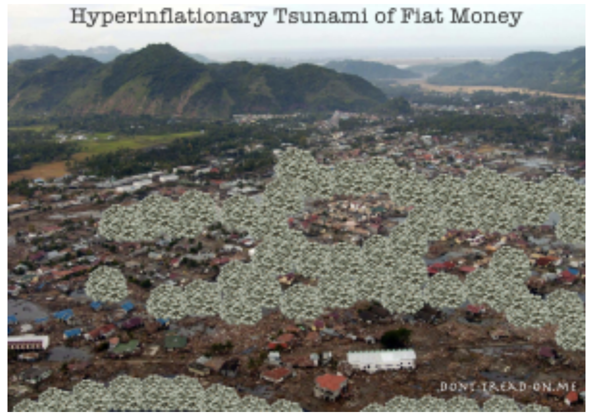
30 Reasons To Get Out Of Real Estate And Into REAL Assets

By: Silver Shield

"You can fool some of the people some of the time, but not all of the people all of the time." –Abraham Lincoln



We are in a major paradigm shift that like a tsunami starts slowly and ends with the landscape wiped clean. The paradigm shift is from paper assets to real tangible assets. This shift happens every generation or so, where one asset class dramatically outperforms the other. The 40′s and 50′s paper assets like stocks and bonds were the place to be. In the 60′s and 70′s real assets like oil, cattle and precious metals were the best performing assets. In the 80′s and 90′s paper assets once again reigned supreme. Since 2000 there has been a real rush form paper assets to real assets once again. This paradigm shift will be much more dramatic than anything we have seen in our lifetime. This asset shift is going to coincide with major shifts in demographics, politics, and world power.

The collapse of paper assets will not only include stocks and bonds, it will be the collapse of the entire basis of our society, the dollar. The dollar is the nexus of all commerce and is our way of life. The almighty dollar has terminal cancer and it will not recover to live to see the next paradigm. This shift from paper assets and real assets is driven by money/debt creation. Since our dollar IS debt, it is necessary for more debt to be created every year in excess of the debt AND interest accrued the year before. The majority of this debt was created during boom times when no one feared debt. When the inevitable slow down came, the Elite created more money/debt to keep the system going. This new money/debt creation, relative to the amount of real goods and services in a slowing economy, produces more inflation, which naturally boosts the value of real assets.

The Elite has successfully managed this cycle in the past with the creation of Bretton Woods, the closing of the gold window, the Petro Dollar, Paul Volker slaying the inflation dragon in the 80′s with 22% interest rates, the banker bailout and QE 1 and 2. *This time around, there is no way out except for a default*. How that default plays out is still up in the air. I believe that we will get another deflationary shock to scare Congress and us into more money creation and then it is off to the hyperinflationary printing presses.

The ONLY way to protect yourself from this mathematically inevitable disaster is to sell all of your paper assets now and buy real tangible assets. (Please read the ground breaking the Silver Bullet and Silver Shield for a better understanding of this concept.) **One of the most common misconceptions of real tangible assets is the thought that Real Estate is a real tangible asset.** After all, it is called REAL Estate. Real Estate is much more a paper asset than a real asset and it will suffer tremendously during this dollar collapse. The Real Estate question is the biggest question I get in my Strategy Sessions. Real Estate is such a huge and personal investment, so it is hard for people to think rationally and unemotionally about this. If you can not only grasp the idea, but also have enough courage to follow through on your idea, this will prove to be one of your most important decisions you will ever make.

I want to lay out as many reasons as I can on why you should divest all of your investment Real Estate portfolio right now. I would have preferred you sell your real estate and buy real tangible assets like I did in 2005,but we are on the verge of another leg down in Real Estate and the name of the game is *wealth preservation*. Beyond wealth preservation, I believe that those that hold their wealth in real assets will see a massive increase in their real purchasing power. So here are all of the reasons why you should flee the investment Real Estate market while you still can.

