OWN A HOME CHEAPER THAN RENT

HOW TO HOUSE-HACK YOUR WAY TO FINANCIAL FREEDOM AND WEALTH

ZACH ASBELL | SCOTT ASBELL

Own a Home Cheaper Than Rent

How to House-Hack Your Way to Financial Freedom and Wealth

Zachary Asbell & Scott Asbell

Own a Home Cheaper Than Rent

Created with:
90-Minute Books
302 Martinique Drive
Winter Haven, FL 33884
www.90minutebooks.com

Published in the United States of America

231024-02412.3.2

LSID 2370001806030

For more information on 90-Minute Books, including finding out how you can publish your own book, visit 90minutebooks.com or call (863) 318-0464

Zachary S. Asbell is a licensed Mortgage Loan Originator NMLS #1535031. Equal Housing Opportunity Lender. https://www.nmlsconsumeraccess.org

Scott E. Asbell is a licensed Lending Manager NMLS #270856. Equal Housing Opportunity Lender. https://www.nmlsconsumeraccess.org

Here's What's Inside…

About the Authors

Zach grew up in Mapleton, Utah, where he was surrounded by the family mortgage business every day. After graduating from Maple Mountain High and serving a mission for The Church of Jesus Christ of Latter-day Saints in Naga, Philippines, he graduated from BYU-Idaho with a degree in business management and married Summer Rosengren.

Zach spent some time as an entrepreneur and then brought his talents and skills into the mortgage industry. He is a house-hacking expert, and in addition to house-hacking several properties for his personal real estate portfolio, he has educated hundreds of clients and friends about how to do the same. Zach's personal experience and knowledge make him a highly sought-after strategist on how to become mortgage-free while having tenants pay all or most of your housing expenses. He and his father, Scott, run Asbell Team Home Loans out of Salt Lake City, Utah and serve clients in 42 different states. Zach can be reached at **Team@AsbellTeam.com** or **801-368-2900**.

Scott grew up in Draper, Utah, where he met his wife in the second grade—she wiped out his entire marble collection that year. After graduating from Alta High and serving a mission for The Church of Jesus Christ of Latter-day Saints in Guayaquil, Ecuador, he married Ann Cutler and graduated from Brigham Young University with a master's degree in accounting. He spent a few years in public accounting and then moved into the mortgage industry. After years of valuable experience at a couple of mortgage companies, he founded Rocky Mountain Mortgage Group in 1997, where he served as the managing partner for thirteen years. His knowledge and experience as a CPA from 1994 to 2016 give him a unique set of insights and skills that are invaluable when structuring loans and strategizing tax effects that others do not even consider. Scott brings real-life experience and expertise to any real estate conversation. He has more than 30 years in the business, has helped thousands of families own real estate, and has personally owned over a dozen properties (from raw land to commercial to single-family and multi-unit rentals). He and his son Zach run Asbell Team Home Loans out of Salt Lake City, Utah and serve clients in 42 different states. Scott can be reached at **Team@AsbellTeam.com** or **801-368-2900**.

Introduction
By Zach Asbell

I grew up in Mapleton, Utah and had the ultimate childhood. Mapleton was a small town back then with lots of open space, orchards, and an abundance of deer. Hobble Creek Canyon, where I enjoyed fishing and exploring with friends, was within walking distance. My parents purchased that home in Mapleton for $157,000 when I was three years old, and it was the perfect place to grow up. Nowadays, that same home would cost around $600,000. Increasing home prices was a trend that I noticed at a young age as my dad and I often laughed at the price his father and grandfather paid for their first homes. We always concluded that our family should have been buying more homes back then.

My parents did a great job of putting a roof over my head and eventually acquiring investment properties. I wanted to acquire investment properties too, but I wanted to do it even quicker and with less risk while making my portion of the payment even cheaper than rent. When it came time for me to purchase my first home, I considered purchasing a single-family residence like my parents had done. While researching, I realized that if I could purchase a multi-unit property or a home with a basement rental, I could get ahead even faster and then repeat the process—especially while my family was young.

An Accessory Dwelling Unit (ADU) became the trick or the "hack" I employed. I could purchase a home that had rental income coming in to help cover the mortgage while I was paying down a loan, building equity with appreciation, and saving up for the next home. This strategy kept my expenses to a minimum and made homeownership cheaper than renting.

The purpose of this book is to help you gain the clarity needed to start your journey of house-hacking and home ownership. I want you to understand the details of what those objectives look like and what it will take to accomplish them. I want you to get clear on how often you want to do a house-hack and what your 1-year, 5-year and 10-year goals are in relation to this strategy. Is this something that you want to do once? Or is this something that you would like to do once a year for the next 5 years?

This book is to help awaken you and spark a new mindset that could easily become a key to your new era of wealth building. I believe house-hacking is the single best way to build recession and inflation-proof wealth.

A few lines in Robert Frost's famous poem "The Road Not Taken" seem to sum up my real estate journey:

Two roads diverged in a wood, and I –
I took the one less traveled by,
And that has made all the difference.

While many people say they want to take steps to build wealth, their actions speak much louder than their words. One wrong purchase can put you years or even a decade behind. Helping you be intentional with what you purchase is one of my main goals for you. I do not want you to look back and say, "I wish I had," or "I should have done . . ." I want you to look back and say, "I made the right decision based on what I wanted."

My viewpoints are not one-size-fits-all. I simply want to tell you my experience and see if it resonates with you.

This path is simple and easy to follow. This is the strategy that helped springboard me into homeownership and wealth. This is the strategy that continues to differentiate me from most of my peers and has allowed me to accumulate more properties and long-term wealth for me and my family. This is the road that I know works because I have successfully done it multiple times, and I can help you do it too. I have helped countless individuals and families "house-hack" and accelerate their financial intelligence, financial freedom, and wealth beyond what they ever thought was possible. I know you can do it, too. This is my journey of how I house-hacked my way to financial freedom and wealth.

On Your Team,

Zach

Chapter One
The Basics

Important Definitions

Let's start with a couple of important definitions that I will refer to in this book.

House-Hacking: An investing strategy that involves renting out portions of your primary residence to produce income that is used to offset the cost of your mortgage and other expenses associated with owning a home.

House-Hack Stacking: Strategically purchasing, every one to two years, an owner-occupied house and renting out a portion of the home while keeping the previous houses as income-generating investment properties. Stacking gives you the ability to purchase multiple homes as primary residences while also building a real estate portfolio with minimal money down on each property purchased.

Accessory Dwelling Unit (ADU): This is a private space with a separate entrance that can be added to, created within, or detached from a primary one-unit Single Family dwelling. The two spaces together are considered one property.

The Problem and a Solution

In almost every city in America, the prices of homes have skyrocketed. In many cases, wages have not kept up with the price increases, and the gap between renting and home ownership continues to widen.

The increased cost of homes has led to an affordability issue that has caused buyers to purchase farther away from where they work to find cheaper housing. In some cases, many have decided to remain in smaller condos or townhouses to stay closer to where they work. This situation has led many to settle for longer commutes or less desirable living situations. While many buyers make this choice, others house-hack and, in so doing, have been able to live closer to work and in more desirable areas with larger and newer homes. Typically, these more populated areas have experienced greater appreciation, which has led to higher returns for those owners. Over time, these assets continue to produce more cash with higher rents and greater appreciation from year to year.

Understanding how a house-hack works puts you at a great advantage. With higher home prices and fluctuating rates, house-hacking has become an even more powerful tool because it makes it possible for many people to purchase a nice single-family home and have their portion of the payment similar to the payment of a condo or townhouse.

Compounding Wealth

In the book *The Richest Man in Babylon*, the author discusses how each dollar that you bring in and save is a laborer for you that brings in more dollars. Putting your money to work gives you the ability to accumulate and compound quickly. Let's say, for example, that you purchase a home with 3% down for $500,000. This $15,000 cash investment now affords you control of a $500,000 asset. Assuming this home appreciates at only 3% for the next 5 years, here is what you might expect:

Years Owned	Value Based on 3% Annual Appreciation
0 Years:	$ 500,000
1 Year:	$ 515,000
2 Years:	$ 530,450
3 Years:	$ 546,363
4 Years:	$ 562,754
5 Years:	$ 579,637

The bonus is that while you were earning appreciation, you were living in the home and collecting rent from a tenant. Your initial investment of $15,000 ended up helping you to gain $79,637 in equity over five years. This analysis is only based on 3% annual appreciation, which is below the 4.3% national average since 1991, as reported by the Federal Housing Finance Agency (FHFA). Even with our conservative numbers, a $15,000 investment could produce a 530.91% return over 5 years or an annualized return of 106.18% per year.

This is just based on one home. Imagine what could happen if you were to purchase several homes over a five-year period. Compounding would take effect and could result in tens of thousands of dollars being added to your net worth by simply holding an appreciating asset that also pays you a monthly cash flow.

Your Guide by Your Side

I have been at the bottom of this mountain, and I understand very clearly where you may be right now—I was paying rent and not getting ahead. I have navigated the trail of purchasing a home and having my portion of the mortgage cheaper than rent. I have summited the mountain several times. I know the obstacles that you are likely to encounter and how to avoid or eliminate each of them. I know that by following my guidance, we can reach the summit together.

I offer free, one-on-one coaching sessions at **www.HouseHackAnalysis.com** for those who are interested in exploring the possibility of summiting the mountain. The price of entry is simply that you finish the book so that our one-on-one session is the most productive and beneficial to you.

