SPECIAL REPORT

WHAT'S THE BEST INVESTMENT?

THE STOCK MARKET OR REAL ESTATE?

ARE YOU CONCERNED ABOUT THE FUTURE OF THE STOCK MARKET?

If so, you're not alone. Thousands of people are wondering how they can possibly plan for their financial future with the uncertainty and volatility of the stock market.

BUT IF NOT THE STOCK MARKET, THEN WHAT?

In this special report, we're going to explore the pros and cons of investing in the stock market and suggest an alternative for you to consider.

STOCK MARKET RETURNS WILL SURPRISE YOU

The average stock market return over the last 15 years was 7.04% (from 2004 to 2018) and 9.06% over the last 30 years (from 1989 to 2018) [1]

That means that if you invested $100,000 in 2004 it would be worth $277,454 in 2018 – not bad, right?

But wait … not so fast.

MARKET VOLATILITY CAN CRUSH YOUR RETURNS

What most investors don’t realize is that the same $100,000 weren’t actually worth $277,454 fifteen years later - that's because of the volatility of the stock market from year to year.

In fact, that same $100,000 was actually worth $225,425 – which is only a 5.6% return compounded every year (if you’re curious about the math on this, please see Appendix A).

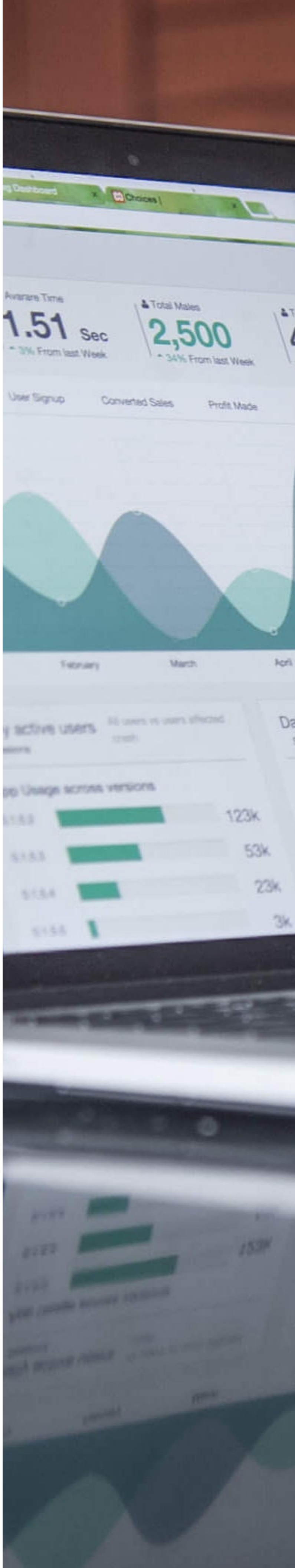
Not nearly as good but still not bad … until we realize these returns are BEFORE brokerage fees.

FEES NIPPING AT YOUR HEELS

The average expense ratio for actively managed mutual funds is between 0.5% and 1.0% and and can go as high as 2.5% or even more. For passive index funds (ETFs), the typical ratio is approximately 0.2% [2]. Most investors have a blended portfolio of ETFs and mutual funds, so let’s assume the average fee is 1.0% per year.

After taking out a 1% fee each year, instead of being worth $225,425, your $100K invested fifteen years ago is now only worth $193,879 – a mere 4.5% compounded return!

[1] https://www.macrotrends.net/2526/sp-500-historical-annual-returns
[2] https://www.investopedia.com/ask/answers/032715/when-expense-ratio-considered-high-and-when-it-considered-low.asp



LET'S NOT FORGET TAXES!

If you're filing jointly and making more than $77,201, your long term capital gains rate is 15% [3].

If you sold your entire portfolio, the taxes you'd have to pay would push your average annual return from 4.5% to 4.0%. (Please see Appendix B if you're a numbers person😊)

INFLATION - THE SILENT KILLER

According to the Federal Reserve web site, the annual inflation target is 2% [4].

In fact the Fed has done a good job meeting their stated objective, achieving an actual inflation rate of 1.6% over the past ten years. Of course, inflation silently erodes the buying power of your portfolio.

