

The One-Two Punch of Compounding & Tax Deferral

**Unlocking the Wealth-Building Potential of Real Estate
Through Strategic Compounding and Tax Deferral.**



Your Skills Save Lives.
Now Use Them To Build Wealth.

COMPOUNDING & TAX DEFERRAL

The Power of Compounding

As surgeons, **we excel at solving problems, using our skills and expertise to address complex medical challenges.** However, it doesn't have to stop there. Beyond the operating room lies an opportunity to **harness these same abilities to grow wealth** and create a meaningful legacy through strategic investments.

Real estate investing, particularly when **compounded over time, offers a transformative path to financial independence** that aligns with the precision, discipline, and entrepreneurial mindset inherent in our profession.

I'd like to explain how compounding works in real estate investments and why it's a **powerful tool for surgeons seeking alternative income streams.** By understanding the principles of value creation, tax advantages, and long-term growth, you can break free from your confines of trading time for money and craft a life of intention and freedom.

Let's look at Warren Buffett.

He likes buying businesses that have a durable competitive advantage at a fair price and a long runway. That same principle can be applied to real estate. Buffett has so much money now that it is hard for him to buy real estate at the scale he requires, but when he first started, he did buy a lot of real estate!

The long runway is the power of compounding. Honestly, it seems like magic, and we will dive into a real-life example soon!

"Compound interest is the eighth wonder of the world."

~Albert Einstein

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Tapping Into the Entrepreneur Inside

Surgeons and entrepreneurs share a critical commonality: the ability to diagnose problems and implement solutions.

In the medical field, we invest our skills to restore health. We assess, diagnose, and treat complex health issues to create life-changing solutions.

In real estate, **we apply entrepreneurial thinking to identify opportunities, mitigate risks, and achieve value creation.** We do this by providing the necessities of others through housing for families, medical facilities to treat people, and retail locations where businesses operate.

The entrepreneurial mindset empowers surgeons to:

- **Expand Horizons:** Step beyond the operating room to discover new avenues for growth and reinvention. Whether real estate or something else, focus on a specific investment niche to streamline decision-making and maximize impact.
- **Create Value:** Leverage analytical skills to make informed decisions about investments that benefit both personal growth and the broader community.
- **Live With Zest:** Pursue passion projects and embrace a purpose-driven life by cultivating financial independence.

