Speaker 1:	00:00	~~Hmm.~~
Anjali:	00:14	Hi everyone. Thanks for tuning in to today's episode of money checkup where we take a deep dive into matters related to money, business and personal finance. I'm your host Anjali Jariwala CPA and certified financial planner. My guest today is Christina Woo. Christina is a top realtor in the San Francisco Bay area with over 20 years of business experience. Christina, welcome to the podcast.
New Speaker:	00:37	Thank you so much. It's nice to be here.
Anjali:	00:40	So I'd love for you to tell our listeners your story. You went to Harvard, got your Mba from there, you worked in management consulting at Bain, and then you were an equity researcher for Morgan Stanley for a number of years before you transitioned to real estate. So tell us how you decided to make that switch and why.
Christina:	00:59	Sure, so as an equity research analyst, my job was to move the stock market and to predict future valuations. So I was restricted from trading freely in the stock market and turned to real estate investing instead and became hooked. I bought my first piece of real estate in 2005 and my second real estate investment follow just three months after because I really started understanding the power of this asset class and enjoying it as a hobby. I started teaching personal financial planning and got really interested in the financial engineering and tax advantages of owning real estate. So I saw this asset class as a way to create some wealth. I paused my Wall Street career to focus on having my two kids and so when my son was old enough to attend preschool, I decided to become a real estate agent with a business model of really serving my clients as a real estate concierge. So bringing to the table this analytical background that I had from my years in management consulting from the Harvard Mba experience and from Wall Street in addition to my understanding of taxation and personal financial planning, thinking that I had been through a number of transactions, I could potentially serve my clients with the level of detail that I hadn't necessarily experienced myself. And that's how I started my official career in real estate. Many years after I bought my first property.
Anjali:	02:40	Wow. What a great story and so many different life transitions and that as well. So something interesting with your background is you kind of worked on Wall Street, worked in the stock market, have a knack for real estate and we're recording this at the end of December. And markets I would say are in complete

turmoil right now. And so I'm, I'm having a lot of client calls and you know, in general I'm having clients who are just scared around investing in the stock market. But there's something about real estate, it's an asset class that people seem to find a lot of comfort in and it's what my clients are really drawn to. Why do you think that is?

Christina:	03:22	I think it's partly because it's tangible. You see and feel the land beneath you. You see the house itself or the property and there's a comfort to being able to actually touch it and walk through it. But also there's the realization that everybody needs to live someplace regardless of where we are in the economic cycle. So there's always going to be demand for housing. I also think that an important component of real estate investing is the financing piece. So for many of your clients, they're likely very well qualified. They can use debt when purchasing real estate. So the return on the capital employed can be very strong when measured based on the cashflow, which is the income you're generating relative to the cash that you've invested. So for example, if I buy a $1 million property, but I put 20% down, I have $200,000 of cash invested in that property. If that property generates $2,500 per month in net income, or $30,000 a year, I'm generating a 15% cash on cash return on my $200,000 investment. And that's something that comes in every month as long as it's tenant occupied. But it's much more predictable then investment staying in the stock market where you buy some shares and you hope that the board of directors of that company and the management team, either that, that they're aligned and they're making smart decisions with your money.
Anjali:	04:54	Right. And for our listeners, Christina mentioned cash on cash return. So that's something that we will decipher a little bit later on. So I guess what happens when you sell that property? The one that you just talked about in your example.
Christina:	05:08	So what I do love about real estate investing in particular, is there two different streams of benefit from real estate? One is the rental income that you receive on a monthly basis. The other is the appreciation that you can take advantage of when you sell the property. When you sell it, you can use a 10 31 exchange. I know that that's a topic that you wanted to talk about in order to defer the capital gains tax that you would incur on that property. Do you want to talk about that now?
Anjali:	05:39	Yeah, let's talk about it. So what's a 10 31 exchange and how does it work?

