PASSIVE WEALTH SHOW

UNLOCK FINANCIAL FREEDOM

Seizing Your Piece of the American Dream without Any of the Work

JIM MANNING

THE BIG REAL ESTATE OPPORTUNITY

Did you know hedge funds are trying to buy up every single-family home they can get their hands on in America? The greatest land grab in history is happening right before our eyes.

Institutional investors may control 40% of U.S. single-family rental homes by 2030, according to a 2022 forecast by MetLife Investment Management.

In this white paper, I'm going to expose the data that hedge funds understand, which has made them want to buy and hold everything they can get their hands on.

I'm also going to share why so many people love investing in real estate, what the ugly truth behind real estate investing is, and give you the good news—that there is a way for you to invest in real estate in a completely hands-off way.

You can take advantage of this incredible investment opportunity without doing any of the work that stops so many people from investing in real estate!

Finally, we'll dive into understanding risk profiles in real estate investing and why our financial freedom dramatically improved when we began investing with strategies that offered higher returns than the amount of risk we were taking on.

This understanding is what has catapulted me from being an income earner to owning enough real estate to retire by the age of 38. These strategies have also created other financially free investors along the way and can help you too!

This is important because while there are many fantastic reasons to invest in real estate, including passive income, tax depreciation, an inflation hedge, and long-term appreciation, they can get overshadowed if you go about investing in real estate the traditional way. After all, if you are doing it yourself, being a landlord can get old fast.

It takes a special person to do the property management, hire the contractors, find the deals, and do all the other work that it requires to professionally invest in real estate.

The good news is that this isn't 2000 anymore. Just because successful real estate investing requires a lot of work and skill doesn't mean you have to be the one that does it! There are options for anyone making $200K/year or having a net worth of over $1M to invest in real estate in a completely hands-off way, where a professional team does all the work, and you sit back and collect mailbox money.

Before delving into the broader real estate market and the current investment opportunity, let me take a moment to share my personal journey.

THE STORY OF OUR INVESTMENT JOURNEY

Embarking on our investment journey, we uncovered the concept of asymmetrical returns.

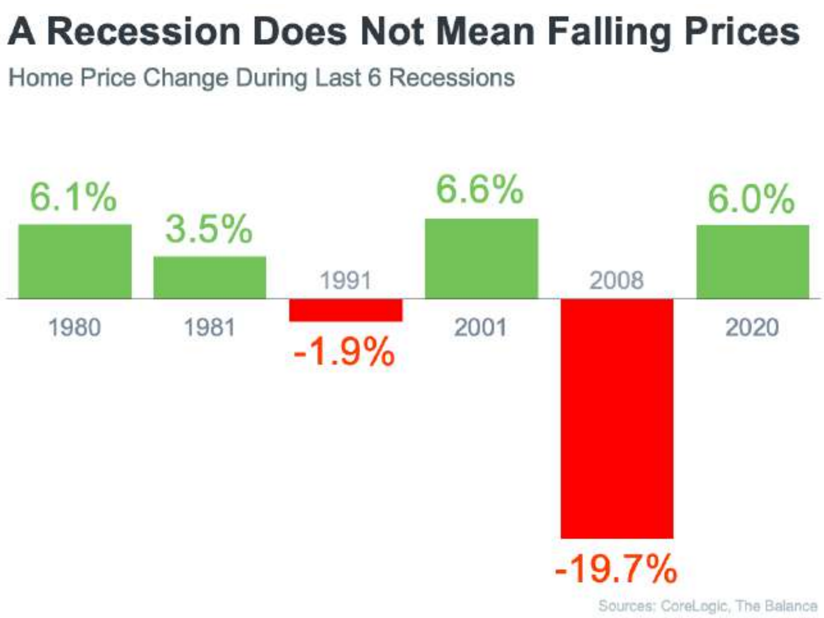
We grew our business doing property flips, scaling it to 120 flips simultaneously. Flips are amazing from a potential returns standpoint. We often would invest $50K into a property and make $50K 6 months later.

However, there are challenges with flips. You have to buy the property perfectly (consider a graph of average home prices), construction and repairs need to go perfectly (which is rare for renovations to stay within budget), and the timeline of repairs must align. Additionally, factors beyond your control, like market conditions, can't be shifted.

Then, we discovered lease purchase deals. These deals allow for a 30-year structure, removing the pressure of timelines. The tenant takes responsibility for repairs, decreasing our risk further even though they are also putting thousands down before they move into the property. This revelation led us to appreciate that some strategies have a disproportionate amount of reward to risk. Let's get into the real estate data and why there's a great land grab going on in single family housing.

HOW HAS REAL ESTATE PERFORMED DURING RECESSIONS?

Out of the last 6 recessions, the recession in 2008 has been the outlier.



