

# WISE WOMEN INVESTOR



WiseWomenInvestor.com

4th Quarter 2008

## Wise Women Radio Airs Tuesdays at 10am PST

I am ecstatic to announce I recently launched my own internet radio network on BlogTalkRadio – Wise Women Radio! Through this forum, I hope to provide guidance and education to women looking to succeed in business and in life—from developing financial sense, to business and professional growth, to how to survive in today's world. Every Tuesday, from 10-11 a.m.

Jennifer Dizmang, who has gone from rags to riches by learning how to leverage her skills and personality to grow a business and achieve her dreams!

Debbie Mitchell, President of Company V, a leader in web hosting and design.

Jaime Raskulinecz owner of two different companies she runs simultaneously.

Dotsie Bregel, founder of the National Association of Baby Boomer Women.



PST, I will provide entertaining and informative interviews with successful women, many of whom have written for this newsletter, who have changed their destinies through hard work, perseverance, ingenuity and an entrepreneurial spirit.

You can learn the real “secrets” from women who have leveraged their skills to achieve their dreams!

Here are just some of the dynamic women I have interviewed so far:

Cheryl Cran, author of *The Control Freak Revolution*.

Iris Veneracion, co-founder of Invest-CLUB for Women

You can link to the archive of these interviews from the Wise Women home page, [www.wisewomeninvestor.com](http://www.wisewomeninvestor.com), along with new interviews every Tuesday, from 10-11 a.m. (PDT)

Happy Listening! - Lisa

## From the Editor

Lisa Moren Bromma, Editor

Can you believe this is the last quarter of 2008? So many things are happening in our lives and in our country. We have a historical presidential election coming up that may be, for most of us, the most important election of our lifetimes! I encourage all of you wise women to vote!

Another holiday season approaches and many of us will be more cautious in our spending as the economy worsens. Keep reading our blog to get ideas from experts to help you save more and listen to our new radio show--visit [www.wisewomeninvestor.com](http://www.wisewomeninvestor.com) to link to the audio.

In this action packed issue, Magi Bird talks about F.E.A.R.; Catherine Wynne of Entrust New Directions shares the history and the camaraderie of the Beardstown Ladies and what a support group of investors can really do; Adriane Berg is back with another great article, about the importance of understanding and conquering debt; Jaime Raskulinecz talks to realtors about the 7 ways you can harness your expertise in the self-directed IRA market; I include a recent blog on 5 things you did not know your cell phone can do and an article for investing in today's tough times.

Enjoy the upcoming holiday season and remember to give yourself the gift of time!  
Lisa

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## F.E.A.R.

In grade school I heard that fear was an acronym for "False Evidence Appearing Real". I also learned that Winston Churchill said "We have nothing to fear except fear itself." With the headlines screaming about inflation, foreclosures, gas prices, mortgage relief, bank failures, brokerage failures, bankruptcy, slowing sales, the declining dollar, falling home values and increasing unemployment, it seems a reasonable response to be afraid. When financially threatened it also seems appropriate to spend less, downsize, pay off bills, stay at home, cancel luxuries and vacations, stock up on food, turn off the air conditioner, hoard cash and do without. The result of this prudence: a contracting economy, job layoffs, business failures, bankruptcy, inflation, foreclosures, bank closings and more headlines.

### Stop!

What has really happened? Five years of unprecedented low 30 year financing started everybody "investing" in real estate to make a quick buck. Money could be borrowed at 2% above the governments' published (but untrue) rate of inflation. House flipping became a national pastime and "I Buy Houses" became a bumper sticker. The entry of so many new "investors" to the real estate market created competition for the inventory and the law of Supply and Demand kicked in driving prices through the roof, detaching the economic value of the property from it's price tag. The higher pricing created negative cash flows which consumed the discretionary earnings of the real estate "investor", who then had to sell under financial duress which dropped pricing. People stopped standing in line to reserve "to be built houses" they could flip at a profit without ever closing escrow. Builders with inventory in various stages of completion slashed prices to attract buyers, destroying the value of the homes families had just purchased. People who needed to resale were competing against builders and

had to reduce pricing as well, resulting in negative equity holdings, walk aways, short sales, foreclosures, bad loans, troubled banks and failures.