Chapter Two

My House-Hack Stack

Isn’t she beautiful? When I was 25 years old, my wife Summer and I were looking to purchase our first home. I was enamored by the beauty of this home not because of the home’s fine finishes but because I saw this home as a springboard into many other opportunities. At this home, I had a total monthly mortgage payment of $1,138, of which I paid $38. You see, this Orem, Utah home (House #1) had an accessory apartment, and I was able to rent it for $1,100 a month. Renting this basement apartment was easy. We showed it to several individuals and were able to easily find qualified tenants to pay the rent and take care of our home. The tenants were grateful for what they considered affordable rent, and they always paid on time.

With our portion of the mortgage being only $38, it was easy to save for the next home and accelerate our wealth building, which was our plan from the very beginning.

Think about that for a moment. What would you do if your portion of a mortgage payment was only $38? Would you take that dream vacation? Would you buy that sports car that you have always dreamed of having? Would you take the savings and invest it and retire before age 65? Whatever your dream may be, by taking what is usually your largest expense out of the equation, you can reach your dream faster. Opportunities knock at everyone's door, but few take them. They do not take them because they either do not have the knowledge to realize they are opportunities or they do not have the resources to be able to pursue them.

I found it funny that I would sometimes pay more for a nice dinner or a tank of gas than I did on my monthly mortgage. I purchased this home in the summer of 2019, and at the time, I thought I was paying top dollar for it. I did not care if I was paying top dollar because I saw the potential of having a $38 mortgage payment and the opportunities it would open for us in the future. I was excited that my plan was working. When we got married, the first apartment we rented cost us $1,100 per month; not only was our $38 mortgage cheaper than rent—it was almost free! I also saw the potential of what it would rent for when we eventually moved out and rented the entire home. We ended up living in our first home for one year. When we moved out, we rented the entire home to one family for $1,600 per month. At that point, the home was cash-flowing at $462 per month, and the positive cash flow helped us afford a bigger home without having a dramatic increase in our payment.

The next home (House #2) that we purchased (as seen above) was in Santaquin, Utah. We lived in a great neighborhood that had an even tighter-knit community feel to it. We paid $488 per month on this mortgage. I will show you how. This home had 6 bedrooms and 3 ½ bathrooms which included an accessory apartment. We rented out the 2-bedroom, 1-bathroom accessory apartment to a young couple for $995 per month. The $995 covered more than half my mortgage payment ($1945 per month) and left me with only $950 out of pocket.

I then took the $462 I was cash-flowing from House #1 and applied it to this mortgage, leaving me with a monthly payment of only $488 per month. We were able to keep our first home and upgrade to this second home, and it only cost us $450 per month more than the $38 we were paying before.

Pictured above is the third home that we have purchased in Utah County. This home is in Lehi and is close to everything. We currently pay a net of only $586 per month toward the mortgage on this home. Our payment went up a little bit more than our second home, but we picked up a 3-car garage and an additional 800 square feet. This was all made possible once again through having an accessory apartment.

We rent out the accessory apartment, which is a 2-bedroom, 1-bathroom, for $1,595. Just like before, it is the easiest money I make each month. This basement apartment covers a good portion of the $4,026 monthly mortgage payment. House #1 now rents for $2,300 per month, providing us with $1,137 in positive cash flow. House #2 now rents for $2,700 per month, which gives us $708 in positive cash flow. The mortgage on House #3 (our current residence in Lehi) of $4,026 minus all the positive cash flow from the two other rented homes and our current home's accessory apartment leaves us covering $586 in mortgage payments on all three homes. When we purchased this home, we secured an interest rate in the mid- 5s and expect to refinance to a lower rate in the next 12-24 months. We expect the refinance to drop our payment to around $3,500 per month, which will leave us paying less than $100 per month on all three mortgages combined.

Another piece of the puzzle that I must point out is the principal paydown. On House #1, my loan balance decreases each month around $370 as part of the normal principal applied to the loan without paying anything extra—it is just the normal amortization with a 30-year loan. The loan on House #2 gets paid down around $750 each month. The loan on House #3 gets paid down around $725 each month. So, while I am contributing only $586 towards all my monthly mortgage payments, I am paying down $1,845 in principal on these loans each month. This puts me at a net positive of $1,259 per month—adding that much to my net worth. I am essentially getting paid to live where I live.

Here is a quick summary of all the numbers I just walked you through. You can see that each time we moved out of a property and rented the entire home and not just the basement, the rent went up—the Orem home (House #1) rent went from $1,100 to $1,600, and the Santaquin home (House #2) rent rose from $995 to $2,700. Additionally, you can see that rents tend to increase over time. For example, the entire Orem home (House #1) now rents for $2,300, even though it originally started at $1,600 when we moved out and purchased the Santaquin home (House #2). As can be expected, taxes and insurance also tend to increase each year, but the increase in rents tends to outpace those minimal increases.

How the Numbers Stack:

	At the time House #1 was Purchased	At the time House #2 was Purchased	At the time House #3 was Purchased
House #1 (Orem):			
Payment	$ 1,138	$ 1,138	$ 1,163
Rent	(1,100)	(1,600)	(2,300)
My Portion of Payment/(Cashflow)	$ 38	$ (462)	$ (1,137)
House #2 (Santaquin):			
Payment		$ 1,945	$ 1,992
Rent		(995)	(2,700)
My Portion of Payment/(Cashflow)		$ 950	$ (708)
House #3 (Lehi):			
Payment			$ 4,026
Rent			(1,595)
My Portion of Payment/(Cashflow)			$ 2,431
Summary:			
House #1 (Orem)	$ 38	$ (462)	$ (1,137)
House #2 (Santaquin)		950	(708)
House #3 (Lehi)			2,431
My Portion of the Payment:	$ 38	$ 488	$ 586
Principal Reduction:			
House #1 (Orem)			$ 370
House #2 (Santaquin)			750
House #3 (Lehi)			725
Total Principal Reduction			$ 1,845
Net Worth Gain: Total Principal Reduction minus My Portion of the Payment			$ 1,259

When you consider all of this, it is easy to see that the numbers really are stacked in your favor with this strategy.

Chapter Three

Real Clients—Real Results

Lexi's House Hack

In 2021, we had a client named Lexi who wanted to house-hack. She had recently graduated from college and wanted to stay in the Provo/Orem, Utah area, to stay close to friends and her new job. We discussed different strategies, and she ended up liking the idea of purchasing a single-family home that had an accessory apartment. She found the perfect home just six blocks away from the campus where she had just graduated.

The property had a 1 bedroom/1 bath accessory apartment in the basement and 3 bedrooms/1 bath on the main level. She planned to rent out the basement and then rent the additional two rooms on the main floor, while keeping one for herself. She rented the accessory apartment to a young married couple for $1,100, and she ended up getting $575 for each of the other two rooms.

Lexi’s total mortgage was $2,502 a month, and this is how her numbers panned out:

Lexi's House Hack	
Accessory Apartment Rent	$ 1,100
1st Bedroom Rent	575
2nd Bedroom Rent	575
Total Rent	$ 2,250
Total Mortgage	$ 2,502
Less Rental Income	(2,250)
Lexi's Portion of the Payment	$ 252

This was an incredible house-hack for Lexi and her situation. The portion of the payment that she covers is only 10% of the overall mortgage, and she is paying down over $875 per month in principal reduction. This leaves Lexi with a net increase to her net worth of $623 every month that she keeps the place fully rented, not to mention the long-term appreciation and annual deprecation tax savings she receives. Lexi plans to house-hack again in the next year or two and keep this property as a 100% rental investment property. She is well on her way to building a great real estate portfolio over the next 5–10 years.

Chad and Maria's Hack

Chad and Maria had a baby, and they wanted to purchase a home. They were not sure how much of a home they could afford or qualify for but knew they wanted to keep their monthly payment under $2,000. When we met, we talked about the possibility of house-hacking, and their excitement grew as they realized their net payment could end up being lower than they had imagined. They found a house in Provo, Utah, on the east bench that had an accessory dwelling unit and got it under contract.

The property had enough room for their growing family and a basement apartment that they rented for $1,000. Chad and Maria's house payment ended up being $2,609. After collecting rent, their portion of the payment is only $1,609.

Chad & Maria's House Hack	
Total Mortgage	$2,609
Less Accessory Apartment Rental Income	(1,000)
Chad & Maria's Portion of the Payment	$1,609

Every story is unique, and each house will have its own unique set of numbers based on the purchase price, interest rate, and potential rent. It is easy to see that both of these clients benefited from our advice and education.

Chapter Four
The Decision to Act

Is it really possible? How can a twenty-something-year-old have a nice home with a payment less than rent? That is probably the first thought that came to your mind as you read the title. You may have said, “I thought everyone’s largest monthly expense was their housing expense. He must have gotten lucky, or maybe he is the only one who could do this.” And, if you said or thought any of those things, I do not blame you. On the surface, it really does sound ridiculous and unrealistic.

First and foremost, I want you to know that anyone can do this. I have helped many clients and friends do it, and I can help you do it, too. There is a saying that “big doors swing on small hinges.” In life, we make thousands of choices each day and millions each year. In the end, as we look back, we will see that there were only a select few that really changed the trajectory of our lives. It is only a few key decisions that determine whether we get what we want and arrive at the destination we desire. Just like a door, these few decisions are the hinges on which our lives swing.

I was born in 1993, and I was 15 when the housing crash started; I was 19 by the time we started coming out of that crash. While it did not affect me personally, I saw one of the largest recessions in history play out because of a housing bubble. I saw how the blessing of owning a home could become a curse. I saw people in my neighborhood who had over-extended themselves by buying homes that did not leave any buffer in their monthly budget, or who were over-leveraged, who lost their homes and had to start over.

