The Truth About Real Estate" Co-Authoring by Allan D. Dalton & Joseph J. Murphy

- **Acquisition Fees** – Fees paid in conjunction with the purchase of Real Estate.
- **Adjustable Rate Mortgage** – One in which the interest rate changes based on the movements of an index rate. Rates are commonly based on six- month, three-year and five-year treasury securities, called an A.R.M.
- **Amortization** – The gradual payoff of a debt through installment payments of principal and interest.
- **Annual Percentage Rate** – Provides consumers with a basis for comparing the cost of mortgage plans.
- **Appreciation** – The amount real estate increases in value.
- **Buy Down** – A method of lowering the interest rates on a mortgage, either temporarily or for the full term. A common type of buy down occurs when points are paid up front to make up the difference between the rate charged on the mortgage and the rate at which the buyer pays.
- **Capital Gains** – Profits from the sale or exchange of real estate.
- **Caps** – The limit on the amount an interest rate can increase or decrease. Overall caps limit the rate over the life of the loan. Periodic caps govern increases or decreases for each specified adjustment period
- **Cash Flow** – Monthly income after all monthly liabilities are paid.
- **Certified Financial Planner** – A professional designation (C.F.P.) which can only be used by individuals who have met the education, experience and ethical requirements of a governing board.
- **Certified Public Accountant (C.P.A.)** – An Individual licensed by the state who has met professional and educational requirements and passed an examination. (Chartered Accountant Equivalent)
- **Chartered Accountant** – Registered and licensed with the Board of Accountants.
- **Condominium** – A form of ownership where an individual holds title to a unit and shares ownership of common grounds and facilities. Frequently misunderstood as representing an architectural style rather than a type of ownership.
- **Cooperative** – A corporation in which an individual owns shares of the corporation to the extent of the value of the unit they occupy. Sale or rental of a cooperative is subject to the approval of a governing board.
- **Depreciation** – What the government accepts as the economic life of a rental property which can be deducted from income on a specified schedule. Based on the theory the property is losing value due to deterioration and functional/economic obsolescence even though it may be appreciating in value.
- **Equity** – Owners net interest in the total value of real estate. Total value minus mortgages and other liens.
- **Federal Home Loan Mortgage Corporation** – Popularly known as Freddie Mac, is a corporation sponsored by the government which purchases residential mortgages from its members and resells them as mortgage backed securities.
- **Federal Housing Administration (F.H.A.)** – A division of the Department of Housing and Urban Development. Insures mortgage loans but does not actually provide the funds.
- **Financial Planning** – A coordination of an individual's or family's financial elements with the intent of preserving or increasing net worth.

Real Estate Terms *continued.*

- **Fixed Rate Mortgage** – A mortgage in which the monthly payment is constant during the life of the loan.
- **G.I.C. – Guaranteed Investment Certificates.**
- **Ginnie Mae** – Popular name for the Government National Mortgage Association – an agency that purchases mortgages from lenders which are packaged and sold on the open market as securities.
- **Graduated Payment Mortgage** – A mortgage in which payments begin at a lower level and then rise gradually on a specified schedule to the level payment which will remain for the life of the loan. Payments in the early years of the loan are not sufficient to cover all of the interest actually owed, which is added to the principal, creating negative amortization.
- **Index** – A measure used to determine the rate of change in an A.R.M. which is reflected in the monthly payment.
- **Leveraging** – Using borrowed money to purchase real estate.
- **Licensed Real Estate Broker** – An individual who has satisfied the educational and professional requirements of the state in which the license is held, and who has passed a licensing examination. Most states require a minimum of two years, full time experience as a Licensed Real Estate Salesperson and a certain number of successful transactions before being allowed to take a Brokers Licensing course.
- **Lien** – A legal claim against property; for instance, a mortgage on a home.
- **Margin** – In real estate, a margin relates to an Adjustable Rate Mortgage. Most lenders offer A.R.M.'s that add a margin to the index to determine the rate upon which payments are based. When comparing A.R.M.s it is important to examine the index plus the margin.
- **Marketable Title** – Also known as Clear Title. It is a title which has no liens or claims against it which would prevent the property from being freely sold.
- **Mortgage** – A means of financing the purchase of real estate in which the purchaser of the property gives the lender a right to place a lien against the property, in exchange for the money to make the purchase. The homeowner is the mortgagor—the one who gives the mortgage, and the financial institution is the mortgagee, who accepts the mortgage and provides the funds.
- **Net Worth** – Total assets minus total liabilities.
- **Point** – One percent of the mortgage amount, also called placement fees or discounts.
- **Realtor** – Or Realtor Associate is a designation which is applied for separately from the license to practice real estate. Realtors subscribe to a code of ethical behavior.
- **Real Estate Financial Planning** – Coordinating an individual's or family's financial elements with the intent of increasing net worth through the purchase of real estate.
- **REIT** – Real Estate Investment Trust.
- **R.R.S.P.** – Registered Retirement Savings Plan.
- **SEC** – Securities and Exchange Commission. The federal regulatory and enforcement agency that oversees investment trading activities.
- **Tax Shelter** – Investment real estate whose losses offset taxable income from other sources.
- **Title** – The right to the ownership of real property, usually transferred by deed or will.
- **Veterans Administration** – Provides a home loan guarantee program designed to encourage lenders to offer a long-term, low down payment mortgage to eligible veterans by guaranteeing the lender against loss.



Next Steps to Getting the Maximum Value from this Guide

Take the knowledge you've learned in this guide and put it to use!

YOU can be successful achieving your real estate goals, whether they be:

- Buying your first home
- Selling your home
- Buying your first/next investment property

Whatever your real estate goals are, you can get started now, and I'm here to help you along the way.

We offer a free home-buyer consultation in person or over Zoom. During the consultation we go over the home-buying process and answer your questions.

An educated buyer is a successful buyer!

Give me a call or email me to get started!



Sandy Cleland, Realtor
7700 France Ave S #230, Edina MN 55435
sandy@sandycleland.com
sandycleland.com
Ph: 612-978-5621

