

17 RISKS OF REAL ESTATE INVESTING



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Investing Risky! Or is it?

When I told my mom I am investing in Real Estate she instantly warned me "Be careful, it is so risky!"

I didn't disagree. That would be silly.

What's risky is avoiding risk altogether, that's for sure. Then question is how to deal with the risk effectively to the point where it's acceptable.

The answer is prosaically simple and it has two steps:

1. Step 1: Identify the risk.
2. Step 2: Reduce the risk.

Very simple.

I am using a system I have developed myself and I call it Real Estate Investment Framework. It breaks Real Estate Investing into smaller pieces such as Marketing, Financing, Property Management, Taxes, Legal Entity, Bookkeeping etc.

Each of the above have their own risks - very specific risks. That's Step 1.

Once I know the risks, I can fairly easy come up with an effective strategy on how to mitigate them or in simple words to reduce the risks so they are not that spooky anymore. That's Step 2.

Done!

Here are the risks I counted.

Target Niche

- ⊖ Risk: No profits or losses due to a lack of focus
- ⊖ Risk: Frustration and abandonment due to a lack of results or losses

Financing

- ⊖ Risk: Losing deal due to a lack of focus
- ⊖ Risk: Frustration due to a lack of results

Marketing

- ⊖ Risk: Late payments
- ⊖ Risk: Property trashed

Property Management

- ⊖ Risk: Losses due tenant's negligence
- ⊖ Risk: Losses due landlord mismanagement

Legal Entity Structure

- ⊖ Risk: Personal assets exposed
- ⊖ Risk: Higher tax liabilities

Bookkeeping

- ⊖ Risk: Time wasted
- ⊖ Risk: Higher tax liability due books mismanagement

Tax Strategy

- ⊖ Risk: Higher Taxes short term
- ⊖ Risk: Higher Taxes long term

Continuing Education

- ⊖ Risk: Being bamboozled
- ⊖ Risk: Waste of time due ineffective communications

Networking

- ⊖ Risk: No growth

Recap & Next Moves



To recap, there are plenty of risks when Investing in Real Estate. I count 17 using Real Estate Investing Framework, a system I personally use.

What's important is not avoiding risk altogether, that would be a risk by itself, rather follow the two steps approach:

1. Identify specific risk.
2. Come up with effective mitigation of the risk.

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To Your Success, Alik.