I recognized at an early age that I did not want to stress about whether I could make a mortgage payment each month. As the time drew near to buy my first home, I wanted to do it in such a way that I insulated myself against a bubble, loss of job, or some other calamity that might happen.

This was my deciding moment—when I decided to act—and for those reasons, I chose to “house-hack” and purchase a property that would put money into my pocket every month.

House-hacking can be accomplished by purchasing a condo/townhouse and renting out the extra bedrooms, purchasing a duplex and renting out the extra unit, or, my favorite, purchasing a single-family home that has an accessory apartment. There are many different avenues that you can take when house-hacking, and much of that decision comes down to what stage of life you happen to be in. If you are single and working, odds are you may only need a bedroom or two, so the condo/townhouse option may be a perfect scenario. If you have a family with kids, the condo house-hack may be less practical. The beautiful thing about house-hacking is that there is almost always a scenario that fits. From a condo in the $200s to a $2,000,000 house, there is almost always a way to have it hacked and have someone else pay a substantial portion of the mortgage.

The key is to figure out what you want and then start moving forward. The remainder of this book will educate you on the pros and cons of house-hacking so that you can make an educated decision about whether you want this to be part of your overall strategy for financial freedom and wealth building.

Chapter Five

The Momentum of a Snowball

As a kid, I remember building a snowman with my sister. Getting the snowball started and to a certain point is what always took the longest. Once it hit a certain size, however, the snowball would grow exponentially as it collected more and more snow with each roll. Like a snowball, gaining financial momentum can help propel you toward your goals and dreams at an accelerated pace.

Throughout my life, I have liked math because there always seemed to be a correct answer and a specific pathway to get to that answer. Math has rules, and if those rules are followed correctly, math is never wrong. Math is especially never wrong when it comes to budgeting. If you are spending more than you are making, you are going to have problems, especially over a long period of time.

I want to illustrate a specific example that will help you see the stark difference in a single decision between two separate households. Todd and Paul each make $75,000 a year. They each have a car loan payment of $200 a month. They are excited about the possibilities the future holds, and they are both now ready to purchase a home. Todd decides to purchase a home with an accessory apartment and rent it out, while Paul decides he does not want the hassle. Instead, Paul purchases a single-family home. They each find a home for $450,000, and they each make a down payment of 3%. The payment ends up around $2,467, and they both feel great about their home purchase.

Conventional 3% Down		
Purchase Price	$ 450,000.00	Down Pmt
Down Payment	$ 13,500.00	3.0%
Loan amount	$ 436,500.00	APR
Interest rate	4.250%	4.656%
Loan term (months)	360.00	
P&I payment	$2,147.32	
Taxes	$ 150.00	
Insurance	$ 50.00	
Monthly MI	$ 120.04	0.0033
HOA	$ -	
Total Monthly Pmt	$2,467.36	

The first month goes by, and you cannot tell the difference between the two. They are both happy and settled into their homes. Since Todd's home has an accessory apartment, he finds a renter who pays $1,295 per month to live in his basement. Both Todd and Paul can technically afford their homes, but after 12–24 months, we start to see the diverging roads. This can best be seen on a monthly basis by looking at their identical budgets—the only difference being the rent collected on Todd's home.

Todd's Monthly Budget	
INCOME	
Salary: (Gross)	6,250
After-Tax Amount	4,813
Net Monthly Income	**$ 4,813**
EXPENSES	
Mortgage	2,467
Car Loan	200
Food	400
Car Insurance	125
Gas	50
Electric	125
City Services	125
Cell Phones	75
Phone/Internet	60
Hair Cuts	25
Gasoline	200
Entertainment	50
Christmas	25
Clothing	50
Vacations	100
Birthdays	20
Charity / Gifts	50
Home Improvement	100
Car Maintenance	125
Subscriptions	100
Total Expenses	**$ 4,472**
Net Monthly Surplus	341
House Hack Income	**1,295**
Total Surplus With House Hack	**$ 1,636**

Paul's Monthly Budget	
INCOME	
Salary: (Gross)	6,250
After-Tax Amount	4,813
Net Monthly Income	**$ 4,813**
EXPENSES	
Mortgage	2,467
Car Loan	200
Food	400
Car Insurance	125
Gas	50
Electric	125
City Services	125
Cell Phones	75
Phone/Internet	60
Hair Cuts	25
Gasoline	200
Entertainment	50
Christmas	25
Clothing	50
Vacations	100
Birthdays	20
Charity / Gifts	50
Home Improvement	100
Car Maintenance	125
Subscriptions	100
Total Expenses	**$ 4,472**
Net Monthly Surplus	341
House Hack Income	**0**
Total Surplus Without House Hack	**$ 341**

At the end of each month, Paul is left with a measly $341 per month. This gives him very little margin of error. If, for whatever reason, he has an emergency, he is going to have to turn to credit cards or family. Todd, on the other hand, has $1,636 per month that he can save or invest, use to pay down his loan quicker, or even spend on other things he enjoys. This extra $1,295 of margin leaves him with significant wiggle room ($1,636 compared to $341) in his budget and allows him to reach other goals.

Time passes, and they are now 24 months into home ownership. Imagine that Todd decided to save the surplus each month and toss it into a savings account for his next home. He would now have $39,264 saved for his next home purchase. If Paul also decided to save his surplus, he would only have $8,184 in savings. You can see that in just a short 24-month period, Todd is much further ahead and is much better prepared for any opportunities that may come knocking.

Now, imagine that Todd continues this path for 5 years, 10 years, or even 20 years. The gap between Todd and Paul is only going to continue to widen over time. Additionally, as Todd acquires his next home sooner than Paul (because he is prepared with over $39,000 for a down payment versus a little over $8,000), Todd will put himself years ahead of Paul financially. Todd will rent out the basement and repeat the same process as before, while Paul is still struggling to save up a down payment for his next home. Todd will easily be on to his third or fourth property before Paul even saves up $39,000 based on this example.

Now, I am not saying you need $39,000 for a down payment. What I am saying is that after 24 months, Todd has almost 5 times as much stashed into savings as Paul does. It was all accomplished thanks to one pivotal decision—Todd's decision to buy a home with an accessory apartment. Todd's renter is really the one generating the down payment for Todd's next home. Just like a snowball, the sooner you get the initial hand-sized ball of snow in place and start rolling, the sooner you start to take advantage of exponential growth. This process works, and I know it can be your game-changer—the way that you are going to get a leg up on life and change the trajectory of your financial future.

Chapter Six

Benefits of House Hacking

Financing Loophole

When you house-hack, you can get financing based on the home being occupied as a primary residence, as long as you plan to occupy it for at least one year. Owner-occupied financing gets you a significantly better interest rate, usually .50%-1.00% better than investment property rates. It also qualifies you for a much lower down payment, typically 3-5%, compared to the standard 15-25% required for non-owner occupied (investment property) loans. Having a better interest rate and a lower down payment removes two of the largest barriers to being a real estate investor. When you move out (in a year or longer), you will be able to keep this loan that was obtained with all the owner-occupied benefits on your newly converted investment property. It is like getting owner-occupied financing on an investment property, and all you have to do is live in the property for a minimum of one year. Having an owner-occupied loan will help you get the maximum cash flow when renting it out, and it also gives you the greatest principal paydown each month. Purchasing primary residences with all the owner-occupied perks and then turning them into rental properties is the easiest and smartest way to build a real estate portfolio.

Appreciating Values and Rents

Data was recently released that shows appreciation levels for each state over the past 1-year, 5-year, and 30-year periods. From 1991 to 2021, Utah came in with the highest appreciation levels, around 600% over the past thirty years. This means that if you purchased a home in Utah in 1991 for $100,000, the home's current value would be around $600,000. Rent for that entire house back in 1991 may have been around $600–700 a month, but now it would rent for $2,000–2,500.

The beauty of owning real estate, whether it is a home you completely occupy, a home that you rent a portion of or a home that you rent out 100% to renters, is that home values and rents both have a track record of increasing over time. A house you purchase now is likely to be less expensive than that same house in 15 years. How many of us would love to go back and purchase a home at the prevailing values five, ten, or fifteen years ago? In most cases, we would all jump at the opportunity. If you rent all or a portion of a home you own, the rental income in 10 or 15 years is likely to be substantially more than it is right now.

The magic here is that when you buy a house, you fix the rate and the payment (except for minor increases to taxes and insurance), but the rents you receive from that property are likely to be much higher down the road—even to the point that in 15 to 20 years the rental income from the basement alone may cover the entire house payment.

Buying a House and Having a Condo-Sized Payment

One of the most frustrating challenges for any buyer these days is how little house you get for the money. The combination of higher home values and fluctuating interest rates can sometimes result in a monthly payment that is even higher than the amount for which you could rent that same property. Even condos (which are typically the least expensive real property you can own because there is no ownership of land associated with the property) seem to have monthly payments that push many people's budgets to the edge.

One of the attractive benefits of choosing to house-hack is that it allows you to purchase a house and still have your portion of the mortgage payment be very affordable. Many clients get preapproved and then feel like they need to search for a home that is less than they were preapproved for to keep the payment in an affordable range. In some cases, that forces them to search for a home that is smaller than what they actually need. Those clients are almost always excited and relieved when they realize that using the house-hack strategy allows them to go back to searching for a larger home in the price range they were preapproved for. Additionally, they end up with a payment even lower than the smaller, less expensive home they thought they would have to settle for.