Christina:	[05:43]	So it's basically a way to defer capital gains taxes. You have to exchange like for like property, meaning that if you have an investment property, you need to exchange it for another investment property. This doesn't mean that if you have a house you need to exchange it for a house. Or if you have a townhouse, you need to exchange it for a townhouse. So there's some flexibility. But both, both properties, the relinquished property as well as the replacement property need to be classified as investment properties. And the way to defer your capital gains is you don't ever want to touch the money. So the proceeds that come from the sale of that property, you use a 10 31 exchange accommodator to help you handle the transaction. So when you sell a property, instead of having that money, wired it into your account the money goes to the 10 31 exchange accommodator. Once you sold the property, you have 45 days to identify replacement property and you have 180 days from the close of sale, that first property to close on the replacement property. But if you follow all of the rules, which include the replacement property and needing to be of at least the same value or more as the relinquished property, then you can defer all of your capital gains taxes. And this is a really powerful tool that's part of real estate investing. The other element to factor in is real estate for now has a step up basis when you pass away. So let's say you buy a million dollar investment now it's worth $10 million by the time you pass, and you've probably written it all down where your cost basis is zero. Your heirs to your estate would have an appraisal done as of the date of your passing. If it appraises for $10 million, that would be the new cost basis on which they would pay any capital gains tax. So there are some tremendous benefits to investing in real estate because of the step up basis and the fact that you can just use that same pot of money cycle through, have it grow for you, and generate passive income while avoiding paying capital gains taxes. So that's a 10 31 exchange.
Anjali:	[08:10]	That's great. So much good information in there. So I'm gonna decipher a little bit of it for our listeners who are not as familiar with these terms. So capital gains tax for our listeners is essentially the preferred tax rate. So if you hold something for more than a year, it could be taxed at a lower rate. So 15% for high income earners, that rate can be as high as 23.8% so with the home, if you purchase a home and you live in it for two out of the last five years, when you sell that primary resident, you can essentially exclude up to 500,000 of gain if you're married or 250,000 correct, if you're a single, unfortunately for an investment property you do not have that same benefit. So if you have an investment property which appreciates and then you decide to sell it, you will pay tax on that gain. So this 10 31

		tool is, is such a great way to essentially, as Christina mentioned, differ. So you can essentially keep deferring that gain up until a certain point in, you know, if it ends up being low as property before you pass away, step up in basis, meaning that it's inherited by a child or whoever gets that property and the value is the same as the cost. So if the child then liquidates at that point, they essentially pay no tax on that.
Christina:	[09:28]()	That's right. The other thing to insert here, which is incredible, there's a super tax benefit. If you live in a property for two of the last five years and you haven't taken one of these $500,000 capital gains exclusions, you convert the property to a rental property and then you sell it within that five year period. So say I lived in a property 2014 to 2016 I turned it into a rental. I sell it in 2018 if I lived in it as a married couple, I get the $500,000 that I can take from that transaction and that is tax free and the rest, if there's gain above the 500,000 I can do a 10 31 exchange with the rest.
Anjali:	[10:18]()	Oh, that's a great point. And an excellent tax planning tool. That's another reason I really like real estate investing is because there's so much tax planning that you can do around it and I'm a little bit of a tax nerd when it comes to things like that.
Christina:	[10:32]()	That's why we get along. Me Too.
Anjali:	[10:34]()	That's true. If there's a tax angle, then you and I will definitely find it.
Christina:	[10:39]()	Yes.
Anjali:	[10:41]()	So someone may be new to this space. Who's interested in real estate investing? How do they go about finding that right property to invest in? Or is there even anything that's considered a right property and nowadays
Christina:	[10:54]()	that's tough because the right property is going to be so dependent on what the client's goals are. So when I meet with clients, I really start out by trying to understand those goals. In many ways I feel like you and I wear similar hats where most agents don't necessarily delve into this, but I want to understand the bigger picture of how real estate, whether it's a primary residence or an investment property, fits in with the bigger picture of the client's goals. Does someone want to own real estate for the monthly cashflow for example, because they, they want to alleviate some of that burden each month. Are

they really looking for appreciation where maybe the cashflow, maybe it's even cashflow negative and they're paying into it, but they've, they're taking kind of that big bet on an area increasing in value pretty significantly. Some people want to buy a property that's a second home that they on occasion, but they also want to rent it out. So when you talk about the right property, the right property for me might be very different from the right property for you and we have to start off by understanding what the ultimate goal is. Once we understand that though, then I'll often interject my own ideas. Usually these are things that I wish someone had told me when I was first starting off buying property and the search will begin. So I use publicly available information, but I also tap my robust network of agents and investors. Not just throughout California, but I do a lot of investing across the United States. I own property in nine different states and often try to find off market opportunities that are strong fits for my clients based on what's right for them. I would say about one third of my business is handled off MLS, meaning that I find opportunities to get my buyers or sellers into contract on a property before it's ever posted on any public website like a Zillow or Redfin.

