

How to know if you can afford an Investment Property

One of the most powerful lessons I took away from Robert T. Kiyosaki's book *Rich Dad Poor Dad, What the Rich Teach Their Children About Money-But the Poor and Middle Class Do Not* was all about a simple mindset shift with money.

The “poor dad” had a habit of always saying “I can’t afford it” while the rich dad always said, “How can I afford it?” Turning it into question got the brain to start thinking of a solution instead of shutting down.

When it comes to investing in real estate, I encourage you to take the approach of the rich dad and ask yourself: “How can I afford to get started with real estate investing?”

Real estate is a worthy investment because it is one of the most reliable methods for becoming rich.

Create multiple income streams using real estate

If you want to know how to become rich, it can easily be argued that investing in real estate is the most reliable way to achieve that dream.

There are so many ways to bring in lasting, recurring income with the properties that you own. There's commercial real estate, residential rentals, multi-family homes, vacation rentals, fixing and flipping or simply renting out an extra room in your home.

Between getting consistently higher returns than other investments and having the stability of having a diversified portfolio, real estate is very much worth it.

But first, you may be asking another question.

How much investment property can I afford?

Of course, everyone is different. How much you can afford will depend on your income, credit score and down payment.

Most lending institutions have tools that can help you estimate how much you can afford, like a mortgage calculator, and when you go through the steps of getting prequalified you can get a better idea.

In general, you need 20% of the price of the home as a down payment. And your current income can determine how much you should spend on your mortgage payments. The

well-established rule is that you shouldn't spend more than 28% of your gross monthly income on your mortgage.

Is your income enough to buy an investment property?

If you ever want to be able to afford more, check out our free e-book which shows you how to legally reclaim money that you have paid in taxes.

But if you can't afford to buy a house, there are still ways that you can afford to get started. One way to do it is to rent a room in your own home and start to earn income that you can use to make a down payment.

Or you can get started the easier way by putting your extra money to work with passive real estate investing. ([click here to see our success portfolio](#)).

What's the difference between buying an investment property and a home?

A primary residence is the house where you mainly live in and an investment property is a house where you intend to earn a profit through rental income or appreciation.

One difference between buying a primary residence and an investment property is that you need a higher credit score to buy an investment property. Rentals require larger down payments and have different mortgage terms.

In addition, you will be looking for different qualities for a house that you plan to live in and a house that you are buying for someone else to live in. You want to buy a home in a neighborhood that you like where you like the neighbors. You want to buy an investment home in a depressed area where you can make a big improvement.

Can I afford a second investment property?

When you start to enjoy the success of your first rental property, you may want more. Buying a second property can help you get to the next level financially, but can also bring on a whole new set of challenges.

Because of the difference with mortgage rates and other lending details between buying a primary or second home and an investment property, you will have to tell the lender the purpose of the property when you apply for the loan. You will have to plan to pay a higher down payment, have a higher credit score and you may have to have enough cash on hand to show the lender that you will be able to pay the first six months of mortgage payments.

The second property must be chosen based on shrewd research because it is a serious business decision. You want to find a property that has evidence of being able to produce the kind of cash flow that you need to meet your financial goals.

Often, people are able to afford the second home using the income that they have generated from the first investment property or they use leverage to invest more.

Just think, If you have equity on your home or another property, the bank is making money off of it every day by loaning it out to more and more people. You are letting them hold on to it and earn returns, when you could be earning money with it.

Reap the benefits of investing in real estate without all the hands on work, and without having to buy a property

Buying properties to flip or rent is an active way to invest in real estate.

If you want to get into real estate without having to put up any drywall or snake a single toilet, there is another much easier way.

Passive real estate investing lets you earn profits from other people's real estate deals, including the portfolio from BG Wealth, which has an average return of XXX and you can get in for as little as \$1,000.

Contact us today to take advantage of the wealth building potential of real estate without having to buy anything before you're ready.