1. Real Estate is not a tangible asset. Sure the property is real and tangible enough, but the paper/debt market dramatically affects its value. Almost all Real Estate is bought with mortgages/debt/ paper and leverage. Even if a property is paid in full with cash, the competing bidders who are using leveraged debt to pursue that property directly affected its value. Still think that property is a Real Asset? What is your property worth without a 30-year mortgage? (Most of the world does not have 30-year mortgages.) What is it worth if interest rates were at say 10% instead of 4.5%? What is the cash value of your property if there is no credit market at all? What is the value of your property if/when the dollar collapses? The answer should show that the value of Real Estate is much more determined by paper/debt market than its real tangible value.

2. Most of your Real Estate is not an asset at all. Most Real Estate is non-income producing property. If your property does not prove to be cash flow positive asset, it is by default a liability. When you factor in all of the taxes, interest, maintenance and upgrades, you will see what a drain it can be. That is not to say that it does not have value, it is just is not an asset. (Funny story. When I was done with Boston College and the Marines I lived at my parents home. After a few months, my parents wanted me to pay $500 a month rent to stay in their mansion. I was indignant that I had to pay rent to my parents, who obviously did not need the money. I would show them! I would move out and get my own house. $40,000 down and $2,000 a month later, I showed them! 😉)

3. Look at the Real Rate of Return. The government is out right lying about real inflation. They do this for many reasons for which I discuss here. If the government were telling the truth about inflation we would not see benign inflation at 2% we would see something more like 10% inflation. This statistic has been manipulated for decades, so the compounding effect of this simple lie has stolen trillions of dollars of wealth from the people. Even though the nominal price of your house has gone up over the years, the real inflation adjusted rate of return is probably negative.

4. Even in a hyperinflationary environment owning property is not a "no brainer." In a hyperinflation the value of the mortgage debt would essentially become worthless. That is great for owning your property outright. The reality is that there are going to be other factors that will dramatically affect the real value of the property. In a hyperinflation, the food in your freezer drawer will be worth more than you mortgage. The cost on running your home will become exorbitant. What if you cannot afford the higher water, electricity and gas bills? What is property worth if these utilities are not even working or available?

5. Real Estate is an illiquid asset/liability. What if you are in the "wrong" area when this goes down? Having a better part of your wealth tied to an asset that cannot move is highly disadvantageous during a period of social upheaval. We have all seen the pictures of refugees leaving their homes with the few possessions they own. What if you are in an area that is going to go through massive social upheaval like I pointed out in 5 Places NOT To Be During the Collapse of the Dollar? If you have the majority of your fortune tied to an area that is essentially a war zone, you are putting your life and fortune at risk unnecessarily. This is magnified by the fact that if the dollar collapses there will be NO markets what so ever for selling. You can put $250,000 worth of gold in small purse and take it wherever you want and it is accepted worldwide.

6. You never truly own Real Estate. Even if you own your home outright you still have to pay taxes on it. If you do not pay the taxes you will see who have real ownership of your property. There is away around this and you can get Allodial Title to your property. This is a king's title, which means that no one can put a lien against your property. First you need to pay off your entire mortgage. Then you need to buy the bond that is attached to your property and pay that off too. It costs anywhere from 6 to 8 times your property taxes. When that is done you need to go to your town hall and have your property reclassified as Private Property. Many Churches have their properties held this way and they do not have to pay taxes. This is something that I have only taken a passive interest in, but after the collapse I will make sure all the property I buy will have and Allodial Title. One thing to be aware of is that you cannot mortgage that property unless you reclassify your property. Having Allodial Title is a great Estate Planning tool since there can be no lien put on your property, it is off limits to lawsuits. Gold and Silver naturally have Allodial Title to it and is without counter party risk.