### So:

Is real estate a bad investment? Absolutely not! We are standing at the threshold of the greatest reshuffling of wealth that most of us will see in our lifetimes. When this cycle ends, which it will, the ones with the best real estate investment portfolios will be the big winners. Speculators, not investors, created the run up of pricing and investors will be the stabilizing element in the marketplace. If you do not know the difference between the two, do not buy any real estate until you do. In the world of investing, cash is King and cash flow is Queen Consort. Real estate must be purchased at terms that create a return on the capital you invested at regular intervals. That return may not exist at the time the real estate is purchased. The building may be vacant, in need of repairs, rezoning, restoration, completion or upgrading prior to it being rented. The income may be low or

nonexistent due to the poor management practices of the previous owner. If this is the case you must be brutally honest in your self assessment. Do you have the skills, talent, time, tools, patience and experience to affect the required changes? Will you be a more capable manager than the previous owner? If not, do you have the additional capital and reserves to hire those services done for you and carry the property until completion and rent up? If there is any doubt in your mind, find a project or property that is up and running without deferred income or maintenance issues and pay a little more for it.

### Notice:

I said that property must be purchased at TERMS that permit cash flow. The price is almost irrelevant because it *continued on page 4*



## Beardstown Ladies Revisited

Back in 1983, a group of 16 professional women formed the Beardstown Business and Professional Women's Investment Club in Beardstown, Illinois. The intent of the club was to understand and take control of their own investments. For these women this was usually left to the man of the house. The focus of the group was on learning as well as investing.

Over the course of the club's existence, the Beardstown women penned a best-selling book, *The Beardstown Ladies' Common-Sense Investment Guide*, and reported high returns on securities-based investments. The return claims have not been thoroughly documented, but the group did have an excellent investment premise. That premise was "invest in what you know". The Beardstown women researched what they invested in and often focused on companies with goods and services that appealed to them. Learning the language and the methods of securities analysis was important groundwork for these women.

Fast forward to 2008. The Beardstown ladies are still in existence and the novelty of women investing their own money and understanding their investments has passed. Investing one's own money, for many women, is now a necessity. The difference between "then" and "now" is that there is no longer a focus on securities-based investments. Even now however, women's retirement account sizes still trail behind men's, so it is particularly important for everyone to learn the language and rate of return analysis for alternative retirement investments.

The term "alternative investments" sounds sort of Bohemian but in reality is a broad term for "non-security" based investments. Real estate purchases, pre-construction contracts, options, trust deeds, leases and more all fall within this category. Other examples include note brokering, private stock, bank IPOs and private notes. All have their specific terminology and methods for analyzing rate of return. The key to making these investments within a tax-deferred/free vehicle is a truly self-directed IRA.

In my position as a self-directed IRA administrator, I have seen many creative and successful investments assembled by groups of women.

Most of these women are real estate brokers investing in what they know - real estate. My daughters routinely partner their Roth IRAs to make hard money loans to borrowers/investors needing quick short-term money. There is the woman who invested in her friend's innovative child and maternity clothing store, the women who partnered on a pre-construction purchase and another group who invested in a local startup tea company.

The Beardstown group had the right idea—educate yourself and invest in what you know. Although daily quotes of stock prices, P/E ratios and an endless supply of data on publically held companies are available, trust in the stock market has diminished. Alternative investments, on the other hand, require due diligence and a basic understanding of the workings of the investment, but have the benefit of a true sense of tangibility and control for the IRA holder. Which is better? Only the individual can decide.

What women should take away from this article is this: take a look at your network of acquaintances and your knowledge base. What do you regularly buy and what services do you use throughout your day? Is there something you or a group of friends could invest in that would be closer to home than shares of stock in a company you know nothing about? Knowledge, innovation and a broad view are the keys to investing successfully. Consider the power of making these investments within an IRA and take advantage of tax-free growth.

