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Arbitrage!

By Douglas J. Utberg, MBA

In the world of finance and economics, the term 'arbitrage' means attempting to profit by capitalizing on price differences of identical or similar financial instruments in different markets or forms. For example, a hedge fund manager could buy a group of securities that he believes are under-valued, and execute a short sale on a different set of securities that he believes are over-valued.

The advantage of this strategy is that there will be minimal volatility, and a very significant upside if the valuation analysis is correct. The downside is that if the analysis is incorrect, you could be hit with a 'double whammy' from losses on both sides of the transaction. In addition to this, there is a risk that if the security value stays flat, the interest costs from borrowing for the short sale shares will erode the return of the transaction before anything happens.

One factor that makes it difficult to find and capitalize on potential arbitrage opportunities is market efficiency. When a market is 'efficient,' the rapid flow of information results in prices being perpetually pushed toward their 'true' value as all of the public information is discounted into the price.

Typically, homogeneous investments such as stocks and bonds tend to be priced very efficiently. Generally speaking, this makes it very difficult to realize returns above what is 'average' for the market since the efficiency makes it very difficult

to accurately pick winners, unless you are lucky. The reason why superior opportunities exist in real estate is because "All Real Estate is Local" . . . Since real estate markets are fragmented, they present great opportunities for those who know where to invest and what to avoid. The flow of information does not immediately move out to the global marketplace, as with stocks or bonds. Fundamentally, this means that the opportunity implicit within real estate will vary significantly depending on which markets you choose for your investments.

This is very important because investing in the wrong market can produce insufficient cash flow from rental income to cover normal expenses and your portfolio will be dependent on appreciation for returns. (As we have seen, appreciation can be very volatile.) However, if you invest in the right market, it will generate sufficient cash flow relative to your capital investment to cover the expenses of the property.

This creates a genuine arbitrage opportunity since the cash flow will limit downside exposure if market values contract, while maintaining an upside opportunity if values increase, and a hedge against interest rate increases that push people into the renter pool because of the resulting increase in cash flow. In addition to this, it creates an inflation hedge from the fixed-rate mortgage payments that will stay flat over time as inflation pushes up the rents and value, while allowing you to repay your expenses over time in de-valued dollars.



For prudent investors, arbitrage opportunities look like a bag of money sitting on the street.



In This Issue:

- Real estate presents a genuine 'arbitrage' opportunity to investors.
- Significant inflation is on the horizon because of irresponsible government spending that is being financed by monetary expansion.
- Multiple barriers are being placed in the way of natural market-based economic recovery.

Arbitrage Page 1

Financial Market Update Page 2

Rise of the Empire Page 2

Macro Economy Update Page 3

Credit Market Update Page 3

The Four Factors of Real Estate Page 4

Inside Real Estate Arbitrage Page 5

Target Market Update Page 6

The Business of Life Page 7

Creating Wealth Show Page 8

Defense Wins Championships Page 9

Vaccinating Against the Gold Bug Page 10

Unlearn What You Have Learned Page 10

Current Investment Outlook Page 12



“Helicopter Ben” Bernanke is dropping money out onto the economy.

This behavior is being done to subsidize the current government irresponsibility, and may cause massive inflation.

Keeping an Eye on Wall Street: Financial Market Update

Market Index	5/29/09	5/30/08	Change
S&P 500 Index	\$919.14	\$1,400.38	-34.4%
Dow Jones Industrial	\$8,500.33	\$12,638.32	-32.7%

On May 29, 2009, the S&P 500 Index closed at \$919.14. This represents a ratio of approximately 31.2 times the estimated earnings per share over the next four quarters.

By historic standards, this P/E ratio is high, relative to the historic ratio for the index, which has averaged 24.2 since 1987.

Since the market valuation for the index did not fall as fast as the earnings of the underlying companies, it indicates that

market sentiment is tilted toward the prospect of an economic recovery in the near-term. If the market were bearish on the economy, the valuation ratios would have compressed when earnings fell.

The implicit risk in this market situation is that if the market recovery that is apparently being discounted into the valuation ratios doesn't transpire, it is likely that the index value will compress further.

