

**Fantastic Returns!**  
**Article 5 of 6**  
**by Doug Ottersberg, ACM, MHM**

In previous articles we've taken a look at various ways investing in manufactured homes makes sense for many investors. Among them, the ability to generate excellent cash flow and fantastic returns rank among the top two reasons why so many investors continue to enjoy success in this niche market.

As you now know, the ticket to financial independence has two parts: "Get something working for you other than you" and "some part of today's work must benefit you in the future." During my studies, those statements were usually followed up with this one, "You must learn to make money work for you or you will end up working for money." I decided then and there that I would study money and finances so I could indeed learn to make money work for me. I recommend you do the same.

Smart investors have many tools at their disposal with which to take advantage of opportunities as they arise, and in this series of articles we are looking at a tool many investors are unaware of: manufactured homes. No matter where you live, what your area of specialization, and despite what you, your friends, the media, and the public at large may think about this particular housing product, there are six excellent reasons you should consider investing in the manufactured home market.

**Six Reasons to Invest in Manufactured Homes**

1. Affordable Housing in High Demand
2. Niche Market
3. Lower Entry Cost
4. Excellent Cash Generation
5. Fantastic Returns
6. Grow Your Own Customers

**High Return, Low Risk**

When looking for places to put investment capital to work over medium-to-short periods of time, the subject of return on investment or yield can not be overlooked. Obviously, the higher the return, the more our investment will grow. Because of what we've all been taught, I know many of you are thinking "If the return is high, then the investment must be pretty risky, right?" Not at all!

When it comes to minimizing risk, one of the many lessons I learned was that a person's level of knowledge is a major factor in their success. That, coupled with control, goes a long way toward creating a safe, stable investment. The key word here is "create." When you are in control and you are putting this deal together, your knowledge and experience will allow you to safely create yields on your investments that most people only dream about.

By the way, as an active investor, you are not only entitled to make a high return on your investment, it's your obligation! Why? There are many reasons, though the two most important are (a) the more money you make, the more deals you can put together and the more families you can help to become homeowners; and. (b) the higher the return on investment you as an active investor can make, the higher return on investment you can offer the passive investor you'll want to be working with.

So what kind of return are we talking about here? For starters, once you learn how the financing works, unless the state where you will be operating has restrictions on interest rates, your minimum or safe return should be anywhere from 10% to 15%. By safe return, I mean that interest rate you know you can invest money at repeatedly with little to no risk.

Do you think that's pretty good? We're just getting started!

Of the many things about money and finance you will need to learn to become a successful investor, one is how to use a financial calculator to calculate cash flows and time value of money problems. It continues to amaze me how many investors struggle along not knowing how to use this amazing machine, and thereby they do not know how to take advantage of what I call mortgage math! (If you're not skilled in this area, you will want to be sure to attend my Workshop "The Building Blocks of Investing")

There are five elements to time value of money calculations:

N = Number of Periods (of time, usually months)

I = Interest Rate (%)

PMT = Payment Amount

PV = Present Value

FV = Future Value

In order to calculate one variable, you need to know three others. When you learn how to manipulate these five variables in financial calculations, you will have a huge advantage over others that do not have this knowledge.

For example, in our basic “cookie cutter” deal, (a transaction that can be repeated easily and regularly) we know that when we invest a certain amount of money buying a pre-owned home, we will earn a minimum of 15% return on the investment, because that is the interest rate we charge on the financing. We also know that our actual return is higher because (a) the amount our customer must repay us includes a portion of our profit; and (b) when our customer gives us a down payment, the amount of our remaining investment is less. (One thing you will learn is that the faster you get your capital back, the higher your return will be.)

If we invest \$15,000 and sell for \$25,000, we have made a \$10,000 profit. When we sell to our customer, we will charge 15% interest and in my primary market we look for a monthly payment of about \$400, in this example it works out to be \$405.23. (this monthly payment is our number; your number must be determined by completing a marketing study). If we receive a \$4,000 down payment, the customer will owe us \$21,000 and their home will be paid off in about 84 months. (another number you need to know, experience has shown that many home owners get the itch to move every 84 months or 7 years)

The buyer’s cash flow, which is an outgo to them, looks like this:

N	I	PMT	PV
84	15	405.23	21,000

Our cash flow, which is an income to us, looks like this:

N	I	PMT	PV
84	27.63	405.23	15,000

The way to look at this investment is: We invest \$15,000 (PV) and we get back 84 payments of \$405.23 (PMT); what is our return? (I)

The chart above shows that we are getting 27.63% return on our \$15,000 investment! Not bad!

But wait, we got a \$4,000 down payment, now we only have \$11,000 invested in this deal. What is our return now?

N	I	PMT	PV
84	41.70	405.23	11,000

You read correctly, that is over 40% return! This is why my mentors said you can get rich doing little deals. When you learn to make money work for you, even small amounts, over time you not only become wealthy, you will become financially independent.

Manufactured home investing offers many benefits, and as we've just discussed, one of those benefits is fantastic return on investment.

In the next article, we'll talk about growing your own.

Doug Ottersberg, ACM, MHM

[www.mobilehomemillionaire.com](http://www.mobilehomemillionaire.com)