*Catherine Wynne is a principal in Entrust New Direction IRA, Inc., a licensee of The Entrust Group (TEG). TEG has been, since 1981, the leader in self-directed IRA, Roth, SEP and 401(k) administration. New Direction, in Lafayette Colorado, provides administration services as well as continuing education for tax and investment professionals and the general public. Website: [NewDirectionIRA.com](http://NewDirectionIRA.com).*





*continued from page 2*  
never exists until I end the investment by selling. As long as the property produces cash flow, the principle of the loan is being reduced and the local population is growing, profit is inevi-

table. This is the jewel at the heart of real estate that you will find nowhere else. Even a hobo under a bridge needs a piece of turf to occupy for a period of time. Unlike vinyl records, land cannot be replaced by new technology. Shelter is needed by everyone, everywhere, at all times and the earth makes new turf very slowly. Real estate renovation, cash flow analysis and property management are not sexy or easy. They take study, effort, patience and practice. If someone tells you that it is easy, any fool can do it and it will make you rich overnight, beware. Real estate will, in fact, make you very rich, slowly.

### Now:

Now is the time to buy real estate because sellers are competing for your money. You have opportunities to negotiate terms that will permit cash flow, in some cases without much down payment. In many cases sellers will carry a portion of the purchase price, scale payments to cash flow, share the risk, improve the property, guarantee the rents, include other assets, pay down interest rates or lease with option to buy. Avoid sexy property, the market is pushed from the bottom, not pulled from the top. If you have to live in a million dollar house, buy it now for half that amount and bank payments for a year. Remember that your home is not an investment, it is overhead and every dollar put into it kills an investment dollar and all the earnings you could make on it. Do not be affected by a sales pitch and remember that headlines are the highest form of salesmanship. Disaster sells on the front page, don't be a buyer. Sound real estate investment principles have not changed but the penalty for ignoring them has come home to roost. Sharpen your pencil and take solid investment advice from people who have what you want. Today is your once in a lifetime opportunity: never be stopped by F.E.A.R.!

*Magi Bird is the founder and CEO of Remcor Educational Systems; broker with Remcor Real Estate in Reno, Nevada; author and presenter of the "Basic Financial Solvency Series" and "Aggressive, Creative Wealth Concepts for the Experienced Investor;" an instructor for the Equity Marketing Specialist (EMS) Designation of the National Council of Exchangers; and a contributing columnist for several national newsletters. She can be reached at [magi@remcor.com](mailto:magi@remcor.com).*

## How Realtors Can Use the Power of IRAs and 401(k) Plans to Sell More Real Estate

With 78 million Baby Boomers moving into the early years of their retirement, and countless others socking away the bulk of their investments in 401(k)s and self-employment retirement plans, the question worth asking yourself is simple: "How easy is it for your clients or you to tap into retirement funds to purchase real estate or make real estate-related investments now, when the price is right?"

For years, many of us have been told incorrectly "it's not possible" or "it's just too complicated for the average investor." Today, thanks to the creation of administrative custodians and trustees who specialize in self-directed IRAs, the answer to this question is, "Yes, you can tap IRAs and retirement plans for real estate related investing, with no more administrative paper than it takes to open a broker-dealer account or your own IRA."

In fact, self-directed real estate IRAs and 401(k)s have been in existence for almost 30 years. These are the same IRAs and 401(k)s with which everyone is familiar, with a small but important twist: simply put, self-directed IRAs and plans allow for the full range of investments that the IRS allows, including real estate, notes, options, leveraged property and much more. The only investments not allowed are life insurance, collectibles and shares in sub chapter S corporations. You can transfer any IRA to a self-directed IRA, amend and restate an existing 401(k) plan or, if you're self-employed, even create a new plan that permits self-direction. You may also transfer a previous employer 401(k) plan to a self-directed IRA.

- Find a local third party administrator or a trustee offering such diversification.
- Then you can have them go through the simple process of transferring the accounts. If you have an old 401(k) where you used to work, you can directly roll those funds over to your newly-created self-directed IRA.

- You can also establish a new Individual 401(k), with this self-direction and with new generous contribution limits if you are in business for yourself. There are other plans available for the self-employed as well.
- For those of you with defined benefits plans, adding self-direction is just a matter of amending and restating the plan documents (if necessary)—a third party administrator or trustee can easily help you accomplish this.