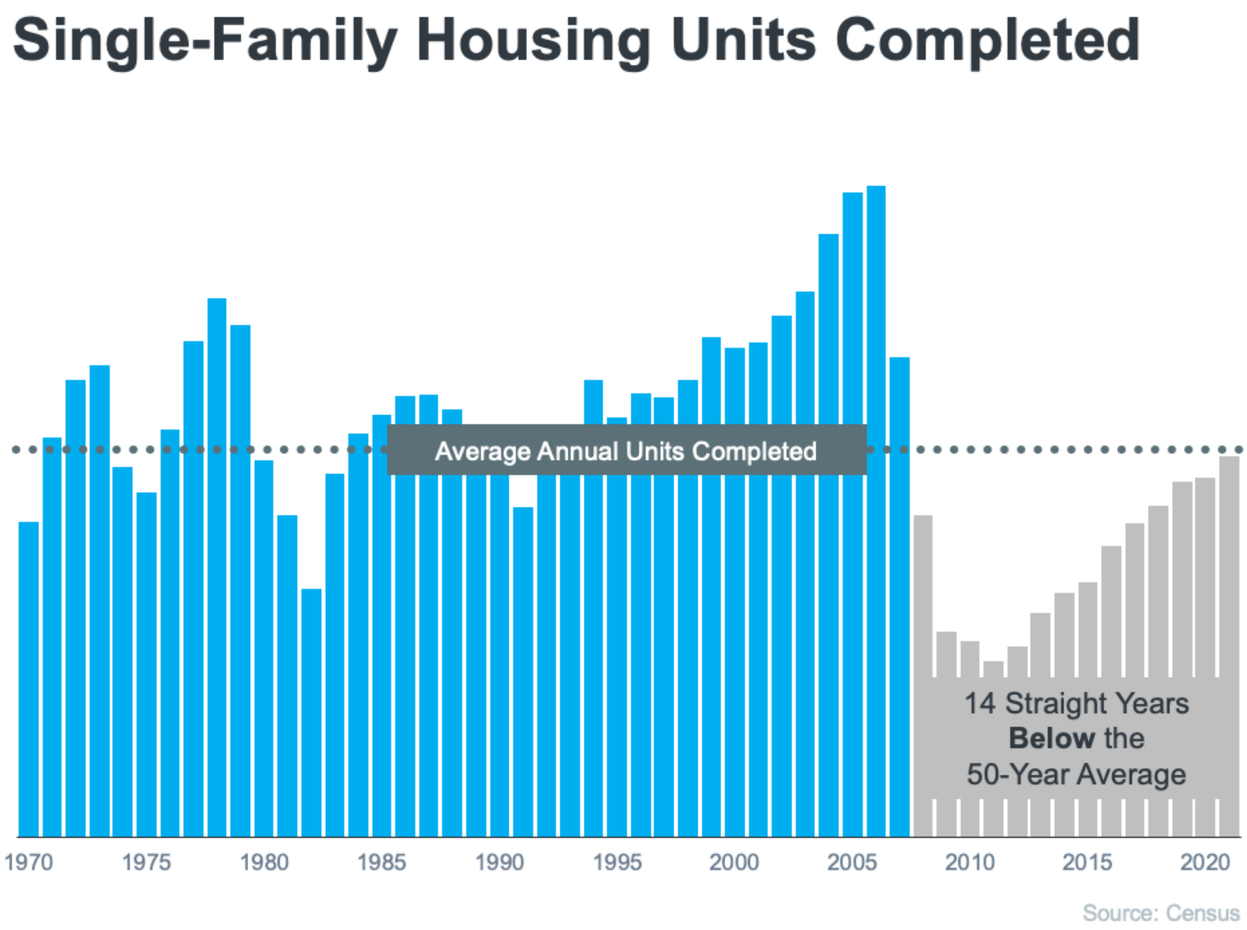
Single-family home prices have actually appreciated in 4 out of the last 6, with 1991 being the only other time since 1980 that home prices have declined.

Let's delve into at a few key reasons why experts believe that today's market is fundamentally different than in 2008:

- Supply of Homes
- Builders Face Construction Challenges
- Record Level of Equity

