

White Paper exploring how you may already own most of your future retirement income and not even realize it.

Phil Trietsch, Broker/Co-owner

Tenex Properties, LLC, Austin, TX

Introduction

There is an alarming problem in America...we talk about it on occasion and we hear about it a few times a year on the news...but we don't really grasp it until it's too late: **We are too poor to retire!** Well, most of us anyway. At least we are too poor to retire and maintain a lifestyle anywhere near what we should expect considering we have given 75% of our life to working. And if we don't do something now, we'll have almost nothing to show for it.

This white paper is written to remind the reader of the serious nature of this problem and propose a solution that many of us can implement to help make a difference in our golden years.

The Problem Identified

We could drown you in statistics about how little American's have prepared for retirement but we want you to actually read far enough to get to the solution, so we'll just mention a few highlights (or lowlights as more accurately describes the situation):

- According to Edward N. Wolff, an economics professor at New York University, the median net worth of a family in America is only \$10,890*
- Even older workers with some time to prepare for retirement are in trouble. Of those ages 45-54, the middle 20% of these working households have only \$57,400 in net worth unrelated to their primary residence.** That's a little more than 1 year worth of the median U.S. income.
- But Social Security will save me, right? Did you know that the average monthly benefit from Social Security in 2015 will be \$1,328/month?*** That is \$6/month above the poverty line for a household of 2 people in 2015. Yes, read that sentence again...and maybe again...it's a sobering thought at best!

We'll stop there because you get the message. If you want to drive it home, you can certainly search for articles and interviews about our individual financial crisis as Americans. Just don't let the information drive you to hide your head in the sand. Let's consider doing something about it instead.

A Possible Solution

You may already own an asset that could help this problem tremendously. And you might be thinking of getting rid of it. Please don't, at least until you've considered this idea. We're talking about the home you currently own as your primary residence. What if you chose to lease it instead of sell it? What might happen? Because we don't know your specific circumstances, let's go through an example scenario for the Jones'. The Jones' own a 4 bedroom home in Austin, TX that they bought 10 years ago. They now want to move and are considering selling. What might happen if the lease it instead?

\$150,000 purchase price 10 years ago

\$240,000 current market value

\$118,000	current equity after 10 years (current value minus remaining loan balance)
\$ 1,500	current market rent
\$ 1,200	mortgage payment (assuming they refinance to a new 20 year loan at 3.75% interest)
\$ 300	monthly potential cash flow (we suggest that they hold this as reserves & not spend)
\$530,000	potential home value when paid off (20 years assuming 4% annual appreciation)
\$ 1,633	new monthly potential cash flow (assumes 2.5% annual rent and 4% expense growth)

How did they do? They increased their net worth by \$412,000 (\$530,000 value when paid off vs. \$118,000 equity when they leased the home). And they created a \$1,633/month income stream for as long as they want it to support their retirement. And who paid for all this for them over 20 years? That's right, the tenants.

But you don't want to be a landlord and have to deal with tenants, toilets, and taxes. Believe us, we understand...because we are investors too! You can hire a professional management company to handle the vast majority of those tasks for you and you pay for it from the current monthly cash flow.

Is it really that simple? Yes, and no. Nothing ever goes perfectly...remember the financial crash of 2009 and what it may have done to your investments? But this is a good example of how it can go and why you might want to look into it. Oh, and what if you did two of them? How might retirement change for you then?

If you would like to get more information and ask questions of professionals in the industry that are real estate investors too, please let us know if we can help. This certainly not the only solution to preparing for retirement but it just might be one possibility that you hadn't given much consideration before now.

The team at Tenex Properties, LLC

We help people who want to diversify by investing in real estate but don't have the time or expertise to do so. We help them find, finance and acquire properties...then we manage the properties for them so they can build wealth over time.

* <http://www.nytimes.com/2013/06/09/your-money/why-many-retirees-could-outlive-a-1-million-nest-egg.html?pagewanted=2>

** <http://www.scribd.com/doc/245746907/The-Wealth-of-Households>

*** <http://www.kiplinger.com/article/retirement/T051-C001-S003-a-boost-in-social-security-benefits.html>