Compounded over fifteen years, an inflation rate of 1.6% reduces your after tax return from 4.0% to 2.5% (please see Appendix C for the numbers).

Wow.

[4] https://www.creditdonkey.com/average-stock-market-return.html

WHAT DOES THIS ALL MEAN?

All of this means that if you invested $100,000 in 2004, your ACTUAL return, i.e. the kind of return you can actual BUY something with in 2018 dollars AFTER you pay brokerage fees and taxes is a mere 2.5% compounded per year.

More specifically, after getting your initial investment back, you have $44,382 in net gains after fifteen years.

I'm not sure if you thought about investing in the stock market that way, but it makes me angry, and maybe it makes you angry as well.

Here you manage to save and invest $100,000 and patiently keep it invested for a LONG time. And when it's time to sell, for example to pay for your kids' college education, you've actually made very little money while paying your broker and the government along the way. Oh, and in the meantime, your purchasing power went down due to inflation!

This really makes me upset, and maybe it makes you upset too.

WHAT'S THE ALTERNATIVE?

You might be saying "That's great, Michael, I appreciate you breaking this down for me. But what else is there? If I shouldn't be investing in the stock market, then what else is there?"

I'm so glad you asked, because I'm going to show you a viable alternative to the stock market with less risk and volatility, above average returns, lower taxes and a hedge against inflation.

THE BEST INVESTMENT ON THE PLANET

The best investment on the planet – by far – is passively investing in "multifamily syndications".

WHAT IS A MULTIFAMILY SYNDICATION?

A multifamily syndication is where a group of people pool their resources to purchase an apartment building which would otherwise be difficult or impossible to achieve on their own.

This typically involves the "general partners" who organize the syndication, including finding the property, securing financing and managing the property; the general partners are sometimes referred to as the "sponsors" or "operators".

The group of people who are providing the cash investment are often referred to as "passive investors" or "limited partners". In return for their investment, the limited partners receive an equity share in the syndication along with cash flow distributions and profits.

BENEFITS OF MULTIFAMILY SYNDICATIONS

There are 5 main advantages of passively investing in multifamily syndications over any other investment:

- Below-Average Risk
- Above Average Returns
- Passive Income
- Extraordinary Tax Benefits
- Inflation Hedge

BELOW-AVERAGE RISK

Perhaps the greatest advantage of investing in apartment buildings lies in its extremely low risk profile. For decades, the multifamily market has proven much less volatile than residential real estate, the stock market and cryptocurrency.

When the housing bubble popped in 2008, the delinquency rates on Freddie Mac single-family loans soared, hitting 4% in 2010. By contrast, delinquency on multifamily loans peaked at 0.4%. So, if you're looking for a recession-proof way to invest your money, there is no better option than apartment building investing.

ABOVE-AVERAGE RETURNS

As we've seen, the average stock market return over the last 15 years was 7.04% but after fees, inflation, and taxes that return becomes a paltry 2.5%.

On the other hand, multifamily syndications routinely return average annual returns of 10% and above. That's compounded (i.e. without volatility) and after fees, inflation, and yes, even taxes.

PASSIVE INCOME

Unlike stocks and bonds, multifamily syndications generate cashflow for its investors from the income generated by the property.

This cashflow afforded by multifamily investing generates the kind of passive income that leads to financial freedom. (Can you say early retirement?)

The brilliant part is that the multifamily asset itself is appreciating in value over time and can usually be sold for a significant profit.

The combination of passive income and appreciation lends itself to the kind of generational wealth you can pass on to your children.

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EXTRAORDINARY TAX BENEFITS

Real estate has advantages over nearly every other investment, from stocks and bonds to business investments to precious metals. The IRS allows multifamily investors to write off 3.6% of the value of the building each year as an expense through something called "depreciation". This is only a "phantom" expense, meaning it doesn't actually cost you anything but it does reduce your taxable income.

The reason for this is simple: the U.S. government wants people to invest in real estate; it's actually a tax incentive, and it's required by law.

To illustrate the magic of depreciation, let's look at this example.