7. Taxes will be raised, as local governments get more desperate. During the boom, few people saw or cared about their property taxes. They figured as long as the asset went up the taxes were sure to follow. Many figured if the property value fell, the taxes would naturally go down. Wrong. Local governments either kept taxes the same when property values fell or worse raised the rate or taxable property valuation to steal more money from you. The sad thing is we have not seen anything yet. When the dollar collapses governments will become more desperate and take extraordinary actions to maintain their power. For a local government the best place to steal money is the property owner. (For a Federal government the best place to steal is your retirement funds.) The local government can raise rates and there is nothing you can do about it. If you don't pay they will simply take your property and sell it at a tax sale. Or what if they create a massive sales tax on the sale of Real Estate? Oh wait, they already did that! (3.8% transaction tax on property with Obamacare.)

8. What they can't tax, they will take. Governments have many other tools in their pocket to steal your property like zoning. What if they mandate that your home must be energy neutral before you can sell it? What if they use eminent domain to give your property to corporate pirates? What if there is a new zoning law that says you cannot build with in 500 feet of any water source or endangered specie? What if they pass regulations that force you from your home like that planned in Agenda 21? These are all part of the American Communist Manifesto.

9. Income producing property is at risk also. The value of income producing property is directly tied to the economy. If the economy cannot support businesses, the value of all of the underlying property is worth less. Overnight the property turns from an income-producing asset into a cash sucking liability. I have seen franchises go broke and once prime property loses 50% of its value overnight. With so many empty properties on the market it acts a drain to your ability to hold rents up.

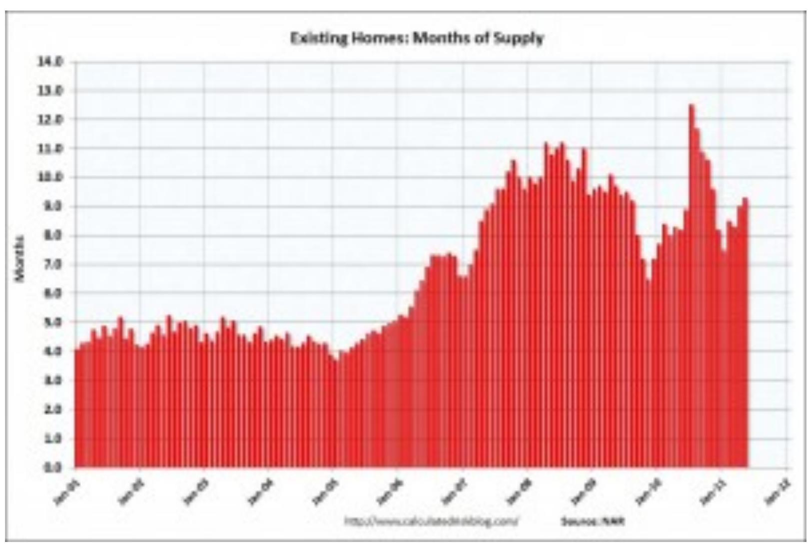
10. If the economy is bad, it also limits the highest and best use of the property. A property's value is judged by its highest and best use. Hypothetically, if a retail property selling cars, was worth $5 million dollars during boom times, it might be valued much more at $35 million for high priced condos. If the economy should suddenly turn and the market for high priced condos falls, it is no longer worth $35 million or even $5 million, it may only be worth the $2 million you bought it for 20 years ago.

11. Bad economy bleeds into family rental market also.

- When the economy deteriorates, people loose their minds.
- Domestic violence and drunken disorderly rises.
- People steal air conditioners and strip homes clean.
- If people don't have jobs, they cannot pay for their rent.
- Towns may enact laws to prevent you from getting rid of non-paying renters.
- People stop caring about life, much less the upkeep of a property.
- Even if you do get rent the real value of that rent is falling, as things get tougher.
- If things get really bad, people will be paying more for food and heat and may not have the money to pay the rent.
- Finally they may also look at *you* as the cause of all of their problems. You probably look like a Rothschild or Rockefeller to most of these renters, and they may take out their frustrations on the guy taking money from them.