On The Money: Monetary Update

Money Supply (\$B)	April '09	April '08	Change
Monetary Base:	\$1,759	\$825	+113.2%
M0 + Checking (M1)	\$1,592	\$1,374	+15.8%
M1 + Savings (M2)	\$8,264	\$7,618	+8.5%

The Monetary Base has more than doubled from April '08 to April '09, with M1 and M2 both growing at near double-digit rates.

This is the direct result of the Federal Reserve increasing the amount of currency and monetary obligations in circulation. (The Monetary Base has grown significantly because of TARP funds that are being held in reserve by banks to satisfy solvency requirements.)

This slowdown has prompted the Federal Reserve to increase the amount of money in circulation to avoid a deflationary spiral. (The net effective dollars circulating through the economy are the total dollars outstanding times the velocity of their circulation.)

Market prices are influenced by changes in both the supply and velocity of money in the economy. Once the economy begins to recover, it is very likely that inflation will spike significantly. This will happen when the velocity of currency circulation increases and banks start lending the capital that is no longer necessary for required reserves. At this point, the Fed will either have to dramatically reduce the money supply (which will push up interest rates) or allow prices to inflate. Since a rapid rate increase will stifle any recovery that is under way, inflation is the most likely outcome.

“Once the economy begins to recover, it is very likely that inflation will spike significantly.”



Platinum Properties Investor Network offers a complete solution for building real wealth in the current economy.

By controlling real assets that generate steady cash flow, investors can escape from the con-artists in Wall Street and Washington, DC.

Rise of the Empire

In light of the recently announced \$3.6 trillion federal budget and \$1.8T projected deficit for the 2009 fiscal year, it is quite clear that the government is marching down a fast track toward wresting control of the economy away from free enterprise. Such increases in government power are necessarily authoritarian in nature, since they enforce the dictates of a small political class upon the entire populace. As such, the empire is indeed rising.

It's The Economy: Macro Economy Update

Economic Indicators	April '09	April '08	Change
U.S. Real GDP (Q1)	-5.7%	0.9%	-6.6%
Govt. Share of GDP (Q1)	20.5%	19.8%	+0.7%
Net Exports Share of GDP (Q1)	-2.3%	-5.0%	+2.7%
Long-Term Govt. Liability (March)	\$62.9T	\$54.0T	+\$8.9T
U.S. Unemployment	8.9%	5.0%	+3.9%
CPI—All Items (12-Month)	-0.7%	3.9%	-4.6%
CPI—less food & energy (12-Month)	1.9%	2.3%	-0.4%

Currently, the US is in the middle of an economic recession that recently saw Real GDP contract at a 5.7% annualized rate. Unemployment has grown to 8.9% in April '09, representing a 3.9% increase from April '08. In addition to this, the Consumer Price Index has contracted from April '08 to April '09, reflecting lower demand pulling prices down.

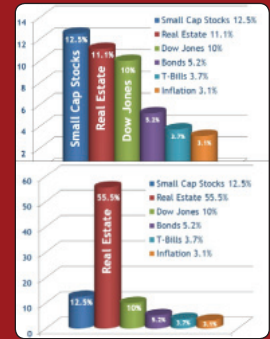
During this time, the 'government' share of GDP increased from 19.8% to 20.5% from Q1 '08 to Q1 '09. Furthermore, the total unfunded government long-term liability increased from \$54.0T in March '08 to \$62.9T in March '09. (Meaning that the government owes \$8.9T more in liabilities than it did 12 months ago.)

These trends do not bode particularly well for future economic output. With economic output contracting, but the government share

of GDP expanding, it is likely that there will be artificial barriers placed in the way of the competitive equilibrium that is necessary for a market recovery.

Continued growth in unemployment is likely to be used as a convenient excuse for further expansion of government programs. The current nominal government budget deficit is forecasted at \$1.8 trillion for the fiscal year. This is approximately four times as large as the next highest government deficit, and is being financed largely through debt and monetary expansion.

By concentrating more and more of the economy in a government monopoly that can never go out of business, it systematically destroys the incentives for efficiency and effectiveness that exist in a dynamic economy.



The gross returns of real estate look very average compared to stocks.

When leverage is used, real estate returns skyrocket.

“It is likely that there will be artificial barriers placed in the way of the competitive equilibrium that is necessary for a market recovery.”