SUPPLY OF HOMES

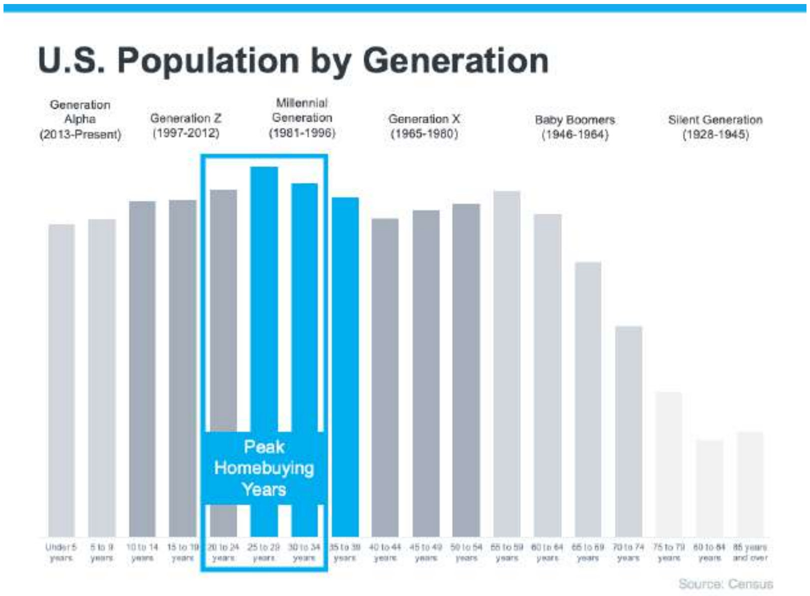
Since 2006, we have had a 14-year run where as a nation, the United States has built fewer homes than the 50-year average.



The 2010s saw only 6.8 million home starts, which was almost half the homes that were built in the 2000s. If you go all the way back to the 1960s, there were still more homes built – 9.3 million.

NAR has stated that 12.3 million households were formed that need new housing in 2012 to 2021 vs just 7 million single-family houses were built.

This has occurred during the peak home buying years of two of the largest generations the US has ever seen.



Now that builders are behind, they not only have to get caught up on the houses that should have been built over the past 10 years -- they also have to keep up with the additional household formations that are projected to happen.

This study by Harvard University shows an additional net household formation of over 20 million households are expected to occur through 2038.

Projected Net New Household Formations and Losses by Age Cohort (Thousands)

Cohort Age at Start of Period	2018-2028	2028-2038
Under 30	23,214	23,331
30-39	1,833	2,310
40-49	173	397
50-59	-285	-96
60-69	-2,223	-1,972
70 and Over	-10,537	-14,406
Total	**12,174**	**9,564**

Source: JCHS 2018 Household Projections.

Therefore, builders not only have to get caught up on the houses that they are short over the past decade, but they have additional demand that is coming through 2038 per this study.

BUILDERS FACE CHALLENGES IN CONSTRUCTING HOMES

Builders face several obstacles in their efforts to catch up with the demand for housing. These challenges arise from various supply-side factors that constrain home construction in expanding markets.The lack of building is rooted in a set of supply-side headwinds that limit home construction in expanding markets.

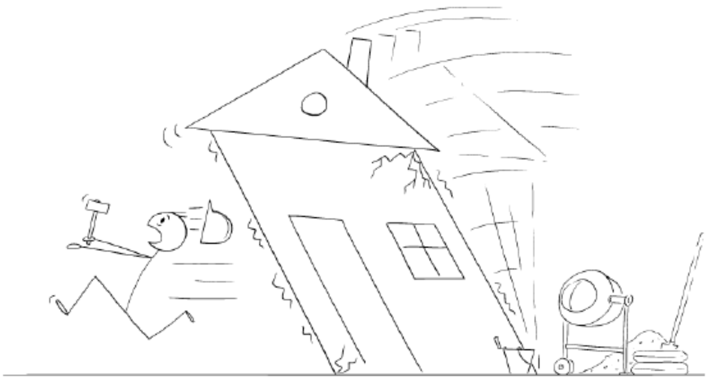
Since 2015, National Association of Home Builder's explanations and forecasts have referred to this complex set of limiting factors on builders' ability to build summed up as the five Ls:

- **L**ack of labor
- **L**ots/land
- **L**umber/materials
- **L**ending for builders
- **L**aws/regulatory burdens

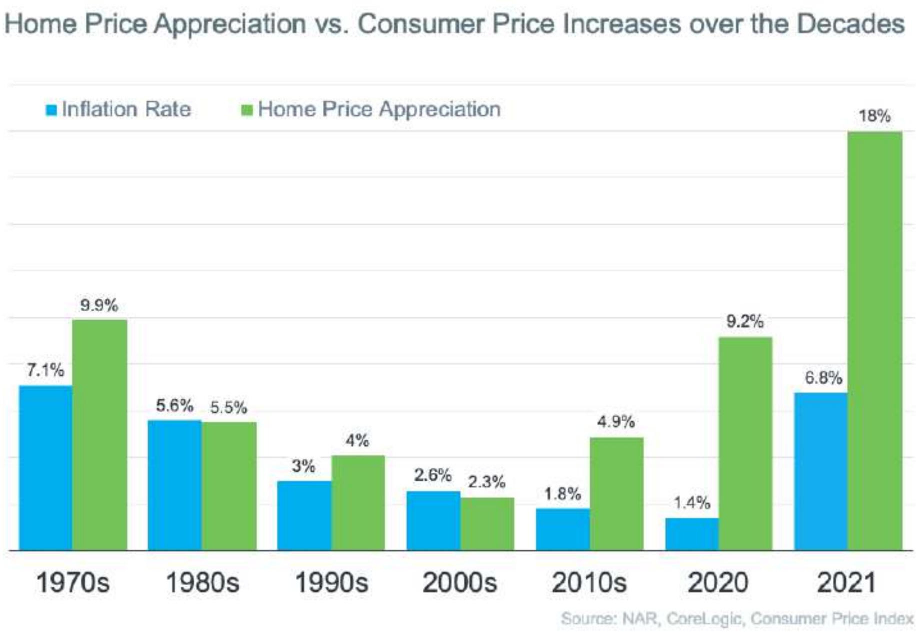
No single factor alone can sufficiently explain the housing supply equation of the last decade, and the COVID pandemic supply chain issues magnified the issue while increasing demand on single family housing.