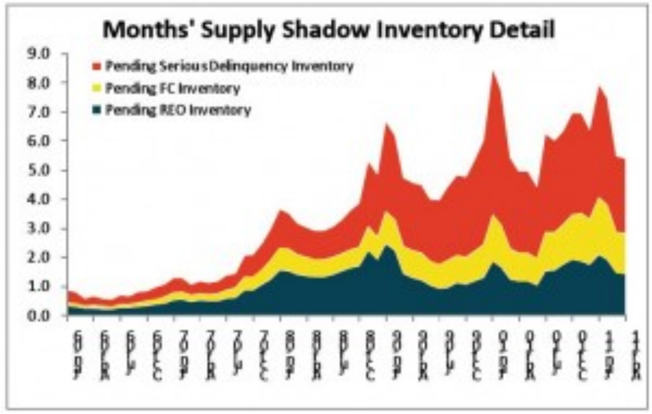
12. Renters have no buffer. I know this is a broad generalization but most renters do not have a buffer. In fact half of all Americans cannot come up with $2,000 in one month for an emergency. Rent is often the easiest expense to skip out on. I have more than a few Academy members who have told me that they fear if that their renters don't pay they too don't even have a buffer to pay the mortgage. They now see that their asset can turn into a liability at any time.

13. The Existing Homes inventory is going back up. It now takes approximately 9 months to sell your home. And this is during the hot selling summer months wait until this winter…Wait until after the next financial crisis. Many people simply cannot afford to sell because they owe too much on their house.

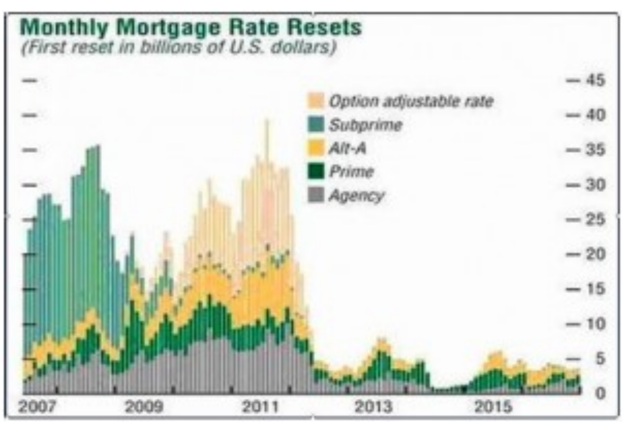


14. Flippers make up a huge portion of those sales. The sales numbers are skewed because there are a lot of homes that are bought and then sold. So the real buyers that are actually moving into new homes is much lower than we are lead to believe.

15. The Shadow Inventory. Ohhh the shadow inventory, that sounds scary. Well it is actually. On top of the homes already on the market, there are MILLIONS of homes not even on the market. These are homes that have been foreclosed upon by the banks and they are not even attempting to sell these homes. They know that if they dump these homes on the market it will crush all of there performing mortgages as homes prices sink further and more people just stop paying. Can you imagine what the Real Estate market would look like if these homes were brought on to the market? Most of these homes are high priced homes and if they were sold at a fire sale the price compression in the market would be severe.



16. Millions more beyond the Shadow Inventory. Even if we somehow get past the gut of existing and shadow inventory there are millions more beyond even that. There are homeowners that have simply stopped paying their mortgages and they have not been foreclosed upon, even though they should. I have many of Academy members that have not paid their mortgages in *years*. Some haven't even been contacted. They pay their property taxes and utilities. These homes tend to be on the lower end in undesirable areas. They also seem to be very upside down. These people also draw strength away from the renter market. If they are not evicted they don't need to rent your property. There are also the Strategic Defaulters that purposely don't pay their mortgages even though they can. They make a cold calculated decision to not pay because they are upside down and they know the banks will not take a bath on the property. So they live there for free and maintain the property for the bank to foreclose on them one day.



17. We still have another year of mortgage resets. We are not done yet…Beyond the existing…Beyond the Shadow…Beyond the as of yet to be foreclosed, we have millions more that will fall into default as there mortgages reset or they lose their job in a ever worsening economy. You might remember that this housing mess all got going because people got in over their heads not only with the Real Estate but also the mortgages. People with no jobs or income now had exploding mortgages that reset at double the payments. The adjustable ARMs and Alt A's are coming due and the properties are worth a lot less and people's financial and job situation are much worse. This coupled with stricter lending is a potent combination.