Getting Into Your Dream Home or Neighborhood Sooner

Another benefit of house-hacking is being able to move into a home or neighborhood sooner than you may have thought possible. You may have a vision of what your dream home would look like and where it would be, but in many cases, you may not be quite ready to take on that much square footage or that large of a house payment. Maybe your need for space will increase down the road as your family grows over time, and it would be advantageous to tie down that house now while the price is lower than it is likely to be in ten years. Maybe the payment on a home in that exclusive neighborhood you eventually want to end up living in is a little more than you really want to pay at this stage of your career, even though you technically qualify for it.

These are both perfect examples of where a house-hack can help you get where you eventually want to be sooner than you were planning and have it make sense. Go ahead and rent out the unused space in the home now while you do not need it, and use the income to offset your payment. Eventually, you can grow into the rented portion of your home. With normal raises at work, you will also be growing into the payment and not need the rental income by the time you want to use the entire home.

I invite you to consider the benefits of getting into the home or neighborhood you dream of ten years earlier than you thought you could. House-hacking might be just the strategy needed to make your dream a reality.

Chapter Seven

7 Essential "Knows" for Success and Profitability

A little planning can go a long way towards setting yourself up for success. Here are seven specific steps that I recommend:

- Know your credit score
- Know your purchase price
- Know your budget
- Know the rental market
- Know the real estate market
- Know federal, state, and local laws
- Know how to find your 5-star tenant

Let's look at each of these individually.

Step 1: Know Your Credit Score

Having a great credit score ensures that you are able to get the best loan programs and rates. Having a score in the 780+ range ensures that you will have the lowest payment and the best cash flow possible. Getting your credit score up to 780 as quickly as possible will be a long-term key to your success. While you can purchase your first home with a score as low as 580, you will need a score of at least 620 to purchase your second property.

If you would like the step-by-step process to get to a 780-credit score, I would recommend reading *Stop Paying Extra*. This is a book that Scott and I wrote outlining the rules of the credit game and how to win it. We have helped hundreds of people go from no score or a lower score to a 700+ score by helping them pick up those extra 20–60 points they needed. This has saved our clients thousands in costs and tens of thousands in interest. You can get a free PDF copy of *Stop Paying Extra* at **www.StopPayingExtra.com**.

Step 2: Know Your Purchase Price

While it is fun to pull up million-dollar homes and fantasize about what it would be like to live there, it is important to know what you can purchase and what your max purchase price really is. It would not make sense to be looking at homes that are $500,000 if all you qualify for is $450,000. It is a waste of your time and resources to go shopping for a home without knowing your numbers, especially your maximum purchase price.

Too often, I have met clients who think they can purchase a home for “X” number of dollars before ever getting preapproved for that amount. They usually fall in love with a specific home in a perfect neighborhood, and that becomes the motivation for them to call me and start the process. In many cases, clients like this are disappointed to find that the home they love is out of reach and that they must lower their price point. From that point forward, they cannot help but compare every home they see to the perfect home that was out of reach. This not only makes every home they look at disappointing but also makes their home search an emotional rollercoaster for themselves and their real estate agent.

If you are thinking about purchasing in the next year, I recommend a quick 10-minute call so we can let you know what you currently qualify for and ways you might increase that amount by making a few simple adjustments.

If you are thinking about purchasing even sooner, you may consider getting preapproved. A preapproval is typically good for four months. Before stepping into any home that you are serious about purchasing, you will want to get your financing in order. You will want to know the amount that you are approved for and what price you are comfortable purchasing based on the monthly payment. This will save you valuable time and money as you will avoid looking at homes that are not in your price range. You will need an official preapproval letter to make an offer on a home. As your guide, I want to teach you that not all preapproval letters or processes are equal. In general, there are three types of preapproval letters:

- prequalification
- automated preapproval, and
- live underwriter credit approval

Let's talk about the pros and cons of each.

#1 Prequalification

This approval letter is issued after a simple telephone conversation where you tell us about your down payment, income, debts, and credit. This approval letter is hardly worth the paper it is written on because nothing has been verified. This type of preapproval is quick but incomplete. Making an offer based on this letter would be extremely dangerous—like running a red light!

#2 Automated Preapproval

This approval letter is issued after you have given us sufficient information to complete an application, pull credit, and upload the information into Fannie Mae's (Desktop Underwriter – DU) or Freddie Mac's (Loan Prospector – LP) automated underwriting system (AUS). This approval letter is stronger than a prequalification letter because, in this case, we have a credit report and credit scores in hand. We also have Fannie Mae's or Freddie Mac's endorsement that if we can prove that the information that was provided in the analysis (income, debts, work history, down payment, etc.) was accurate, they will back up the loan. This type of preapproval is quick (one to two hours), but it still has the potential for surprises because nothing has been verified other than credit and Fannie/Freddie's willingness to lend if everything we inputted turns out to be verifiable and meets their underwriting guidelines. This approval letter is often referred to as a "Swiss cheese" letter because it still has lots of holes in it. This level of preapproval is the bare minimum needed to make an offer. Making an offer based on this letter still carries some risk—like running through a yellow light!

#3 Live Underwriter Credit Approval

This approval letter is issued after your income, assets, and credit have all been verified and underwritten by a *live* Fannie Mae, Freddie Mac, FHA, USDA, or VA underwriter who has the authority to approve your loan. This is a true stamp of approval that takes away all the guesswork and surprises. Once a credit approval is issued by a live underwriter (usually 48 hours after you turn in all requested documentation like W-2s and paystubs), we can close a loan in a very short time period. This gives you the advantage of getting your offer accepted over other offers. Getting this level of preapproval will take a few more days but is worth waiting for because it gives you confidence and peace of mind, greater negotiating power, and protects your earnest money. This would be like waiting for the light to turn green before moving forward.

Getting a live underwriter credit approval is by far the best practice. Having this level of approval could ultimately be the difference between you getting the perfect home or going back to the drawing board to begin your home search all over. I have lost track of how many of our clients had their offer accepted, even though there were other offers on the table for more money because we could close the loan in seventeen days or fewer due to having a live underwriter credit approval in hand.

Step 3: Know Your Budget

While the underwriter may come back and say you are qualified for a $1,000,000 loan, this does not always mean that it makes sense to buy that much house. It is important to go through a budget analysis to make sure that you are not going to be house-poor. It is important to do best-case and worst-case scenarios to make sure that the home that you are considering is really going to be a blessing rather than a curse. Consider what income increases you might experience over the next five years. Also, consider what your plan would be if you or your spouse temporarily lost your job. Looking at both ends of the spectrum will help you make the best decision about how much house to buy.

One of the services that Scott and I offer is a free budget analysis. These typically take 30–60 minutes and provide valuable insights into where your money is being spent and how much house you can really afford—regardless of what the underwriter says you can afford. You can schedule your free budget analysis at **www.HouseHackAnalysis.com**.

Step 4: Know the Rental Market

Knowing the market rent for homes in your area is important. The first thing you will want to do is check Facebook Marketplace and Rentler to become familiar with the city/county in which you are considering a purchase. Know what a 1-, 2- or 3-bedroom unit would rent for. Know how rents change based on having laundry, parking, and allowing pets. Know the difference between above-grade (main level and second floor) and below-grade (basement) rents. Each market has a niche and an underserved segment in that market, such as rental opportunities for singles close to a university or rental opportunities that allow pets. I look for these niches and underserved segments and build my portfolio around them. The rents tell the story. That is why I want you to become familiar with the data and what story it is telling—so that you can find your perfect niche and any underserved markets you want to serve.

One of my gifts is a love for numbers and tracking data. As a kid, I loved fast cars and could tell you the market value of just about any sports car in the world. I dreamed of owning one of these cars, and I knew a good deal when it popped up. I have taken this love for data and tracking and have funneled it into the house-hacking market. I have been following rents and purchase prices for house-hacking for years, and I know a great opportunity when I see one.

You, too, could spend the time to become an expert in this area. But if you do not have the hours to invest in developing that expertise, you can instead rely on your real estate agent and the insights I will bring to the table. I have been tracking house-hacking data for the last seven years, and I can help you quickly analyze the numbers to determine which opportunities make the most sense and will be the most profitable.

Step 5: Know the Real Estate Market

When I look at house-hacking, I look at it in three different tiers. The first is the first-time home buyer/entry-level tier. This tier may be a 3–5-bedroom rambler that was built in the 1950s–1980s, anywhere from 1200 to 2400 square feet. The number of bedrooms and amount of square footage will vary depending on your state. These homes often have a carport or a one-car garage. These are perfect for your first house-hack because they cash flow well while you live in the property and will be easy to maintain and rent out once you move on to your second house.

The second tier is sought after by move-up buyers who need or want a little more room. Often, these will be two-story homes, which are great for your second or third house-hack. This usually fits well if you have kids and your family needs more room as it is growing. This tier may have desirable amenities. Such amenities can include being a newer build (from the 1980s to the present), having more square footage, or having more bedrooms. The bulk of the square footage is found in the owner-occupied portion of the home. These typically have a two-car garage and are great for a longer-term hack.

The third tier is your luxury house-hack—this is your dream home. This is likely the home that you will die in because you love it so much. These homes may be 4000+ square feet with even more bedrooms and have a three- to four-car garage. These homes are in the most desirable neighborhoods. You would typically live in this home for a long time and simply be using the ADU hack to get into this neighborhood and home at an earlier age than you could without rental income.

