

# THE POWER OF INVESTMENT ANALYSIS

## "USING REAL ESTATE INVESTMENT SOFTWARE TO INCREASE RETURNS"



### Compliments of

One key to successful investing is a balanced portfolio. Most financial advisors recommend that investors have some liquid savings, some fixed-return instruments and investments with equity growth potential. Real estate, as one element of an investment portfolio, offers the potential for equity growth as well as monthly cash flow. Reflected below is a comparison of the before-tax equity accumulation potential of three investments:

**Savings:** Investing \$40,000 in a CD at 5%, compounded daily, grows to \$84,675 in 15 years.

**Mutual Fund:** Investing \$40,000 in a mutual fund appreciating at 10% grows to \$176,090 in 15 years.

**Real Estate:** Investing \$40,000 (20% down) in a \$200,000 rental property, appreciating at 5% annually, and assuming a 15-year fully amortized loan used to purchase the property, net proceeds in 15 years would be \$386,680.

### ANALYZING REAL ESTATE INVESTMENTS

Once the decision has been made to invest in real estate, it is important to analyze the return you expect to receive. Some common methods for comparing value are shown below:

**Cash-on-Cash:** Measures the investor's initial investment to the potential before-tax cash flow a property produces.

**"Cap" Rate Method:** This is expressed as a percentage and represents the Net Operating Income as compared to the purchase price.

**Gross Rent Multiplier Method:** A calculation representing the Gross Scheduled Income divided by the Sales Price.

### INVESTMENT ANALYSIS SOFTWARE

Until recently, more investors had to learn complicated formulas, purchase sophisticated financial calculators or hire the services of a professional advisor to evaluate their investments. Now there are many investment analysis software programs available that analyze data and provide many useful statistics and graphs to determine actual returns. In addition, many software programs provide the ability to analyze "what if" scenarios by giving the user the ability to change the mortgage payments, operating expenses, rent increases, cash flow, etc. and study either projected returns and even arrive at an ideal point for selling, or better, exchanging the property.

### STAR INVESTMENT ANALYZER

Asset Preservation has provided investors the ability to purchase a user-friendly and relatively low cost investment analysis program, STAR INVESTMENT ANALYZER. Visit our web site ([www.apiexchange.com](http://www.apiexchange.com)) and click on the "Investment Analysis Software" button below the picture on the home page to learn more about the advantages of this program or to download a free trial version.



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