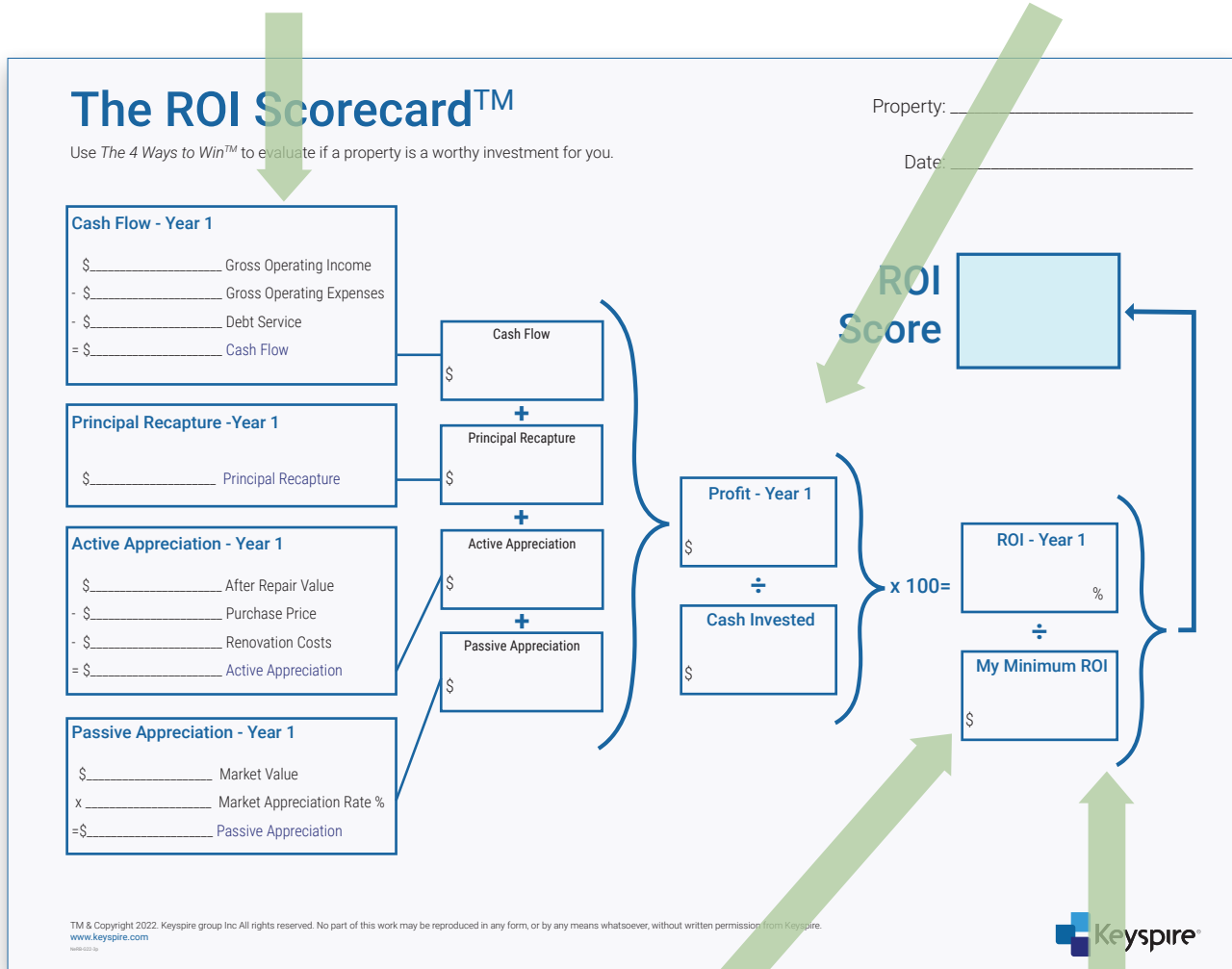


'The ROI Scorecard' Guide



Step 1: Calculate *The 4 Ways to Win™* by filling out the calculations on the right side of the Scorecard.

Step 2: Use *The 4 Ways to Win™* results to calculate your 'Profit - Year 1' and 'ROI - Year 1'



Step 3: Determine your Minimum ROI by comparing the returns you would get by investing that same amount of cash in other investments available to you, such as stocks, mutual funds, bonds...

Your Minimum ROI should be greater than these other returns and compensate you for the extra work that comes with property investing, like maintenance, renovations, and tenant management.

How much of a return do you need to see to make this a worthwhile endeavor for you?

Step 4: Divide your "ROI - Year 1" percentage by "My Minimum ROI" to get your ROI Score and use the guide below to make a decision on the property based on this.

Understanding Your ROI Score			
below 0.49	0.50 to 0.99	1 to 1.49	1.50 and above
Stay away!!!	You are not going to get to your LFD like this, move on.	Great find, Great Score, move forward with this, proceed with due diligence.	Lock this up now! Make an offer to get under contract before someone else does.

Key Terms & Definitions

Active Appreciation - The increase in property value driven by the property owner. Active Appreciation may be obtained in multiple ways including cosmetic updates, renovations, the addition of an accessory apartment, etc.

After Repair Value (ARV) - The appraised value of a property after all repairs or renovations are completed

Cash Flow - The amount of cash available at the end of the year after expenses, debt service, and vacancy is subtracted from income

Closing Costs - Costs in addition to the purchase price of a home, such as legal fees, transfer fees, and disbursements, that are payable on the closing date

Debt Service - The payments made to service all debt on the property. Debt Service payments include both principal and interest.

Down Payment - The portion of the house price the buyer must pay up front from personal resources before securing a mortgage. This can generally range from 5%-35% of the purchase price.

Gross Operating Expense (GOE) - The sum of all expenses associated with operating the property. This does not include any debt payments.

Gross Operating Income (GOI) - The Gross Scheduled Income minus 5% for vacancy allowance

Lifestyle Freedom Day (LFD) - The day your investment income will enable you to choose what you do, when you do it, and not being held down by time or money.

Market Value - The amount that a buyer is willing to pay and what a seller is willing to sell their property for, based on how the subject property compares to other properties that have recently sold in a similar condition as well as overall real estate market conditions.

Market Appreciation Rate - The rate by which prices of properties have increased in a market overall. This will be given as a percentage.

Passive Appreciation - The increase in property value driven by external market forces

Principal - The amount of money borrowed.

Principal Recapture - The portion of the mortgage payment that is allocated to principal balance payoff.

Return on Investment (ROI) - The measurement of return on an investment, relative to the capital invested. ROI is calculated as the *4 Ways to Win* over Capital Invested and expressed as a percentage.

Finding the Numbers

Work with your **Stage 1 Team** to find the numbers.

Your **Real Estate Agent** should be able to provide you with the numbers needed for Passive Appreciation, as they should understand Market Values and Market Appreciation Rate. They can help estimate ARV for Active Appreciation as well.

Your **Mortgage Broker** will be able to assist you with Principal Recapture, which will be on your mortgage statement, and debt service in your Cash Flow calculation.

Use the **Team Builder - Stage 1** Tool and Guide to find your team.