It goes without saying that having the right real estate agent and lender on your team can make all the difference in getting the right house to achieve your goals for financial freedom and wealth. You may already have a real estate agent, but if you do not, please allow me to introduce you to one who knows the house-hacking market and will help you get the best house at the best price. You do not want an agent who is practicing with your transaction.

Step 6: Know Federal, State, and Local Laws

Be sure to know the laws regarding landlords and tenants and know the specific rules that deal with renting a portion of a home while you are still occupying it as a primary residence. The laws are slightly different for ADUs than for properties that are 100% investment. Research and study the Fair Housing Act to make sure that you are always operating according to the law. For instance, something that comes up periodically and is becoming more prevalent, is emotional support animals and pets. If a potential tenant has all the correct paperwork for an emotional support animal (ESA), they are a protected class and cannot be denied due to having an emotional support animal.

Step 7: Know How to Find Your 5-Star Tenant

Supply and demand are what drive every market. I always like to show my properties in such a way that causes 5-star tenants to surface to the top and 1-star tenants to sift themselves out quickly. I do this by holding an open house for a two-hour period on either a weekend or in the evening. This ensures that I will have multiple potential tenants walking through the home at the same time. The visible competition causes them to want to "win" the home and show how well qualified they are to be my tenant.

I like having my leases last for a 12-month period, and I like starting them in July or August. Personal experience has shown that these months are typically the months that most renters move, and it is also an easy time to find college students who are coming back for a new school year.

I also set specific standards that a tenant must meet to be considered for the unit. I require a minimum credit score of 700 and a minimum income equal to 2.5 times the rent. So, if someone wants to rent for $2,000 a month, they need to show income 2.5 times higher ($5,000) to qualify for the unit. You want a tenant who will pay on time, and you are legally allowed to set some basic minimum standards as long as you are consistent with the application of those standards.

All these strategies will help you find 5-star tenants who will take care of your property and pay rent on time.

Chapter Eight

Compounded Leverage

When Scott (my dad) purchased his first home in 1993 in Provo, Utah, he purchased it for \$55,900. It was a single-family home with two bedrooms. This home would currently be valued at close to \$347,000, meaning that it appreciated by about 6.50% compounding each year. See the chart on the next page that shows the linear growth of that home.

Certainly, the value did not go up in a straight line like the chart would have you think. There were years where the growth was faster and years where it was slower. There were even years where it was negative, but over time, this is a good overall picture of what happened.

Scott's First Home in Provo

1993	Year 1	$	55,900
1994	Year 2	$	59,534
1995	Year 3	$	63,403
1996	Year 4	$	67,524
1997	Year 5	$	71,913
1998	Year 6	$	76,588
1999	Year 7	$	81,566
2000	Year 8	$	86,868
2001	Year 9	$	92,514
2002	Year 10	$	98,528
2003	Year 11	$	104,932
2004	Year 12	$	111,753
2005	Year 13	$	119,016
2006	Year 14	$	126,753
2007	Year 15	$	134,991
2008	Year 16	$	143,766
2009	Year 17	$	153,111
2010	Year 18	$	163,063
2011	Year 19	$	173,662
2012	Year 20	$	184,950
2013	Year 21	$	196,972
2014	Year 22	$	209,775
2015	Year 23	$	223,410
2016	Year 24	$	237,932
2017	Year 25	$	253,398
2018	Year 26	$	269,868
2019	Year 27	$	287,410
2020	Year 28	$	306,091
2021	Year 29	$	325,987
2022	Year 30	$	347,177

Appreciation
6.50%

Scott and I often laugh at the price and think to ourselves, why didn't we purchase more homes back then? It is simply because, at the time he purchased it, it was "expensive." That is the beautiful thing about inflation. If you purchase assets that continue to grow in value and at the same time generate cash flow, your investment compounds at an extraordinary rate.

Now imagine if you were to purchase a home today for $400,000. If we were to see a similar appreciation trend over the next 30 years as we have experienced over the past 30 years, the home would be valued close to $2,484,269 by the year 2052. In 2052, we would all look at the price of $400,000 and ask ourselves, "Why didn't I buy more homes when they were so much cheaper?" And we would have a similar response to what Scott said about 1993 prices: "It was expensive at the time." You can see how this strategy can create a lot of wealth for you and your family. By simply using house-hacking and acquiring a few properties, you can easily build a multi-million-dollar real estate portfolio by the time you retire.

Your New Home			
2023	Year 1	$	400,000
2024	Year 2	$	426,000
2025	Year 3	$	453,690
2026	Year 4	$	483,180
2027	Year 5	$	514,587
2028	Year 6	$	548,035
2029	Year 7	$	583,657
2030	Year 8	$	621,595
2031	Year 9	$	661,998
2032	Year 10	$	705,028
2033	Year 11	$	750,855
2034	Year 12	$	799,661
2035	Year 13	$	851,638
2036	Year 14	$	906,995
2037	Year 15	$	965,950
2038	Year 16	$	1,028,736
2039	Year 17	$	1,095,604
2040	Year 18	$	1,166,819
2041	Year 19	$	1,242,662
2042	Year 20	$	1,323,435
2043	Year 21	$	1,409,458
2044	Year 22	$	1,501,073
2045	Year 23	$	1,598,643
2046	Year 24	$	1,702,554
2047	Year 25	$	1,813,220
2048	Year 26	$	1,931,080
2049	Year 27	$	2,056,600
2050	Year 28	$	2,190,279
2051	Year 29	$	2,332,647
2052	Year 30	$	2,484,269

Appreciation
6.50%

We might not see the same levels of appreciation over the next 30 years as we did over the past 30 years. So, let's say that real estate appreciation does not perform quite as well as it has historically and that it only turns out to be half of what it was over the past 30 years. This would put us at 3.25% appreciation per year and would put the $400,000 home valued at around $1,011,281 at the end of 30 years.

Over the past 30 years, the United States has experienced very low inflation, averaging around 2–3% per year. I think we are likely to go through a higher inflationary period over the next 30 years. The bet that I am making is that the government is going to continue spending.

As they continue to spend, we can bank on the dollar becoming worth less and less each year, which almost guarantees at least a 2–3% rate of inflation over time.

Your New Home			
2023	Year 1	$	400,000
2024	Year 2	$	413,000
2025	Year 3	$	426,423
2026	Year 4	$	440,281
2027	Year 5	$	454,590
2028	Year 6	$	469,365
2029	Year 7	$	484,619
2030	Year 8	$	500,369
2031	Year 9	$	516,631
2032	Year 10	$	533,422
2033	Year 11	$	550,758
2034	Year 12	$	568,657
2035	Year 13	$	587,139
2036	Year 14	$	606,221
2037	Year 15	$	625,923
2038	Year 16	$	646,265
2039	Year 17	$	667,269
2040	Year 18	$	688,955
2041	Year 19	$	711,346
2042	Year 20	$	734,465
2043	Year 21	$	758,335
2044	Year 22	$	782,981
2045	Year 23	$	808,428
2046	Year 24	$	834,702
2047	Year 25	$	861,830
2048	Year 26	$	889,839
2049	Year 27	$	918,759
2050	Year 28	$	948,619
2051	Year 29	$	979,449
2052	Year 30	$	1,011,281

Appreciation
3.25%

As long as we do not go into a deflationary period, it is going to be beneficial to hold 30-year mortgages with low-interest rates. As long as inflation is present, the cost of building a home is going to continue trending upward, and if I am purchasing in areas that are in high demand, the risk is minimal.

Chapter Nine

How to Avoid Paying Tax on Your Real Estate

Hi, this is Scott Asbell. Zach asked me to write this chapter on tax advantages and loopholes because I was a Certified Public Accountant (CPA) for 22 years, have owned many investment properties, and have taught people for years how to take advantage of tax benefits with rental properties.

As soon as I say the words “Internal Revenue Service (IRS)” or “taxes,” I know that some of you are already starting to zone out and are thinking about skipping this chapter. That is okay—you can skip this chapter if you have a great tax advisor and you do not care about the details. Just take two minutes to read the Simplified Overview so you are familiar with the principles.

Before we start, I want to say that the best expert for your unique situation will be a local tax professional. Tax laws change over time, and local or state regulations may complicate matters. Even though the information in this book, and specifically this chapter, is current at the time of publication, tax laws change over time, and some of this information may be outdated by the time you read this book. You want to do everything correctly, so be sure you are working with a reputable tax professional who can verify current tax laws and practices for your specific situation.

Simplified Overview

Here is a quick overview of the most important points in this chapter that you want to understand:

- **Depreciation**—Depreciation is a tool that allows you to take a tax deduction each year as your property ages. This helps to offset the tax you would normally pay on the rental income you receive.

- **Rental Losses**—Rental losses are always classified as "passive losses" for tax purposes and can only be used to offset passive income with two exceptions:
    - You or your spouse qualify as a real estate professional, or
    - You meet the Internal Revenue Code (IRC) income qualifications, which allows you to offset your other income.
- **Recapture**—Recapture is the IRS's attempt to recoup (at the time you sell the property) the tax benefits you obtained from depreciation. Recapture can be deferred or avoided by
    - Not selling the property and instead converting the entire property into a rental when you move,
    - Conducting a 1031 Exchange, or
    - Passing the property on to your heirs with a step-up in basis.

A sale of the property will trigger recapture, so the trick is to find a way around selling it.

