
# Some millennials are investing in real estate both for retirement and for daily living expenses

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# Buying a house? Why not a duplex?

CINCINNATI -- Stocks. Bonds. 401(k)s. All typical ways one could save for retirement.

But there is another way. One that many people -- most often, millennials -- overlook when planning for their future years. And it has nothing to do with their avocado toast.

It's real estate investment. And while some young adults are slow to take to homeownership themselves -- while they pay off mounds of student debt, or contemplate their next cross-county moves -- others see it as a real opportunity.

"It's easy to do a 401(k) if you actually work for a company (that offers one), but that's the drawback of having these out-of-the-box careers," says Shannon Crutchfield, an agent with Coldwell Banker West Shell in Montgomery. "For somebody who doesn't have that, real estate is a great place to start."

She sees a small, but growing, number of millennial clients in the Tri-State considering this approach. She herself has invested in real estate for the past several years.

"Millennials like to think outside the box," Crutchfield said. "They like their freedom; they like to travel and to be able to do what they want when they want, but they still know they have to have an income."

There are no exact stats on how many millennials have turned property investors, but the opportunities are diverse. Buyers can pick from residential or commercial properties -- although residential carries less risk -- or single- or multi-family.

Are you handy? You could also consider flipping a home HGTV-style.

Kevin Webb

"I think it's a great investment," said Kevin Webb, a certified financial planner with Kehoe Financial Advisors in Springdale, who has counseled several millennials and also invests in real estate himself. "A lot of them are seeing their own rents go up, and they're thinking, 'I'm paying this landlord. Why not be the landlord?' Sure, there's risks and hassles with it, but there's also potential and control."

Webb, 32, bought a set of six condos under one roof three years ago, and has been managing the properties ever since. "A great way for a millennial to get in the game is with a duplex," he said. "Live in one unit, rent out the other." He's already considering buying more.

While leveraging a bank loan, Webb expects to see returns in the mid-teens.

"I still get excited when the rent checks come in the first of each month," he said. "It's fun. You don't have to work 8-5 to get that, and that's really exciting."

Besides that tingly, feel-good feeling, there are other tangibles, too. In addition to the positive cash flow from renters, who just so happen to be paying down your mortgage with their payments, there's also appreciation of the building over time, and the tax benefits that come with owning a rental. Real estate is a great hedge against inflation, too.

"One very attractive aspect of real estate is the different ways an income property pays back," Webb said. "These features work together for significant gains."

But there are risks, of course.

Millennials should still consider a diverse portfolio -- also investing in traditional stocks and bonds. It's a good idea, too, to have an exit strategy before you buy, Webb said.

Added Crutchfield: "If you don’t want to be tied down, you have to have a little bit of a plan."

Avoid overpaying for the property -- do your research, and invest where you know.

"It's not something that should be taken lightly, but it's not so huge that you just throw your hands up and say, 'I'm not going to do it! I'm never going to own a home,' " Crutchfield said. "There's still some science involved."

Interested, but don't know where to start? Here are the first steps:

Step 1: Establish an emergency fund, Webb said, to cover at least three to six months' worth of expenses.

Step 2: Match any 401(k) contributions from your employer -- and if that's not an option, put money into a Roth IRA, Webb said. Consider meeting with multiple lenders to get the best deal.

"Most people think they have to come to the table with 20 percent, and that's just not the case," Crutchfield added.

In general, millennials should be saving about 10-15 percent of their income, Webb said. If that's a tall task, start small and build from there. Income generated from property can be funneled in that direction, or can be used to pay off student loans.

"It's unbelievable the time that millennials have; time is definitely on their side," he said. "So many people feel they're behind in retirement (planning), but if they just do the smallest steps today, it can make the world of difference."

If managing a property day-to-day still seems a little too drastic for you, there is a much more passive approach, Webb said. You can still invest in real estate via REITs, or Real Estate Investment Trusts. A REIT is essentially a company that invests in income-producing property like office spaces or apartments. REITs are traded on the stock exchange, which means you can essentially become a real estate investor in five minutes or less.

"REITs trade just like (shares of) P&G," Webb said. "It's fairly easy, and it's a simple way for a millennial -- or anybody -- to invest in real estate."