REMOTE CONTROL RETIREMENT RICHES

APRIL/MAY 2020

RMLOC SHELTER DURING MARKET STORMS

AS SINGLE-FAMILY HOMES SHOW STRENGTH, VACATION RENTALS FALTER

HOUSE-RENTAL STOCKS ARE STARS

ONLINE EXPO 2020 RECAP

ONLINE EXPO MAY 2020 RECAP

Our 1-Day Expo took place on Saturday May 16th. For the first time, it was an online event by Zoom. Hundreds attended. I certainly missed meeting everyone, and having the in-person interactions. However some people joined who normally do not travel to join, such as people in other countries, and even in states that are far from San Francisco. We shortened the day to four hours, as more than that might have been too much for a webinar. It took place between 10AM and 2PM PST. The time also worked from people in other countries.

Our market teams presented, and shared their screens with us to see their PowerPoint presentations and property sheets. I talked quite a bit about the COVID-19 period, and what we are learning as the data comes in. Some articles in this very newsletter address some of these points. There were many questions, and I tried to answer as many as the time permitted. Our team has copied all the texted questions, and we will make sure any question will be answered in the week or so following the event. If you were on the event and your question is missed, please resend it to us at info@icgre.com.

We had Mary Jo Lafaye explain about getting reverse mortgage, with some real life examples. This is always handy to know about, as sometimes people want to build cash reserves or have credit lines at the ready, as well as improve cash flow. Important information to know. Joe Merante addressed our credit and how we may want to preserve and protect it in the face of a crisis. Any crisis. Attorney Brett Lytle talked about the correct ways to go about protecting what we have.

I summarized the day at the end, and took a significant amount of questions.

For our first large online event, we all found it to be informative and pleasing. Your feedback is welcome.

AS SINGLE-FAMILY HOMES SHOW STRENGTH, VACATION RENTALS FALTER

I have written in previous newsletters about the issue of vacation rentals. People seem to have a short memory. During every crisis I have seen, the first casualty are vacations. People stop taking vacations when there is a recession. Of course, these days people take no vacations since most wouldn't fly and many locations are still under lockdown.

However, armed with short memory, investors approach me all the time (until this current crisis, that is), asking me why I don't want to invest in an Airbnb or another type of vacation rental. They show me lovely graphs showing superior cash flow numbers. I always reply (and that was before the current crisis): "But what happens to these during a crisis? They always falter".

This crisis, at least as of Mid-May, has not hurt the single-family rental homes we invest in. Prices are stable, rents are stable, Rental demand has even increased in many markets, as tenants are afraid of living in close-quarters-apartment-complexes and leave to the safe social distancing of single-family homes. New homes are even more attractive, since they are seen as very safe.

However already, Airbnb properties are paying a very steep price. This is the segment where people may lose their properties (although the loan forbearance programs can be very useful in avoiding this for now).

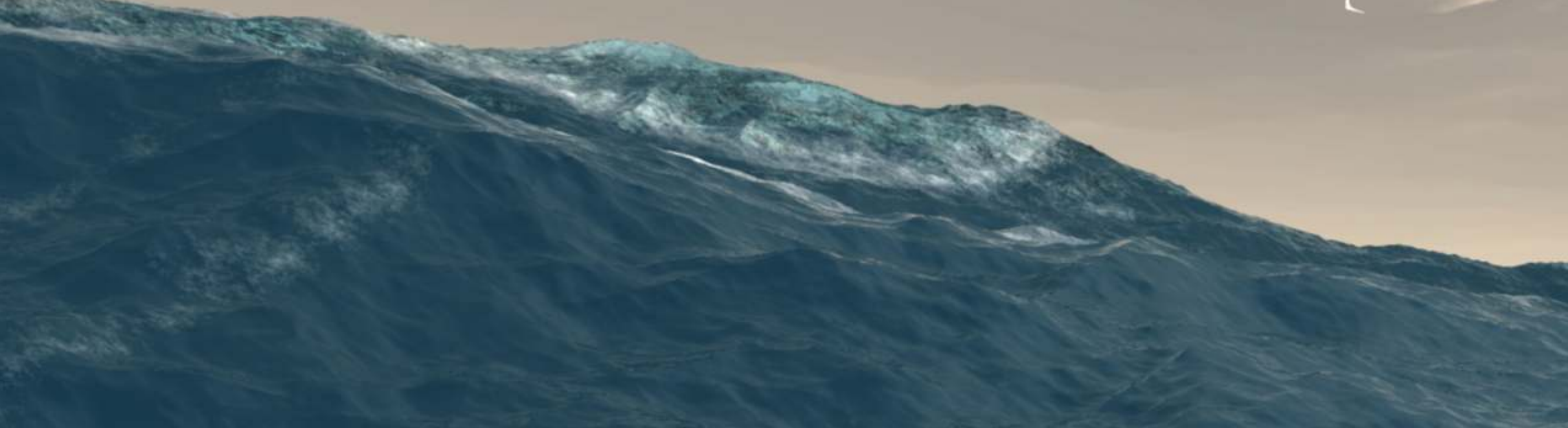
There was an article in the Wall Street Journal on April 28th, by Tripp Mickle and Preetika Rana, titled very dramatically: "A Bargain With the Devil – Bill Comes Due For Overextended Airbnb Hosts." With a sub-title : "Entrepreneurs built mini-empires of short-term rental properties, borrowing against revenue that's now vanishing under coronavirus lockdowns."