Borrowing from Peter: Credit Market Update

Credit Indicators	May '09	May '08	Change
Prime Rate	3.25%	5.00%	-1.75%
10-Year Treasury	3.27%	3.88%	-0.61%

The month of May has marked a narrowing of the yield-curve inversion that has characterized the recent market. An inverted yield curve happens when the short-term interest rate exceeds the long-term rate.

Typically, this kind of situation is a harbinger of market uncertainty because an unusually high percentage of investors are seeking the safety of treasury notes. The current narrowing is

being viewed by some as an indicator of market recovery, but is more likely the result of investors' unwillingness to accept low yields in the midst of massive government spending and prospective inflation.

It is very likely that either monetary contraction or inflation will be pushing interest rates up from the current historic lows in the near future.

The Four Factors of Real Estate

By Douglas J. Utberg, MBA

There are four principal factors that drive the opportunity in real estate investing. In most investments, such as stocks and bonds, there are only one or two factors like appreciation or dividends that drive the value of the investment. Real estate is unique, because it is a multi-dimensional asset that generates value by the interplay of four primary factors. These factors are *Price Stability, Cash Flow, Tax Advantages, and Leverage*.

Price Stability:

Real estate prices tend to be much less volatile than stocks. The relative lack of liquidity with real estate creates this phenomenon. Many financial advisors view this as a disadvantage, but since real estate markets operate with a smaller number of relatively large transactions, this results in less price volatility and a longer window of opportunity for investors to act. Typically, large price movements only occur from massive increases or decreases in the number of available buyers.

Cash Flow:

When real estate is rented to tenants, it generates regular cash flows that can be used to pay for the mortgage interest, taxes, insurance, and management fees of the property. The big advantage of this cash flow is that it allows the investor to develop a 'passive' income portfolio, since direct work is not required to generate the cash flows . . . the tenants simply continue to pay their rent month in and month out. Because of this, one of the key things to look for when evaluating real estate investments is the ratio of cash flow to the value of the property.

It is important to note that not all real estate investments involve regular cash flows. Many 'speculative' real estate strategies involve purchasing property that the investor will repair, improve, and then 'flip' for a profit. This type of investment can result in very large gains, but also carries quite a bit of risk because there is a possibility the investor will be stuck with very large payments and no cash flow if the improved property cannot be quickly sold at the desired price.

The most powerful 'arbitrage' opportunity in real estate is finding properties in markets that will produce a superior cash flow relative to the price of the property. The reason that cash flow has so much power is because it provides coverage against downside contingencies for the investor, while maintaining the upside growth opportunity. In most 'bubble' markets, the price of real estate is driven up so high that the cash flow produced by the asset is very low relative to the purchase price. Because of this, it is generally best to target 'arbitrage' properties with superior income prospects.

Tax Advantages:

The impact of taxes on the performance of an investment can be quite profound. The reason for this is because when taxes are assessed as an investment grows, it reduces the capital base that is 'in the game' to compound and grow. Conversely, if taxes can be deferred until a later date, it allows for the returns to compound more aggressively. In the case of real estate, the government has instituted a transaction called a 'like kind' exchange that is articulated in section 1031 of the Internal Revenue Code.

The benefit of this transaction is that it allows an investor to defer the taxes that are due upon the sale of a real estate asset if another real estate asset of equal or greater value is purchased within a specified period of time. (I should mention that I am not a qualified tax advisor, and that anybody looking to conduct a section 1031 exchange should consult with a CPA and 1031 specialist.) The power of this transaction is that it allows investors to compound real estate investments into larger deals while deferring taxes.

In addition to the long-term tax advantages of deferring gains, there are short-term tax advantages for real estate investors as well. These advantages stem from the fact that businesses pay taxes differently than individuals. (If you are investing in real estate, that means you are in business as an investor.) As an individual, the government takes the taxes out of your salary before you

(Continued on page 5)



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These factors are Price Stability, Cash Flow, Tax Advantages, and Leverage.”



The United States government is structured to derive its power from the consent of the people.

The growing imperial autocracy has resulted from apathy and promises of something for nothing. This trend will continue until the people act.

The Four Factors of Real Estate continued . . .

can spend any of it. As a business, you pay taxes on the revenue that is left over after your legitimate expenses have been subtracted. The compounded impact of moving legitimate expenses above vs. below the taxable income line can also be very profound over time. (Once again, you should consult with a tax professional when conducting your business operations to assure compliance with the tax code.)