Additionally, inflation and lack of labor have caused builder's pricing to skyrocket.

This makes it even harder to build inventory in the $100 to $400K family starter home price point, which consequently makes the existing inventory in these price points even more desirable over the long term.



HOW HAS REAL ESTATE PERFORMED COMPARED TO INFLATION?



Real estate has traditionally been an excellent hedge against inflation.

Since the 1970s, real estate home prices have outpaced inflation in every decade except the 1980s and 2000s. The 1980s saw an almost breakeven, and the 2000s did not keep up as well, but by just 0.3%.

Even in these two decades where the real estate home prices didn’t quite keep up, there is more to the picture when leverage is used in real estate. For example, if I put a fixed 30-year mortgage on a $100,000 property that is $1,000/mo -- when inflation occurs, the dollars that I pay the loan back are less valuable than when the loan was received. If 20% inflation occurred over a 10-year span, 10 years from now I would be paying for an asset that has also likely increased in value to the bare minimum to keep up with inflation.

Its now worth a minimum of $120,000, and the $1,000/mo payments that I am still making I’m making on the property is with less valuable future dollars.

At a 20% inflation rate, the $1,000/mo payment is being made with the equivalent of what $800/mo in today's dollars. Not only does the asset appreciate, but the dollars that I pay for the asset in the future are worth less than today's dollars. These are two main reasons why real estate is an excellent hedge against inflation.

RECORD LEVEL OF EQUITY

Black Knight reports in June of 2023 that homeowners across the nation have a total of $11 trillion in tappable income. This is approximately two times the peak in 2006. On average per homeowner, that is about $207,000 per homeowner.

A high level of equity means that homeowners can avoid foreclosure if they are experiencing a financial hardship. They can either just sell their house or take out a home equity line of credit to help with any short-term hardship.

This means that a flood of foreclosures is an unlikely scenario for the foreseeable future.

Here's what Rick Sharga has to say about what a high equity position can do for the real estate market.

Record Levels of Equity Provide Security

"Homeowners continue to benefit from rising home prices. ***Record levels of home equity provide financial security for millions.*** *. . . and minimize the chance of another housing market crash like the one we saw in 2008."*

Rick Sharga
Executive VP of Market Intelligence, *ATTOM*

HOW CAN I WIN?

Okay, so you understand – there is strong data to support why hedge funds are trying to own every single-family home they can get their hands on.

The common headline was “housing crises” in 2020 and 2021 has changed to discussions on interest rates. Rising interest rates have curtailed demand, but they haven’t changed the underlying lack of supply of single-family houses compared to the number of people.

What this has created is an amazing buying opportunity while the real estate market has slowed down, even though the same supply and demand challenges still exist. Builders will continue to have challenges, and inflation has created a situation where it's even more difficult for builders to build in desirable areas at affordable pricing.

We foresee the $200-400K price point in desirable areas to continue to have very high demand with limited supply. The people who buy and hold onto the most amount of real estate that they can get their hands on will win at a high level in the next 15+ years.

But... if it's this obvious... why doesn't everyone start investing in real estate and partake in the land grab that's going on?

THE CATCH TO REAL ESTATE INVESTING

Ah...there's always a catch...right?

To succeed as a real estate investor, here are just some of the tasks that must be *professionally* executed:

- Find the Deal
- Appraise Its Value
- Inspect Repairs Needed
- Accurately Estimate the Cost of Repairs
- Negotiate the Deal
- Fund the Deal
- Manage Contractors, Title Company, and many other 3rd Parties
- Market it to Find Tenants
- Screen the Tenant and Find the Right One
- Collect Rents
- Keep Track of the Books

And so on...

Let's be real...if you go out and buy and investment property yourself there isn't anything passive about it...It's starting a new business... Even for those of us with the skills, it’s unlikely we have the time when our current professions are so demanding and lucrative.

