Worksheet 1: Property Summary
2020

Property Address: _____

Investor: _____   Date:_____

Purchase price: _____[a]
Add closing costs: +_____[b]
Total acquisition cost: _____[c]
Improvement allocation   x_____%
Improvement value   _____[d]

1st mortgage: _____[e] x rate _____% =   Interest_____[f]
Principal: + _____[g]
Debt Service   _____ [h]

Down payment: $_____
Add closing costs   +_____[b]
Initial investment: $_____[i]

Gross monthly income: $_____x 12 = yrly. gross income: $_____[j]
Annual vacancy allowance: _____% x yrly. gross income [j]   = $_____[k]

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                Annual Operating Expenses
        Property taxes:   $_____
        Insurance:        +$_____
        Utilities:        +$_____
        Maintenance:      +$_____
        Other:            +$_____
        Annual
        Operating exp   :$_____[l]
```

Investor's tax bracket _____%[m]
Holding period: _____yrs. [n]
Ann.appreciation: _____% [o]
Proj. cost of sale: _____% [p]

Alternative inv. pre-tax rate: _____%

(100% - _____% tax bracket [m] =   x _____%

After-tax rate of return: _____% [q] (rounded) *(This rate is the investor's desired after-tax rate of return. This rate should be contrasted with the FMRR on Worksheet 5.)*

Worksheet 2: Before-Tax Cash Flow

Potential gross income: _____[j]

    Less vacancy allowance   ___-_____[k]

Effective gross operating income: _____

    Less total operating expenses   ___–_____[l]

Net operating income (NOI):   _____[r]

    Less debt service   ___-_____[h]

Before-Tax Cash Flow (BTCF)   _____[s]

Your client may want to know:

$$\frac{NOI \ (r) _____}{Pur.\$ \ (a)} =$$

    (cap rate)

Your client may want to know:

$$\frac{BTCF \ (s) _____}{Equity \ (i)} =$$

before-tax equity dividend rate

Worksheet 3: After-Tax Cash Flow

Net operating income $_____[r]

Less annual interest
payment   -_____[f]

less depreciation   -_____[t]

Taxable income/loss $_____

x tax bracket   x_____% [m]

Tax savings (if *negative*)
or tax liability (if *positive*) $_____ [u]

Depreciation Calculation

Improvement
value $_____[d]

Divided by
economic life   ÷_____ 27.5 or 39 yrs

Annual depreciation
deduction $_____[t]

Your client may want to know:

$$\frac{ATCF \ (v) _____}{Equity \ (i)} =$$

after-tax equity dividend rate

Before-tax cash flow: $_____ [s]

    Add tax savings
or *subtract* tax liability: +/-_____ [u]

After-tax cash flow: $_____ **[v]**

Worksheet 4:   After-Tax Proceeds from the Sale

Purchase price: $_____ [a]

Factor from Table A   x_____

Projected sales price: $ _____ [w]

Less cost of sale: [p¹]____%   -_____ [p²]

Realized sales price: $_____

Less total acquisition   - _____[c]

Capital gain $_____

x max. cap gain tax   (0, 15% or 20%)   x _____%

Capital gain tax due $_____

Add deprec recap tax   +_____

Tax due from sale* $_____[x]

Use Table A and look up the factor for

_____%_ann. appreciation rate [o]
_____yrs_holding period [n]
_____factor

Depreciation Recapture

_____depreciation [t]

x_____holding period   [n]

= $_____total depreciation

   x 25%_ deprec. recap. tax rate

$_____depreciation recap. tax

Projected sales price $_____[w]

Less sales costs   -_____[p²]

Less mtg. balance   -_____[*]

Less tax due   -_____[x]

Net after-tax sales proceeds $_____[y]

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*Note: If sellers receive cash from the sale of their investment, the tax cannot be postponed. Sellers should consider a 1031-tax-deferred exchange before selling for cash.)

*instructor will provide or use amortization table

Worksheet 5: Performance Summary

After-tax cash flow: $_____ [v]

Factor from Table B $\_\_\_x_____$

Amount accumulated: $_____

Plus net after-tax proceeds from sale +_____ [y]

Total future wealth: [FV] $_____[z]

> *Use Table B and look up the factor for*
>
> _____%_inv. after-tax rate of return [q]
> _____yrs_holding period [n]
> _____factor

What *percentage return* on investment would the investor have received in order to have earned the **total future wealth** (above) after investing the **initial investment** (i) for the **holding period** (n)? Guess the rate of return. You may have to try several factors from Table A as a multiplier to approximate the following: Initial investment x factor = total future wealth.

Initial investment: $_____ [i]

Factor x_____ =

Total future wealth:_____[z]

(SHORTCUT: divide the total wealth by the initial investment; the result will be the

Factor; then look at Table A and go down the column for years to find the holding

period; then go across that row to find the closest factor you can find in that row.

The result is the approximate FMRR).

> *Use Table A and look up the factor for*
>
> ___?___% _____ yrs
> rate   holding period [n]
>
> _____factor
>
> Try different rates. The one that gets you closest to the amount for total future wealth [z] is the approximate FMRR.

Financial Management Rate of Return (FMRR) _____%

Note regarding the use of this form for clients

The numbers and percentages used in this analysis are based on assumptions about the future. For example, this analysis assumes that tax laws currently in effect will not change. The information on this analysis, as a consequence, **is not a guarantee** of investment performance.