Leverage:

In the context of investments, leverage refers to using 'other people's money' to finance your investment. Thus, leverage becomes a 'magnifying glass' for the returns of the underlying asset. When the asset produces gains, those gains will be increased by the amount of leverage you have used to purchase the asset. Similarly, if that same asset produces losses, they will also be magnified by the leverage. The 'key' is to use leverage for assets that are less volatile so that you minimize the probability of producing a crippling financial

loss. As the volatility of a leveraged investment increases, the probability of a 'total loss' goes up exponentially.

Because of this magnifying effect, an investor can gain control of a relatively large capital asset for a relatively small amount of cash. (Even in the current '20% down' environment, investors can control an asset that is five times as large as their initial investment.) When a property value increases by 10% and the investor has 20% down, the investor doesn't just see their equity go up by 10% . . . their equity increases by 50% (10% appreciation multiplied by 5X leverage).

Furthermore, real estate can often be financed with fixed-rate loans. (In the case of residential real estate, the loan duration can be up to 30 years at a fixed rate.) This allows an investor to lock in the cost of capital at current rates so that any future monetary inflation increases the value and rental income while the interest payments stay flat.

Inside Real Estate Arbitrage

The principal 'arbitrage' opportunity in real estate is realized by locking in a fixed cost of borrowing (which can be re-financed in the future if interest rates drop) and generating cash flow to cover your costs. In this situation, you have a very limited downside risk because of recurring cash flows, but a tremendous opportunity for leveraged appreciation from market growth and inflation.

The importance of this phenomenon is that future growth in value is very difficult to predict. By investing in a manner such that your costs are covered by income from the asset, you have the luxury of 'waiting out the storm' during times of price volatility for values to increase.

In addition to this, there is a significant opportunity to directly benefit from inflation that results from irresponsible government spending policies. This opportunity comes from the fixed-rate financing that is frequently used to finance real estate deals.

As the impact of inflation ripples through the economy, it will push up interest rates, rents, and prices for homes, stocks, food, and commodities. However, the payment on your mortgage will stay flat if it is a fixed-rate product. Because of this, you will experience an increase in the rental income and value of your real estate asset, but the largest portion of your expenses will remain flat, resulting in higher profits. Thus, inflation becomes a very real way to capture tangible profits from government irresponsibility.

Situations such as prudent real estate investing with a small to negligible downside and significant to infinite upside are what economists call a 'free option' . . . principally because the investment volatility runs mostly in the 'up' direction because of the downside risk mitigation. Needless to say, these are the investments that we would like to create.



The returns of real estate investment compound over time on a tax-deferred basis because of section 1031 in the Internal Revenue Code.

When combined with the magnifying effect of leverage, investors can become very wealthy through long-term real estate investment.

“As the impact of inflation ripples through the economy, it will push up interest rates, rents, and prices for homes, stocks, food, and commodities.”



Income-producing real estate holds the potential to become a perpetual cash flow machine that generates real wealth for you and your family.

In the current economic climate, it is critical to maintain direct control of real assets that produce real income. The best financial defense against uncertainty is to operate in the 'real' economy.

What's in a Market? Target Market Update

Market	'08 Median Family Income	'08 Median Home Price	Affordability Index	'07 Median Gross Rent	MKT R/V Est.	Price Peak	Decline from Peak (Through '08)
Atlanta, GA	\$69,200	\$195,000	2.8	\$832	0.43%	Q2'07	-11.3%
Austin, TX	\$69,100	\$191,000	2.8	\$829	0.43%	Q3'08	-0.3%
Baton Rouge, LA	\$56,600	\$171,000	3.0	\$698	0.41%	Q2'08	-0.6%
Charlotte, NC	\$64,300	\$192,000	3.0	\$786	0.41%	Q3'07	-4.2%
Dallas, TX	\$65,000	\$151,000	2.3	\$737	0.49%	Q3'08	-0.2%
Houston, TX	\$61,100	\$160,000	2.6	\$749	0.47%	Q3'08	0.0%
Indianapolis, IN	\$65,100	\$118,000	1.8	\$668	0.57%	Q1'08	-0.5%
Kansas City, MO	\$67,800	\$144,000	2.1	\$672	0.48%	Q1'08	-3.0%

The table above shows a brief summary of some key markets that are currently targeted by Platinum Properties Investor Network. Analysis of the market characteristics will show a number of very important similarities.