Anjali:	13:04	That's great and it's interesting that you talk about real estate outside of the home state because I think a lot of people get caught up in trying to find a property near where they currently live and that may not be feasible. You and I both live in California, housing prices here are ridiculous to say the least. So California may not be the ideal state for an investment property, but that doesn't mean that there's not opportunities outside of California. There's probably a lot of opportunities in other areas that we may not think about. Just if we're thinking where to invest next.
Christina:	13:40	That's right. I also think, at least for me, when I had real estate investments locally, I manage them myself. I found my own tenants, I was the one that the tenant would call when the glass shower door mysteriously just broke and, and I was the one on my hands and knees cleaning up that glass and you know, finding the vendor. What I appreciate about out-of-state investing is not only are the cash flow dynamics better in those areas where I'm investing, I have more of a diversified portfolio. The price points are lower, but I also outsource the property management, so I'm not the one finding the tenant and posting the photos on craigslist and interviewing people. I pay other people to do that. And even after doing so, still generate really strong returns. So I know that for some people, buying a property out of state feels very stressful because they don't necessarily understand the market. I think this is where being a

strategy consultant comes in because I was hired to come into a new industry or a new situation, get up to speed very quickly and figure it out. And that's what I've done. And some of the other areas where I've invested, where I've gone, I've, I've seen the properties myself feel really comfortable with the demographics and the dynamics and the numbers. And for me it's actually, it relieves my stress that the property isn't right next door because I have someone else dealing with it. I can't deal with it. I can't fly out and clean up glass off of a bathroom floor.

Anjali:	15:23	Right.
Christina:	15:24	And I don't want to. And having it be out of sight, out of mind and me collecting the rent checks each month is actually much less stressful then owning property locally for me
Anjali:	15:37	Right no those are all great points. I think that's the other nice part is there's a lot of flexibility in the types of properties. I have a client who loves to fix them up himself. So he'll buy an investment property and it needs a lot of work and he will go in and do all of the work himself. And he has a sense of pride in doing that. And, and that's, that's him, that's his personality and it totally works. And then there's the flip side, like you're talking about the turnkey investment solution and it's nice that all of those various opportunities can exist in this asset class. We talked about kind of using that information in identifying the properties. Once you have identified certain properties that would be good for a client, what are the metrics that you're looking at and you could define those key metrics in terms of real estate investing.
Christina:	16:27	Yeah, so I do a lot of work on what's happening locally to make sure there's job creation. I understand the rental market. I dive deeply into those components to get comfortable with the idea overall, but then we look at some of the specifics and that's where some definitions come into play. We had already talked about the cash on cash return, which is one of them, and the cash on cash return is a good ratio to use when thinking about whether to invest in a particular real estate holding or a different investment opportunity. The way that you look at it is you take your net operating income and compare it to the amount of money that you've invested in the asset. So the example I used earlier was this fictitious million dollar property where you've put 20% down to $200,000 as your down payment and every month you're generating $2,500 in net income, which means that's the income after you have paid for your expenses, like property management fees, property taxes,

your insurance, any mortgage payments, maybe a homeowner's association, payments, cleaning and maintenance, like everything that you think of throw in there as your expenses and your net operating income is what is left. So thinking about the net operating income on an annual basis in our, in our example, if we're collecting $2,500 per month, that's $30,000 per year in net income, $30,000 per year divided by the $200,000 that we invested as the down payment. If those are the actual numbers, you're generating a 15% cash on cash return. And that is great.

Anjali:	[18:29]()	And that's that. The power of leverage that you had talked about.
Christina:	[18:31]()	that's right, that's right. And you would think about this, remember this, this excludes any assumption about the appreciation of the asset. So this is just what you can count on as long as your estimates are, are correct, but you would use your cash on cash return to think about, well, should I invest in this real estate asset or should I invest in a bond or should I invest in stocks? And you would look at the expected return investment in those other asset classes to make your decision. Another key definition to review is the cap rate. So the capitalization rate, it's a valuation measure and basically you calculate the net operating income of the property just as we had done, you know, the 2,500 a month or 30,000 a year in our fictitious example. And you think about that as a percent of the properties original cost. So the reason you do this is to compare cap rates across different properties. Trying to see, maybe you're looking at five different properties. And one way to narrow down the field is to pick the cap rate that's the highest or higher. Those are going to tend to be more attractive investments. And so a lot of real estate investors, one of the first things they ask, like when I, when I'm representing a property for sale and I'm talking about it with an investor or another real estate agent, they will immediately ask what's the cap rate as investors and as an agent representing my clients, I will often ask that, but I want to see the detail behind it. And then I pressure test each of the assumptions behind it. So if they say that I can bring in $5,000 a month in rent, I asked to see the leases for example, that show that that's actually what was collected. And then I'll go and research myself to make sure that similar properties in that zip code are generating at least that much in rent a pressure test each and everyone of the different assumptions on the expense side. And usually, and this is where my Wall Street geekiness comes in, you know, I'll have the bear case, the base case and the best case so that people really feel comfortable not just relying on what someone says is the cap

