

Prevailing over the Economy

Investing in 2023

What just happened?

- 2020, 2021: Perfect storm – COVID changed everything
- Near the end of 2021, the US Economy turned downhill
- 2022 was downhill all the way
 - Federal Reserve rate increases brought down the mortgage industry, causing profound damage for Real Estate sales and Business growth
 - Inflation at highest level in years – especially food & all types of energy
 - Unemployment is rising for the first time in years (except for Covid shutdown) across all age groups
 - Inventory shortages, food processing problems – unheard of for 70 years
 - Stock Market crashed, wall-to-wall, worst in lifetime
- 2023 is looking like an extension of 2022

The new normal

1. Consumer Price Index hovering around 8%
2. Independent analysts claim real inflation is much higher
3. When food, gas, cars and houses are included, inflation is higher still
4. Wall St. now very tricky – shark territory
5. CD & Bank account interest rates barely up from zero
6. 30% of Commercial Real Estate is at risk of foreclosure
7. Residential Real Estate foreclosures turning upwards, post-Covid
8. Hiring Managers claim no candidates available (both skilled & unskilled) – all while talented workers are being laid off elsewhere.
9. Millions of illegal aliens welcomed into USA, housed, fed, treated by taxpayers
10. Student loan forgiveness provided at taxpayer expense
11. US Debt over \$30 Trillion, beyond point of no return, ceiling raised yearly by Gov't

Where's everyone's money now?

- Analysts claim that Americans hold > \$1 Trillion in *cash accounts*
- Many never learned investing skills
- Many don't trust Financial Advisors
- Their fear of getting misled or ripped off drives them to keep their money in a CD or bank account
- "Better safe than sorry"

Learning about Money as Kids ...

- Public schools taught almost nothing about it
- Mom & Dad may not have explained how it works
- Most of our friends knew little about anything financial
- We were just thankful to find some work at a low wage
- We wanted more money so we could buy more fun things

Learning about Money as Young Adults...

- Most college majors required *no* business classes
- Even Business schools groomed us for working for corporations, not tending to personal finances
- Employers taught us to stay put so as to climb the corporate ladder
- Utility companies taught us to pay on time so as to avoid late charges
- Banks taught us to place our money in their possession so as to keep it safe
- Credit companies taught us to spend more than we make and to defer payments on that so as to live a higher lifestyle “now”
- Government threatened us: “Pay your taxes, or else ...”

Learning about money as Adults

- Financial Advisors told us to direct our money according to their secret wisdom
- Retirement plan custodians told us to “build a nest egg” for the day when we no longer work
- Medical Insurance Companies told us pay their premiums now because we’re going to get weak & sick later
- Casualty Insurance Companies told us to buy their products so as to prepare for disasters on the horizon
- Life Insurance Companies told us to buy their policies so as to prepare for our death

Taking control of our Financial Destiny

1. This is why so many invest in Real Estate & become Landlords
2. The “Fix-and-Flip” TV shows highlight the positive side of it
3. But there are some powerful negatives, too
 1. Tenants can be elusive, angry, tardy, irresponsible, difficult to deal with
 2. Property Maintenance Companies may charge you for every little thing
 3. Day-to-Day maintenance needed for Toilets, Trash, Yard and many other things
 4. Capital Expenditures eat into the year’s profits: new A/C unit, new roof, pipes, electric, foundation, windows, wall board, appliances, etc
 5. Rising Taxes are a given and the Landlord pays the bill
 6. Eviction can be difficult because Lawyers may stall it, Government may outlaw it (remember COVID), Tenants may destroy your property in their anger

Mortgage Notes – a Niche Market

They're the other half of almost every real estate purchase

1. First half of the deal: You get a house
2. Second half of the deal: The bank gets a mortgage
3. If you stop paying your mortgage, you know what'll come soon
4. Your house is the bank's collateral; they'll take it if you stop paying
5. The bank always has the final word, no matter how long it takes

Work alongside the Bank

1. You may not own a Bank but you can work with a Banker
2. Every bank needs to have incoming money
 1. Some do it by having Depositors
 2. Some do it by having Funding Partners
3. Depositors' money is a type of "loan" to their banks
 1. Depositors can get their money back on demand, so ...
 2. Banks created CD's to prevent Depositors taking their money back
 3. CD's typically pay only a fraction of 1% interest
4. Funding Partners loan their money to "banks" as well
 1. The "Bank" pays much higher interest rate to Funding Partners
 2. The "Bank" here is a Mortgage Note Investor

Advantages to Funding Partner

- Funding is a Passive Investment
 - Getting started is as easy as opening a CD
 - Fixed, interest-only rate of return which is far higher than a CD
 - No maintenance work for the term of the loan, like a CD
 - Typical Loan is 1 – 3 years in length (even on a 30 year mortgage)
 - At end of Loan period, Full Principal is returned to Funding Partner
 - At end of loan period both parties are free and clear
 - Funding Partner's loan is secured by Collateral: the Real Estate for which the Mortgage exists

What if things go wrong?

- If Homeowner stops paying the mortgage:
 - Could be Job loss, Medical problems, Divorce ... or just irresponsibility
 - Note Investor will attempt to get the Homeowner “back on track” in payments
 - If Homeowner refuses to make mortgage payments, Note Investor will do what is necessary to retrieve the Collateral:
 - Foreclosure
 - Cash-for-Keys
 - Short Sale
 - REO sale through MLS
 - Other Options available
- Note Investor repays Funding Partner his/her Principal
 - Funding Partner must be “made whole” of both Principal and agreed-upon Interest
 - The Deal closes down at that point, earlier than expected

Contract for the Deal

- Everything will be in writing and squeaky-clean
- There must be no surprises; this is a fundamental tenet in doing business with Sky Finance LLC
- Funding Partner will have the time to have Contract reviewed by:
 - Lawyer
 - Accountant
 - Financial Advisor
 - Family, friends, or whoever
- Every deal must be a win-win deal; otherwise it is no deal
- Sky Finance LLC wants satisfied Funding Partners, repeat business, good referrals; will work to make it happen

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