First, each market has a median home price below \$200,000. This provides two principal advantages: The lower purchase price means that investors can purchase more properties than would be possible in a higher priced 'bubble' market. It also allows you to charge lower rents, which increases the pool of potential tenants.

A second key attribute of the targeted markets is that the median home price does not generally exceed three times the median family income. This is also very important because

finding high-quality tenants and raising rents is extremely difficult in markets where affordability is very difficult. A third key characteristic of these markets is that the median gross rent for the market runs very close to the 0.5% R/V ratio that Platinum Properties recommends for investment properties. It is important to note that the 'Market R/V Estimate' is a combination of two separate data sets, and should be viewed as more of an 'approximate' than an 'exact' indicator. Targeting markets with an attractive aggregate R/V ratio will make it much easier to capture superior cash flows.

The final factor that Platinum Properties focuses on is 'linear' versus 'cyclical' markets. Most of the targeted markets have experienced very modest price declines, with some seeing almost no decline at all. This kind of price stability is very attractive for investors.

Market	'08 Median Family Income	'08 Median Home Price	Affordability Index	'07 Median Gross Rent	MKT R/V Est.	Price Peak	Decline from Peak (Through '08)
Miami, FL	\$49,200	\$287,000	5.8	\$837	0.29%	Q1'07	-43.7%
Phoenix, AZ	\$54,200	\$190,000	3.5	\$797	0.42%	Q2'06	-44.1%
Las Vegas, NV	\$63,900	\$230,000	3.6	\$948	0.41%	Q1'06	-43.3%
New York, NY	\$63,000	\$465,000	7.4	\$985	0.21%	Q3'06	-15.4%
Los Angeles, CA	\$59,800	\$396,000	6.6	\$986	0.25%	Q2'06	-42.1%

In contrast to the targeted markets, it is worthwhile to spend some time analyzing some of the more notorious 'bubble' markets (summarized in the table above). The first thing that pops out most prominently about these markets is the tremendously high price declines from the peak to the end of 2008. Each of these markets experienced a tremendous run-up in values that was eventually deflated.

Another key characteristic of bubble markets is a relatively high ratio of prices to family income and a relatively low ratio of rents to value.

The combination of these factors can be the 'kiss of death' to an investment strategy, and should be actively avoided in favor of more attractive investment opportunities.

The Business of Life

By Douglas J. Utberg, MBA

Gratitude, Guilt, or Entitlement?



One of the great vagaries of human psychology is the way that people deal with good fortune and blessings. Some people are gracious for their good fortune, and seek to use it to help others succeed. Other people feel guilty for their success and seek out ways to assuage their feelings of guilt. (Strangely, this desire to deal with feelings of guilt do not typically involve parting with the fruits of their good fortune.) Finally, there are those who greet good fortune with a sense of entitlement, and demand that their livelihood be continually subsidized by somebody else . . . presumably as compensation for some wrong that is believed to have been committed against them in the past.

One critical distinction between those expressing gratitude and guilt is that those who feel gratitude express a desire to use their own effort and resources to help others succeed. Conversely, those experiencing guilt tend to demand that the time and resources of others be confiscated by the government and re-distributed to those deemed less fortunate. (By a strange twist of fate, the entitlement mentality creates a steady stream of self-proclaimed victims that are in need of assistance from those who feel guilty.)

The great danger implicit in this circle is that confiscating and re-distributing resources does

not do anything to increase the productive capacity of the populace. Those taking and receiving the resources have not produced anything of value in return for those resources. Unfortunately, this creates a very harmful set of incentives. Those feeling guilty have an incentive to continue taking and re-distributing so that they can assuage their feelings of guilt, without making any personal sacrifices. Those feeling entitled have an incentive to continue the behaviors that result in their receiving handouts. (Typically, this manifests itself in a reluctance to engage in productive activities, due to fear of losing social benefits.)

The best thing that any of us can do for ourselves and for our community as a whole is to embrace an outlook of gratitude by looking to use our blessings in a way that helps other people to achieve blessings of their own.

Best Wishes,

Doug

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“A government that robs Peter to pay Paul can always depend on the support of Paul.”