The drama in the article's title comes from a quote from an Airbnb owner, who has three units, and claims she feels she "made a bargain with the devil".

I will always caution against short-term vacation rentals. During every economic downturn they have faltered. Vacations are optional and, as I said above, disappear first during a crisis. By contrast, regular, good, well-placed single family rental homes, serve a function that is always needed: people need a place to live. People need a place for their family. This needs does not disappear no matter what the economic conditions are.
In the future, when the Corona Virus issue is over (assuming it is), people will again forget, and start stocking up on short-term rentals. A couple of quotes from the WSJ article: "Airbnb hosts saw $1.5 billion in bookings vanish in mid-March as the travel industry froze, according to market-research firm AirDNA LLC, which analyzes bookings. Airbnb gave guests full refunds and forced hosts to dip into their pockets or beg for leniency on April loans and rent."

Hosts should've always been prepared for this income to go away," said Gina Marotta, a principal at Argentia Group Inc., which does credit-risk analysis for real-estate loans. "Instead, they built an expensive lifestyle feeding off of it."

I advise investors to keep their memory intact and refrain from short-term vacation rentals in the future.



RMLOC

SHELTER DURING MARKET STORMS

If you are retired and recently watched the value of your stock investments plunge, you're probably facing two difficult choices:

1) Live on less until the market recovers, or

2) Withdraw your usual amount and further decimate your ailing retirement accounts, thereby lessening the number of years your investments will be there to support you.

Can you feel the rock and the hard place? Neither is comforting.

And neither will help keep your investment portfolio safe and growing like you need it to.

Drawing from a securities portfolio during times of negative returns (falling stock values) is one of the greatest predictors that a retiree will run out of money to soon.

Think about it this way, if each of your stocks, or the stocks making up your mutual fund, is worth less today that it was a few months ago, then taking your usual draw means you will need to sell more shares of stock to obtain the same amount of money to cover your expenses.

Research demonstrates that selling stocks at low values substantially increases the risk that you will run out of money later in retirement.

If you continue to make your usual withdrawals during market downturns, selling low, your savings decreases even more. So future earning power will be lower. This downward spiral is what can crush all the planning you have done to ensure a sustainable draw rate --and dampen your retirement dreams at the same time.

The ideal course of action is to give your investment portfolio a break, time to recover, by reducing or halting withdrawals, any year following a year with negative returns. This is where having access to a Line of Credit can help.

The problem is, when economic times are hard, banks stop issuing Home Equity Line of Credits (HELOC's). And even if you manage to find a bank that is still issuing them, HELOC's do not provide a dependable source of cash flow.

For example, in June of 2008, U.S. Banks froze over 6 billion dollars of HELOC credit, without advance notice, and not based on the borrower's ability to repay the funds. Not based on the amount of equity the borrower had. Not based on the borrower's credit score. You see, the fastest way a bank can give their balance sheet a boost when times are tough, is to freeze open lines of credit. So, there is not much you can do to increase your chances that your HELOC will not be frozen when you need it most, to use as a BUFFER ASSET.

WHAT IS A BUFFER ASSET?

It is an asset that can help you buffer (protect against) market downturns, a source of cash flow when you want to STOP drawing from a securities portfolio that is being Beaten up by the Bear, as in a Bear Market.

SO WHAT CAN YOU DO?

Well if you are age 62 or older, you may very likely qualify for a HUD-insured RMLOC (reverse mortgage line of credit), instead of a HELOC. Since this type of loan cannot be frozen, reduced or cancelled at the bank's whim, it is a good safety tool to protect you during times of market volatility.

According to Shelley Giordano, co-founder (with Torrey Larsen, president of Mutual of Omaha Mortgage) of the University of Illinois Academy for Home Equity in Financial Planning, a (RMLOC) reverse mortgage line of credit,

MARY JO LAFAYE

Home Equity Retirement Specialist with Mutual of Omaha Reverse Mortgage in Northern California

allows homeowners to draw from a line of credit so they don't have to tap more of their savings than is prudent. And since no monthly mortgage payments are required, your cash flow will be protected. You decide if you ever want to make a payment, or not.