		rate, but looking at the range of possibilities of elements like cap rates and cash on cash returns when I'm offering that advisory service for my clients.
Anjali:	21:04	That's great. I think a key point you bring up is needing to due diligence and not necessarily taking, I guess the the initial data presented with a grain of salt because I'm similar when I'm helping clients assess rental properties, I'll redo the cap rate with the assumptions that I see just to make sure they align and there's not things in there that are overinflated because clients usually want to see what's reasonable or a worst case scenario, not overinflated numbers because that doesn't lead to good results for anyone involved.
Christina:	21:38	That's right. That's right. I want people to be happy with this investment for the long term, not just for the one transaction where they're excited to get into something and then wait a minute, but it's vacant or the actual rent is lower, or the property taxes reassessed because there was a transaction and now it's higher. That's a big factor that I think a lot of others forget
Anjali:	22:04	right no that's a great point. So talking about real estate investing, a big component of it is qualifying for financing. So one of the metrics related to that is, is this concept of debt to income ratio. So could you explain to our listeners what exactly that is?
Christina:	22:22	Yeah, so banks, mortgage lenders will calculate how much money they feel comfortable allowing someone to borrow by looking at your income and your existing debt. So to be in the best position to invest in real estate, you really want to focus on generating strong income and to be really smart about what debt you carry. So that's a really important component for banks because if they don't feel like you're generating enough income to pay that mortgage, that they don't want to take the risk on you. So that's the debt to income ratio. Each lender has a different number that they use and there are some exceptions that can be applied. So I, I love how you get involved with the mortgage aspect on behalf of your clients to make sure that they're taken care of and you know, to really understand the risk. But that's one of the key components that a lender will look at is that debt to income ratio.
Anjali:	23:23	So why don't we get into financing then a real estate investment. So what does financing look like for investment properties? What do you see? What are the types of loans you, you tend to, to recommend to your client base?

Christina:	23:37	Yeah, so I, I tend to buy my properties with interest only loans. And this, this is kind of funny because I started investing in 2005 right before the financial crisis meltdown in a lot of that meltdown had to do with defaults on mortgages.
Anjali:	23:55	Right? Which is why it's harder to get a mortgage nowadays than it was prior to that time.
Christina:	24:00	That's right. That's right. Prior to that time, it's just like, trust me, I make tons of money and the bigger dog and say, okay, how much do you want here
Anjali:	24:08	It is a little different now, which is why I ended up getting so involved just because I've pressed as can be very cumbersome for a lot of clients, especially if it's their first home.
Christina:	24:20	That's right. That's right and that's why you have things like the debt to income ratios that the banks look for, but even with all of the scariness and the headline, news of interest only loans are terrible. You're not building equity. These are actually the type of loans that I love because I'm very disciplined about making sure that I can afford everything that I buy. So what an interest only loan is. The bank is just charging me on a monthly basis the interest that I owe them for borrowing the the underlying money and I'm not paying back any of the principal. So what would happen is when I sell the property, that's when the bank would get all of its principle back. Or if I just decide to pay off the loan, I just write a check for the principal amount and then I own the property. You know, without that, that mortgage. But by not paying off the principal on a monthly basis, my mortgage payment for these investment properties and even my primary residence is really very low. And that means I've got more capital to invest. You have to remember, you know, old school, my mom, when I talked to her about interest only loans, she was really confused. She's like, wait, but you're smart. You went to Harvard business school, you're not building equity right when you're using an interest only loan. Right. And the way that I explained it to her was, but mom, just because the bank is forcing me to pay some principle every month into the house, what if I took that money that I'm throwing into the house and put it just into a basic, you know, higher yielding, checking account at at 1%. At the end of the 30 year period, I will be better off because I will have set aside all of the money that I owe the bank. But during that time I will have been earning 1% on a compounded basis on my money. So at the end of the 30 years, I've actually built more equity by being smart and disciplined, not frittering away the money I would have otherwise put into principal on, on other things, but

being, being disciplined. And if I go to sell the property, no one ever says, oh well how much do you owe on the property? That doesn't factor in to what the market value of the property is. So it's actually smarter to structure your financial engineering if you are disciplined to save money and not get in over your head where you're taking on way too much debt. And the bank will help with that, which is why, you know, they have these regulations in place. So I finance my properties, investment properties as well as you know, my primary residence with interest only loans