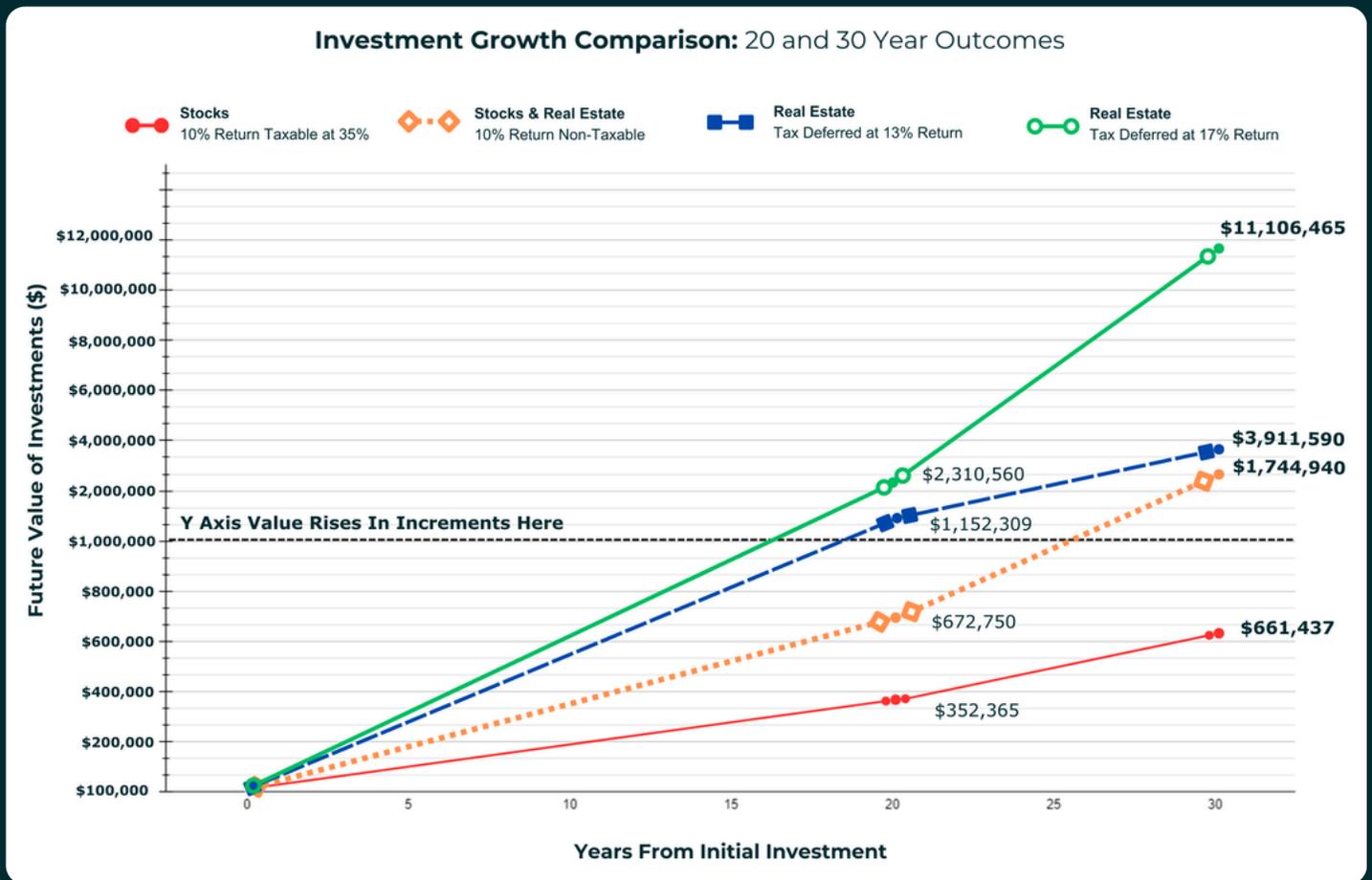
Real estate investing parallels our medical journey: both demand excellence, precision, and an unwavering commitment to long-term impact. By embracing this mindset, surgeons can extend their influence beyond medicine, enriching their own lives while helping others.

The Power of Compounding in Real Estate

Compounding in real estate refers to the exponential growth of wealth through reinvested returns, leveraging tax advantages, and appreciating property values. Unlike the volatility of stocks, **real estate offers stability, predictability, and the potential for significant financial growth.**

Investment Growth Possibilities

To illustrate, consider a 30-year investment period with an initial \$100,000. **These scenarios underscore the profound impact of combining strong returns with tax-efficient strategies.**



Solid Red Line: Stocks with a 10% return taxed at a 35% bracket shows growth, but blunted due to heavy tax burdens.

Orange Dotted Line: Stocks in a non-taxable account and real estate with a 10% return demonstrate moderate growth without tax drag.

Blue Dashed Line: Real estate with a tax-deferred 13% average return highlights the power of higher returns and tax advantages.

Green Solid Line: Real estate with a tax-deferred 17% return showcases the compounding effect at its peak, significantly outpacing other options.

