C. Henning

Thank you, Jane. I’m happy to say that Susan is a Wi$e Up mentor with our program in Charleston, South Carolina through the Center for Women. She has her own real estate firm and is a realtor with Prudential Carolina Real Estate. Prior to her entering the real estate field, she and her husband built a career management consulting firm in Charlotte, North Carolina, and they ultimately sold it to an international career management consulting firm.

Susan’s business background spans more than 25 years of business development and human resources experience. She has appeared on the syndicated TV show *Woman to Woman*, has been interviewed by Charlie Rose in discussions on dual career couples, and has been quoted on the effects of job loss in the book *When Smart People Fail* by Carole Hyatt and Linda Gottlieb.

On a personal level, I found out that Susan has moved more than ten times in her corporate life. So I’m going to assume that she certainly does know a bit about buying, selling and moving.

Please welcome Susan Garcia.
S. Garcia

Thank you, Cindy, I appreciate it, and yes, I’ve – as a matter of fact, I’ve moved so often, in my first eight years of marriage, we had 11 different addresses. So I do come with a little personal experience as well, and I really wanted to address this whole area of buying real estate. It will be difficult to get into many specifics in the short time that I have, but hopefully we can address some questions.

I really wanted to approach it from a little bit of the same issue that Jane talked about, and that is you read and hear so much in the paper about this – Is the bubble coming in real estate? Should I join the frenzy? Am I missing out? So I wanted to try to chat a little bit about this whole real estate frenzy that’s going on right now because I – every day I have clients who are calling me, asking me the same kinds of questions. I wish I had a crystal ball about this whole bubble issue, but I don’t. I would like to try to share some thoughts and suggestions with you as to how to approach it in a more of a--I would call it--objective business approach to the real estate industry.

First, I might ask you to ask yourself why are you buying real estate. Is it your first home? Is it your last home? Is it to invest, either in a short-range investment or a longer-range investment? Is
it something that you hear a lot about today? Do you just want to
flip it? In other words, you want to make some quick money, get
in and get out, and what are the implications of some of that?

Now I’m not a financial advisor. As a matter of fact, when I turn it
over to Randi Grant, she’ll probably be able to address a lot more
of it; however, I do believe that you need to answer the question,
not only why you want to buy real estate, but more important, how
does it fit in to your financial goals? What is it that you are
trying to accomplish financially, at this point in your life, short-
range and long-range? I think that real estate should become part
of that plan for you, and not just get caught up in the frenzy of, oh,
I need to buy something.

In spite of what you hear and read today, because it could be
misleading, real estate is not what I might describe as a liquid
asset. For the moment, it sounds like, oh, people can buy it and
sell it pretty quickly and they can get in and out. Real estate,
however, is really a long-term investment. It’s not that liquid; you
can’t buy it and sell it that easily. There are a lot of rules. There
are regulations. There are tax implications, and especially
depending upon where you live. If you’re in a hot market right
now, you might be able to sell it more quickly, but there are a lot
of markets in the country where you might need to hold on to it much longer. So, hence, it really is not, and shouldn’t be considered, a totally liquid asset.

As a matter of fact, if you take a look at real estate over a person’s lifetime, especially since those people, since World War II, if you talk to your parents or your grandparents, they will tell you that one of their best investments--and especially one of their best investments that has provided money for their retirement--has been their home or their permanent residence. So as they got closer to retirement, if it weren’t for their home and having equity in it, they might not be able to retire as comfortably as they are now.

Actually the stock market has been a good one too, and again, I’m not a financial advisor, but over the long run, the stock market, as well as real estate, I think, have been some good long-term investments.

I would like to return to the question, “What are you trying to accomplish?” It’s important to set a goal or objective and to make real estate just one part of that financial goal. It will help you diversify, unless--and this will be one case that I think is different--unless you want to make real estate your career. And
not necessarily just being a real estate sales professional, such as myself, but someone who really wants to buy and sell real estate and earn money from it and make that part of your living. You may even want to become a developer and do new homes, versus buying, renovating, and selling and holding onto assets and building a real estate investment career. So that’s totally different, and I don’t really want to address that at all.

So let’s go back a little bit. Is this your permanent residence? If it is your permanent residence, is this your first home? You want to ask yourself questions. How long will I be living in that home? Are you going to buy a home so that you think you’re going to live in it for the rest of your life, or is it a home that you’re going to buy for two years or three years or five years? Then you know you’re going to sell it and you’re going to buy a larger home. Or you may be single and you may know that at some point you’re going to be getting married, and, at that point, you’ll want to buy a bigger home. You may be raising a family and those kinds of issues.

Those are important issues to consider and I’ll talk a little bit more about that in terms of how much money you have to put down, perhaps, and the implications of a mortgage and getting a
mortgage. Making that part of your plan again also is important because you’ll need to save money for a down payment.

