

**REAL ESTATE INVESTING IN 2005:  
LOCAL FINANCIAL ADVISOR OUTLINES  
KEY ERRORS TO AVOID, HOW TO DO IT RIGHT**

**ORLANDO, FL.//February 17, 2005//**Where does real estate investing in today's sluggish investment marketplace fit in a long-term financial plan? In the face of continuing sluggishness in the stock market, more and more investors are finding themselves tempted by the lure of real estate. However, there are some basic “rules of the road” for investing in real estate that should be understood by investors who want to avoid getting burned, according to a warning issued today by Resource Consulting Group, Inc.

Resource Consulting Group Vice President Kimberly Sterling said: **"Real estate is an important part of a long-term financial plan, but it is not the 'silver bullet' that some people think it is. Most of the people who are tempted to dive into the deep end of the real estate 'pool' are individuals who already are flailing around without an effective asset allocation strategy in place. Investors with a long-term strategy will understand that the real estate market is a portion of their portfolio, not an alternative to it."**

Sterling said: **"People who are smarting from investment losses or just generally disappointed by relatively low returns are the first to fail to appreciate the importance of liquidity. You can rebalance your portfolio to take into account changing circumstances. But that's not so easy when you have most of your money tied up in real estate and the 'bubble' bursts – or, at least, deflates a bit."**

**ADVICE FOR INVESTORS LOOKING AT REAL ESTATE**

1. ***Don't bet it all on real estate.*** Continued weakness in the stock market means that more and more investors are tempted to liquidate some or even all of their investment portfolios in order to pour their savings into such things as vacation homes, farmland, rental apartments and even airport hangars. While real estate is an integral part of a globally diversified financial portfolio, it is not the “magic bullet” to investors frustrated with sluggish stock market returns.
2. ***Think tax-advantaged investing when it comes to real estate.*** Since it is very tax inefficient, real estate should be owned within tax deferred accounts. That means you are likely to need some professional assistance in figuring out how to use vehicles such as individual retirement accounts (IRAs) and qualified plans as the foundation for avoiding the tax bite when you purchase real estate, mortgage notes, tax lien certificates, leases and other related income streams.
3. ***Consider REITs as a substitute for direct property ownership.*** Not only are REITs a helpful tool in portfolio rebalancing, they can generate much-needed cash flow and, at the moment, are posting good yields. With a total return of 30.4 percent, REITs in 2004 outpaced most other stock market benchmarks for a fifth consecutive year, Based on the NAREIT Composite Index, REIT stocks over the last five years have produced a compound annual total return of 22.5 percent, putting them ahead of the compound annual returns for the S&P 500, the Dow Jones

Industrial Average and the Nasdaq. However, you still need to think through the tax efficiency issues of REITs, which is where professional advice will come in handy.

4. ***Look at managed pool alternatives.*** Exposure to real estate also can be gained through direct ownership in a managed pool that focuses on real estate. This approach takes no leverage and is broadly diversified, thus it has a very low standard deviation (comparable to one-year treasury bills). Additionally, owning real estate through a managed pool gives financial professionals a higher comfort level because they can get a clear sense of the credit and administrative processes behind the investment, which may be particularly important in a “down” market for real estate.

Sterling said: "**The good news is that people who want to focus on real estate as part of their investment portfolio have excellent options today, including tax-advantage investing vehicles, REITs and new products, such as managed real estate pools. So, it's no longer the case that you necessarily have to get title to, maintain and insure multiple properties in order to 'own real estate.'**"

#### **ABOUT RESOURCE CONSULTING GROUP**

Orlando-based Resource Consulting Group is a fee-only financial planning and investment advisory firm established in 1988 to provide low cost, asset class investing for their clients, using the firm's Systematic Financial Solution®. Resource Consulting Group's Web site is <http://www.resourceconsulting.com>.

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**EDITOR'S NOTE:** A streaming audio replay of a related national news event will be available on the Web as of 6 p.m. EST on February 17, 2005 at <http://www.zeroalphagroup.com>.