HERE'S THE GOOD NEWS...

If you have money to invest, someone else can do all the work for you and make it 100% passive!

The best way to do this is by investing into real estate funds.

HOW REAL ESTATE FUNDS WORK

Real estate funds are specialized investment vehicles that pool money from multiple investors to invest in real estate properties or real estate-related assets. These funds can take various forms, such as Real Estate Investment Trusts (REITs), private equity real estate funds, or mutual funds focusing on real estate. The primary goal of these funds is to generate returns through investing in real estate.

The general partners or operators of the fund do all the work, while the limited partners bring money to the table to fund the deal. Strategies can range on the types of real estate deals that are done.

Many invest for rental income, property value appreciation, or both. They offer investors exposure to real estate markets without the need for direct property ownership or for the investors to do any of the work. They are the vehicle that reduces individual investment risks and management responsibilities.

Real estate funds will have a legal document called a private placement memorandum for an investor to sign. Once this is signed, and the money is wired over, the limited partner now has an ownership unit in the fund.

It's now on the operator to go out and execute on the investment strategy.

GETTING OUR PIECE OF THE GREAT LAND GRAB

My fascination with real estate investing began in 2006 when I was 22 years old. The concept of investing in real estate to accumulate long-term wealth appealed to me, especially because renovating properties also meant improving a small part of the world. In essence, you might describe me as a capitalistic altruist.

Jump to the age of 38, after completing over 3,500 investment deals and experiencing the Covid pandemic, a close friend and self-made millionaire shared his fear of running out of money before he died. This was despite following the financial industry's teachings. He worked hard, saved his money, and invested it into the traditional ways. The global pandemic, fixed income, and the onset of inflation had created a sense of uncertainty and a feeling of a lack of control.

This revelation was eye-opening, particularly because at 38 I had already acquired enough real estate to be financially secure without having to worry about my own retirement.

I realized that if my friend was facing this dilemma, there must be many others who could benefit from guidance to avoid a similar predicament.

I then thought about the land grab and how hedge funds were trying to grab onto everything they could. I was grabbing onto as much as my partner and I could afford to hold onto ourselves, but our team could buy a whole lot more.

At this point, a decision loomed—keep going as we had been for the past 17 years, or open up our own real estate fund to allow others to invest with our team.

At the end of the day, we decided that the good we could do for our investors, and the market opportunity was too great to not go out and capitalize on. This has allowed us to partake in the land grab at a much higher level than I ever dreamed possible even just 4 years ago.

This also led to the creation of our real estate funds and my podcast, the Passive Wealth Show. The show holds special importance to me as it allows us to extend our reach beyond the deals our team can handle directly. Depending on when you read this, we may or may not have deals available to invest in. What I can do is equip you with the necessary resources and knowledge for building passive wealth.

UNDERSTANDING RISK IN REAL ESTATE INVESTMENT DEALS

Investing in real estate offers a wide range of risk profiles.

I've created a course, "Passive Profits," a step-by-step guide to your first real estate fund investment, with a dedicated module available for free on

PASSIVEWEALTHSHOW.COM/PASSIVE-PROFITS-COURSE

that gives more insights into assessing risk.

Here's a quick, high-level overview of the risk factors covered in the free course online:

- **Assessing Property Value**
- **Location**
- **Quality of Tenant (or Borrower)**
- **Exit Strategy**
- **Repairs and Maintenance**
- **Key Person Risk**

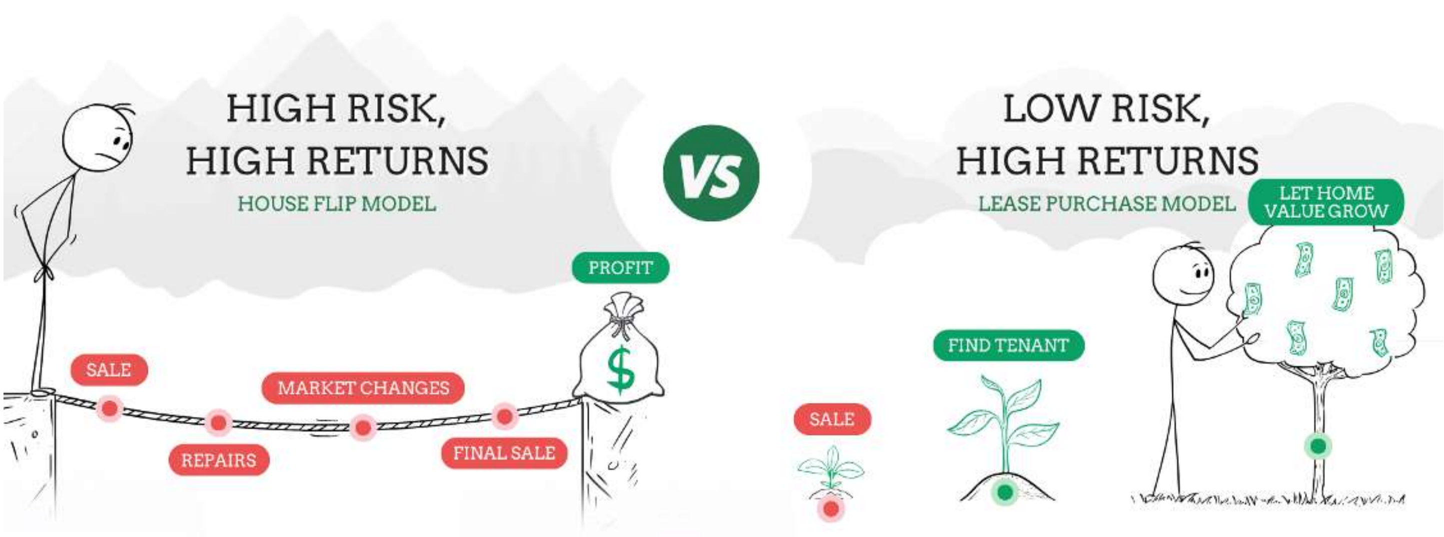
These factors span from property evaluation to strategic planning and are crucial to understand. Incorrect assessments in any of these areas can dramatically impact your investment returns.

