

Hello fellow investors,

I would like to talk to you today about a method to fund your real estate investments that you may not hear about in books or podcasts.

Like many investors, I have read about and researched different methods of investing. I started, like many, reading about and investing in the stock market. One fateful day a senior coworker turned me onto the book Rich Dad Poor Dad. From that day forward my thinking about how and what to invest-in changed dramatically. This drew me towards real estate and other investment possibilities.

For a few years, I dipped my toe into rental property investing. I had some success in that space and was ready to step up to bigger and better investments. As luck would have it (luck being the meeting of preparation and opportunity) a few friends were starting a real estate investment company!!

I now jumped into “passive” investing. Fortunately, these friends have become very successful, and therefore, so have their investors. As many successful real estate investors will eventually find, you may someday have more opportunity than funds available to invest. What a great “problem” to have!

Going all the way back to Rich Dad Poor Dad, I started to think in terms like “leverage” and “OPM” or other people’s money. This caused me to become aware of a new acronym. That being “LAL” or Liquidity Access Line.

A LAL is much like a HELOC in that you can borrow against a pool of equity. In this case, you can borrow against your “traditional” stock market or brokerage account. You are able to borrow (check with your individual broker) around 50% of the value of your account. The terms of the loan vary, but in practice, I have found that you can lock-in 1, 3, 5 or 7 years, or whatever suits your investing needs. I would lock in an extra year as your low fixed rate will move up and “float” with LIBOR if you miss the payoff date. The terms of the loan can be extremely favorable. You should be able (again check with your broker) to receive a no amortization loan with interest-only payments. I like to take advantage of the single payment interest-only loan in which you pay the interest in full once every 12 months. This allows you to pool your distributions or allow your real estate to cash flow before making your payment.

Another very powerful tool with the LAL is the timing to receive your funds. In the beginning, you will need to set up the account and fill out some obligatory paperwork. After this period your LAL is active. Now you can write a check or wire funds in as little as an hour. This means to a seller that you are a “cash” buyer! This is truly a great tool to use when negotiating deals.

Let's talk about something many "pure" real estate investors may be thinking now. That being, "I don't want to put my money into a big bank that will charge me fees and lever my money to the low returns of the stock market." Consider this, by putting some of your cash into traditional accounts you can now take advantage of leverage AND enjoy the returns of both the stock market and real estate. A small "fee" is a small price to pay to increase your investment pool.

Finally, over time I have found the advantages of using a LAL to fund investments to be many. You can use leverage, receive favorable low-interest rates, flexible repayment terms, and negotiate as a cash buyer. A few others are that a LAL loan does not appear on your credit reports! Considering buying a new house? No need to worry about your debt to income ratio anymore. Also, as you build your relationship and assets under management with your broker, you will be seen as a valued client. This, in my experience of doing several successful deals, is that they will begin to offer more and more favorable terms. Now you have leveraged not only your money but your professional relationship with a major banking firm!

The LAL has been a great tool to add to my investor's toolbox. With some research, you may find that it's one that you would like to add to yours as well.

Hope you find this information useful. Happy investing!