

# Building Wealth through Real Estate

Philosophy, Strategy, Execution



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# Agenda

- Financial Philosophy
- Financial Strategy
- Financial Execution



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# I'm a fraud

- I am not an economist, a multi-millionaire, or a wealthy man (but I do live comfortably and have “mailbox money” that makes my life easier).
- Every piece of financial wisdom this program contains is from Robert Kiyosaki, Gary Keller, George Clayson, Dave Ramsey, as well as others I respect.
- Every piece of real estate wisdom I am going to share is from other investors, my marginal successes, and more importantly, my failures.
- I do implement these principles often. However, not often enough!
- So if any of you prefer to leave, you are welcome to. I understand.

**Also for gosh sake remember I am a D on the highest level measureable**



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# So what's my goal?

- To give each person here at least one piece of knowledge that they can implement.
- Your goal is to gain at least one piece of information that could change your life.



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# Philosophy

- Wealthy people tend to think differently (philosophically) than non wealthy people.
- Let's explore those differences.



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# What is your definition of wealth?



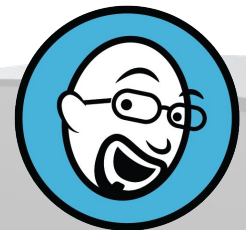
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# Wisdom from the masters

- What is the difference between being rich and being wealthy?

*“Many people think that being rich and being wealthy are the same thing, but there is a difference between the two. The rich may have a lot of money, but they also may have a lot of expenses that keep them up at night. They might have a high paying job, but have to get up and go to work everyday fearing the possibility of being fired or laid off. The wealthy, on the other hand, don’t have these worries.” - Robert Kiyosaki*

*M.C. Hammer was RICH (and lost it all). Sam Walton’s descendants are WEALTHY.*



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# The true definition of wealth

- Wealth is defined by the number of days you can survive without physically working (or anyone in your household physically working) while maintaining your standard of living.
- For example, if your monthly expenses are \$5,000 and you have \$20,000 in savings, your wealth is approximately four months (or 120 days).
- Wealth is measured in time, not dollars.

-Robert Kiyosaki



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# For real estate agents

- As a real estate agent, you will probably make more money (in the short term, at least) by selling real estate.
- However, you will build more *wealth* buying (and holding) real estate.



# The masters

- Clayson – The Richest Man in Babylon
- Kiyosaki – Rich Dad Poor Dad / Cash Flow Quadrant
- Ramsey – Total Money Makeover
- Keller / Papasan – The One Thing
- Shemin – Secrets of a Millionaire Landlord



# George Clayson

- Gold cometh gladly in increasing quantities to any man who will put not less than one-tenth of his earnings to create a future for himself and for his family.
  - This one act changed my life
  - Live on less than you make...period
  - 80/10/10
  - 70/10/20
- Gold works diligently and contentedly for the wise owner who finds for it profitable employment.
  - Gold is a tireless employee
  - A gold army working under a good general always multiplies financial strength



# George Clayson

- Gold clings to the wise owner who invests it under the advice of wise men.
  - Don't buy diamonds from a butcher
- Gold slips away from the man who invests in businesses with which he is not familiar.
  - Options in the stock market
  - Commercial real estate for me (I specialize in residential)
- Gold flees from the man who would force it to impossible earnings or who would follow the alluring advice of tricksters.
  - Beware of impossible returns



# Kiyosaki RDPD

- Each month, *pay yourself* first.
  - Same philosophy as Clayson, but stated differently
  - Live beneath your means
- In school we learn that mistakes are bad, and we are punished for making them. Yet, if you look at the way humans are designed to learn, we learn by making mistakes. We learn to walk by falling down. If we never fall down, we will never walk.
  - I have learned more from my losses than my successes
  - The Rodriguez “boys first investment”
- You will never be wealthy working for someone else!
  - Employees work hard enough to avoid being fired, and owners pay just enough so that workers won't quit.



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# Kiyosaki RDPD

- Most people fail to realize that in life, it's not how much money you **make**, it's how much money you **keep**.
- The lack of money is the root of all evil. - Mark Twain.
  - Who would do a better job sharing their wealth than you?
  - Who would do a better job starting a family legacy than you?