A RMLOC is a revolving line of credit that increases in value as you age, even if your home value decreases. It has a GUARANTEED GROWTH RATE. I know of no other loan that offers this feature and it is automatic, not based on appreciation.

At age 62, mature homeowners can receive a:

- Lump sum,
- Fixed monthly payments for their lifetime, or
- Line of credit to draw on as needed
- All without restrictions on how you spend the money, and
- NO MONTHLY LOAN REPAYMENT IS EVER DUE.

In this transaction, homeowners are NOT selling their home to the lender — they retain ownership. The RMLOC is simply a loan, and is federally guaranteed to be there when needed, even in the worst of economic times.

All reverse mortgages are non-recourse loans, and they are much easier to qualify for (than conventional loans) due to minimal income and credit requirements.

Why is this such an excellent solution for retirees and other Americans planning to retire soon?

Unlike a conventional mortgage, which requires monthly loan payments, the loan balance on a reverse mortgage isn't due until the last homeowner passes away, moves out of the home, or sells the home. All unspent equity, including future appreciation, goes to the borrower and their estate, no matter how long they live.

These loan programs are nothing like the old Reverse Annuity Mortgages (RAM's) that gave the concept a black eye a decade or so ago.

The ideal course of action is to give your investment portfolio a break, time to recover, by reducing or halting withdrawals, any year following a year with negative returns.

What we offer today, at Mutual of Omaha Reverse Mortgage, is one of the most flexible financial tools ever created. The RMLOC is the ultimate conduit to using one's largest retirement asset, Housing Wealth, to create sustainable tax-free cash flow throughout retirement. The flexibility aof the RMLOC empowers older Americans, and their advisors, to manage that cash flow wisely and prudently, even during the most tumultuous of economic times.

Atlanta Highlights

By Roy Assaf from the Atlanta Team

Atlanta is the capital of Georgia as well as the most populous city in the state. It is the third fastest-growing metropolitan area in the nation, and has gained nearly 90,000 residents in the past two years, bringing the total regional population to almost 6,000,000.

Atlanta is ranked third in the nation for year-over-year job growth, with an expected increase of 96,000 jobs by 2021. It has a strong and diverse economy, which is one of the main attractions for real estate investing as well. Some of the main economic sectors include professional and technical services, education, healthcare, hospitality, and manufacturing. The city also hosts the third largest concentration of Fortune 500 companies.

Additionally, being a pro sport paradise between the Braves (baseball), the Falcons (football), the Hawks (basketball), and Atlanta United (soccer), and having plenty of kid-friendly and outdoors attractions, from the World of Coca Cola to water parks, aquariums, botanical gardens, zoo, museums, art centers, and much more, Atlanta receives more than 35 million visitors per year, which makes it the seventh most popular tourist destination in the US.

Atlanta is also a cultural hub with an exciting music scene, a film industry that is becoming the "Hollywood of the South", and it is growing to be the American South's new foodie capital.

As for the real estate market, Atlanta has been and remains one of the best places to buy an investment property. This has recently been confirmed by PWC, which named the Atlanta housing market as the 10th most important US Market to Watch in 2019 for overall real estate perspectives.

97% OF SAN FRANCISCO RENTERS PAID MAY RENT

In an article in the business section of the San Francisco Chronicle from May 12th, 2020, it is reported that as of May 12th, 97% of rents have already been collected in San Francisco. This is extremely encouraging, since San Francisco rents are among the highest in the US. There was a lot of fear that even the enhanced unemployment benefits (boosted by the federal government by $600/week in addition to regular unemployment), would not suffice to pay rents for the unemployed in expensive cities like San Francisco, Los Angeles, and New Your City.

The enhanced unemployment benefits would have been enough for the unemployed to pay rent in the Sun-Belt metropolitan areas we invest in, since they are far less expensive than San Francisco. Indeed, we have been seeing stellar collections in April and now in May.

However, it is quite encouraging to see that even in the expensive San Francisco market, rent collections are at 97%. This certainly bodes well for the rest of the country, and the far-more-affordable markets we are investing in

Indeed, we have already seen the rent collections in all our markets for the months of April and May, and they are very good.

HOUSE-RENTAL STOCKS ARE STARS

In an article in the Wall Street Journal from May 12th, 2020, by Ryan December, we learn that investors are flocking to the stock of companies who engage in buying single family rental homes to hold and rent. A direct quote from the article is "Wall Street believes the coronavirus pandemic is making suburban single-family homes a more appealing alternative to apartments because of the contamination risks associated with close living, not to mention work-from-home arrangements", Companies that buy single family rental homes like Invitation Homes Inc. and American Homes 4 Rent, have seen their stocks surge.

