



Sustaining your world
through smart investing

Stop Working for Your Rental and Start Making It Work For You

By Robert S. Smith

Making a living as a landlord isn't for the faint of heart. A typical landlord must be a handyman, counselor, policeman, accountant, strategic planner and bouncer all rolled in to one. With all the work that goes into owning and maintaining rental properties, many landlords are too busy to enjoy their earnings.

Many rental property owners, particularly those eyeing retirement, are turning to Tenant in Common (TIC) properties, which allow them to stay in the housing market but give up the day-to-day responsibility for the upkeep and management of their properties.

TICs are fractional ownership programs which allow investors to become co-owners of commercial properties that are usually out of reach for the individual investor. TICs allow investors to reap the tax benefits associated with property investments and building wealth through 1031 exchanges, but TIC properties are managed by third-party management groups.

Size matters in real estate and the biggest companies get the best properties. TICs level the playing field by pooling funds from many individual investors to purchase high-quality properties. Each co-investor in the TIC transaction receives an individual deed at closing for his or her undivided percentage interest in the entire property.

Property ownership and management is such a hands-on way of accumulating wealth that individuals in the rental housing industry are wary of throwing their hard-earned dollars into the black hole of stock and bond investments. By moving money into TICs, investors take an active role in the investment process. Property owners decide where their money goes. However, it is important to understand that there are risks involved. There is no guarantee against loss.

Real estate is a national game. When rental returns are low in one part of the country, they may be high in other areas. TICs make it possible to diversify geographically and take advantage of the most lucrative locations. As baby boomers age and migrate from the low-sun, high-tax areas in the northeast and northwest, high-sun, low-tax states like Arizona, New Mexico, Nevada, are experiencing a real estate boom.

Because TICs allow real estate mini-moguls to expand beyond regional property ownership, seasoned investors know that potentially, they receive a higher return from their fractional ownership investment properties than they did from individual property ownership. This real estate investment strategy may also potentially create funds for offspring who may be reluctant to take over the labor involved in managing rental properties.

Of course, all investment options carry an element of risk. 1031 TIC offerings have the usual risks of most real estate transactions; such as, possible loss of principal, economic risk due to vacancy rates, risk of default if unable to make payments on leveraged properties, or potential lack of geographic diversification among others. We always recommend that investors consult their financial, tax and legal advisors before investing.

TICs are a good fit for seasoned regional real estate investors looking for ways to enjoy their success without depleting their nest egg. Landlords work hard to acquire and maintain their properties. By buying TIC properties those investments can actually start working for you.

Robert S. Smith is president of Oregon 1031 Investments. Oregon 1031 Investments encourages Oregonians to invest smartly through sustainable investment strategies. Oregon 1031 Investments has placed more than \$250 million in equity in tenant-in-common properties. Robert S. Smith is a registered representative with Pacific West Securities, Member FINRA/SIPC. FINRA is the Financial Industry Regulatory Authority and SIPC is the Securities Investor Protection Corporation. Robert S. Smith is a member of the National Ethics Bureau and a founding member of the Tenant-in-Common Association. Contact Oregon 1031 Investments in Portland at (503) 241-4949 or at www.oregon1031investments.com.

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