Now you are ready not only to help clients leverage your expertise to diversify their retirement portfolios with real estate investments, you are also ready to build your real estate business. Educating your clients on real estate investing with a self-directed IRA creates lasting customer relationships, repeat business and valuable referrals, since people who want to invest (as opposed to those who buy and live in their real estate purchases) come back to use agent services again and again.

### *7 Ways You Can Harness Your Expertise to Tap the Power of Your Client's IRA:*

**Invest in Real Property Directly:** By creating a self-directed account, you can use your IRA and/or 401(k) funds to invest in an investment property directly. You direct the trustee to make the investment in your choice of property. When you see a property coming on the market you feel will appreciate and generate cash flow, you can make the purchase with your self-directed IRA.

**OPI:** Combine your IRA with Other People's IRA funds so you can make larger purchases or a single purchase of a larger dollar amount, be it a single family property, apartment complex or condos.

**OPM and OPI Combined:** You can combine your IRA, OPI and Other People's Money (OPM) to acquire the investment property that you want. Under IRS rules, each person/IRA receives an undivided interest in the property. All income is allocated directly in relationship to the amount invested by each person, IRA or 401(k). You can even include family members, as long as the transaction closes simultaneously.

**Leverage the Investment:** Yes, you can have leveraged property in your IRA or 401(k). The loan must be non-recourse to you as an individual, and yes, there are lenders who do this. Some community banks and savings associations who are portfolio lenders will make non-recourse loans on investment properties.

**Be a Lender:** Your IRA and 401(k) or other plan can lend funds to anyone who isn't your ascendant, descendant or spouse thereof. This is an important option to highlight for clients who may need additional capital.

**Finance other People's Commissions:** If someone needs cash now, you can have your IRA or plan buy their commissions at a discount rate relative to your payout to them.

**Construction Loans:** Your IRA or plan can be a builder.

These are just a few of the investments you as a realtor can make and help clients make using self-directed IRA and 401(k) funds. In all cases, all income goes into your account and expenses are paid from the account. Some of the expenses include those things associated with your property or other asset, such as accounting, property management, legal, maintenance and marketing fees. It is an additional source of cash to make your real estate business grow!

*Jaime Raskulinecz is CEO of Entrust Northeast, LLC. For over 23 years, Entrust has worked with thousands of individuals who elect to self-direct their IRA or 401(k) to acquire alternative investments such as real estate and other related assets. For more information on how self-directing your retirement plan works log onto our web site at [www.entrustnortheast.com](http://www.entrustnortheast.com) or call 888-857-8058.*



## Debt Be Not Proud

Americans are proud of our debt. If not, why would we welcome so much of it into our lives?

Shakespeare didn't think we should be so comfortable with debt, and neither did old Ben Franklin. Debt has become a habit with most of us, which feels impossible to break. Some even say our economy would go under if we stopped taking on debt. Sedition! Here's what would really happen.

Without debt, we would stop paying four times the sticker price for any item. We would have four times the cash in the long run. We would buy more stuff. Manufacturers would make more stuff for us to buy. Our kids would be burdened with less in college loans. When they graduated they would have more cash to buy stuff. The factories would open again. Workers would be in demand. Wages would rise and the workers would buy stuff, too. We would have full employment. People would give to charity, and we would stamp out hunger and cure cancer faster. See, every time you use your credit you are starving a child and delaying the cancer cure.

So what, as Ageless Millionaires, should we do about it? We should get rid of our debt right now. Today. But you are thinking, "You must be joking. I don't have the money to pay off all my debts." Who said anything about money?

### *Declare Yourself Debt Free*

Start by declaring that you will never, never take on any more debt for consumables. I'll write about investment debt, but that's for another day.

Cut up your credit cards, every one. Get a debit card, so you can pay at the gas station, hotel etc. The money comes out of the checking account-no interest, and you can't spend it if you don't have it. "What about the car I want to buy?" your little internal voice says, in a panic. Pay cash, buy used, get a cheaper car, and fix the one you have. Walk. But stop taking on debt. It's like a boat that takes on water and expects to float.

"OK. I can stop using cards, but I still have debt. I made a sincere declaration; I really will diminish my debt. But it's still there. You said I could get rid of my debt right now."



