

The Benefits of a Real Estate Investment

What are the Benefits of a Real Estate Investment versus another type of investment such as stocks, mutual funds, CDs, bonds, saving accounts, or precious metals?

Simply put, real estate offers four great benefits, whereas, other investments may only offer one or two of the benefits.

All types of investments have a certain level of risk. That's just the way it is. Even the simple savings account has the risk of inflation. However, even in today's economy, with real estate investments, the risk is often outweighed by the following four benefits:

1. [Income](#)
2. [Principal Reduction](#)
3. [Depreciation](#)
4. [Appreciation](#)

[Income](#) is what the property will provide you with once the expenses (and taxes) are paid on a monthly basis. [Principal Reduction](#) is the benefit you received from the tenants paying down the mortgage balance, assuming your mortgage is amortized. [Depreciation](#) is a fabulous tax benefit that you can take advantage of on "paper" per an accounting schedule set forth by the IRS. [Appreciation](#) is the final benefit which we refer to as "icing on the cake". You don't necessarily buy a property with appreciation in mind but, over time, assuming your property is well maintained, appreciation will naturally occur. It's the beauty of real estate over the long haul.

The benefits of Income, Principal Reduction, and Depreciation can be measured so that you can properly evaluate a rental property or other investment property. Appreciation is not as easily measured and, again, Appreciation is "icing on the cake", and, it shouldn't be one of the deciding factors when considering if a property will be a good investment for you or not. Each person's circumstances and investment goals are different so, what might be satisfactory to one, might not be to another.

There has never been a better time to buy real estate as an investment. As Warren Buffet once put it, "Be Aggressive when others are scared—and be scared when others are being aggressive". If you really listen to what he's saying it makes a lot of sense! When the real estate market was on the rise and the bubble was getting larger and larger (before it busted) many people who viewed themselves as investors were buying real estate in a wild frenzy. This frenzy was what partially fueled the fast rise in prices during the years between 2001 and 2005. Unsavvy investors were rushing to buy as the market was going up. Now that the market is down—way down in some areas—the media has investors so afraid to buy anything—this IS the time to buy for those of you who have the cash to do so!