ASHCROFT CAPITAL

YOUR BLUEPRINT FOR PASSIVE INVESTING IN REAL ESTATE

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Your Blueprint for Passive Investing in Real Estate

You've worked hard to get to where you are today. It's time to begin thinking about investing and expanding your wealth. Passive investing sounds great, but where do you begin? To find success, you need a plan.

Step One: Know What You Can Gain from Passive Investments in Property

It's smart to know why you're doing this. You want to make money, but passive investments are about more than wealth building. There are many ways of passively generating income, and they all have positives and negatives. You should choose a route that matches with the lifestyle you hope to develop for yourself.

There's a reason that so many passive investors choose to put their money into property. Investments in property are one of the most powerful ways to put your hard-earned money to good use. Before you can decide whether you want to go into property, make sure you understand what it means to be a passive investor.

Passive vs. Active Investing

Not every property investment is passive. Many options, such as buying an apartment complex and renting it out, require hands-on work. You can hire a management company, but you'll still need to check in on a regular basis to see how things are going. You'll still need to make decisions about how to run the property. Appliances and structures will break, and you'll need to figure out how you want to make repairs and replacements. You'll also need to decide how often you want to renovate the property. Renovations will cost you, but without them, the property will lose value.

Does this sound like more work than you were hoping for? Maybe you're looking for a truly passive option. If so, you'll be glad to learn that there are forms of property investment that are much more passive.

To passively invest in property, you need to look for an opportunity that won't require you to play a direct role in managing the investment. How is this possible? There are several ways.

- Choosing property investment trusts
- Lending money to others for the purchase of property
- Putting your money toward property crowdfunding projects
- Investing in property through the stock market
- Finding an investment partner who prefers to do most of the hands-on work
- Making an investment in a real-estate adjacent industry

- Wonderful Reasons to be a Passive Investor

Now that you understand what it means to passively invest, how can you be sure it's right for you? After all, this is a big chunk of your money we're talking about.

You Can Get a Quick Return

It's possible to see a fast return on investment when dealing with property. As soon as you do your due diligence and handle all the paperwork, you'll become a stakeholder. If the property is generating income, you'll begin making money right away.

You Can Keep More of Your Money

The point of making an investment is to get a return, but some investments pay out better than others. For example, stock dividends are taxed at a high rate. With property, the cash returns are tax deferred.

You Can Skip the Financing

Most people who buy property directly end up financing a portion of the investment. Financing can be great for some investors. It allows them to choose from high-value properties rather than what they could afford using cash. However, anyone who has ever purchased a home knows that dealing with banks during the buying process can be a hassle. It can also be tedious, often taking more than a month to close on a deal.

When you make passive property investments, a third party manages the investment. This third-party company will handle the banks for you, freeing up more of your precious time.

Step Two: Decide How to Invest

1. Real Estate Investment Trusts (REITs)

REITs let you invest without worrying about the physical aspects of the property. This is exactly what you're after as a "lazy" investor. These companies own high-value properties, such as commercial office buildings and hotels. Investors purchase a stake in these properties. It's a truly passive venture. As a bonus, since REITs don't have to pay corporate taxes, they're usually able to pay out larger dividends to their shareholders.

For classification as a REIT, a company needs to:

- Derive 75 percent of its income from property assets.
- Pay at least 90 percent of its taxable income to shareholders.
- Invest 75 percent of its assets into real estate.
- There are different types of REITs, and some are riskier than others. If you're new to property investment, you'll want to stick to publicly traded REITs, which are easier to value and generally safer.

2. Property Crowdfunding

Although "crowdfunding" is a relatively new term, people have always joined forces to buy property. Thanks to technology, you can use crowdfunding platforms to look for investments. Compare this to spending days, weeks, or months looking at individual properties, and you'll see that crowdfunding can save you a lot of time.

You've heard of crowdfunding creative projects, such as films or albums. Crowdfunding property works in a similar manner. Investors pool their money to fund a project, and if all goes well, they all get a return on their investment.

Crowdfunding is great for new investors. Since the listings are curated, it requires much less research than some other options. The crowdfunding platform reviews everything, from market statistics to the quality of the property itself. You can use the platform to invest in different ways. For example, you could become a stakeholder in a property, or you could invest in a loan that's secured by a property.

There's also a much lower barrier to entry than you might expect. The beauty of crowdfunding is that many people can make a difference with only a small amount of money. You can invest through a crowdfunding platform with only a few thousand dollars. Some platforms are even working to lower the requirements, allowing users to invest with as little as $500.

3. Partnership

Maybe you already know someone who is involved in property ownership. If this person is looking for a financial partner, it could provide you with a great opportunity for wealth building.

Before you take the leap and form a partnership, it's important to discuss exactly what your partner will expect of you. You're looking for passive income, not a burden. Make sure that your partner is looking for a financial contribution and nothing more.

4. Lending Money

This option is best for investors who have a large amount of money to work with. It's risky, but it can offer a good return on investment if you're smart about it. Becoming a private lender will let you provide another buyer with a loan with a high interest rate. This type of deal is usually carried out between an investor with liquidity and a buyer who needs quick access to a property and is willing to accept a higher interest rate.

If you're interested in becoming a private lender, there are some steps you'll need to take:

- Establish your lending business and acquire insurance.
- Choose what type of loan you'd like to focus on.
- Meet with your legal team to discuss the details of your plan.
- Join a lending platform to connect with borrowers.
- Evaluate the risk associated with each individual borrower.
- Most of the borrowers you'll be working with will be investors themselves. People who are buying a home to live in typically finance through a bank or lending service. This means you'll be lending to commercial investors, building developers, and those who work in property rehabilitation and flipping.

5. Real-estate Adjacent Industries

This option doesn't relate to property ownership. It could still be a good option for many investors, especially those who are looking to diversify their portfolios. Examples of real-estate adjacent companies include:

- Construction supply businesses.
- Property listing websites.
- Companies that sell properties on behalf of owners.
- Apps or websites that provide online paperwork signing.
- An investor might choose to purchase stock in some of these companies at a time the market is flourishing. When more people are buying property, adjacent industries will thrive. In turn, you will earn more passive income.

There's always a degree of risk involved in making an investment, but what would our lives look like if we never took any chances? You deserve to expand your wealth and create the life you've always dreamed of, so get started today. Imagine where you could be in a few years!

ABOUT THE AUTHOR

Evan is the Investor Relations Manager for Ashcroft Capital. He spends his days working with investors to understand their investment goals and background better. With over 13 years in real estate, he has seen all sides of real estate, from acquisitions to capital raising on the equity and debt side, to operations, and actively invests himself. Please feel free to connect with Evan and message him through LinkedIn with any questions.

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