This is very fulfilling for me to read.

Usually Wall Street is not that familiar with single family home investing. They certainly never think about the miracle of being able to finance these homes with 30-year FIXED loans. Nevertheless, even without them understanding this enormous benefit of the fixed rate loans, our model of investing: buying single family rental homes to rent and hold, is getting validated by Wall Street right in the middle of the pandemic. In fact, the pandemic is making our model of investing seem even more attractive than usual.

Of course, if investors really tried to understand the finer details, our method of investing would come out shining even brighter. Few people in the US ever stop to think what the true meaning of getting a loan that never changes with inflation. Given our other criteria: Sun Belt states, affordable large metropolitan areas, new homes, using the "power of the group" to get close attention of local property managers, and just the decades of focused experience in this investment venue, make what we do very special.

These REITS that are now shining Wall Street stars are not able to finance the homes using the gift-like 30-year fixed rate loan. Those loans are reserved for individuals and only up to a limit of 10 per person (Married coupled, if each qualifies separately, can reach up to 20). The REITS buy large quantities of home either for cash, or using commercial loans and lines. Our investor does better by financing the homes with 30-year FIXED rate loans.

So, if Wall Street is very happy with the stocks of companies who buy homes for rent, what we do really stands out.

HOME PRICES STEADY

In a Wall Street Journal article from May 6th by Nicole Friedman, titled "Home Prices Show Surprising Resilience", we learn some interesting facts

The subtitle says: While buyer demand has softened and sales fell 8.5% in March, the supply of homes on the market is contracting even faster

Here are some quotes from the article: "The median home price rose 8% year-over-year to $280,600 in March, according to the National Association of Realtors. While buyer demand has softened and sales fell 8.5% that month from the prior month, the supply of homes on the market is contracting even faster, recent preliminary data shows."

"Demand absolutely just got a kick in the gut, but at the same exact time, so did supply," said Skylar Olsen, senior principal economist at Zillow Group Inc.

And another quote: "While many economists expect home sales to tumble this year, many forecasts call for prices to climb slightly or hold flat. Mortgage-finance giant Fannie Mae said in April that it expects the median existing-home price to tick up to $275,000 this year from $272,000 last year. Capital Economics forecasts average home prices this year will fall 3% compared with last year. Zillow said Monday that home prices are likely to drop 2% to 3% from previous levels by the end of the year and recover in 2021."

In a forecast released Tuesday, housing-data provider CoreLogic called for nationwide home prices to rise 0.5% between March 2020 and March 2021.

Retirement Riches Testimonials

It all started with an article by Corrie Anders in the L.A. Times. I saved a photocopy of the article and carried it in my briefcase for several years and still had it with me the first time I attended one of your presentations in 5 Embarcadero Center. Your pitch sounded familiar so I reached in and pulled out the copy, scanned it and thought to myself THIS IS THAT GUY! The rest, as is said, is history. Many thanks, my friend. Stay well. If you see Maria B. again, tell her I said hello, I'm a real fan. :-) **— MARK D.**

I am retired doctor and am in my eighties. I witnessed my friend retire with homes he had bought with you , and I wish to get started. Being in my 80's, this will not only help my future, but upon my death, I am keenly aware it will go to my heirs on a STEP-UP basis, meaning with no tax. **— MARIANNE C**

I have purchased quite a few properties through your service over the years. Done well. Thank you, by the way. I am glad that most of my money is not in the stock market. **— TOM S.**

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ADIEL'S *corner*

Q: Is inflation more likely after the COVID-19 crisis?

A: Although I am not an economist, the classic message that most economists will give you is that if the government prints a large amount of new dollars, there will be more dollars chasing the same amount of goods, which usually means inflation. In this instance, the government will end up printing multiple trillions of new dollars, chasing the same amount of goods (actually maybe less goods, since some businesses may not resume), which would lead people to believe that inflation will increase. Of course, only time will tell.

Q: Do you think interest rates will go down further?

A: Mortgage interest rates are hovering around the lowest point ever now. While they may possibly go down more, it seems unlikely, as the Fed has already lowered long term rates to near zero. Harnessing the current low rates forever via a 30-year fixed rate loan is, in my humble opinion, an opportunity.

Q: Should I act now, or wait until after the crisis.

A: The two questions above indicate that now may be a good time to move, as you can get some of the lowest interest rates ever, and after the crisis there is a possibility of rates increasing with inflation. In addition, as some of the articles in this newsletter indicate, home prices are stable and rental collections are good. Given that this is a very long term investment, it is not that important when to move forward, and a delay is fine. However I see no reason not to take advantage of the current rates now.