- **1031 Exchange**—A 1031 Exchange is when you roll an existing investment property into another investment property and, in the process, defer the capital gains and recapture tax associated with the current property.
- **Step-up in Basis**—When you die, your heirs inherit your real estate with a tax basis of the current value of the property. This washes out any capital gains or recapture that would have been due to the IRS if you had sold the property. No one ever pays the tax. This is how generational wealth is created and protected.
- **Primary Residence Capital Gains Exclusion**—Internal Revenue Code (IRC) Section 121 allows an exclusion of capital gains on the sale of a primary residence up to $500,000 for those who file as Married Filing Jointly (MFJ) or up to $250,000 for those who file as Single. This allows you to sell an owner-

occupied primary residence and not be taxed on what may be all, or at least a large portion, of the gain from the sale. As the owner of a home with an ADU, this exclusion works in your favor if both the owner-occupied and the rental portions of your home could be used as a single residence (without modification). In that case, the capital gain attributable to the ADU gets rolled into the owner-occupied portion and is not subject to capital gains tax under the above-noted limits.

For those of you who just wanted the simplified overview, you can now skip to the next chapter. For those of you who want to take a deeper dive, let's look at each of these tax advantages and loopholes in more detail.

Depreciation

Depreciation is a leading tax advantage of owning investment real estate and is a much simpler concept than you may have thought. When you purchase a property that is fully or partially used for investment purposes, it degrades—or depreciates—through use, wear and tear, weathering, etc. You do not value a vehicle that is ten years old the same way you value a current-year model; the same goes for real estate.

Depreciation is a tax deduction you get to take on your rental property that can lower the amount of tax you pay to the IRS each year. In a nutshell, you are allowed to take a tax deduction over time of the asset purchase price less the value of the land.

While several different depreciation methods exist, the appropriate depreciation strategy for you will depend on the type of property you own and how old it is. Consult your tax advisor to determine the appropriate depreciation strategy for your specific situation. The most common method used is straight-line depreciation, which steadily depreciates the property over a specific number of years. The number of years you are allowed to write off or depreciate your property is called the property's "useful life" and is determined by the IRC.

The IRC has defined the useful life of residential rental property placed into service after December 31, 1986, to be 27.5 years. That means for every full year you own a residential rental property, you could depreciate it by 3.636% (100 divided by 27.5) until the book value of the asset is eventually nothing more than the value of the land (the portion that cannot be depreciated). This depreciation expense becomes an offset to your rental income (and possibly other income), which then lowers your taxable income and the amount of tax you pay to the IRS.

Let's look at an example. Before starting the calculation, you must determine the value of the land because that portion of your purchase price is not depreciable and must be subtracted; it cannot be written off or deducted. You can find the value of the land in the appraisal. If you did not have an appraisal, you will need to use some other reliable source, such as county records or a real estate agent's estimate. If you paid $500,000 for an investment property and the land was worth $87,500, you would be able to depreciate $412,500 ($500,000-$87,500) over 27.5 years. The depreciation expense would amount to $15,000 per year. Assuming you were in a 33% tax bracket, this $15,000 depreciation expense could save you $5,000 in actual tax owed to the IRS each year.

With a house-hack, you mentally split the property into two pieces: the piece you live in that is owner-occupied and the other piece that is rented. Depreciation rules will not allow you to depreciate any of the owner-occupied portions of the property, but the portion of the home that is rented is eligible to be depreciated. Most people simply calculate the square footage that is rented as a percentage of the total and then apply the depreciation rules to that percentage of the home. Some would argue that a 1,000-square-foot basement is not valued the same as the 1,000-square-foot above-grade portion of the home and come up with some other method for determining the amount to be depreciated. Consult your tax advisor to determine the best method for your specific situation.

Improvements

Improvements made to a rental property may be written off or deducted in the year incurred if they are small enough to be classified as repairs (consult your tax advisor for specific thresholds). If the expense is larger than what is considered normal repairs and maintenance, you may not be allowed to deduct the entire cost from your taxes that year. You may be required to classify the expense as capital improvements, which are depreciated over their estimated useful life. This means when you remodel a bathroom, replace a furnace, or replace a roof, those items may also become a tax deduction spread out over a time period determined by the IRC. The IRC classifies improvements as anything that makes a property better than it previously was. It is important to keep detailed records of any improvements you make. You can deduct or capitalize home improvements and repairs that benefit the rented portion of your home.

Rental Losses

Regardless of your income, tax law always allows you to use depreciation to offset your rental income on your taxes. For example, let's say you own real estate that has rental income and depreciation expense. The depreciation expense can be used to offset your rental income, whether you make $1 million or $10,000 that year. Some investors confuse the laws and think that higher-income earners have limited depreciation advantages, but this is not necessarily true. There is never a limitation on how much depreciation you can use to offset rental income. Where the limitations start to enter the picture is when someone wants to offset other income with depreciation expense that is more than rental income. If you own multiple properties, you can take the loss generated by depreciation from one property and apply it against the income of another. Annual income or losses from each property are typically combined (netted) to determine if you have income or loss from all your rental activities for the year. In most cases, you report your rental income and deductible expenses on Schedule E of your personal tax return (Form 1040).

Often, you may have a loss for tax purposes even if your rental income exceeds your operating expenses. This is because depreciation (a non-cash expense) is a large amount and changes what would be positive income into a loss for tax purposes. Rental losses are always classified as “passive losses” for tax purposes. Passive losses can only be used to offset passive income—income you earn from rental real estate or other passive activities. Without passive income, your rental losses become suspended, and you do not deduct them until you have sufficient passive income in a future year or you sell the property.

Exceptions to Passive Loss Rules

There are only two exceptions to the passive loss rules:

- You or your spouse qualify as a real estate professional, or
- Your income is small enough that you can use the $25,000 annual rental loss allowance.

IRC rules state that a real estate professional is someone who spends more than 50% of his or her time in real property trades or businesses *and* more than 750 documented hours during the year in active participation with those trades or businesses.

Real estate professionals get to treat rental real estate activities in which they materially participate as nonpassive income/loss. If you qualify, this would allow you to deduct rental real estate losses from other nonpassive income.

If you do not qualify as a real estate professional, you can still use up to $25,000 of your excess rental losses to offset your other income if your modified adjusted gross income (AGI) is under $100,000 and if you "actively participate." Active participation means you are involved in meaningful management decisions regarding the property and have more than a 10% ownership interest in the property. If your income is between $100,000 and $150,000, then you can still use your real estate losses to offset your other income, but the amount you can use may be limited as the allowance is phased out as your income approaches $150,000. Once your income is over $150,000, you cannot use the excess losses to offset your other income; instead, those losses can offset future rental income. If you make more than $150,000 a year, there are still ways to take advantage of depreciation, and your tax advisor will give you guidance on how to do that to maximize profits on your investment.

Recapture

Even if you are among the most prepared property owners, you can be surprised by depreciation recapture tax (a type of capital gains tax that works to recoup the deductions you received from depreciation write-offs) after you make a profit from a rental property sale.

If you sell a rental property for a profit and have taken depreciation deductions, your property is subject to a depreciation recapture tax. The amount of the tax is based on your capital gain from the rental property sale. The gain can be calculated by subtracting the home's depreciated value from its sales value. The portion of the gain attributable to depreciation is taxed at the current depreciation recapture tax rate, which is your ordinary income tax rate, up to a maximum of 25%. The portion of the gain attributable to appreciation is taxed at long-term capital gains rates (if the property was held longer than one year), which are currently at 0%, 15%, or 20% depending on your income.

The IRS allows you to determine whether to expense depreciation each year. If you decide not to take the depreciation, they do not allow you to pick up that skipped portion in some future year—you just lose the option of ever depreciating that portion. Some people may be tempted to opt-out of the depreciation tax deduction upfront to avoid paying depreciation recapture tax in the future. However, the IRS charges 25% of your potential deductions regardless of whether you took the deduction. So, you may as well claim the deduction each year and plan accordingly, which can involve paying the total recapture tax or finding strategies to avoid it. This is an area that merits careful tax planning and strategizing with your tax advisor.

If you want to avoid recapture tax, you will want to do one of the following:

- Not sell the property and instead convert the entire property into a rental when you move,
- Conduct a 1031 Exchange, or
- Pass on the property to your heirs with a step-up in basis.

Let's consider each of these options.

Convert the Entire Property into a Rental

One way to avoid recapture would be to move on to another primary residence and convert the previous home into a rental. This would basically kick the can down the road and defer any possible gain and recapture by avoiding a sale.

1031 Exchange

Down the road, if you choose to sell your investment property, you have a couple of options. You could sell it, take the money, and be taxed on the gain. The gain would be the amount of profit you realized after considering the sales price minus the basis (**basis = original purchase price + improvements – depreciation**). This amount would be subject to capital gains and recapture tax.

Another option is to do a 1031 Exchange, where the IRS allows you to exchange "like-kind" properties for each other—one investment property for another. This essentially allows you to roll the property you sell into a new property and defer the gain and recapture you would have realized so that it is not currently taxable. A "combined use property" (like a house that is used as owner-occupied and investment at the same time) can be exchanged into a new property that is 100% investment or another house that is combined use.

Step-up in Basis

One of my favorite tax benefits of real estate is what we call "step-up in basis." This is the long-game approach to owning real estate and is a brilliant way to pass wealth generationally within a family. If you, as the owner, eventually sell an investment property at a profit (your sales price minus your basis [**basis = original purchase price + improvements – depreciation**]), you could potentially owe a lot of tax. But if you allow that property to pass to your heirs after your death, then their tax basis in that property becomes the fair market value (FMV) of the property on your date of death instead of your basis (**your original purchase price + improvements – depreciation**). Since the gain is determined by subtracting the basis from the sales price, the higher the basis is, the lower the gain will be and the less tax you will owe. Your basis is likely to be much lower than the current fair market value of your property, especially if you purchased it years ago and have depreciated a lot of the value over those years. Determining the gain based on the current fair market value of the property instead of your basis will almost always lead to less tax owed to the IRS.