Let's say you invest $100K in a multifamily syndication and make a 10% cash-on-cash return (or $10,000) in a particular year. It appears that you should be paying taxes on your $10,000 gain, but that's without the magic of depreciation:

PURCHASE PRICE	$500,000
Down Payment (20%)	$100,000
Debt	$400,000
Cash on Cash Return %	10.0%
Cash on Cash Return $	$10,000
Tax Depreciation %	3.6%
Tax Depreciation $	($18,000)
Taxable Loss	($8,000)

The main thing to note here is that the $10,000 you put into your pocket is entirely tax free.

Instead of showing a taxable income, your tax return shows a taxable loss.

Amazing, isn't it?

You can even "carry forward" your "loss" to future years or you can use it to offset gains from other passive income – further reducing (or even eliminating) taxes in the future, too.

WOW! Do your stocks do this for you?

Depreciation is a benefit of ALL real estate investments, but multifamily gives you an additional tax bonus – called "bonus depreciation".

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EXTRAORDINARY TAX BENEFITS (CONTINUED)

Passed by President Trump, bonus depreciation allows us to deduct the entire value of the investment from our taxable income in the first year.

This produces a GIANT tax loss that we can carry forward and apply to other passive income – reducing our even eliminating taxes paid on any gain.

And if we sell for a big profit at the end, we can do something called a "1031 Exchange" that allows us to defer taxes – indefinitely.

No other investment on the planet offers such incredible tax benefits.

INFLATION HEDGE

Multifamily investments are a fantastic hedge against inflation. If you recall, the Federal's Reserve's inflation target is 2% each year, which means everything goes up in costs, including rents.

And as income goes up, so does the value of the property. I hear you saying "Yes, Michael, but no so fast. It's true that rents are going up by 2% but so are expenses! And that keeps the net income of the property the same and with that the value of the property, isn't that right?"

Actually no … take a look at the following table that shows both the rents and expenses going up 2% each year, look at what happens to the Net Operating Income:

	PURCHASE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Inflation Rate		2%	2%	2%	2%	2%
Income	$10,000	$10,200	$10,404	$10,612	$10,824	$11,041
- Expenses	$7,667	$7,820	$7,976	$8,136	$8,298	$8,464
= Net Operating Income (NOI)	$2,334	$2,380	$2,428	$2,476	$2,526	$2,576

BENEFITS OF MULTIFAMILY SYNDICATIONS

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INFLATION HEDGE (CONTINUED)

The Net Operating Income (or "NOI" for short) is going up! And the higher the NOI, the higher the value of the property.

In fact that small 2% inflation rate results in a 10% average annual return on the cash invested in a typical real estate syndication (see Appendix D for the math if you're curious).

It's like magic: the more inflation goes up, the more the apartment building appreciates – the perfect hedge against inflation!

You might be saying to yourself "That's great, Michael, I didn't know about all of the benefits of investing in multifamily syndications, but what about other real estate investments like single family rentals?"

THE PROS AND CONS OF SINGLE-FAMILY RENTALS

Most passive investors who are considering investing in real estate think first of investing in single family houses.

One option is to buy one or more single family rentals (SFR's) and become a landlord. The challenge with this option is that it's not very passive. Since you're the landlord, you're responsible for finding the tenant, taking calls when something breaks, making repairs, finding a new tenant etc.

Another (arguably better) option is to invest in "turnkey rentals", which involves you owning an SFR, typically outside your own area, that is professionally managed by a turnkey company that buys, fixes, and manages the rental.

THE PROS AND CONS OF SINGLE-FAMILY RENTALS

(CONTINUED)

These turnkeys are set up to be entirely passive, but it doesn't always work out this way. I know several people who have invested in turnkey rentals that did NOT perform, and they had to fire the management company. Instead of being a passive investor, they were now land-lording a rental in another state!

Finding good property managers for single family rentals is always a challenge. But with multifamily real estate, if your property manager is not performing, you can usually choose from several other, better managers.

The real problem with SFRs is that they're very market-sensitive. Look at what happened during the great recession of 2008: SFRs suddenly had higher vacancies as tenants fled into cheaper apartments and property values plummeted, resulting in a massive loss of capital.

As we've already seen, multifamily properties are much more recession-proof, allowing us to ride out a downturn in the market if necessary.

The bottom-line is this:

Multifamily Syndications Are the Best Investment On the Planet!

MULTIFAMILY SYNDICATIONS – THE BEST INVESTMENT ON THE PLANET!

