

# AHWATUKEE FOOTHILLS NEWS

## Real Estate Investment Trusts have Pitfalls



*June 2, 2021 by Dr. Harold Wong*

In my previous 5/12/2021 article “Knowing Social Security Rules is Important Start”, I covered a case study of how a long-term federal employee could have \$75,680 total Social Security (SS) and federal pension income by knowing the rules vs. \$47,760, or \$27,920 less. You can read this by going to [www.drharoldwong.com](http://www.drharoldwong.com) and clicking the “Articles” link at the top of the home page.

Ever since the 2008 Financial Panic and stock market collapse, normal investment alternatives for retirement income are terrible. Here are the yields as of 5/24/2021:  
0.10% to 0.50% for bank interest; 1.60% yield for US 10-year Treasury Bonds; 2.30% yield for US 30-year Treasury Bonds; and 2.02% average dividends for S&P 500 companies since 1/1/2000.

Because of ridiculously low levels of interest rates, most people are taking way too much risk in the stock market. When I see folks that qualify for their free strategy session, it’s not unusual that they have 80-95% of their life savings exposed to stock market risk. If the stock market has another major crash, they may never recover. Note that during the 2000-2002 Dot-Com Crash and the 2008-2009 Financial Panic and Real Estate Crash, the stock market dropped by about 50%.

In order to double or triple these terrible returns listed above, one has no choice but to explore alternative investments. These would include real estate investment formulas, private pensions, and solar business equipment leasing.

One could consider Real Estate Invest-

ment Trusts (REITs), which often specialize in different types of real estate. To maintain favorable tax status, they have to distribute 90% of earnings via a dividend to the securities owners. Typically, investors purchase REITs for their dividends, which currently average more than double the dividends on S&P 500 companies and the 30-year Treasury bond.

Warning: the purchase of REITs is a security, much like owning a stock or mutual fund and you can lose principal. In April 15, 2020, vs. one year previous, there were major losses in the REIT property indices due to the coronavirus pandemic. The sectors that declined were -15% for Multifamily; -17% for office; -25% for Health care; -48% for Retail; and -53% for Hotel. In contrast, it was +34% for Data centers; +31% for Cell towers; and +14% for Industrial. Source: Nareit.com.

Note that one can often obtain higher and more stable returns by owning private real estate directly and not through a REIT.

Private Pension Funds operate like SS or any other pension. The longer you wait to trigger your retirement income, the more you get. A nurse was age 62 in 2014 and deposited \$270,000 in a private pension. When she triggers her retirement income at age 70, she will receive \$27,000/year guaranteed for life. That’s a 10% rate of cash flow.

Solar Business Equipment Leasing, allows investors to be part of the massive push by government for “The New Green Deal” and a cleaner environment. Cash flows can average 5-7% annually. However, one must also add the tax savings. If

one buys \$100,000 of solar equipment that is leased to businesses, there’s a 26% tax credit and a potential \$87,000 immediate deduction by using Section 179 of the tax code. It’s not unusual that high-income taxpayers will save \$50,000 in tax, which doubles the tax-adjusted rate of return and reduces their total personal tax bill.

### Free live seminars and lunch:

- Saturday, June 12 at  
The Old Spaghetti Factory,  
3155 W. Chandler Blvd., #9  
Chandler, AZ 85226 at 10:45 a.m.;
  - Sunday, June 13 at  
The Hyatt Place  
3535 W. Chandler Blvd.,  
Chandler, AZ 85226 at 10:30 a.m.
- Topic:** “Double Your Social Security & Other Retirement Income and Pay No Tax!”  
**RSVP:** 480-706-0177 or  
[harold\\_wong@hotmail.com](mailto:harold_wong@hotmail.com).

Free Information on Retirement Planning, Solar Business Investments, and Tax Savings can be found at [www.drharoldwong.com](http://www.drharoldwong.com) or [www.solarbusinessinvestments.com](http://www.solarbusinessinvestments.com).

**To schedule your Free Consultation  
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to RSVP.**

Dr. Harold Wong earned his Ph.D. in Economics at the University of California/Berkeley and has appeared on over 400 TV/Radio programs.