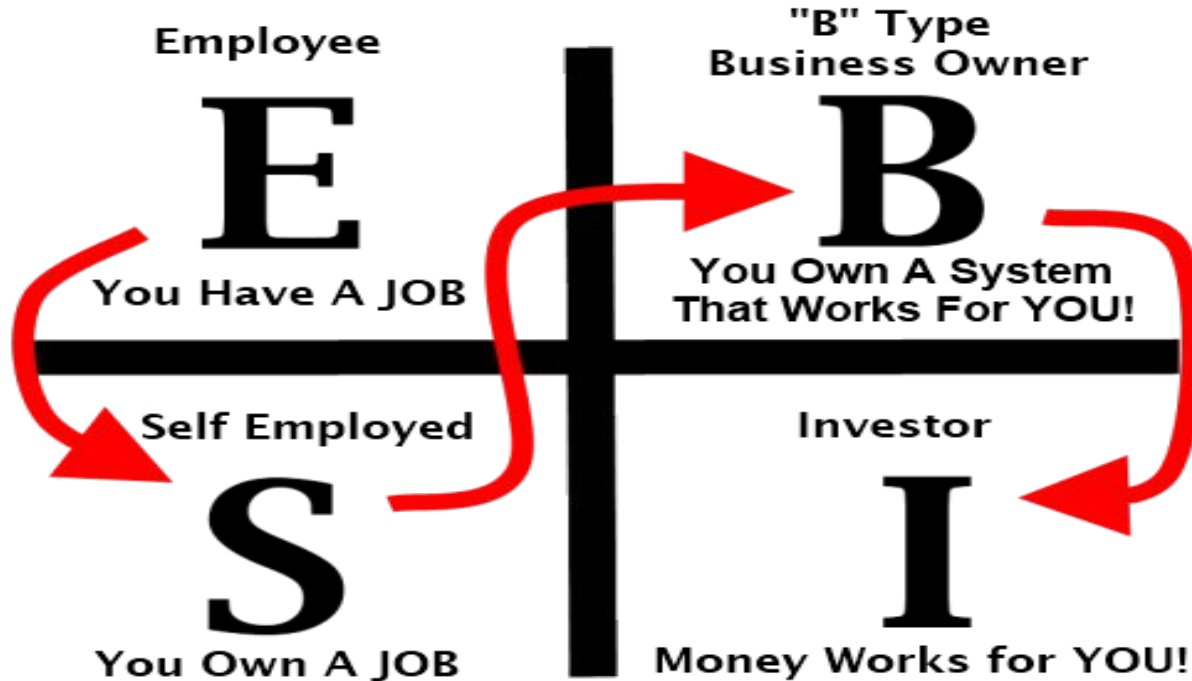
# Kiyosaki

- Mailbox money



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# Kiyosaki CFQ





Idea: Robert Kiyosaki

# CASHFLOW QUADRANT

YOU HAVE  
A JOB

NO LEVERAGE

🕒 = \$

**E**  
EMPLOYEE

PEOPLE WORKS  
FOR YOU

LEVERAGE

👤👤👤 = \$\$\$

**B**  
BUSINESS OWNER

YOU CREATE  
A JOB

NO LEVERAGE

🕒 = \$\$

**S**  
SELF-EMPLOYED

**I**  
INVESTOR

\$ WORKS  
FOR YOU

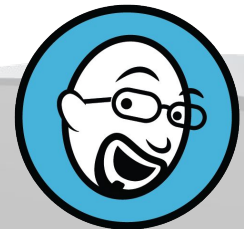
PASSIVE INCOME

\$\$\$ = \$\$\$

YES  
FINANCIALGOAL  
— Make Your Money Work for You —

*I would rather earn 1% off a 100 people's efforts  
than 100% of my own efforts.*

— John D. Rockefeller



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# Break for local logic

- What is your best financial advice?  
*“My daughter’s car” from new home agent Greg Sewell*
- Break into groups of two or three and give one great idea to your group.



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# Strategy

- People with wealth follow set financial strategies.



# So...how do I get the money?

- Remember Clayson and Kiyosaki.
- Then learn from Dave Ramsey.



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# Ramsey

ONE THOUSAND IN AN EMERGENCY FUND

**PAY OFF ALL DEBT**

THREE TO SIX MONTHS EXPENSES IN SAVINGS

**INVEST 15% OF INCOME**

INTO ROTH IRAS OR PRE-TAX RETIREMENT

PERSONAL DEVELOPMENT FUNDING

**PAY OFF YOUR HOME EARLY**

**BUILD WEALTH AND GIVE**



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# Ramsey

- Pay off the smallest debt first.
- Pay off the debt with the highest interest rates fastest.
- Take Dave Ramsey's Financial Peace University, ASAP.



# A few tricks

- Self directed IRA's.
- Health Savings Accounts.
- Create an additional source of income.
  - Charge rent to a child living at home
  - Take a second job
  - Carpool
  - Give up a bad habit



# A few more tricks

- Monthly financial summit
- Spread sheet of all assets (updated monthly)
- Hire a great accountant and book keeper
- Become a master of a few things (I do not install ceiling fans or mow lawns or replace locks)

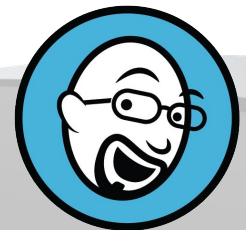


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# Gary Keller and Jay Papasan

- Have a set monthly P and L meeting with your spouse or an accountability partner.
- Focus on one thing at a time (for me this is buying houses).
- The One Thing can be applied to every aspect of your life.
- The One Thing does not mean that this is all you are doing. The concept simply means that this is all you are focusing on *right now*. Your time, effort, and better part of your day are dedicated to this task until you have created a habit.