Most investors invest their hard-earned money in the stock market. It's not their fault, really, because that's what 99% of financial advisors advise their clients to do!

But as we've seen, the average annual returns of the stock market (after fees, inflation and taxes) are a mere 2.5% over the last 15 years. Coupled with the uncertainty of a market crash makes this investment class questionable at best.

After studying every other possible alternative, I've come to the definitive conclusion that investing in multifamily syndications is the best investment on the planet.

No other investment performed so well in the last recession and offers above average returns (including cashflow), extraordinary (and legal) tax advantages and a built-in hedge against inflation.

NEXT STEPS

If you're interested in learning more, then you're already in the right place. By downloading this special report, you'll be receiving a weekly email from me and my team to help you make better investment decisions.

I also encourage you to subscribe to my "Apartment Building Investing" podcast to learn on the go.

If you're interested in being notified of upcoming investment opportunities, please join the Nighthawk Investor Club at www.NighthawkEquity.com/join.

Please complete the short questionnaire and schedule a call with us so that we can get to know each other more. We'll then be able to present you with investment opportunities that are right for you.

I hope you found this Special Report helpful as you plan your financial future.

MICHAEL BLANK, CEO
Nighthawk Equity

DREW KNIFFIN, President
Nighthawk Equity

NIGHTHAWK
EQUITY

THANKS, AND WE LOOK FORWARD TO STAYING CONNECTED!

APPENDIX

APPENDIX A - ACTUAL STOCK MARKET RETURNS

$100,000 invested in 2004 would be worth $225,425 based on the actual annual returns of the S&P 500 (excluding dividends). This is a gain of $125,000 which is only a 5.6% average annual return compounded:

ACTUAL RETURN 5.6%		
BEGIN VALUE	GAIN/LOSS	END VALUE
$240,428	-6.24%	$225,425
$201,329	19.42%	$240,428
$183,795	9.54%	$201,329
$185,147	-0.73%	$183,795
$166,215	11.39%	$185,147
$128,252	29.60%	$166,215
$113,087	13.41%	$128,252
$113,087	0.00%	$113,087
$100,272	12.78%	$113,087
$81,225	23.45%	$100,272
$132,052	-38.49%	$81,225
$127,549	3.53%	$132,052
$112,260	13.62%	$127,549
$108,990	3.00%	$112,260
$100,000	8.99%	$108,990

APPENDIX B - IMPACT OF FEES AND TAXES ON YOUR STOCK PORTFOLIO

Instead of being worth $225,425, your $100,000 invested in 2004 would only be worth $193,879 in 2018 after fees and taxes – a mere 4.5% compounded return!

RETURN BEFORE FEES				FEES			ADJUSTED RETURN AFTER FEES	
BEGIN VALUE	S&P RETURN	G/L	END VALUE	%	$	END VALUE	GAIN/LOSS	RETURN
$208,870	-6.24%	($13,034)	$195,837	1.00%	$1,958	$193,879	($14,992)	-7.18%
$176,671	19.42%	$34,309	$210,980	1.00%	$2,110	$208,870	$32,200	18.23%
$162,913	9.54%	$15,542	$178,455	1.00%	$1,785	$176,671	$13,757	8.44%
$165,769	-0.73%	($1,210)	$164,559	1.00%	$1,646	$162,913	($2,856)	-1.72%
$150,322	11.39%	$17,122	$167,443	1.00%	$1,674	$165,769	$15,447	10.28%
$117,161	29.60%	$34,680	$151,840	1.00%	$1,518	$150,322	$33,161	28.30%
$104,351	13.41%	$13,993	$118,344	1.00%	$1,183	$117,161	$12,810	12.28%
$105,405	0.00%	$0	$105,405	1.00%	$1,054	$104,351	($1,054)	-1.00%
$94,405	12.78%	$12,065	$106,469	1.00%	$1,065	$105,405	$11,000	11.65%
$77,244	23.45%	$18,114	$95,358	1.00%	$954	$94,405	$17,160	22.22%
$126,849	-38.49%	($48,824)	$78,025	1.00%	$780	$77,244	($49,604)	-39.11%
$123,761	3.53%	$4,369	$128,130	1.00%	$1,281	$126,849	$3,087	2.49%
$110,026	13.62%	$14,986	$125,011	1.00%	$1,250	$123,761	$13,735	12.48%
$107,900	3.00%	$3,237	$111,137	1.00%	$1,111	$110,026	$2,126	1.97%
$100,000	8.99%	$8,990	$108,990	1.00%	$1,090	$107,900	$7,900	7.90%