- George Bernard Shaw



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The Creating Wealth Show Eclipses The Century Mark



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The Platinum Team



Karam

Jason's 'Creating Wealth' podcast has been a gold mine of investor education for the last three years. In addition to the tremendous investment strategy that Jason communicates, he takes one out of every ten episodes and devotes it to a pertinent topic that is not directly related to real estate investing.



Sara

On this momentous 100th episode of *The Creating Wealth Show*, Jason Hartman interviews leadership expert, Dr. Jeff Myers, President of the Myers Institute for Communication and Leadership and Passing the Baton International. The topic of this interview is the timely subject of leadership in the 21st century, as the Baby Boom generation nears retirement.



Terri

Our world is desperate for leaders who serve and make an eternal difference in the lives of others every day. The mission of Dr. Myers is to equip culture-shaping leaders to understand the times by providing tools and training that unleash their leadership gifts and enable them to communicate the truth with confidence.



Dave

One of the primary insights that Dr. Myers shares is the practice of grooming successors by having them accompany the leader for an extended period of time on daily activities, and to simultaneously test their knowledge. The example that Jeff gave of this phenomenon was Jesus with his disciples. Jesus took his disciples with him everywhere that he went for three straight years. In addition to this, he was constantly challenging their faith and understanding.



Kathy

Moreover, Jeff pointed out the importance of the changing labor force and work environment as the Baby Boom generation is exiting and Generation X is rising to prominence.



Dominique

One key difference between these two groups of workers is that in the Baby Boom generation, it was very common for workers to remain with one company for the overwhelming majority of their careers. Furthermore, leaders tended to have a large amount of experience and tenure. In contrast to this, Generation X tends to have a much greater breadth of experience with significantly less concentration of experience in a single area.

Another very significant insight that Jeff points out is the constantly declining share of the population that believes in the notion of 'absolute truth.' The rising prominence of 'moral relativism' has made it easier for leaders to justify business activities that range between moderately unethical and outright criminal. This phenomenon is amplified by the media attention that is paid to the fabulously wealthy.

For the conscientious leader that is looking to shape a next generation of competent leaders, it is important to develop a work culture that goes beyond the notion of 'doing your job' or 'checking items off the list.' The way that this principle manifests itself is in the process of mentoring. Jeff's vision of a mentor is a trusted friend and advisor who coaches and teaches. In the process of coaching and teaching, actively listening is one of the most important skills that a mentor can possess. In many cases, people fail to listen because they are formulating their next thought.

(Continued on page 9)

The Creating Wealth Show #100 continued . . .

However, for mentors who are looking to actively listen, it is very important to ask questions that draw out the thoughts of the person that you are coaching. The importance of asking questions is that it will teach the person how to think on his or her own.

Some of Jeff's favorite questions to ask are:

- Where would you like to be?
- What is missing right now that you would like to change?
- What are your values that apply in this situation?
- How can I support you?

The importance of questions like this is that they actively foster thought by the person who is being coached or mentored. Specifically, it takes the context of a two-way conversation.

Another key insight is the art of learning from failure. Jeff characterizes this phenomenon in

his saying: 'Let your mess be your message.' The importance of analyzing failures is that it highlights opportunities to learn.

One of the difficulties implicit in learning from failures is the extent to which popular culture worships success. When people exhibit the exterior signs of success, they will be fawned over by the news media in a borderline sickening manner. Unfortunately, this phenomenon creates a 'get rich quick' mentality. The natural extension of the desire to achieve success quickly is to be attracted to hucksters selling 'systems' for fast riches, and to 'bend rules' or 'cut corners' for the purpose of achieving wealth more quickly.

In the end, the type of person you are is just as important as the things you achieve. This is equally important for individuals, businesses, communities, and countries.

Defense Wins Championships

In the world of sports metaphors, there is a very popular cliché that states: 'Defense wins championships.' The upshot of this statement is that a high-powered offense may be fun to watch, but it is a stout, consistent defense that creates the stability necessary to win the championship.

In the world of real estate investing, this metaphor continues to hold true. When a property appreciates in value, this is equivalent to the 'offense' for a sports team. Continuing with the sports analogy, this is the equivalent of a football team with a monster pass offense. It is extremely fun to watch, and can put some very large numbers on the scoreboard. However, there will also be games when the offense comes out flat or turns the ball over to the other team, creating a large liability. Similarly, real estate appreciation possesses the potential to post big numbers on the scoreboard, but also holds a risk of creating big problems.

