



INVESTING IN REAL ESTATE TO BUILD PERSONAL AND GENERATIONAL WEALTH

Many real estate investors invest for today. The ability to meet living expenses, establish savings or managed accounts, and fund their “nest egg” for retirement. Personal wealth covers a finite period, but what of the generations to follow?

Becoming a limited partner in a real estate syndication will enable an investor to look beyond their financial security and look to the financial security of their descendants. Sound investments will generate a passive income stream and capital appreciation to achieve these goals for today and tomorrow.

This article focuses on achieving financial independence and generational wealth with scalable and repeatable investments for individual investors. Through wise investment strategies, real estate investors can create passive income streams for their lifestyle and that of their descendants.

KEY TAKEAWAYS

- The goal is for passive income streams to supplement an investor’s lifestyle and flow to future generations.
- Generational wealth is a legacy.
- There are three strategies to create both personal and generational wealth.
- A real estate syndication has the potential for the highest returns but with the most risk.
- REITs hold stabilized commercial properties over the long term.
- Investing privately will take more of the owner’s time and involvement in a property’s operations.

What is Generational Wealth?

Generational wealth is not financial freedom. Living a comfortable life now and in retirement differs from sustainable resources and cash flows extending past retirement years.

Financial independence is personal wealth today; generational wealth is a legacy.

The Parallel Effort

Establishing a comfortable life and creating a legacy can be a parallel effort. Investing in real estate is the least volatile way to accomplish these goals. The three strategies are:

- invest in a real estate syndication,
- invest in a Real Estate Investment Trust (REIT), and
- invest in a multifamily property.



These strategies are discussed below.

1. Invest in a Real Estate Syndication

Syndications are pools of investors with the leverage and access to larger properties that would typically be out of reach for a private investor. Syndications are used to acquire large commercial properties, primarily targeting high-value multifamily communities. The structure is typically an LLC or a limited partnership where the general partner provides the expertise and most risk to achieve a successful investment. The limited partners invest only capital.

Each created entity focuses on one property.

Syndications have an exit strategy. The general partner will invest the pooled capital to purchase a multifamily community, upgrade the units and common areas, and sell the property when it stabilizes at higher rents. The sale will generate the projected high returns because of the value created through the renovations and upgrades.

A limited partner will evaluate the project over the entire holding period and will see the projected returns throughout the holding period. The limited partner will own a share of the real estate, but the real investment is in the track record and confidence in the general partner.

2. Investing in a Real Estate Investment Trust (REIT)

A REIT is a company that manages and holds income-producing properties over the long term without a planned exit strategy. The investors in a REIT own stock in the company and not an ownership interest in the properties. The stock is available on major exchanges and offers market-aligned returns.

REITS will add diversity and wealth to an investment portfolio. The properties targeted by REITs are smaller than the targets of syndicators. The properties of the same asset class are bundled and sold in a portfolio, not separately.

The investment strategy of a REIT is to invest in stable cash flows without the risk of creating value.

3. Investing in a Multifamily Property

By definition, a multifamily property is a commercial property with more than four units. When a multifamily property is owned privately but managed professionally, the risk of a \$0 cash flow is minimized. A single-family home will have a \$0 cash flow between the time when a tenant moves out and a replacement is found. The higher property management fees will offset the \$0 cash flow risk.



Although the income stream could remain in the passive category, owning a smaller multifamily building will require more of the owner's time dealing with operations and management issues. Even with a professional third-party management company, there will be decisions, and the managers will look to the owner for direction.

Conclusion

Real estate is the best investment vehicle to create long-term passive income that will increase over time because of appreciation and natural scarcity.

The steady cash flow of a REIT or holding a property long term will lead to personal wealth and financial independence today.

The syndications will achieve a much higher return rate when a property is sold at a profit after upgrade and renovation. This cash windfall will establish generational wealth by reinvesting the cash in other opportunities or investment mechanisms.

Real estate is the best path to build both personal and generational wealth. The passive income streams can be as steady as a well-diversified portfolio will allow. Generational wealth is the natural byproduct of investing, hedging, and sound estate planning.

Investing with REM Capital Partners

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