FLIPPING VS BUY AND HOLDS

Towards the end of 2017, we found ourselves in the midst of property flips, prompting the question: how can we have the best of both worlds? We've generated substantial income through property flips, but the short-term risk factors associated with flipping properties caused us to take on a lot of risk for the past 15+ years now...and we aren't getting any younger.

In a mastermind group with Jason Courtney, now one of our business partners, he introduced his lease purchase model, and we were enamored with its disproportional nature. This strategy had an uneven amount of reward compared to the risk involved. Contrary to the common saying "high risk, high reward," our lease purchase strategy created a higher reward with lower risk strategy.

It's kind of like this:

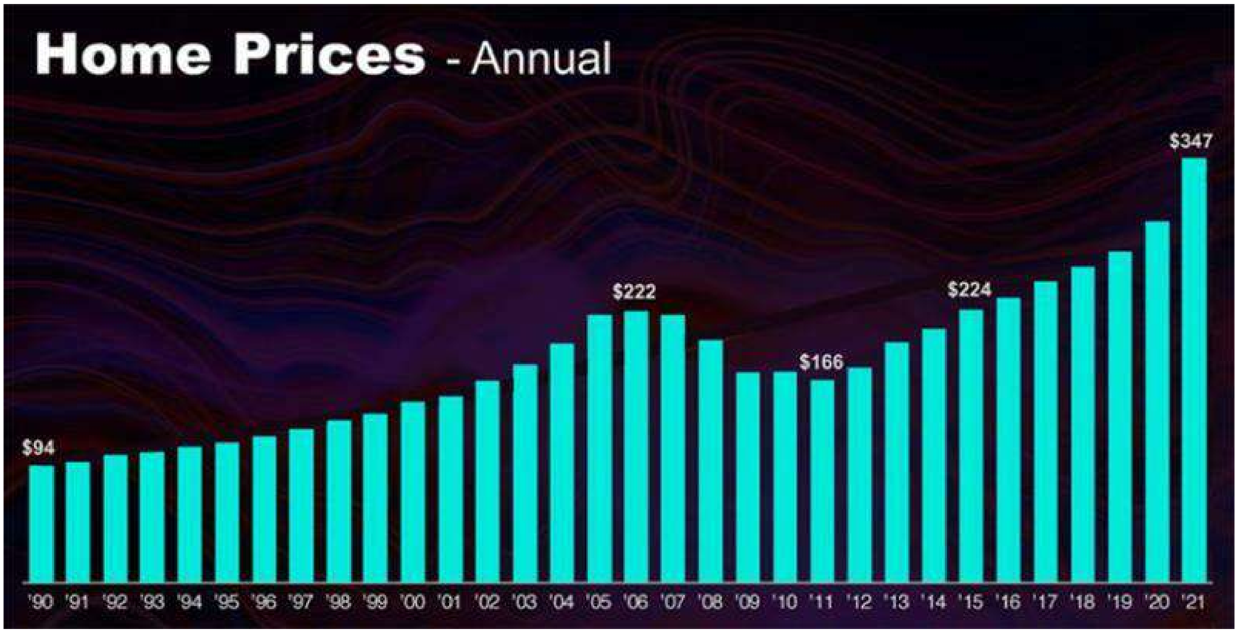


It's a lot easier to make a profit with trees growing money and your feet on the ground than walking across a tightrope to get it. This is a perfect visual for the differences between a flip and our lease purchase strategy.

