



## Investors: Follow This Simple Plan to Become a Millionaire Real Estate Mogul

### Description

Millions of Canadians dream about becoming a real estate mogul — someone who can do whatever they want as the passive income from their property rolls in.

The traditional method is to save up enough for a down payment and then buy a property. Once that property is performing well, the process is then repeated as many times as possible. After a decade or so, these properties combine to deliver some pretty serious cash flow. The heavy lifting is complete, and it's just a matter of time until the process makes you a millionaire.

There are just a few problems with this traditional model. Owning physical property is basically buying yourself a part-time job. You have to find tenants, show the place, deal with repairs and maintenance, and sometimes go through the eviction process. It's possible to outsource all this to a property manager, but you'll lose a portion of your profits if you do.

I prefer a different path to becoming a real estate mogul. I'm loading up on Canada's best real estate investment trusts (REITs) and suggest you do, too.

REITs offer numerous advantages. Access to a professional management team at a low cost is a big one, of course. REITs also offer instant diversification, built-in leverage, and attractive distributions. That cash can immediately be put to work in new REITs, which further accelerates the compounding process.

Here's how you can use REITs to become a real estate mogul faster than you ever thought possible.

## Becoming a millionaire real estate mogul

Thanks to today's low interest rates, it's easier than ever to become a real estate mogul.

The first step in your journey is getting initial capital. This should ideally come from your savings. Most traditional real estate moguls start with at least \$50,000.

After that, you'll need to create the kind of leverage common with traditional real estate investments. This requires a two-step borrowing approach.

The first step is to borrow against an existing asset, like your own property. As long as you have decent equity in the place, getting an additional \$50,000 won't be that hard. Your investable assets are now \$100,000.

It's then time to borrow again. Your online brokerage will allow you to turn that \$100,000 investment into a \$200,000 investment. There's just one word of caution at this point — using a brokerage's margin could trigger a margin call if the underlying value of the securities fall. You'll want to keep some cash on hand to ensure that doesn't happen during a [market crash](#).

## How it'll work

You'll want to invest in a wide variety of REITs to become a millionaire real estate mogul. It's best to diversify your assets.

For the sake of keeping things simple, let's assume you put all your cash into **Crombie REIT** ([TSX:CRR.UN](#)), an ultra-safe REIT that gets approximately 60% of its rents from grocery and drug stores. Crombie also offers a 6.7% dividend yield.

Over the last 14 years, Crombie has delivered a total return of 8.64% annually. Most of the return has come from dividends, but it has also given investors some capital gains as well.

If it costs us 3% to borrow, that means our imaginary real estate portfolio could easily generate a 5.64% net return. Assuming a \$200,000 initial investment and absolutely nothing added to the portfolio, you'll [become a millionaire](#) in 30 years.

That's not bad for only using \$50,000 of your own money.

Steady saving can help you achieve millionaire status even faster. If you add \$10,000 annually to this leveraged real estate portfolio, you could become a millionaire in just over 20 years.

## The bottom line

Borrowing to invest in real estate will always carry risk. If you implement this kind of strategy at the wrong time, and the underlying REITs tank in value, it could lead to permanent damage to your portfolio.

But this risk is always present in real estate. Besides, thousands of investors are currently using a similar plan to get rich. They've analyzed the dangers and decided to go ahead anyway.

The time to implement such a strategy is today, while REIT prices are still depressed. Take an aggressive stance and you could become a millionaire real estate mogul faster than you ever thought possible.

### CATEGORY

1. Dividend Stocks
2. Investing

## **TICKERS GLOBAL**

1. TSX:CRR.UN (Crombie Real Estate Investment Trust)

## **PARTNER-FEEDS**

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