In the beginning there was the Word. Change the word and change the reality. Whatever you have left to pay off is no longer a living growing thing. It is already dying, because you will no longer use credit. Stop calling it debt. What should you call it?

I call my old debt Bruce. Pick a name. I also thought of Esmeralda, but it made me smile and didn't want to feel bad when she's gone. Now Bruce's days are numbered. Every week I watch as Bruce loses an arm or a leg, or a finger. I still have Bruce, but I have no debt.

### *The Demise of Bruce*

Here's how to finally get rid of Bruce.

1. Call all your creditors and ask for a deal. Ask for a reduction for any you can pay off immediately. If you save 15%-20% and can pay the lump sum, get rid of it. For all the rest, tell them you will change to a teaser rate card, if they don't reduce the interest rates. Keep calling; make three calls a day, until you get some one to say yes. Every little reduction in rate helps.
2. Get rid of stuff you don't want any more, like outdated jewelry. Gold is worth a lot; your Jewelry Channel chain looks like yesterday's news. TV buying shows name the jewelry, like pets. Get over it; you won't hurt that double Italian loop channel set chain if you sell it. Use the money to make an extra payment on your highest interest Bruce.
3. List every Bruce you have. Arrange the list three ways, 1) in order of highest to lowest interest rate, 2) largest to smallest principle left on the debt, 3) soonest to latest pay off date.
4. Pick one Bruce and get rid of it. Pay it off, pay it down faster, or use the stuff you sold to make a dent in it. Which one should you start with? That is a matter of taste. I use the smallest Bruce, others the highest rate, others the Bruce due soonest.

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- Once you have eliminated your first Bruce, use the same amount you used to pay down monthly, as an extra monthly payment on the next Bruce you plan to attack. Keep going. Eventually, all your pay off dollars will gang up on one last Bruce. All gone.

There are books, cds, and web sites devoted to this method. But what more is there to say. You'll pay off your debt years earlier, including huge mortgages, credit cards, etc.

### Tragedy

The fastest growing population going in to bankruptcy are those over the age of 65—they are mostly medical bankruptcies. Make a deal, call the medical debt Bruce, and pay it off like all the rest. If you must take a medical bankruptcy, see an attorney and work it out with integrity. Of that you can be proud.

*Adriane Berg is a founder of [www.generationbold.com](http://www.generationbold.com), a sales training and marketing consultant and international speaker on longevity and the baby boomer. Adriane is author of "How Not To Go Broke At 102: Achieving Everlasting Wealth," John Wiley & Son, 2008, [www.HowNotToGoBrokeAt102.com](http://www.HowNotToGoBrokeAt102.com), for a free excerpt. And join the Longevity Club, [www.longevityclubonline.com](http://www.longevityclubonline.com), FREE, dedicated to fun, friendship and finances in the fabulous decades ahead.*

## 5 Things You Didn't Know Your Cell Phone Could Do

### FIRST: Emergency

The Emergency Number worldwide for Mobile is 112. If you find yourself out of the coverage area of your mobile network and there is an emergency, dial 112 and the mobile will search any existing network to establish the emergency number for you, and interestingly, this number 112 can be dialed even if the keypad is locked. Try it out.



### SECOND: Have you locked your keys in the car?

Does your car have remote keyless entry? If you lock your keys in the car and the spare keys are at home, call someone at home on their cell phone from your cell phone. Hold your cell phone about a foot from your car door and have the person at your home press the unlock button, holding it near the mobile phone on their end. Your car will unlock. Distance is no object. You could be hundreds of miles away, and if you can reach someone who has the other 'remote' for your car, you can unlock the doors (or the trunk).

### THIRD: Hidden battery power

If your cell battery is very low, press the keys \*3370# to activate your battery reserve. Your cell phone will restart with this reserve and the instrument will show a 50% increase in battery. This reserve will get charged when you charge your cell phone next time.