For example, let's say you purchased a property for $400,000 and held it for thirty years. During the time you held the property, you depreciated $300,000 of the original cost (everything except for the $100,000 value of the land). Now, thirty years later, the property is worth $1 Million. If you were to sell the property with the intention of giving the money to your children, you would experience a taxable gain of $900,000 ($600,000 [the difference between your current sales price of $1 Million and the original purchase price of $400,000], and $300,000 [the difference between your original purchase price of $400,000 and the $100,000 land portion that was never depreciated]). Imagine the tax that could be due on a $900,000 taxable gain—part of which would be taxed at current capital gain tax rates and the other part at recaptured depreciation rates. Let's just keep it simple and say that you are subject to a 20% capital gains tax rate. So, the $600,000 would be taxed at 20% ($600,000 X .20 = $120,000), and the recaptured depreciation would be taxed at 25% ($300,000 X .25 = $75,000), leading to taxes owed of $195,000. Under this scenario, you would only net $805,000 to give your children after paying the tax owed to the IRS.

Now, consider that instead, you do not sell the property, and you allow it to pass to your children through the normal process of inheritance. Your children would inherit the property, and their basis in the property would be $1 Million (assuming that is the property's value on the date of your death), and they could immediately sell it for $1 Million and experience no gain with no capital gains or recapture tax owed to the IRS, saving them $195,000. Of course, estate tax issues need to be considered and planned for accordingly, but you can see that there are ways to avoid tax and keep the money in your family. We recommend that you work with your tax advisor and your estate planning attorney to devise the best strategy for you and your family, depending on your specific circumstances.

The Primary Residence Capital Gains Exclusion

If your house-hack was your primary residence for a qualifying period, you could potentially avoid capital gains tax with a Section 121 exclusion. Typically, capital gains tax can be avoided on the sale of a primary residence up to $500,000 for a joint return with a spouse, or up to $250,000 for an individual, if you have lived in the home for at least two of the past five years.

If both the owner-occupied portion and the rental portion of your residence could be used as a single residence (without modification), then you can exclude all the gain (up to the limits) except for the recapture. An example of this would be a basement apartment with stairs leading to it from inside your residence, making it so you do not have to leave the owner-occupied portion of your home to get into the rented portion of your home. Properties with

ADUs like this are still required to have their own entrance and exit separate from the staircase that internally connects the two portions of the residence. Access to the ADU cannot *only* be through the primary dwelling.

If the ADU or rental portion of your home is not accessible from your residence, then you cannot exclude the gain attributed to the rental portion of the home. It does not fall under this umbrella of protection and is subject to capital gains tax and recapture. An example of this would be an apartment above a detached garage or a stand-alone ADU built on your property that is detached from your residence.

For example, let's say you purchased a home with an ADU, which is 50% of the home, for $400,000, and the land was worth $100,000. After a few years, you decide to sell the property for $500,000. During the time you owned it, you depreciated $50,000 on the rental portion of the home. You would have a $150,000 ($500,000 minus $350,000) capital gain, of which $50,000 is attributable to the owner-occupied portion of the home, $50,000 is attributable to the rental portion of the home (assuming the percentage of owner-occupied and rental space was split equally), and $50,000 is attributable to the depreciation taken on the rental portion of the home.

If your ADU was part of a single residence, of the $150,000 capital gain, $100,000 could qualify as tax-free through an IRC Section 121 exclusion, and the $50,000 of depreciation would still be subject to recapture tax. On the other hand, if your ADU was separate from your residence, you would have $50,000 of excludable gain from the owner-occupied portion of your home, $50,000 of taxable capital gain on the ADU portion, and $50,000 of depreciation subject to recapture tax. In this example, having the ADU that is accessible from your residence could result in up to $10,000 in tax savings (the $50,000 of taxable gain on the ADU portion times 20% capital gains tax) because that portion of the gain would fall under the exclusion.

Final Thoughts

As a real estate investor, I can tell you that the beautiful thing about properties with any type of rental aspect tied to them is the tax angle. Depreciation is a legitimate offset to income that lowers the amount of tax you pay. The 1031 Exchange is a legitimate way to trade properties as your situation changes over time and continue to defer taxes. Step-up in basis is my favorite hack of all (be it principal residences or investment properties) because it allows wealth to pass from one generation to the next without the IRS becoming part of your family and demanding their piece of the pie. The Primary Residence Capital Gain Exclusion is also a fantastic way to strategically take ground and hold it every time you sell a principal residence, which makes owning a home *the* foundational cornerstone for anyone wanting to build wealth and prosperity.

I understand that it may not make sense to buy and hold every piece of real estate you acquire. I have not kept all of mine, and there are good reasons why you may sell a property along the way. Yet, imagine for a moment purchasing a property, depreciating it fully, conducting a 1031 Exchange to trade it into a more expensive property that can then start a new series of depreciation, collecting rents for decades, and eventually passing the property to your heirs tax-free through a step-up in basis. That is the beauty of real estate and what it can do for you.

By being familiar with the basics of these tax-saving principles and strategies, you are now better equipped to own real estate investments. You will now understand what your mortgage, tax, and legal advisors are referring to when you hear them use these terms in regard to avoiding, deferring, or eliminating taxes. All these strategies can work in unison to your benefit with the guidance of trusted mortgage, tax, and legal advisors. Just find the right team and let them guide and protect you.

Chapter Ten
Frequently Asked Questions

Can I use the rental income from the ADU to help me qualify for the loan?

Historically, you have not been allowed to count the income from the rented portion of your home with an ADU. In the past, the only way to count rental income for qualifying was to purchase a legal duplex, triplex, or fourplex. With one of these multi-unit properties, you would be allowed to count a portion of the rental income to help you qualify for the loan.

Recently, ADUs have become more popular, and underwriting guidelines have eased and become more friendly towards counting part of the rent as income to help you qualify. Fannie Mae (FNMA), Freddie Mac (FHLMC), and the Federal Housing Administration (FHA) have all provided a way to count ADU income.

Conventional Loans—Fannie Mae and Freddie Mac both offer conventional loan programs that allow you to count ADU income, but you must meet the following guidelines:

1. Depending on the loan program, a requirement may be that your income be equal to or less than 80% of the applicable Area Median Income (AMI) based on the census tract in which the home is located.
2. The ADU must:
    - Be smaller than the primary dwelling unit
    - Have the following separate features from the primary dwelling:
        - Entrance/exit—Access to the ADU cannot *only* be through the primary dwelling
        - Kitchen—must have a countertop, cabinets, running water, and a stove or stove hookup

  - Sleeping area
  - Bathing area
  - Bathroom facilities

3. If you currently own a principal residence *or* pay rent, the amount of rental income you can count depends on your history of receiving rental income for yourself or someone else. Rental income experience allows the maximum amount of rental income to be added to your total monthly income, while little or no rental income experience may lower the amount you can count. Additionally, you may be required to take a landlord education class.

4. If you do not own a principal residence *and* do not pay rent, then you may not be allowed to count the rental income from the home you are purchasing.

5. When purchasing a one-unit dwelling with an ADU, the appraiser needs to document the proposed rental income from the ADU. The amount of potential income that could be added would be the lower of 75% of the appraiser's

estimated rental income or 75% of the current lease amount on the ADU.

6. Depending on the loan program, the amount of rental income from the ADU that you can use may not be allowed to exceed more than 30% of the total income used to qualify.

FHA Loans—FHA also offers a government loan that allows you to count ADU income, but you must meet the following guidelines:

1. The ADU:
    - Is usually subordinate in size, location, and appearance to the primary dwelling unit
    - May or may not have separately metered utilities
    - Must have the following separate features from the primary dwelling:
        - Entrance/exit
        - Kitchen—must include a sink with potable running water and a stove utility hookup

    - Sleeping area
    - Bathroom with a toilet, sink, and a bathtub or shower

2. The appraiser needs to document the proposed rental income from the ADU. The amount of potential income that could be added would be the lower of 75% of the appraiser's estimated rental income or 75% of the current lease amount on the ADU.
3. The amount of rental income from the ADU that you can use cannot exceed more than 30% of the total income used to qualify.
4. You are required to show that after closing, you will have reserves (additional liquid assets) equal to 2 months of your total monthly house payment.

As you can see, it is possible to count rental income from your ADU to help you qualify, but it does take a little more planning and strategizing before you make an offer.

Should I buy an ADU or a multi-unit property (Duplex, Triplex, Fourplex)?

When we originally started searching for our first home, I was determined to purchase a duplex or a fourplex. I thought this was the best route, but the further I got into it, the more I realized it was not such a clear-cut decision. At that time, the down payment required for a conventional multi-unit was substantially more than it is now, and sellers were hesitant to accept offers with FHA loans. Here is a quick list of the pros and cons of a legal duplex, triplex, or fourplex. This may help you decide which one works best for you.

Multiunit Property PROS:

1. Conventional financing options are extremely flexible now. You can purchase a duplex, triplex, or fourplex with only 5% down as long as you live in one of the units.
2. Once you move out of the property, you are able to legally rent multiple separate units.

3. Because the units are completely separate, the rents are likely to be higher once you convert the entire property into a rental.
4. Each unit typically has its own separate utility meter, which makes it easier for each tenant to be responsible for their own utilities.
5. Over the long run, multi-unit properties tend to appreciate a little more.
6. Seventy-five percent of the rent from the tenant-occupied units can be counted as income to qualify for the loan.