18. The MERS monster. Mortgage Electronic Registration Systems is a scheme cooked up by the banksters to slice and dice huge pools of mortgages into tranches, so that they can then resell the pools of mortgages all over the world. This is a huge problem since there is now no clear owner of the title of the properties, banks cannot foreclose on properties in default. Would you feel comfortable buying a property from a bank knowing that millions of mortgages are involved in this mess? You may wake up only to find that the property you thought was a steal is actually someone else's property. This mess will only be fixed by some huge act of Congress or the destruction of the dollar. My silver bet is on the destruction of the dollar.

19. Much of the paper work that was done was done very wrong. I knew some of the guys that went into the mortgage business and made huge money. One guy in particular could not even fill out a purchase order for a car. He left me and went on to making a $500,000 a year as a mortgage broker. I would bet you that every single mortgage he wrote was either not disclosed properly or not documented properly. When times were good, the buyers turned a blind eye because they wanted the American Dream. Now that the Dream is a Nightmare there is a huge mess to clean up. There are rumors that banks are no voluntarily reducing mortgages by huge percentages. While this may sound good, I am sure there is a huge hook. My guess is that without clear title these banks will have paper work this time around that establishes their clear ownership. I would think twice before you take this gift.

20. Tougher lending standards means less buyers. Credit requirements are tougher as banks seek to sober up their balance sheets. They require more money down and are much more stringent in their lending. Nearly 27% of all mortgage applications are rejected now. Also there are mortgage caps that are now in place where banks won't lend past $625,000.

21. The "Bigger is Better" generation is scared. The Boomers are known as the "me" generation as they sought to have the biggest and the best. Bumper stickers like," He who dies with the most toys, wins" were very prescient. Once Boomers wanted the McMansion, the summer home, and a few rental properties to pay for their retirement. Now they have lost everything to the paper stock and the paper housing bubble, and it seems like it is too late for a second chance. (It is not too late, because the music is still playing. Read the Silver Bullet and Silver Shield.) Without this generational demand it is going to take years to fill the massive glut of homes we have built. We are going to see American Ghost towns again.

22. The Generation below is broke. If the Boomers are scared and downsizing there must be a generation below that will pick up the slack as they grow, right? My generation is destroyed. Not only were we latchkey kids, we were told to embrace debt by our fearless Baby Boomer parents. After all, what worked for them, should work for us. There is now an unprecedented $1 Trillion dollars in student loan debt chained to my generation. And thanks to Bush, that debt can NEVER be gotten rid of through bankruptcy. So here you have a generation with $20,000 to $250,000 dollars of debt before they even earn one penny in the real world. Never mind the credit card, auto and home debt. This debt is keeping my generation from starting families and having any disposable income. They are just getting by now, wait until the next shock comes. If this debt is holding back families from having kids, this acts as a further throttle to the growth in long term housing trends.

23. Multi-generational housing is coming back. I taught in the Academy, families would be moving into together in a big way. Not only does this make sense financially, it makes sense emotionally. We are going to be going through very tough times and we need to have a strong family to rely upon. This trend will leave a lot of unnecessary homes on the market, as sons, daughters, and grandparents live together once again.

24. Obsolete housing. Many of these huge homes will simply become abandoned. The neighborhood in New Jersey where I grew up had many abandoned beautiful old homes that were once owned by millionaires of the 1900′s. During the 70′s many of them were abandoned or ill maintained as they became uneconomical. During the boom of the 90′s they were snapped up at cheap prices and completely renovated. Now with property taxes rising and the maintenance raising these homes are going to become uneconomical once again.

