

The Facts Behind Real Estate Investment Trusts

How much do you know about the various types of investment options that you are putting your money into? A lot of people do some research into the investment paths they are using, but when it comes to really understanding those investments, and where they came from, they may not understand them completely.

One type of investment that is getting talked about more and more these days, but may have a misunderstood history is real estate investment trusts, which are also known as REITs.

REITs are investments that have a number of real estate interests inside of them. In some ways these are like real estate mutual funds where you purchase shares, which instead of being one share of one item are really a purchase into a number of interests. But there are some differences.

Normal real estate mutual funds work by different rules than REITs, which were only developed in the 1960s. At that time congress noticed when it came to real estate ownership there were two distinct groups, those that could not afford it and the wealthy who owned a lot of real estate.

Thinking it would not hurt for more types of investors to be able to be involved in real estate, Congress created the real estate investment trust act of 1960.

This act would allow companies to create portfolios of interests that would aid in the construction and maintenance of real estate interests. The reason it worked was because Congress offered something for everyone in the way they wrote the legislation. For the companies that were running the trusts, they would be able to enjoy tax exempt status as long as they met the more strict criteria set forward by the trust. For investors, there was a chance to make a good profit since the majority of profits made by these trusts would be passed on to investors.

They had created a way for those who were not considered the wealthy to take part in real estate investing and making the companies that controlled the real estate interests let them do just that.

The way REITs were structured is that they must have at least 100 shareholders and take 75 percent of the money put into them and put them in real estate-specific interests such as real estate, shares in other REITs or mortgage loans.

When profits come in, at least 90 percent of all profits must be given to shareholders. This allows the REIT to be tax exempt, while the shareholders have the responsibility to pay the taxes.

It was not perfect legislation though. There have been issues that have had to be hammered out over the years in two large legislation reform acts in 1986 and again in 1999.

Now that you know about REITs you may be ready to add some to your portfolio. If you are, make sure you are purchasing them through a brokerage that knows their REITs and can help you make sure your portfolio is working for you. REITBuyer.com is the first and only online brokerage that specializes in REITs and real estate mutual funds.

This article was written by Earl E. Bird, III, spokes person for the REITbuyer.com, a website designed to educate investors on REIT buying and investing in Real Estate Mutual Funds. Whether you are a savvy investment guru or a new investor looking for guidance, Reitbuyer.com has everything you need to be successful. For more articles on REITs visit <http://companytrust.blogspot.com>