Enter the defense. In the world of real estate, defense is the income & cash flow from your investment. In the context of



our sports metaphor, the defense protects your end zone so that the offense can get back onto the field and score. In the context of real estate investing, your cash flow acts as the stout defense that continues to pay the expenses of your property, while you are waiting for the appreciation (offense) to show up.

In practical terms, cash flow is much more reliable than appreciation. Investing in properties with strong income will allow you to pay the interest expense, taxes, maintenance, and property management fees without dipping into your pocket every month. Furthermore, inflation has the effect

of increasing both your income and appreciation (which is tremendously beneficial if your property is financed with fixed-rate debt).

In the end, we have seen that defense really does win championships, and that prudent long-term investors should seek to build a stout 'cash flow' defense so that when the future inflation arrives, it will turbo-charge the offense and run up the score on your financial future.

Vaccinating Against the Gold Bug

Gold is a well known commodity that has generated a tremendous emotional attachment for many people and investors. Phrases such as ‘gold plan’ and ‘gold standard’ have become commonplace in the contemporary vernacular. One of the most significant population migrations in the United States, known as the “Gold Rush,” occurred when a large population of people left the east coast for California in search of this well-known ore.

As an investment, gold is commonly known as a counter-cyclical instrument. This characteristic occurs because times of economic uncertainty frequently prompt investors to exit the financial markets for the perceived safety of hard commodities like gold.

In the midst of our uncertain economic climate, there is a large and growing population of concerned investors who are advocating investment in gold as a way to profit from the current economic volatility. At Platinum Properties, we affectionately refer to these people as ‘Gold Bugs.’

Many investors out there take a very insightful perspective on the risks implicit in the current economy. However, a startlingly high percentage of these people also advocate heavy investment in gold.

There are two implicit problems with investing in gold. The first is that gold is an one-dimensional asset, and the second is that gold is subject to manipulation or outright seizure.



In the 25 years since the dollar was decoupled from the gold standard, gold has under-performed the S&P 500 Stock Index (without including dividends), even after the market crash of 2008.

By describing gold as a one-dimensional asset, I am referring to the fact that gold only derives its value from the appreciation or the willingness of other people to buy it at a future date. Gold has a history of significant price volatility, produces no cash flow, has no tax advantages, and cannot be purchased with leverage. Fortunately, income-producing real estate investments possess all of these characteristics and also guard against inflation caused by government irresponsibility.

The second implicit danger was set on April 5th, 1933, when President Franklin Delano Roosevelt issued Executive Order #6102 and confiscated all of the privately held gold in the United States because the government was unable to honor its commitment to a ‘gold standard’ currency.

The precedent has been firmly set for a power-hungry administration to use an economic calamity as a vehicle to seize power. Unfortunately, gold is frequently the currency by which politicians overthrow freedom and liberty to create a legalized imperial monarchy.

Opportunity Alert: \$5,000 Down Can Get You Into a Property – No, We’re Not Kidding!

In his most recent show, Jason informed us about a new market that he has opened in Atlanta, Georgia, where investors can purchase single-family bank-owned income properties for \$5,000 down. The enormity of this opportunity is difficult to adequately

communicate. Atlanta is one of America’s top 10 cities for relocation with a growing population of over 5 million citizens. This net in-migration is due to the strong job market, affordable cost of living, and proximity to a top-tier international airport.

“There are two implicit problems with investing in gold. The first is that gold is an one-dimensional asset, and the second is that gold is subject to manipulation or outright seizure.”



Financial market manipulation and outright theft make it critical to be a direct investor in real assets.



Opportunity Alert: \$5,000 Down Can Get You Into a Property – No, We’re Not Kidding Continued...

The key indicators show Atlanta as a strong investment market for the near and foreseeable future.

Consider the fact that most real estate ‘gurus’ whom you see on late-night TV focus on selling you a \$999+ home study system, or want you to attend a \$4,999+ ‘boot camp’ seminar series. For the amount of money that most novice investors waste on ‘infomercial expert’ investor systems, Jason can get you into an actual investment property.