25. Obsolete towns. The value of properties in areas has a lot to do with the companies that provides jobs. I am in Cleveland and I can tell you first hand that the amount of jobs that has left the area has been huge. If cities and towns cannot keep their businesses they are doomed. All along the rust belt you can see this very clearly. Now the towns that went up with the housing boom are the ones that are the biggest bust. Some cities in Florida have been estimated not to come back to previous high for close to two generations. Can you imagine paying $45,000 a year on a house that lost half of its value? For schools you don't even use or support?

26. Possible Illegal Immigrant exodus. History has shown that foreigners tend to take the brunt of the frustration of the populace during extreme economic collapses. We already have a lot of tension on the boarder with illegal immigrants. When the economy heads south again, the illegal aliens may head south of the boarder as opportunities get slim and social pressure mounts.

27. Foreign Investment Exodus. Right now many foreigners are snapping up land on the cheap. Brazil and China have been making noise lately with their purchases. If I am warning Americans about how bad it is to be in American Real Estate, it should go double for foreign investors. You see how quickly our nation declares war and seizes or freezes assets, just look at Libya. I strongly believe that we are going to see another war soon and I think China will be the next up for the Military Industrial Complex. (Read The Rise of the Anti-Hegemon and The 3 Coming False Flags.) In this scenario all foreign assets would be seized. Even if that does not happen, taxes could be raised or many other things to effect the value of that property.

28. Capital flows East not West. We are also seeing political, financial and eventually military power shift to Asia. The best and brightest came to America because of the opportunity. Now capital is exiting the Anglo American Empire and heading to Asia. This shift of power will affect property values, as real money would rather be in Hong Kong or Shanghai rather than New York or London. Jim Rogers lives in Singapore. Max Keiser lives in Paris. Eric Sprott lives in Toronto. Some of the best minds are purposely not living in America and this trend will continue.

29. The most important factor in the housing market is JOBS. We are on a death spiral for jobs. We have had our manufacturing gutting and sold overseas by the Elite in order for them to make a bonus. Do you remember Ross Perot and his "Giant Sucking Sound?" He said that until the price of labor here is on par with the slave labor in other countries, jobs will never come back. It is sad that we did not listen to him. The other factor is 70% of the economy is part of the consumer economy. This is a massive malinvestment in capital. How much consuming will there be if/when the dollar is destroyed? How many jobs out there serve no real purpose in a new paradigm based on real assets. If you are in banking, sales or work for the government, chances are you are not an integral part of the economy. We need engineers, farmers, mechanics, and people with real skills to do real things.

30. Even when jobs come back it will not be good for housing. We have grown up with the American Dream of instant millionaires and easy credit. This new paradigm will be much slower and more grounded. Gone will be the speculative excess and easy credit. In the new paradigm the lending rules of yesteryear will be the rules of the future. You will need big money down, strong job and personal references. This will hopefully lead to more rational prices for housing. Jobs may come back one day, but it will probably be 3 or 4 generations before we go through the speculative insanity of the housing bubble.

This article has mainly focused on investment real estate, but most of you only own your home. Personally I am paying a mortgage on a home out in the farms of Cleveland. If you own a home in an urban area I recommend get out now while the music is still playing. Suburban areas will be safer but not much. If you are in a good area, I recommend that you NOT pay off your mortgage, even if you can. Borrowing money at 4.5% for 30 years is an absolute steal. Use that money to but real assets that are now returning 20%+ a year. You can pay off the mortgage with worth less dollars later. I also recommend that people buy in a safe area near water and food. Owning a home is much more desirable to renting during a financial crisis. Most rentals are near other desperate people. Having a "castle" to defend is vital to surviving a collapse. You need to have a place to safely stage your preps. Being evicted during a collapse is a very dangerous experience. Just remember the 3 most important rules of Real Estate, location, location, location.

I hope you enjoyed this contrarian view of the Real Estate market. Our whole mission here is to question everything so that we can be aware and prepared. By thinking outside of the box and truly understanding how the world really works, you will be able to be in the right place at the right time. **You can now join our FREE Sons of Liberty Academy to help guide you through the 5 Stages of Awareness.**