

Real Estate Crowdfunding

There are many ways to invest in real estate. Until recently, most of them required either a lot of money or a lot of time, or both. Real estate crowdfunding has changed much of that.

Crowdfunding is a way in which investors reach out to a large pool of investors, usually online, who each contribute a small amount of money. For investors, real estate crowdfunding is a way to generate passive income. It is considered a tangible asset that is less volatile than other investments and generates regular income.

It is an investment option that wasn't widely available before 2016. While the JOBS Act allowed crowdfunding for accredited investors as of 2012, to qualify you had to have either \$1 million in net worth or have earned \$200,000 to \$300,000 per year for the past two years. Even now, non-accredited investors typically pay higher fees.

Even now, the Securities Exchange Commission regulates how much non-accredit-



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REAL ESTATE 101

Understanding Types of Real Estate Investments

According to RocketMortgage, there are many benefits to investing in real estate, if you play your cards right — which is why it's considered one of the most popular assets. If you're just getting started investing in real estate, however, it can be a little overwhelming learning about all the different types of investments available to you. Learn more about investing at bit.ly/3BBqq41.

ed lenders can invest based upon their income. Investors with an annual income of less than \$107,000 can only invest 55% of their income with \$2,200 as a maximum. If your annual income is greater than \$107,000, you can invest up to 10% of your income.

INVESTING IN REAL ESTATE CROWDFUNDING

There are numerous crowdfunding sites. Take the time to

read reviews and learn the different features of each. Generally speaking, most sites offer a variety of real estate deals from sponsors.

Sites will list different deals, often with pictures of the property. They might be divided into REITS, value-added, equity or development categories. The deals will describe the projected return rate. It will explain how often distributions are

made (quarterly, monthly or annually) and whether there is a payout at the end. Deals may detail how long the investment is for and when the investor plans to sell the property.

Projected returns, according to The Real Estate Crowdfunding review, can range from 6% to 7% for conservative deals to 300% to 400% for aggressive deals.

If you like the deal, you

subscribe — signing a legal contract — and deposit your money.

PROS AND CONS

Real estate has long been considered a good investment that helps balance stock market investments in a portfolio. It has historically been a source of wealth creation.

However, the same risks that come with traditional real estate investment are present with crowdfunding. If the sponsor isn't able to implement the strategy listed in their pitch, you might lose some or all of your money.

This is why the Real Estate Crowdfunding review advises that you should never invest money that you can't afford to lose.

Typical advantages to investing in real estate crowdfunding are portfolio diversification, accessibility, geographic diversification, a method of passive income and small investment sizes.

Typical disadvantages include a relative lower return, investments are not liquid and you have a lack of control over the investment.

Investors recommend you perform a personal risk assessment before deciding whether real estate crowdfunding is a direction in which you want to go.



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HOMEWISE GLOSSARY

Underwriting: The final approval or rejection by a lender upon reviewing all pertinent details of a loan applicant's credit worthiness. **SOURCE:** MLS.com

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