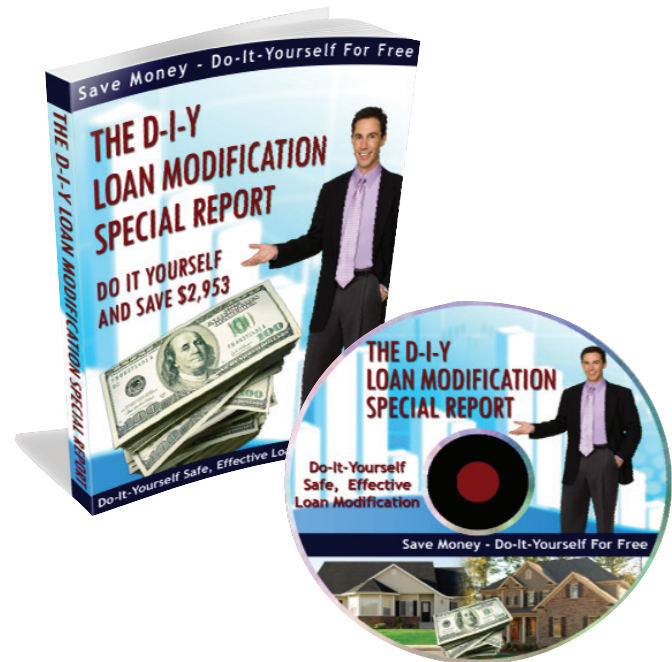
Most successful business people will tell you that some of the best decisions in your career will be investments that you don’t make. In practical terms, this means that throwing money away to purchase a canned investment ‘system’ should be avoided like trees in a lightning storm. Most ‘systems’ do very little in the way of providing actual

investor education. Typically, they are little more than an overly simplified ‘formula’ that can produce great results in just the right kind of market environment - and can also produce horrible losses in the wrong market, and always make buckets of money for the person selling the system.

Smart investors should focus on learning the basic fundamentals. These strategies and insights are built into the education that Platinum Properties offers for free through podcasts, or for a very nominal fee, at the Creating Wealth seminar or Financial Freedom Report newsletter. By focusing your efforts on prudent education instead of an infomercial system, it will allow you to use your precious capital to purchase real investment properties that will create real wealth. Listen on iTunes or at: <http://www.jasonhartman.com/radioshows>

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The Bottom Line: Current Investment Outlook

We are currently in a brief window of opportunity where the prices of both real estate and stocks have been pushed very low. Interest rates are also very low, and inflation is being temporarily held down. We also know that at some point in the next few years, the avalanche will start to fall and inflation will be back with a mythical vengeance.

The stock market appears to still have a significant degree of risk because of the high ratio between the current price level of the index relative to the forecasted earnings per share. It is possible that the stock market will grow significantly in the near future, but there is also a risk that it will deflate further if the forecasted recovery that appears to be discounted into current prices does not fully materialize.

Conversely, real estate investment is approaching the status of a 'once in a lifetime' opportunity. The reason for this is the highly depressed prices, extremely low interest rates, and the prospect of future inflation that will give the investor who owns a fixed-rate mortgage a 'natural arbitrage,' where

their rents and values are pushed up, but their payments stay flat.

Because of this, the optimal investment strategy in the current market environment appears to be investment in income real estate, concentrated in markets with a high ratio of rental revenue to the purchase price, which is financed by long-term, fixed-rate debt.



Stormy seas are ahead for the U.S. and global economy - a disaster for some and an opportunity for others.

Prudent investors should seek to 'stock up' on low-rate debt that is secured by properties producing significant income before the wave of inflation strikes shore.

Financial Self-Defense in Uncertain Times

Welcome to the Platinum Properties Investor Network, THE source for innovative, forward-thinking investment property strategies and advice. Founder Jason Hartman spent two decades developing The Complete Solution for Real Estate Investors™. Jason appears regularly on television and radio, at speaking engagements, seminars, and with his ultra-hot "Creating Wealth Podcast." The United States is made up of over 380 unique market areas. This makes it perhaps the most diverse property market on the planet. Yet the news media continues to refer to the U.S. real estate market as a single entity that moves through stronger or weaker cycles. We realize that this phenomenon is the result of thirty second T.V. time slots that generate systemic oversimplification. However, real estate cannot be described that simply. There is NO such thing as a United States real estate market. Every single local market presents unique risks and opportunities.



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