When you flip a property the margin of error is substantially smaller than buying and holding onto a property. You have to purchase a property perfectly, budget repairs and manage contractors, and then the market needs to not have shifted when it's time to sell the property.

The length of the exit strategy also substantially lowes and investment risk too.

When you buy and hold onto a property for the long term, you substantially lower the risk profile. If you purchased a home in 1990 for 100K that was actually worth $94K this isn't



a good practice. However, you would feel good about the investment being worth $347K if you still owned it in 2021. Even if a property is purchased wrong, and repairs go over budget, if you are holding onto a property for 20+ years, the long-term wealth it generates will end up being a successful investment.

The market shifts that could impact the profitability of a short-term flip also don't make or break a deal.

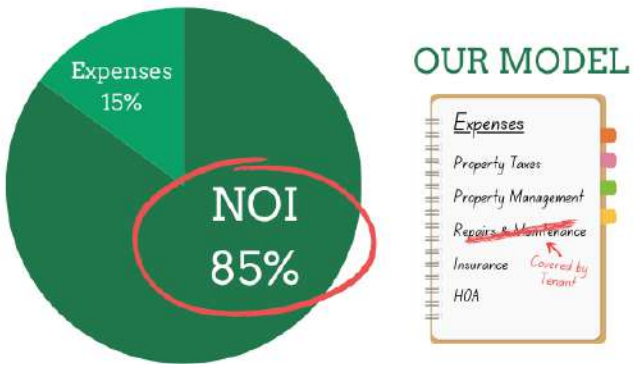
TRADITIONAL LANDLORD VS LEASE PURCHASE

The long-term buy and holds substantially lower the risk profile compared to doing property flips. We fell in love with lease purchase deals because it offers even higher returns at a lower risk profile than being a traditional landlord!

Lease purchase deals position the tenant as a homeowner. This lowers the risk profile of investment deals while increasing the returns at the same time.

Property repairs and maintenance account for a significant portion of expenses. By placing the tenant in the homeowner's position and making them responsible for repairs and maintenance, we dramatically reduce this variable of risk.

Additionally, we receive a chunk of money upfront by requiring a minimum of 3% down from tenants before moving in. This additional money further lowers the risk of them damaging the property.



All told, our properties, on average, receive $500 - $1K/mo more than a traditional landlord does, AND it's a lower risk profile!

Higher returns...lower risk! It doesn't get much better than that!

The other investment we've embraced over the years is called private lending. It also has a high reward and low risk profile.

By providing debt to a real estate investor, we eliminate the variable of how well the real estate performs and receive interest on our money.

In our 17+ years of investing in real estate, where we've bought and sold over $250 million worth of real estate using a private lending model, we've achieved returns 100% of the time for the private individuals, even though not every loan ended up going through.

The first 1,500 loans that we did, we had less than a 3% foreclosure rate on the loans. The disproportionate returns occur because we don't loan more than 70% of the loan-to-value on a real estate deal.

For example, if a property is worth $100K, and an investor needs $50K to purchase and $20K to fix it up, the maximum loan is $70K. As the loan is tied to the asset, in the majority of cases, if a property were to be foreclosed on, we end up making money by reclaiming the asset.

Additional details on this structure are available in our Passive Profits course on PassiveWealthShow.com.

In summary, as we've aged and gained experience, our objective has been to build out investment strategies that provide predictable, quality returns with a lower risk profile.

