



Wealth Creation and Real Estate

# Playing the “Real Life” Monopoly Game.

*We can learn a lot about wealth creation from the board game Monopoly, where the object is to become the wealthiest player by buying, renting and selling property. Real estate transactions are a great way of building wealth, especially when you consider the power of buying, renting and selling a portfolio of properties in different areas of the city, state or country you live in. Selling one or a few of those properties, then using the profits to buy a larger property is a great way to increase your cash flow and build equity, and benefit from tax advantages as well.*

*To wit: Years ago I purchased a \$57,000 duplex in Union City, fixed it up, and put some renters in the property. I held onto that property and collected rent for 18 months – giving me a positive cash flow. Not long afterward, the property was worth \$98,000. Mindful of the best in Monopoly board game maneuvers, I sold that duplex and bought two quadraplexes for a total of eight rental units.*

*The benefits to me were that the per unit cost on those quadraplexes was less than the duplex, so I received more cash flow from eight units than I did from the two units I had in Union City. The quadraplexes also allowed me to spread out my rent across two properties, so all my eggs weren't in one basket. Over time I was able to raise rent on all eight units, raise the value of the property and eventually achieve financial independence.*

*By putting the proceeds of the duplex sale into the two quadraplexes, I was able to avoid paying capital gains taxes on profits from the duplex sale. This is a good tax strategy to know because it's a perfectly legal way of not having to pay taxes on capital gains. As long as you identify a property you want to buy within 90 days of the sale of another property, and close on that property within six months, all you have to concentrate on is building your portfolio of real estate investments. When tax season arrives, it's a good idea to consult with your tax preparer about the best ways of doing this.*

*There are other good strategies for playing real life Monopoly, too. Even if you own just one piece of property, you should have your own business set up. Having your own business, allows you to take advantage of tax advantages you can get from owning real estate. After all, the better we are able to manage our taxes, the better we are able to build our wealth. When you own your own business, you can write off things such as computers, phone lines, a portion of your mortgage (if you're working from a home office) or your entire office rent, utilities, mileage, office supplies, accounting services and any official logos you have made.*

*Though it's helpful to know the ins and outs of Monopoly when you're creating wealth through real estate transactions, it's also important to educate yourself about tricks of the trade and tax codes that can help you succeed. When you educate yourself – whether it's through Internet research or consulting with a professional – it saves you thousands of dollars in taxes and time that would be better spent buying that fabulously expensive new hotel on the Boardwalk. Please visit [www.lutherragsdale.com](http://www.lutherragsdale.com) to register for our upcoming FREE wealth building seminar. For more information please contact us.*

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