Anjali:	27:11	and, and you and I have talked about interest only loans, especially a lot recently. And the concept I love that you have brought up is, is the discipline, you know, we, we talked about this before where it's the concept of if you're going to do interest only then make sure the amount that would have gone to principal, you're really doing something with that and not just spending it. So if you tend to be someone who spends the excess money that you have there, then they interest only may not be the best option, then you may want to go with your traditional principal and interest because having a forced savings mechanism there in terms of building the equity.
Christina:	27:48	That's right. One of the other fascinating elements that I have found because I have lots of lending relationships. Sometimes the interest rate on the interest only loans is actually better than the interest rate you can get on a conforming loan.
Anjali:	28:05	Oh, that's really interesting. Why do you think that is?
Christina:	28:08	So for the conforming loans, especially for some of the properties that I've been investing in, Fannie Mae, Freddie Mac loans, the interest rates are more like five and a half, 6% for those investment properties. And it's a principle and interest payment because of the loan size and just what, you know, the banks have to offer if you qualify for an interest only loan. And I will, I will add that not everyone does, you have to have a certain asset backing you because the bank is taking on a bit more risk. But those ended up being portfolio loans where some of the backers like, you know, Bank of America or Morgan Stanley, they're underwriting the loan themselves. They're not using government funded Fannie Mae, Freddie Mac dollars for those. And those interest rates are lower. So, uh, comparison. My clients who are buying some properties now, we secured 3.25% interest only, but if they were to underwrite this with a principal and interest loan, it would have been five and a half percent.

Anjali:	29:14	Wow. Like you said, huge material difference.
Christina:	29:17	Huge difference on the cashflow and and like you said, okay, well if you feel like you don't have the discipline to set aside the money that would otherwise go to principle and you qualify for the interest only loan, why not get the interest only loan force yourself and say, well, every month this is how I'm going to pay my mortgage, I'm going to pay some to the bank and then every single month I'm going to set aside some and send it straight to you so that you can invest it for them.
Anjali:	29:50	And I love that. I'm a big fan of it's setting up automation of savings, whether it's in this respect, whether it's funding certain cash bucket. I think that's a really great point. I think a lot of times if you just set it up automatically and it either comes out of your paycheck or comes out of your bank account and you don't have to go through the process, it makes it much easier and people don't realize that you're not really going to miss the money. It ends up being a small amount and now you're not spending it, you're saving it instead. And you brought up a lot of great points here that the loan, you talk about, the conforming loan is the investment property loan, which banks usually deem as riskier, which is why the rate on that tends to be higher than something like a primary residence. And usually with those investment property loans, you also have to put a higher percentage down. So going back to that leveraging of money, the investment traditional type of loan may not be in someone's best interests. So if someone having a really good understanding or utilizing someone like you to help them explain the options I think is so key because that might actually make a difference in terms of whether a property is deemed a good fit. In terms of whether it's cashflow appreciation or whatever the end goal is for that person.
Christina:	31:01	That's right. That's right. It's one of the reasons we'd started off the podcast by talking about my background, my interest in financial engineering, my interest in taxation, the background that I have in strategy. So as I dug into real estate as an asset class, I was realizing for some lenders you can actually pledged your assets. So my husband and I have purchased properties in the past where we've put zero money into it. We have gotten 100% financing on an interest only basis or put very little because the banks will allow you to say like, you know, I created a bucket of different stocks for instance, and played those to say I won't touch these stocks during the course of owning the property or owning the mortgage, but the bank feels comfort in lending me more money because they know that they're holding onto the stocks for me and if something goes awry, they

