



PIASCİK & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Main / 804-527-1815

Toll Free / 866-527-1815

Fax / 804-527-1816

Innsbrook Corporate Center

4470 Cox Road, Suite 250

Glen Allen, Virginia 23060

October, 2005

Mr. A. Smith
ABC Smith Company

Dear Mr. Smith:

Are You a Real Estate Investor and How Does Your CPA Help You Maximize Your Rate of Return?

Are you a real estate investor? What type of real estate investments do you hold? One type of real estate investment, rental real estate, can be an excellent alternative to investments such as stocks and bonds (i.e., portfolio assets). Rental real estate can be acquired in a number of ways such as foreclosure auctions, pre-foreclosure, directly from the owner or through an agent, etc.

Below are a few reasons investors are attracted to rental real estate investments:

- Lenders will generally finance a large portion of the acquisition meaning less money out of the investor's pocket;
- Tenants pay the investor rent which can offset the related expenses (interest, taxes, insurance, repairs, etc.) the investor incurs to hold and maintain the rental real estate;
- Rental real estate can provide a steady stream of cash flow to the investor;
- Generally, the investor retains any appreciation on the rental real estate, even though the lender may have financed a large portion of the acquisition;
- Investors are allowed to claim "depreciation" (a non-cash deduction) on the value of the rental real estate building and improvements; which further reduces the investor's rental income;
- Rental real estate is one of the few investments in which the after tax return can be higher than the before tax return;
- Investors may dispose of their rental real estate under a tax free exchange; thus allowing the investor to reinvest all the proceeds from the disposition of their rental real estate for like kind property(ies) without incurring any Federal income tax;
- Investor may claim other deductions (e.g., travel, education, meals & entertainment) that are related to their rental real estate;
- Generally, as rental real estate appreciates, the investor can easily obtain access to the increased equity via a refinancing of the existing debt, obtaining an additional term loan or line of credit or any combination thereof.



How knowledgeable is your tax advisor in the area of real estate. Is your tax advisor an expert that knows all the relevant tax laws and regulations including all the exceptions? Our Firm understands the questions you may have and can advise you from both a technical standpoint as well as a practical standpoint. Make sure the individual providing you tax advice is also a real estate investor. Call us today, and we'll get things started.

Sincerely,
PIASCİK & ASSOCIATES, P.C.

Ryan L. Losi, CPA, REALTOR
Business Development Manager