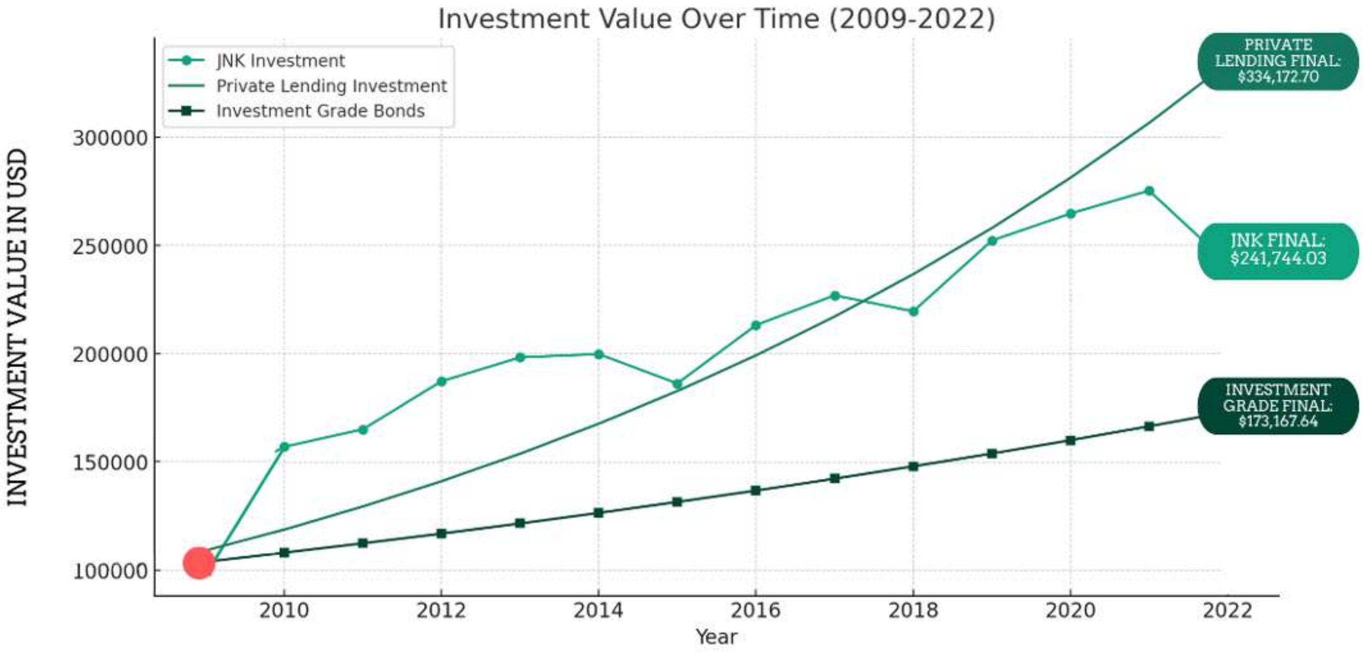
With our lease purchase and private lending models, we have achieved that.

Private lending, in my opinion, should be compared to bond investing.

They are both strategies to diversify and are debt investments. Bonds are typically securities by companies used to raise capital. There are high-yield opportunities (junk bonds) and corporate bonds, which are for much more stable companies.

One of the biggest advantages that real estate private lending has is that it is backed by an asset that doesn't have a market shift that can take it out. When you lend on single-family homes, it's providing a basic human need; people will always need to have a place to live. A market shift can't take it out of business.

However, investing in a bond for a company, a market shift can take the typical business out. So if things go sideways in a bond investment, you can lose everything. In a real estate investment, depending on the structure, you could end up with a property that you could make money off of by taking it back from the borrower. Here's what a 100K



investment would have done from 2009 to 2022 comparing private lending to junk and investment grade bonds:

And so the risk for junk bonds is higher, and the returns on weren't as good during this time period.

And so you have an investment that, if structured properly, has a similar risk profile to corporate bonds, less than junk bonds, and pays a whole lot better.

Disproportionate returns at their finest!

REAL ESTATE: PROFITS OVER PROMISES

Real estate investment, in contrast to the other options, unfolds a wealth of opportunities and benefits.

Multiple Ways to Make Money: Real estate investing offers diverse avenues for financial growth and multiple strategies to generate income.

Equity When You Buy Cheap: Acquiring properties at favorable prices allows investors to build equity over time, contributing to overall profitability.

Income Every Month from Rentals or Debt Investments: Investors benefit from consistent monthly income through rental properties or debt investments, providing financial stability.

Property Depreciation: Real estate provides unique tax advantages, including property depreciation, optimizing investors' tax positions.

Cost Segregation Studies: Investors can leverage cost segregation studies to enhance tax efficiency and maximize the return on investment.

Long-term Appreciation: Real estate is characterized by long-term appreciation, ensuring the growth of property values over time.

Resilience in Challenges: Despite potential challenges, such as tenants not paying rent, real estate maintains its intrinsic value.

Property Value Retention: Real estate properties exhibit resilience, retaining their worth even in challenging market conditions.

Non-Zero Value: Unlike certain investments, real estate is resistant to reaching zero value, providing a level of security.

Enduring Demand: The essential human need for shelter ensures the enduring demand for real estate, contributing to its inherent value.

WHERE DO YOU GO FROM HERE?

I've found that there are 2 types of people at this point.

The type of person that just wants to talk to someone, and the type of person that wants to do some more research.

If you're ready for a conversation about exploring our real estate fund investment opportunities, **click to:**

Reserve your spot.

The reality is, there's more capital available than real estate deals my team can execute. While we've completed over 3,500 deals and can handle several hundred per year at the moment, it's a fraction compared to the available capital and real estate investment opportunities.

To bridge this gap, I've developed a 100% free course called Passive Profits, a step-by-step guide to your first real estate fund investment.

This is ideal for you if you are a researcher by nature and would like to learn more about the entire process. Check it out here: **Passive Profits Course**

It's important to note that the SEC's regulations necessitate establishing a relationship between operators of the fund and their investors. For many investment offerings, the fund manager must also confirm accredited investor status. Accredited doesn't involve passing a test; it simply means individuals income is over $200K/year OR net worth $1M+.