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SPECIAL  
REPORT

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# BUYING AN INVESTMENT PROPERTY **WITH CASH**

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## SPECIAL REPORT



# BUYING AN INVESTMENT PROPERTY WITH CASH

Are you in the market for a good property investment which you can purchase with cash? If so, seeking the advice of real estate investment experts is a good way to start. Many very knowledgeable real estate investors endorse the benefits of all-cash property buying in today's difficult economic and market conditions. You want to buy valuable properties at a good price, in a neighborhood where it will appreciate steadily in value. You should also be sure rental occupancy rates are high in the location of your new property if you purchase dwellings to offer for rent.

When you purchase property with cash strictly as an investment, your intake of monthly cash flow as a property owner who rents to tenants is the true key to building wealth. Expert property investors are the very best advisors for showing you how to buy quality homes, often at a discount, in locales where ongoing levels of occupancy will remain high.

Whether your next purchase is a single family home, a multiple family dwelling, or a larger residential property with many units, you want to focus on good cash return. You want to receive constant, positive monthly cash flow from your investment. Otherwise, future projections toward an economic upswing in the neighborhood or in the real estate and financial markets will not necessarily increase your current or long-term wealth.

What really makes your purchase worthwhile is when your property investment in cash leads to ongoing monthly rental payments which, in total, are greater than any return you could get by other types of investing. Now you are truly on the road to long-term wealth building. Now you can continue to purchase new properties, financed by your rental returns, which increase with each new property you buy. Your renters will soon pay down any new debts you may accrue from property improvements or repairs. Subsequently, these same renters will add to your increasing wealth.

According to the National Association of Realtors (NAR), approximately 30 to 40% of home purchases in the U.S. are currently all-cash transactions. This percentage is up considerably from 15% in 2008. The rising numbers of real estate transactions in cash involve three main types of buyers:

- Real estate investors who do not often qualify for mortgages in the current market;
- Middle-aged and older, experienced buyers who can meet qualifications for a mortgage, but prefer to pay in cash;







- Foreign property investors who have difficulty qualifying for mortgages in the U.S.

Today's property investors know that investing funds in bank savings accounts and CDs will not bring a substantial return, due to current interest rates. Also, the stock market continues to exhibit volatility. Yet, in the real estate market, although there are some recurring downward trends, you do not have to be concerned at the present time with volatility.

In addition, following four years of downward movement in prices, a large number of property buyers can now afford to buy properties with cash. The percentage of all-cash home purchases in January 2010 was 26%—a marked increase

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from 18% in 2009, when property prices finally stabilized somewhat following recovery from their lowest levels of 2008, as reported by the NAR.

Savvy real estate investors are now buying homes with cash so they will not owe interest charges on mortgages and can make higher profits.

Flippers, rehabbers, investors . . . are buying with cash.

The current trend toward buying real estate with cash also proves that increasing numbers of buyers are purchasing more expensive property outright, without relying on credit. When making all-cash offers, buyers gain a definite advantage over competing offers. Even if these competitive offers are for higher amounts, if they are being financed, cash offers often win out.

Realty brokerages know that cash purchases can close quickly and are less likely to encounter problems during closing. To increase your profits as a new property owner, you want to pay cash for property that will increase your own cash intake when you rent it, flip it, or resell it at a higher price as the market rebounds.

## What Are Some Additional Benefits of Buying Your New Property with Cash?

The following advantages of cash buying are also important to property purchasers:

- A simpler and less stressful appraisal process. — Experienced home buyers know that the usual method of home appraisals is the comparative method. This involves comparing three other properties to the property up for sale. Price adjustments are then negotiated according to necessary property updates or improvements.

When you offer to buy this new property with cash, the seller is more likely to accept cash for the current offering price without adding on fees for suggested improvements or adjustments.

- All-cash property purchases save you and the seller time and problems through swift closings. — Since you are buying your property with cash, the closing can take place relatively quickly—sometimes within as short a timeframe as 7 or 8 days. Once the property has been inspected and any other issues negotiated or agreed upon, there is no need to wait the customary 30 to 45 days often needed before closing the deal. Not only will the seller be pleased at the swiftness of making

a profit—much less can happen to interfere with the closing when the escrow period is shortened. Now the seller will be eager to sell more attractive property to you, the favored buyer.

It's good to remember that when you buy property with cash, the expense to you at closing is actually minimal. You may even close for the amazingly low total cost of \$500, excluding the additional fee for title insurance and recording fees.

As an example, the required excise (deed stamp tax) is calculated by dividing the property purchase price by 500. Thus, if your purchase price is \$100,000, the excise tax owed is \$200.

Your attorney fees for property title search along with deed preparation will generally run \$250 to \$300.

The fee due for recording your property deed with the Register of Deeds is usually \$1 per every \$1,000 of your total purchase price.



In total, then, you will be obligated to pay approximately \$300 to your attorney; \$100 for title insurance; \$100 for recording of your deed, for a grand total of \$500 based on a property price of \$100,000. Now you can put the cash you are saving into buying more property, or use it for another purpose.

#### Additional Benefits to Home Buyers Who Purchase Property with Cash

With all-cash property acquisitions, the cost of title insurance will decrease. Title insurance will provide you, as the homeowner, with security from problems associated with the history of ownership and any previous monetary claims, such as delinquent property taxes or liens.



As an example, on a home priced at \$600,000 with a down payment requirement of 20%, title search fees can be more than \$2,000. However, since approximately one-third of this cost is for lender protection, cash buyers are not charged this percentage. Also, cash buyers can make their own decision to either pay or not pay for title insurance. Most realtors will advise buyers to purchase title insurance, but this decision is ultimately made by the cash buyer.

Another plus for all-cash home buyers is that you are still eligible for tax breaks as a primary residence owner. For instance, if you sell your property, your first \$500,000 in capital gains per couple (or \$250,000 for a single owner) will not be taxed.

Of course, if you make an all-cash real estate investment in rental housing, you are entitled to further interest expense deductions on your taxes. The interest, property taxes, depreciation and repair costs can all be included as tax deductions, reducing your total yearly income from your rental property. This will keep you from having to pay taxes on your income from rental payments, enabling you to more easily rebuild your cash reserves for future investments and perhaps travel and leisure expenses and enjoyment.

As you can see, real estate investing with cash can bring you numerous advantages and benefits as the property buyer. Along with a reduction in fees and escrow time period during closing, you will be eligible for additional tax breaks. You will also enjoy freedom from mortgage payments and market fluctuations. You can now have the priceless luxury of relaxing more to enjoy life's true pleasures from profits on your beautiful new investment homes. Or, if you like, you can take an exciting vacation financed by the profits from your newly acquired and long-term rental properties.

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