

Comparison of Purchase Option Techniques

Techniques	Advantages	Disadvantages	Payoff
Basic Purchase	<ul style="list-style-type: none"> ▪ Easiest technique to get started with ▪ Little time after property is set up ▪ Low-risk and large profit potential ▪ Can be set up with nothing down 	<ul style="list-style-type: none"> ▪ Requires effort to put together ▪ Up to 2/3 of money comes after 2 to 3 years ▪ Requires mentor to learn rapidly 	<ul style="list-style-type: none"> ▪ Monthly cash flow ▪ Up-front option payment ▪ Long term wealth buildup
Equity Sharing	<ul style="list-style-type: none"> ▪ Works well with less than motivated seller ▪ Little time after property is set up ▪ Low risk and large profit potential ▪ Can be set up with nothing down 	<ul style="list-style-type: none"> ▪ Long term profits are split with seller ▪ Requires effort to put together ▪ Up to 2/3 of profit comes after 2 to 3 years 	<ul style="list-style-type: none"> ▪ Monthly cash flow ▪ Up-front option payment ▪ Half of long term wealth buildup
Quick Cash	<ul style="list-style-type: none"> ▪ Allows you to walk away from the deal with cash ▪ No long-term commitment ▪ Creates quick cash ▪ Possible to do with nothing down 	<ul style="list-style-type: none"> ▪ Larger option payment required from tenant buyer ▪ Makes less money overall compared to long term techniques 	<ul style="list-style-type: none"> ▪ Lump sum of cash up front ▪ No time needed after assigned
Discount	<ul style="list-style-type: none"> ▪ Makes a good deal into a great deal ▪ Easy ▪ No risk 	<ul style="list-style-type: none"> ▪ Sellers won't always give a discount 	<ul style="list-style-type: none"> ▪ Larger profits because seller discounts the price

Seller Finance	<ul style="list-style-type: none"> ▪ Allows owner to sell rather than lease ▪ No banks to deal with ▪ Often able to negotiate below market interest rates 	<ul style="list-style-type: none"> ▪ Seller often wants money down ▪ Harder to structure deal to get positive cash flow than a regular lease option 	<ul style="list-style-type: none"> ▪ Massive long-term wealth build-up ▪ Investor gets tax benefits of property ▪ Investor on title provides added security in deal
Lease Option	<ul style="list-style-type: none"> ▪ Creates residual monthly income ▪ Allows investor to offer higher purchase price ▪ Little risk 	<ul style="list-style-type: none"> ▪ Often investor must agree to higher option price ▪ Requires some up-front effort to set up 	<ul style="list-style-type: none"> ▪ Large monthly streams of income ▪ Up-front option payment ▪ Some long term wealth build up
Master Lease	<ul style="list-style-type: none"> ▪ Can be used to create wealth on a large scale ▪ No banks required ▪ Good for purchasing large apartment buildings 	<ul style="list-style-type: none"> ▪ Time intensive in the beginning ▪ Consider hiring a property management company 	<ul style="list-style-type: none"> ▪ Monthly cash flow ▪ Massive long-term wealth build up
Second Mortgage	<ul style="list-style-type: none"> ▪ Owner can sell rather than lease the property if there is a lot of equity ▪ Seller gets big cash up front ▪ No money down 	<ul style="list-style-type: none"> ▪ Investor may have to sign personally to get a new first mortgage ▪ Dealing with bank for financing 	<ul style="list-style-type: none"> ▪ Long term wealth build up ▪ Usually negotiate a 5-7 year balloon on the 2nd ▪ Investor gets tax benefits