There are a lot of loans out there today where you can actually get a mortgage with no money down, and there are lots of tools and ways to make that happen. It’s generally done with a first and a second mortgage, but you really need to understand how that works and the implications of that, particularly as it relates to how much your mortgage payment together will be every month and can you afford to do that.

The other thing is, if you lost your job, would you have enough money to be able to pay for both the first and the second mortgage, and the tax implications of that. There are some good tax implications, but if you can’t pay the mortgage, then I think you would find yourself in some real financial problems.

So it’s real important to put a plan together and try to save some money so that you can put a down payment on a home. The more money that you can put down as a down payment, the smaller your mortgage payments will be.
Also, and as I mentioned, some tax implications, and again, Randi will talk a little bit more about this, but as you buy and sell your permanent residences over a lifetime, you won’t have to pay capital gains taxes on it until your final sale, your last home that you’re going to buy. In other words, the equity will roll over to a new home and the taxes [will be] deferred until you sell that final home. At least, [that’s] my understanding right now, and Randi can clarify this, but that is the current law. The laws may change as the tax laws have changed over the last many years.

If you are buying an investment property, not a permanent residence, and you want to make some money in real estate, again you have to ask yourself some questions. Do I want to buy and sell it in a short-term timeframe, like one to three years, or do I want to hold it for a longer investment, and that could be five years, ten years, or fifteen years?

There are some ways to do that and minimize your tax implications at the end because on an investment in a second property and whatever, you will have capital gains and you will have taxes that you’ll have to pay on that. Although, there is a program out there--it’s called a 1031 Tax Break Exchange Program--that will allow you to roll over your equity or the gains that you’ve made on that
property and move it into a more expensive property, using that equity. It can never be less; it has to be more. There are strict guidelines to that program, in terms of how quickly you must buy a new property, how quickly you must close on your next property. So there are some very clear guidelines out there, but it’s a wonderful tool and lots of people are using it today for investment properties.

Then, if you’re of the age that you are approaching retirement, you can also consider using your real estate to do a, perhaps a reverse mortgage on your home or use those dollars in your current home to invest in an assisted living community. I’m not going to touch on those at all, because of the timeframe, but certainly, that may be another option.

E. Hoffman Can I just say, this is Ellen Hoffman, apologizing for getting the time mixed up and I’m here now.

S. Garcia Okay, this is Susan Garcia, and I will be finished very shortly, Ellen, and we can jump back to you, which I know is a little backwards, but since I’m just about finished, why don’t I continue?

E. Hoffman Absolutely.
So one of the things I had mentioned is buying a home, and thinking about saving some money and how much money you can put down, because the more you can put [down] on a home, the lower your mortgage payments will be. You also might want to be able to consider a variable [rate] mortgage. You know, a traditional mortgage has been, you buy a home and you get a mortgage for 30 years. There are also 20 years and 15 years. The interest rates will vary depending upon how long you keep it and how much money you can put down. The higher of those two things, the less your interest rate will be.

The other option is to consider a variable [rate] mortgage, or an adjustable [rate] mortgage as they may call it, and if you know you’re going to be selling your home in one to three to five years, then you might get an adjustable rate mortgage so that, when you sell the home, the interest [rate] might be lower now and then you can sell the home and not have to deal with the longer-range mortgage.

What I suggest always, before you begin to look at property, is to talk with a mortgage broker, and share with them a little bit about what it is that you’re trying to accomplish and what are the variety
of loans that are out there. There are so many programs today that are very creative and very different and will fit exactly what it is that you’re looking for. You can go through a mortgage broker at a large bank or mortgage company or there are independent mortgage brokers out there to talk to.

The other piece of advice I would like to suggest before I close here is that your accountant should really be your partner in this. If you have one and particularly if you’re going into real estate and you’re going to use it as [an] investment, I would really suggest that you have one. They can help educate you also, as well as your mortgage broker. Realtors can also help you, as well as just simply buying some books and reading about buying a home, whether it’s a first home or an investment property--the tax implications--because not only should you plan buying a home, but as part of even a business plan--if you’ve ever started a business--a good accountant will tell you, you should always have an exit plan also. In other words, it’s great to get and start a new business or buy a new home, [but] how are you going to get out at the end, and what are the implications of that?

So make it part of your financial plan, study and learn a lot about it, and do it in a very planful way. Those are the end of my
comments, and I don’t know, Cindy, if you want to introduce Ellen, or –

J. Walstedt Actually, Susan, Cornelia Moore is going to introduce Ellen, and I wanted to thank you. Particularly, I want to emphasize that it really struck me, the comment you made about if you lose your job, and making this part of your overall financial goals. And really, the underlying thought there is build an emergency fund into your goals so that if you lose your job, you’re able to make those payments. Now let me turn it over to Cornelia Moore to introduce Ellen Hoffman.