# Gary Keller and Jay Papasan

- Examples from my life:
  - I once weighed 300 pounds.
  - I spent months learning how to eat, but once that was mastered, I had that gift forever (I still struggle, but I always know how to get back on track).
  - I spent months to committing myself to working out 4-6 days a week. Now it is a habit.
  - I spent months training to run a marathon and now running is a habit I will have forever.



# So what is your next “One Thing”?

- For me, it has to be to **master** home buying and selling for investment.
- What is yours going to be?
- If you chose real estate investment, the next section will help you get started!



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# Execution



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# Shemin

- True book for landlord systems
- A little outdated, but still solid information



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# Flipping vs. Holding

- Flipping = Cash Flow
- Holding = Long Term Wealth (mailbox money)
- The only true path to wealth is holding property!
- Tahoe Valley Example



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# Imagine a tireless army

- Young stockbroker visits an older couple.
- Imagine how tough you would feel with thirty Army Rangers protecting you.
- Imagine how financially safe you would feel with 30 small properties that are paid for and leased out!
- 30 properties (with no mortgage) leased for \$1000 a month:
  - Minus 25 for taxes / management / vacancy
  - 750 a month X 30 properties = \$22,500 a month in mailbox money
  - You are getting a tax write off for property expenses
  - This great thing called depreciation
  - You grow a legacy for your children



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# Types of Property to Buy

- Foreclosures
- Soon to be foreclosed on
- Distressed property
- Days on the Market Losers



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# The foreclosure process

- Pre-foreclosure
- Courthouse steps
- Bank owned
- Sold via MLS



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# Foreclosures

- Disclaimer: I have purchased foreclosure properties, but I am not a foreclosure expert.
- Advantages
  - Can be purchased below market value
  - Simple method of purchasing
- Disadvantages
  - Just because it is a foreclosure does NOT mean it is a good deal!
  - Liens are not always cleared (especially in the case of tax foreclosure)
  - Must have cash or access to cash (open line of credit)



# Types of foreclosures

- Bank Foreclosure
  - Generally will have the cleanest title
  - Most simple process
- Tax Foreclosure
  - Has the most potential upside
  - Is the most risky
- HOA Foreclosure
  - Does not usually clear other liens (not sure of the purchase process)



# Buying Foreclosures

- The courthouse steps
  - The best deals are often found before they get to the courthouse steps
  - Research needed (You Own it Story)
  - Cash needed
- After bank ownership
  - The best deals may have been purchased before the bank took ownership (subject to or courthouse steps)
  - Some homes sold to investors via “bulk purchase”
  - The remainder are sold via MLS
  - Often the banks prefer offers from owner-occupant buyers, rather than investors



# Soon to be Foreclosed

- Get lists from services like [foreclosurehouston.com](http://foreclosurehouston.com)
- Knock on doors
- Purchase via subject to / quit claim
- Send letters
- Market (also can be source of listings)
- Short sales



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# Distressed properties

- May or may not be going into foreclosure
- May be found via probate list
- May be found via research
- May be found via marketing (We Buy Ugly Houses)



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# Days on the market losers

- Can be a wonderful source for investment properties
- Few people look here
- You must find out the reason the home has not yet sold



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# How do you put in offers?

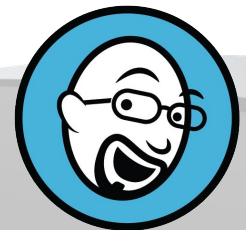
- Highest and Best Offer
- Close Quickly
- Cash Offers
- Large Down Payments
- NUMEROLOGY
- Earnest Money
- Title Company Choice
- Survey (who pays?)
- Sellers Disclosure
- Mediation
- Home Warranty
- Closing Cost
- Option Period
- Repairs





# What do you do now?

- Maybe nothing.
- Maybe you decide that this is how you want to grow your money.
- Maybe you decide to read the books we've recommended.
- Maybe you put together your savings plan and a business plan.
- Maybe you have your first financial summit
- Maybe you start assembling your team.



# Reminder of which books to read

- Clayson – The Richest Man in Babylon
- Kiyosaki – Rich Dad Poor Dad / Cash Flow Quadrant
- Ramsey – Total Money Makeover
- Keller / Papasan – The One Thing
- Shemin – Secrets of a Millionaire Landlord



# What we are asking from you

- Please fill out the feedback form.
- If you came with a real estate agent:
  - If you came with an agent step out and talk to them about your plan (you two should plot a course)
- If you did not come with an agent or if you are an agent who came alone:
  - We would love to talk to you after the event (please stay a few more minutes)



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