		might have a capital call and say, oh, your stocks decreased in value. Either put in more stock or pay towards the down payment, but if you're really smart with how you understand the different financing engines that are available and and financing tools that are available, you can put less money down. What that means. Remember we talked about cash on cash returns. Some of our investments, we've got a 10% down payment. They're generating 29% cash on cash returns because we don't very much in, we got great interest rates and the rental income is really strong.
Anjali:	32:46	That's great. Another great planning tool for people to consider. I'll caveat that by saying he's use an expert who knows this space well such as Christina because there is a lot of complexity around this, not only on the real estate side but the lending side, so really making sure you understand all the components involved so you feel like you're making the best decision for yourself.
Christina:	33:11	Well and I like how we team up to talk about that to make sure that the client will feel comfortable with it, but it's nice to know that it's an option because a lot of people don't realize that using something like pledge accounts is an option.
Anjali:	33:27	Right, right. Especially for people who are little bit further along in their careers and they have that taxable bucket of money laying around knowing that they don't necessarily have to liquidate that to get a property. They can pledge that and you get the best of both worlds there.
Christina:	33:43	That's right. Your money's still working with you and the stock market or the bond market. Plus you've got your real estate asset working for you,
Anjali:	33:52	So you know, we're in market turmoil right now. Another topic that I see come up a lot in my client base and we hear it in the news all the time as well, is this concept of a housing bubble that the housing bubble is coming, all prices of everything will fall dramatically. I live in southern California in a beach town. I have not seen that happen for the two and a half years we've been here. So I wanted to pick your brain on that. Like what is your thoughts when you hear about housing bubbles and is it really a bubble or do you think it's a little bit more of a media hype more than anything else?
Christina:	34:28	Look, I think that there are fluctuations in every market and the housing market is not immune from these fluctuations. As interest rates rise, it takes sometimes a little while, but housing

prices tend to fall because people qualify to borrow less money. I live in Silicon Valley and I see and have witnessed when certain technology stocks are having a pullback, those weeks are better to be a buyer in the real estate market locally. I've had clients check their RSUs, you know, as we're thinking about bidding on properties and they're saying, oh my gosh, well Google or apple or Linkedin or whatever the stock is that they're tied to Facebook, it's, it's, it's down. So I can't bid as much.

Anjali: 35:22 How interesting. And definitely a phenomenon in that area specifically. I'm sure

Christina: 35:28 that's right. But even with the cycles, real estate comes back because people always need a place to live. We had purchased a property in San Francisco for $760,000 it was a two bedroom, two bathroom Condo, and a similar property sold fairly shortly after we had closed on our property. You know, this was in the, the turmoil of 2007 2008 and it closed for $619,000 and I think our families were, were, were nervous and worried, but we weren't, we were like, wait, we like the property where we live. It's an amazing location, close to everything. We feel comfort and with our home and I'm not in a position where I need to sell my property today for $619,000 we weathered it and we kind of ignored that noise because unless you're selling your property or need to sell it right then and there, it doesn't really affect you. You just go on, you agreed to the terms of the mortgage. You, you know, hopefully appreciate the property, whether you're living in it or it's a rental and you wait and we waited, it bounced back. We sold it for over one point $1 million later and everything was fine. So even if there's a housing bubble, the bubble bursts, well new bubbles are forming to take the place and because everyone will always need a place to live. I feel more comfortable continuing to invest in real estate as an asset class.

Anjali: 37:12 And I think that goes back to the concept that you mentioned earlier where there's comfort in it because it's something tangible, right? It's something you see, it's like a physical building that's there versus a lot of the stuff that we do on the market side is much more conceptual. So I think that's the added comfort that ties in with this concept of, of a bubble and whether people should be super worried about that.

Christina: 37:39 Well and I also think that when there are times of economic uncertainty, you read the headline news, I think it is cause for anyone to be a little concerned and troubled. And during times of uncertainty, people just freeze. They don't want to make decisions, but they still need a place to live. So rental markets tend to strengthen because fewer people are buying properties. Maybe they're concerned about job security or interest rates, whatever the combination of concerns, they still need to live somewhere so they rent and basic laws of supply and demand. There are only so many houses and if you have a lot more demand for rental properties, that's going to help boost rental income.

