

**REAL ESTATE INVESTMENTS  
PROPOSAL SUMMARY**

RICA SERVICES COMPANY

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## AUTHOR



Alex Tsaruk, the president of RICA SERVICES COMPANY. Alex hold both a real estate and tax licenses.

Alex graduated from Bellevue College where he successfully finished his Associate of Accounting degree. In addition, he attended the National Paralegal College and achieved his Bachelor of Science degree in legal studies.

Currently, Alex is reviewing taxes and financial analyses for RICA's small to mid size business clients as well as helping real estate investors to buy, fix and sell properties with profit. Having both a real estate and tax experience, Alex with his analysis is reducing its investor's risk a lot.

## INTRODUCTION

This investment plan is for doing house flipping. "Money needs to make money". So because I, Alex Tsaruk, am already in this business, once we will get the funds, the next day we will be able to invest money and make money to reach our goal.

**Our Goal:** Our main goal is to safely start and run the real estate investment company where we are planning to flip 12 houses in a 12 month period and make us around 20% return of investment annually. Plus, have a back up plan where our risk of losses will be equal to zero.

**Buying and Selling First:** Our first intent shall be to buy properties for the purpose of flipping. We will need to find, buy, fully fix and sell the property(s) within a 4 month period. In average we should flip one house per month.

**Renting Last:** If, however, the property cannot be sold within a 6 month period, the second intent shall be to rent the property out until it is sold or turned solely into a rental property investment. Rental investment is the last option because flipping is more profitable and has the same level of risk.

**Fund Requirement:** We will need \$2,000,000 to successfully start and run this business and reach our above goal.

### Calculation

For the first and second year we are planning to flip (flip means to purchase houses under the market value at auction or from the bank, remodel them and resell them with profit). Based on our budget available and my own experience, we will be able to flip around 12 houses each year. (*See herein table for detailed calculation*). We will have to purchase and fix houses that will cost us not more than \$160,000 to be able to flip 12 houses per year and have no risk. The expected selling price for each house after our remodeling shall be around \$235,000.

<b>GROSS PROFIT</b>	<b>Per House</b>	<b>Total</b>
Sales form 12 Houses	\$235,000	\$2,820,000
Selling and Holding Costs	(\$23,500)	(\$282,000)
Purchasing and Fixing Costs	(\$160,000)	(\$1,920,000)
<b>NET PROFIT FROM SALES</b>	<b>\$51,500</b>	<b>618,000</b>
<b>RETURN OF INVESTMENTS</b>	32%	<b>31%</b> (\$618,000/ \$2,000,000)

### OFFICE EXPENSES

Office Rent	\$11,400
Office Supplies	\$7,200
Director	\$84,000
Project Manager	\$36,000
Office Assistant	\$21,600
Supervisor	\$20,000
Other invisible Cost (10%)	\$ 18,020
<b>TOTAL EXPENSES</b>	<b>198,220</b>

### NET ANNUAL PROFIT

After all expenses our net profit per year shall be herein stated

NET PROFIT FROM SALES	\$618,000
OFFICE EXPENSES	\$198,220
<b>NET PROFIT</b>	<b>\$419,780</b>
<b>ANNUAL RETURN OF INVESTMENTS</b>	<b>21%</b>

$$\$419,780/\$2,000,000 = 21\%$$

### BACK-UP PLAN

Let's say if the economy will crash and the money will lose its value, we will still not lose anything but will make profit, around 7% of return investments because even at that time people will still need a living place and we will be able to rent our houses and make money. As I said, by following my strategy we will have the risk at zero!

*"My neighbors couldn't believe that the Soviet Union money can ever lose its value, and they lost all their money in their bank accounts and cash. However, my dad saved money by investing into real estate. You may think that it will never happen to our money now, but facts show that it can happen in our unstable economy. Money can lose value and will be worth zero, but real estate will always have value." -Alex Tsaruk*

Herein rent amount is based on the south King County area market price.

<b>GROSS RENTAL PROFIT</b>	<b>Per House</b>	<b>Total</b>
RENT form 12 houses	\$16,800	\$201,600
Managing and holding costs	(\$3,000)	(\$36,000)
Taxes	(2,160)	(\$25,920)
Other Cost (10%)	(516)	(6,192)
<b>NET PROFIT FROM RENTAL</b>	<b>\$11,124</b>	<b>133,488</b>
<b>RETURN OF INVESTMENTS</b>	7%	<b>7%</b> (\$133,488/ \$2,000,000)

### **CONCLUSION**

If we will have \$2,000,000 funds and will be following my strategy, I am more than 90% sure that we will be able to reach our herein goal.