

# The Power of Leverage in Real Estate

Thanks to the overall stability of residential real estate investments, banks and other financial institutions will provide you with substantial leverage on your investment. This leverage will vastly increase your Return on Investment (R.O.I.). It will also assist you in using as little of your own capital as possible, allowing you to invest in more property.

The following are examples of how this unique leverage system works in your favor:

## Example #1 – 100% Cash Purchase

This is the old way of buying real estate and it mirrors how other investments work (such as most mutual fund investments). In this scenario you will buy the property with zero leverage.

### The Deal:

- 100% Cash Purchase at \$100,000
- 6 Year Holding Period
- Sell for \$200,000

**SOLD! Only \$100,000**



### The Gross Profit:

- Gross Sales Price: \$200,000
- MINUS Purchase Price: \$100,000
- Gross Profit: \$100,000

### Return On Investment Formula:

$$\frac{\text{Gross Profit}}{\text{Initial Investment}} = \frac{\$100,000}{\$100,000} \times 100 = 100\%$$

**100% Return On Investment  
over a 6 Year Period**