

GARY WILSON

# The Essential Guide to Flipping Houses For Profit



# Overview

Flipping houses is often a stepping stone to living a life filled with passion in a career that supports realizing the American Dream. People who take time to learn as much as they can about the real estate industry before they take out a rehabilitation loan position themselves to make fewer rookie mistakes.

But here's a pearl of wisdom from Gary Wilson, creating of the Flipping for Profits Home Study Course...

***“Don't be so afraid of making mistakes in Real Estate (of course you want to avoid them as much as possible because they cost you money) because it is forgiving and profitable enough to still make money.”***

It has been said that the safest – least risky – way to enter the wealth-generating real estate investment world is working alongside an experienced mentor who allows charges to make a few mistakes but never leaves them to flounder and drown without a lifeline.

This eBook is designed to give readers valuable insights and actionable advice on flipping houses for profit, including tips on using money wisely, locating the right property, making offers and deciding whether to rent, sell or lease the property after the rehab is complete.



# How to Use Money Wisely

Accessing cash and other capital to invest in wealth building is actually a wise decision. Depleting a retirement nest egg or an emergency fund for the latest virtual reality setup or other trending objects is foolish. Learning how to store, and when to access, money is essential for flippers. Here are a few different types of investment vehicles people use to hold their capital until they need to use it.

## **Savings Accounts:**

Savings accounts today barely offer enough interest to consider the financial gain a benefit. A traditional savings account that allows a few withdrawals each quarter is a safe place to store an emergency fund, and any excess cash designated as backup funds can be withdrawn to buy or renovate investment property.

## **Mutual Fund Accounts:**

Like savings accounts, money market mutual fund accounts are an excellent short term storage vehicle for investment capital. No-load growth stock mutual funds are well suited for long-term storage over an above other real estate holdings. Keep in mind that some banks limit the number of withdrawals or checks that can be written each month.

And, there are literally thousands of types of mutual fund accounts, with varying fees and benefits. Most people should avoid bond funds and direct investments in stocks as these two vehicles require a certain amount of expertise and the risks are higher than other holding accounts.

## **Real Estate:**

Real estate investments fuel dreams. The money earned through real estate allows people to pursue their passion. Some may be content opening new businesses in the real estate industry – a property management firm, a real estate licensing school, a printing company that sells marketing aides to realtors and brokers. Others dream of opening a dive shop somewhere in the tropics, or starting a private jet charter service.

**Dream big, and dream often.**



# Financing

Forget everything you ever heard about not using your own money to grow a real estate investment company. Paying cash is the wisest and most effective way to get into flipping houses. If you don't have enough cash on hand consider:

- Borrowing against your 401k, or
- partnering with an experienced real estate investor while you learn the ropes, or
- paying at least 25 percent down if you **MUST** secure a loan from a traditional lender

For more specific information about why paying cash is way better than financing a property, check out **Gary's Flipping for Profit Home Study Course** to discover why cash really is king, and how avoiding debt protects investors against economic shifts, changes in the housing industry and ever-evolving consumer demands.

# Making Offers

Learning to make an offer that has room for significant profit and that appeals to sellers takes practice. There is a formula that works as an excellent guideline for new flippers as well as those who have been in the trade for a while.

People who want to maximize their return on investment will work hard to never go beyond the maximum allowable offer (MAO). The MAO is the absolute maximum offer for any property. To calculate the MAO – you take “After Rehab Value” (ARV) and subtract a 30 percent profit margin and subtract rehab costs.

For example, if you have a property with an ARV of \$150,000, subtract the minimum profit margin (\$45,000), which leaves \$105,000. If the rehab cost were another \$40,000, your MAO would be \$65,000.

$$\$150,000 - \$45,000 - \$40,000 = \$65,000$$

In a market with plenty of available inventory, a flipper can get by with an offer that is substantially lower than the MAO, sometimes as much as 20 percent lower. Tighter markets may demand an offer that is 5 percent lower than the MAO.

Because the ARV is typically calculated based on COMPS and other market appraisal tools, either the investor or a local realtor should be very familiar with the neighborhood before setting the MAO as a basis for the initial offer.

This is another very good reason to invest the time and money toward a real estate license – real time access to industry stats and market research available through affiliations and partnerships.

A couple more thoughts about making an offer...

First, if you feel like a property may be worth the full asking price, then go ahead and put in the full price. But – and this is important but – add a little extra, say \$175.

So if asking price is \$150,000, make the offer \$150,175. This strategy will put the offer slightly higher than any other investor who also decided a full-price offer is warranted.

Second, before making an offer on a rental property, include a contingency on reviewing the current owner’s financial statements for at least three years.

This information is rarely, if ever, available when bidding on a foreclosure, but should be available along with active leases, vendor contracts, property management services, and other expense-related relationships.



# Deciding to Rent, Sell, or Lease After Rehab

There are basically three ways to put a property to work after the rehab project is complete:

- Sell
- Rent
- Lease-to-own

It is recommended that people decide which revenue-generating strategy they plan to use before they start the repair and rehab work. It is fairly easy to convert a rental property into a for-sale property.

However, since people tend to spend more on renovations in houses they plan to flip – high-end appliances, better cabinetry and quality paint and paper for the walls – it may be difficult to get a high enough monthly rent payment to bring in a healthy return on investment.

Before investors decide to rent a property originally remodeled as a for-sale property, they should consider offering a lease-to-own option that tends to attract home seekers that may not qualify for a conventional mortgage but have sufficient credit and monthly income to qualify for a higher tier rent payment.



For more information about flipping for profit, check out Gary's Flipping for Profit Home Study Course complete with eight comprehensive modules, downloadable guides, financial formulas, and instructional videos.

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