Multi-unit Property CONS:

1. FHA financing options are more limited. FHA will let you purchase a duplex with only 3.5% down, but as soon as you go to a triplex or a fourplex, they require that you meet a "Net Self-Sufficiency" test. This means that 75% of the rent (based on the appraiser's estimate of fair market rent) from all units (including the unit you choose to occupy) must be equal to or greater than the entire

monthly mortgage payment. This can be difficult to do in some states where real estate values have appreciated quicker than rents. Additionally, you cannot have two FHA-financed properties within 100 miles of each other. So, yes, you could purchase a duplex on an FHA loan with 3.5% down, but your use of FHA loans could basically end at that point.

2. Most city zoning tends to clump multi-unit dwellings together, which leads to areas that are tenant-heavy and can be more transient.
3. Most multi-unit properties are older and have a higher likelihood of needing significant repairs and maintenance (plumbing, electrical, etc.).
4. Multi-unit dwellings typically cost more per square foot and are usually dated (feels like less value for the money).

Some of my pros and cons were weighted based on my personal preferences and the specifics of the city and county in which I was considering purchasing. But in general, I felt like I was getting more bang for my buck with an ADU versus a multi-unit property, especially since my family could enjoy the larger and nicer portion of the home.

Where should I put the money I am saving for my next property?

When saving up for each property, I found it important to know where to keep my money liquid and still be productive. I value liquidity because if an opportunity appears, I may need to access the money quickly. I am also willing to keep my money where I may receive a slightly lower rate of return in exchange for less volatility than the stock market or other market-driven instruments.

When I started saving for my first home, I used a high-yield savings account. Those accounts typically pay around .5%-5% (depending on current market yields) and are FDIC insured. High-yield savings accounts are better and pay higher interest than typical checking, savings, or money market accounts. American Express and Marcus by Goldman Sachs are reliable high-yield savings accounts with flexibility. Other companies in this space try to attract depositors by having slightly higher yields, but they usually have caps on how much you can withdraw or other unique rules that affect liquidity and minimum required balance amounts.

You may also consider other investment vehicles that are not FDIC insured. Some of these options are still sound, such as those that are backed by mortgage deeds. They are not considered to be as safe as the FDIC-insured high-yield savings accounts, but they pay a higher rate of return and are still considered a reliable option by many.

Depending on your goals and personal risk tolerance, you could always purchase the S&P 500 and simply dollar-cost-average (buy a certain amount on a regular interval) into it every time you get paid.

I personally do not like this option because opportunities could pop up when the S&P 500 is down, which could cause you to have to liquidate when the market is unfavorable.

Do I need reserves for each property?

The unknown is simply that—unknown. I am a firm believer in having an emergency fund and making sure that you are setting aside an adequate amount of money for repairs or times of difficulty. Be smart and err on the side of caution when it comes to reserves. I would rather have a little too much in the emergency fund than not enough. Having more than adequate reserves leaves your options open and keeps you in control. In a perfect world, you would like to have an amount equal to three to six months of monthly payments in reserves. This covers you for unexpected repairs and maintenance or in case a tenant happens to be late with their rent payment. Whether you need to replace an old appliance or fix a plumbing issue, the reserve is there so that when you get a phone call from a tenant, you do not need to stress. The reserve money helps you to sleep well at night. It will also keep you from turning to a credit card when something comes up.

What if the market crashes?

While a housing crash could happen again, I must point out that it is very difficult to know when things like that could happen and to try to "time" the market. I had people asking me these questions back in 2016, and at that time, they thought everything was so expensive and that we were in a bubble. As we can see from the chart on the next page, 2012–2016 would have been an amazing time to purchase and was the "right" time to get into the market. It is almost impossible to time the market perfectly, and for that reason, I love the house-hacking and house-stacking approach. After applying the rental income, your monthly cost is at least similar to, and in many cases, less than rent would be, and it allows you to not worry about timing the market perfectly. It also helps you to start building equity in a home with every payment, and you are building that equity with your tenants' money each month.

S&P Dow Jones Indices LLC, S&P/Case-Shiller U.S. National Home Price Index [CSUSHPINSA], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/CSUSHPINSA, December 7, 2023

If a market correction were to happen, the likelihood of rents staying strong is extremely high. You might even be able to raise your rent, depending on the demand. I believe that having the accessory apartment makes you as bulletproof as possible if a crash were to occur. The more likely unknown that could cause a loss of sleep is how much your landlord will raise your rent next year and whether you will have to move again if you *don't* get into home ownership.

Chapter Eleven
The Guide for Your Journey

“The Parable of the Seasoned Guide”

There was once a guide who helped hikers reach the summit of a notoriously difficult peak. In fact, of those who started the journey, only a small percentage ever made it to the top because of fear, lack of discipline, distractions, and lack of clear guidance. One day, the guide was approached by three friends who wanted to make it to the top. The first wanted as much instruction as possible without having to hire the guide. He wanted to get to the summit and figured he could do it on his own.

The second friend showed up with her own map and wanted to engage the guide, but only if the guide followed this newly presented map. The second friend “knew” the route she wanted and was looking to engage the guide, but only if she chose her own path.

The third wanted the guide's help and was willing to listen and follow the advice and path outlined by the guide.

The three ended up going their chosen routes. The first struggled on his journey as there were unforeseen obstacles. The last anyone heard from him was that he was still looking for a different way to do it himself.

The second ended up not working with the guide because the guide looked at the map presented and was not willing to commit to the results the map claimed. Simply put, the guide did not want to follow an unfamiliar path when the paths he already knew led to reliable success. Sadly, the second person was so committed to her plan and so focused on finding someone who would justify the path she wanted, that she was unwilling to follow the successful guide's experience and expertise.

The third found key insights and guidance along the journey, which led to a successful summit.

I consistently meet all three of these personality types in my work. I am curious, which of these three resonates most with your past experiences or patterns? It has been said that when the student is ready, the teacher appears. I believe that all of life is for learning. I also believe that we can avoid much pain, suffering, and many failures by following the lead of successful individuals who have already been where we want to go. I tip my hat in gratitude to those who have helped me on my path and have been willing to teach me the lessons they learned so that I would not have to repeat the same mistakes on my journey.

I am willing to do that same thing for you. If you want to learn how to house hack successfully, I am willing to teach you what I have learned—what works and does not work—and, in the process, save you at least five years of trial and error. Let's do this together, and I will help you reach your real estate and financial goals.

Here to help successfully guide your journey,

Zach

Afterword

If you have any specific questions about your situation, please connect with my team and me for a one-on-one look at what can be done to help you prepare to purchase a property.

We would be happy to help you make this dream part of your reality. Some people we help get in a position to purchase a home in a very short period—sometimes 30 to 60 days—while others may take a year or longer. The time frame does not matter to us; we will help and encourage you as long as it takes. We will help you make a plan and support you while you implement that plan. We will be there with you every step of the way. We want to help you and be a resource for you and the people you care about.

Please take a moment and think about the people you know (maybe a friend or family member) who might benefit by knowing what you have just finished learning from this book.

Now, take your phone out and connect with them; tell them what you learned, how it is going to help you, and encourage them to get a copy of this book to see if this resonates with them as well.

Thank you!

Zach Asbell

Contact my team and me at

- Website: **www.AsbellTeam.com**
- Email: **Team@AsbellTeam.com**
- Phone: **801-368-2900**

Invitation

I invite you to consider what your next step might be. When I make decisions, I like to bring the best minds together and see the options through multiple lenses.

I invite you to set up a complimentary hour-long consultation where we do a deep dive into your unique situation to help you determine whether a house hack would benefit you.

Schedule your free 60-minute House-Hacking Conversation at **www.HouseHackAnalysis.com.**

INVITATION

I invite you to consider what your next step might be. When I make decisions, I like to bring the best minds together and see the options through multiple lenses.

I invite you to set up a complimentary hour-long consultation where we do a deep dive into your unique situation to help you determine whether a house hack would benefit you.

Schedule your free 60-minute House-Hacking Conversation at
www.HouseHackAnalysis.com

"Renting the basement of our home was surprisingly easy. In the first home we bought, we looked specifically for a place that had an accessory apartment. The apartment rented for $1200 a month, and our mortgage was only $1800 so we essentially had a $600 mortgage every month; much cheaper than we could have rented from anyone else.

With our second home, we rent the basement which makes it easy to afford a larger home more comfortably because we have rent to offset our payment. We would definitely house-hack again!" **- BRENAN & EMORY S.**

"I didn't think it would be possible to own a home in my hometown. Home prices were too high to justify a purchase. When a home became available in my childhood neighborhood, I knew I wanted to make an offer, but I thought it would be out of reach. My first call was to Scott and Zach. They talked me through renting out the basement and after the purchase they helped me get set up. Renting the basement has been so easy and we are grateful to be in our dream home and dream neighborhood!" **- HEATHER W.**

"My sister and I bought our first home together. We lived in part of it and rented out the rest. Because of this, we were able to pay a lower-than-market rate for our portion of the home, and our rental income covered the rest. This has allowed us to save up and buy a second home, so now we have two!" **- ELISA B.**

"House Hacking has been amazing for me and my family. Not only are we investing in our future, but we are able to save more in the present for our future real-estate investments. We are currently only paying $400 out of pocket on our current home because we are House Hacking! We will absolutely be house Hacking our next home as well." **- TIM P.**