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Compounded Growth Over 10 Years

The following chart illustrates how an initial investment of \$100,000 grows under different annual return scenarios over 10 years:

Year	Compounded Value (\$) 10% Return (Taxed 35%)	Compounded Value (\$) 10% Return	Compounded Value (\$) 13% Return	Compounded Value (\$) 17% Return
1	\$106,500	\$110,000	\$113,000	\$117,000
2	\$113,422	\$121,000	\$127,690	\$136,890
3	\$120,795	\$133,100	\$144,290	\$160,161
4	\$128,647	\$146,410	\$163,047	\$187,389
5	\$137,009	\$161,051	\$184,244	\$219,245
6	\$145,914	\$177,156	\$208,195	\$256,516
7	\$155,399	\$194,872	\$235,261	\$300,124
8	\$165,500	\$214,359	\$265,844	\$351,145
9	\$176,257	\$235,795	\$300,404	\$410,840
10	\$187,714	\$259,374	\$339,457	\$480,683

This visualization emphasizes how **even small differences in return rates significantly impact long-term wealth accumulation.**

The key takeaway is that **higher returns combined with tax deferral and reinvestment accelerate compounding**, helping investors build substantial wealth over time.

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Why Compounding Matters to Investors

Here's how it works and why it's so impactful:

1. Reinvestment of Earnings: In real estate, rental income can be reinvested into new properties, renovations, or debt reduction. **Each reinvestment generates additional returns, creating a snowball effect of growth.**

2. Tax Deferral Benefits: Unlike other investments, real estate allows you to defer taxes on income through strategies like depreciation and 1031 exchanges. This means that the **capital stays in your portfolio, earning returns rather than being eroded by taxes.** The money you would otherwise pay Uncle Sam not only stays with you but also earns a return.

3. Appreciation Over Time: Real estate typically appreciates in value, which compounds your initial investment and further increases overall returns. For example, **a property valued at \$500,000, appreciating at 3% annually, will be worth over \$1.2 million in 30 years.**

4. Leverage and Multiplication: By using leverage, e.g., financing a portion of the property, you can amplify the returns on your equity. While debt carries risks, it also allows you to control larger assets, enhancing the compounding effect.

- Say you buy a property for \$1 million, and you put down \$300,000.
- **The appreciation is for the entire property value**, not just your investment amount.
- So, 3% of \$1 million is \$30,000, which is **10% appreciation** of the actual invested amount of \$300,000.



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Why Compounding Matters to Investors (continued)

5. Long-Term Stability: Real estate's **predictable cash flow and relative stability** compared to other asset classes make it **ideal for compounding**. While market corrections may occur, the overall trajectory for well-chosen properties tends to be upward.

Compounding rewards patience and long-term thinking, allowing surgeons to gradually transition from relying on active income to enjoying passive, self-sustaining wealth.

"The first rule of compounding: never interrupt it unnecessarily." ~Charlie Munger

Tax Deferral: A Game-Changer

One of real estate's **most compelling advantages is its ability to defer taxes**. The following is a high-level overview.

Depreciation: Although most real estate appreciates over time, the **IRS allows investors to offset income with depreciation**. For example, components like roofing, HVAC, and landscaping are depreciated over their usable life, reducing taxable income.

1031 Exchange: This allows investors to **defer capital gains by reinvesting proceeds from the sale of a property into another "like-kind" property**. The result? Deferred tax consequences and more capital to compound further.

Generational Wealth: Advanced strategies enable investors to defer taxes indefinitely. **Upon passing, these deferred taxes can be eliminated altogether**, allowing heirs to inherit assets at a "step-up" in basis.

Even small changes in return rates, especially when combined with tax deferral, create major wealth differentials over time.