Here's a summary of the returns after fees, and then after paying long-term capital gains taxes:

Initial Investment	$100,000
Portfolio Value in 2018	$193,879
Gross Gain	$93,879
Average Annual Return	4.5%

Long Term Capital Gains Tax (%)	15%
Long Term Capital Gains Tax ($)	$14,082
Net Gain	$79,797
Average Annual Return	4.0%

APPENDIX C - IMPACT OF INFLATION

Once we combine a 1.6% inflation rate with fees and taxes, we see that inflation reduces your after tax returns from 4.0% to 2.5%.

RETURN AFTER FEES				INFLATION			ADJUSTED RETURN AFTER INFLATION	
BEGIN VALUE	S&P RETURN	GAIN / LOSS	END VALUE	%	$	END VALUE	GAIN / LOSS	RETURN
$166,651	-7.18%	($11,962)	$154,690	1.60%	$2,475	$152,215	($14,437)	-8.66%
$143,252	18.23%	$26,109	$169,361	1.60%	$2,710	$166,651	$23,399	16.33%
$134,245	8.44%	$11,336	$145,581	1.60%	$2,329	$143,252	$9,007	6.71%
$138,819	-1.72%	($2,391)	$136,428	1.60%	$2,183	$134,245	($4,574)	-3.30%
$127,930	10.28%	$13,146	$141,076	1.60%	$2,257	$138,819	$10,889	8.51%
$101,330	28.30%	$28,680	$130,010	1.60%	$2,080	$127,930	$26,600	26.25%
$91,718	12.28%	$11,259	$102,978	1.60%	$1,648	$101,330	$9,612	10.48%
$94,151	-1.00%	($942)	$93,210	1.60%	$1,491	$91,718	($2,433)	-2.58%
$85,697	11.65%	$9,986	$95,682	1.60%	$1,531	$94,151	$8,455	9.87%
$71,259	22.22%	$15,831	$87,090	1.60%	$1,393	$85,697	$14,437	20.26%
$118,923	-39.11%	($46,505)	$72,418	1.60%	$1,159	$71,259	($47,664)	-40.08%
$117,915	2.49%	$2,942	$120,857	1.60%	$1,934	$118,923	$1,008	0.85%
$106,533	12.48%	$13,299	$119,832	1.60%	$1,917	$117,915	$11,382	10.68%
$106,174	1.97%	$2,092	$108,265	1.60%	$1,732	$106,533	$359	0.34%
$100,000	7.90%	$7,900	$107,900	1.60%	$1,726	$106,174	$6,174	6.17%

Here's a summary of the returns after inflation and taxes:

Initial Investment	$100,000
Portfolio Value in 2018	$152,215
Gross Gain	$52,215
Average Annual Return	2.8%

Long Term Capital Gains Tax (%)	15%
Long Term Capital Gains Tax ($)	$7,832
Net Gain	$44,382
Average Annual Return	2.5%

APPENDIX D - 2% INFLATION RESULTS IN A 10% RETURN ON EQUITY

Purchase Price	$400,000
Down payment (20%)	$80,000
Inflation Rate	2%

	PURCHASE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Inflation Rate		2%	2%	2%	2%	2%
Income	$10,000	$10,200	$10,404	$10,612	$10,824	$11,041
- Expenses	$7,667	$7,820	$7,976	$8,136	$8,298	$8,464
= Net Operating Income (NOI)	$2,334	$2,380	$2,428	$2,476	$2,526	$2,576

Annualized NOI	$28,002	$28,562	$29,133	$29,716	$30,310	$30,916
Cap Rate	7%	7%	7%	7%	7%	7%
Value	$400,029	$408,029	$416,190	$424,514	$433,004	$441,664
Appreciation	$0	$8,029	$16,190	$24,514	$33,004	$41,664
Return on equity		10%	20%	31%	41%	52%
Average Annual Return		10%	10%	10%	10%	10%