### FOURTH: How to disable a STOLEN mobile phone

To check your mobile phone's serial number, key in the following digits on your phone: \*#06#. A 15-digit code will appear on the screen. This number is unique to your handset. Write it down and keep it somewhere safe. When your phone gets stolen, you can phone your service provider and give them this code. They will then be able to block your handset so even if the thief changes the SIM card, your phone will be totally useless. You probably won't get your phone back, but at least you know that whoever stole it can't use/sell it either. If everybody does this, there would be no point in people stealing mobile phones.

### FIFTH: Free directory service

Cell phone companies are charging us \$1.00 to \$1.75 or more for 411 information calls when they don't have to. Most of us do not carry a telephone directory in our vehicle, which makes this situation even more of a problem. When you need to use the 411 information option, simply dial: (800) FREE411, or (800) 373-3411 without incurring any charge at all. Program this into your cell phone now.

Print this and keep in your car, purse, and wallet.

## Investments to Support You in Today's Tough Times

The stock market is volatile. The sub prime mess has wreaked havoc on the economy. Gas prices are over \$4.00 a gallon. And good companies are in financial trouble. I don't have a crystal ball but could safely guess the state of the economy is not planning a turnaround anytime soon.

What does an investor do to not only survive but thrive in today's market? Who do you depend on to help you get there? What is your desired return? How much control do you have in your investment strategy, and most of all, are you ready to start getting those monthly checks in your mailbox? If so, read on.

"What is this investment?" you may ask. Consider three Magic Words that can change your financial strategy—Owner Will Finance. Seller financed loans, notes, leases and cash flows are alive and well and growing in today's market. They are back in vogue. Now you maybe asking, "What is she talking about?"

A promissory note is an IOU—a promise to pay. Sue wants to buy an Italian Restaurant from Sam. She goes to her lender. If her credit is good and everything checks out, the lender would make Sue the loan. She would sign a promissory note and put up the business as collateral for the loan. If Sue defaults on her payments, the bank can take the restaurant back and resell it to another party.

Today, we are seeing a lot of foreclosures and not just in the real estate market. The borrower who cannot make their payments and has signed a note and put up collateral will lose.

In the not so long ago days of real estate when interest rates were at 40 year lows, adjustable rate and even negative amortized loans were available on every street corner. Seller financing was a rare event.

Today, this is not the case. As appraisals change on a daily basis causing uncertainty from a lender's perspective, getting a conventional loan, unless you have near perfect credit, is impossible.

People still want to buy property, businesses, cars, cows and more. And they need money. When the owner of the asset is willing to finance all or part of the sale, the borrower is able to acquire what they need, and the seller gets top dollar and current income. The worst that could happen is that the borrower does not pay. The seller is just like the bank. They take back their property to rent out or resell.

This gives the seller who is willing to offer owner financing an edge in today's market. It also eliminates a lot of the fees lenders charge in loan origination. My first real estate deal was done in 1978 with owner financing. In 1988, I started investing in seller financed mortgages from those who would rather have cash from their owner financed transaction. In those days, we were able to acquire these notes at a decent discount which positively affected cash flow and return on investment.

Now more than ever, I would encourage an investor to know what they are doing before they lend money or buy seller financed mortgages. Whether you use your personal portfolio or your self-directed retirement plan as a vehicle to do this, now is the perfect time to investigate and see if this kind of investment is right for you.

Happy Investing! - Lisa



### About the Editor:

*Lisa Moren Bromma*  
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Lisa has been a real estate investor since 1978, a note investor since 1988, and a well-known marketing expert. She has consulted for some of the nation's top financial services industries in the private mortgage, business loans, and Individual Retirement Plans. Lisa has taught over 1,000 workshops and seminars devoted to real estate investing, marketing and business forums.

She is a professional member of the National Speaker's Association and sits on the board of the National Real Estate Investor's Association. She is an advisor to The Entrust Group, the nation's largest network of third party administrators. Entrust provides record keeping services for individuals who wish to truly self-direct their retirement plans to buy real estate or any alternative investment allowable by the IRS.

Lisa recently published two books by McGraw-Hill. *Real Estate Investing for The Utterly Confused* has motivated new investors with factual information told in her humorous and easy going manner. *Wise Women Invest in Real Estate* is a must read for 2008! Pick up your copy today! Both titles are available at [www.amazon.com](http://www.amazon.com).