Anjali:	[38:32]()	That's a great perspective. Something really interesting to think about when we think about real estate investing is looking at both sides, people who occupy versus people who rent and how there can be opportunity on either side, even if markets, seem to say otherwise.
Christina:	[38:49]()	That's right. That's right. So I continue to buy property even as interest rates are rising, I'm always on the lookout for different opportunities and, and I'm pretty actively buying real estate now.
Anjali:	[39:04]()	Yes. And in in general, even though interest rates are rising, it's still very low compared to what we've seen over the history of mortgage rates compared to our parents' generations who are, they are probably on 10% or more. Right? So this is still, it's still very, very low. Even though people I know get a little caught up in, in that, I mean it's a little higher than it was a year ago, but it's still very low compared to historical averages.
Christina:	[39:30]()	Well and also remember that you can always refinance your property if you feel like, oh, I'm not going to buy right now because rates are high, I'm going to wait for rates to drop. Well maybe you buy now because when rates are higher, prices tend to be a little softer. And when interest rates drop, just refinance.
Anjali:	[39:52]()	That's it. Great tool. I know my husband and I did that for our first place we bought in Chicago, which was also post oh eight say no one was really getting alone. So we got our place for pretty cheap and then rates ended up falling even more and we refinance, no problem and security in that lower rates. So that's always a really, really great tool that someone could have at their disposal. And depending on the lender, you know a lot of lenders will, we'll do those for free, especially if they're working with someone like you or me and there's already a relationship built with that lender.
Christina:	[40:24]()	That's right. So I monitor interest rates. I'll sometimes ping my clients to say, Hey, I know you locked in a higher interest rate and just be very proactive in letting them know they may want

to consider refinancing or also letting people know, hey, your equity value is up over 500,000 just remember the capital gains.. It might be time to think about pulling that money out of of the house. So I try to think back and really think about the long game with each of the clients in my work.

Anjali: 41:01 That's great. Something else that I had wanted to get your thoughts on is when an investor is looking at an investment property, what should they focus on? Because what you focus on in an investment property is very different than what someone would focus on if it was their primary residence, the home that they're living in with themselves and their family.

Christina: 41:22 For. For many people that's the case and not everyone. Remember we talked about the right property and how you define the role, right? I've worked with some clients you just very selective even for for rentals, but in general try to buy near job creation where the job growth is outpacing growth in housing. So that's one component that I think about. I also think about convenience. So most renters want a comfortable home, but they aren't necessarily seeking their forever home like in a forever home. For instance, you might be really concerned about the landscaping or what direction the house faces, the amount of natural light. Most renters, they're really looking at elements like convenience to commuter routes, so that may be more important in evaluating an investment property. Then beautiful landscaping. And then when I think about finishes, so in in my own home, I have stainless steel appliances. In my rentals I tend to choose black appliances because black appliances will look nice longer than stainless steel. Stainless steel can dent, it can scratch, and it's just a higher maintenance item. Even with flooring, I love beautiful wood floors, but nicer linoleum. And it's surprising how nice some of it can look is actually so much more durable and less expensive than many laminates or tiles. So some of the finishes that you might think about choosing, think about the durability of how those finishes will withstand an incident. You know who, who may be is going to be less careful in the home then then you might be the other thing to factor into is with some of the tax code changes that were implemented a year ago, many renters may benefit from those changes and might remain renters longer term or forever rather than owning. So think about elements that would keep a tenant in place for a while. For example, if you're, if you're buying a home that would appeal to a family, buy it in a good school district so that you can attract that family and that family who's potentially going to stay while their kids are going to school. You know, not wanting to uproot the kids in the school.

So those are some of the different things that I consider when I'm looking at different investment opportunities.

Anjali: 44:05 Those are all really great tidbits, especially some of these, I would have never thought of a nicer linoleum. You always hear the word linoleum and it's run the other way. But those are really great points, especially if it's going to be a property where maybe it's a young family, maybe they have pets that could really easily, I have a two and a half year old, so I know how the hardwood floor can get pretty torn up and worn out with use like that. So those are all really, really great tidbits for our listeners to kind of think about when they're looking at it from an investment lens versus their primary residence Lens.

Christina: 44:40 That's right. Yup.

Anjali: 44:42 Okay. So I always like to end the show with asking, you know, a few personal questions. So what's one financial goal that you're currently working towards?