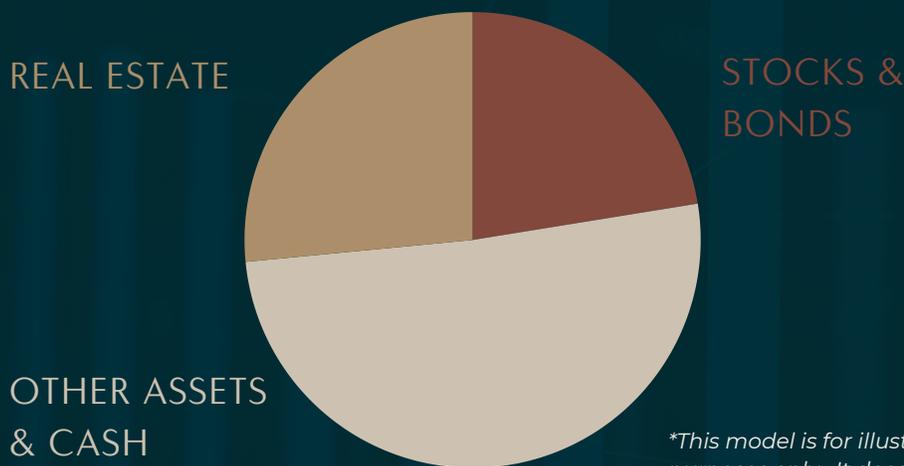


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The Preferred Asset Class for Wealthy Investors

Real estate consistently ranks as the asset of choice among ultra-high-net-worth individuals. Tiger 21, a community of investors with at least \$20 million in assets, allocates 27% of their portfolios to real estate, surpassing stocks and bonds at 25%.

TIGER 21 DIVERSIFICATION MODEL



**This model is for illustrative purposes only. It does not constitute financial advice.*

This preference reflects real estate's unique ability to offer:

Favorable Risk-Adjusted Returns: Real estate's stability and predictable cash flows make it less volatile than stocks.

Tax Efficiency: Depreciation and deferral strategies provide significant tax advantages.

Tangible Value: Unlike intangible assets, real estate offers physical, income-producing properties. For surgeons, real estate investments align with our strategic thinking, long-term planning, and desire to create meaningful impact.

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The Preferred Asset Class for Wealthy Investors (continued)

For surgeons, real estate investments align with our strategic thinking, long-term planning, and desire to create meaningful impact. **Many surgeons know this intuitively but have a perception that real estate is risky.** In the last few years, many surgeons have lost money in real estate. So let's address the elephant in the room and acknowledge that real estate is not a panacea. You can lose money in real estate if you don't follow the principles and don't have experience.

Therefore, real estate must be done correctly! If you do it right or work with a seasoned, experienced team that follows a methodical process, the **rewards can be significant** as an adjunct, not replacement, to your stock portfolio. At Apta, **we believe in diversification.**

Designing a Life of Intention

Imagine waking up with **the freedom to design your day**, whether pursuing a passion project, spending time with family, or embarking on a spontaneous adventure. **Real estate investment can make this vision a reality.**

Passive Income: Create streams of tax-advantaged income that reduce reliance on active work.

Flexibility: Gain the freedom to balance professional commitments with personal aspirations.

Legacy Building: Share financial wisdom with peers and family, fostering a ripple effect of empowerment and security.

By embracing real estate, **surgeons can craft lives that reflect their values, passions, and purpose, ultimately achieving the freedom to focus on what truly matters.** This approach allows you to practice medicine because you want to instead of have to.



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Break Free from the Cycle

As surgeons, we dedicate our lives to improving others' well-being. **By channeling this same dedication into real estate investments, we can achieve financial independence** while creating a legacy that extends beyond medicine.

Compounding returns, tax advantages, and stable growth make real estate an ideal alternative investment for high-performing professionals.

It's time to embrace the entrepreneurial mindset, expand your horizons, and unlock the transformative power of compounding in real estate investments. **Step into a life where your financial decisions stem from intention, choice, and freedom.**

Take the next step and explore how real estate investing can transform your financial future.

Our methodical, experience-backed approach is designed to help them execute this strategy with confidence.

Contact us today to see how we can help you live your life on your terms!

AptalInvest.com

Practice medicine by choice, not obligation.

Disclaimer: This is for informational purposes only and does not constitute financial, tax, or legal advice. Please consult with a qualified professional before making investment decisions.

