

Learning Objectives

- Understand the 5 ways real estate builds wealth
- Leverage tax advantages unique to coliving investors
- Use 1031 exchanges to defer taxes and grow faster
- Plan for long-term financial independence
- Model your path to your wealth goals

The 5 Wealth Pillars of Real Estate

Real estate is the most reliable wealth-building vehicle in history. Coliving supercharges every one of these pillars.



1. Cash Flow

Monthly income after all expenses.
Coliving generates 2-3× the cash flow of traditional rentals.



2. Appreciation

Property values increase over time.
Historical average: 3-5% annually.
Forced appreciation through renovation adds more.



3. Mortgage Paydown

Tenants pay your mortgage. Each payment builds your equity—wealth on autopilot.



4. Tax Benefits

Depreciation, deductions, and deferrals. Real estate has the best tax advantages of any asset class.



5. Leverage

Control \$200K asset with \$40K investment. 5:1 leverage amplifies every return.

COMBINED RETURN EXAMPLE (YEAR 1)

\$200K property, \$80K total investment:

- Cash flow: \$12,000/year (15% CoC)
- Appreciation (4%): \$8,000
- Mortgage paydown: \$3,500
- Tax savings (depreciation): \$2,000

Total Return: \$25,500 on \$80K = 31.9% total return

Tax Strategies for Coliving Investors

Depreciation

The IRS lets you deduct the "wear and tear" on your property over 27.5 years—even if it's actually increasing in value. This is a **paper loss** that reduces your taxable income.

DEPRECIATION EXAMPLE

Property value (building only): \$160,000

Annual depreciation: $\$160,000 \div 27.5 = \mathbf{\$5,818/year}$

If you're in the 24% tax bracket, that saves you **\$1,396/year in taxes.**

Common Deductions for Coliving

Operating Deductions

- Mortgage interest
- Property taxes
- Insurance premiums
- All utilities you pay
- Repairs and maintenance
- Property management fees
- Platform fees (PadSplit)
- Lawn care / snow removal

Business Deductions

- Mileage to/from properties
- Home office (if applicable)
- Professional fees (CPA, attorney)
- Education and courses
- Software and subscriptions
- Furnishing and supplies
- Marketing costs
- Entity filing fees

Cost Segregation Study

A cost segregation study accelerates depreciation by identifying components that can be depreciated over 5, 7, or 15 years instead of 27.5 years. This can generate massive tax deductions in the early years of ownership.

WHEN TO CONSIDER COST SEGREGATION

Generally worth it for properties valued at \$200K+. The study costs \$3,000-7,000 but can generate \$20,000-50,000+ in accelerated deductions. Consult with a CPA who specializes in real estate.

1031 Exchange

A 1031 exchange lets you sell a property and reinvest the proceeds into a new property while **deferring all capital gains taxes**. This is one of the most powerful wealth-building tools in real estate.

How It Works

1. Sell your property
2. Proceeds go to a qualified intermediary (not you)
3. Identify replacement property within **45 days**
4. Close on replacement property within **180 days**
5. Capital gains taxes deferred until you eventually sell without exchanging

1031 EXCHANGE RULES

Strict timelines must be followed. Use a qualified intermediary—you can never touch the sale proceeds. The replacement property must be of "like kind" (any real estate qualifies) and equal or greater value. Always work with a 1031 exchange specialist.

Modeling Your Wealth Path

Let's model what a coliving portfolio can look like over 10 years:

YEAR	PROPERTIES	ROOMS	MONTHLY CASH FLOW	EQUITY BUILT
1	1	5	\$1,000	\$80,000
2	2	10	\$2,200	\$175,000
3	4	20	\$4,800	\$380,000
5	7	35	\$9,000	\$750,000
10	12	60	\$18,000	\$1,800,000

*Assumes moderate growth, 5 rooms/property average, reinvesting cash flow, 4% annual appreciation. Your results will vary based on market, strategy, and execution.

THE COMPOUNDING EFFECT

Notice how growth accelerates. By year 3-4, you have enough cash flow and equity to acquire properties much faster. The first property is the hardest—every subsequent one gets easier.

Financial Independence Through Coliving

How many rooms do you need to replace your income?

Monthly Income Goal		
÷ Average Cash Flow Per Room (\$150-250)		
= Rooms Needed		
Replace \$5K/month	Replace \$10K/month	Replace \$20K/month
25-33 rooms	50-67 rooms	100-133 rooms
5-7 properties	10-13 properties	20-27 properties

✓ Action Steps

1. **Calculate your financial independence number**—how many rooms do you need?
2. **Open the Wealth Building Calculator** and model your 10-year path
3. **Find a real estate CPA** who understands coliving and depreciation
4. **Learn about 1031 exchanges** for when you're ready to trade up
5. **Track your net worth quarterly**—include property equity

Key Takeaways

- **Real estate builds wealth 5 ways**—coliving amplifies all of them
- **Tax benefits** (depreciation, deductions) are a massive advantage
- **1031 exchanges** let you defer taxes and grow faster
- **Compounding accelerates**—each property funds the next one
- **Financial independence is achievable** with 5-15 coliving properties



Your Deliverable

Model your path to financial independence with coliving.