

Evaluating an Investment

Have you ever bought an investment and later said to yourself, “I wish I had never purchased that investment? I had a feeling it was going to go bad”? Often this happens because many people don’t know the right questions to ask. Have you heard the old adage that says, “Ask the wrong questions, get the wrong answers”? For this reason, we created the “Investment Evaluator”, a compilation of core questions to ask when you are evaluating an investment. Below are some top questions you should be asking.

#1 –Ask if it’s the right investment at the right time. For example, buying land today as a short-term investment is probably not such a good idea.

#2 - Look at the experience of the management team. Who is on the board and what is the track record of the management team?

#3 - Do the people who are putting the project together have their own money invested in the deal? We like to refer to this as “skin in the game”.

#4 - Is there implementation of third party accounting? What checks and balances are part of the plan? What are the invested dollars going to pay for, such as expenses, salaries and marketing efforts? You have a right to know those numbers.

#5 - Are there legacy assets? Specifically, is the management team allowed to swap some of the new assets with older assets? Although this can rescue the older assets, this can also dilute the performance of the new investment.

#6 - What is the Exit Strategy? Are there several ways out of the investments? What is the timeline? Be fully aware of what happens if you have an emergency and you need your money.

#7 - What is the LTV (Loan to Value ratio) of the investment? The LTV is the amount of a first mortgage lien as a percentage of the total appraised value of real property.

#8 - Find out if the investment can be encumbered after the offer is completed.

#9 - Ask questions about the preferred payout. Does the investor get paid first, or does management get paid first?

Investing is not just a “sexy story” and then you get the return. Investing involves a variety of risks and there are so many important questions to ask about the investment itself and about your own situation.

If you would like your complimentary CD “The Investment Evaluator”, please e-mail us at info@conawayandconaway.com. We also invite you to listen to our educational and

entertaining radio show “Smart Money Talk Radio” which airs LIVE every Monday from 3-4 pm on KCAA 1050, an NBC-affiliate station, or you can listen online at <http://www.kcaaradio.com>.

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