Christina: 44:51 That is tough to answer. Tough to answer. Partly because I actually feel like I'm in a good spot. So tough in a good way. I think that putting in place lots of passive income streams through real estate investing has helped my family some flexibility. So I'd say that actually working on having my children learn the value of money is my primary financial goal. I feel really disciplined about my own outlook on finances and fortunate that I share that discipline with my husband. We both paid for our own schooling. We've always been very industrious and you know, I can remember some of the first moneymaking experiences I had like as a fourth grader, I sold my crafts and I earned something like 40 cents per craft item when I thought about the materials, et Cetera, and it took me 10 minutes to make each one. And there are times when I, when I reflect on that and think, Gosh, do I really need this? I know frivolous thing. Do I really need this Frappaccino or do I really need this handbag? To the early experiences I had where I worked really hard and learned about the value of money, so my financial goal is giving my kids the opportunity to experience entrepreneurial-ism for themselves and learn the value of money for themselves because they live a more comfortable life then I think my husband and I did as we were growing up, and I want my children to be appreciative, to work hard, to have empathy for others who work hard and to just really understand that value of money. So that's probably the primary financial goal that I have right now.

Anjali:	46:45	That's great. Especially because not very many people can say that they feel stable on a financial basis like you and your husband do. And the other wonderful part is you were able to achieve that through the real estate investing, which not only is it an expertise that you have, but also seems to be a passion of yours. So it's kind of a win, win situation all around
Christina:	47:07	it is. I, I have had many different careers and so I've dabbled in lots of things that have interested me. Real estate has definitely stuck. It is so fulfilling and satisfying to work in it on a daily basis, but also feel like I'm having a material difference for each of my clients, whether it's helping find them the right home for them to raise their families or identifying the right investment property. That's going to help
Anjali:	47:38	alleviate some financial burden for them through the passive cashflow and also appreciation potential. That's great. So what's one piece of financial advice, good or bad that you'd like to give our listeners?
Christina:	47:51	It's really to pay yourself first. And, and I realized when I was speaking with a friend and I shared this with them, I discovered months later she thought that I had meant give yourself a treat, pay yourself with each paycheck.
Anjali:	48:11	That's very generous.
Christina:	48:14	She'd go and we work in real estate so we don't really get, we get commission checks when we close on on transactions. And I know a number of realtors like to treat themselves to something with the success of each closing. So she was doing that. She's like, I'm following your advice. He just bought myself this beautiful Berberi handbag or whatever. And I realized that, oh, when I, when I tell people that a tip is to pay yourself first, like I suppose I should unpack this a little bit more and that by this I mean that I wish people would set aside money for their futures and to make that a priority. So paying yourself first really means, you know, having an auto deduction put automatically into a savings account and it's likely talked about earlier in the podcast. If you don't see it, you don't realize what you're missing, but it's set aside, it's yours, it's your money that's working for you, whether in the short term or because you're saving it and setting it aside to have enough money for a down payment for a property or, or some other financial goal. But if you pay yourself first, it also leads into my next tip, which is to live beneath your means live comfortably, but don't spend every penny and feel the need to have this flashy life. I think on social media, so many people go on there and they're showing

off like the fancy vacation or the beautiful huge house or the the new Burberry, whatever it is that the fancy car and the tricks that the car can do, whatever it is. And I think that seeing those elements from other people, you have to keep in mind like that's the one element that they're choosing to post publicly. It may not really capture the everyday glamour or lack of glamor and their lives, but I think that it plants these seeds of insecurity like, Oh my God, wait, but, but I don't have that Tesla, or my house is only three bedrooms, not floor. I think the sooner you can get comfortable with what you have and not just comfortable but appreciative and live beneath your means, the easier it will be to pay yourself first, to set aside money, to plan for your future and to just be, to be satisfied who you are and what you've achieved.

Anjali: 50:50 That's great. And I like your point that to live below your means doesn't mean you have to be uncomfortable. I think people have this notion that living below your means means you live, you know, very miserly. And that's really not the case. You know, most people can live a very, very comfortable life if they sit down and identify what their goals and values are, what is it that they really need and what's important to them versus what they should be doing, what they should want. So I think that's really, really great advice. Well. Christina, thank you so much for sharing your insight with us. I think our listeners are going to be very excited to hear all of your amazing advice.

Christina: 51:32 Thank you, and I welcome the opportunity. If anyone has follow up questions or they have a unique situation that they're trying to work through, maybe it's a 10 31 exchange or a different real estate investment opportunity. I'm happy to have a one on one conversations with people and offer my perspective.

Anjali: 51:52 That's great, and we'll have Christina's information in the show notes for anyone who is interested in reaching out to her directly.

Christina: 51:59 Thank you.

Anjali: 52:02 Thanks for tuning in today. If you enjoyed today's episode, please leave us a review on iTunes. If you have a burning question you'd like my expertise on, please visit www.fit advisors.com and submit your question on my podcast page.